Towards Cross-Channel Management:
Strategic, Structural, and Managerial Challenges for Multi-Channel Retail Incumbents

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The President:

Prof. Dr. Thomas Bieger

Meinen Eltern

Vorwort

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Summary

Towards Cross-Channel Management: *Strategic, structural, and managerial challenges for multi-channel retail incumbents*

by Felix Brunner

New digital devices such as smartphones or tablets have enabled consumers to ubiquitously access the Internet and switch between online and offline channels when shopping. For multi-channel retailers, this considerable change in consumer behavior offers great potential as it may entail a long-awaited answer to the increasing pressure from fast-growing online pure players. However, multi-channel incumbents often hesitate to integrate their online and offline channels to cater to the new consumer behavior as they struggle with this firm-wide strategic change process. This dissertation offers insight into how firms can overcome said inertia and successfully manage the transformation process towards a cross-channel management approach. In doing so, the present contribution scrutinizes one of today's major challenges in retailing. The constituent four articles of this cumulative dissertation approach the shift from multi-channel management towards cross-channel management from a *strategic (Article 1 & 2)*, a *structural (Article 3)* as well as a *managerial (Article 4)* perspective. The following research endeavor employs a multiple case-design and relies on an empirical basis of 78 semi-structured interviews with 71 top and middle managers from nine multi-channel retailers. *Article 1 (chapter B)* as well as *article 2 (chapter C)* introduce a typology of strategic channel modes and derive three different strategic development paths for multi-channel incumbents to transform their business model towards a cross-channel setup. *Article 3 (chapter D)* introduces a framework consisting of four routes of organizational design adaptation which multi-channel retailers can adopt to structurally cope with the fundamental change in consumer behavior. *Article 4 (chapter E)* identifies three distinctive practices that explain how top managers are able to empower their mid-levels to actively contribute to the firm-wide strategic change process. Furthermore, the *practical implications section (chapter F)* introduces two management tools to successfully manage the transformation process from multi-channel management towards cross-channel management. The *conclusion section of this dissertation (chapter G)* summarizes and discusses all findings first by illustrating the theoretical as well as the practical contribution and second by offering limitations as well as directions for further research for each article.

Zusammenfassung

Auf dem Weg in Richtung Cross-Channel Management: *Strategische, strukturelle und führungsbezogene Herausforderungen für Multi-Channel Händler.*

von Felix Brunner

Neue digitale Geräte (bspw. Smartphones, Tablets) ermöglichen es Konsumenten jederzeit und überall das Internet zu nutzen und fördern den Wechsel zwischen verschiedenen Online- und Offline-Kanälen während des Shoppings. Dieser Wandel im Konsumentenverhalten bietet Multi-Channel Händlern die herbeigesehnte Möglichkeit, sich gegen die schnellwachsenden Pure-Online Player zur Wehr zu setzen. Nichtsdestotrotz fällt es etablierten Multi-Channel Händlern oft schwer, ihre Online- und Offline Kanäle zu verknüpfen um der Veränderung des Konsumentenverhaltens Rechnung zu tragen, da dieses Vorhaben einen unternehmensweiten Wandelungsprozess bedingt. Das Dissertationsprojekt untersucht, wie Firmen den Transformationsprozess vom Multi-Chanel Management hin zum Cross-Channel Management erfolgreich bewältigen und somit eine der grössten Herausforderungen in der heutigen Handelslandschaft nachhaltig meistern können. Die vier Forschungsartikel dieser kumulierten Dissertation thematisieren den Wandel vom Multi-Channel Management hin zum Cross-Channel Management aus einer strategischen *(Artikel 1 & 2)*, einer strukturellen *(Artikel 3)*, und einer führungsbezogenen *(Artikel 4)* Perspektive. Sie basiert auf einem Multiple-Case Design, welchem Daten aus 78 semi-strukturierten Interviews mit 71 Top und Mittleren Managern von neun unterschiedlichen Multi-Channel Händlern zugrunde liegen. *Aufsatz 1 (Kapitel B)* sowie *Aufsatz 2 (Kapitel C)* illustrieren eine Typologie von unterschiedlichen Channel-Modi und leiten daraus drei unterschiedliche strategische Entwicklungspfade her. Jeder Pfad beschreibt eine Möglichkeit, wie etablierte Multi-Channel Händler ihr Geschäftsmodell in Richtung eines stärker koordinierten Cross-Channel Ansatzes transformieren können. *Aufsatz 3 (Kapitel D)* führt ein Rahmenmodell ein, welches in vier idealtypischen Ansätzen aufzeigt, wie Multi-Channel Händler ihre Organisationsstruktur anpassen können, um dem disruptiven Wandel im Konsumentenverhalten zu begegnen. *Aufsatz 4 (Kapitel E)* identifiziert drei spezifische Managementpraktiken, die erklären, wie Top Manager das mittlere Management zur aktiven Teilnahme im Rahmen des strategischen Wandelungsprozesses hin zum Cross-Channel Management bewegen können. Im Weiteren stellt der *Abschnitt der Praxisimplikationen (Kapitel F)* zwei Management-Werkzeuge zur Bewältigung des Transformationsprozesses von Multi-Channel Management hin zum Cross-Channel Management vor. Der *Schlussabschnitt dieser Dissertation (Kapitel G)* fasst die Kerninhalte der Artikel zusammen und geht auf den wissenschaftlichen und praktischen Beitrag, die Grenzen der jeweiligen Untersuchungen ein. Ausserdem werden ausgehend von dieser Dissertation Ansatzpunkte für die zukünftige Forschung diskutiert.

A Umbrella Article

From Multi-Channel Management to Cross-Channel Management: How Multi-Channel Incumbents Overcome Strategic, Structural, and Managerial Challenges When Striving for Channel Integration

Summary

New technological devices (e.g. smartphones, tablets) enable and inspire consumers to switch online and offline channels along their buying process - a phenomenon extant research on consumer behavior terms cross-channel shopping. For multi-channel incumbents, this change in consumer behavior offers an opportunity to counteract pressure from pure online players which have recently gained market shares. While retailers ran their online and offline channels as separated profit-centers in the era of multi-channel management, today, multi-channel incumbents aspire to integrate their channels and offer compelling switching opportunities among all online and offline channels - an approach we coin cross-channel management. However, addressing such cross-channel shoppers may come at a high price for multi-channel firms. With greater alignment of channels, the overall rise of business model complexity induces a veritable firm-wide strategic renewal process driven from the top. Set against this transformative background, this cumulative dissertation strives for a deeper understanding on how multi-channel retailers transform their so far channel specific business model to a much more integrated system of online and offline channels. It scrutinizes the firm-wide strategic renewal process towards cross-channel management from three different perspectives: 1) strategic, 2) structural, and 3) managerial. In order to examine the resourceful integration of online and offline channels in retailing, the overall research project follows a multiple case design which is based on 78 interviews with 71 top and middle managers from nine multi-channel retailers from Switzerland and Germany.

Key words: *Cross-Channel Management, Top-driven Strategic Renewal, Strategic Development Paths, Organization Design Adaptation, Middle Management Empowerment, Multiple Case Design*

"Don't force your customers to adapt to you,
adapt yourself to your customers"
Anonymous quote

1. Introduction

With the recent development of new technological devices such as smartphones and tablets and the rise of web 2.0 technologies, the Internet has become much more than a facilitating tool used for information gathering and communication in retailing (e.g. McKinsey, 2009; PWC 2012; 2013). In fact, an increasing number of consumers take advantage of these new technological devices and shop whenever they want and in any way they want, thereby effortlessly switching online and offline channels (Rudolph et al., 2013; Rudolph et al., 2011; Forrester, 2010). Thus, online channels (e.g. online-shop or in-store terminals) as well as traditional channels (e.g. stores or catalogues) are used interchangeably along all phases of the buying process (search phase, purchasing phase, and post-purchasing phase) – a consumer behavior that extant research on multi-channel marketing terms *cross-channel shopping* (e.g. Verhoef, Neslin & Vroomen, 2007; Chatterjee, 2010; Aberdeen, 2010; Forrester, 2010). Two empirical studies illustrate this change in consumer behavior by showing that today already 20 percent of German and Swiss shoppers are cross-channel shoppers since they prefer to switch online and offline channels while shopping (Rudolph et al.; 2013; Google, 2009).

1.1. The Advent of Cross-Channel Shopping

The following story of Mike shall illustrate how new technological devices are revolutionizing customers' shopping behavior. Mike, 28, is a regular guy working as a project manager in the pharmacy industry. Besides his laptop he also possesses two smartphones, a private and a business one, as well as a tablet pc. It is Thursday night and after a long business day, he is watching television and spots a commercial of a well-known outdoor sports brand. This advertisement reminds him that he is in dire need of new hiking boots because he is planning a two day hiking tour with his girlfriend. Still on his couch, he takes his tablet pc, browses through the advertised website and checks out which retailer in his area has the specific brand in store. He finds that the sports outdoor retailer *Centrum* offers a function on their webpage that allows him to arrange for a personal shopping appointment. Thus, with only two clicks, he makes a reservation for in-store assistance the following day at 11am when he has some time between two business meetings. Over the website, he selects five different pairs of boots he wants to try on during his store visit. When he enters the local branch of the outdoor chain, the sales representative already waits with the reserved boots to be tried on and shows him also two additional models that just arrived in the new collection. After a few minutes, Mike has his eyes on a nice pair of boots that seem to match his needs. However, it is a brand he has never heard of and he is not sure whether the sales guy is being totally honest with him. So, he grabs his smartphone and uses the retailer's app to scan the boots' barcode to find a wealth of information, videos and customer reviews online. The information he browses confirms that the store sales rep was right about a lot of things, but he still thinks he might get a better deal if he buys the boots online. The same evening, he finds himself browsing on a price comparison site as well as on the retailer's website again, when he is asked by the site if he needs assistance from a customer service representative. He selects the "call me now"-button and receives a VoIP-call from a retailer's call center agent. After an informative call, Mike is finally convinced to have found the perfect boots and he orders them online in the outdoor retailers' online-shop. He is particularly pleased to note that the delivery is free of charge and guaranteed within the next forty-eight hours to be delivered right before the hiking event. Unfortunately, Mike's hiking trip turned out to be a nightmare because an hour into the steep climb, he realized that the shoes were too tight at the heel and he got blisters. So, Sunday evening after the hiking trip, he calls the online-store support team and asks them for help. The call-center agent proposes that Mike will be granted another personal shopping service in a store which already installed a so-called foot-scan service. The call-center agent arranges an appointment at the store in the city of Mike's business trip that starts Monday morning. Since he does not want to carry the unsatisfactory boots with him on his business trip, he decides to take advantage to the free shipping service and sends them boots back in the mail - getting the full refund on his loyalty card account. On Monday, Mike is pleased when - as soon as he walks into the store - the sales representative knows who he is and that he needs assistance to choose boots with a better fit. With the help of the new three dimensional foot-scan application on the sales clerk's tablet pc, Mike can choose between three different pairs of boots which accurately fit his needs. He selects a pair and, because of the inconvenience caused by the ill-fitting shoe, the sales clerk sends Mike a digital coupon for a ten percent discount on all apparel items to his email account which is redeemable immediately in all sales channels of the retailer. Because Mike cannot carry the boots with him to his next business meeting, they are being sent home free of charge along with a fleece jacket which Mike bought with his coupon.

1.2. A New Customer Group

This preceding vignette of Mike's shopping behavior is not so atypical anymore as it illustrates the current change in consumer behavior towards cross-channel shopping. The advent of the new shopping phenomenon has large implications for all retailers – multi-channel players, classic bricks-and-mortar players as well as pure online players. Based on their channel switching behavior, consumers on the one hand seem to be less loyal to specific retailers as they switch channels as well as retailers during the shopping process shopping (Chiu et al., 2011; Nunes & Cespedes, 2003). On the other hand, channel-switching consumers such as Mike are a particularly valuable and lucrative customer group. They spend on average more and are therefore more valuable than single channel customers (PWC, 2013; Emrich & Rudolph, 2010; Accenture, 2010; Neslin & Shankar, 2009; Ansari et al., 2008; Kushwaha and Shankar 2008a; Neslin et al.; 2006; Kumar & Venkatesan 2005; Myers et al., 2004). Multi-channel retailers targeting this new customer group profit from increased revenues if they are able to keep cross-channel customers loyal by offering them switching opportunities between channels during their shopping process. Thus, in order to fight online pure players contesting their market shares, multi-channel retailers are highly challenged to harmonize their online and offline channels. If they manage to offer smooth shopping experiences and seamless switching opportunities across all online and offline channels of their newly integrated channel system retailers will not only keep existing customers loyal but also attract new cross-channel shoppers from other players in the market (Zhang et al., 2010; Neslin & Shankar, 2009; Verhoef & Neslin, 2008; Geyskens, Gielens & Dekimpe, 2002). Despite the considerable potential inherent in the cross-shopping shopper phenomenon, many multi-channel retailers struggle to successfully cater to this change in customer behavior. Although 68 percent of e-commerce managers state that their firm supports a cross-channel vision, only 29 percent feel that their firms already have the abilities to follow this strategic direction (Accenture, 2009). Even though the change in consumer behavior towards cross-channel shopping can be qualified as the most disruptive change in the retail environment ever since the advent of the discount phenomenon in the late 1960's of the last century, many multi-channel incumbents have embarked on the pursuit of cross-channel management to actively defend their market shares against pure online players (Pauwels & Neslin, 2009).

1.3. The Era of Cross-Channel Management

Over the last decades, channel retailing research evolved from multiple channel management over multi-channel management to cross-channel management. Until the millennium, *multiple channel management* simply referred to managing more than one distribution channel pipeline (Zhang et al., 2010; McKinsey, 2001; Frazier, 1999). During the digital age until 2010, *multi-channel management* has been defined as "a set of activities involved in selling merchandise or services to consumers through more than one channel" (Levy & Weitz, 2009, p. 80). Since 2010, pure online retailers have steeply increased their market shares (e.g. amazon) and classic retailers have started to intertwine their online and offline channels (e.g. apple) based on new technological devices that enable and inspire consumers to switch online and offline channels when shopping. A new era of channel management – the so-called cross-channel management was born. Compared to multi-channel management, cross-channel management goes one step further and can be described as management, deliberately focusing on the integration of all online and offline channels to offer customers' seamless switching opportunities across all channels (Zhang et al., 2010, p. 173; Neslin & Shankar, 2009, p. 78). *Figure 1* illustrates the three eras of channel retailing.

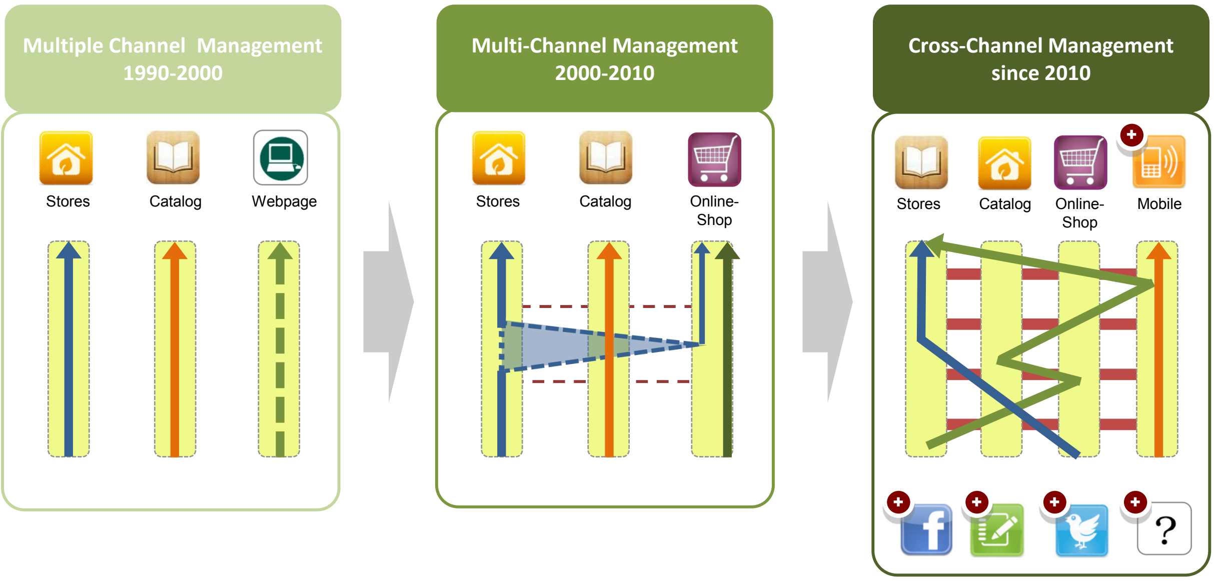

Figure 1: The three eras of channel management
Source: own graph.

On their journey towards channel integration, multi-channel retailers need to decide how to orchestrate their various consumer touch-points (Forrester, 2010). Thus, they need to deal with the very question of how to intertwine their online and offline distribution channels (e.g. stores, call-center, webshop, mobile-shop or even

Facebook) being able to offer compelling switching opportunities to consumers (Zhang et al., 2010). However, they also need to think of how they are able to interlink classic media, online media, as well as social media communication channels (e.g. *classic:* events, flyers, television commercials; *online:* newsletters, coupons; *social:* tags, blogs, recommendations) to address and promote consumers' channel switching behavior for example when customers use one distribution channel for research, and another for purchase (Frambach et al., 2007; Verhoef et al., 2007; PWC, 2012). Thus, multi-channel firms need to consider two distinctive dimensions while integrating their online and offline channels: These are the distribution as well as the communication dimension. *Figure 2* explains how the two dimensions allow for an intertwining of all consumer touch-points.

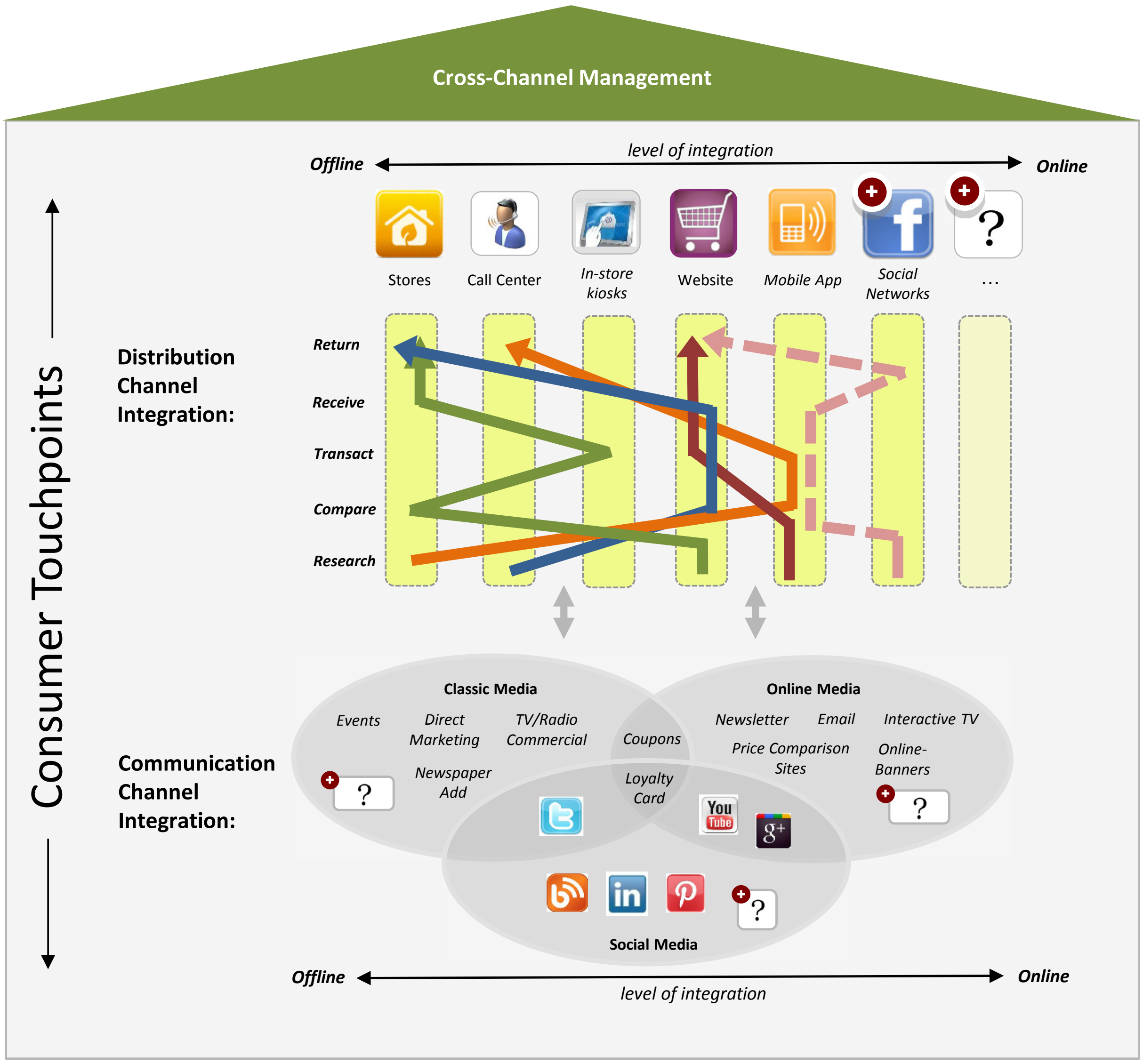

Figure 2: The two distinctive dimension of channel integration
Source: own graph.

2. Topic Relevance

Academics as well as practitioners show that channel integration is the key challenge for multi-channel retailers who seek to cater to the change in shopping behavior and in the process defend their market shares against pure players (Blattberg et al., 2008; Neslin et al., 2006; Neslin & Shankar, 2009; Zhang et al., 2010; Deloitte, 2009; McKinsey, 2009; Forrester, 2009; Accenture, 2010; Booz, 2012; PWC 2012; Roland Berger, 2013).

2.1. Theoretical Perspective

Extant research on multi-channel management has focused on the change in consumer behavior by scrutinizing *cross-channel shoppers' satisfaction*, *loyalty and channel migration* (e.g. Verhoef & Donkers, 2005; Rangaswamy & van Bruggen, 2005; Gensler et al., 2007; Venkatesan et al., 2007; Verhoef et al., 2007; Ansari et al., 2008; Kushwaha & Shankar 2008a; Villanueva et al., 2008; Neslin & Shankar, 2009; Pookulangara & Natesan, 2010), *cross-channel spending and segmentation* (e.g. Neslin et al., 2006; Kushwaha & Shankar, 2008a; Konus et al., 2008; Neslin & Shankar, 2009), *channel choice decisions* (e.g. Montoya-Weiss et al., 2003; Balasubramanian et al., 2005; Kumar & Venkatesan; 2005; Frambach et al., 2007; Kushwaha & Shankar 2008a), *channel cannibalization* (Deleersnyder et al., 2002; Geyskens et al., 2002; Biyalogorsky & Naik, 2003; Falk et al., 2007; Pauwels & Neslin 2008) and *marketing-mix decisions across channels* (Bergen et al., 1996; Shankar et al., 2001; Pan et al., 2002, 2004; Neslin & Shankar, 2009; Kushwaha & Shankar, 2008b). However, besides this plethora of research on the cross-channel shopping phenomenon, only a handful of studies have addressed the managerial challenges for multi-channel incumbents when striving for an integration of their online and offline channels (Langerak & Verhoef; 2003; Berger et al., 2006; Blattberg et al., 2008; Neslin & Shankar, 2009; Zhang et al. 2010). In their review papers on extant research on multi-channel management, Zhang et al. (2010), Neslin & Shankar (2009) and Rangaswamy & Van Bruggen et al. (2010) identify the key areas for future research on cross-channel management from a managerial perspective. These are 1) dynamism of multi-channel strategies, 2) adaptation of organization structure, 3) data integration, 4) consumer analytics, 5) performance metrics, and 6) cross-channel leadership.

2.2. Practical Perspective

In practice, many consulting firms have examined the characteristics of the new cross-channel shopper segment (e.g. McKinsey, 2009; Accenture, 2010; Martec, 2010; Acquity, 2011; PWC, 2012, 2013; Roland Berger, 2013). Consequently, practitioners such as consulting firms and retail experts are clearly ahead in dealing with the managerial challenges this firm-wide transformation process towards channel integration requires (e.g. IBM, 2007; Deloitte, 2009; Accenture, 2010; Micros, 2011; PWC, 2012). Previous studies have focused on the *multi-channel strategy process* (IBM, 2007; Deloitte, 2009; Accenture, 2010), *supply chain requirements* (Deloitte, 2009; Booz, 2012; Micros, 2011; PWC, 2012), and *cross-channel team structures* (Shop.org. & J.C. Williams, 2008; Booz, 2012). Nonetheless, extant theory leaves potential for future research on 1) strategies to successfully transform the firm from a multi-channel approach to a cross-channel approach (IBM, 2007; Aberdeen, 2010), 2) supply chain efficiencies which come with channel integration (Accenture, 2010; Kurt Salmon, 2011; Booz, 2012; PWC, 2012), and 3) needed adaptations of the organization design to ensure the appropriate level of cross-channel collaboration (Shop.org. & J.C. Williams, 2008; Acquity, 2011; Micros, 2011). *Figure 3* summarizes the key areas for future research on multi-channel management from both the academic as well as the practice field of research and highlights the three topics that are particularly central in this dissertation.

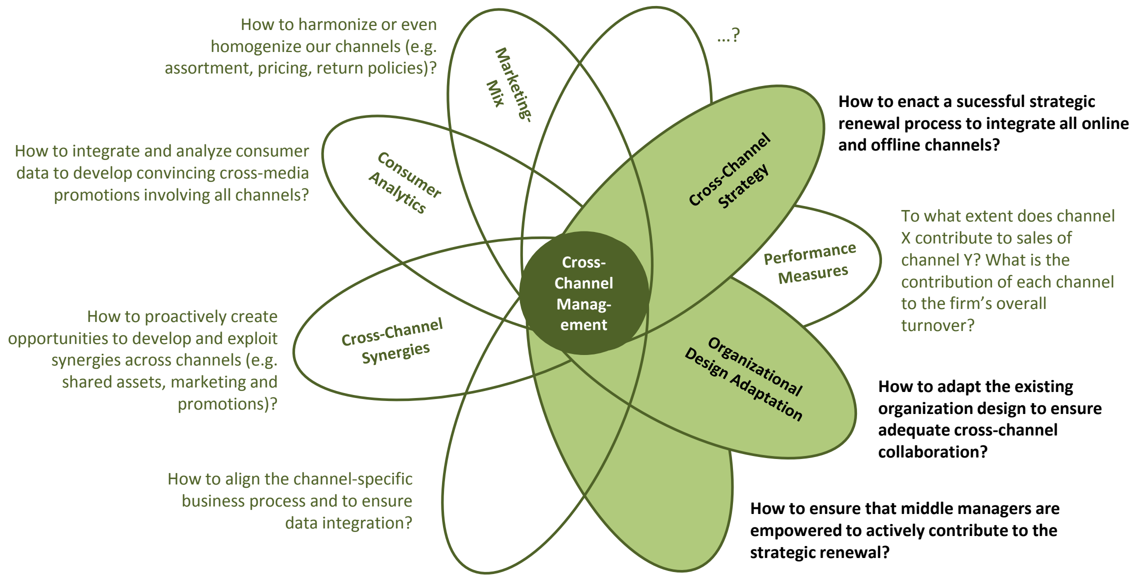

Figure 3: Key areas for future research in the field of multi-channel management
Source: own graph.

2.3. Research Gap

With this dissertation project, we seek to tackle three major shortcomings in extant research on multi-channel management. *First*, few multi-channel studies so far have dealt with the modification of multi-channel strategies due to the change in consumer behavior towards cross-channel shopping (Mueller-Lankenau et al., 2004, 2006; Deloitte, 2009; Accenture, 2010). In two review papers on multi-channel management research, Neslin & Shankar (2009) as well as Zhang et al. (2010) call for more research on the dynamism of multi-channel strategies which cater to the demands of the new cross-channel shopper segment. *Second*, only a few studies have yet conceptually approached the topic of organizational design adaptation towards a collaboration of so far separately run channel profit-centers (Berger et al., 2006; Neslin & Shankar, 2009; Zhang et al., 2010). Thus, to date, there is only a limited theoretical understanding on how multi-channel incumbents can strive to coordinate their different channels and thereby to adapt their organization design. Even though the theoretical analyses of all three research papers call for a coordinated organization structure when multi-channel firms strive for channel integration (Berger et al., 2006; Neslin & Shankar, 2009; Zhang et al., 2010), none of them scrutinize the ratio of economic benefits versus costs of coordination nor do they explore this issue in more detail. We seek to close this research gap by empirically deriving four different modes of organizational design adaptations in the context of cross-channel management, on a continuum from a still independent channel structure, to a slightly coordinated or a strongly coordinated design and finally to a fully integrated organization structure. *Third*, to the best of our knowledge, no study has yet focused on the managerial perspective in the context of the top-driven strategic renewal process from multi-channel to cross-channel management. In a review paper on opportunities and challenges in multi-channel marketing, Rangaswamy & Van Bruggen (2005) call for more research on power relations between management echelons to successfully drive the integration of online and offline channels. However, besides the study on marketing channel multiplicity of Van Bruggen et al. (2010) who examined channel leadership in the context of marketing channels owned by different players along the value chain (e.g. Dell or IBM sell their computers by own direct channels but also by resellers and distributors), no studies have scrutinized the top- and middle management interaction in the context of cross-channel management. Thus, we focus on top management leadership practices that empower middle managers to actively contribute to the transformation process from multi-channel to cross-channel management. *In sum,* this dissertation project focuses on strategic, structural as well as managerial challenges of multi-channel firms seeking tocateri to the demands of cross-channel shoppers. *Figure 4* embeds the three research perspectives in a frame of reference and visualizes our theory elaborating research approach and our goal to scrutinize the microfoundations of the firm-wide, top-driven strategic renewal process multi-channel retailer's face when striving for channel integration.

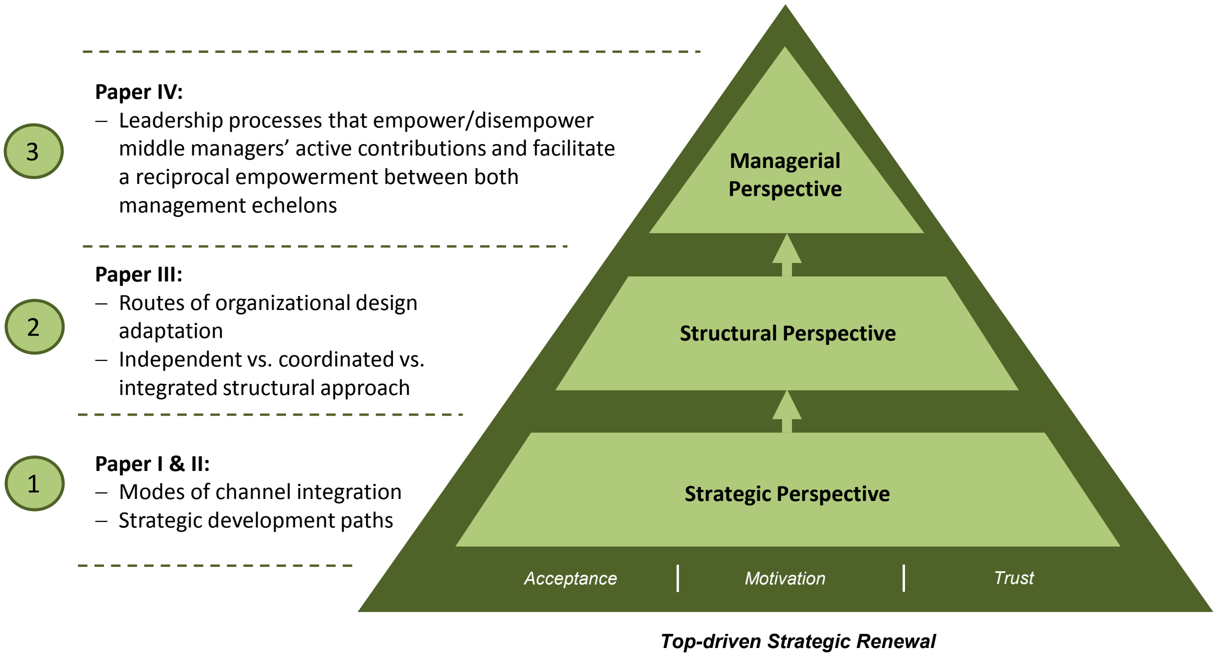

Figure 4: Frame of reference
Source: own graph.

2.4. Research Objectives

With this dissertation project, we address three major issues in extant research on multi-channel management. *First*, few multi-channel studies so far have dealt with the modification of multi-channel strategies. What distinguishes this thesis's approach from other research projects in the context of multi-channel management is that cross-channel management is not only understood as a mere topic of customer management (e.g. Blattberg et al., 2008; Neslin et al., 2006) or of synergistic means on the operational information technology level or on the supply chain level (Accenture, 2010; Micros, 2010). It rather approaches the topic from a managerial perspective – an approach that is called for by various scholars in the research field (e.g. Rangaswamy & Van Bruggen, 2005; Neslin & Shankar, 2009; Zhang et al., 2010). Since the strategic renewal process from multi-channel management to cross-channel management can be qualified as a nascent field of research still in its formative stage, we are convinced that a holistic approach best fits this thesis' research aspiration to examine and explain the impact of the cross-channel shopping phenomenon on today's multi-channel incumbents. For this, the thesis builds on a multiple case design (Eisenhardt, 1989; Yin, 2009) and pursues three research objectives illustrated in *Figure 5*.

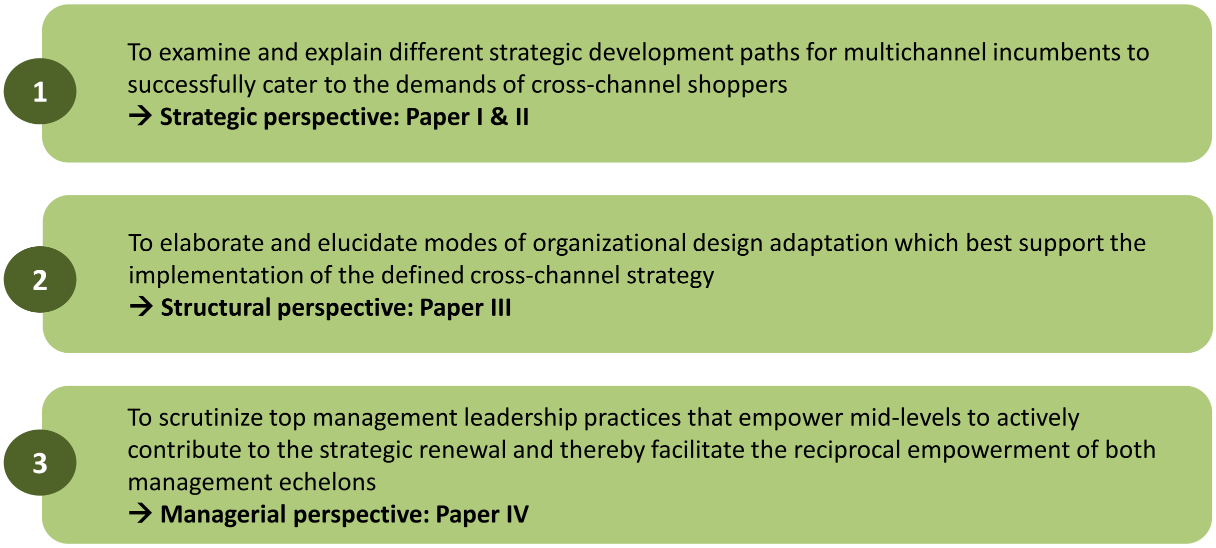

Figure 5: Overview on research objectives
Source: own graph.

2.5. Overall Research Question

The basic motivation for multi-channel incumbents to adapt their rather separated channel configuration towards a much more intertwined cross-channel approach is to address so-called loyal cross-channel shoppers and thereby retain existing customers as well as gaining new customers from online pure-players or other multi-channel retailers. Unlike competitive cross-channel shoppers that inform themselves in a channel of firm X but then buy the product in another channel of firm Y, or one-stop shoppers that inform and purchase the product in one channel of firm X solely, loyal cross-channel shopper stick with the same company using various channels throughout the whole purchasing process (Neslin & Shankar, 2009). To successfully manage this firm-wide strategic change process from multi-channel management to cross-channel management, this three layer-based dissertation project follows a holistic management-oriented approach and seeks to answer the following guiding research question: *How do multi-channel retailers adapt their strategic, structural as well as their managerial configuration in the context of top-driven strategic renewal to cater to the demands of cross-channel shoppers?* In the following, we describe each of the three research perspectives in more detail by relating to extant research, deriving the respective research questions, and presenting each paper's findings before we describe the overall research design.

3. Article 1 & 2: Strategic Development Paths

„If we can agree that cross-channel organization design
is a key element to achieving competitive advantage,
then perhaps we must first examine the lack of
a cross-channel focused strategy."
Shop.org & J.C. Williams, 2008, p. 10

3.1. Abstract

The fast adoption of new technological devices (e.g. smartphones, tablets) does not only enable consumers to ubiquitously access the Internet for online research or transactions, it also allows them to switch channels when shopping. Thus, multi-channel incumbents are forced to keep up with this disruptive change in consumer behavior and as a consequence an increasing number of retailers attempt to integrate their online and offline channels. However, many players struggle to pursue these channel integration initiatives. They often face severe problems when it comes to identifying and installing the right cross-channel services, aligning the so far channel-specific business processes and information systems as well as overcoming organizational inertia. Although there is significant research on how top managers maintain their multi-channel system, we still have a relatively limited understanding of how, in what sequence, and to what extent multi-channel incumbents can intertwine their online and offline channels. Based on 78 interviews with 71 top and middle managers, we develop a framework on how to overcome both inertia and unstructured activism first by rendering transparent four channel modes that multi-channel players may find themselves in, and second by revealing three strategic development paths multi-channel incumbents can pursue when striving for cross-channel retailing.

3.2. Theoretical Background

Extant research on multi-channel strategies has been scrutinized by both academics (e.g. Gulati & Garino, 2000; Porter, 2001; Steinfield et al., 2002; Doolin et al., 2003; Mueller-Lankenau et al., 2004, 2006) as well as practitioners (e.g. Deloitte, 2009; Accenture, 2010). However, the majority of studies have dealt with strategic aspects of multi-channel management before the change in consumer behavior towards research shopping had become an issue (Neslin et al., 2006; Verhoef et al., 2007). This theory section *first* offers an overview on the scarce findings on multi-channel strategy research that already addresses the change in consumer behavior towards cross-channel shopping. *Second*, it looks into the research sub-stream of strategic channel alignment. *Third*, it relates to the general research stream on strategy process taxonomies aimed at transferring relevant empirical and theoretical findings to the research context of successfully managing the transformation process from multi-channel management to cross-channel management.

3.2.1. Multi-Channel Strategy Research

Previous studies on multi-channel management which address the topic of channel integration from a strategic perspective have been scarce. The seminal study of Gulati & Garino (2000) looked at how integration respectively separation of key business functions such as brand management, general management, operations, and equity between online and offline channels facilitated the implementation of a multi-channel strategy. The study of Bahn & Fischer (2003) further examined how multi-channel retailers integrate their online and offline businesses, but contrary to the results of Gulati & Garino (2000) concluded that the interrelation of bricks-and-mortar channels and the e-commerce business is best minimized. Another study on multi-channel management scrutinized 18 multi-channel retailers from both the business-to-business as well as business-to-consumer areas (Steinfield, Bouwman & Adelaar,2002) and identified six different Internet strategies divided into two groups of “synergy oriented strategies” and “strategies not exploiting complementarities”. Doolin, McQueen & Watton (2003) categorized retail firms' adoption of Internet channels according to their degree of business transformation and identified a range of factors such as in-house technical expertise, existing brand performance, and product characteristics that influence the adoption process. Based on these findings, the authors derived a framework on Internet channel integration for bricks-and-mortar retailers and thereby scrutinized the antecedents, processes and outcomes of the business transformation to integrate online and offline channels. Mueller-Lankenau et al. (2004, 2006) were the first researchers to directly address the cross-channel shopping phenomenon and identify a simple taxonomy of multi-channel retail strategies which differ in their level of integration between online and offline channels. Based on four desk-researched case studies from the grocery retail industry, they illustrated four core strategies and also elucidated contextual contingencies for multi-channel incumbents when selecting one of these four identified core strategies. The consulting firms Deloitte (2009) and Accenture (2010) independently developed a cross-channel maturity model that allows multi-channel retailers to plan their channel integration initiatives based on discrete process steps. In the case of Accenture (2010), the cross-channel maturity model consists of four phases – 1. single-channel, 2. multi-channel, 3. cross-channel, and 4. seamless customer dialogue – which are all characterized by specific strategy- and brand-oriented characteristics, the overall customer approach as well as organizational requirements.

3.2.2. Research on Strategic Channel Aligment

Previous research from the sub-stream of strategic channel alignment also informs our research aspiration to scrutinize strategic development paths towards cross-channel management. In 1993, Henderson & Venkatraman introduced the Strategic Alignment Model (SAM) which could be employed to analyze the extent to which a company combines their business strategy with their IT strategy to synchronize their front-end activities incorporated in the overall customer interface as well as their back-end services defining the value creation of the firm. Until today, the SAM is the most accepted framework in the research field of strategic alignment (Avison et al., 2004). It builds on a holistic conceptual approach that takes into account strategic, structural, social, and cultural dimensions (Chan & Reich, 2007) and proposes strategic choices managers face when aligning their business strategy with their IT (Henderson & Venkatraman, 1993, p. 476). The basic assumption underlying the SAM is that in order to achieve overall business success, management not only has to aim for a strategic fit between external strategy and internal infrastructure but also, and just as importantly, aim for strategic alignment among different business units as well as operational alignment between business units and centralized IT (Henderson et al., 1996). Two seminal studies (Mueller-Lankenau et al., 2006; Wehmeyer et al., 2009) adopted the SAM and its underlying assumptions to explain how multi-channel retailers are able to strategically align their online and offline channels in order to successfully cater to the demands of cross-channel shoppers (Mueller-Lankenau et al., 2006; Wehmeyer et al., 2009). Based on the concepts of strategic alignment and strategic fit (Henderson & Venkatraman 1993; Henderson et al. 1996) both studies adapted and extended the SAM which resulted in a new concept called Model of Strategic Channel Alignment (MSCA). Henderson and Venkatraman (1993) as well as Henderson et al. (1996) understood multi-channel strategies as the result of strategic alignment initiatives between the general marketing strategy and the online strategy.

Mueller-Lankenau et al. (2006) opted for equifinality by postulating that there is no single best approach for multi-channel retailers to manage the journey towards channel integration. However, they identified four different strategy paths that differ in the level of alignment between the overall marketing strategy of the classic offline channels and the one of the new online channels. Based on the MSCA, the recently proposed modification of the well-known SAM, Wehmeyer et al. (2009) developed a framework and specific management tools for multi-channel incumbents to accelerate strategic channel alignment of online and offline channels based on intensified cross-channel collaboration and communication.

3.2.3. Research on Strategy Process Taxonomies

While extant research on organizations' strategy content aimed at developing empirical taxonomies is rich and comprehensive (e.g. Filley & Aldag, 1978; Galbraith & Schendel, 1983; Miller & Friesen, 1986), only a handful of studies have yet focused on the empirical classification of strategy processes (Miles & Snow, 1978; Miller & Friesen, 1977, 1978; Zahra & Pearce, 1990). In their seminal research, Miles & Snow (1978) identified four different strategy types and scrutinized not only the underlying perception of the environment by each derived strategy type, but also showed the essential values and the operating focus. In another study, Miller & Friesen (1978) scrutinized the strategy making process of 81 case firms to identify ten different archetypes of strategy-making. However, besides these few studies on empirical classifications of strategy process taxonomies, a plethora of already developed conceptual typologies and underlying classification dimensions of strategy-making processes allowed us to choose a handful of specific theoretical models that inspired this papers' conceptualization of a cross-channel strategy typology (Mintzberg, 1973, 1978; Bourgeois & Brodwin, 1984; Chaffee, 1985; Grandori, 1984; Mintzberg & Waters, 1985; Shrivastava & Grant, 1985; Mintzberg, 1987).

3.3. Research Questions

In the first and second study of this cumulative dissertation, we aim at developing a taxonomy of strategic development paths for multi-channel incumbents. These strategic pathways shall vary in their level of integration among their online and offline channels and thereby show how multi-channel retailers may successfully manage the firm-wide strategic change process towards cross-channel management. Extant research shows that multi-channel retailers need to decide how to coordinate their various consumer touch-points (Dholakia et al., 2010; Forrester, 2010; 2011; Van Bruggen et al., 2010). However, previous studies predominantly focused on distribution channel integration when they talked about integrating consumer touch-points (e.g. Gulati & Garino, 2000; Steinfield et al., 2002; Bahn & Fischer, 2003; Doolin; Mueller-Lankenau et al., 2004, 2006). Only Neslin and Shankar in their review paper on multi-channel customer management research explicitly proposed that with the advent of the cross-channel shopping phenomenon, some channels may function mostly as information and communication sources for customers, while others may serve as primary transaction channels (2009, p. 78). We base our research endeavor on their approach and even go one step further by postulating that the separate focus on distribution channel integration and communication channel integration is a crucial differentiation to explain the strategic planning of initiatives to successfully manage the firm-wide transformation process towards cross-channel management. Relying on previous research that scrutinized the front-end harmonization as well as the back-end alignment of online and offline channels (Gulati & Garino 2000; Bahn & Fischer, 2003; IBM, 2005; Neslin & Shankar, 2009; Mueller-Lankenau et al., 2006), we attempt to derive distinctive channel modes multi-channel incumbents need to go through when striving for channel integration. Furthermore, we rely on previous consulting studies that have scrutinized the transformational process towards cross-channel management (Deloitte, 2009; Accenture, 2010) and extant research that have developed strategy process taxonomies in the classic field of strategic management (Miles & Snow, 1978; Miller & Friesen, 1978; Bourgeois & Brodwin, 1984; Chaffee, 1985; Shrivastava & Grant, 1985; Mintzberg, 1987). We aspire to derive distinctive strategic development paths which not only address the very topic of strategy-making but also focus on organizational requirements as well as capability-based aspects to explain how multi-channel retailers are able to successfully manage the strategic renewal process towards cross-channel management. Thus, our dissertation *article 1 (chapter B)* and *article 2 (chapter C)* are guided by the following research questions:

Research questions – Article 1 & 2:

1. *How can multi-channel incumbents integrate their online and offline channels in order to successfully manage the firm-wide strategic change process from a multi-channel business approach towards a cross-channel business approach?*
    a. *What discrete channel modes do multi-channel incumbents need to go through on their way towards cross-channel management?*
    b. *Which strategic development paths can multi-channel retailers enact to offer a seamless shopping experience across all channels?*

3.4. Research Findings

Our multiple case design including nine multi-channel retailers from six different retail industries allowed us to develop two theoretical contributions. *First*, based on our data and strongly informed by extant theory on multi-channel strategy research and general strategy process research, we were able to derive a taxonomy of channel integration modes. These four distinct channel integration modes describe and specify the strategic renewal process towards cross-channel management. Retail incumbents in the *multi-channel mode* still manage their customers within clearly-defined channel boundaries and therefore do not actively promote cross-channel activities. In the *cross-media mode*, multi-channel retailers penetrate existing customers while acquiring new customers from competitors or pure online-players by developing attractive cross-media communication campaigns and promotions. In the *cross-distribution mode*, firms seek to create convincing channel switching opportunities for customers by installing cross-channel services such as "order online in store, deliver it to the home and return it to another store" in the front-end and striving for heavy alignment initiatives of processes and systems (e.g. assortment planning, inventory management and control) in the back-end. In the *cross-channel mode*, multi-channel retailers increase customer loyalty towards the overall company brand by offering fully integrated customer touch-points, thus creating lock-in effects. *Second,* our empirical data also enabled us to detect and specify three different strategic development paths for multi-channel incumbents to drive their transformation process towards cross-channel management. The three strategic development paths are: 1) *attracting by consumer inspiration*, 2) *delighting by service excellence*, and 3) *sprinting forward by* *moving simultaneously*. The first path *attracting by customer inspiration* clearly prioritizes the integration of communication channels, before launching initiatives to integrate distribution channels. Thus, the overall strategic goal is to attract and inspire customers based on cross-media applications and thereby to increase traffic in a lead distribution channel (often store business). Our research findings show that firms following this path need to develop or acquire new capabilities in customer analytics as well as cross-media campaign management while adapting their organizational design only slightly and reactively. Firms pursuing the second path *delighting by service excellence* strongly focus on the integration of online and offline distribution channels, before integrating their online and offline communication channels. Thus, since firms following this path are strongly convinced of cross-channel shopping, the overall strategic goal lies in striving for service excellence by installing convincing cross-channel services, harmonizing the marketing-mix instruments (e.g. assortment, price, return policy) in the front-end and aligning all business processes and systems (e.g. order fulfillment) in the back-end. Our empirical findings show that firms following this path need to develop a special knowledge in the two fields of technology adoption and business process reengineering. Furthermore, because the focus on distribution channel integration involves many so far channel-specific departments, the firm needs to strongly adapt their organizational design. Cross-channel collaboration has to be intensified across all departments and oftentimes, firms are forced to change their compensation structure from a channel-specific to a more contribution-driven, firm-wide approach as well. Firms following the third path *sprinting forward by moving simultaneously* tackle the communication channel integration as well as distribution channel integration at the same time. The overall strategic goal lies here in speeding up the transformation process to profit from a first-mover advantage. To successfully pursue this development path, multi-channel incumbents not only need to possess the distinctive capabilities mentioned for each of the other two paths, but also to focus on change management skills and external network competences. In addition, firms following this path are challenged to adapt their organizational design towards a lean, flat and much more integrated structure as well as adapt their compensation system from a channel-specific towards a firm-wide and holistic approach.

4. Article 3: Routes of Organizational Design Adaptation

„Creating the appropriate organizational structure is arguably
the greatest challenge facing all multi-channel retailers."
Zhang et al., 2010, p. 1 71

4.1. Abstract

This paper uses a comparative case study approach to explain how multichannel firms adapt their organizational design to adequately respond to a disruptive change in the environment – the so-called research shopping phenomenon. Although there is significant research on how firms adapt their organizational design to facilitate innovations driven by incremental contingency misfits with the environment, there still is a relatively limited understanding of how firms adjust their organization design to foster innovations based on disruptive changes in the environment. Based on 69 interviews with 63 top and middle managers from eight multichannel retailers, we extend previous research on organizational design adaptation as well as multi-business organization and propose a framework consisting of four ideal routes of organizational design adaptation multichannel retailers can adopt to structurally cope with the disruptive change in consumer behavior. We focus on a) changes in organization structure, b) cross-channel collaboration, and c) locus of decision-making of multichannel incumbents to derive these four distinctive routes of organizational design adaptation. Our results show how each route differs in its capacity to promote the adoption of the research-shopping phenomenon and illustrate the four identified routes with examples of German and Swiss multichannel retailers.

4.2. Theoretical Background

Only very few studies have yet empirically addressed the topic of organization design adaption in the field of multi-channel management (Gulati & Garino, 2000; Berger, Lee & Weinberg, 2006; Neslin & Shankar, 2009). Thus, practitioners as well as consulting firms are clearly ahead in examining this topic (e.g. Deloitte, 2007, 2009; IBM, 2007; Shop.org & J.C. Williams, 2008; Aberdeen, 2010; Accenture, 2010; Martec, 2010; Kurt Salmon, 2011; Booz, 2012). *First*, this theory section reviews recently published theoretical insights on organizational design adaptations in the context of multi-channel management. *Second*, it looks into the closely related field of research on multi-business organization and *third* offers a thorough review of extant research on organizational design adaptation Thus, we aim to inform our research objective by scrutinizing changes in organization design for multi-channel retailers transforming their business model towards a cross-channel approach thereby relating to existing theoretical and empirical findings from the theoretical research-streams of multi-business organization and organizational design adaptation.

4.2.1. Research on Cross-Channel Collaboration

Already in the sixties of the last century, Chandler concluded in his seminal research on the interplay between strategy and structure: *Unless structure follows strategy, inefficiency results"* (1962, p. 314). Thus, a change in organization design towards a more integrated structure seems to be a key driver for the successful implementation of a defined cross-channel strategy (Zhang et al., 2010). Nevertheless, the majority of multi-channel incumbents (e.g. Tesco, Argos, Media-Saturn) still favor a rather decentralized and "silo-oriented" organization structure by organizing their online and offline channels as decentralized, independent business units with a lot of latitude to follow their channel-specific business goals. These multi-channel retailers maintain separate channel specific teams for business functions, such as inventory management, marketing, merchandising, sales support or finance. A first simple explanation of this predominance of "organizational silos" is that different channels have so far relied on different planning timelines (Zhang et al., 2010; Aberdeen, 2010). A second reason for the frequent isolation of online channels within the organizational structure lies in their historical roots going back to early stages of e-commerce. Zhang et al. illustrate that most retail firms that added an online channel to their portfolio in the late 1990's have intentionally given a large amount of independence to it. Even today, retail giants such as J.C. Penney, CVS or Walmart operate their stores and their e-commerce channels as clearly separate business units (Westerman et al., 2006; Zhang et al, 2009). However, the raise of cross-channel shopping has initiated a new debate on adequate organizational structures enabling and facilitating channel collaboration in the scientific community (Neslin et al., 2006, 2009; Zhang et al., 2010) as well as in the retailing practice (Shop.org and J.C. Williams, 2008; Martec, 2010). Berger et al. (2006) examined how retailers structurally integrate their classic offline with their new online channels. Their empirical results showed that the overall profitability of the examined multi-channel incumbents was higher when they pursued a "full-integration" strategy rather than a "partial-integration" strategy or a "separation-strategy". Neslin & Shankar (2009) theorized whether multi-channel firms should follow a coordinated organization structure instead of pursuing an independent structural approach. They concluded that a coordinated organization design was favorable to foster a cross-channel strategy since coordinated organization structures tend to improve joint optimization and therefore to reduce the firms' total marketing expenditures because each channel-specific management may realize that its individual efforts would drive cannibalization. Based on their empirical study, the consulting firm Deloitte (2007) suggested that multi-channel incumbents may also consider installing informal structural mechanisms such as cross-functional steering committees or cross-channel leadership teams to foster collaboration among their independent channel organizations. Another consulting study from Shop.org & J.C. Williams (2008) supported this approach and favored the installment of so-called "semi-integrated" structures – temporary teams consisting of employees who are assigned to drive specific cross-channel tasks with a lot of freedom to act besides their regular duties.

4.2.2. Research on Multi-Business Organization

Multi-business organization is a research stream that descends from Chandler's study (1962) on the advantages of divisionalized organizations over functionally structured firms. He defined multi-business organizations as firms that are structured in modular business units (BUs) and therefore focus on particular products, customers, technologies, or geographies. However, since these divisional business units also needed to collaborate on certain topics, the research stream of multi-business organizations has established a research sub-stream that focuses on so-called cross-business-unit collaboration. Accordingly, Martin and Eisenhardt (2010) defined cross-business-unit collaboration as a cooperative and value generating activity which encompasses at least two business-units within a multi-business firm. Several studies have already examined cross-business-unit collaboration in diversified organizations (Hill et al., 1992; Martin & Eisenhardt, 2003; Helfat & Eisenhardt, 2004; Martin & Eisenhardt, 2010). Hill et al. (1992) stated that centralized control and coordination set the basis for cross-business-unit collaboration for related divisional firms. Furthermore, they posit that integrating mechanisms such as establishing cross-division teams and the adaptation of the incentive structure are relevant characteristics to facilitate cross-business-unit collaboration. Martin & Eisenhardt (2003) and Helfat & Eisenhardt (2004) concluded that a decentralized rather coordinated approach is favorable but requires business unit managers to establish cross-business-unit teams that share resources and try to 'co-evolve' as a whole firm. Examining how executives in the same firms create both high- and low-performing cross-business-unit collaborations, Martin & Eisenhardt (2010) showed that multi-business unit organizations with a strong performance operate like complex adaptive systems, steered by cross-business-unit teams of middle managers. This way, they are able to increase their effectiveness in decision-making, to control the management opportunism within the firm as well as to facilitate value creation by enacting resourceful cross-business-unit collaborations.

4.2.3. Research on Organizational Design

Research on organization design has come a long way and has primarily dealt with the question of how firms need to organize to successfully explore new business opportunities while still ensuring the effective exploitation of the current business (e.g. Laurence & Lorsch 1967; Mintzberg, 1979; Raisch et al., 2009). A plethora of studies from organization as well as innovation research look at which organizational designs successfully manage the balance between structural differentiation and integration (e.g. Laurence & Lorsch, 1967; Tushman & O'Reilly, 1996; Brown & Eisenhardt, 1997; Westerman et al., 2006). However, they differ in their approaches from autonomous designs on the one hand to fully integrated approaches on the other hand (Christensen, 1997; Siggelkow & Levinthal, 2003; O'Reilly & Tushman, 2008). Tushman & O'Reilly (1997) suggested an ambidextrous organization design where specific autonomous innovation units pursue their own goals alongside the existent business units in charge to drive the current business. Galunic & Eisenhardt (2001) proposed a modular organization design approach, where isolated business units still focus on their own goals but need to establish linkages with other business units to perform common innovative initiatives by installing ad-hoc structures that may change configuration and location during the transformation process. In their study on how to engage in continuous change, Brown & Eisenhardt (1997) introduced the concept of semi-structures which ensure loose-tight coupling between business units. Semi-structures – according to Brown & Eisenhardt's (1997) concept – facilitate continuous innovation while leaving business units with the opportunity to pursue their own goals. By focusing on how firms adjust to contextual contingency misfits and thereby adapt their organization design, Westerman et al. (2006) found three organizational adaptation modes, neither of which is fully autonomous or fully integrated.

4.3. Research Questions

This third study of the doctoral thesis aims at elucidating organizational design changes which promote the adoption of a change in consumer behavior. The study looks into how the firm-wide strategic renewal process towards cross-channel shopping can be facilitated. Previous research from the research sub-stream of cross-channel collaboration looked at whether multi-channel retailers striving for channel integration should adapt their so far rather independent, decentralized organization design towards a more coordinated, partly centralized or even integrated approach (Berger et al., 2006; Neslin & Shankar, 2009; Zhang et al., 2010). However, these studies did not specify how multi-channel firms striving for channel integration may adapt their organizational design to successfully cater to the demands of cross-channel shoppers. They rather scrutinized an economic perspective and argued that although a coordinated structure may indeed be favorable, the organizational costs of coordination might counter-balance their economic benefit (Berger et al., 2006, p. 926; Neslin & Shankar, 2009, p. 76). Thus, informed by extant research on multi-business organization (e.g. Helfat & Eisenhardt, 2004; Martin & Eisenhardt, 2010) and organizational design (e.g. Tushman & O'Reilly, 1996; Brown & Eisenhardt, 1997; Westerman et al., 2006), we seek to examine how multi-channel incumbents may adapt their organizational design to ensure the right level of information flow and knowledge dissemination among online and offline channels to successfully cater to the demands of cross-channel shoppers. Moreover, the study of Shop.org and J.C. Williams (2008, p. 8) adds an additional research perspective. The authors state that independently structured organizations often display functional duplicities and decentralized decision-making since each business-unit has its own merchandising, marketing, customer service, and fulfillment teams. However, since channel integration initiatives accelerate the overall business complexity of the firm, they may require more collaboration or even integration of so far channel-specific functional departments. Thus, the locus of decision-making may change from a rather decentralized, business-unit approach towards a more centralized approach. In this third article, we seek to scrutinize how multi-channel incumbents can adapt their organization design to successfully cater to the demands of cross-channel shoppers by focusing on organizational structure, type of cross-channel collaboration as well as locus of decision-making. Thus, our research in *article 3 (chapter D)* is guided by the following research questions:

> *Research questions – Article 3:*
>
> 2. *How can multi-business firms adapt their organization design to successfully cope with disruptive changes in their environment?*
>   a. *How do they ensure information flow and knowledge dissemination among their business-units?*
>   b. *How can they adapt order and control mechanisms when driving the change in organization structure? (decentralized vs. centralized decision-making)*

4.4. Research Findings

Based on empirical data from a multiple case design including eight different Swiss and German multi-channel retailers striving for channel integration and a thorough literature study, we were able to derive a taxonomy of organizational design adaptation in the context of top-driven strategic renewal. By relating to extant research on organizational design change (Lawrence & Lorsch, 1967, Tushman & O'Reilly, 1996; Westerman et al., 2006) and considering our empirical analysis, we identified two dimensions which are helpful to structure multi-channel incumbents' initiatives to adapt their organization structure to cater to the demands of cross-channel shoppers: these are 1) the *market segment homogeneity*, and 2) the *structural integration*. These dimensions deal with the basic logic of market-related differentiation and resource-related integration. Based on these two dimensions, we were able to identify four different and distinct routes of organizational design adaptation. Retail incumbents following the route of *constrained organizational design adaptation* do not actively seek to harmonize their offline and online channels. Instead, they try to address channel specific target groups with separate distribution channels. Multi-channel retailers pursuing the route of *focused organizational design adaptation* are reluctant to fully adopt a cross-channel business approach. However, these players want to take advantage from synergies among communication channels, e.g. by coordinating their online and offline marketing initiatives to develop cross-media campaigns. Since these initiatives do not affect all departments within the firm, the previous channel-specific organizational structure will only be adapted slowly and selectively. Therefore, in this route, only specific departments (e.g. Online and Offline Marketing) need to foster collaboration or even be integrated. In the case of following the route of *extensive organizational design adaptation*, firms broadly harmonize their online and offline channels by installing many formal and informal linking mechanisms among channels (e.g. cross-channel collaboration teams) and thereby initiate a firm-wide strategic renewal process to adjust the overall organization structure steadily and intensively. When multi-channel firms chose the route of *complete organizational design adaptation*, they seek to install cross-channel services and develop cross-media campaigns and promotions at the same time, thereby adjusting their organization structure holistically and mutually towards a lean, flat, and much more integrated organization. Even though channels are still important units serving a sales function in the new organization structure, newly centralized functional departments such as marketing, merchandising, purchasing, logistics, and controlling, all of them focusing on both online as well as offline perspectives, are the dominant structural logic in the new cross-channel organization.

5. Article 4: Top Management Activities Facilitating Middle Management Empowerment

„Good leadership consists of showing average people
how to do the work of superior people."
John D. Rockefeller

5.1. Abstract

This paper uses a comparative case study of six multichannel retailers' adoption of new cross-channel solutions to explore how top managers empower their middle managers in top-down strategic renewal. Although there is significant research on how top managers maintain control over emergent strategy, we still have a relatively limited understanding of how top-managers empower their mid-levels in deliberate strategic change. Our study produces two empirical findings that somewhat contrast recent research: (i) While current studies recognize the limits to top managers' direct presence at middle levels in dynamic change settings and argue for an active role of middle managers, we find that top managers in firms with relative success in top-driven renewal personally engage with middle managers on a frequent basis, direct and evaluate their change activities through guiding mechanisms, and ensure accessibility to provide feedback to mid-levels. (ii) While prior research shows that middle management empowerment can result from top managers' symbolic invitation to play a broader strategic role, top managers in our successful cases revived hierarchies to

maintain an active leadership function in the face of major change which, in turn, became a resource for middle management during deliberate strategic change. In contrast, in less successful cases, top managers refrained from playing an active leadership function, thereby disrupting hierarchical relationships. Most fundamentally, we complement the recent focus on symbolic power as a critical means for empowering mid-levels in top-down change by showing how building relational power in the form of functioning hierarchies may be another effective way of fostering middle managers' contributions in deliberate strategic change.

5.2. Theoretical Background

Since multi-channel incumbents striving for channel integration not only have to decide on their strategic approach but also on adaptations of the current organizational structure, the fourth article of this dissertation focuses on managerial aspects which drive the strategic renewal process towards cross-channel management. To be more precise, we scrutinize how top managers empower their middle managers to actively contribute to the strategic change process and thereby also empower themselves. To date, there is hardly any research focusing on top and middle management relations in the context of multi-channel management (e.g. Shop.org & J.C. Williams, 2008). Thus, we rely on extant work from three different fields of research – middle management empowerment, empowering leadership, and symbolic/relational empowerment – to inform our research approach. *First*, this theory section presents previous findings from the research field on middle management empowerment in deliberate strategic change. *Second,* it offers a comprehensive review on related research findings from extant research on empowering leadership, and symbolic/relational empowerment to inform our research approach.

5.2.1. Middle Management Empowerment

Extant research has already extensively scrutinized the top management leadership role in strategy process (e.g. Burgelman & Grove, 2007; Hamel & Prahalad, 1989; Hart, 1992). However, only few studies have followed a practice approach and thereby examined through which concrete actions top managers are able to empower their middle managers in the context of deliberate strategic renewal (Mantere, 2005, 2008; Burgelman & Grove, 2007; Hart, 1992; Guth & MacMillan, 1986). Thus, it is still unclear which practices top managers employ to empower their mid-levels for active contributions during top-driven strategic renewal (Wooldridge, Floyd & Schmid, 2008). Previous studies examining middle management empowerment in strategy process have relied on a bottom-up strategy-making approach and called for a new distribution of roles between top and middle managers. with the middle managers' role being clearly extended above the mere task of strategy implementation (e.g. Burgelman, 1983; Currie, 1999; Floyd & Wooldridge, 1990; 1992). Nevertheless, a handful of papers have already addressed the topic of middle management empowerment in the context of deliberate strategic change and show that reciprocal role expectations between both management echelons are a crucial driver that either enables or constrains middle managers' empowerment in top-driven strategic change (e.g. Westley, 1990; Ketokivi & Castañer, 2004; Mantere, 2005; 2008). Mantere (2008) identified and scrutinized eight enabling conditions relating to the four key strategic role expectations of middle managers (Floyd & Wooldridge, 1992) and thereby stressed that a reciprocal view on the strategic role expectations between both management echelons may diminish tensions between discourse, legitimacy, and rationality. In a similar vein, Mantere (2005) detected top management induced micro-practices that enable or disenable the championing behavior of mid-levels (Floyd & Wooldridge, 1992) which goes beyond their mere operative responsibility. He showed that a combination of recursive top management practices aimed at constraining middle managers' active contributions (e.g. by offering structural guidance) and adaptive practices aimed at facilitating mid-levels' participation (e.g. based on sensegiving and continuous negotiation) is crucial for middle management empowerment in the context of deliberate strategic change. Other studies claim that discourse is a central driver for top managers to empower their mid-levels for active contributions in deliberate strategic change. One the one hand, these studies show that simple access to top management discussions does not encourage middle managers' involvement or even guarantee their empowerment. Rather, mid-levels empowerment depends on the opportunity to be able to actively participate in strategic conversations, to be granted access to the precise details of the guiding boundaries defined by top executives as well as to be able to find meaning and trust based on the possibility to use formal or informal mechanisms that allow cross functional conversations around strategic issues (Mantere & Vaara, 2008; Westley, 1990). On the other hand, discourses may actively hinder the empowerment of middle managers when top executives keep strategic change as a secret process, link strategic change to a command behavior from the top or when the deliberate change process is driven by specific systems and tools (Mantere & Vara, 2008). Moreover, a study by Ketokivi & Castañer (2004) shows that for top managers to achieve goal congruence and to overcome conflicts in role expectations with mid-levels, it is essential that communication means strongly complement the empowering initiatives, thereby reducing the middle levels position bias and at the same time facilitating their encouragement and involvement in the strategic change process. Even though the majority of extant research addressing the topic of middle management involvement in strategy process rely on the assumption that the supervisors' encouragement and support results in higher empowerment of subordinates (Spreitzer & Doneson, 2005; Srivastava et al., 2006), it must be stated that top managers support does not automatically mean that middle managers feel empowered.

5.2.2. Social-Structural Empowerment

Since this study aims to identify fine-grained leadership practices that explain how top managers empower their mid-levels for active contributions in the context of deliberate strategic change, the research stream of social-structural empowerment that specifically focuses on the link between supervisors' leadership practices and subordinates' empowerment (Spreitzer, 2008) is also of great importance. Empowering leadership involves the sharing of power with subordinates by delegation and thereby increases their level of autonomy and responsibility to bring in ideas, make decisions, and implement actions without direct supervision or intervention (Bass, 1985; Burpitt & Bigoness, 1997; Ahearne et al., 2005; Spreitzer & Doneson, 2005; Srivastava et al., 2006; Spreitzer, 2008). Even though many studies in this research stream address the supervisor-subordinate relationship on an operational group-work level (Spreitzer & Doneson, 2005; House & Aditya, 1997), they offer important insights for scrutinizing empowerment in the context of the dyadic hierarchical relationship between the top and middle managers. Keller and Dansereau (1995) showed that supervisors' leadership practices such as providing support for self-worth or negotiating latitude empower subordinates by increasing their satisfaction level. Moreover, they proved that empowered subordinates were more likely to perform their work tasks in accordance with supervisory preferences than were non-empowered subordinates. Referring to previous studies on organizational structures and policies promoting empowerment, Blanchard, Carlos & Randolph (1995) proposed three practices associated with empowering forces: information sharing, autonomy through boundaries, and team accountability. Arnold, Arad, Rhoades & Drasgow (2000) developed and empirically validated a model of five empowering leadership practices following a mixed-method approach. These are: leading by example, coaching, participative decision making, informing and showing concern. Srivastava, Bartol, & Locke (2006) applied Arnold et al.'s (2000) measures to the context of top-driven strategic renewal and found that empowering leadership was associated with more knowledge sharing and team efficacy, which in turn positively affected the overall firm performance.

5.2.3. Symbolic Empowerment versus Relational Empowerment

A recently published study by Canales (2012) relies on the symbolic view of power (Bourdieu, 1991; Pfeffer, 1994) to explain middle managers' empowerment in top-driven strategic renewal. From this perspective, Canales (2012) states that top managers' use of symbolic power serves as a critical source to overcome middle managers' potential resistance to change (Stensaker & Langley, 2010) and even to facilitate their encouragement to enact a broader strategic role. In his study, a symbolic reorganization of the company accompanied by specific top management induced practices such as specific trainings and changes in control systems facilitated middle managers' empowerment to actively drive the strategic change process and allowed them to unfold their operational efficiency. However, this theoretical approach neglects the relational perspective between top and middle managers. Another approach to explain middle management empowerment in the context of top-driven strategic renewal comes from the theory on relational empowerment, a field of research that has yet gained little attention and has not been applied to management contexts. It scrutinizes the development and enactment of mutual, interdependent, and reciprocal relationships between organizational members (Fletcher, 1998; Walsh, Bartunek & Lacey, 1998) and also seems to be a promising approach to be applied to scrutinize how top managers are able to empower their mid-levels in the context of top-driven strategic renewal.

5.3. Research Questions

The fourth research project of this dissertation examines how top managers are able to empower their middle managers to contribute to a top-driven strategic renewal process – such as the transformation process from multi-channel management to cross-channel management. To tackle this research objective, we relate to previous research on middle management empowerment in strategy process that argues from a bottom-up strategy-making approach and thereby claims a broad and active strategizing role for mid-levels (e.g. Burgelman, 1983; Currie, 1999; Floyd & Wooldridge, 1990; 1992). However with this study, we aim to question whether this quest for mid-levels' role extension is also appropriate for hierarchical management settings were top managers strongly drive the strategic change process. So far, only a few papers have yet addressed the topic of middle management empowerment in the context of deliberate strategic change. Their findings to do not sufficiently answer the question whether the role of middle managers also needs to be broadened in the context of top-driven strategic renewal (e.g. Guth & MacMillan, 1986, Westley, 1990 Mantere, 2005, 2008; Canales, 2012). With this research project, we base on these scarce research findings and argue that middle management empowerment can also take place without changing the classic and reciprocal role distribution between both management echelons, but instead re-enacting it. Thus, we believe that without changing the formal role distribution, middle managers can also be empowered to contribute to the change process by bringing in their critical thoughts and ideas based on highly interactive and iterative relationships with top managers. We posit that through resourceful hierarchical connections, top managers as well as middle managers may empower one another and thereby successfully contribute to the top-driven strategic renewal process. Thus, rather than proclaiming the extension of the strategic role of middle managers (e.g. Canales, 2012), we believe that the role of middle managers can stay the same. Based on specific leadership practices, top managers may be able to re-enact and leverage hierarchical relationships, thereby maintaining an active role in the eyes of middle managers and thus empower them to actively contribute to both the formulation as well as the implementation of top managers' strategic renewal plans. Thus, with this dissertation *article 4 (chapter E)*, we seek to answer the following research questions:

> *Research questions – Article 4:*
>
> 3. *How do top managers enact the relationship with their middle managers to empower (or disempower) them to actively contribute to the top-driven strategic renewal process?*
>   a. *What specific leadership practices allow top managers to empower their mid-levels?*
>   b. *How does the enactment of the dyadic but hierarchical relationship between top and middle managers function?*

5.4. Research Findings

Building on findings from a comparative case design with six multi-channel incumbents, and extant research from the fields of middle management empowerment in top-driven strategic renewal (e.g. Westley, 1990; Ketokivi & Castañer, 2004; Mantere, 2005; 2008) and empowering leadership (e.g. Ahearne et al., 2005; Srivastava et al., 2006; Spreitzer, 2008), we developed a theoretical framework of re-enacting hierarchies identifying a sequence of three top-management induced leadership practices that may explain how top-levels empower their mid-levels to contribute in the context of deliberate strategic change process. *First,* very early in the strategic renewal process, top managers need *to personally engage* with their mid-levels aimed at envisioning them of the new strategic direction. The enactment of such a behavior not only shows top management commitment, but increases middle managers motivation and encourages them to actively contribute to the top-driven strategic change process. *Second,* specific *structural guiding mechanisms* enable top managers to practice an active caring function which may lay the basis for joint evaluations on change initiatives' advancements and thereby reinforces the reciprocal learning and knowledge creation between both management echelons. *Third*, *top managers' feedback accessibility* encourages even lower middle managers to bring in their critical thoughts and ideas. By actively actuating middle managers to participate, top managers intensify their relationship with their mid-levels which lets them jointly drive the strategic change process. With this framework, we prove that the classic role distribution in strategy formation (Mintzberg, 1978; Mintzberg & Waters, 1985), where top managers are in charge of strategy formulation and middle managers drive strategy implementation, still holds true. Thus, the middle managers' role does not automatically be broadened as was posited by previous research projects (e.g. Burgelman, 1983; Floyd & Wooldridge, 1990; 1992; Canales, 2012). However, our research findings show that even in hierarchical strategic change settings, e.g. during the transformation process from multi-channel management to cross-channel management, top managers need to empower their mid-levels to contribute to the strategic change process already in the formulation phase. Thus, we complement previous theory on symbolic empowerment (e.g. Canales, 2012) to explain how top managers empower their middle managers to actively contribute by relating to the theory of relational empowerment from the field of couple therapy (e.g. Hardy & Leiba-O'Sullivan, 1998; Walsh et al., 1998) and thereby introducing a new relational theory on middle management empowerment in top-driven strategic renewal. We claim that by enacting the following three leadership practices: 1) *personal* *engagement*, 2) *structural guidance*, and 3) *feedback accessibility*, top managers are able to interact with their mid-levels throughout the whole process and empower them to contribute to strategic change tasks. However, applying these practices not only allows top managers to enable their middle managers to contribute to strategic change, but also to empower themselves. Thus, we show that besides symbolic empowerment, relational empowerment in the form of functioning hierarchies may be another effective form of fostering middle managers' contributions in the context of top-driven strategic change.

6. Research Methods

6.1. Qualitative Research Design

Since the change in consumer behavior towards cross-channel shopping is a new phenomenon, research on how multi-channel incumbents are able to adapt to this change in consumer behavior is still in its formative stage. In addition, the management-oriented view on cross-channel management can be qualified as being a broad as well as a complex issue challenging the whole firm and initiating a firm-wide strategic renewal process. Thus, a process perspective in research is crucial to understand how multi-channel retailers are able to cater to the demands of these new cross-channel shoppers. These three characteristics require researchers to look at the phenomenon in its natural context of occurence (Bonoma, 1985; Yin, 2009) and therefore call for a qualitative research design. Hence, this thesis follows the classic post-positivistic research paradigm in qualitative research and employs a rigorous case research design aimed at theory elaboration in the form of generalizable propositions (Eisenhardt, 1989). The sample consists of multi-channel retailers, respectively their management teams consisting of top, higher and lower middle managers, which strive for channel integration. In order to adequately grasp the multi-faceted phenomenon of cross-channel management, we apply an embedded, multiple case design (Punch, 2005; Yin, 2009). As is common in case research, we combine elements of inductive theory (Glaser & Strauss, 1967) and structured methods (Eisenhardt, 1989). Thereby we did not posit any a priori propositions in early phases of the research process, but instead guided our research along three blocks of research questions based on a profound review of extant literature (Cavaye, 1996).

6.2. Multiple Case Design

As recommended by Eisenhardt (1989) and recently applied in acknowledged studies of Santos & Eisenhardt (2009) as well as Martin & Eisenhardt (2010), we follow a multiple case design. A multiple case research guarantees a methodically sound replication logic since cases are treated as experiments to confirm or reject conceptual findings following a comparative approach (Yin, 2009) and is therefore more likely to yield robust and generalizable theoretical findings than a single case design (Eisenhardt & Graebner, 2007; Langley & Abdallah, 2010). Our case design embeds three units of analysis: (1) strategic renewal process, (2) changes in organization design, and (3) top and middle management interaction. The *first unit of analysis* identifies *four channel integration modes* and derives *three strategic development paths* toward cross-channel management. The *second unit of analysis* identifies f*our routes of organizational design adaptation* to successfully cater to the demands of cross-channel shoppers. The *third unit of analysis* scrutinizes *top management leadership practices that empower middle manage*rs to contribute to strategic renewal initiatives and thereby also empower themselves.

6.3. Case Sampling

The selected multi-channel retailers come from the population of Swiss and German retailers who are striving to cater to the demands of cross-channel shoppers and are located in the sectors Books & Entertainment, Apparel, Consumer Electronics, Sports Outdoor, Furnitures, Fragrances as well as Hunting & Apparel. These retail sub-industries were favored because previous studies qualified them to be the frontrunner retail industry-segments when it comes to the firm-wide strategic renewal process from multi-channel management towards cross-channel management (Emrich & Rudolph, 2010; PWC, 2012). After the definition of the study population, we thoroughly selected nine multi-channel retailers who all initiated a firm-wide transformation process to intertwine their so far rather separated online and offline channels towards a much more interlinked channel integration approach. However, they were situated in different phases of this top-driven firm-wide strategic renewal process. Our overall goal was to achieve a diverse sample that provided different possibilities for comparison and allowed for rich theoretical and generalizable conclusions across retail sub-industries (Danneels, 2002). The sampling of firms and managers followed theoretical rather than statistical considerations (Glaser & Strauss, 1967; Pettigrew, 1990). Given our challenging overall research objective, this design required that case firms not only granted full access to all management levels, but also gave full disclosure to secondary data and allowed us to observe specific top and middle management interaction mechanisms. These restrictions further limited our choice during theoretical sampling (Glaser & Strauss, 1967; Pettigrew, 1990) and resulted in the aquisition of nine Swiss and German multi-channel retailers as case firms. These are: Annapurna, Everest, K2, Kilimanjaro, Lhotse, Matterhorn, McKinley, Mont Blanc and Zugspitze *(see figure 6)*. An established research partnership with all these firms granted us access to first-hand information through interviews with top and middle managers.

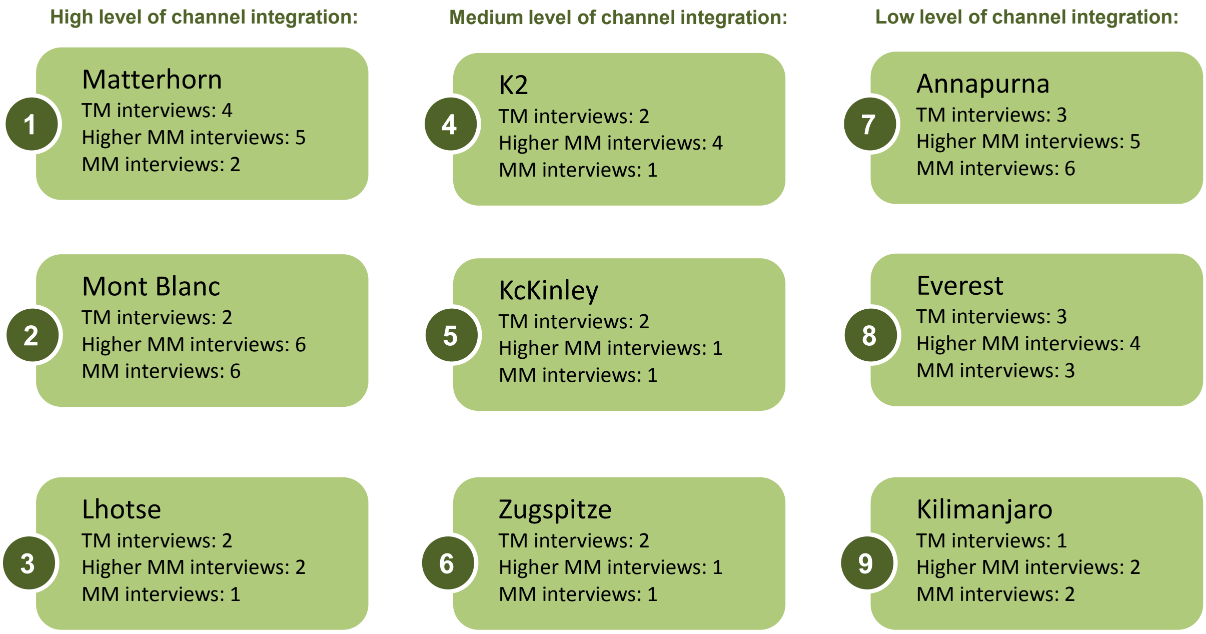

Figure 6: Overview on case firms
Source: own graph.

We employed a theoretical sampling approach , since the higher suitability of the sample firms ensured more closeness of the study design to the new phenomenon, (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Stake, 1995) , than would have been possible with a simple random sampling procedure. Although our selected case firms were by tendency more successful than other multi-channel incumbents striving for channel integration, they nevertheless showed a great level of variation for all three research perspectives, thus ensuring the needed variance for inductive case-based theory elaboration.

6.4. Data Collection and Data Analysis

Data collection and data analysis overlapped in time to allow the cautious elaboration of extant theoretical concepts (Punch, 2005; Yin, 2008; Miles & Huberman, 1994). Thus, we followed an iterative process as did many influental scholars in the field of multiple case design (e.g. Miller et al., 1997; Santos & Eisenhardt, 2009; Martin & Eisenhardt, 2010). Our data collection procedure involved a wide range of informants on top and middle management levels which reduced information bias within indivdiual respondent perspectives. We applied a triangulated approach (Yin, 2009, p. 101ff.) and were thereby depending on semi-structural interviews, short-questionnaires, observations of top and middle management interactions, follow-up phone conversations, emails as well as on secondary data sources such as strategy and change documents, organizational documentation, organization charts, press releases, customer survey results, website information, annual reports and news articles to allow for maximum richness and closeness to the research objective (Martin & Eisenhardt, 2010, p. 270). We conducted 78 semi-structured interviews with 71 top and middle managers from the nine multi-channel firms. As recommended by Martin & Eisenhardt, interviews were transcribed within twenty four hours after conduction (2010, p. 270). As is typical in inductive case-based research (Eisenhardt, 1989; Eisenhardt & Graebner, 2007), we *first* built individual case write-ups for each study that triangulated all collected data (Jick, 1979). *Second*, relying on the seminal methodological studies by Eisenhardt (1989), Eisenhardt & Graebner (2007) and Miles & Huberman (1994), we conducted an iterative cross-case comparison for each article following the replication logic of Yin (2009) and performed paired case comparisons to allow for explanation building and to draw cross-case conclusions (Eisenhardt, 1989). *Third*, after having developed conceptual constructs from preliminary cross-case results, we tested them by going back and forth between the case data, emergent theory, and previous literature to validate and further refine the preliminary findings aimed at elaborating existing theoretical constructs (e.g., Martin & Eisenhardt, 2010).

6.5. On the Compliance of Relevant Evaluation Criteria

There are a number of relevant evaluation criteria a multiple case design needs to fulfill *(see figure 7).* The most prominent are construct validity, internal validity, external validity as well as reliability measures (Punch, 2005, Yin, 2008; Miles & Huberman, 1994). The criterion of *construct validity* is particularly problematic in case study research and critics often point out that subjective judgment is a major problem in case research (Punch, 2005; Yin, 2008). Based on common strategies to ensure a high level of construct validity, we addressed potential informant bias for all research studies in several ways. *First,* we interviewed informants on multiple hierarchy levels (top management, higher middle management, and lower middle management) and from different parts of the firm (e.g. marketing, purchasing, sales, logistics) aimed at inducing richer and more elaborated theory since different individuals add complementary information (Schwenk, 1985; Dougherty 1990). *Second,* we used open-ended questions and interviewed highly knowledgeable informants on recent and important activities to limit recall bias and enhance accuracy (Koriat & Goldsmith, 2000; Golden, 1992; Martin & Eisenhardt, 2010). *Third,* we triangulated data from multiple sources of evidence (Jick, 1979; Kumar et al., 1993). *Fourth,* we tried to prevent informant speculation by focusing on factual accounts of what informants did or observed others doing (Huber & Power, 1985; Lipton, 1977). *Fifth,* we granted full anonymity to informants to encourage sincerity (Martin & Eisenhardt, 2010). *Sixth,* we established a chain of evidence to show how we moved from data to interpretations (Yin, 2008; Maurer & Ebers, 2006; Pratt, 2009).

Relevant criteria	Key aspects of case study tactic	Research phase in which tactic occurs
Construct validity	• use multiple sources of evidence • establish chain of evidence • case study report	• data collection • data collection • research design
Internal validity	• do pattern-matching • do explanation building • address rival explanations • use logic models • cross-case synthesis (tabular displays)	• data analysis • data analysis • data analysis • data analysis • data analysis
External validity	• rationale for case study selection • use replication logic in multiple case studies	• research design • research design
Reliability	• use case study protocol • develop case study database	• data collection • data collection

Figure 7: Evaluation criteria
Source: based on Punch, 2005; Yin, 2008

Internal validity, as a second crucial evaluation criterion in multiple case research, checks internal consistency as to whether all parts of the research fit together and are logical. Furthermore, it evaluates correlative and prognostic validity by looking at the extent to which the findings accurately represent and reflect reality. We adopted and executed well-known procedures to convincingly address this criterion, such as pattern-matching, explanation building, addressing rival explanations as well as using logic models and cross-case synthesis to analyze data (Yin, 2008). In order to ensure data analysis validity measures, we overlapped data collection and analysis for the benefit of plausible causal argumentation and logical reasoning (Gibbert et. al., 2008). While case research requires caution in terms of *external validity,* we aimed for analytical, not statistical generalizability. Here, it was our primary concern to ensure that our conclusions were transferable to other settings and contexts. Therefore, we assessed and interpreted our findings based on previous theoretical constructs. In addition, we delivered a comprehensive rationale for our case selections and used a replication logic to ensure theoretical saturation as well as to proactively address the transferability problem of our research findings to other contexts (Santos & Eisenhardt, 2009; Denzin & Lincoln, 1994). Regarding the *reliability* criterion, we worked with case study protocols and developed an evolving data structure that identified and clustered major themes and patterns (Yin, 2009).

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B Article 1: The Strategic Perspective I

Leveraging Bricks-And-Clicks: A Challenging Mission for Multi-Channel Incumbents

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Abstract:
The fast adoption of new technological devices (e.g. smartphones, tablets) does not only enable consumers to ubiquitously access the Internet for online research or transactions, it also allows them to switch channels when shopping. Multi-channel incumbents are forced to keep up with this disruptive change in consumer behavior and as a consequence strive towards integrating their online and offline channels. However, many players struggle to pursue these channel integration initiatives. They often face severe problems such as identifying and installing the right cross-channel services, aligning the so far channel-specific business processes and information systems as well as overcoming organizational inertia. Although there is significant research on how top managers maintain their multi-channel system, we still have a relatively limited understanding of how, in what sequence, and to what extent multi-channel incumbents can intertwine their online and offline channels. Based on 71 interviews with 65 top and middle managers, we develop a framework on how to overcome unstructured activism and render transparent four channel modes that multi-channel players may find themselves in. Furthermore, we reveal three strategic development paths multi-channel incumbents can pursue when striving for cross-channel management.

Key words: *Multi-Channel Management, Cross-Channel Management, Top-Driven Strategic Change, Case Study Research*

1. Introduction

In the mid-1990's, the rise of the Internet was described as a disruptive development (Christensen et al., 1994). Futurists proposed that consumers would buy most products and services over the Internet thereby bypassing classic bricks-and-mortar retailers (Porter, 2001). Recent developments prove that they were not entirely wrong. Online shopping has shown a tremendous worldwide growth during the last years; and it is expected that online retailing will continue to outpace the growth of offline retailing. Up from $231 billion in 2013, U.S. online retail sales are expected to grow by a compound annual growth rate (CAGR) of 10 percent to reach $370 billion in 2017. In addition, Europe's online sales of $166 billion in 2013 are expected to grow fractionally higher over the same period, hitting $247 billion in 2017, based on a compound annual growth rate (CAGR) of 10.5 percent (Forrester, 2013a; 2013b). However, the rising importance of the Internet during shopping does not only entail tremendous opportunities for pure online players, but for offline players as well. New technological devices (e.g. smartphones, tablets) have not only enabled the advent of mobile-commerce but also increased the influence of the Internet on offline transactions. More and more shoppers use the web to research their offline purchases, thereby switching online and offline channels when shopping – a behavior that is called *cross-channel shopping* – which offers considerable growth opportunities for multi-channel incumbents (Venkatesan et al., 2007; Konus et al., 2008). Various consumer studies confirm that cross-channel shoppers are a more satisfied and therefore loyal customer segment which spends on average up to three to four times as much as its single-channel counterparts (Verhoef et al., 2007; Chatterjee, 2010).

In order to cater to the demands of this lucrative segment, multi-channel players are striving to intertwine their online business with their store business and thus initiate a strategic change process including various strategic initiatives such as installing cross-channel services (e.g. "order item online, pick it up in a store of choice") or aligning their information systems and business processes (Accenture, 2010). However, so far, the desired success is often not achieved and firms are stuck in the change process facing several management problems. Here, the three key challenges are: *First,* the installed cross-channel services are costly, but fail to address customers' needs appropriately. *Second,* channel integration requires the alignment of so far channel-specifically managed systems and business processes which heavily challenge firms to reconfigure their whole information systems' architecture. *Third,* since multi-channel firms are often organized in channel-specific business units with a profit-center logic, organizational design changes are needed to either increase collaboration among channel units or to centralize and merge so far channel-specific departments (e.g. classic marketing vs. online marketing).

In response to these managerial problems, we aim to examine the strategic initiatives multi-channel incumbents launch on their journey towards cross-channel management and to specifically scrutinize how they are able to successfully manage this strategic change process. Thus, we ask: *How do multi-channel incumbents integrate their online and offline channels in order to successfully manage the firm-wide strategic change process towards cross-channel management?* In the process of answering this question, we were able to develop a framework of four channel modes and to identify three strategic paths multi-channel retailers can pursue on their journey towards cross-channel management.

2. Research Design

All ideas presented here originate from a research initiative on cross-channel management. From 2009 to 2013, we studied more than 25 retailers and worked with over 100 top and middle managers.

Based on an earlier study on the cross-channel shopping phenomenon, we surveyed more than 1'500 consumers in Switzerland and Germany to better understand the change in consumer behavior towards cross-channel shopping. A further study examined how retailers developed their online business alongside their store business and how they managed first initiatives to interlink these two channel entities. Here, we relied on a multiple case design working with explorative interview data as well as secondary data collected from eight multi-channel players from six different countries (Austria, France, Germany Switzerland, UK and the US[1]). Based on this case research, we learned that it is crucial to distinguish between distribution channel integration and communication channel integration when multi-channel retailers need to set up a strategic change plan to intertwine online and offline channels.

In another study, we focused on specific multi-channel retailers which were seen as pioneers in integrating their online and offline channels in Switzerland and Germany. We selected and thoroughly investigated the planning of the strategic change process of nine multi-channel retailers from eight different retail industries: 1) Apparel, 2) Books & Entertainment, 3) Consumer Electronics, 4) Cosmetics, 5) Department Store,

[1] Countries listed in alphabetical order.

6) Furnitures, 7) Hunting & Apparel as well as 8) Sports Outdoor[2]. In addition, we also took into consideration the market settings of each retail industry as well as the specific situation of the selected player within their industry. All in all, we conducted 71 in-depth interviews with 65 top managers and middle managers and again relied on a multiple case design to compare and contrast the selected case firms. We found that the two already identified dimensions of channel integration – distribution channel integration and communication channel integration – were appropriate means to structure the strategic change initiatives of multi-channel incumbents on their journey towards cross-channel management. In addition, we were able to derive three distinctive strategic development paths which explain how multi-channel incumbents are able to structure their strategic change process towards cross-channel management.

In sum, 2’555 pages of interview transcripts and 324 pages of secondary data formed the basis to conduct the comparative case analysis. Although the methods we used and the firms we investigated varied across our studies, we constantly found the following: When responding to cross-channel shopping, multi-channel incumbents follow one from three distinct strategic development paths. Successful players choose the path that best matches their strengths, current capabilities as well as specific market conditions. *Table 1* summarizes the characteristics of the sampled firms which had to be anonymized due to confidentiality issues.

[2] Retail industries listed in alphabetical order.

Table 1: Overview of case firms
Source: own graph.

Firm:	Number of Employees 2011:	Revenues 2011	Distribution Channel Portfolio:	Number of Interviews conducted:	Interviews conducted by Management Type:	Additional Data Sources:
Annapurna	< 1‘000	< $200 mio.	Stores (22, 2011)* E-commerce (2006)** Catalog/call-center	14	Top management interviews: 3 Higher middle management interviews: 5 Lower middle management interviews: 6	Strategy and project documents, annual reports
Everest	> 10‘000	> $2‘000 mio.	Stores (434, 2011)* E-commerce (2011)**	9	Top management interviews: 4 Higher middle management interviews: 3 Lower middle management interviews: 2	Strategy and project documents, annual reports
Kilimanjaro	> 10‘000	> $2’000 mio.	Stores (65, 2011)* E-commerce (2003)**	5	Top management interviews: 1 Higher middle management interviews: 2 Lower middle management interviews: 2	Strategy and project documents, organization charts
K2	< 1‘000	> $200 mio.	Stores (50, 2011)* E-commerce (2011)**	7	Top management interviews: 2 Higher middle management interviews: 4 Lower middle management interviews: 1	Strategy and project documents, reorganization documents
Lhotse	> 10‘000	> $2‘000 mio.	Stores (1’200, 2011)* E-commerce (1999)** M-commerce (2012)**	4	Top management interviews: 2 Higher middle management interviews: 1 Lower middle management interviews: 1	Strategy and project documents, organization charts
Matterhorn	< 1‘000	< $200 mio.	Stores (113, 2011)* E-commerce (1999)** M-commerce (2012)**	10	Top management interviews: 4 Higher middle management interviews: 4 Lower middle management interviews: 2	Strategy and project documents, organization charts
McKinley	> 1‘000	> $200 mio.	Stores (21, 2011)* E-commerce (2007)** M-commerce (2012)**	4	Top management interviews: 2 Higher middle management interviews: 1 Lower middle management interviews: 1	Strategy documents, organization charts
Mont Blanc	> 1‘000	> $200 mio.	Stores (16, 2011)* E-commerce (2002)** M-commerce (2011)** Catalog/call-center	14	Top management interviews: 2 Higher middle management interviews: 6 Lower middle management interviews: 6	Strategy documents, reorganization documents, annual reports
Zugspitze	> 1‘000	> $200 mio.	Stores (11, 2011)* E-commerce (2009)**	4	Top management interviews: 2 Higher middle management interviews: 1 Lower middle management interviews: 1	Strategy documents, organization charts

*Legend: * = number of stores   ** = founding year*

3. The Four Strategic Modes of Channel Integration

On their journey towards cross-channel management, firms need to orchestrate their various consumer touch points. The needed strategic initiatives in the front-end (e.g. various cross-channel services and cross-media promotions) as well as in the back-end (e.g. alignment of information systems and business processes) are cost intensive and can easily exceed the firms' resources. Thus, if multi-channel players do not structure their identified initiatives and define a clear-cut development plan, budget problems, time pressure and over-challenged employees are the painful outcome of this transformation process.

Based on our step-wise research design, examining how multi-channel incumbents successfully manage this strategic-change process, we were able to show that two dimensions are important for multi-channel incumbents when structuring their various strategic change initiatives and thereby setting priorities to plan their journey towards cross-channel management. The *first dimension* deals with the question of how to integrate all online and offline distribution channels regarding the strategic retail-mix characteristics (assortment, pricing, brand/layout, and promotions) in the front-end. Also, it refers to the alignment of business processes and information systems such as order management/fulfillment, inventory management, and checkout systems in the back-end (Zhang et al., 2010; Enders & Jelassi, 2000). The *second dimension* focuses on the integration of classic, digital as well as social communication channels and deals with specific tasks such as cross-media campaigns and marketing means (e.g. promotions) in the front-end as well as with the alignment of channel-specific CRM solutions in the back-end (Chen et al., 2005; Neslin et al., 2006). In fact, it is the interplay of both dimensions that determines an organization's state of channel integration. Within these two dimensions, there are four distinctive modes of channel integration *(see figure 8[3])*. In the following, each mode will be briefly outlined.

[3] The term "investment level" needs further explanation: investment level = investment costs for back-end system alignments (e.g. CRM-system) or front-end services integrating channels (e.g. in-store kiosk or in-store tablets for sales clerks).

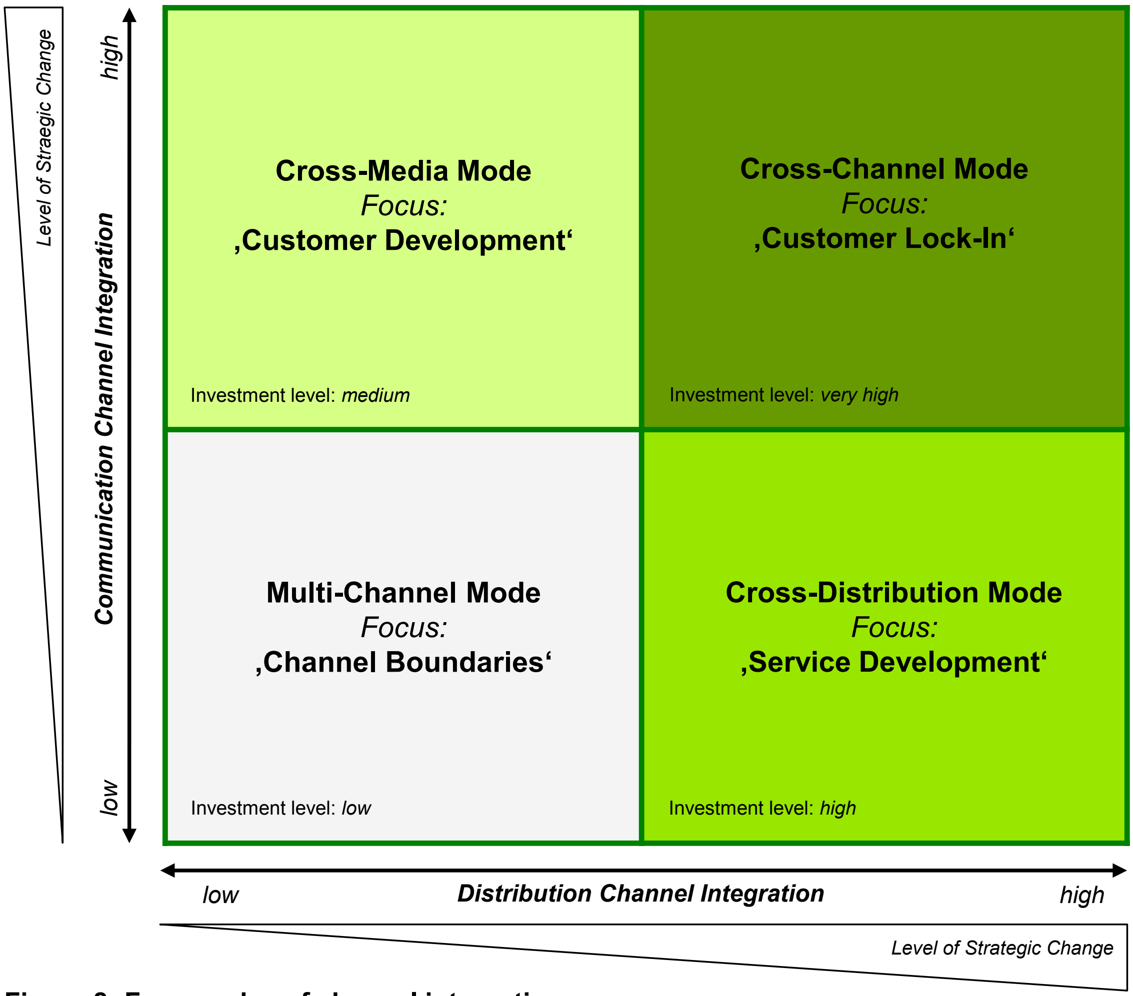


Figure 8: Four modes of channel integration
Source: own graph.

3.1 The Multi-Channel Mode

Firms in the multi-channel mode still manage their distribution channels as separate profit-centers. Customers often find different assortments, pricing and service levels across distribution channels as well as channel-specific marketing and communication means. In addition, channel units still run their own operational business processes and systems without sharing any insights on customer preferences. Our research findings reveal that retailers in the multi-channel mode will forgo between 10-20 percent of potential sales p.a. until 2015 if they are not ready to offer cross-channel services, because competitors offering cross-channel services or online pure players will increase their market share instead.

Everest – A German consumer electronics retailer is exemplifying this mode. For years, stores were the one and only distribution channel of the firm. It was only three years ago that the firm successfully launched an online shop besides their store business after two earlier unsuccessful trials. Since store managers held a significant share of their own stores, they feared that cross-channel initiatives would boost the firms' online sales and thereby directly cannibalize their store sales. Only recently, Everest introduced its first cross-channel service, where consumers can make an online reservation and then go to any store to pick up their order at the same day. To the surprise of the store managers, this service even enabled stores to increase average customer spending. Nevertheless until now, channels are still being managed as separate business units with differences in assortment, prices and layout in the front-end as well as entirely separate processes and systems in the back-end.

3.2 The Cross-Media Mode

Firms in the cross-media mode strongly focus on communication channel integration, whereas their distribution channels are still managed separately. Bundling of channel-specific consumer data into a centralized CRM system is a prerequisite for developing cross-media campaigns and marketing means that integrate classic, digital and social communication channels aimed at penetrating existing customers while acquiring new ones at the same time. The investment level required can be qualified as medium, since firms mainly need to invest in a centralized CRM system. Firms take between 12-24 months to establish such a consumer-centric approach across all communication channels.

Zugspitze – A German fashion department store chain for premium clothing illustrates this mode well. The firm has traditionally relied on channel-specific CRM means and run a sophisticated loyalty card program. However, top management could not agree on the relevance of the cross-channel shopping phenomenon for their business model. Thus, they postponed the launch of cross-channel services and chose to integrate their online and offline communication channels in a first step. Hence, the firm has invested in bundling its former channel-specific consumer data into a centralized CRM solution. Zugspitze is now able to compare and contrast store sales patterns with online sales patterns of more than 70 percent of all its customers to develop tailored campaigns or even personalized marketing promotions to better inform their customers. However, since Zugspitze is reluctant to integrate their distribution channels, the assortment of the online-shop is still smaller than the one in stores, pricing differences across channels still occur, and channel-specific services are still predominant (e.g. return policy does not allow customers to return online items in stores). Nevertheless, Zugspitze's success in the cross-media mode can be explained by their inspiring cross-media campaigns and segment-specific or even personalized marketing promotions that mainly boost their store sales.

3.3 The Cross-Distribution Mode

Firms in the cross-distribution mode strongly integrate their distribution channels but only slightly coordinate their communication channels. They install innovative cross-channel services such as “order an item online in store, have it delivered home”. However, such advancements in the front-end also requires a strong alignment of all relevant business processes and information systems in the back-end (e.g. assortment planning, inventory management, replenishment). Our findings show that the necessary investment level in this mode can be considered high compared to the multi-channel mode. Furthermore, firms need between 24 and 36 months to align their business processes and information systems as well as to implement cross-channel services.

Mont Blanc – the German sports outdoor retailer is a great example illustrating this mode. Since the firm had to redesign their outdated so-far channel specific information systems (e.g. order management and fulfillment) and did not have a strong competence in using customer data yet, it was clear that Mont Blanc set the focus first on integrating their distribution channels. Although the cross-channel shopping phenomenon can still be considered as being in a formative stage, already 15 percent of overall Mont Blanc sales can be assigned to cross-channel purchases. However, this comes hardly as a surprise, as Mont Blanc has established in-store kiosks in every store already in 2009, tablets in some stores in 2011, and has launched a mobile application in 2011 that already generated more than $1 million additional sales. Mont Blanc’s success in the cross-distribution mode is owed not least to a very well-managed alignment of their previously channel-specific business processes and information systems based on a firm-wide redesign project.

3.4 The Cross-Channel Mode

Firms in the cross-channel mode focus on both integration dimensions at the same time. Our research indicates that the investment level in this mode is very high. Yet, in the cross-channel mode, customer loyalty can be increased compared to the multi-channel mode, since consumers who switch channels while shopping build trust with the firms’ cross-channel offerings. Thus, the installment of cross-channel services and the development of personalized marketing promotions are key for cross-channel firms to create customer lock-in.

Matterhorn – the Swiss retailer for entertainment products is a good example for this mode. The firm was facing radical decreases of turnover in core product categories due to the advent of pure online-players such as Amazon. In order to remain competitive, Matterhorn, as a small and very flexible, CEO-driven organization, decided to offer innovative cross-channel services on the one hand and to focus on customer analytics to also address customers in personalized marketing promotions on the other hand. Thus, they focused on both integration dimensions at the same time to offer their customers a convenient way to order products online or to use their stores as convenient points for pick-up. This strategic redirection was decided in 2010. From then on, Matterhorn strongly followed an integrated channel approach since all of its four distribution channels (stores, website, call-center, and smartphone app) were treated equally and used by customers interchangeably while shopping. Today, the cross-channel service "order item online, pick it up in store" already accounts for 17 percent of all online orders. Since its launch in 2011, this channel switching service has generated twice as much traffic as the service "order item online in store, have it delivered home". Thus, online activities have clearly increased store visits and fueled complementary sales. Moreover, the strongly aligned business processes and information systems do not only enable Matterhorn to make product availability data accessible in real-time across all channels, but also to effectively address customers through personalized marketing means. Thus, Matterhorn's success depends on the installment of value generating cross-channel services and the strongly aligned information systems and business processes on the one hand. But it also depends on effective personalized marketing promotions based on a strong customer analytics competence and a powerful CRM system collecting and analyzing all sorts of relevant data on the other hand.

4. Choosing the Right Path

Since most multi-channel players find themselves still located in the multi-channel mode and are currently initiating a transformation process towards cross-channel management, the crucial question that arises is how this top-driven strategic change process can be most effectively managed. Our research findings indicate that firms can choose from three different paths *(see figure 9)*.

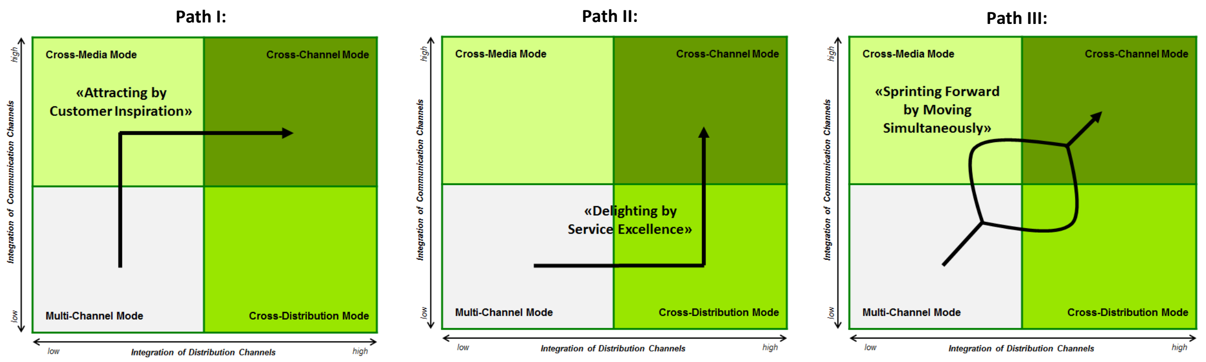


Figure 9: Three paths towards cross-channel management
Source: own graph.

4.1 Path I: "Attracting by Customer Inspiration"

This first path sets a clear priority on the integration of all online and offline communication channels, before launching initiatives for distribution channel integration. Its overall objective is to attract and inspire customers based on cross-media communication and marketing means to become the point of reference for a specific product offering and thereby to increase traffic in a preferred distribution channel as well as to lift additional cross-selling potentials.

> "Genuine cross-media management bases on the individual search and purchase history of customers and approaches each individual customer with personalized messages by using an optimal mix of classic, digital and social communication channels." *(Zugspitze, a higher middle manager)*

Our empirical findings show that firms pursuing this path share the following characteristics. *First,* they are not directly challenged by online-pure players attacking their market share since customers still prefer to visit a store for their purchases (e.g. retail industries such as premium clothing, premium furniture or cosmetics). Thus, firms following this path still prefer to stick to their channel-specific business model. *Second,* firms following this path usually rely on strong CRM competences and have sophisticated loyalty programs and couponing initiatives in place since their customers are used to a high degree of personalized marketing with the firm (e.g. personalized newsletters for specific events or promotions). *Third,* these firms try to leverage their strong marketing and communication competence to inspire customers to visit their stores.

Although many firms following this path are experienced in analyzing customer data and in developing channel-specific marketing means, pursuing this path now requires bundling of consumer data across channels and performing sophisticated analytics that deal with various data sets to develop personalized marketing means (Verhoef et al., 2010). Thus, these firms need to gain knowledge in developing cross-channel marketing campaigns that involve various classic, digital and social communication channels and are tailored to segment-specific or even personalized consumer needs. In addition, firms following this path adapt their organization structure only slightly and reactively (Westerman et al., 2006), since the transformation so far mainly concerns their marketing teams. Consequently, firms prefer to stick to channel-specific practices while integrating and centralizing their separate online and offline marketing and merchandising teams. Since the focus on communication channel integration is at first sight often considered less difficult than the distribution channel integration, firms tend to underestimate the complexity in performing the needed consumer analytics and in developing cross-channel marketing means. In addition, an integration of communication channels prior to the integration of distribution channels can lead to consumer confusion when firms get impatient and unconsciously increase customer expectations about cross-channel activities that are not yet ready to deliver. Since the decision to prioritize the communication channel integration only directly involves the marketing and merchandising departments within the firm, the initial cultural shift within the firm can be considered fairly small. Nevertheless, all examined firms following this path have set-up a company-wide project to drive the transformation process towards cross-channel management *(see table 2)*.

Table 2: Key characteristics of path I "Attracting by Customer Inspiration"
Source: own graph

Path I: "Attracting by Inspiration":		**Representative Informant Quotes:**
Key Capabilities:	•Consumer analytics	"Ideally, we have a strategy for each customer on what kind of promotions, at what time, by which means of communication to offer since we exactly analyze each customers' shopping patterns across all our channels." *(Lhotse, a higher middle manager)*
	•Cross-channel campaign management	"We use our mobile app as a marketing means to integrate various communication channels. In addition to the augmented reality function where users have the possibility to scan a photo of their living room and then equip it with products in 3D from our online assortment to make an online-reservation for a personal shopping experience in a store of their choice, the link to send the configuration to a friend via email or Facebook is just one click away." *(McKinley, a top manager)*
Organizational Adapations:	•Slightly coordinated approach •Tendency to centralize and converge marketing and merchandising •Low level of cross-channel collaboration (purchasing, supply chain, sales)	"Until now, the offline marketing department manages all communication and promotion issues. It is also here where we will launch the cross-media campaigns in the near future. However, we currently discuss whether the online marketing team shall be fully integrated into the offline marketing department which will then be centralized." *(Zugspitze, a top manager)*
Barriers:	•Underestimation trap -> customer confusion	"The design of cross-media campaigns which are strongly coordinated, content and time-wise, is not as trivial as one might think at first sight. Particularly, the complexity of analyzing customer data to design target group specific or even personalized cross-media campaigns or promotions is not to be underestimated. In addition, firms need to deal with the risk that customers already expect cross-channel services based on the cross-media activities, even though such channel-integrating services have not yet been installed." (*Zugspitze, a higher middle manager)*
Cultural Shift:	•Fairly low	"Although the degree of change is still low in the beginning of a transformation process, we have deliberately decided to involve all employees in the change communication." *(Lhotse, a higher middle manager)*

4.2 Path II: "Delighting by Service Excellence"

This second path first focuses on the integration of all distribution channels before tackling the communication channel integration. Firms following this path are driven by the notion that cross-channel shopping may help to defend their market position against pure online players if they start to install convincing and reliable cross-channel services. Thus, the overall objective lies in striving for cross-channel service excellence.

> "At a certain point, we figured that we needed a clear cut in order to initiate the journey towards cross-channel management. So we decided to focus on the integration of channel-specific processes and systems to trim the whole firm towards service excellence, and then to launch a first cross-channel service with the installment of in-store kiosks in stores." *(Mont Blanc, a top manager)*

The following characteristics describe why some multi-channel incumbents pursue this path when striving towards cross-channel management. *First,* they do not feel immediate pressure from online pure players but perceive that consumers start to shop product categories online besides visiting stores (e.g. sports outdoor wear, department store line of products). *Second,* these firms usually do not use customer data to develop their marketing means and therefore lack an advanced CRM competence. *Third,* they try to leverage their strong supply chain and business process competences by developing innovative and reliable services that enable customers to seamlessly switch online and offline touch points during shopping.

To successfully advance along this transformation path, firms need to be able to adopt and implement new technologies such as in-store-kiosks, tablets or smartphone apps to launch cross-channel services such as "order item online in store, have it delivered home". In addition, the integration of distribution channels challenges firms internally, since fundamental business processes and information systems need to be completely redesigned – a project that is often time-consuming, costly, and affects daily business operations. Since the initiatives to integrate all distribution channels involve a firm-wide strategic change process, firms following this path of transformation need to strongly adapt their organization structure among different channels (Westerman et al., 2006). Thus, all departments need to intensify collaboration with purchasing and supply chain often requiring complete reorganization. The distribution channel integration regularly brings up contradictions and ambiguities related to channel integration initiatives and thereby cause internal discord in the management team which lengthens the transformation journey. Thus, instead of working together to find a fast but effective solution for their business processes and systems alignments, managers often become entangled in time-consuming arguments which end up in situations where none of the redesign initiatives get effectively accomplished. These interlocking discussions increase the uncertainty level of employees and fuel fears that the online channel will take away sales form the store channel (Deleersnyder et al., 2002). Although the management decision to prioritize distribution channel integration makes the transformational process explicit to all stakeholders in the firm, the cultural shift can still be qualified as rather moderate since the needed change initiatives normally last at least two to three years and employees thereby have time to familiarize themselves with the new business approach *(see table 3).*

Table 3: Key characteristics of path II “Delighting by Excellence”
Source: own graph.

Path II: “Delighting by Excellence”:		Representative Informant Quotes:
Key Capabilities:	• Technology adoption	"It is crucial to always try to be at the cutting edge of new technological innovations. And that’s something we can be really proud of in our firm. In 2009, we were one of the first companies in Germany which have launched in-store kiosks in all stores. In addition, the early launch of tablets in their function as sales assistants for our sales clerks in 2011 illustrates that we have a high level of expertise in adopting and configuring new technologies into our business model." *(Mont Blanc, a top manager)*
	• Business process reengineering	"The strong alignment of all business processes and information systems across channels will still strongly challenge the whole organization. This comprehensive screening of all back-end processes and systems binds a huge amount of resources and must happen in parallel to the daily operational routines which cannot be affected in any way. " *(Kilimanjaro, a higher middle manager)*
Organizational Adaptations:	• Strongly coordinated approach • Tendency to intertwine purchasing, and supply chain • High level of cross-channel collaboration (purchasing, supply chain)	"It is absolutely necessary that all channel units and departments will be more interlinked in the near future. In addition, the purchasing and supply departments of both online and offline channels need to be completely reorganized. " *(Annapurna, a top manager)* "For the extensive interlinking of all distribution channels and the successful installment of cross-channel services, it is crucial that the management team fosters and even exemplifies the importance of cross-channel collaboration besides the mere task of changing the incentive structure." *(Mont Blanc, a top manager)*
Barriers:	• Absorption trap -> channel cannibalization	"The management of the new SAP release and the launch of the tablets as a means to assist sales clerks are a real challenge. The launch had to be rescheduled several times due to management conflicts and unforeseen difficulties in the implementation phase. This in turn, increased the general insecurity of our people and nurtured their fears about channel cannibalization." *(Annapurna, a higher middle manager)*
Cultural Shift:	• Moderate	"It's not the case that we fundamentally change everything from one day to another. Although we are still at the very beginning of the integration process, we believe that this step alone will take approximately two years to be completed since each and every process within the entire company needs to be analyzed and evaluated." *(Kilimanjaro, a higher middle manager)*

4.3 Path III: “Sprinting Forward by Moving Simultaneously”

Firms pursuing this third development path focus on the simultaneous integration of communication channels and distribution channels. The overall objective lies in speeding up the transformation process to benefit from a competitive advantage by offering a system of integrated online and offline channels.

> "The integration of distribution and communication channels was done in parallel. We adjusted all back-end systems (especially the ERP and POS systems) to fully integrate all of our four distribution channels (stores, online shop, call center, mobile app) and also launched ten different cross-channel services based on a clear-cut implementation plan. At the same time, we started the bundling of channel-specific CRM data and developed a new logic for data analysis as well as invested a lot of resources in developing first cross-media campaigns. You can imagine how the successful advancement of these simultaneous projects has challenged our company besides the smooth handling of everyday operations." *(Matterhorn, a top manager)*

Our empirical findings illustrate that firms following this path find themselves in very similar situations. *First,* they are heavily challenged by online pure players which are increasing their market share. Thus, firms are under severe strain as they experience radical decreases in turnover in their core business segments and are therefore forced to address both integration dimensions at the same time. *Second,* customers start to heavily buy products online (e.g. entertainment or consumer electronics products) and show interest in patterns such as online research, offline pick-up mainly for convenience reasons (e.g. online purchase and same day store pick-up clearly shortens the regular delivery time compared to online orders). In addition, since customers are used to place online orders besides their store visits, they expect from their store-based retailer of choice to receive inspiring marketing promotions customized to their specific needs. *Third,* firms who set out on this transformation path have already achieved a high degree of maturity when it comes to the alignment of so far channel-specific information systems and business processes and to the integration of all customer data in a centralized CRM system. Firms following this path strongly believe that the cross-channel shopping phenomenon will boost their sales thus offering them an advantage over pure online players which cannot offer online-offline transaction services.

In order to successfully manage this challenging development path, firms not only need to possess the distinctive capabilities required for each of the other two paths, but also to focus on change management skills and external network competences. Since this path fundamentally accelerates and challenges every aspect of the predominant business approach and initiates a strong cultural shift within the firm, change management skills are of great importance. Firms following this path frequently collaborate with external partners. However, maintaining close relationships to each and every partner as well as coordinating the various partners so that every outsourced solution fits the other elements in the channel system, proves to be difficult. In addition, firms are challenged to adapt their organizational design towards a lean, flat and much more integrated structure. It is crucial that a small team also consisting of top and higher middle managers is in charge in driving this change process. Moreover, since the various channels and their departments are more integrated and often centralized, the firm does not need to perform a high level of cross-channel collaboration anymore. The focus lies on cross-departmental collaborations for specific topics (e.g. definition of the media spending plan). However, all examined firms pursuing this transformation path have established so-called semistructural teams (Brown & Eisenhardt, 1997) which drive the various channel integration initiatives. These temporary teams consist of employees who are assigned to fulfill cross-departmental tasks along some guidelines but also with much freedom to act beyond their regular everyday duties. Top managers need to make sure that they do not drive their organization beyond its current capabilities and swamp their employees since relentless efforts to accelerate channel integration can lead to organizational exhaustion as well as individual indifference and resistance. To prevent that, top managers must set-up a rhythm of intense phases as well as less intense periods to grant their employees enough time to adapt and regenerate. Since this parallel integration effort can be seen as a fundamental change process for the whole organization, the cultural shift of the firm can be qualified as large *(see table 4)*.

Table 4: Key characteristics of path III:"Sprinting Forward by Moving Simultaneously"
Source: own graph.

Path III: "Sprinting Forward by Moving Simultaneously":		**Representative Informant Quotes:**
Key Capabilities:	• Change Management	"With such a profound change of the firms' business approach, one must realize that the company is turned upside down. That's why you need a good change management. In the top management team, we manage the transformation process based on the following guidelines: 1) provide a high level of commitment and a strong motivation to change, 2) communicate a clear vision and a realistic goal-setting and 3) create a sense of urgency with a strong call for an open communication culture." *(Everest, a top manager)*
	• External network competence	"The hiring of the external project manager and the very close collaboration with our external partners was crucial for the fast and efficient management of this transformation process. Internally, we would not have had the necessary knowledge to successfully manage this journey towards cross-channel management. Nevertheless, it is crucial to ensure that all developed solutions of the various project partners are in the end compatible with another and that all project partners deliver a comprehensive documentation on each project step to guarantee a smooth implementation." *(K2, a top manager)*
Organizational Adaptations:	• Integrated, semi-structural approach • Centralized and intertwined merchandising, marketing, purchasing and supply chain • Medium level of cross-department collaboration (centralized vs. decentralized units)	"As an organization, you must be lean, flat and work almost hierarchy free. In addition, it is extremely important that you do not perish because of rigid structures. You need cross-departmental teams that can quickly adapt to changing conditions and intensify their collaboration for a certain time without any problems." *(Matterhorn, a higher middle manager)*
Barriers:	• Acceleration trap -> employee resistance	"Based on a rough mind-map, we developed a structured plan. Then, we broke down the whole plan into distinctive project phases to prevent that our employees feel swamped about the whole transformation process. These clear-cut project steps were easier to handle since we always allowed for a few weeks with no action between the intense project roll-outs." *(Matterhorn, a higher middle manager)*
Cultural Shift:	• Large	"Right from the beginning, we were aware that the whole project was very complex and that the change process would challenge the whole company. The launch of the online shop, the simultaneous installment of the cross-channel services as well as the introduction of a cross-channel CRM system has of course strongly involved all departments. This change process has not only challenged the management team, but all employees." *(K2, a t op manager)*

5. Competing For the Long Haul

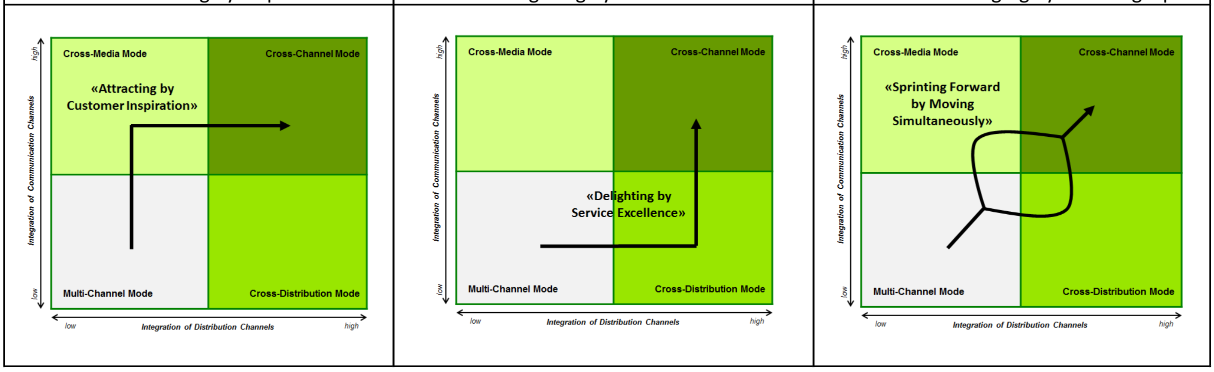
Our results indicate that the transformation process towards cross-channel management not only takes time, needs considerable financial investments and precise step-by-step planning but also demands a high flexibility for change within the organization of a multi-channel incumbent and a strong commitment from top management as well as middle management levels. This underlying in-depth case analysis brings to light several managerial conclusions.

First, the transformation process towards cross-channel management is not a quick-win move but needs to be well planned and structured. To illustrate this, we were able to derive two dimensions a multi-channel incumbent can use to structure the already defined strategic initiatives. In addition, we were able to develop a framework consisting of four distinct channel modes *(see figure 8)* which helps multi-channel retailers to evaluate their status quo in the transformation process and to define which key challenges they have to address next.

Second, the developed framework helps multi-channel incumbents to define how they want to structure their strategic change process towards cross-channel management. Based on that, we were able to identify three distinctive paths multi-channel firms can pursue on their way towards cross-channel management *(see figure 9)*. Although we evaluated the success of the case firms in managing the transformation process by the perceived change performance of top and middle managers and related it to their chosen path, we could not find a concise pattern to explain which strategic development path is more successful or more preferable than others. Thus, there does not appear to be an optimal development path to be pursued when striving for cross-channel management. Choosing the right development path seems to strongly correlate with the firms' existing strengths, current capabilities as well as the specific market conditions. Nevertheless, our empirical findings still indicate in which situations a particular development path may be more preferable than another. In situations when firms are not ultimately threatened by the cross-channel shopping phenomenon, multi-channel incumbents can still stick to their channel-specific business model. In situations when multi-channel retailers are not dramatically challenged by pure online players (e.g. segment for premium furniture) but have a strong CRM and customer analytics competence, the development path "Attracting by Customer Inspiration" may be preferable. Furthermore, in situations where multi-channel players perceive that online-shopping is increasing in importance (e.g. regular apparel segment), retailers having a strength in the supply chain as well as in business process redesign may pursue the path of “Delighting by Service Excellence”. Finally, in situations where online pure players evolve to become dominant market players and consumers are used to shop their items online but may still see an added value in cross-channel services (e.g. segment of consumer electronics), multi-channel firms need to pursue the path of “Sprinting Forward by Moving Simultaneously”. Based in our empirical findings, we developed the following logic that shall help multi-channel incumbents to find out which strategic development best fits their purpose to retain or even strengthen their market position in the era of cross-channel commerce *(figure 10)*.

Evaluation logic to identify the right path:	low	medium	high
1. Online pure players dominate the market	1	2	3
2. Cross-channel services can generate a real value-add	1	2	3
3. We have a strength in customer relationship management	1	2	3
4. We want to develop skills in customer analytics and personalized marketing promotions	1	2	3
5. We have a strength in managing our supply chain across channels	1	2	3
6. We want to develop skills in redesigning our processes and systems	1	2	3

6-12 points	13-15 points	16-18 points
Path I: "Attracting by Inspiration"	Path II: "Delighting by Service Excellence"	Path III: "Challenging by Doubling-Up"



Legend: 1 = low; 2 = medium; 3 = high

Figure 10: Evaluation logic to choose the right strategic development path
Source: own graph.

Third, our findings show that the cross-channel shopping phenomenon still entails tremendous potential for physical stores. Thus, good store locations are crucial for multi-channel retailers when striving to intertwine their online and offline channels to install value-creating cross-channel services such as “order item online, pick it up items in store” or “order item online in store via tablet or smartphone, have it delivered home or pick it up again in store”.

Fourth, on the journey towards cross-channel management, multi-channel retailers have to face serious adaptations of their organization structure since the common practice to run the online business as an entirely separate business unit besides the classic offline business is clearly outdated. Multi-channel incumbents need to at least start to coordinate their decentralized business units by structural means (e.g. installing cross-channel meeting structures) in the short-run and to decide whether the duplicity of channel-specific departments (e.g. online and offline marketing) should be resolved and key departments should be integrated and centralized accordingly in the mid- to long-run.

The future of retailing will become even more complex as multi-channel incumbents must not only recognize and gauge future success potentials but also current ones. Thus, besides identifying the right path towards cross-channel management and successfully pursuing the firm-wide strategic change process, multi-channel incumbents should not make the mistake of neglecting their single channel target groups. These customers today still make up the lion’s share of their profits.

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C Article 2: The Strategic Perspective II

Online boomt: Die Voraussetzungen

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Zusammenfassung:
Um die Potenziale von Cross Channel Management gewinnbringend zu nutzen, muss das Vorgehen stimmen. Zudem ist ein umfangreicher Change-Prozess notwendig.

Schlüsselworte: *Cross-Channel Management, Strategische Entwicklungspfade, Organisationale Kompetenzen im Transformationsprozess, qualitatives Fallstudien-Design.*

1. Einleitung

Mittlerweile generieren Händler mit einem starken Standbein in der stationären Handelswelt einen Grossteil des Umsatzwachstums im Online-Handel. Diese Cross-Channel-Händler nutzen das Internet, um ihr stationäres Angebot zu stärken. Aus der Verknüpfung beider Handelswelten erhält der Online-Handel neue Schubkraft.

Damit für stationäre Händler bei der Erschliessung des Online-Kanales nicht nur die Kosten explodieren, bedarf es einer sorgfältigen Betrachtung. Zwar geht es schon heute für die meisten Händler nicht mehr darum, den Online-Handel losgelöst vom stationären Geschäft voranzutreiben. Vielmehr erkennen Unternehmen die Notwendigkeit, unterschiedliche Vertriebskanäle optimal aufeinander abzustimmen.

2. Gefahr der Kannibalisierung

Die Verschmelzung der Kanäle fällt den Unternehmen jedoch weit schwerer als ursprünglich angenommen. Grundsätzlich bietet ein zusätzlicher Online-Shop die Chance auf Umsatzwachstum und Loyalitätszunahme. Gross ist aber auch die Gefahr, Kunden vom stationären Geschäft an den eigenen Online- Shop zu verlieren. Vor diesem Hintergrund stellt Cross Channel Management für viele Unternehmen die grösste Herausforderung im 21. Jahrhundert dar. Wer sich nicht damit befasst, läuft Gefahr, ins Hintertreffen zu geraten. Doch wie lassen sich die boomenden Wachstumspotenziale erschliessen und gleichzeitig die Kannibalisierungsgefahren zwischen stationären und Online-Vertriebsformen begrenzen? In einer Untersuchung wurden 2011 über 1500 Konsumenten zu ihrem Einkaufsverhalten in Deutschland und in der Schweiz befragt. Im Zentrum stand die Nutzungshäufigkeit von Kanälen. Das Resultat zeigt, dass in der Vorkaufsphase der Online-Shop als Suchkanal dominiert, während in der Kaufphase hingegen noch immer die Ladengeschäfte stärker sind.

Diese Verschiebung in der Mehrkanalnutzung belegt den häufig erwähnten ROPO-Effekt (Research Online – Purchase Offline). Auch in der Kauf- und Nachkaufphase wechseln Konsumenten zwischen den Kanälen. Mit der weiteren Verbreitung von Smartphones und Tablet-Computern wird der Trend zum Kanalwechsel entlang des Kaufprozesses noch stärker zunehmen. Zwar trifft die Mehrkanalnutzung in erster Linie auf beliebte Cross-Channel-Händler wie H&M, Conrad, Tchibo, Migros, Coop, Ex Libris oder Digitec zu; allerdings deutet er sich zunehmend auch für andere Händler an. Der Online-Einkauf am Abend nach Ladenschluss und getaner Arbeit kommt bei ein und derselben Person genauso gut an, wie das Wochenendshopping im

Einkaufscenter mit anschliessendem Restaurant- und Kinobesuch. Konsumenten kombinieren die Einkaufskanäle von Händlern situativ. Sie erwarten eine gute Kanalabstimmung im Hinblick auf das Warenangebot, die Preise und die Serviceleistungen. Wer abends im Mode-Online-Shop ein Kleid kauft, erhofft sich, samstags im Laden des gleichen Anbieters die dazu passenden Accessoires zu finden. Diese enge Abstimmung zwischen den Kanälen steht im Zentrum eines erfolgreichen Cross Channel Management. Vorbei sind die Zeiten, als Händler zwei Kanäle unkoordiniert beziehungsweise voneinander losgelöst betrieben haben (Multi Channel Management).

Der Wunsch, mehrere Verkaufskanäle parallel zu nutzen, fällt branchenbezogen unterschiedlich aus. Dazu erlaubt das Cross-Channel-Barometer eine differenzierte Betrachtung. Dieses zeigt für unterschiedliche Handelsbranchen die Gefahr einer potenziellen Kannibalisierung durch eigene Vertriebskanäle an. Auch der Kundententwicklungs- und der Wettbewerbswachstumsgrad werden gemessen.

3. Online-Angebot inspiriert

Dabei zeigte sich, dass Online-Shops von Möbel-, Kosmetik- und Textilhändlern einen hohen Kundenentwicklungsgrad erzielen. Das Online-Angebot inspiriert Konsumenten für zusätzliche Käufe. Lediglich in der Lebensmittelbranche fällt der Wachstumsgrad negativ aus. Offensichtlich gelingt es Unternehmen in dieser Branche nicht, Kunden mit Hilfe von Online-Shops von Konkurrenten abzuwerben. In allen anderen Branchen ist dies bereits der Fall. Damit birgt der Verzicht auf Cross Channel Management die Gefahr, Stammkunden an Konkurrenten zu verlieren. Besonders hoch ist die Gefahr der Kannibalisierung. Bis auf den Handel mit Lebensmitteln und Bekleidung ist die Chance branchenübergreifend gross, Umsätze zwischen den Kanälen bloss zu verschieben. Gerade das zuletzt beschriebene Ergebnis mahnt zur Vorsicht. Cross Channel Management führt nicht automatisch zu Umsatzwachstum und Mehrertrag. Deshalb müssen Unternehmen die Vorgehensweise beim Aufbau von Cross Chanel Management intensiv prüfen.

Kunden fordern eine gute Abstimmung der Verkaufskanäle. Aus der Nutzung verschiedener Kundenkontaktpunkte erwarten sie konsistente und hilfreiche Informationen. Neben der Kommunikationspolitik bedarf es daher einer gut abgestimmten Sortiments- und Preispolitik. Damit Unternehmen die gestiegenen

Anforderungen erfüllen können, sind hohe Investitionen in IT-Systeme notwendig. Ausserdem ist die Unternehmensorganisation grossen Veränderungen unterworfen.

4. Umdenken als Schlüsselfaktor

Cross Channel Management erfasst das Unternehmen als Ganzes. Es verlangt ein Umdenken im Marketing, eine Reorganisation der Unternehmensabläufe und einen Wandel in den Köpfen der Mitarbeiter. Das Ausmass der Veränderung erfordert eine sorgfältige Planung der Vorgehensweise. Gross ist die Gefahr, zu viele Dinge gleichzeitig verändern zu wollen. Auf der anderen Seite wandern Kunden zu Konkurrenten ab, wenn das Management zu zögerlich agiert. Der Wahl einer geeigneten Vorgehensweise zum Aufbau von Cross-Channel-Management-Kompetenz kommt deshalb eine grosse Bedeutung zu.

Aus neun qualitativen Fallstudien mit Unternehmen, die sich als Cross-Channel-Händler positionieren wollen, wurden zwei Dimensionen identifiziert, die für die Planung der Cross-Channel-Vorgehensweisen wichtig sind. Die erste Dimension betrifft die Integration der Distributionskanäle über ausgewählte Marketinginstrumente (z.B. Sortiment, Dienstleistung und Preis) und Prozesse (z.B. Beschaffungs-, Logistik- und IT-Prozesse) sowie Systeme (Warenwirtschaft, Bestandsmanagement, Kassendaten). Die zweite Dimension fokussiert auf die Abstimmung der Kommunikationskanäle. Darunter fallen verschiedene Aufgaben wie die Media- und Themenplanung, Marktforschung sowie ein von IT-Systemen unterstütztes CRM. In der Untersuchung wurden vier unterschiedliche Ausgangssituationen bzw. -Modi für die analysierten Unternehmen identifiziert.

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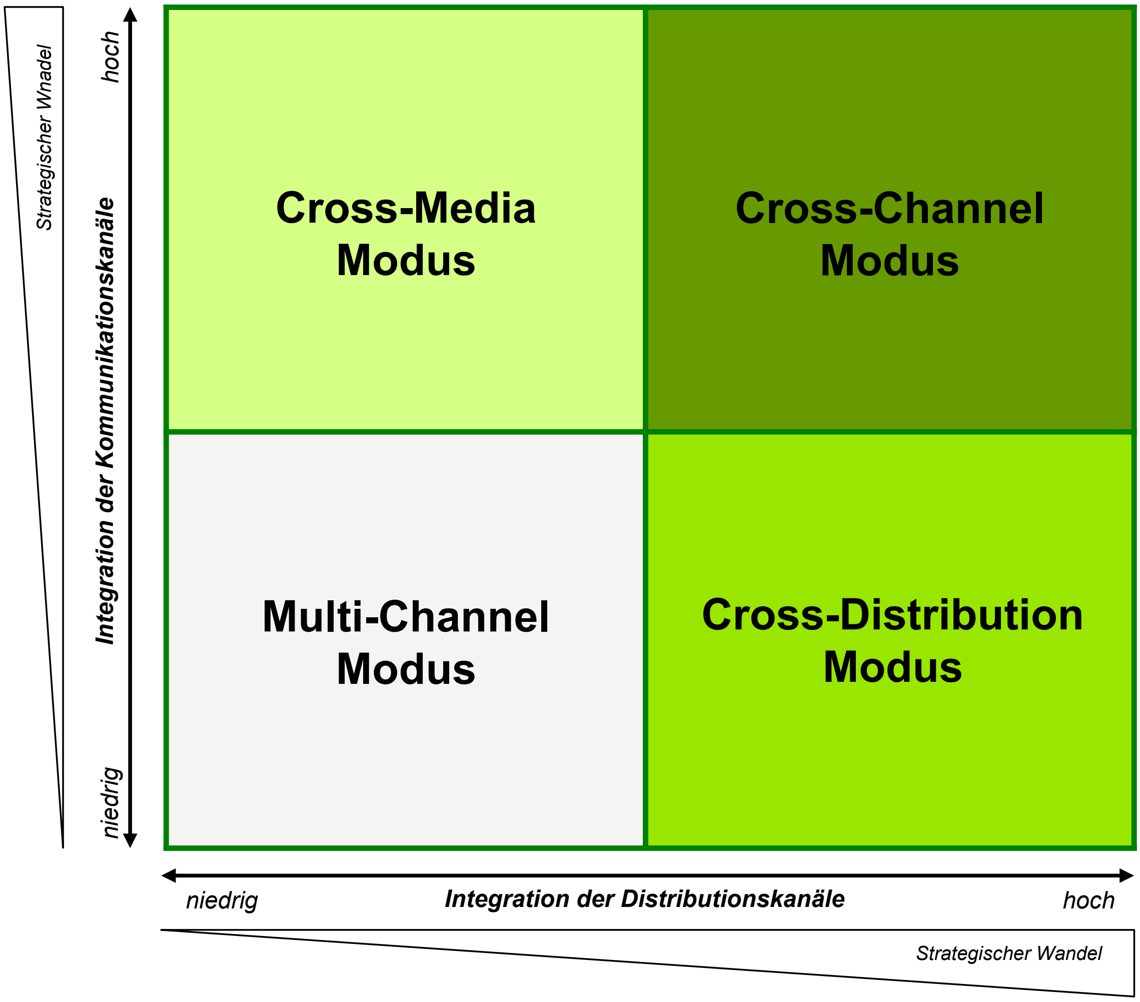

Figure 11: Die Cross-Channel Matrix
Source: own graph.

Everest beispielsweise befand sich lange Jahre im Multi-Channel-Modus. Sowohl aus der Marketing- als auch aus der Prozessperspektive wurden Online-Handel und stationärer Handel getrennt betrieben. Eine enge Abstimmung der Kommunikationskanäle bei geringer Integration von Distributionskanälen leitet das Vorgehen im Cross-Media-Modus. Dank eines hochentwickelten CRM-Systems erhielt das deutsche Modehaus *Zugspitze* ein kanalübergreifendes Kundenwissen, das im ersten Schritt eine Harmonisierung der bislang kanalspezifischen klassischen, digitalen und sozialen Werbeaktivitäten bewirkte. Der Cross-Distribution-Modus verlangt eine hohe Integration sämtlicher Distributionskanäle und eine vorerst geringe Abstimmung in der Kommunikationspolitik. Für den Deutschen Sportartikelhändler *Mont Blanc* war es primär wichtig, sämtliche Distributionsleistungen (Preis, Sortimente und Services) samt der dazugehörigen prozesstechnischen Vernetzung voranzutreiben, bevor eine Annäherung der Kommunikationskanäle erfolgen konnte.

Im Cross-Channel-Modus fällt die Integration für beide Grunddimensionen hoch aus. Dem Schweizer Entertainmenthändler *Matterhorn* ist es gelungen, seine Distributions- und Kommunikationskanäle miteinander zu verzahnen. Um die Kundenpenetration weiter zu erhöhen, gestaltete *Matterhorn* das Online-Sortiment bewusst mit einem hohen Anteil von selten nachgefragten Artikeln aus und die Kommunikation erfolgt mit Hilfe personalisierter Newsletter kanalspezifisch.

5. Drei Entwicklungspfade

Da sich die meisten Unternehmen noch im Multi-Channel-Modus befinden und nun den Transformationsprozess Richtung Cross Channel Management einleiten, stellt sich die Frage, wie dieser am sinnvollsten erfolgen kann. Grundsätzlich existieren dazu drei Entwicklungspfade *(vgl. Figure 12).*

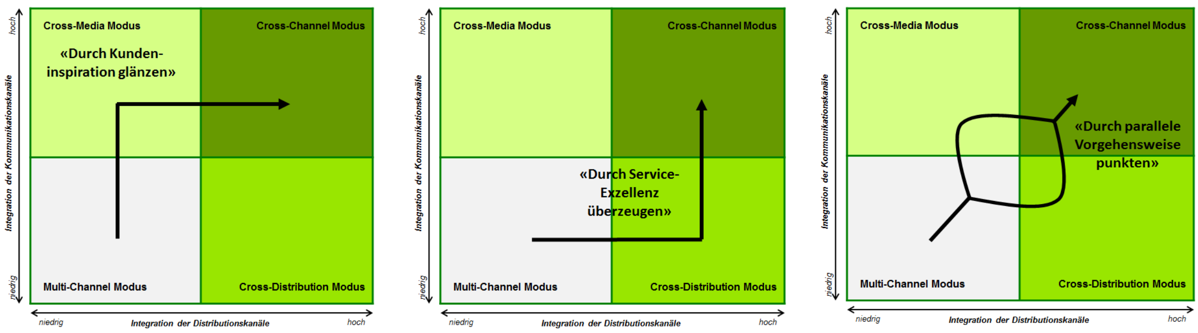

Figure 12: Die drei Cross-Channel Entwicklungspfade
Source: own graph.

5.1 Pfad 1: „Durch Kundeninspiration glänzen“

Bei diesem Pfad liegt der Fokus zuerst auf der Integration der Kommunikationskanäle und erst danach auf der Integration der Distributionskanäle. So stand beim Deutschen Kosmetikhändler *Lhotse* die Entwicklung ausgeklügelter Werbekampagnen unter Berücksichtigung von klassischen, digitalen und sozialen Werbemitteln im Vordergrund, bevor man sich mit der Einführung von Cross Channel Tools (z.B. In-Store Terminals) oder Services (z.B. Online-Bestellung, Abholung im Laden) intensiv auseinandersetzte. Das Anspruchsniveau beim Beschreiten dieses Pfades wird in der Praxis häufig unterschätzt. So führt es beispielsweise zur Konsumentenverwirrung, wenn der Kunde kanalverknüpfende Serviceleistungen erwartet, diese aber noch nicht eingeführt wurden.

5.2 Pfad 2: „Durch Service-Exzellenz überzeugen“

Hierbei liegt der Fokus zuerst auf der Integration der Distributionskanäle. Der Deutsche Jagd- und Modehändler *Annapurna* beschäftigt sich intensiv mit der Verlinkung des Online- und des stationären Geschäftes. Im Back-End werden sämtliche Prozesse und Systeme auf eine kanalübergreifende Funktionsweise ausgerichtet. Im Front-End wurde erst kürzlich eine iPad-Lösung entwickelt, die dem Verkaufsmitarbeiter im Laden einen direkten Zugriff auf das Onlinesortiment ermöglicht. Im Vergleich zum ersten Pfad müssen hier sämtliche Organisationsbereiche deutlich stärker zusammenarbeiten bzw. müssen Einkauf und Logistik meist komplett neu organisiert werden. Dies hat häufig Ängste der Mitarbeitenden zur Folge.

5.3 Pfad 3: „Durch parallele Vorgehensweise punkten“

Dieser Pfad treibt bewusst die parallele Integration der Distributions- sowie der Kommunikationskanäle voran. Der Schweizer Entertainmenthändler *Matterhorn* hat es geschafft, innerhalb der vergangenen zwei Jahre über zehn verschiedene Cross Channel Services einzuführen und dabei gleichzeitig die internen Prozesse und Systeme auf eine Kanalverknüpfung aller vier Distributionskanäle (Läden, Online-Shop, Call-Center, Mobile-App) auszurichten. Hierfür ist aber ein starkes Commitment des CEO, eine stark integrierte Organisationsstruktur mit flachen Hierarchien, die Zusammenarbeit mit externen Partnern sowie eine andauernde Change-Kommunikation – auch nach innen – unerlässlich. Die *Figure 13* fasst die Kernaspekte der drei Entwicklungspfade zusammen.

	Pfad 1: "Durch Kundeninspiration glänzen"	**Pfad 2: "Durch Service-Exzellenz überzeugen"**	**Pfad 3: "Durch parallele Vorgehensweise punkten"**
Benötigte Kompetenzen:	- Consumer analytics - Cross-Channel Kampagnen-Mgmt.	- Technologie-Adoption - Business Process Reenginering	- Change Management - Netzwerkkompetenz
Veränderung der Organisationsstruktur:	- Leicht koordinierter Ansatz - Tendenz zur Zentralisierung von Verkaufsförderung und Marketing - Geringes Niveau der kanalübergreifenden Zusammenarbeit (Einkauf, Logistik und Vertrieb)	- Stark koordinierter Ansatz - Tendenz zur Verknüpfung von Einkauf und Logistik - Hohes Niveau der kanalübergreifenden Zusammenarbeit (Einkauf, Logistik, Verkaufsförderung, Marketing und Vertrieb)	- Integrierter Ansatz - Zentralisierte und verknüpfte Bereiche (Marketing, Verkaufsförderung, Einkauf, Logistik) - Nur noch mittleres Niveau der bereichsüber-greifenden Zusammenarbeit wegen Zentralisierung
Potenzielle Barriere:	- Kundenverwirrung	- Kannibalisierungsängste	- Widerstand der Mitarbeitenden
Kultureller Wandel:	- Eher gering	- Moderat	- Hoch

Figure 13: Die Kerncharakteristika der drei Entwicklungspfade
Source: own graph.

6. Schlussfolgerung

Wie die beschriebenen Entwicklungspfade zeigen, bedingt das Beschreiten des Transformationsprozesses hin zu Cross Channel Management neue organisationale Kompetenzen. Unternehmen, die lediglich auf bisherige, kanalspezifische Kompetenzen und Fähigkeiten der Firma abstellen, merken bereits in einem frühen Stadium des Wandels, dass neue Erfolgspotenziale nicht mit den herkömmlichen Mitteln zu entwickeln und auszuschöpfen sind.

Um Pfad 1 erfolgreich zu beschreiten, steht der Aufbau von Kompetenzen in den Bereichen Consumer Analytics und Cross-Media-Kampagnen im Vordergrund. Bei Pfad 2 sind Business Process Reengineering sowie Technologie-Adaption zentral und für Pfad 3 sind, aufgrund der Parallelität der Vorgehensweise und der Ressourcenknappheit, Change Management- und Netzwerkkompetenzen (Outsourcing-Partnerschaften) erfolgsentscheidend.

Ob die je nach Entwicklungspfad nötigen Kompetenzen innerhalb der Unternehmen entwickelt oder von aussen eingekauft werden müssen, ist für jedes Unternehmen unterschiedlich zu beurteilen. Die Praxis zeigt aber klar, dass Mitarbeiter, die mit ihren Fähigkeiten und Erfahrungshintergründen einen Beitrag zur Entwicklung dieser Kompetenzen leisten können, im Handel in Zukunft gefragter sein werden als je zuvor.

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D Article 3: The Structural Perspective

Facilitating Strategic Change: Routes of Organizational Design Adaptation

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Abstract:

This paper uses a comparative case study approach to explain how multi-channel firms adapt their organizational design to adequately respond to a disruptive change in the environment – the so-called research shopping phenomenon. Although there is significant research on how firms adapt their organizational design to facilitate innovations driven by incremental contingency misfits with the environment, there still is a relatively limited understanding of how firms adjust their organization design to foster innovations based on disruptive changes in the environment. Based on 69 interviews with 63 top and middle managers from eight multi-channel retailers, we extend previous research on organizational design adaptation as well as multi-business organization and propose a framework consisting of four ideal routes of organizational design adaptation multi-channel retailers can adopt to structurally cope with the disruptive change in consumer behavior. We focus on a) changes in organization structure, b) cross-channel collaboration, and c) locus of decision-making of multi-channel incumbents to derive these four distinctive routes of organizational design adaptation. Our results show how each route differs in its capacity to promote the adoption of the research-shopping phenomenon and illustrate the four identified routes with examples of German and Swiss multi-channel retailers.

Key words: *Top-Driven Strategic Change, Organizational Design Adaptation, Multi-business Collaboration, Multiple Case Design.*

1. Introduction

The challenge of managing both efficiency and flexibility in the context of product, service or business model innovation is an essential concern to organizational scholars and has come a long way (e.g. Thompson, 1967; March 1991; Tushman et al., 2010). To proactively avoid potential contingency misfits with the environment, firms not only need to change their strategy but also adapt their organizational design (Chandler, 1962). Since the seminal studies of Lawrence & Lorsch (1967) and March (1991), we know that organizations must find the right balance between differentiation (ensuring exploration) and integration (achieving exploitation) in the context of changes of contextual contingencies. But what if incumbent firms managing different business units are affected by a disruptive change in the environment and are therefore forced to differentiate and to integrate their so far rather independent units even more radically? How do such multi-business firms need to adapt their organization design to avoid misfits with contextual contingencies? Today, multi-business incumbents in many industries are confronted with discontinuous changes in the environment – e.g. the emergence of new technologies, market entries of new competitors or a fundamental change in consumer behavior. These changes force top managers to initiate a process of strategic change by deliberately formulating a new strategic direction and by adapting their organization design accordingly. A successful organizational design adaptation should facilitate openness and flexibility to explore future success potentials and at the same time ensure stability and reliability to exploit current success potentials (Westerman et al., 2006).

1.1 Empirical Context of the Study

The German and Swiss retail industries are a particularly good empirical research setting in which to examine how multi-business firms adapt their organizational design to cope with a disruptive change in consumer behavior – the so-called research shopping phenomenon. New digital technologies (e.g. smartphones, tablets) have enabled consumers to ubiquitously access the Internet and switch between online and offline channels when shopping (Neslin & Shankar, 2009; Zhang et al., 2010). Studies which examined this discontinuous change in consumer behavior prove that multi-channel incumbents who install so-called cross-channel services (e.g. "order online, pick up in store") to interlink their online and offline channels are able to increase customer loyalty (Kumar & Venkatesan, 2005; Verhoef et al., 2007). However, since the majority of multi-channel retailers have to date organized their online and offline channels as decentralized, independent business units; they are confronted with the challenge to adapt their organization design (Neslin & Shankar, 2009). So far, most players maintain channel specific departments for key functions such as marketing, merchandising, purchasing or finance and rather focus on their channel-specific goals (Zhang et al., 2010). In order to keep up with this disruptive change in consumer behavior, so far silo-oriented multi-channel incumbents not only need to think about how to adjust their corporate strategy to strive for a much more harmonized channel approach but also about how to adapt their organization design towards an interlinked structure.

1.2 Research Gap and Contribution

In this paper, we take an adaptive perspective on strategic change (Volberda et al., 2001) and thus rely on theory from the sub-stream of organizational design which argues that firms can actively overcome their rigidities to address misfits in contextual contingencies by finding the right balance between differentiation and integration (e.g. Tushman & Romanelli, 1985; Brown & Eisenhardt, 1997; Leana & Barry, 2000). Thus, I understand strategic change as a process of organizational rejuvenation which significantly influences the firms' long-term viability in the face of discontinuous environmental transformations (Agarwal & Helfat, 2009). This paper specifically focuses on the conflicting forces that drive changes in organization structure, foster cross-channel collaboration and influence the locus of decision-making within the firm. By combining the so far rather independently treated theories of *organization design adaptation* and *multi-bussiness organization* with rich data from eight case studies, we develop a framework of four routes of organization design adaptation to find answers to the following research question: *How do multi-business firms adapt their organization design to successfully cope with disruptive changes in the environment?* We thereby apply and refine the two constructs of differentiation and integration proposed by Lawrence & Lorsch (1967) as explanatory variables to derive four routes of organizational design adaptation. Overall, the developed framework shall serve managers in multi-business firms as a management grid to help decide how to adapt their organizational design based on disruptive changes in the environment.

2. Extant Theory on Organizational Design Adaptation

We combine the two research streams of *organization design* and *multi-business organization* which help to inform the underlying research objective and scrutinize ways of organizational design adaptation that successfully address discontinuities in contextual contingencies.

2.1 Extant Research on Organization Design

For more than four decades, extant research on *organization design* has dealt with the paradoxical challenge of adapting structural features to manage the trade-off between differentiation and integration to balance the key contingencies of task uncertainty and interdependence in dynamic environments (Burns & Stalker, 1961; Laurence & Lorsch 1967; Thompson, 1967; Mintzberg, 1979; Raisch et al., 2009). Several studies in the field argue that organizations require both organic as well as mechanic structures to innovate on the one hand and to execute and implement on the other hand (e.g. Laurence & Lorsch, 1967; Duncan, 1976). Also, innovation scholars state that firms need to combine mechanic and organic aspects to address contingency misfits with the environment and propose organizational designs that balance differentiation to adjust rapidly with integration to ensure efficiency (e.g. Tushman & O'Reilly, 1996; Brown & Eisenhardt, 1997; Sheremata, 2000; Westerman et al., 2006). Previous studies scrutinizing the trade-off between flexibility to innovate and efficiency to execute suggest different organization structures varying from autonomous designs over hybrid solutions to fully integrated approaches (Schoonhoven & Jelinek, 1990; Westerman et al., 2006).

Scholars focusing on incremental changes of contextual contingencies argue for interdependent approaches (Tushman & O'Reilly, 1996; O'Reilly & Tushman, 2008) and scrutinize divisional, functional, cross-coordinated matrix as well as network designs (Galbraith 1971; Greiner 1972; Tushman & Nadler 1978; Duncan 1979). They claim that incumbent firms can be innovative by pursuing explorative initiatives using existing resources, skills, and capabilities while at the same time still being engaged in existing initiatives (e.g. Siggelkow & Levinthal, 2003). Sanchez & Mahoney (1996) as well as Galunic & Eisenhardt (2001) both propose a modular organization design approach, where isolated business units are still in place but need to be able to quickly link their resources and capabilities with other business units to perform innovative initiatives which are organized flexibly, quickly, and at a low cost through ad-hoc structures that may change configuration and location within the organization during the transformation process.

Other innovation researchers which are scrutinizing how firms respond to disruptive changes in contextual contingencies favor autonomous designs and see management inertia, resource allocation decisions, and the exploitation bias as the main barriers for innovation (Christensen, 1997; Rice et al., 2000; Foster & Kaplan, 2001). However, other scholars focusing on organizational design adaptations in the context of radical changes in the environment propose more complex organizational design recommendations (e.g. Tushman & O'Reilly, 1997; Brown & Eisenhardt, 1997; Westerman et al., 2006). Tushman & O'Reilly (1997) propose an ambidextrous structure with autonomous innovation units, which are displaying little tactic integration to the rest of the firm but are strongly related to the senior executive's vision and strategy. Brown & Eisenhardt (1997) suggest an organization design that bases on so-called semi-structures which allow for loose-tight coupling between business units to enable continuous innovation based on integration mechanisms while the business units still have the opportunity to pursue their own goals. In their study on the adoption of e-commerce by classic bricks-and-mortar retailers, Westerman et al. (2006) found three adaption modes (separated-early, integrated-early, wait-then-transform), while neither of these is fully autonomous nor fully integrated. They show that the focus on collaboration and integration mechanisms among different business units and their specific departments can also be crucial in situations of disruptive changes of contextual contingencies.

2.2 Extant Research on Multi-Business Organization

Complementary to organization design, *multi-business organization* is a research stream in organization studies with significant theoretical and practical importance (Galunic & Eisenhardt, 2001). It originates from Chandler's study (1962) on the advantages of divisionalized organizations compared to previous functionally structured firms and describes multi-business organizations as firms that are structured in modular business units which are focused on particular products, customers, technologies, or geographies. In a comprehensive review of extant literature in the field, Martin & Eisenhardt (2010) showed that multi-business firms are able to increase their effectiveness in decision-making, their control of management opportunism, and their value creation by enacting resourceful cross-business-unit collaborations. Accordingly, they defined cross-business-unit collaboration as "a collective activity by two or more business-units within a multi-business organization to create economic value" (Martin and Eisenhardt , 2010, p. 265).

Extant research on cross-business-unit collaboration is controversial and offers different insights into how firm's best manage the interdependence among their business units. Some scholars argue that centralized decision-making facilitates high-performing cross-business-unit collaborations. Mintzberg (1983) for instance argues that the corporate office should be able to directly control the coordination among interrelated business units to ensure the alignment of strategic goals across business units. Although Hill et al. (1992) state that centralized control and coordination sets the basis for cross-business-unit collaboration; they also posit that integrating mechanisms such as establishing cross-business unit teams are the key drivers to fuel cross-business-unit collaboration. Other scholars claim that, besides the top-down approach of senior management, social relations among business unit managers are the main driver for high-performing collaborations (Helfat & Eisenhardt, 2004; Martin & Eisenhardt, 2010). Both studies argue that a decentralized rather coordinated organization design is favorable but requires business unit managers to establish specific cross-business-unit teams that are willing to share resources and knowledge by trying to 'co-evolve' as a whole firm.

2.3 Towards a Complementary Approach on Organizational Design Adaptation in the Context of Disruptive Changes in the Environment

Prior innovation research on organizational design adaptation and multi-business organization in the context of incremental changes in contextual contingencies has come a long way and various forms of adapting interdependent organizational designs have been extensively discussed (e.g. Galbraith 1971; Greiner 1972; Tushman & Nadler 1978; Duncan 1979; Sanchez & Hill, 1992; Mahoney, 1996; Galunic & Eisenhardt, 2001; Helfat & Eisenhardt, 2004). However, research on how firms adapt their organizational design in the face of disruptive changes in the environment has still remained relatively elusive (e.g. Brown & Eisenhardt, 1997; Westerman et al., 2006). In the present study, we aim to close this gap in the literature by scrutinizing how multi-business firms are able to successfully adapt their organizational design in situations of disruptive environmental change to ensure a contingency fit with the environment.

3. Research Methods

3.1 Research Design

Since extant research on organizational design adaptations for multi-business firms in the context of disruptive changes in the environment is limited and our empirical context can therefore be qualified as a nascent field of research, we follow a comparative case design employing theory elaboration on an inductive basis (Eisenhardt, 1989). A multiple case design ensures a methodically sound replication logic in which cases can be treated as experiments to confirm or reject conceptual findings as in a quantitative experimental design (Yin, 2009). Thus, a multiple case design approach is more likely to yield robust and generalizable theoretical findings than single case designs (Eisenhardt & Graebner, 2007; Langley & Abdallah, 2010).

3.2 Study Population

The study population consists of multi-business firms from the retail industry. We developed a varied sample of German and Swiss multi-channel retailers who are striving to cater to the demands of research shoppers by initiating a firm-wide transformation process to interlink their so far rather separated online and offline channels. The close examination of this varied yet highly comparable study population is expected to yield managerial and conceptual insights on how multi-business firms can adapt their organizational design to respond to disruptive changes in the environment. In order to derive a varied sample which will allow for a great generalizability of our findings, we selected eight multi-channel retailers from six different retail segments. These are: Books & Entertainment, Consumer Electronics, Furniture, Apparel, Sports Outdoor and Department Stores (Emrich & Rudolph, 2010; PWC, 2012). In order to ensure a high comparability of sample cases, we chose firms which are all strongly affected by the current discontinuous change in consumer behavior towards cross-channel shopping. Each selected case firm has already started to transform their organizational design from a decentralized and rather separated channel structure to a much more integrated system of channels. We selected at least one firm for each industry segment by applying the following criteria: 1) operating at least one offline channel (e.g. stores) and one online channel (e.g. e-commerce), 2) having installed at least one so-called cross-channel service (e.g. “order online, pick up in store”) to intertwine their online and offline channels, 3) already launched initiatives to adapt their organization design (e.g. installment of specific cross-channel teams, restructuring of marketing department). In addition, these firms vary in turnover and size. We controlled for industry effects since we did not focus on specific differences in organizational design adaptation between the selected industry segments in this study. *Table 5* summarizes the characteristics of the sampled firms.

Table 5: Overview on case firms
Source: own graph

Firm:	Country Focus:	Number of Employees 2011:	Revenues 2011	Distribution Channel Portfolio:	Number of Interviews conducted:	Interviews conducted by Management Type:	Additional Data Sources:
Annapurna	Germany	< 1'000	< $200 mio.	Stores (22, 2011)* E-commerce (2006)** Catalog/call-center	14	Top management interviews: 3 Higher middle management interviews: 5 Lower middle management interviews: 6	Strategy and change documents, organization charts, annual reports
Everest	Germany / Austria	> 10'000	> $2'000 mio	Stores (434, 2011)* E-commerce (2011)**	10	Top management interviews: 4 Higher middle management interviews: 3 Lower middle management interviews: 3	Strategy and change documents, annual reports
Kilimanjaro	Switzerland	> 10'000	> $2'000 mio	Stores (65, 2011)* E-commerce (2003)**	5	Top management interviews: 1 Higher middle management interviews: 2 Lower middle management interviews: 2	Strategy and change documents, organization charts
K2	Switzerland	< 1'000	> $200 mio.	Stores (50, 2011)* E-commerce (2011)**	7	Top management interviews: 2 Higher middle management interviews: 4 Lower middle management interviews: 1	Strategy and change documents, organizational documentation
Matterhorn	Switzerland	< 1'000	< $200 mio	Stores (113, 2011)* E-commerce (1999)** M-commerce (2012)**	11	Top management interviews: 4 Higher middle management interviews: 5 Lower middle management interviews: 2	Strategy and change documents, organization charts
McKinley	Switzerland	> 1'000	> $200 mio.	Stores (21, 2011)* E-commerce (2007)** M-commerce (2012)**	4	Top management interviews: 2 Higher middle management interviews: 1 Lower middle management interviews: 1	Strategy documents, organization charts
Mont Blanc	Germany	> 1'000	> $200 mio.	Stores (16, 2011)* E-commerce (2002)** M-commerce (2011)** Catalog/call-center	14	Top management interviews: 2 Higher middle management interviews: 6 Lower middle management interviews: 6	Strategy and change documents, structural change documentation
Zugspitze	Germany	> 1'000	> $200 mio.	Stores (11, 2011)* E-commerce (2009)**	4	Top management interviews: 2 Higher middle management interviews: 1 Lower middle management interviews: 1	Strategy documents, organization charts

*Legend: * = number of stores   ** = founding year*

3.3 Data Collection

The data collection process followed several studies applying an inductive multiple case design aimed at theory elaboration (e.g. Brown & Eisenhardt, 1997; Martin & Eisenhardt, 2010). During the data collection process, we triangulated data from various sources to improve the robustness and generalizability of our empirical findings (Jick, 1979). Here, we were relying on semi-structural interviews, short-questionnaires, follow-up phone conversations, emails as well as on secondary data sources such as internal documents on the corporate strategy, the organization design or the initiated strategic change process of the firm. Overall, we executed 69 semi-structural interviews with 63 decision makers from eight different case firms as the primary data set over a time span of 14 months by addressing three different types of respondents: 1) top managers, 2) higher middle managers, and 3) lower middle managers. Interviewing people from various management levels in each firm allowed us to reduce potential subject bias and to thereby obtain more elaborated theoretical insights (Schwenk, 1985; Miller et al., 1997). Regular interviews lasted 60 minutes on average, with some lasting more than two hours. All interviews were taped and transcribed verbatim within 24 hours. Furthermore, we kept record of spontaneous reflections during the site visits as well as personal impressions after each interview.

3.4 Data Analysis

As is common in inductive case research (Eisenhardt, 1989; Eisenhardt & Graebner, 2007), we first conducted the within-case analysis before starting to think about cross-case patterns. By doing so, we neither followed prior propositions nor any already existing theoretical concepts. Thus, in a *first step*, we conducted the individual case write-ups based on data triangulation (Jick, 1979) and treated organizational design adaptation as the unit of analysis. During the single-case analyses, we derived a first vague idea about two dimensions that could possibly structure different routes of organizational design adaptation. We then compared and contrasted them with extant research in the field of organizational design change. In a *second step*, we conducted the cross-case analysis by comparing and contrasting our eight single cases aimed at developing conceptual insights. Strongly relying to the replication logic of Yin (2009), we treated each firm as a single case and performed paired case comparisons of all sorts by creating various figures and tables to draw cross-case conclusions on the emerging theoretical model (Miles & Huberman, 1994; Eisenhardt, 1989). Following this procedure we derived four different routes of organizational design adaptation. In a *third step*, we followed previous studies employing a multiple case design (Martin & Eisenhardt, 2010; Santos & Eisenhardt, 2009) and went back and forth among our case data, emergent theory, and previous literature to further refine our preliminary findings.

4. Strategic Change Performance of Case Firms

In the following, our analysis of the focal firms regarding their strategic change performance will be mapped out. Even though all firms included in this study face the same discontinuous changes in consumer behavior and have initiated strategic change initiatives to address this shift, not all of them address the cross-channel challenge the same way. In order to distinguish the high-performing from the mid-performing and low-performing cases, we evaluated the strategic change performance as follows. *First,* we focused on revenue shares among channels (store, online and catalog businesses) and evaluated the percentage in which one distribution channel is driven by another (e.g. at Matterhorn, 20% of the overall store sales are already online-driven as customers are offered the opportunity to use the cross-channel service of "order online, pick up in store"). *Second,* we analyzed the number of innovation initiatives aimed at better integrating online and offline channels in the front-end as well as in the back-end. Not only did we consider initiatives which were already implemented, but we also included initiatives which were still in the pipeline at the time of our analysis. *Third,* we let all top managers and middle managers self-evaluate the level of acceptance of the innovation initiatives (on a five point Likert scale) according to the following criteria: employee resistance against innovation initiatives, customer feedback about innovation initiatives, and level of top and middle management agreement on the importance of innovation initiatives. *Fourth,* we let all interviewed top and middle managers evaluate the firm-wide change performance (on a five point Likert scale) based on the following criteria: achievement of change initiatives goals, compliance to planned budget constraints for initiatives, time lags of initiatives, and overall level of top and middle management collaboration to manage initiatives. *Table 6* graphically summarizes the evaluation of the case firms' strategic change performance.

Table 6: Strategic change performance of focal firms
Source: own graph

Firm:	Revenue Share among Channels 2011:	Number of Innovation Initiatives:	Acceptance of Innovation Initiatives:	Perceived Change Performance:	Strategic Renewal Performance:	Rank:
Matterhorn	Stores: 70% (20% online-driven)* E-Commerce: 27.5% (10% offline-driven)** M-Commerce: 2.5% (increasing)	18 initiatives implemented 3 initiatives still in pipeline	4.7	TM rating: 4.8 MM rating: 4.8	*high*	1
Mont Blanc	Stores: 55% (8% online-driven)* E-Commerce: 34% (8% offline-driven)** M-Commerce: <1% (increasing) Catalog/call-center: 11% (decreasing)	14 initiatives implemented 3 initiatives still in pipeline	4.6	TM rating: 4.8 MM rating: 4.7	*high*	2
McKinley	Stores: 98% (20% online-driven)* E-Commerce: 2% (no offline contribution yet)** M-Commerce: <1% (increasing)	8 initiatives implemented 6 initiatives still in pipeline	4.3	TM rating: 4.3 MM rating: 4.3	*high*	3
K2	Stores: 98% (6% online-driven)* E-Commerce: 2% (5% offline-driven)** M-Commerce: <1% (increasing)	9 initiatives implemented 5 initiatives still in pipeline	4.0	TM rating: 3.8 MM rating: 3.7	*medium*	4
Kilimanjaro	Stores: 97% (4% online-driven)* E-Commerce: 3% (no offline contribution yet)**	6 initiatives implemented 6 initiatives still in pipeline	3.8	TM rating: 3.8 MM rating: 3.5	*medium*	5
Zugspitze	Stores: 98% (2% online-driven)* E-Commerce: 2% (no offline contribution yet)**	5 initiatives implemented 7 initiatives still in pipeline	3.6	TM rating: 3.6 MM rating: 3.8	*medium*	6
Everest	Stores: 99% (<2% online-driven)* E-Commerce: 1% (no offline contribution yet)**	3 initiatives implemented 6 initiatives still in pipeline	3.0	TM rating: 3.4 MM rating: 3.1	*low*	7
Annapurna	Stores: 60% (<1% online-driven)* E-Commerce: 20% (no offline contribution yet)** Catalog /call-center: 20% (no offline contribution yet)	2 initiatives implemented 7 initiatives still in pipeline	2.9	TM rating: 3.0 MM rating: 3.0	*low*	8

*Legend: * = in-store pick-up of online orders / online reservation of sales assistance in-store ** = in-store kiosks / order share by tablets in stores*
TM = Top Manager MM = Middle Manager E-Commerce = Electronic Commerce M-Commerce = Mobile Commerce

5. Routes of Organizational Design Adaptation

On their journey towards channel harmonization, multi-channel incumbents need to decide on how to adapt their organizational structure to be able to adequately cater to the demands of research shoppers (Neslin & Shankar, 2009; Zhang et al., 2010). Our findings refer to extant research on organizational design adaptation (Lawrence & Lorsch, 1967, Thompson, 1967; Mintzberg, 1979; Tushman & O'Reilly, 1996; Westerman et al., 2006) and show that two dimensions are important when multi-business firms adapt their organizational design to overcome contingency misfits with the environment. The first dimension pertains to the *market segment homogeneity* and relates to extant research on the market-based view of the firm which stresses that a firms' positioning to address specific market segments has a strong influence on the competitive advantage and thereby on future returns (e.g. Caves & Porter, 1978; Porter, 1979). This first dimension answers the question of how homogenous the multi-channel incumbent's target market is (numerous target segments vs. few target segments). Market segment homogeneity strongly relates to the criterion of differentiation developed in Lawrence & Lorsch's (1967) seminal study which denotes "the state of segmentation of the organizational system into subsystems, each of which tends to develop particular attributes in relation to the requirements posed by its external environment" (p. 3-4). The second dimension focuses on *structural integration* and strongly relates to Lawrence & Lorsch's (1967) definition of integration as "the process of achieving unity of effort among the various subsystems in the accomplishment of the organization's task." (p. 4). This dimension goes back to previous research on the resource-based view (e.g. Barney, 1986; 1991) and argues that competitive advantage derives from the resources, skills, organizational processes and routines which firms develop and execute by interlinking their so far separated business units. However, it is the interaction of both dimensions that determines multi-channel firms' possible routes of organizational design adaptation. Hence, firms need to consider (1) the present and potential homogeneity of their target market on the one hand (market perspective) and (2) the present and potential degree of integration within their organizational resources and processes (resource perspective) on the other hand to successfully deal with disruptive changes in the environment – such as the advent of the cross-channel phenomenon. Based on these two dimensions, we derived four distinctive routes of organizational design adaptation. In the following, each of these four routes of organizational design adaptation is described and discussed in detail, based on the following three characteristics: 1) organizational structure, 2) type of collaboration, and 3) locus of decision-making. *Figure 14* graphically illustrates the developed taxonomy of organizational design adaptation routes in the context of disruptive changes in the environment.

	LOW structural integration	*HIGH structural integration*
HIGH market segment homogenity	**Route II: Focused Adaptation** 1. Slightly coordinated approach 2. Selected channel collaboration 3. Corporate level	**Route IV: Complete Adaptation** 1. Integrated approach 2. Flexible cross-departmental collaboration 3. Corporate and channel level
LOW market segment homogenity	**Route I: Constrained Adaptation** 1. Separated approach 2. Ad-hoc channel collaboration 3. Channel level	**Route III: Extensive Adaptation** 1. Strongly coordinated approach 2. Institutionalized channel collaboration 3. Corporate level

Criteria: 1. Organization structure, 2. Type of collaboration, 3. Locus of decision-making

Figure 14: Routes of organizational adaptation
Source: own graph.

5.1 Route I: Constrained Organizational Design Adaptation

Multi-channel retailers that follow the constrained organizational design adaptation route do not actively seek to harmonize their offline and online channels. Instead, they try to stick to a classic multi-channel strategy where different channel units (e.g. stores, catalog/call-center, online-shop) are managed as separate and silo-oriented profit centers which cater to the demands of channel specific target groups. Our research shows that multi-channel retailers following this route adapt their organizational design passively and reactively. Accordingly, multi-channel firms following this route still strongly prefer channel-specific business practices. This constrained organizational adaptation route goes back to innovation theorists who argue that because of cognitive inertia and existing customer preferences, firms rather exploit current technologies or customer segments instead of exploring new technologies or customers and therefore often struggle to change their current organization structure (Lawrence & Lorsch 1967; Thompson 1967; Hill & Rothaermel, 2003). In particular, Westerman et al. (2006) show in their study on organizational design effectiveness over the innovation life cycle that some multi-business firms optimize for uncertainty by keeping their channel units separated and thereby avoiding cross-channel interdependencies. In this case, business units may indeed be more flexible to actively deal with competitive situations in each channel (Gulati & Garino, 2000). However, they may also be more inefficient due to redundant resources and functional duplicities and consequently risk to be outperformed by innovative cross-channel retailers or price aggressive online pure players (Zhang et al., 2010).

One of Europe's largest consumer electronics retailers, *Everest,* exemplifies this route of organizational design adaptation. Since store managers own certain percentage-points of their store sales as active shareholders, it was exceedingly difficult for the top management to convince them of the importance of the online channel and the need to increasingly link the stores with the online business based on specific cross-channel services. Until today, Everest operates a separate e-commerce channel beside its established store structure even though the store business currently is under severe strain. As a top manager summarized: *"To evaluate how much revenue and profit each channel generates on its own is unfortunately still the dominant view of thinking in the organization." As a consequence, we still develop online activities in a completely separated division without considering their contribution to store sales."* As a consequence, channels are still organized independently with their own functional departments, e.g. in marketing, sales, purchasing as well as logistics and are therefore strictly managed as separate profit-centers. Another example is the German specialist for apparel and hunting goods *Annapurna*. Since the launch of the online business in 2006, it has steadily grown to an overall sales share of 30 percent until 2011. Nevertheless, Annapurna still relies on a classic divisional structure and organizes its three distribution channels (stores, catalog/call-center, and online shop) as isolated profit-centers with channel-specific functional departments. Thus, one key structural problem for Annapurna lies in the cost-intensive functional duplicities. The head of online marketing stated: *"In the department new media, we are responsible for the cross-channel promotions. Thereby, it is essential that we make sure that online promotions are matched and linked with catalog or store promotions. Unfortunately, we are struggling to collaborate with our colleagues from the classic marketing channels and can only reach them on an ad-hoc basis."*

Constrained organizational design adaptation typically results in reactive and minimal changes of divisional or matrix designs. This adaptation route seems to be particularly suitable for firms who are not severely challenged by the disruptive change in the environment and therefore are still able to strictly focus on single channel customer groups. Although this route optimizes for efficiency by focusing on channel specific target groups, it refrains from leveraging valuable channel interdependencies and synergies. In addition, if channel collaborations are pursued, these players try to use modular interfaces instead of enacting flexible collaborations among channels. In sum, multi-business retailers pursuing this route of organizational design adaptation optimize for channel-specific business and only adopt cross-channel activities if changes in the environment force them to do so. *Table 7* summarizes our findings on the route of constrained organizational design adaptation and shows representative informant quotes.

Table 7: Key characteristics of route I: "Constrained Organizational Design Adaptation"
Source: own graph

Elements:	Characteristics:	Representative Informant Quotes:
Organization Design	• Separated approach	"Although the two departments are still physically separated in the respective channel organization, we are now able to start coordination between the channel-specific sourcing units based on ad-hoc meetings." *(a middle manager of Everest)* "We still have channel-specific marketing and merchandising units which refuse to align their channel specific campaigns and promotions." *(a top manager of Everest)* "We are clearly struggling to kill these functional duplicities! But what would you do if your organization is a dinosaur in the bricks-and-mortar business and now has to be adapted because of the "evil" online-business which is growing massively?"*(a top manager of Annapurna)*
Type of Collaboration	• Ad-hoc channel collaboration	"The store business still does not really collaborate with the online business; and if it does so, than only on an ad-hoc basis. The problem is the profit-center logic: there are no incentives for the channel departments to collaborate with one another."*(a top manager of Everest)* "Offline purchasing still sources on the basis of catalog pages and defines their sourcing strategy based on the seasonality. Ad-hoc collaborations help to align online and offline sourcing. However, is yet not clear for the offline purchasing department that the online business cycle is different." *(a middle manager of Annapurna)*
Locus of Decision-Making	• Channel level	"[…] The key question would rather be what sales and profit contribution the online store adds to the store business and vice versa. Unfortunately, middle managers are not incentivized to see this point and are still stuck in their channel-driven mindset." *(a top manager of Everest)* "Since I still get measured solely based on store-related performance metrics, I honestly do not care how the online shop or the catalog business perform." *(a middle manager of Annapurna)*

5.2 Route II: Focused Organizational Design Adaptation

Multi-channel incumbents following the focused organizational design adaptation route are reluctant in fully adopting a cross-channel strategy since the top management team is not able to agree on the relevance of the cross-channel shopping phenomenon for their business model. However, since they still want to keep up with their competitors, they want to at least develop and use synergies among channels by coordinating their online and offline marketing initiatives. However, since the coordination of all online and offline communication channels does not affect all departments within the firm, the previous channel specific organization design does not need to be adapted entirely. Our research shows that multi-channel retailers following this route of adaptation adjust their organizational design rather slowly and selectively, thereby strongly focusing on their marketing and merchandising departments. Thus, although firms following this route try to stick to channel-specific business practices and thereby still follow a rather channel-specific organization design, they strive to endorse collaboration among the so far channel specifically operated marketing and merchandising departments or even decide to fully integrate and centralize them. Research on teams linking business units to foster effective innovation in multi-business firms argues that these firms need to put the emphasis on interdependencies across units by specifically established integration mechanisms (Wheelright & Clark, 1992) while at the same time still allowing their units to focus on their unit-specific processes (O'Reilly & Tushman, 2008).

The Swiss retailer for premium furniture *McKinley* represents a successful example of a multi-channel incumbent following the route of focused organizational design adaptation. In this case, the top management decided to focus on cross-media campaigns and cross-channel promotions to boost store sales. However, besides these activities driven by the centralized McKinley marketing team, the two business units – classic commerce (stores) and e-commerce (online-shop, smartphone app) – are still managed as clearly separate units with low levels of collaboration. The CEO stated: *"The only thing we have adapted so far are the online and offline marketing departments which are now integrated and develop and implement all cross-channel campaigns and promotions as a centralized unit."* Another firm following this route of organizational design adaptation is *Zugspitze*, one of Germany's largest fashion department stores. Since top management decided to harmonize their classic, digital, and social marketing initiatives, the so far channel specific marketing and merchandising departments had to be organized differently. Top management decided to integrate all channel-specific customer data in a firm-wide Customer Relationship Management (CRM) system located at the classic marketing department and to intensify the collaboration between the two separate marketing units by installing a cross-business unit team. A top manager summarized their actions the following way: *"We have integrated the channel-specific customer data in a firm-wide CRM system which is placed in the offline marketing department. These guys now perform all analyses and develop cross-channel communication and promotion activities in close collaboration with colleagues from the online marketing department."* Since marketing managers from the classic store channel felt threatened by the online channel, top management decided to locate the firm-wide CRM initiative in the classic marketing and merchandising department. However, as a consequence, the online marketing team felt neglected and still does neither support the cross-media strategy nor the cross-channel promotions managed by the classic marketing department. Thus, the top management has some doubts if the initiated changes in organizational design will be successful in developing innovative cross-channel promotions and campaigns which boost store sales.

Focused organizational design adaptation typically results in rather slow and selective adaptations of the organizational design, mainly involving the channel-specific marketing and merchandising departments. However, the risk of resistance is high, since the so far channel specific marketing and merchandising departments need to strongly collaborate and thereby fight for their position within the firm. However, since all other departments are not directly affected by the structural adaptation and are still able to operate their channel-specific processes, the firm-wide conflict level can be considered as moderate. *Table 8* summarizes our findings on the route of constrained organizational design adaptation and shows representative informant quotes.

Table 8: Key characteristics of route II: “Focused Organizational Design Adaptation”
Source: own graph.

Elements:	Characteristics:	Representative Informant Quotes:
Organization Design	• Slightly coordinated approach	"We integrated online and offline marketing which is now responsible for developing firm-wide cross-media campaigns to boost the frequency in stores." *(a top manager of McKinley)* "It was crucial to destroy the channel-specific marketing focus to be able to develop firm-wide cross-media campaigns and promotions involving classic, digital as well as social communication channels." *(the CMO of McKinley)* "We assigned the offline marketing department to be in charge of analyzing all CRM data and to develop cross-channel promotions by involving their online marketing counterparts." *(a top manager of Zugspitze)* "The offline marketing department manages all firm-wide communication and promotion tasks. We [online marketing] analyze our consumer data and develop our online promotions. In specific meetings, we have to present our consumer analytics results to the offline marketing team." *(a middle manager of Zugspitze)*
Type of Collaboration	• Selected channel collaboration	"It was crucial to recognize that we can only be successful in the future if we start to collaborate. Thus, we defined firm-wide promotion projects and assigned our most experienced managers from marketing, merchandising and purchasing to be in charge of managing these projects across all distribution and communication channels." *(a marketing manager of McKinley)* "We installed a cross-channel team with members from both the online as well as offline marketing department to define the firm-wide media plan as well as to develop cross-channel campaigns and promotions." *(a top manager of Zugspitze)* "Although we officially established a cross-channel marketing team, offline marketing managers were still in charge of ruling the game." *(an online marketing manager of Zugspitze)*
Locus of Decision-Making	• Corporate level	"In the cross-marketing committee, we bring together all channel managers and the senior management team to decide on the cross-channel marketing strategy." *(a middle manager of McKinley)* "Although the top management team has deliberately decided to install a first cross-channel team involving key people from both marketing departments [online and offline], only one top management team member is actively involved in driving cross-media campaigns and promotions." *(a middle manager of Zugspitze)*

5.3 Route III: Extensive Organizational Design Adaptation

To defend their market share against pure online-players and other potential multi-channel incumbents offering attractive cross-channel services, firms following this route strive for an extensive harmonization of their online and offline channels. This change process involves many departments and forces the firm to largely adapt their so far channel specific organization design. Our empirical findings illustrate that multi-channel incumbents following this organizational adaptation route adjust their design steadily and intensively. Innovation researchers argue that organizational design changes aimed at enabling multi-business firms to extensively adapt to disruptive changes in the environment require them to increase the interdependence of their business units based on formal and informal linking mechanisms (Burns & Stalker, 1961; Gupta & Govindarajan, 2000; Taylor & Helfat, 2009). In their studies, Lawrence and Lorsch (1967) as well as Wheelright and Clark (1992) both conclude that the installment of teams ensures the overcoming of isolated structures and fosters innovation via cross-business-unit collaboration. Extant research from the sub-stream of multi-business collaboration supports these findings by stating that a coordinated organization design with clearly defined cross-business-unit teams is crucial to successfully cope with disruptive changes in the environment (Helfat & Eisenhardt, 2004; Martin & Eisenhardt, 2010).

The German sports outdoor retailer *Mont Blanc* is a fitting example for this organizational adaptation route. Since 2009, the top management of Mont Blanc has committed itself to pursue a broad cross-channel strategy by establishing in-store kiosks and using tablets as digital sales assistants in every store. Today, more than fifteen percent of overall sales can already be attributed to the cross-channel behavior of Mont Blanc's customers. Based on this strong effort to intertwine their four channel units – stores, catalog/call-center, online-shop and mobile-shop – it soon became evident to Mont Blanc's top management that they needed to adapt their organizational design as well. Thus, they decided to intertwine and then integrate their channel-specific sales promotion departments and to develop a centralized customer analytics department. However, this reorganization also required all channel-specific departments to collaborate with each other. A top manager described this challenge the following way: *"It was crucial that the intertwined channel-specific and later integrated sales promotion departments with a clear focus on content management strongly coordinated its actions with the newly installed centralized customer analytics department."* In addition, Mont Blanc ensured more collaboration among its purchasing departments. As a higher middle manager noted: *"We have already made huge progress by installing fixed collaboration mechanisms among our purchasing departments and by making sure that our three channel-specific purchasing heads meet and exchange information on a weekly basis."* The Swiss department store *Kilimanjaro* also serves as a good example of a multi-channel retailer which follows the route of extensive organizational design adaptation. Although Kilimanjaro managed its online business in a totally separate unit alongside the main business consisting of 71 Swiss department stores, the firm has recently started to intertwine both channel units and thereby to intensify cross-collaboration between departments of both units. The integration of the previously silo-oriented marketing departments required a more tight collaboration between the CMO and the channel leaders within the firm to ensure that the firm wide marketing strategy is consistent and involves all relevant requirements and needs from both the store as well as the e-commerce businesses. Kilimanjaro struggled to intertwine their purchasing departments since procurement managers were still sourcing on a channel specific basis. As a top manager stated: *"We had problems to convince our channel heads to make sure that they overcome their channel-specific sourcing strategies as well as to collaborate with the newly centralized marketing department."*

Extensive organizational design adaptation typically results in steady and holistic changes of the organizational design, often involving almost all channel specific departments. Thus, many initiatives cause severe adaptations in organization design which often fuels resistance of employees on a firm-wide basis. *Table 9* summarizes our findings on the route of extensive organizational design adaptation and shows representative informant quotes.

Table 9: Key characteristics of route III: "Extensive Organizational Design Adaptation"
Source: own graph.

Elements:	Characteristics:	Representative Informant Quotes:
Organization Design	• Strongly coordinated approach	"We quickly realized that we needed to weaken the channel-specific mental model. In most areas, we have achieved it through cross-channel collaboration initiatives. In other areas such as customer analytics, we directly installed and centralized unit." *(a top manager of Mont Blanc)* "We learned that we had to intensify collaboration for almost all functional departments within each channel. We intertwined the channel-specific purchasing and sales promotion units by installing cross-channel teams with dedicated responsibilities." *(a top manager of Mont Blanc)* "The integration of the so far channel-specific marketing departments into a centralized unit has not only simplified the installment of cross-channel services but also complicated the coordination work between the CMO and the channel leaders since they lost power and now needed to justify their budget spending's to the CMO." *(a top manager of Kilimanjaro)*
Type of Collaboration	• Institutionalized channel collaboration	"We took advantage of the cross-channel approach and ensured that all channel-specific departments such as sales promotion, purchasing, and logistics had to strongly collaborate with their functional counterparts." *(a middle top manager of Mont Blanc)* "I [CMO] was strongly challenged to collaborate with the channel leaders as former heads of their own channel-specific marketing unit to make sure that the new firm-wide cross-channel marketing strategy is also consistent with their channel-specific needs." *(a top manager of Kilimanjaro)*
Locus of Decision-Making	• Corporate level	"We already managed to integrate sales promotion and customer analytics. However, the fields of purchasing and logistics were still channel-specifically organized and required intensive cross-channel collaboration. That means that we [top management] have to actively push the restructuring process." *(a top manager of Mont Blanc)* "We [top management] need to make sure that the still channel-specific purchasing units closely coordinate with the newly centralized marketing department to align their sourcing strategies." *(a top manager of Kilimanjaro)* "It is not only challenging to collaborate within the newly centralized marketing department but also to coordinate with members from the cross-channel purchasing team that still try to force their channel-specific interests and to align our plans with the top management that in the end makes the final decisions." *(a middle manager in offline merchandising of Kilimanjaro)*

5.4 Route IV: Complete Organizational Design Adaptation

The multi-channel incumbents adopting the route of complete organizational design adaptation install cross-channel services and simultaneously develop cross-channel marketing campaigns and promotions. Our empirical findings show that multi-channel retailers following this route adjust their organization structure holistically and mutually. Thus, they challenge each and every aspect of their current channel-specific business approach since such a fundamental change in strategy also requires a structural adaptation of the entire organization towards a lean, flat, and much more integrated organization design. Even though channels are still important units serving a sales function in the new organizational design, they are not the key criteria for organizing anymore. Rather, newly centralized functional departments such as marketing, merchandising, purchasing, logistics, and controlling focusing on both online as well as offline perspectives are the backbone of the new cross-channel organization. Since many previously channel-specifically managed departments are merged and centralized, multi-channel incumbents pursuing this route do not need to install fixed cross-channel collaboration teams anymore. Nevertheless, the coordination of the centralized functional departments with the very lean sales channel units is still crucial. This complete organizational design adaptation route bases on extant research on cross-functional designs (e.g. Wheelright & Clark, 1992) and ambidextrous designs (e.g. Raisch & Birkinshaw, 2008). In their seminal study, Brown & Eisenhardt (1997) support extant theory on cross-functional team structures (Lawrence and Lorsch, 1967; Clark & Fujimoto, 1991; Wheelright & Clark, 1992) by showing that multi-business firms are able to strive for integration and differentation within the same organization through the installment of cross-departmental teams. They introduce the theoretical concept of semistructures to show that flexibly organized linking mechanisms with some given guidelines but also unspecified boundary conditions foster cross-departmental collaboration. Relating to the research stream of ambidextrous design, Westerman et al. (2006) identify in their study on organizational adaptation modes the so-called “integrated-early mode”. In their study, they illustrate that due to the optimization for interdependence – through focusing on integration mechanisms early in an innovation process – firms may profit from using cross-channel synergies but may also suffer in their effectiveness and efficiency to run the established channel-specific business processes.

The Swiss retailer for entertainment products *Matterhorn* illustrates this mode of complete organizational design adaptation particularly well. Based on performance problems in managing accelerated online orders by a separately organized online division, Matterhorn's top management decided as early as 2009 to integrate the online business with the classic store and catalog business. This channel integration process aimed at offering customers seamless channel-switching opportunities along their buying process started in January 2011. A top manager remembered: *"Within a few months, we have adapted our organizational design from a channel-specific, divisional design to a department-specific, functional design. Thus, we no longer had two business units, but an integrated functional organization with centralized units for marketing, merchandising, purchasing, and logistics."* Since Matterhorn integrated and centralized their channel-specific departments, the firm did not need to perform a high level of cross-channel collaboration anymore. However, cross-department collaborations for specific topics were still crucial and enacted by specific teams with a lot of freedom to self-structure their cross-departmental topics. A top manager explained their cross-departmental approach as follows: *"The key to foster company-wide cross-departmental collaboration is the installment of small and flexible teams consisting of employees which are passionate about their work and ready to meet the challenge to drive low structured but innovative topics on a collaborative basis besides their daily business tasks."* Another good example of a multi-channel retailer following this last route is the Swiss apparel retailer K2. Based on the simultaneous development of cross-channel services, cross-media campaigns and promotions in 2011, K2 learned that they needed to fundamentally adapt their decentralized organizational design to a more centralized and integrated approach. As the CEO summarized: *"Recently, we centralized the online department in addition to the marketing department. It [the online department] is now structured very lean and only performs specialized work such as SEO [Search Engine Optimization] or SEM [Search Engine Marketing]. In addition, we want to restructure purchasing to also follow a cross-channel business approach and to outsource logistics and customer analytics."*

Complete organizational design adaptation results in intensive and mutual adjustments of the organizational design, often requiring an entire reorganization aimed at centralizing decision-making for key issues and thereby fundamentally changing the firms' priority from a single-channel approach to a clear firm-wide cross-channel approach. Thus, such a fundamental change in organization design carries the potential to swamp employees, particularly from the classic channel units such as stores or catalog/call-center and to neglect middle managers in former channel-specific fields of action. *Table 10* summarizes our findings on the route of complete organizational design adaptation and shows representative informant quotes.

Table 10: Key characteristics of route IV: "Complete Organizational Design Adaptation"
Souce: own graph

Elements:	Characteristics:	Representative Informant Quotes:
Organization Design	• Integrated approach	"We decided to integrate and centralize our key functional departments besides the sales units to be able to install convincing cross-channel services and thereby offering our customers resourceful switching opportunities among channels." *(a top manager of Matterhorn)* "This means that we gave up a focused channel specific business approach and centralized marketing, purchasing, and logistics in a timely and efficient manner to implement our new cross-channel strategy." *(CEO of Matterhorn)* "Besides the centralized marketing and online departments, logistics as well as customer analytics shall be outsourced and thereby it is only the dedicated sales teams that still follow a channel-specific orientation." *(a middle manager of K2)*
Type of Collaboration	• Flexible cross-departmental collaboration	"Confidence, high latitude, and an open as well as non-hierarchical work culture were the key aspects to make multidisciplinary cross-departmental teams working on innovative tasks besides their daily duties." *(a middle manager of Matterhorn)* "Because of the dominant character of both the business developer as well as the CEO, we [department leaders] were forced into passivity and overwhelmed by the assertiveness and speed of the two when it came to cross-departmental meetings." *(a middle manager of K2)*
Locus of Decision-Making	• Corporate and channel level	"Although we [top managers] only take decisions on a firm-wide basis, for sure store leaders and digital channel heads have the opportunity to bring in their channel-specific or even better, their firm-wide proposals to improve performance." *(a top manager of Matterhorn)* "Until 2011, we were organized so that the three store brands were own sales organizations with full decision-making competencies. However, with the new cross-channel strategy, decision-making has been more complex since the holding together with the sales organizations rule the game on a collaborative basis." *(a higher middle manager of K2)*

6. Discussion and Conclusion

This study contributes to extant research on organization design and multi-business organization and proposes a theoretical framework on routes of organizational design adaptation. Based on empirical data from eight multi-channel incumbents' initiatives to adapt their organizational design aimed at catering to the demands of research-shoppers, we were able to identify four routes of organizational design adaptation. These routes explain multi-channel retailers' journeys towards adjusting their organizational design based on fundamental changes in consumer behavior and describe how multi-business firms in general can adapt their organizational design in the context disruptive changes in the environment. Thereby, each route takes into consideration the current and firm specific differences in market segment homogeneity and structural integration. The routes of design adaptation are "Constrained Adaptation", "Focused Adaptation", "Extensive Adaptation", and "Simultaneous Adaptation" each of which we discussed in detail by explaining their differences in regard to three specific theoretical criteria: 1) organization structure, 2) type of collaboration, and 3) locus of decision-making basing on rich description of case data.

On a conceptual level, the proposed framework of organizational design adaptation routes complements extant theory in various ways. *First,* the cross-case analysis showed that two dimensions are crucial when firms adapt their organizational design to overcome contingency misfits based on disruptive changes in the environment. These dimensions deal with the basic logic of market-related differentiation and resource-related integration, whereas I termed them "market segment homogeneity" and "structural integration". This research strongly relates to and theoretically confirms previous studies on organization design adaptation (e.g. Lawrence & Lorsch, 1967; Thompson, 1967; Tushman & O'Reilly, 1997; Brown & Eisenhardt, 1997; Siggelkow & Levinthal, 2003; Tushman et al., 2010). *Second,* the four identified routes reasonably structure the still fuzzy area of research on organizational design adaptation in the context of disruptive changes in contextual contingencies and offer a concise approach on how to deal with situations of discontinuous changes in contextual contingencies. Here, our findings complement results of a previous study of organization design changes (Westerman et al., 2006) by showing that there also exist intermediary options of organizational design adaptation between the polar opposites of a separated design approach and an integrated design approach. We term these intermediary options "cross-coordinated adaptation designs". Although previous innovation studies in the context of incremental changes in contextual contingencies have already shown that cross-functional interfaces foster the generation and exchange of knowledge while at the same time allowing for business units striving for exploitation (e.g. Clark & Fujimoto, 1991; Wheelright & Clark, 1992; Dougherty, 2001), this is the first study that scrutinizes intermediary forms of organizational adaptation in between the polar opposites of separated or integrated designs in the context of disruptive changes in contextual contingencies. *Third,* although we measured the strategic change performance of case firms, it was not possible to conclude which of the four identified routes of organizational design adaptation was more successful or more preferable than others. Generally speaking, there is no optimal route to adapt the current organization design. However, this study shows how each route differs in its capacity to promote the adoption of the research-shopping phenomenon and supports previous findings in innovation research which argue for equifinality in organizational design adaptation (e.g. Doty et al., 1993; Grezov & Drazin, 1997). Nevertheless, the empirical findings indicate in which situations a particular route may be preferable to another. In situations when firms in their industry setting are not ultimately threatened by the research shopping phenomenon and top as well as middle managers' cognitive frames are still strongly devoted to their existing channel specific business approach, a constrained organizational design adaptation may be preferable. In situations where the research-shopping behavior is increasing in importance and firms can leverage selected complementary resources and skills from their different current business units to innovatively approach these tendencies of disruptive changes in the environment (e.g. by developing a firm-wide customer analytics competence), specific interlinking mechanisms seem to be the structural solutions to the problem. Furthermore, in situations when the research-shopping phenomenon strongly increases in importance, firms should establish a large set of interdependent formal and informal collaboration mechanisms across channels. Finally, in situations when research-shopping develops to a dominant change in consumer behavior, top management should encourage extensive adaptations of the organizational design to find ways for complementary assets previously located in different business units to develop much more power if they are not only structurally interlinked but officially integrated and centralized and thereby facilitate the dissemination of knowledge among these newly centralized units.

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E Article 4: The Managerial Perspective

Middle Management Empowerment in Practice: How Top Managers Empower Their Mid-Levels in Top-Driven Strategic Renewal

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Abstract:

This paper uses a comparative case study of six multi-channel retailers' adoption of new cross-channel solutions to explore how top managers empower their middle managers in top-down strategic renewal. Although there is significant research on how top managers maintain control over emergent strategy, we still have a relatively limited understanding of how top-managers empower their mid-levels in deliberate strategic change. Our study produces two empirical findings that somewhat contrast recent research: (i) While current studies recognize the limits to top managers' direct presence at middle levels in dynamic change settings and argue for an active role of middle managers, we find that top managers in firms with relative success in top-driven renewal personally engage with middle managers on a frequent basis, direct and evaluate their change activities through guiding mechanisms, and ensure accessibility to provide feedback to mid-levels. (ii) While prior research shows that middle management empowerment can result from top managers' symbolic invitation to play a broader strategic role, top managers in our successful cases revived hierarchies to maintain an active leadership function in the face of major change which, in turn, became a resource for middle management during deliberate strategic change. In contrast, in less successful cases, top managers refrained from playing an active leadership function, thereby disrupting hierarchical relationships. Most fundamentally, we complement the recent focus on symbolic power as a critical means for empowering mid-levels in top-down change by showing how building relational power in the form of functioning hierarchies may be another effective way of fostering middle managers' contributions in deliberate strategic change.

Key words: Top-Driven Strategic Renewal, Middle Management Involvement in Strategy Process, Multiple Case Design.

1. Introduction

The role of top managers in the context of deliberate strategic change still remains relatively vague. In particular, the top executive task of involving middle managers is still poorly understood (Canales, 2012). This paper investigates the role and underlying leadership practices of top managers in empowering middle managers to actively contribute during deliberate strategic change. Previous research shows that middle management – even in top-down change – must play an active role to at least operationalize and execute broad strategic intentions of the top management (e.g. Balogun & Johnson, 2004). Middle management, due to their knowledge of local settings and their active participation in change implementation, transform from relatively passive change “recipients” to active contributors of top-down change in contemporary complex and dynamic organizational settings such as deliberate strategic change (Canales, 2012).

1.1 The Problem with Middle Management Empowerment

A central finding about middle managers’ role in strategic change is that they must be empowered to facilitate top-down strategic renewal (Mantere, 2005; 2008). However, prior research shows that top managers more often disempower instead of empower middle management in top-down renewal. Either their active guidance is perceived as autocratic leadership that demotivates middle managers due the over-emphasis on control (Pfeffer, Cialdini, Hanna, & Knopoff, 1998) or top managers disempower middle managers by bluntly delegating responsibilities for change without enabling them to enact an active role, thus putting them under severe strain (Spreitzer, 2008). As Higgs & Rowland (2010) state, middle managers are often handcuffed to the context without support from the top.

1.2 Top-Management Leadership Practices to Empower Mid-Levels

Without disagreeing with previous contributions of the so-called research stream on psychological empowerment (Spreitzer, 1997; 2008) which is based on a cognitive approach, we follow a relational approach (Walsh et al., 1998) and build on extant research that studies top managers’ social-structural practices (Canales 2012; Mantere, 2005, 2008). We aim to examine fine-grained leadership practices of top managers who empower middle managers in deliberate strategic change. Thus, we ask: *How do top managers enact the relationship with their middle managers to empower (or* *disempower) them to actively contribute in top-driven strategic renewal?* We understand leadership practices to be repeatedly performed activities (Whittington, 2003; 2006) that help structure the daily leadership work of top managers and address mid-levels as a whole rather than focusing on specific teams or influencing specific individuals. We define middle management empowerment in top-driven strategic change as a top management induced process to create mutual and meaningful connections with middle managers which in turn increase the middle levels' capacity to act during strategic change (Walsh et al., 1998). Such a process aims to support a shared discourse (Spreitzer, 2008; 1995) and to promote middle managers' contributions to the deliberate strategic change process, which also nurtures the self-esteem and thereby the activity level of top managers in driving the overall transformation process.

1.3 Research Gap and Contribution

Since extant research on how top managers empower their middle levels in top-driven strategic change is to date rather scarce (Canales, 2012), important questions remain unsolved. We contribute to this nascent field of research in several ways: *First,* we complement extant research that explains how top managers empower their middle levels for contributions in deliberate strategic change (Canales, 2012) which refers to theories of symbolic power (Pfeiffer, 1994) and organizing (March, 2010; Wick, 1995). We posit that besides a symbolic invitation and a change in the attention structure of the organization, an activation of hierarchical relationships between top and middle managers may be another effective form of empowering middle managers in deliberate strategic change. *Second*, we produce empirical findings that explain how top managers' leadership practices empower their mid-levels to actively contribute to strategic change and thereby positively influence the strategic renewal performance of the firm. Thus, we not only scrutinize top-level leadership practices and their effect on middle management empowerment. We also explain their effect on performance outcomes in situations of deliberate strategic change. In sum, these open questions suggest that, besides the existing approach of a symbolic change in the attention structure of the firm that entails a fundamental change in the role distribution between top managers and middle managers (Canales, 2012), scholars still lack a process theory on how top managers empower their middle levels in hierarchical settings of strategic change. Since previous research does not provide enough theoretical or empirical insights on this very topic, we follow a theory-elaborating approach (Eisenhardt, 1989). We apply the theory of relational empowerment (Walsh et al.,

1998) to explain how top managers empower their mid-levels to actively contribute during deliberate strategic change by two different styles of managing resourceful hierarchical connections. By re-enacting hierarchies, we mean the resourceful use of hierarchies in place by top managers to encourage and effectively involve their middle levels in deliberate strategic change, compared to disrupting hierarchies where middle managers demonstrate resistance to change and show self-interest to pursue their own goals (Guth & MacMillan, 1986).

1.4 Paper Structure

The paper is structured as follows: We begin with reviewing and synthesizing existing literature on middle management involvement in deliberate strategic change, before we describe the research method. We then map out the key findings of our cross-case analysis by introducing three theoretical constructs that describe the process of how top management leadership practices may promote (or hinder) middle management empowerment. In the discussion section, we introduce a new theoretical framework of enacting hierarchies to complement the recent focus on symbolic empowerment (Canales, 2012).

2. Theoretical Background

Research on the leadership role of top managers in managing strategic change has come a long way (e.g. Lovas & Ghoshal 2000) and has been scrutinized by both academics (e.g. Burgelman & Grove, 2007; Hamel & Prahalad, 1989; Hart, 1992) and practitioners (e.g. Kotter 2007). However, what top managers actually do to empower their mid-levels in deliberate strategic change is still a rather unclear topic (Canales, 2012). The recent strategizing literature that puts its emphasis on the social dynamics of strategy formation shows that leadership practices in strategic change are a promising area for future research (Jarzabkowski 2008, 2005; Jarzabkowski, Balogun & Seidl, 2007; Denis, Langley & Rouleau, 2007; Johnson, Melin, & Whittington, 2003). Besides a few studies that focus on how top managers direct their middle levels in top-driven strategic process (e.g. Mantere, 2008; Canales, 2012), the top managers' leadership practices as the "pixels of managerial influence" (Jarzabkowski, 2008) have been largely neglected in extant research (Wooldridge, Floyd & Schmid, 2008).

2.1 Extant Research on Middle Management Empowerment

Previous studies addressing the focal issue of middle management empowerment in strategy process proclaim that top managers need to allow their mid-levels to enact an extended management role not only tackling topics of strategy implementation but also contributing to issues of strategy formulation (e.g. Canales, 2012; Floyd & Wooldridge, 1992). However, even though most studies argue from a bottom-up strategy-making approach (e.g. Burgelman, 1983; Currie, 1999; Floyd & Wooldridge, 1990; 1992), recent research on middle management empowerment in the context of deliberate strategic change suggests that a change in the role distribution between both management echelons can be counterproductive and undermine change. These studies show that changes in the reciprocal role expectation between top and middle managers also have potential to constrain middle managers' empowerment (e.g. Guth & MacMillan, 1986, Mantere, 2005; 2008). By identifying and analyzing eight specific top-level induced enabling conditions such as narration, contextualization, and refereeing, Mantere (2008) shows how middle managers can be encouraged to contribute to top-driven strategic change without changing their role. However, other studies show that simple access to top management discussions does not encourage middle managers' involvement or even guarantee their empowerment during top-driven strategic change. Rather, middle managers' empowerment depends on the opportunity to be able to actively participate in strategic conversations, to be granted access to details defined by top executives, to be able to use structural mechanisms that allow cross-functional conversations around strategic issues as well as to be able to find meaning and trust based on a widely shared single ideology within the firm (Mantere & Vaara, 2008; Westley, 1990).

2.2 Towards a Complementary Approach on Middle Management Empowerment

In this paper, we relate to previous research which argues that middle management empowerment can also take place without changing the classic role distribution between both echelons, but instead re-enacting it (Westley, 1990; Mantere, 2005; 2008). In this case, top managers are still in charge when it comes to formulating the strategic change process while middle managers are in charge of implementing it. However, although the formal role distribution stays the same, middle managers are empowered to also contribute to change formulation by bringing in their critical thoughts and ideas based on highly interactive and iterative relationships induced from the top.

Extant research on middle management empowerment puts forward a symbolic view of power (Bourdieu, 1991; Pfeffer, 1994) to explain mid-levels empowerment in the context of top-driven renewal (Canales, 2012). From this perspective, top managers' use of symbolic power serves as a critical trigger to overcome potential resistance (Stensaker & Langley, 2010) and to redesign the strategy process as well as to reframe the distribution of roles between both management echelons aimed at assigning a broader strategic role to middle management. Canales (2012) argues that a symbolic reorganization of the company, accompanied by specific top management induced enabling conditions such as specific trainings and adaptations in management control systems facilitate middle managers' empowerment to actively contribute to the strategic change process in both the strategy formulation as well as the implementation phase.

In this study, we aim to complement this symbolic view by showing that a relational view on empowerment with the primary focus on enacting personal, mutual and resourceful relationships between top managers as formulators and middle managers as implementors may be another effective form of fostering middle managers' active contributions in deliberate strategic change. Thus, we elaborate the so far rather under-examined theory of relational empowerment which focuses on the forming of mutual, interdependent, and reciprocal relationships between organizational members (Fletcher, 1998; Walsh et al., 1998). The theory of relational empowerment is derived from women's experiences in relationships (e.g. Calas & Smircich, 1992; Fletcher 1994; 1998), has its roots in cognitive therapy research (Walsh et al., 1998) and therefore is based on an egalitarian approach to explain relational empowerment. In this study however, we focus on the dyadic hierarchical relationship between the two management echelons to explain how top managers empower their mid-levels in the context of deliberate strategic change without changing the role distribution of both management echelons. Thus, with this study, we posit that it is through resourceful hierarchical connections that top managers as well as middle managers empower one another to successfully drive the strategic renewal process based on the classic role distribution. Thus, rather than extending the role of middle management such as previous studies on middle management involvement in deliberate strategic change postulate (e.g. Floyd & Wooldridge, 1990; 1992; 2000; Balogun, 2003; Canales, 2012), we show that the role of middle managers may stay the same. Because top managers are re-enacting their hierarchical relationships, they are seen as maintaining an active role in the view of middle managers and in their own self-perception, which serves as a key enabler to empower middle managers to actively contribute to the formulation and implementation of top managers' strategic change plans.

3. Research Methods

3.1 Research Design

Since extant research on how top managers empower their mid-levels for active contributions in deliberate strategic change is limited, we aim for inductive theory elaboration based on a multiple case design (Eisenhardt, 1989). According to Yin (2009), multiple cases permit a replication logic in which cases are treated as experiments that either confirm or deny conceptual findings drawn from the others. Thus, such a design is likely to yield more robust and generalizable theoretical insights than single cases alone (Eisenhardt & Graebner, 2007; Langley & Abdallah, 2010).

3.2 Study Population

Our study is set in the multi-channel retail industry. This industry is particularly suitable for studying how top managers empower middle managers for active contributions in the context of top-driven strategic renewal for numerous reasons. *First*, there is a fundamental change in shopping behavior – the so-called cross-channel shopping phenomenon (Konus et al., 2008; Neslin and Shankar, 2009) – which is triggered by the usage of new technological devices (e.g. smartphones, tablets) and by ubiquitous possibilities to access the Internet. This has left multi-channel retailers challenged to integrate their online with their offline channels (Zhang et al., 2010). Thus, a change in the vision and corporate strategy aimed at offering an integrated channel system instead of silo-oriented business units calls for a firm-wide strategic renewal process. *Second*, since the integration of online and offline channels affects business processes in the front-end (e.g. assortment width, price levels) as well as in the back-end (CRM systems, IT processes) of the organization, almost all departments and functions of the firm need to be involved (Rudolph & Brunner, 2012). *Third*, as multi-channel retailers are usually hierarchy-driven firms, the strategic change is initiated from the top but needs to empower middle managers to actively contribute since the change process affects all departments and functions across the firm. Bottom-up commitment and feedback is important to ensure a successful and timely implementation of the change process.

3.3 Study Sample

Based on the study population, we created a diverse sample of multi-channel incumbents who were looking to integrate their online and offline channels. Our research focused on firms from six different retail segments which are especially affected by the change in shopping behavior: Books & Entertainment, Consumer Electronics, Furniture, Apparel, Sports Outdoor and Hunting & Apparel (Emrich & Rudolph, 2010; PWC, 2012). Within these sub-industries, the selected multi-channel retailers were already starting to transform their firms from rather silo-oriented channel conglomerates towards a much more integrated system of channels. We selected one firm per industry segment using the following four criteria: 1) operating at least one offline channel (e.g. stores) and one online channel (e.g. e-commerce), 2) already having installed at least one so-called cross-channel service (e.g. order online, pick up in store), 3) having set-up a firm-wide strategic renewal process with the goal of integrating all offline and online channels, and 4) performing high or low in the strategic renewal process.[4] We chose all six multi-channel retailers based on the aforementioned criteria to make sure that they faced a similar strategic challenge in integrating their online and offline channels. We selected three multi-channel incumbents which had a high strategic renewal performance in adopting new cross-channel services to successfully address the change in consumer behavior and three that did not. For this paper we eliminated the cases which displayed a medium performance-level from our research so that we could more clearly distinguish the key top management practices of high and low performing firms to be able to describe them more accurately. *Table 11* summarizes the diverse characteristics of the sampled firms.

[4] See page 136 for further information on the performance evaluation of cases firms

Table 11: Overview on case firms
Source: own graph

Firm:	Country Focus:	Number of Employees 2011:	Revenued 2011	Distribution Channel Portfolio:	Number of Interviews conducted:	Interviews conducted by Management Type:	Additional Data Sources:
Matterhorn	Switzerland	< 1'000	< 200 mio.	Stores (113, 2011)* E-commerce (1999)** M-commerce (2012)**	10	Top management interviews: 4 Higher middle management interviews: 4 Lower middle management interviews: 2	Observation of top and middle management interaction Archival data: strategy and change documents, press releases, website information, news articles
Annapurna	Germany	< 1'000	< 200 mio.	Stores (22, 2011)* E-commerce (2006)** Catalog/call-center	14	Top management interviews: 3 Higher middle management interviews: 5 Lower middle management interviews: 6	Archival data: strategy and change documents, press releases, website information, annual reports, news articles
Everest	Germany / Austria	> 10'000	> 2'000 mio.	Stores (434, 2011)* E-commerce (2011)**	9	Top management interviews: 4 Higher middle management interviews: 3 Lower middle management interviews: 2	Archival data: strategy and change documents, website information, annual reports, news articles
McKinley	Switzerland	> 1'000	> 200 mio.	Stores (21, 2011)* E-commerce (2007)** M-commerce (2012)**	5	Top management interviews: 2 Higher middle management interviews: 2 Lower middle management interviews: 1	Archival data: strategy documents, website information, news articles
K2	Switzerland	< 1'000	> 200 mio.	Stores (50, 2011)* E-commerce (2011)**	7	Top management interviews: 2 Higher middle management interviews: 4 Lower middle management interviews: 1	Observation of top and middle management interaction Archival data: strategy documents, press releases, website information, news articles
Mont Blanc	Germany	> 1'000	> 200 mio.	Stores (16, 2011)* E-commerce (2002)** M-commerce (2011)** Catalog/call-center	14	Top management interviews: 2 Higher middle management interviews: 6 Lower middle management interviews: 6	Attendance of management meetings Archival data: strategy and change documents, press releases, customer survey results, website information, annual reports, news articles

*Legend: * = number of stores ** = founding year*

3.4 Data Collection

Our data collection followed previous theory elaborating case studies (Anand, Garner & Morris, 2007; Martin & Eisenhardt, 2010) and triangulated different data sources to improve the robustness and generalizability of the emerging theory (Jick, 1979). In the course of the study, we relied on interviews, short-questionnaires, observations, follow-up phone conversations and emails as well as on secondary data sources such as internal documents, website information press releases and news articles. All in all, we conducted 59 semi-structured interviews with 51 interview partners during several-day site visits at the case firms as the primary data set. These interviews were conducted over a time span of 18 months and followed a questionnaire consisting of both open- and closed-ended questions. We addressed three different types of respondents: 1) top managers, 2) higher middle managers, and 3) lower middle managers. Top management respondents included CEOs, CFOs, and COOs. Higher middle managers consisted of channel leaders (e.g. head of online business) or department leaders (e.g. head of purchasing) who were in charge of managing at least one integration initiative. Lower middle management interviews consisted mainly of store managers and to a smaller extent of department managers (e.g. head of customer analytics team) who contributed to the implementation of initiatives with supportive tasks. We always conducted the first interview with a top manager (if possible the CEO) at each case site. This explorative interview usually lasted three to four hours and also included an assessment of all middle managers and a consecutive selection of appropriate respondents for our study context within the firm. This evaluation allowed us to select middle managers who were highly involved in the overall transformation process of the firm as well as some who displayed rather low levels of involvement. Regular interviews lasted 90 minutes on average, although a few ran more than three hours. We not only taped and transcribed all interviews within 24 hours (Martin & Eisenhardt, 2010) generating about 800 double-spaced pages of interview protocols but we also kept record of our own impressions following each interview. We also documented top and middle management interactions during the attendance of management meetings or informal discussions relating to the change process, as well as additional observations and spontaneous reflections during our site visits.

3.5 Data Analysis

As it is typical in inductive case-based research (Eisenhardt, 1989; Eisenhardt & Graebner, 2007), we first focused on the within-case analysis to lay the ground for the cross-case analysis. We neither followed any theoretical preferences nor developed any prior hypothesis. Thus, we began with the individual case write-ups by triangulating all our data (Jick, 1979) in a *first step*, without paying attention to already recognized similarities and differences among cases. Following the approach of seminal multiple case studies (e.g. Brown & Eisenhardt, 1997; Martin & Eisenhardt, 2010), the second researcher read through the interviews and built an independent view by cross-checking the emerging story of each case. Both researchers then discussed and solved differing views and rewrote the initial single cases. With the top managers' leadership practices as the unit of analysis, we conducted the within-case analysis and derived a notion that some top management leadership practices promote while others hinder middle management empowerment. Furthermore, we developed a first rough theoretical explanation on how those top management practices empowered middle managers (intermediate outcome) and positively influenced the strategic renewal performance of the case firm (outcome). The overall single case analysis was conducted in the course of six months.

As a *second step*, relying on the methods suggested by Eisenhardt (1989), Eisenhardt & Graebner (2007) and Miles & Huberman (1994), we compared and contrasted our six single cases by conducting a cross-case analysis to develop conceptual insights. Following the replication logic of Yin (2009), we treated each firm as a case and conducted paired case comparisons of all sorts by creating tables and graphs to develop the theoretical logic and to draw cross-case conclusions on emerging constructs (Eisenhardt, 1989). We used various matched pair designs; e.g. pairings of firms that follow the same strategy type, pairings of firms that reach about the same level of strategic renewal performance, pairings of firms based on promising constructs or just randomized pairings to search broadly for consistent patterns (Yin, 2009). Thus, we systematically compared successful patterns of top management leadership activities (micro-level) with unsuccessful patterns, and in doing so explored alternative theoretical relationships and constructs that might fit our data better than our preliminary within-case results (Eisenhardt, 1989; Eisenhardt & Graebner, 2007). The identification of three pairs of top management leadership practices that promote or hinder middle management empowerment was the key result of this analysis step.

In our *third step* we circulated among our casa data, emergent theory, and previous literature to further detect and refine our findings (e.g. Gilbert, 2005; Eisenhardt, 1989; Martin & Eisenhardt, 2010; Santos & Eisenhardt, 2009). Extant research on middle management empowerment in deliberate strategic change helped to scrutinize a process theory consisting of the three pairs of top management leadership practices that promote middle managers' active contributions and facilitate a reciprocal empowerment between both management echelons in the context of deliberate strategic change.

4. Strategic Renewal Performance of Case Firms

Here, we describe how we analyzed the focal firms regarding their strategic renewal performance. Among our six focal firms, there are a number of commonalities that render them ideal candidates for comparison of strategic renewal performance. All firms are set in a business context that is heavily under pressure from pure online players. Thus, all firms, regardless of their industry segment, are forced to integrate their online and offline channels to remain competitive. Even though all firms have ushered in strategic change initiatives, not all players address the cross-channel challenge equally well. In order to distinguish the high- from the low-performing cases, we measured the strategic renewal performance as follows. *First,* we scrutinized and analyzed the number of strategic renewal initiatives already implemented as well as the ones still in the pipeline at the time of our analysis. *Second,* we focused on revenue shares among channels (store, online and catalog businesses) and evaluated the percentage in which one distribution channel is driven by another (e.g. at Matterhorn, 20% of the overall store sales are already online-driven as customers are offered the opportunity to use the cross-channel service of "order online, pick up in store"). *Third,* we let all top managers and middle managers self-evaluate the firm-wide change performance (on a five point Likert scale) according to the following criteria: achievement of change initiatives goals, compliance to planned budget constraints for initiatives, time lags of initiatives, and overall level of top and middle management collaboration to manage initiatives. *Table 12* graphically summarizes the evaluation of the case firms' strategic renewal performance.

Table 12: Strategic renewal performance of case firms
Source: own graph

Firm:	Number of Strategic Renewal Initiatives:	Revenue Share among Channels 2011:	Perceived Change Performance:	Strategic Renewal Performance:	Rank:	Representative Informant Quotes:
Matterhorn	18 initiatives implemented 3 initiatives still in pipeline	Stores: 70% (20% online-driven)* E-Commerce: 27.5% (10% offline-driven)** M-Commerce: 2.5% (increasing)	TM rating: 4.8 MM rating: 4.8	*high*	1	“We have already introduced ten cross-channel services. Key success factor was, among others, the strong involvement of our store managers to bring in ideas and critical thoughts right before the implementation of the new cross-channel service solutions.” *(a higher middle manager)* “Cross-channel orders have already exceeded one million Swiss francs.” *(CEO)*
Mont Blanc	14 initiatives implemented 3 initiatives still in pipeline	Stores: 55% (8% online-driven)* E-Commerce: 34% (8% offline-driven)** M-Commerce: <1% (increasing) Catalog/call-center: 11% (decreasing)	TM rating: 4.8 MM rating: 4.7	*high*	2	“The introduction of our in-store kiosks in 2010 and the launch of our iPads as personal shopping assistants in 2011 already count for 8% of our overall store sales.” *(CMO)* “We [middle managers] are strongly involved in driving and implementing change initiatives.” *(a higher middle manager)*
McKinley	8 initiatives implemented 6 initiatives still in pipeline	Stores: 98% (20% online-driven)* E-Commerce: 2% (no offline contribution yet)**	TM rating: 4.3 MM rating: 4.3	*high*	3	“With the launch of our new app, customers are able to scan a photo - for instance from their living room - to then equip it with items from our online assortment in 3D quality. This service app has heavily increased the number of online reservations for personal shopping assistance in our stores and boosted offline sales.” *(CEO)* “The road show of the CEO and CMO to explain our cross-channel strategy in all stores has been able to fuel the commitment for the transformation process on mid-levels.” *(a lower middle manager)*
K2	9 initiatives implemented 5 initiatives still in pipeline	Stores: 90% (2% online-driven)* E-Commerce: 2% (no offline contribution yet)**	TM rating: 3.8 MM rating: 3.7	*low*	4	“Spearhead was the ad-interim project manager who was offensive in many situations and strongly pushed his ideas through.” *(a higher middle manager)* “Coordination problems with higher middle managers led to the fact that we had to extend the implementation of the first project phase by another six months.” *(CEO)*
Everest	3 initiatives implemented 6 initiatives still in pipeline	Stores: 99% (<2% online-driven)* E-Commerce: 1% (no offline contribution yet)**	TM rating: 3.4 MM rating: 3.1	*low*	5	“We are still missing store managers as change agents that support the implementation of our new cross-channel services by convincing their colleagues about the new solutions.” *(COO multi-channel)* “Since the top management does not really involve us [middle managers] in the transformation process, the commitment for the new solutions, e.g. the launch of the “Same Day Pick-Up” [customer service to pick up online orders the same day in any store of desire], is still low.” *(a higher middle manager)*
Annapurna	2 initiatives implemented 7 initiatives still in pipeline	Stores: 60% (<1% online-driven)* E-Commerce: 20% (no offline contribution yet)** Catalog /call-center: 20% (decreasing)	TM rating: 3.0 MM rating: 3.0	*low*	6	“So far, it looks like as if the top management would manage the change process from mount Olympus - like initiating change, but then leaving the channel leaders alone with the management consultancy to define, develop and implement change initiatives.” *(a lower middle manager)* “Of the two so far implemented cross-channel services, the launch of the service "return online order in any store" led to serious acceptance problems on the store manager level.” *(a higher middle manager)*

*Legend: * = in-store pick-up of online orders / online reservation of sales assistance in-store ** = in-store kiosks / order share by tablets in stores TM = Top Manager MM = Middle Manager*

5. Results

5.1 Top Managers' Personal Engagement

5.1.1 Overview on Extant Research

Since Mintzberg's (1978) seminal study where he introduced the concept of strategy "formation" in which strategy formulation is intertwined with implementation in a continuing, mutually constructive process between top and middle levels, top managers are requested to play a vital and active part in the strategy process (Mintzberg & Waters, 1985). Some studies recognize the limits to top managers' direct presence on middle management level in contemporary complex and dynamic settings (e.g. Balogun & Johnson, 2004; Denis et al., 2007). However, other studies fortify Mintzberg & Waters' (1985) request and consider top managers' activity crucial since a strategic change is an evolutionary process that leads to insecurities and fears among middle managers which top managers need to personally address (Quinn, 1993).

The dominant view from extant theory is that personal engagement of top managers is likely to lead to a higher strategic renewal performance. Jarzabkowski (2008) calls the process of top managers' personal engagement to empower middle management *interactive strategizing*. To personally engage in top-driven strategic change, top managers perform practices such as *narrating* the vision by explaining the reasons behind the change direction (Mantere, 2008; Westley, 1990), *sharing information* by opening up the internal logic of their thought process (Blanchard, Carlos & Randolph, 1995), *contextualization* which refers to the linking of a new vision or strategy to relevant work contexts (Mantere, 2008), and *leading by example* (Arnold, Arad, Rhoades & Drasgow, 2000) aimed at adopting a sensegiving mode (Mantere, 2005). Such interactive strategizing practices allow top managers to personally and extensively communicate the vision and thereby increase middle managers' activity level in the change process, which in turn, increases the strategic renewal performance on the firm level. This is the case because it is top managers who have the most comprehensive information on the strategic change process and need to show commitment as well as provide a viable interpretation of a new reality so that middle levels feel comfortable to drive their assigned change tasks.

5.1.2 Case Findings

We defined personal engagement as the top managers' deliberate decision to interact with middle managers on a face-to-face basis to convince them about the new vision and to support them in communicating the new strategy to their subordinates in early phases of the strategic renewal process. We assessed the personal engagement of top managers based on our interviews and archival data with respect to the scope of engagement, the specific engaging actions and the mutuality of the relationship with middle managers. In all firms with a high strategic renewal performance, top management intensively and continuously engaged with middle managers to provide a viable interpretation of the new vision and to personally exemplify high commitment through reliable and resourceful relations. In firms with a low strategic renewal performance, top managers were rather disengaged and simply delegated the communicating task to their higher middle managers or to an externally hired intermediary.

A good example is Matterhorn, where all top managers and the CEO himself continuously spanned hierarchy levels in order to convince their mid-levels about the new vision to install ten different cross-channel services (e.g. order online, pick-up in store) aimed at integrating all four distribution channels of the firm (stores, online-shop, catalog/call-center, and mobile-app). Thus, they not only communicated but also truly lived the new cross-channel vision. As the firms' CEO pointed out: *"It is by far not enough to just communicate across management levels. It is rather the case that we [top managers] try to explain to our middle managers why this change process towards cross-channelling is a crucial step for our firm while also actively exemplifying this new vision."* Middle managers at Matterhorn highly appreciated this personal engagement of top managers. As a store manager [lower middle manager] said: *"It is very motivating that the CEO personally visits us in our store to convince me [store manager] and my staff about the new cross-channel strategy."*

Another key observation is that although top managers of firms with a high strategic renewal performance personally engaged in the strategic renewal process, they still left enough room for their middle managers to communicate the new vision to their subordinates and to drive their assigned change tasks. The case of McKinley serves well to visualize this difficult balancing act. Although top managers convinced their middle levels of the new cross-channel vision, they directed the change communication too much and limited their middle managers' scope to inform their subordinates about the new vision. As a higher middle manager stated: *„On a road show through the entire company, the CEO and CMO have already communicated the importance of the new cross-channel vision in detail. Thus, the detailed explanation of the vision by showing the impact on department levels done by us [higher middle managers] was not so important anymore but still offered subordinates the chance to come up with their concerns and fears."*

In contrast, top managers from firms with low-performing strategic renewal processes either delegated the sensegiving task to their higher middle managers or used an external intermediary. At Annapurna, besides the definition of the overall strategic goal to increase online sales to 50 million Euro by 2015, top managers were not personally involved in the change communication at all. This delegative leadership style was highly criticized by higher middle managers, since it severely swamped them. A higher middle manager stated: *"Just to project that we will make 50 million Euro online sales by 2015 is by far not enough. The main task of top managers should have been to help us to define the needed change initiatives to meet this goal and then to communicate the new vision including the defined change initiatives together with us [higher middle managers] to subordinate levels." Since top managers did not personally engage in the change process, they hired an external management consultancy to drive the overall change process. Table 13* provides further insights on the construct.

Table 13: Top managers' personal engagement across case firms
Source: own graph

Firm:	Scope of Engagement:	Engaging Actions:	Relationship with Middle Managers:	Representative Informant Quotes:
Matterhorn	*Wide:* top managers and particularly the CEO himself extensively communicated the new vision across all hierarchy levels.	*Supportive:* all top managers incl. the CEO not only communicated but also lived the cross-channel vision and actively influenced their higher middle managers to drive the assigned change tasks.	*Strong:* mutual relationship since top managers were strongly interlinked with middle managers and extensively supported them in adopting the new cross-channel vision and communicating it to their subordinates.	"He [CEO] is a great motivator. People often get enthusiastic before they actually know what it is all about." *(a higher middle manager)* "Sure, it is not easy to find time to actively engage in the change process; but we have to make it happen. Launching cross-channel services to link our store with our online business is ultimately our top strategic priority."*(CEO)*
Mont Blanc	*Wide:* top managers but in particular the CMO - seen as mister cross-channel - constantly spanned hierarchies and did not only communicate but live the new vision.	*Supportive:* all top managers and especially the CMO extensively influenced his middle managers to envision the new cross-channel strategy and actively shepherded the downward communication.	*Strong:* the CMO developed a particularly strong mutual relationship with all middle managers by extensively explaining the rationale for change and exemplifying high self-commitment.	"With his experience and his lurid nature, the CMO understood it particularly well to convince us [middle managers] to support the new vision." *(a higher middle manager)* "It is very important to me that our department leaders [higher middle managers] feel that they can rely one hundred percent on my support in the communication of the cross-channel vision to their subordinates."*(CMO)*
McKinley	*Wide:* CEO and CMO actively communicated the new vision across the firm. They also strongly engaged with their middle managers to make sure that they adopted the new vision.	*Supportive:* CEO and CMO went on a road-show within the firm to convince all employees about the new cross-channel vision. They were also in charge of running discussion meetings to explain and discuss the new vision in detail.	*Rather strong:* although the relationship was stable and normally allowed higher middle managers enough freedom to act, top managers this time dominated the downward communication of the new cross-channel vision.	"On a change road show across the firm, the CEO and CMO communicated the new vision to all employees." *(a higher middle manager)* "With the detailed communication of the new cross-channel vision, I personally think that they [CEO and CMO] interfered a bit too much since their road-show somewhat decreased the necessity for us [middle managers] to inform our subordinates." *(a higher middle manager)*
K2	*Narrow:* the CEO himself simply communicated the new vision to his higher middle managers. He delegated the communication to lower mid-levels and employees to the externally hired project manager.	*Submissive:* even with higher middle managers, the CEO did not actively engage to explain the new vision. He simply communicated the vision and enforced them to follow it.	*Rather weak:* the relationship was clearly dominated by the CEO. Higher middle managers felt not involved enough in the process of downward communication and were unsatisfied with their role. Lower middle managers felt discouraged.	"We were just not involved in the communication of the new vision." *(a higher middle manager)* "It was a pity that the CEO did not involve us more in the change communication. Yeah, ok - we may have had little knowledge. But that does not mean that we wouldn't have been able to make a more active contribution." *(a higher middle manager)* "It is simply dissatisfying when you hear about the company's future from an external guy." *(a lower middle manager)*
Everest	*Wide:* the COO multi-channel as the designated top manager for the change process communicated the new vision with support from a centralized team of experts.	*Dominating:* the COO multi-channel and the centralized team of experts did engage with middle managers, but enacted a strong top-down mentality since they were skeptic if the mid-levels would support the new vision.	*Weak:* the relationship was dominated by skepticism and mistrust. The COO multi-channel did not believe in convincing the mid-levels about the new vision. Middle managers felt suppressed.	"The COO multi-channel was indeed personally involved, but mostly to inform us about the new cross-channel vision instead of being honestly interested in discussing our fears and concerns." *(a higher middle manager)* "It was obvious that the COO multi-channel only came to us [store managers] in order to convince us to buy-in to the new cross-channel vision developed by the top management team. He did not seem to be really interested in our opinions and concerns." *(a store manager)*
Annapurna	*Narrow:* Besides the proclamation of the overall strategic goal to earn Euro 50 million of online sales by 2015, top managers were not personally involved in communicating the new vision.	*Delegative:* top managers bluntly delegated the overall responsibility to communicate the new vision to their highly middle managers and hired a management consultancy to support them.	*Weak:* higher middle managers felt swamped and blamed top managers for not supporting them. The relationship between top managers and lower middle managers was particularly bad, since they were not personally addressed by the top management to get to understand the new vision.	"Unfortunately, the top management has never bothered to explain to us [higher middle managers] the cross-channel vision in more detail." *(a higher middle manager)* "Except for a brief information session to communicate the new strategic goal of achieving 50 million Euro online sales in 2015, top management did not explain the new vision to us at all." *(a lower middle manager)*

5.1.3 Towards the Construct of Top Managers' Personal Engagement

Why do firms with top managers who personally engage in the strategic renewal process outperform firms that do not personally engage with their middle managers? A key insight is that personal engagement of top managers facilitates middle managers' encouragement and commitment to live the new vision and to actively contribute to change. This is consistent with the sensegiving and influence literature (e.g. Gioia & Chittipeddi, 1991; Gioia, Thomas, Clark & Chittipeddi, 1994) which states that top managers who are personally engaged by taking actions and making sense of ambiguous situations motivate and increase their mid-levels' commitment to change. This may be due to the fact that top managers' engagement helps middle managers to better understand the importance and impact of the new cross-channel vision and strategy.

A second reason why firms with a strong personal engagement of top managers are more effective in driving their strategic renewal process is more subtle. We argue that top managers' personal engagement is key in enabling middle managers to envision the new strategic direction and thereby also to empower themselves by increasing meaning and self-worth. Here, we rely on literature in the field of relational empowerment which stresses the importance of mutuality in terms of the respectful commitment by all members of the relationship to work on the self-development of the involved individuals (Fletcher, 1998; Josselon, 1992; Walsh et al., 1998).

On an overall basis, our findings stress the importance of top managers' personal engagement during early phases of strategic renewal and supports literature that calls for a more integrated depiction of top managers' role in strategic sensemaking (Brodwin & Bourgeois, 1984; Gioia & Chittipeddi, 1991). In our high-performing cases, top managers were strongly dedicated to the task of personally and extensively engaging with middle managers to communicate the top-down formulated vision and thereby building mutual relationships around the defined change initiatives. They relied on a two-way communication practice to explain the rationale of the change process on the one hand and to exemplify their high commitment to the new vision on the other hand, since middle managers played a crucial role in communicating and promoting the new vision throughout the organization. In contrast, in low-performing firms, top managers somewhat disengaged by only superficially informing their higher middle managers about the new vision and by delegating the downward communication to their higher middle managers or even to an external intermediary. Thus, our empirical findings suggest:

> *Proposition 1:* High personal engagement of top managers is more likely than low personal engagement to empower middle managers to actively communicate and live a new vision and therefore yields a higher strategic renewal performance.

5.2 Top Managers' Structural Guidance

5.2.1 Overview on Extant Research

Extant theories of middle management involvement in strategy process and social-structural empowerment argue that structural guidance by top managers empowers middle managers to perform active contributions during situations of change. According to Mantere (2008), structural guidance strongly relies on the installment of formal structural mechanisms that allow top managers to enact practices aimed at directing their mid-levels. Among these practices are *resource allocation* which denotes the assignment of financial resources to the respective change initiatives and *inclusion* which refers to inviting middle managers to participate in strategic change formulation (Mantere, 2008; Westley, 1990). Similar studies identified additional practices such as *concretization* which encompasses providing and explaining detailed information to successfully driving change initiatives (Mantere & Vaara, 2008) and *autonomy through boundaries* which refers to the setting of rules and mile stones within which middle managers are free to manage their assigned change tasks (Blanchard, Carlos & Randolph, 1995). Jarzabkowski (2008) in her seminal study on strategizing as a structuration process defined such practices as *procedural strategizing*. They enable top managers to direct and support middle managers in driving their assigned change initiatives.

We defined structural guidance as the usage of formal structural mechanisms and informal relations that allow top managers to direct and evaluate change initiatives' advancements and to provide middle managers with the needed guidelines to perform their tasks. We evaluated top managers' structural guidance with respect to intensity of guidance, number and type of guiding mechanisms as well as top management support. In all firms with a high strategic renewal performance, top management effectively used structural mechanisms to guide and support their middle managers' activities by reframing goals or resources of change initiatives if needed, as well as by maintaining a close and trustworthy relationship. In firms with a low strategic renewal performance, top managers were tightly controlling, respectively policing their middle managers without actively providing them with enough guidance to accomplish the assigned change initiatives. Table 4 summarizes our findings on top management induced structural guidance and presents representative informant quotes.

5.2.2 Case Findings

A good illustration for structural guidance is Matterhorns' high-performing strategic renewal process where the top management installed few but intensely used guiding mechanisms. During these meetings, top and middle managers discussed the status quo of the change initiatives in detail and decided on the reframing of initiatives' goals or resources if needed, in a timely manner. A higher middle manager said: *"In the weekly steering committee meetings and sometimes even on the spot, the CEO decided with us [higher middle managers] to reframe an initiative by changing the goals or by increasing the investment level."* Thus, although Matterhorns' CEO was clearly in charge to take the final decision on reframing the initiatives' goals or resources, he actively involved his higher middle managers on a collaborative basis. A higher middle manager put it this way: *"Within the firm, we have a style of "democratorship". That means, each [higher middle manager] is heard, but in the end, decisions on adjustments of respective goals or investment levels are made solely by the CEO."*

A further observation showed that top managers of firms with a high strategic renewal performance found the right balance to provide structural guidance for their middle managers so that they would feel encouraged and at the same time able to develop and implement their assigned cross-channel tasks. Again, the top managers' structural guidance of Matterhorn best illustrates this. Because the CEO himself chaired the steering committee meetings and entertained tight relationships with his higher middle managers, he constantly kept track of the change initiative advancements and thus sometimes put too much pressure on the shoulders of his middle managers. However, middle managers still felt comfortable and well supported since the interaction as well as the overall relationship with the CEO was considered trustworthy, stable, and cooperative. A higher middle manager described the interaction with the CEO as follows: *"We [higher middle* *managers] connect very well with the CEO. We laugh a lot and make wise cracks to each other. This is also actually a kind of a relaxation function since we are all very much under pressure. But at the same time, it promotes motivation and cohesion among us."* The CEO himself described his approach the following way: *"Based on the resource intensity, the cross-channel vision is my key topic. This means I want to know in detail from my department leaders [higher middle managers], which projects are behind schedule to be able to decide on a mutual basis which necessary steps should be taken to improve the situation."*

In contrast, top managers in all low-performing firms failed to provide structural guidance for their middle managers. In the case of Annapurna, besides the definition of the bold strategic goal and the set-up of a steering committee meeting once a month, top management hired a management consultancy to support their higher middle managers in driving the change process. A top manager justified this by saying: *"We strongly rely on the experience of the management consultancy to provide our department leaders [higher middle managers] with the adequate structural support to empower them to develop the change process."* However, the consultancy could not fully absorb the lack of commitment and caring from the top since higher middle managers felt overwhelmed by their big assignments and could not understand why the top management bluntly delegated the guiding activities to the management consultancy. For more insights, see *table 14*.

Table 14: Structural guidance of top managers across case firms
Source: own graph

Firm:	Intensity of Guidance:	Number of Formal Guiding Mechanisms:	Type of Guiding Mechanisms:	Top Managers support:	Representative Informant Quotes:
Matterhorn	*Strong:* top managers and particularly the CEO strongly supported their middle managers in driving their assigned change initiatives.	3	Steering committee meetings (weekly) Initiative team meetings (twice a week) Store manager meetings (every six months) Strong informal relations between top and middle managers	*High:* strong care of top managers by evaluating change initiatives' advancements empowered middle managers to drive their assigned change initiatives. Almost real-time reframing of change initiatives' cornerstones based on tight structural guidance.	"Although it is crucial to give project leaders [higher middle managers] enough freedom to drive their assigned change tasks, cross-channel management is also the top priority for me. That means I define collaboratively with my project managers in a timely and efficient manner, what has to happen where and which steps we need to take to achieve these goals." *(CEO)* "Because of the tight interaction with the CEO, I [higher middle manager] was granted a budget increase for my change initiative [developing the main online-shopping app] immediately when I figured that the pre-defined monetary resources were not sufficient enough." *(a higher middle manager)*
Mont Blanc	*Strong:* top managers and especially the CMO actively shepherded their middle managers in managing the defined cross-channel initiatives.	4	Steering committee meetings (monthly) Cross-channel team meeting (every second week) Initiative team meetings (weekly) Store manager meetings (every six months) Strong informal relations between CMO and middle managers	*High:* active evaluation of change initiatives and strong support for middle managers in pursuing their change initiatives. Fast adaptation of initiative goals and resources based on strong support from the top.	"For us, it was actually a conscious decision to soften our previously channel-specific and hierarchical organizational structure by installing workshops and meeting structures that facilitate cross-channel collaborations and thus to more actively support our project leaders [higher middle managers] in driving their assigned change initiatives." *(CMO)* "Although I am [higher middle manager] actively evaluated by the top management team, I still have enough freedom to independently drive my assigned cross-channel topics." *(a higher middle manager)* "The CMO was always maintaining a close and trustworthy relationship with me which fueled my self-esteem to actively drive specific change tasks." *(a higher middle manager)*
McKinley	*Rather strong:* the CEO supported the CMO in directing the change initiatives. Higher middle managers contributed to these initiatives with specific tasks.	2	Steering committee meetings (monthly) Store manager meetings (monthly) Informal relations between selected top and middle managers	*Rather high:* sporadic evaluation and control of change initiatives' advancements empowered but also constrained middle managers to drive their change tasks since the CEO had to discuss any adaptation of change initiatives with the board of directors.	"In the steering committee, we evaluated the progress of all cross-channel initiatives on a monthly basis. If necessary and only after consulting the board of directors, we provided additional resources for certain cross-channel initiatives." *(CEO)* "The monthly evaluation and monitoring of each change tasks has prevented for getting out of control. On the other hand, we [middle managers] strongly related to what the CEO, CMO as well as the board of directors expected from us." *(a higher middle manager)*

K2	*Weak:* the CEO drove the change process with an externally hired project manager. Higher middle managers were not actively guided to fulfill their assigned change tasks.	1	Steering committee meetings (monthly) Clearly selective and rather loose informal relations between top and middle managers	*Low:* since the CEO drove the change process together with the ad-interim project manager, middle managers were not well supported in driving their change tasks.	"The project manager strongly pushed the change process in close collaboration with the CEO. They just delegated us [higher middle managers] specific tasks to be accomplished." *(a higher middle manager)* "The main problem was that the project manager had the same profile as the CEO. He was a pusher and forwarder; very euphoric with a narrow focus on specific details. We [higher middle managers] were thus forced into passivity and overwhelmed by the strength and speed of the project manager in driving the change process." *(a higher middle manager)*
Everest	*Weak:* top managers drove all change initiatives with the designated centralized expert team. Middle managers were only involved in project portfolio meetings to discuss the change initiatives' status quo.	2	Project portfolio meetings (every three months) Store manager meetings (every six months) Loose informal relations among top and middle managers	*Low*: since the centralized expert team led by the COO multi-channel managed all change initiatives, higher middle managers were only involved in evaluating the status quo and lower middle managers were not actively guided to implement the new cross-channel services.	"It is not the core task of the department leaders [higher middle managers] to actively participate in driving the cross-channel initiatives. In fact we want to win them over as change agents to convince our store managers [lower middle managers] to implement the new cross-channel services." *(COO multi-channel)* "The department leaders from our subsidiaries [higher middle managers] are involved to evaluate the advancements of our change initiatives. However, overall, it's more about developing them to strong change agents vis-à-vis their store managers [lower middle managers]." *(an expert team member)*
Annapurna	*Weak:* top managers did not guide their middle managers to drive their change assignments at all. Instead, they hired an external management consultancy to support them.	1	Steering committee meetings (monthly) Loose informal relations among top and middle managers	*Low:* no caring or support for middle managers to tackle their assigned change initiatives from the top. Thus, evaluation and reframing of initiatives did only happen sporadically and with a huge time lag.	"The department leaders [higher middle managers] along with the management consultancy are responsible for defining the overall journey, incl. milestones." *(a top manager)* "It is not enough to only define the goal to reach online sales of 50 million Euro by 2015. Instead, the main task for the top management should have been to actively support us [higher middle managers] and to create the necessary conditions for the transformation process to take place in." *(a higher middle manager)*

5.2.3 Towards the Construct of Top Managers' Structural Guidance

Why do firms with top managers who provide structural guidance to their mid-levels outperform firms with top managers who do not so actively guide their middle managers? The key insight is that, through structural guidance top managers are able to offer active support to middle management by directing, evaluating and reframing their change tasks as well as maintaining a close and trustworthy relationship which, in turn, increases middle managers' involvement and their readiness to actively contribute. This is consistent with the goal-setting literature which postulates that top managers' structural guidance directs attention, mobilizes effort, increases persistence, and provides active support for middle managers to drive their assigned change tasks (Latham & Locke, 1991; Locke, Saari, Shaw & Latham, 1981). Our interview data suggests that this level of middle management commitment can simply not be achieved without top managers' structural guidance or through guidance of an external intermediary such as a management consultancy. This is because structural guidance by top managers allows them to evaluate and reframe project advancements in a timely manner while at the same time puts them in a position where they can actively support their middle managers.

Furthermore, structural guidance of the top management empowers both management echelons to discuss problems and potential pitfalls that emerge during the strategic change process early and efficiently. Thus, such practices of top management induced guidance facilitate a reciprocal discussion between top and middle managers. This is supported by the literature on relational empowerment which stresses the significance of reciprocity between both management echelons and thus the importance of all parties supporting each other's learning and advancements (Walsh et al., 1998). We claim that the top managers' structural guidance – in the sense of caring instead of policing – during the strategic renewal process is key in supporting mid-levels to drive their assigned cross-channel tasks.

Overall, our findings state that top managers' structural guidance empowers middle managers to better drive their assigned change tasks. Structural guidance encompasses directing and evaluating change activities through formal guiding mechanisms and informal relations as well as reframing change initiatives' goals and resources, when needed. Our findings support extant strategic change literature which calls for a more active role of top managers in strategic renewal (Brodwin & Bourgeois, 1984; Gioia & Chittipeddi, 1991). It is evident that such guiding practices induced by top managers are time-consuming and delicate to endorse since they can easily be perceived as unwanted control and surveillance by middle managers. However, top managers enacting such practices seem to better support their mid-levels in performing their expected contributions, which in turn, positively affects the strategic renewal performance on firm level. Thus, this summary suggests:

> *Proposition 2:* High structural guidance by top managers is more likely than low structural guidance to empower middle managers to actively drive their change tasks and therefore yields a higher strategic renewal performance.

5.3 Top Managers' Feedback Accessibility

5.3.1 Overview on Extant Research

The middle management involvement and social-structural empowerment argument is that top managers' accessibility is important since change is an evolutionary process with indeterminate situations where mid-level managers need to be able to discuss their critical thoughts and ideas. Thus, top managers' readiness to provide feedback on mid-level input is crucial in empowering them to drive their assigned change initiatives (e.g. Mantere, 2008; Mantere & Varaa, 2008). Mantere (2008) identifies several top management practices that ensure top managers' accessibility to middle managers' input in the context of top-driven strategic renewal. Among these are *building trust* through actively encouraging new ideas and critical thoughts, *ensuring responsiveness* through replying to new input quickly and personally as well as *showing respect* through acknowledging the everyday work of driving and implementing the assigned change activities. Further practices exemplifying top managers' feedback accessibility are *dialogization* which refers to the understanding of strategic change as a dialectic process between top-down planning and bottom-up suggestions (Mantere & Varaa, 2008, Westley, 1990), and *continuous negotiation* with middle managers being able to enact an active role (Mantere, 2005; Keller & Dansereau, 1995; Westley, 1990). All these practices determine a process of top and middle management interaction that previous studies focusing on top managers' strategizing called *integrative strategizing* (Jarzabkowski, 2008; Raes, Heijltjes, Glunk & Roe, 2011).

We defined feedback accessibility as the top managers' availability, openness and flexibility to discuss middle managers' critical thoughts and ideas related to the implementation of strategic change initiatives. We assessed top managers' feedback accessibility with respect to the type of accessibility offered, the scope of accessibility and the middle managers' influence on change formulation as well as implementation by using top managers' accessibility. In all firms with a high strategic renewal performance, top management invited not only their higher middle managers but even their store managers to come up with critical thoughts and ideas, actively listened to their inputs and showed true interest and openness in discussing these suggestions as peers. In firms with a low strategic renewal performance, top managers did not actively offer their mid-levels opportunities to bring in their input. Table 5 summarizes our findings on top managers' feedback accessibility and displays representative informant quotes.

5.3.2 Case Findings

A good example here is Mont Blanc, where all top managers, but particularly the CMO, showed a great availability across hierarchical boundaries. As a higher middle manager described it: *"He [CMO] is always available to answer questions and likes it when he is confronted with challenging situations."* Besides the fact that the CMO strongly collaborated with his higher middle managers in the so-called cross-channel team and also performed strong ties to all other higher middle managers, he showed high accessibility to lower middle managers by partaking in so-called "innovation workshops". He explained his role in these innovation workshops as follows: *"I always try to provide a stimulus to actuate the idea generation process. Then I ask: How do you like this service function? How would your customers perceive it? What questions or major concerns do you have? How can we improve this service even more? What do we still lack?"* Another top manager strongly supported the firm's focus to motivate its lower middle managers to bring in their input. He said: *"Based on their [store managers'] closeness to customers' needs, they are able to bring in innovative ideas, as the example of Thomas shows [inventor of a foot scanning app to foster online shoe orders in stores]."*

In contrast, top managers in all low-performing firms did not actively promote their accessibility to mid-levels. In the case of K2, the CEO together with the ad-interim project manager dominated the strategic renewal process and drove all change initiatives. However, since the CEO delegated the responsibility to manage the defined change initiatives, he only showed availability for interaction with his higher middle managers during official steering committee meetings. He critically reflected: *"I*

[CEO] did not care about each and every detail. I delegated the interaction with middle managers to the newly hired project manager and assumed that the monthly steering committee meetings were sufficient to be personally accessible." He expected that the ad-interim project manager asked his higher middle managers to bring in their ideas. However, the project manager pushed his developed solutions and did not allow higher middle managers to bring in their thoughts. A higher middle manager noted: *"The project manager was very snappy. He pushed through whatever he wanted. He rushed through the change initiatives and offered us little opportunity to contribute."* For further details, see *table 15.*

5.3.3 Towards the Construct of Top Managers' Feedback Accessibility

Why do firms with top managers who promote accessibility for feedback to their middle levels outperform firms where top managers limit or even lack such readiness? The key insight is that top managers' accessibility presents middle managers with ways to bring in their critical but also creative thoughts and therefore increases their commitment as well as encourages them to contribute to the strategic change process. This is consistent with the literature on idea generation in teams which shows that individuals involved in the idea generation process express ideas and thoughts not simply based on their creative potential but also based on the superiors' readiness to seriously discuss them (Drazin, Glynn & Kazanjian, 1999; Mehta, 2012). In his research on idea generation in the motion picture business, Mehta (2012) concluded that organizations and in particular top executives should learn to be active listeners. He qualified an actively listening organization not only as one that captures the ideas from bottom-up, but also encourages subordinates to generate ideas. Adapting these findings to the setting of top and middle management interaction in the context of top-driven strategic renewal, top managers need to be accessible to middle managers' critical thoughts and ideas and even encourage their creative contributions.

Table 15: Feedback accessibility of top managers across case firms
Source: own graph

Firm:	Type of Accessibility:	Scope of Accessibility:	Middle Managers Influence:	Representative Informant Quotes:
Matterhorn	*Proactive:* the CEO proclaimed an open door policy and all top managers were always reachable for suggestions and upcoming problems from their mid-levels.	*Broad:* the CEO launched and partook in so-called "implementation workshops" with store managers to get input on newly developed cross-channel services as well as to grasp ideas. Top managers also actively maintained informal contacts to discuss change topics with their middle managers.	*Strong:* higher middle managers honestly named their critical thoughts as well as ideas regarding the developed change initiatives. Lower middle managers actively came up with improvement suggestions as well as new ideas on cross-channel services.	"With the open door policy, we [top managers] want to ensure a high accessibility to be able to immediately support our middle managers as soon as they are facing problems, but also to promote bottom-up ideas." *(a top manager)* "My central concern was to cultivate a think tank from my executive chair all away down to the mailroom." *(CEO)* "They [lower middle managers] even had the chance to directly address the CEO during a coffee break to tell him which service functions in their eyes are bullshit and need to be changed immediately." *(a higher middle manager)*
Mont Blanc	*Proactive:* top managers and in particular the CMO enforced their middle managers to come up with concerns and ideas by spanning hierarchical boundaries and actively challenging their mid-levels to bring in their thoughts on the change process.	*Broad:* top managers were closely related with all higher middle managers on a personal basis. The CMO also strongly collaborated with his higher middle managers in the "cross-channel team" and performed "innovation workshops" to grasp new ideas on developed cross-channel services from lower mid-levels.	*Strong:* higher middle managers came up with concerns and problems and discussed them honestly with the CMO. Lower middle managers brought in new ideas for cross-channel applications (e.g. foot-scanning app).	"We [four sales related higher middle managers] meet once a week in the cross-channel team and discuss our concerns with the CMO but also feel free to bring up our ideas without limitations." *(a higher middle manager)* "For these meetings [innovation workshops], they [top managers] normally provide themes to discuss and then say: okay, we need to talk about topic X and you have to tell us what needs to be changed here." *(a lower middle manager)* "Also, I give the CMO credit for the fact that he personally discussed the cross-channel solutions with us [store managers] and so strongly supported my idea [digital foot scanning app to boost online orders in stores]." *(a store manager)*
McKinley	*Rather proactive:* Besides the CMO which was actively driving the overall change process, top managers (incl. the CEO) showed accessibility for middle managers' inputs but did not actively pushed their availability.	*Broad:* the CMO enforced all higher middle managers to name their concerns and ideas as well as allowed two selected store managers to perform a "sounding board function" and to bring in thoughts and ideas from the lower middle-levels.	*Rather strong:* middle managers addressed their concerns to the CMO (e.g. fear of cannibalization of store sales by the launch of 3D showroom app that shall boost online sales).	"It was extremely important that the department leaders [higher middle managers] and store managers [lower middle managers] told me their concerns and fears about the channel integration strategy so openly and honestly." *(CMO)* "The decisive factor was for sure that we appointed the CMO as the most capable top manager to be the responsible person for the whole change process. With this decision, we also provided our middle managers a point of contact to address their concerns." *(CEO)* "A nice thing was that the CMO arranged to speak personally with our store managers about their concerns of losing sales to the growing online channel." *(a higher middle manager)*
K2	*Reactive:* the CEO together with the ad-interim project manager dominantly drove all change initiatives. The CEO delegated the task to grasp inputs from the middle-level to the project manager.	*Narrow:* besides the steering committee meetings, the CEO was hardly accessible for higher middle managers.	*Weak:* higher middle managers only had the chance to nod through the change initiatives' advancements. They had difficulties to place their thoughts. Lower middle managers could not contribute at all.	"Since we had almost no chance to express our thoughts, we were only able to nod through the project advancements." *(a higher middle manager)* "Because of the tight schedule and his experience, the project manager strongly pushed all change initiatives. There was little opportunity for us [higher middle managers] to really get involved." *(a higher middle manager)* "It was very difficult to bring up our own ideas. And as you can imagine: if somebody is driving through the organization like a bulldozer, then irreparable damage cannot be prevented." *(a higher middle manager)*

Everest	*Reactive:* the COO multi-channel delegated the operative management of all change initiatives to its expert team on holding level. Middle managers were enforced to address their concerns and ideas directly to the expert team.	*Narrow:* the COO multi-channel provided very limited windows of opportunities for middle levels to directly bring in their thoughts during project portfolio and change communication meetings.	*Weak:* middle managers felt exploited because they could not actively address top management with their concerns and ideas and also doubted top managers' real interest in their thoughts.	”Although we [higher middle manager] could address our thoughts on the transformation process to the expert team, I still have the feeling that we were only involved to later act as change agents to convince store managers about the new cross-channel services.“ *(a higher middle manager)* ”The group spokesman of store managers had the opportunity to bring in their ideas as well as those of their colleagues. But during these sessions, it rather looked like they did not want to come up with their concerns and ideas.“ *(a top manager)*
Annapurna	*Very reactive:* top managers rebuked requests from their mid-levels to discuss problems in driving the assigned change initiatives with the hired management consultancy.	*Very narrow:* top managers were very difficult to reach to discuss any issues about the change process.	*Inexistent:* middle managers felt discouraged.	”It would have been to the advantage of top management to at least discuss with us [higher middle managers] our major concerns in driving the change initiatives.“ *(a higher middle manager)* ”The top management team should actively listen to our problems [middle managers]. Only initiating the change process and then bluntly delegating the whole responsibility to the consultancy can never be successful.” *(a lower middle manager)*

Also, top-level feedback accessibility empowers middle as well as top managers to honestly discuss their concerns about the change process. Thus, feedback accessibility enables an interdependent and trustworthy relationship between both management echelons. This argument on feedback accessibility is again rooted in the concept on relational empowerment and refers to the belief that developing interdependent relationships with others by sharing meaningful thoughts, rather than striving for self-achievement, is a powerful means for learning and growth (Walsh et al., 1998). Thus, top managers' feedback accessibility in the context of deliberate strategic change intensifies the interrelation between top and middle managers, which in turn strengthens the relational empowerment between both management echelons.

To sum up, our findings suggest that top managers' feedback accessibility encourages their mid-levels to bring in their critical thoughts and ideas and at the same time increases their commitment to the change process. These findings confirm previous research on sensemaking in the context of strategic change which argues for a more active role of top executives in conveying meanings to their subordinate managers and fostering respectful interactions (Gioia & Chittipeddi, 1991; Gioia et al., 1994; Weick, 1993). It is obvious that top managers often struggle to show great accessibility, in particular to their lower middle managers, mostly because of time constraints. However, in our study, top managers who ensure an open dialogue across all management levels and encourage even lower middle managers to bring in their critical thoughts and ideas better empower their mid-levels to actively contribute to the change initiatives, which in turn, leads to a higher strategic renewal performance of the respective firms. Thus, we suggest:

> *Proposition 3:* High feedback accessibility by top managers is more likely than low feedback accessibility to empower middle managers to actively bring in their critical thoughts and ideas and therefore yields a higher strategic renewal performance.

6. Re-Enacted Hierarchies Fueling Mid-Level Empowerment

The three aforementioned findings suggest a top-management induced process that we term "re-enacting hierarchies". By re-enacting hierarchies, we mean the resourceful usage of hierarchies in place by top managers to encourage and effectively involve their mid-levels in the deliberate strategic change process, compared to "disrupting hierarchies" were middle levels show resistance towards change activities and increase self-interest (e.g. Guth & MacMillan, 1986; Floyd & Wooldridge, 1992; Meyer, 2006; Sillince & Mueller, 2007).

The process of re-enacting hierarchies relies on a sequence of three top management induced practices to empower middle managers for active contributions during strategic renewal. The style of re-enacting hierarchies starts with top managers' personal engagement in an early phase of deliberate strategic change. Here, top managers' envisioning practice aims to convince their mid-levels about the new cross-channel vision and thereby to build mutual, trustworthy and stable relationships. Furthermore, top managers' structural guidance supports middle managers in pursuing their assigned change tasks. Finally, top managers' feedback accessibility enables middle managers to bring in their critical thoughts as well as their ideas on already developed cross-channel services and thus empowers them to actively influence the implementation phase. Thus, on an overall basis, we posit:

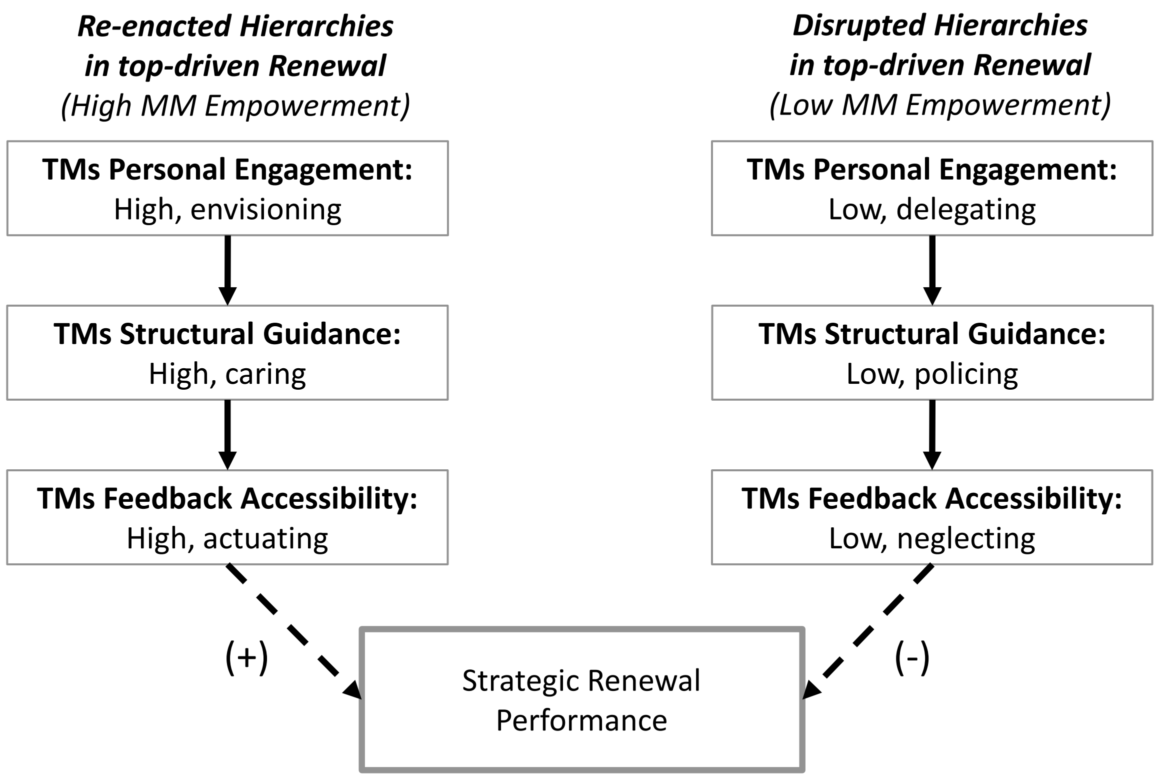
> *Proposition 4:* Re-enacted hierarchies are more likely than disrupted hierarchies to foster middle management empowerment and therefore yield a higher strategic renewal performance.

7. Discussion

Our research complements theories of middle management involvement in strategy process and social-structural empowerment. Prior research suggests that middle managers must play an active and extended role even in deliberate strategic change (e.g. Spreitzer, 2008; Canales, 2012). However, empirical evidence has shown that top managers often disempower rather than empower middle management in top-down renewal (e.g. Guth & MacMillan, 1986; Mantere, 2005, 2008; Arnold et al., 2000). Thus, how top managers are able to empower their middle managers to perform active contributions in deliberate strategic change has still remained relatively vague. We address this gap by developing a theoretical framework of two different top management induced styles that explain how top managers empower/disempower their middle managers in deliberate strategic change – and thereby complement previous research of symbolic empowerment in the research stream on middle management involvement in strategic process.

7.1 Two Different Styles of Enacting Hierarchies

As our first contribution, we introduce to different styles of enacting hierarchies that explain how top managers are able to empower/disempower their mid-levels in the context of deliberate strategic change. Our three identified top management leadership practices prove that the classic role distribution in strategy formation (Mintzberg, 1978; Mintzberg & Waters, 1985), where top managers are mainly responsible for strategy formulation while middle managers primarily drive strategy implementation, may still hold true. However, even in hierarchical settings such as multi-channel retailing, top managers need to empower their middle managers to contribute to the strategic change process already in the formulation phase; otherwise implementation will be difficult. With the theoretical framework presenting two different styles of enacting hierarchies – we call them *re-eancting hierarchies* and *disrupting hierarchies* – we provide a first explanation on how top managers can empower/disempower their mid-levels in the context of deliberate strategic change in hierarchical settings *(see figure 15). First,* already when initiating the strategic process, top managers need to personally engage with their mid-levels. By envisioning the new strategic direction instead of simply delegating it, top managers effectively diminish their mid-levels change fears. Top managers' personal presence across all hierarchical levels not only shows commitment, but increases mid-levels' trust and motivates as well as encourages them to contribute to the strategic change process. *Second,* top management induced guiding mechanisms enable both management echelons to jointly review, evaluate and if needed reframe change initiatives in a timely and efficient manner. This practice enables top managers to enact a caring instead of a policing function that sets the basis for joint discussions on change initiatives' advancements and fortifies the reciprocal relationship's learning and knowledge creation. *Third*, top managers' feedback accessibility allows even lower middle managers to bring in their critical thoughts and ideas. By encouraging middle managers instead of discouraging them from bringing in their input, top managers also intensify the interdependence between both management echelons and let the relationship grow even stronger. Figure 1 graphically differentiates both styles of enacting hierarchies from another.



Legend: TMs = Top Manager's; MM = Middle Management

Figure 15: Re-enacting vs. disrupting hierarchies: middle management empowerment
Source: own graph.

7.2 Towards a Relational Theory of Middle Management Empowerment

Our second contribution complements previous theory on symbolic empowerment (Canales 2012) to explain how top managers empower their middle managers for active contributions. Here, we rely on the theory of relational empowerment that focuses on mutual, reciprocal, and interdependent relationships between work members in teams (e.g. Hardy & Leiba-O'Sullivan, 1998; Jordan et al., 1991; Surrey, 1987; Walsh et al., 1998), but we apply this theory to hierarchical relationships between supervisors and subordinates and thereby add to the prevailing discussion on middle management involvement in the context of top-driven strategic renewal. *First*, we identify a second logic besides the change of attention structure (March, 2010; Smircich & Stubbart, 1985) by showing that the style of *re-enacting hierarchies* based on top managers' active interventions and support during change can also explain middle managers' empowerment in top-driven renewal. *Second*, we add discussion about the role of both management echelons in the context of deliberate strategic change. Previous research posits that the role of middle managers needs to be extended to performing active contributions even in the formulation of strategic change (e.g. Canales, 2012; Floyd & Wooldridge, 1992; Mantere, 2008). Our findings illustrate that the classic role distribution – top managers being in charge of strategy formulation while middle managers drive strategy implementation – can still hold (Mintzberg, 1978; Mintzberg & Waters, 1985). But top managers need to interact with their mid-levels throughout the whole change process based on enacting the following three leadership practices: 1) personal engagement by envisioning, 2) structural guidance by caring, and 3) feedback accessibility by actuating. However, applying these practices not only allows top managers to empower their middle managers to actively contribute to strategic change, but also shows appreciation for their contributions and provides mid-levels legitimacy to enact their leadership role against their subordinates. *Third,* we provide insight on the self-empowerment of top managers and thereby contribute to the theory of psychological empowerment (Conger & Kanungo, 1988; Kirkman & Rosen 1997, 1999; Thomas & Velthouse, 1990; Spreizter, 2008). Top managers who intensively revive hierarchical relationships during top-driven strategic renewal by constructively applying the three scrutinized leadership practices not only become a valuable resource for middle managers in driving their assigned change tasks, but also empower themselves to actively contribute to the strategic change process. Prior research shows that middle management empowerment can result from top managers' symbolic invitation to play a broader strategic role. The present contribution complements this perspective by showing that relational power in the form of re-enacting hierarchies may be another effective form of fostering middle managers' active contributions in deliberate strategic change without broadly extending their role.

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F Practical Implications

Stepping Into the Age of Cross-Channel Commerce: How Multi-Channel Incumbents Are Able to Successfully Manage the Firm-Wide Strategic Change Process Towards Cross-Channel Management

Summary

Only a handful of multi-channel incumbents have successfully managed the firm-wide strategic change process towards cross-channel management. Since the change in consumer behavior towards cross-channel shopping has become relevant for all retail industries, multi-channel incumbents have to evaluate how and when to adapt their business model towards a more integrated system of online and offline channels. This article bases on empirical and theoretical findings of this thesis and introduces two general management frameworks to be used by managers of multi-channel retailers striving for channel integration to 1) help evaluate the relevance and the readiness of cross-channel management for the firm and to 2) successfully plan the transformation process from multi-channel management to cross-channel management.

Key words: *Firm-wide Strategic Change, Cross-Channel Management, Management Frameworks, Cross-Channel Evaluation, Cross-Channel Planning Process*

"The best way to predict the future is to create it."
Abraham Lincoln

1. Introduction

Top managers of multi-channel retail incumbents are challenged to ready their firm for the age of cross-channel commerce. However, although a plethora of studies on the change in consumer behavior towards cross-channel shopping have been published, few is known on how to initiate and successfully manage this firm-wide strategic change process towards cross-channel management. Confronted with this situation, top managers typically ask themselves the following questions: How do we transform our firm to cater to the demand of cross-channel shoppers? How can we manage this firm-wide strategic change process? What do we need to specifically focus on along the transformation journey? And how is the cross-channel strategy related to our corporate strategy? The empirical insights of this dissertation project lay the basis for two management frameworks which help tackling these very questions. These are 1) the *"Cross-Channel Evaluator"* and 2) the *"Cross-Channel Planning Process".0*

1.1 Management Framework One: "The Cross-Channel Evaluator"

With the *"Cross-Channel Evaluator"*, multi-channel retailers are able to assess how their retail industry is affected by the cross-channel shopping phenomenon and how well their firm is already equipped to successfully manage a firm-wide transformation process towards cross-channel retailing. The Cross-Channel Evaluator is a two-step assessment process which forces firms to evaluate their situation from a market perspective as well as from a company perspective.

1.1.1 The Market Perspective

In a first step, ten items derived from own empirical data as well as extant theory and studies (Gulati & Garino, 2001; Deloitte, 2009; Martec, 2010; PWC 2012; Roland Berger, 2013) help firms to self-evaluate the relevance level of cross-channel retailing for their individual situation from an outside-in perspective. Based on a five point Likert scale (1 - very low to 5 - very high), managers have to evaluate the competitive setting as well as the consumer behavior in their industry.

To evaluate the change in consumer behavior, firms have to assess if their customers are eager 1) to receive cross-channel promotions or 2) to be addressed by personalized promotions, 3) to research online and then purchase offline (classic ROPO), 4) to place online reservations for store pick-up, 5) to use online devices (e.g. smartphone, tablets) in stores or 6) to return online purchased items in a store of their choice.

Regarding the evaluation of the competitive setting within the respective industry, firms have to think about 7) the market share gains of pure online players, 8) other multi-channel incumbents striving for channel integration, 9) price awareness and margin pressure in the market, and 10) customer inspiration as differentiator for multi-channel players *(see table 16)*. Furthermore, all named items are treated as equally relevant for the evaluation process.

MARKET PERSPECTIVE:	Relevance level				
	very low	low	medium	high	very high
Customer behavior					
1) Cross-channel promotions (e.g. digital coupon for store usage)	1	2	3	4	5
2) Personalized promotions (e.g. personalized newsletter)	1	2	3	4	5
3) Research online, purchase offline (classic ROPO)	1	2	3	4	5
4) Online reservation for store pick-up	1	2	3	4	5
5) Online-order in stores (e.g. smartphones, tablets)	1	2	3	4	5
6) Possibility to return online purchased items in a store of choice	1	2	3	4	5
Competitive setting					
7) Market share gains by pure online players	1	2	3	4	5
8) Other multi-channel incumbents striving for channel integration	1	2	3	4	5
9) Price awareness and margin pressure in the market	1	2	3	4	5
10) Customer inspiration as differentiator for multi-channel incumbents	1	2	3	4	5

Table 16: The Cross-Channel Evaluator: market perspective
Source: own graph

Legend: ROPO = Research Online, Purchase Offline

Cross-Channel Relevance

0-15 points	No immediate action required. You don't have to rush into the transformation process.
16-30 points	Increased attention required. You should be aware that the integration of your offline and online business will become a serious management topic.
31-50 points	Action required. You are in the position where cross-channel management is the strategic issue to be tackled immediately.

1.1.2 The Company Perspective

In a *second step*, twelve items derived from own empirical data and extant theory (e.g. Gulati & Garino, 2001; Accenture, 2010; Micros, 2011; Booz 2012) allow firms to self-evaluate their specific level of cross-channel readiness for their individual situation from the inside-out perspective. Again, based on a five point Likert scale (1 - very low to 5 - very high), top managers can self-assess their current channel strategy, organization design, TMT-MM leadership style as well as their company culture. To evaluate the extant channel strategy settings, firms have to assess if they 1) have defined a clear target group(s) for cross-channel growth, 2) coordinate the assortment, pricing, and services across their online and offline distribution channels, 3) ensure that promotions and campaigns are developed on a cross-media basis by involving classic, digital, and social communication channels, 4) make sure that key processes and systems are aligned across channels on a firm-wide basis (e.g. order management & fulfillment), and 5) are able to bundle customer data and analyze them across channels. Regarding the evaluation of the organization design, firms have to 6) assess if their current organization design allows for strong collaboration across channels/departments (vs. silo-oriented business practices), 7) evaluate if some corporate functions can be bundled and centralized (e.g. online & offline marketing), 8) identify whether the supply chain/category management has a clear cross-channel focus, and 9) ensure that the current incentive structure fuels cross-channel thinking across all management levels and impairs fears of channel cannibalization. Furthermore, concerning the evaluation of the top management - middle management leadership style, firms have to evaluate if 10) top management team's leadership style shows commitment for cross-channel management and 11) if middle managers on all hierarchy levels feel empowered to actively contribute the firm-wide strategic change process. From a cultural perspective in 12), top managers have to judge whether or not the firm provides a culture of innovation, creativity, and learning which motivates the workforce across all channels *(see table 17)*. Also in this case, all items are seen as equally relevant.

COMPANY PERSPECTIVE:	Readiness level				
	very low	low	medium	high	very high
Channel Strategy					
1) Target group(s) for cross-channel growth are identified	1	2	3	4	5
2) Assortment, pricing, and services are coordinated across distribution channels	1	2	3	4	5
3) Promotions and campaigns are coordinate across all classic, digital, and social communication channels	1	2	3	4	5
4) Key processes and systems are aligned (e.g. order mgmt. & fulfillment, inventory)	1	2	3	4	5
5) Customer data can be bundled and analyzed across channels (e.g. CRM and customer analytics)	1	2	3	4	5
Organization Design					
6) Current organization design allows for strong collaboration across channels/departments	1	2	3	4	5
7) Some corporate functions can be bundled and centralized (e.g. sales promotion, marketing)	1	2	3	4	5
8) Supply chain has a cross-channel focus (e.g. category management)	1	2	3	4	5
9) Incentive structure fuels cross-channel thinking on all levels and impairs cannibalization fears	1	2	3	4	5
TMT-MM Leadership Style					
10) TMTs leadership style fuels commitment for channel integration across all management levels	1	2	3	4	5
11) MMs on all levels are able to actively contribute to the transformation process	1	2	3	4	5
Company Culture					
12) A culture of innovation, creativity and learning motivates the workforce to think cross-channel	1	2	3	4	5

Table 17: The Cross-Channel Evaluator: company perspective
Source: own graph

Legend: CRM = Customer Relationship Mgmt; TMTs= Top-Management-Team; MM = Middle Managers

Cross-Channel Readiness

0-25 points	Need for speed. You first need to tackle some basic requirements before striving towards cross-channel management.
26-40 points	Keep on working. You are on a good way to set the base to initiative the transformation process towards channel integration. However, do not underestimate the complexity of the change project.
41-60 points	Good job. You are ready to think about launching inspiring cross-channel services that match your target group's needs. However, do not forget your single-channel customers. They are still the source of current profits that allow investment into a prospering future of the firm.

1.1.3 The Value of the Cross-Channel Evaluator

The two dimensions of the Cross-Channel Evaluator ensure that a firm is able to assess the relevance of the cross-channel shopping behavior in their industry context as well as to evaluate their internal readiness to step into the area of cross-channel commerce. Therefore, the framework provides multi-channel incumbents with first insights on how to plan and structure the transformation process towards cross-channel management. I a next step, the theoretical framework and in particular the evaluation schemes of both perspectives should be validated empirically.

1.2 Management Framework Two: "The Cross-Channel Planning Process"

Based on extant theory of multi-channel management as well as our empirical data, we were able to derive a process delineating how multi-channel incumbents can plan the firm-wide strategic change process towards cross-channel management. The *"Cross-Channel Planning Process"* has eight distinctive planning stages; these are 1) Change in Consumer Behavior, 2) Market & Competitive Analysis, 3) Front-End Configuration, 4) Back-End Configuration, 5) Strategic Development Paths, 6) Structural Adaptations, 7) Middle Management Empowerment, and 8) Cross-Channel KPIs. All these stages are closely related to the respective corporate strategy of the firm and have a strong impact on the cross-channel culture within the firm *(see figure 16).* In the following, we describe each stage in more detail and point out the key questions managers have to address to successfully overcome each specific process stage. Here, we illustrate in each stage how the case firm *Matterhorn* has tackled the respective challenges.

Matterhorn is a Swiss entertainment retailer selling books, music, movies, and games. It is a very lean and small retail firm achieving a turnover of about $170 million Swiss Francs with 490 employees by running 107 stores and an online-shop with 3 million visitors per month across Switzerland. Since Matterhorn launched a fully equipped m-commerce shopping channel in 2012, the channel system manages four distribution channels: 1. stores, 2. online-shop, 3. catalog/call-center, and 4. mobile-shop. Only recently, the firm launched a digital TV app as an additional fifth distribution channel. The revenue shares in 2012 were the following: Stores and catalog made up 70% of the revenue with 20% of store sales being online-driven.The Online-Shop generated 27.5% of revenue, with 10% of online sales being offline-driven. Finally, the mobile-app contributed 2.5% of revenues - tendency increasing. Until the end 2008, Matterhorn managed its distribution channels as clearly separate entities. When the online-shop infrastructure faced severe performance issues following a dramatic increase in traffic due to online-promotions, the former head of marketing was instated as CEO. He professionalized the online-shop with a new release in 2009. Around the same time, the head of IT & processes convinced the new CEO about his idea of integrating the online business with the stores business, since he believed that a channel integration initiative would be the right answer for Matterhorn to defend their market shares against the upcoming competition from pure online players, and particularly from Amazon. Thus, after a revision of all key business processes in 2010, Matterhorn initiated their strategic change process towards cross-channel management in January 2011. By August 2012, almost all major change initiatives were successfully implemented.

Nowadays, Matterhorn can be considered a best practice case of a multi-channel retailer which successfully guided their firm into the era of cross-channel commerce. Today, Matterhorn consistently follows an integrated channel approach, since all of its four distribution channels are treated equally and used by customers interchangeably while shopping. For example, the cross-channel service “order online, pick-up in-store” already accounts for 17 percent of overall online orders. Since its launch in 2011, this channel switching service has generated twice as much traffic as the service “order online in store, deliver it to the home”. Thus, online activities have clearly increased store visits and fueled complementary sales. The strongly aligned business processes and systems do not only enable Matterhorn to effectively address customers through personalized communication means, but also to make product availability data accessible in real-time across all channels. The firm has won several awards for their cross-channel approach.

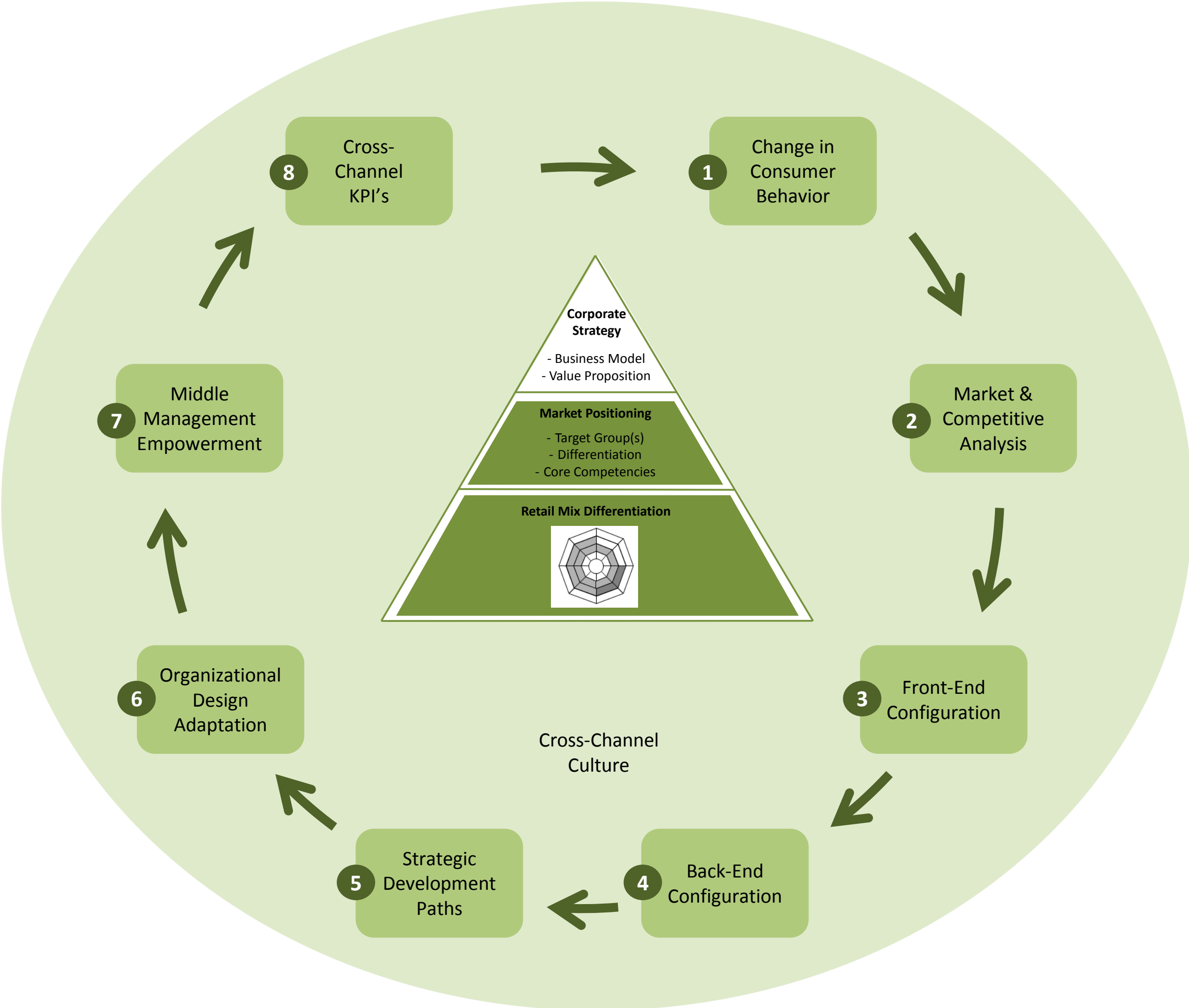


Figure 16: The Cross-Channel Planning Process
Source: based on Rudolph, 1993.

1.2.1 Review of Corporate Strategy

Before a multi-channel retailer initiates the transformation process towards cross-channel management, it is crucial to review the corporate strategy to identify the guidelines for the channel strategy. Rudolph (1993) introduced a framework to develop and review the corporate strategy of a retail firm and derived three types of business model types. These are 1) the global discounter, 2) the content retailer, and 3) the channel retailer (Rudolph, 2000) which goes back to previous theories of business model types (e.g. Porter, 1985; Wortzel, 1987; Treacy & Wiersema, 1995). A retailer relying on a global discounter business model strives to be the cost leader based on lean and efficient business processes as well as low prices (e.g. Aldi). In contrast, when applying the content retailer business model, retail firms focus on developing product innovations, aspiring to be product leaders in their market (e.g. Tesco or Zara). The channel retailer business model focuses on customer service which is why retailers employing this model strive towards becoming service leaders in their respective market (e.g. Wal-Mart) (Rudolph, 2000).

Before defining the relevant change initiatives which lead to channel integration, a multi-channel incumbent should re-evaluate its existing business model as well as the value proposition based on the following key question:

- Do we still rely on the existing business model?
- Can we stick to the existing value proposition?

When the top managers of multi-channel retailers have reviewed their corporate strategy and identified the guidelines to develop their cross-channel strategy based on the cross-channel value proposition, then the actual planning of the strategic change process can be initiated. Although this initial “stage zero” is crucial to ensure the top management commitment for the cross-channel strategy to be developed, we learned from our case research that many multi-channel incumbents skipped this stage zero and directly started to develop their cross-channel strategy. However, this can come at a high price when the established cross-channel services are not fully compatible with the corporate strategy of the firm and therefore lack top management commitment, or, even worse, when they are not compatible with the value proposition of the firm and therefore fail to fully address the customer needs.

Matterhorn has been selling books and music since its founding year and had always been based on a very lean organization design and efficient business processes. Thus, the firm follows the global discounter business model approach of Rudolph (2000). Before initiating the firm-wide strategic change process in 2011, the management team decided to stick to this approach but to slightly adapt their value proposition in the future to actively promote a “convenience beststeller approach” based on developing a strong cross-channel competence as the key differentiator in the Swiss market for entertainment products.

1.2.2 Stage 1: Change in Consumer Behavior

In the first stage, multi-channel retailers need to assess how the change in consumer behavior towards cross-channel shopping affects their target customers. So far, most multi-channel players striving for channel integration simply copy the cross-channel services (e.g. click-and-collect, order online in store, deliver it home) from their core competitors instead of trying to assess which services their customers would love to use. However, what we learned from our case studies is that the successful players did not just copy cross-channel services from their competitors. Instead they tried to identify and anticipate the needs and wishes of their existing as well as potential customers when shopping. Thus, the firms should analyze the consumer decision journey (Edelman, 2010; 2013) of their defined target group(s) *(see figure 17).* In addition, market research using qualitative or quantitative methods such as surveys, interviews, focus groups, observation or even social media analyses (Facebook, twitter) may help to get more insights into what customers expect and how they can be grouped into meaningful segments to be addressed on a more effective basis. Thus, by analyzing the consumer decision journey of the most attractive target group(s), the multi-channel retailer is able to re-evaluate and sharpen the existing customer segmentation of the firm. In a nutshell, the following key questions have to be addressed in stage one.

Key questions in stage 1:

- What are the most attractive target groups for our firm? How can they be inspired by involving cross-channel services?
- How do existing as well as potential new customers of our most attractive target groups behave along their decision journey when shopping? Which touch-points do they use interchangeably along their buying process - when, why and how?
- How can customers/customer segments be targeted in a customized approach?

Matterhorn decided that their most attractive target group in the era of cross-channel commerce are female adults, between the age of 30-50 years which are price sensitive and buy entertainment products for the whole family by starting to use online and offline channels interchangeably. An analysis of the consumer decision journey showed that the way this target group shops has fundamentally changed over the last 10 years (see figure 2). The following vignette illustrates the major changes in the decision journey of one of Matterhorn's target customers.

In 2003, Silvia a married wife with two kids leads an average life and is in charge of all shopping activities for her family. One day, Silvia's husband Karl heard the book "The Da Vinci Code" by Dan Brown being advertised on the radio. When he talked about this with his work colleagues, he learned that the title figured prominently on the bestseller lists and was even discussed on TV. Having watched the TV show himself, he asked his wife Silvia to buy the book. The next day, Silvia spotted a coupon from *Matterhorn* in the local newspaper offering Dan Brown's book including a special bookmark for free. She visited her favourite *Matterhorn* store to buy the book and on that occasion also browsed through the book assortment and talked to the sales assistant. She used the coupon to buy the "Da Vinci Code" for her husband as well as two other books she found when browsing through the store. Karl loved the book and, the next day, he was able to join the conversation with friends and colleagues at work

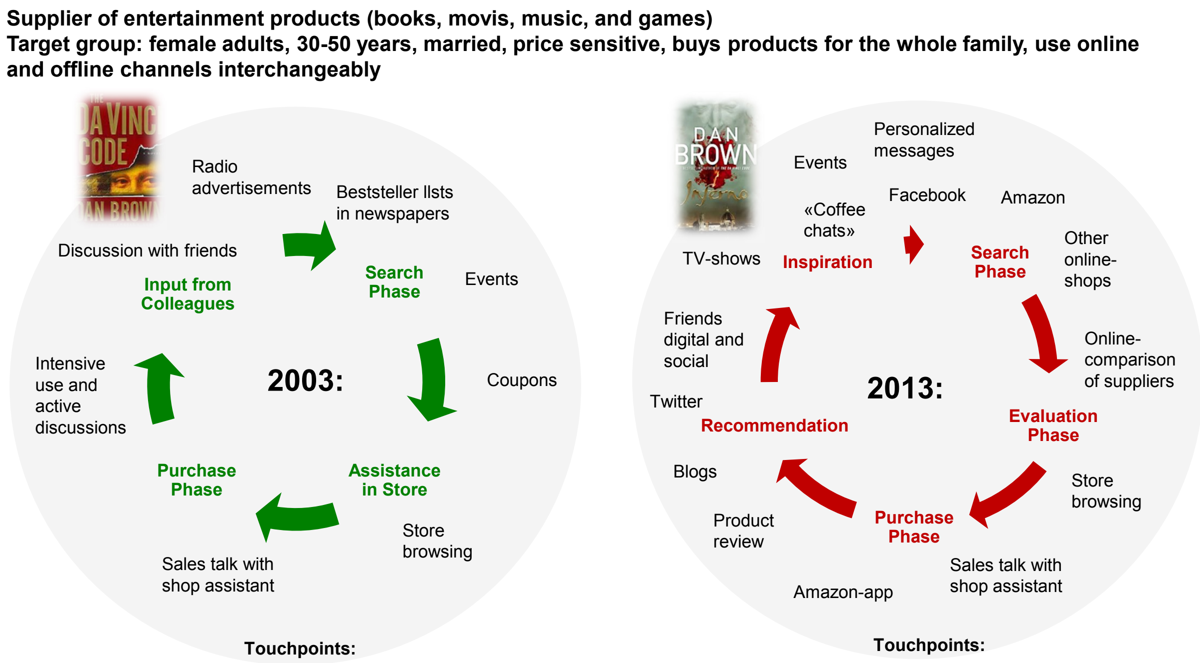


Figure 17: The consumer decision journey for Matterhorn

Source: own graph.

Today, the situation looks entirely different. Karl is a big fan of the blockbuster movies "The Da Vinci Code" and "Illuminati", both based on Dawn Brown's bestselling novels. He is instantly excited when he hears about the new Dan Brown book "Inferno" through promotions on TV, YouTube, Facebook, and through a personalized newsletter from *Matterhorn*. The newsletter contains a promotional code which grants online-access to a special audio feature with the purchase of a Dan Brown book. Karl texts his wife Silvia about the newsletter and asks her if she could buy the book for him as soon as possible. The same afternoon, Sylvia compares several book websites from online pure players as well as multi-channel players to find the best offer. Since the delivery time for the book on Amazon is more than 3 days and all other offers are either more expensive or they do not offer a suitable delivery time, she decides that *Matterhorn*'s offer is the best one, since it comes with a free excerpt of an exclusive Dan Brown interview. She makes a reservation of the book online and picks it up a few minutes later in a *Matterhorn* store of her choice from. However, before picking up her order in the store, she quickly checks the offer from Amazon once more via her mobile phone – just to make sure *Matterhorn's* really is the best deal. Since she is still satisfied with *Matterhorn's* offer, she buys the Dan Brown book for her husband and – giving in to an impulse – also purchases another bestseller "Die Totgesagten" from Camilla Läckberg. Karl is overjoyed to be one of the first of his friends to read the book. Over the weekend he starts to comment about in on the literature blog he runs with friends, citing some passages from the book on Facebook and twitter.

The presented vignette visualizse how the consumer decision journey when buying entertainment products has fundamentally changed over the last 10 years. Nowadays, various consumer touchpoints have to be synchronized and integrated to offer a seamless shopping experience across channels and along the whole buying process.

1.2.3 Stage 2: Market and Competitive Analysis

In the second stage, an in-depth analysis of the market situation will help to define the right approach on how to coordinate online and offline channels. Since most multi-channel firms are confronted with an intensive market rivalry in their industry form pure online players as well as other multi-channel incumbents, they need to thoroughly analyze their competitive setting. Based on our collaboration with nine multi-channel retailers during their journey towards cross-channel management, we learned that the analysis of key competitors is often done quite well. However, what most of the players forgot is that they can also learn from analyzing the current market setting as well as the future developments that may be anticipated in the market. To find answers to these crucial questions, it is important to identify the key drivers (e.g. digitalization, personalization, price erosion in the market, etc.) which may impact on the definition of a cross-channel strategy and to make explicit how these drivers may change within the next 3-5 years and what their impact on the market setting might be *(see figure 18).* Having identified and evaluated the key drivers which define the market setting, multi-channel incumbents are able to decide on how to differentiate their market position from competitors in the market. However, since market and competitive analyses are often time-consuming, opening up a wealth of topics and issues which drive complexity and confusion, the following key questions shall serve as a guideline for multi-channel incumbents in this stage two of the cross-channel planning process.

Key questions in stage 2:

- What are the relevant key drivers that help explain how our market will change in the future?
- What are they key initiatives of our main competitors (online pure players as well as other multi-channel players)? What can we learn from players from totally different industries?
- How can we differentiate us from our competitors in order to defend or even strengthen our market position?

The key drivers influencing *Matterhorn's* cross-channel development are: 1) Digitalization, 2) Price Erosion, 3) Shrinking Sales in certain Product Categories, and 4) New Players. *Figure 3* visualizes and explains these identified drivers, their expected development as well as their impact in more detail.

No.	Driver	Short Description	Exptected Development	Relevance
1	**Digitalization**	The market volume of digital media (e.g. audio books, music download, video on demand) grows significantly.	In the digital media market, Apple iTunes, Amazon, and Google are the market dominating players on a global bases.	***
2	**Price Erosion**	The average sales prices for entertainment products has been heavily reduced during the last years.	The prices seem to recover slowly. However, the prices for Games will decrease even more. Some market players will face severe bottom-line problems due to this price erosion effect.	***
3	**Shrinking of Product Markets**	The market volume of classic entertainment products (e.g. book, CD, DVD) decreases heavily on an international level and strongly impacts the top- as well as bottom-line of bricks-and-mortar and even bricks-and-clicks retailers.	As a consequence of this development, market players need to merge (e.g. Orell Füssli & Thalia in Switzerland) or even to exit the market.	**
4	**New Players**	Since online sales of entertainment products grew intensively during the last years, international pure online players (e.g. Amazon) entered the market and increased the competitive pressure for classic store-based retailers even more.	More pure online players operating on a global basis will enter the market and further facilitate the price erosion in the market.	**

*Legend: *** = high relevance; ** = medium relevance; * = low relevance*

Figure 18: Relevant market drivers for Matterhorn
Source: own graph, based on internal documents from Matterhorn.

Matterhorn's key competitors which are also pursuing a multi-channel strategy are under great pressure. One competitor tried to sell its business in Switzerland but could not find a buyer. Thus, the company now defined a costly expansion strategy. Two other competitors just recently merged. Pure Online Players such as Amazon and Apple have increased their market share.

Based on this market evaluation, *Matterhorn* tries to differentiate their market position through the following goals:

- Offering best-selling entertainment products on a good price-quality ratio
- Actively playing the "cross-channel card" by offering innovative cross-channel services
- Strong focussing on convenience
    - customers can make an online reservation and pick up the product in a store of their choice on the same day
    - customers can make an online reservation or place an online order, but can pay the bill in a store.

    → sellings argument to beat pure online players

1.2.4 Stage 3: Front-End Configuration

In the third stage, multi-channel incumbents should define how they plan to coordinate all online and offline distribution as well as communication channels in the front-end. Based on the findings from *stage 1* and *stage 2*, multi-channel retailers in this stage define cross-channel services that specifically attract and inspire their defined target groups and help to differentiate their firm's positioning against their competitors. However before that, the firms need to discuss how the retail mix instruments shall be managed across channels by tackling the following questions:

- *Assortment:* Do we offer the same assortment online and offline or do we prefer a long-tail approach?
- *Price:* Do we offer the same price online and offline or do we try to keep a price differentiation across channels?
- *Brand/Layout:* How do we ensure brand consistency – online layout vs. store layout?
- *Promotion:* How do we ensure that promotions are coordinated across all communication channels?

After answering these questions, multi-channel firms are ready to identify their cross-channel services. What we learned from our case research is that successful players structured possible cross-channel services along the phases of the buying process to define which services they want to focus on. *Figure 19* presents an overview of cross-channel services based on the empirically collected case dataset structured along the buying process multi-channel incumbents can choose from.

Pre-Purchase Phase	Purchase Phase	Post-Purchase Phase
• Customers can use mobile devices to gather more information on product/services (e.g. usage of QR-codes) • Customers receive advertising messages and promotions on various online and offline communication channels (e.g. flyer, email newsletter, Facebook) • Customers receive personalized online messages with interesting store-offers or coupons to be used in a store of their choice • Customers can check online the real-time availability of an item in a store of their choice • Customers can make an online-reservation of an item in a store of their choice • Customers can browse the online-shop of the firm in a store of their choice via tablets / in-store kiosks • Customers receive a personalized message offering an interesting product when they are close to a store of the retailer • …	• Customers can place an online order to be picked up in a store of their choice • Customers can place an online order based on browsing the catalog (e.g. via QR-code) or calling the call-center • Customers can collect / cash-in loyalty points across all channels • Customers can place an online order via a tablet pc/in-store kiosk in a store • Customers can cash-in digital coupons and promotions via smartphone when buying an item in a store of their choice • Customers receive a code on their sales slip to be cashed-in when placing an online order • Customers can place an online order to be picked up at a specific pick-up station (e.g. Swiss Post, Leshop Drive-In) • Customers are able to pay online bills in stores and vice versa • …	• Customers are able to return online purchased items in a store of their choice / at specific pick-up stations • Customers are able to process the whole return process of an offline purchased item online • …

Figure 19: Overview of innovative cross-channel services
Source: own graph.

However, the selection of innovative cross-channel services for the specific firm comes with two specific threats: *First,* the installed cross-channel services may not match the needs and wishes of the firms target group(s) and therefore fail to create customer value and instead create sunk costs. *Second,* unmet wishes and needs of target customers will be addressed by competitors' innovative cross-channel services instead. *Figure 20* illustrates the two threats.

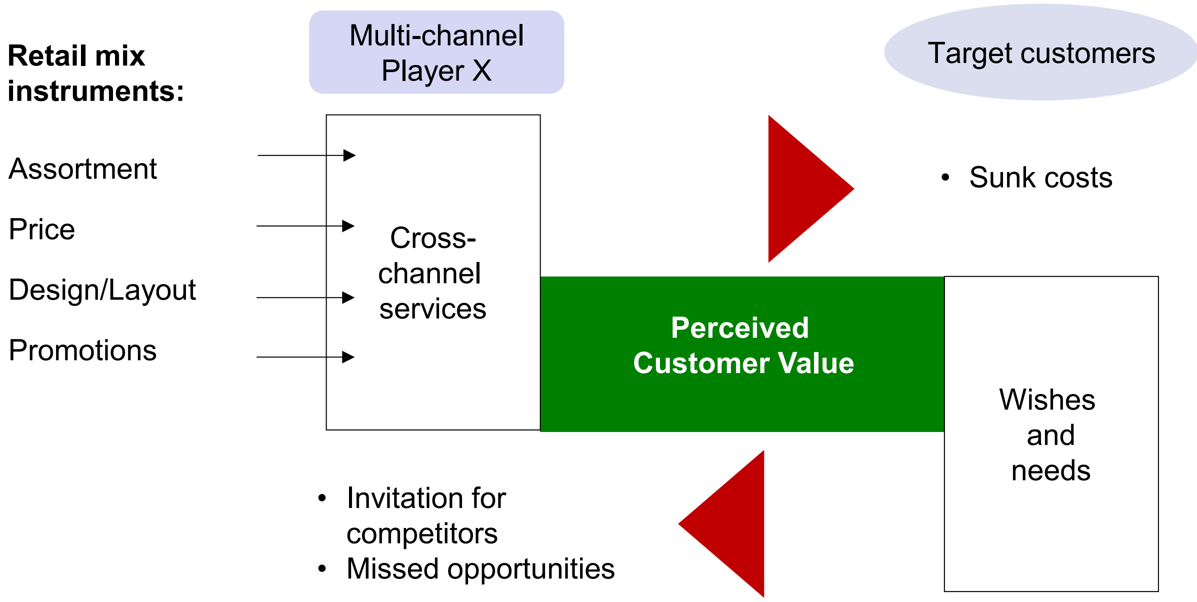


Figure 20: Threats when installing cross-channel services
Source: own graph.

To summarize, the following key questions have to be addressed by multi-channel firms at this stage of the cross-channel planning process:

Key questions in stage 3:

- How should we coordinate our online and offline distribution as well as communication channels according to the retail-mix elements?
- Which specific cross-channel services along the buying process have a high potential to inspire our target customers?
- How do we make sure that the selected cross-channel servcies offer a great potential for sustainable differentiation?

Matterhorn decided on a long-tail approach by offering more than 7 million products online versus 30'000 products in stores. In addition, the firm aligned their prices among all channels, decided to keep an eye on the layout topic so that the online-shop layout would display strong similarities with the store layout (e.g. color, design) and promotions could be coordinated across all communication channels.

Based on the definition of the retail-mix instruments, Matterhorn installed nine cross-channel services *(see figure 21)*. Six of these cross-channel services address the integration of online and offline distribution channels. In the pre-purchasing phase, Matterhorn's customers have the possibility to 1) check in-store product availability online on a real-time basis and to 2) receive digital coupons by mail or sms to be cashed-in in stores. Between the pre-purchasing and the purchasing phase, customers 3) can place an online- reservation for an item in a store and 4) even place an online-order for store pick-up. In addition, they are able to 5) pay online bills in the stores. In the post-purchasing phase, customers have the possibility to 6) return online purchased items in a store of their choice and are also able to 7) get online assistance when returning an offline purchased item by postal mail.

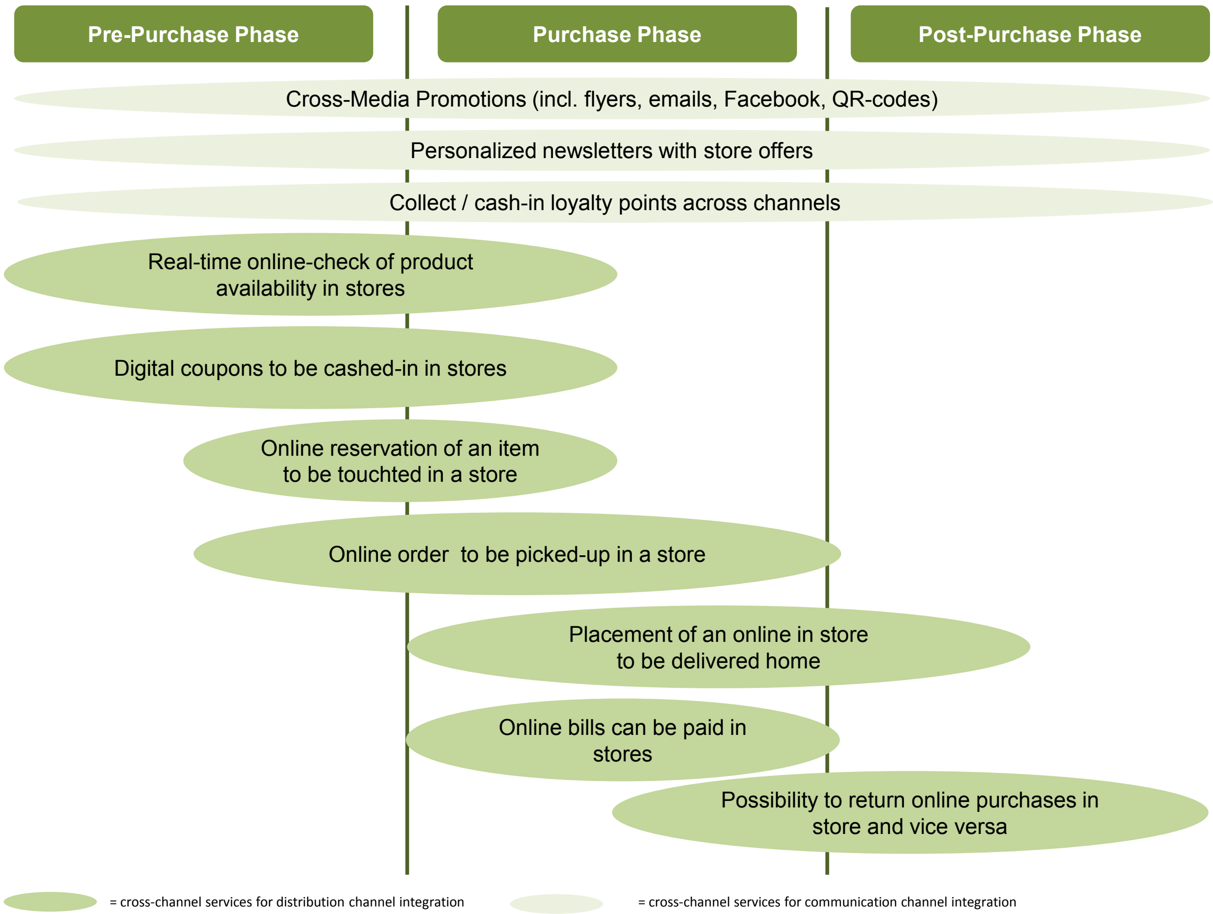


Figure 21: Overview on Matterhorn's installed cross-channel services
Source: own graph, based on internal documents from Matterhorn.

Moreover, three of these nine cross-channel services carry out a communication as well as a promotion function along the whole buying process by integrating online and offline communication channels. Customers are able to 7) collect and cash-in loyalty points across channels and 8) receive personalized newsletters with attractive store offers. In addition, 9) cross-media campaigns and promotions involving classic, digital, as well as social communication channels (e.g. flyers, loyalty card, email, sms, Facebook, and QR-codes) strive for inspiring customer's wishes or just try to direct attention to new offerings of *Matterhorn*.

1.2.5 Stage 4: Back-End Configuration

In the fourth stage, multi-channel incumbents need to decide, how to align their online and offline channels in the back-end (IBM, 2007; Martec, 2010). What we learned from our successful cases is that it is crucial that multi-channel firms also transform their back-end systems and processes from fragmented and isolated applications towards a service oriented system architecture which structures their different systems and processes into three different categories. On the one hand, classic enterprise resource planning (ERP) systems such as inventory management, merchandise management, order management & fulfillment, customer relationship management, replenishment as well as cashier management need to be strongly aligned. On the other hand, typical online-shop systems such as content management, product presentation and availability, shopping basket configuration and banner management have to be strongly coordinated with the ERP systems. In the worst-case scenario, the online-shop specific systems do not communicate with the offline-based ERP-systems since the online-shop runs its own ERP system which is not compatible with the one from the store business. In addition, many so-called peripheral systems (e.g. supplier data systems, outsourced customer analytics programs, videos) also need to communicate with the ERP or online-shop specific systems. Thus, usually, the IT team of a multi-channel retailer has to make sure that between 40-60 systems and applications are structured and aligned so that the installed cross-channel services in the front-end base on reliable and scalable systems and processes in the back-end. Thus, by trying to develop a lean and strongly aligned as well as synchronized world of systems and processes in the back-end, multi-channel incumbents have to answer the following key questions.

Key questions in stage 4:

- How should we align our online and offline channels in the back-end?
- How can we ensure a lean and structured system architecture that is highly synchronized on a real-time basis and stable to run the installed cross-channel services in the front-end?

Based on the results of the process reengineering project in 2008, *Matterhorn* has started to structure its back-end systems and created a system-architecture along three pillars. The first pillar are all core ERP systems, the second pillar consists of all online-shop systems, and the third pillar includes all peripheral systems. *Figure 22* visualizes this approach and serves as a reliable structure to evaluate the current system architecture of a multi-channel retailer.

Core ERP-Systems	Online-shop systems	Peripheral systems
• Merchandise management • Inventory management & control • Customer relationship management • Order management & fulfillment • Replenishment • Cashier management • …	• Product presentation • Product availability • Shopping-chart functionality • Banner management • My account functionality • …	• Supplier data management • Content management • Affiliate management • Customer analytics / newsletters • Local based services / sms • Social media (e.g. Facebook) • Applications for barcode identification / QR-codes • …

Figure 22: Three pillar logic of Matterhorn's system architecture
Source: based on internal documents from Matterhorn.

The first category *core ERP-systems* aligns systems such as merchandise management, inventory management & control, customer relationship management, order management & fulfillment, replenishment as well as paying cashier management. The second category *online-shop systems* coordinates all systems which are related to the web-performance such as product presentation and availability, shopping-cart functionality, banner management, and personalized customer accounts. The third category *peripheral systems* bundles and structures all other systems such as supplier data management, content management, affiliate programs, customer analytics, local based services, social media applications as well as applications for barcode identification. Each system category bundles and aligns the illustrated systems on a modular basis and is synchronized with the two other categories on a real-time basis. A comparison of two blueprints from system architectures of our case example Matterhorn and another multi-channel player, here termed "company x", clearly illustrated how important the clear and lean structuring of the system categories as well as the synchronization and real-time communication among the three system category layers are *(see figure 23)*.

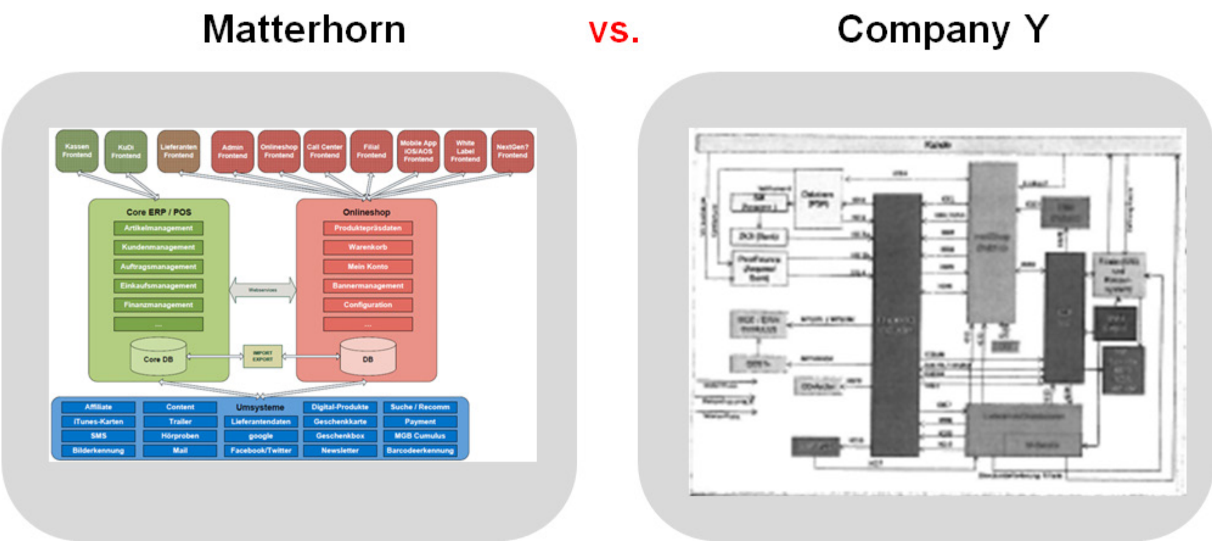


Figure 23: Comparison of system architectures
Source: own graph, based on internal documents from Matterhorn.

1.2.6 Stage 5: Strategic Development Paths

Since multi-channel incumbents now have identified which cross-channel services they want to implement *(stage 3)* and what system and process alignments need to be tackled *(stage 4)*, it is now crucial to decide how to set-up the whole strategic change process. By using the derived framework of channel modes as well as relying on the identified strategic development paths *(see chapters B and C of this dissertation)*, multi-channel incumbents are able to plan and specify the strategic change process and to evaluate different options on how to structure the transformation process based on the defined corporate strategy goals, on existing firm-wide core competences as well as on other available resources. Thus, the framework of channel modes helps to visualize all planned strategic initiatives and facilitates the discussion on how the firm should structure the strategic change process towards cross-channel management. This portfolio overview of planned cross-channel services *(see figure 24)* allows to evaluate in close relation of the market dynamics which of the three strategic development paths – 1) "Attracting by Inspiration, 2) "Delighting by Excellence", or 3) "Sprinting Forward by Moving Simultaneously" – best fits the defined corporate strategy of the respective multi-channel firm, striving for cross-channel management.

Since discussions on how to structure the transformation process towards cross-channel management can be complex and time-consuming, the following key questions may serve as a guide for multi-channel incumbents at this point.

Key questions in stage 5:

- Which cross-channel initiatives have we already initiated or planned?
- In which channel mode are we currently in?
- Which strategic development path towards cross-channel management do we want to pursue?

The structuring of *Matterhorn's* cross-channel initiatives in the front-end as well as in the back-end soon showed that the firm focuses on the integration of online and offline communication channels as well as distribution channels at the same time *(see fig. 24).*

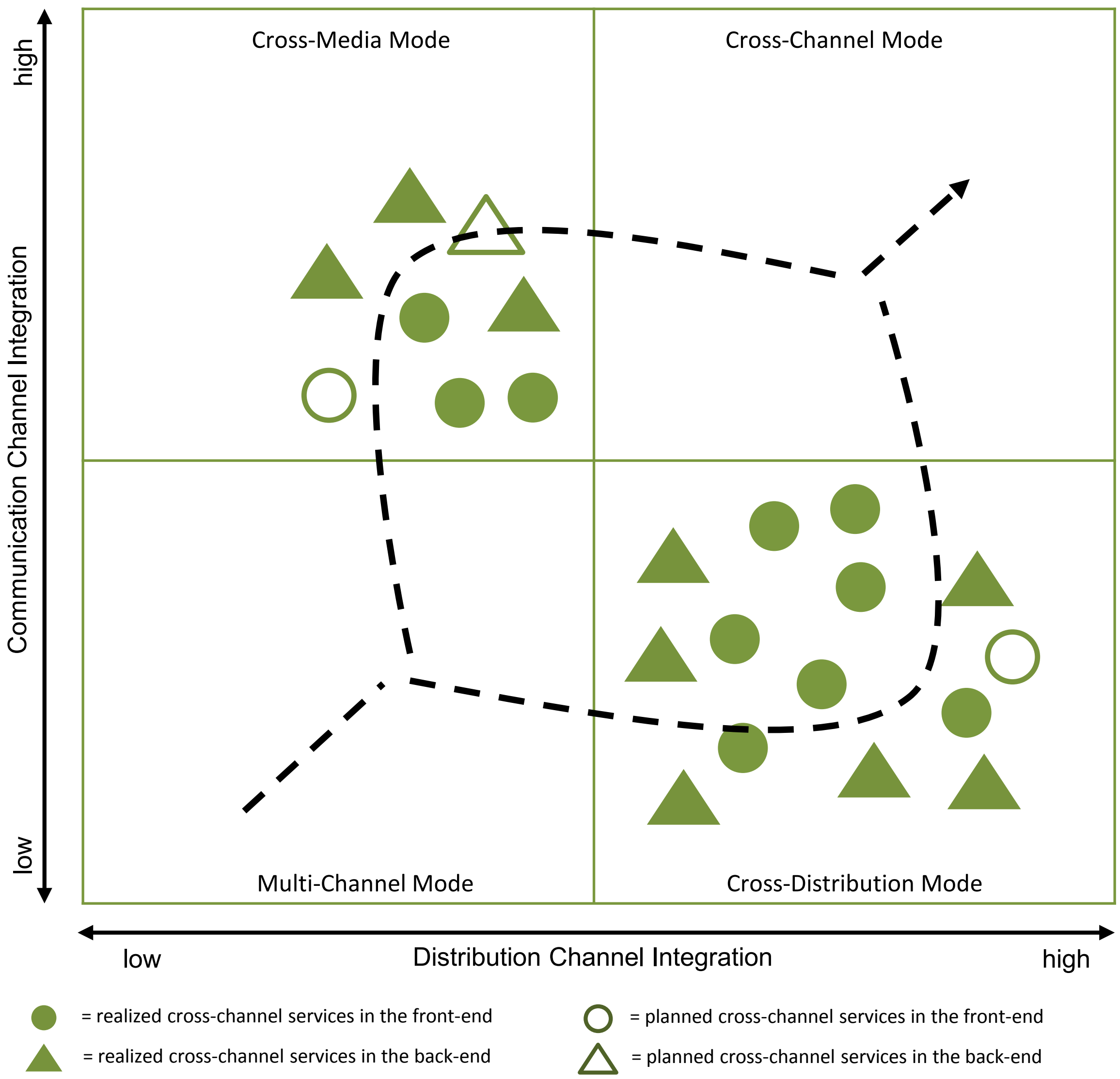


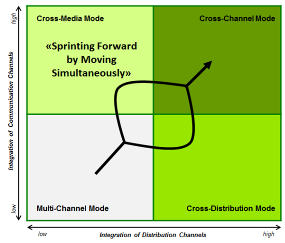
Figure 24: Overview of Matterhorn's cross-channel initiatives
Source: own graph, based on internal documents from Matterhorn.

Based on the fierce competition from online pure players as well as other multi-channel incumbents, the management team decided that the simultaneous integration of both communication and distribution channels was the right development path towards cross-channel management. However, although the management team has to pursue the "Sprinting Forward by Moving Simultaneously" development path, it was viable to evaluate the decision by specifying the: 1) the reason why, 2) the planned approach, 3) the key challenges, 4) the possible actions to overcome these challenges, 5) the potential barriers to overcome as well as 6) the timeline for implementation *(see figure 25)*. This structure may help management teams of multi-channel players evaluate which strategic development path best fits to their specific situation.

Strategic Development Path III: «Sprinting Forward by Moving Simultaneously»

1. Reason why:
- High pressure from the market (Amazon as category-killer, price erosion, digitalization)
- Lean and flexible organization structure
- Very flat hierachies
- Firm-wide evaluation of processes has accelerated the change process

2. Planned approach:
- Small project team (5 people incl. the CEO) to drive the change process
- Step-wise implementation of cross-channel services
- Strong involvement of lower middle managers (particularly store managers) before the launch of the cross-channel services



3. Key challenges:
- Cultural change actively addressed
- Management bournout because of workload
- Neglect of daily business

4. Actions to overcome these challenges:
- Intensive change communication by the CEO himself
- Intensive training of lower middle manager and employees
- Strong mutual support within the management team
- Jour-fix for «daily business only» on management level

5. Potential barriers to overcome:
- Channel-specific business approach
- Employee resistance

6. Timeline:
- Within 12 months, 21 initiatives, 14 implemented
- Within the next 12 months, rest of initiatives implemented

Figure 25: Matterhorn's reasoning why to pursue the chosen development path
Source: own graph, based on internal documents from Matterhorn.

1.2.7 Stage 6: Organizational Design Adaptation

Since Chandlers' (1962) seminal study, it is well known that structure follows strategy. Thus, the chosen strategic development path *(stage 5)* predetermines how the organization design has to be adapted. Based on our derived framework on routes of organizational adaptation *(see chapter D of this dissertation),* multi-channel retailers are able to evaluate which organizational adapation route they want to pursue based on their chosen strategic development path. Thus, the framework of routes of organizational adaptation *(chapter D)* in combination with the template *(see figure 26)* help to specify the needed structural changes and addresses the question on how to initiate these adaptations in the organizational design. The following points summarize the questions a multi-channel retailer needs to focus on when adapting its organizational design towards cross-channel management.

Key questions in stage 6:

- What adaptations of the organization design are needed based on the chosen strategic development path?
- How do we ensure the successful implementation of these structural changes?
- How do we overcome change resistance among employees?

Since *Matterhorn* decided to coordinate both their online and offline distribution as well as communication channels at the same time, the needed changes in the organization structure were fundamental and the firm pursued the route of *"complete organizational design adapation" (see figure 27).* Over time, *Matterhorn* adapted its organizational structure from a channel-specific, divisional approach to a department-specific, functional design. Thus, the firm no longer operates with two channel units. It rather follows an integrated functional organization with centralized units of IT & processes, merchandising, and purchasing & logistics. Since *Matterhorn* integrated and centralized their former channel-specific units, the firm does not need to perform a high level of cross-channel collaboration anymore. However, a few cross-department collaborations are still in place since the strategic change process really took off in 2011. By that time, *Matterhorn* established small and flexible, so-called semi-structural teams for specific topics consisting of passionate top and middle managers who were ready to meet the challenge to drive innovative topics on a collaborative basis alongside their daily business tasks with a lot of freedom to self-structure cross-departmental topics *(see figure 26).*

Route of Organizational Adaptation: «Complete Organizational Design Adaptation»	
1a. Adaptation of organization structure: • Change in organization structure from a channel-specific, divisional structure to a department-specific, functional design • Only sales units still follow a channel-specific perspective focused on the store business • Installed cross-departmental teams to drive change initiatives towards channel integration	**1b. Steps to reach the target structure:** • New function head of IT & Processes with its own department • Centralized category management in a new department purchasing / logistics • Online shop organization integrated in the purchasing department to leverage synergies between purchasing and product management for the online shop
2a. Level of cross-channel collaboration: • Low cross-channel collaboration • High cross-departmental collaboration; institutionalized by semi-structural teams whit a lot of freedom to drive cross-channel initiatives	**2b. Actions to institutionalize it:** • CEO proclaimed that it is crucial that each management team member is involved in some cross-channel initiatives besides his daily business
3a. Change in decision-making: • Moderate, since the management team is still making the important decisions • However, managers actively bring in their opinion in the semi-structured teams	**3b. Means to communicate:** • CEO as number one change communicator • Even store managers forced to bring in their opinions
4a. Change resistance: • Not very high since all management levels have advantages from the change in organization design	**4b. Actions to overcome change resistance:** • Regular and personal change communication by the CEO himself

Figure 26: Matterhorn's initiated adaptations of their organization design
Source: own graph, based on internal documents from Matterhorn.

1.2.8 Stage 7: Middle Management Empowerment

At this stage, it is clear how the multi-channel firm wants to transform its firm towards cross-channel management *(stages 3-6)*. However, since the retail industry is still a hierarchy-driven management setting, it is also clear that the strategic change process is driven by the top. Thus, top managers need to win their higher and lower middle managers to actively contribute to the transformation process. What we learned from our empirical analysis is that in successful case firms, top managers not only involved their mid-levels in the strategic change process during the implementation phase but also empowered them to actively contribute in early phases of the transformation process by enacting three specific leadership activities. Our derived framework explains how top managers of multi-channel incumbents are able to empower their mid-levels for active contributions along the whole transformation process – from the initiation phase to the formulation phase to the implementation phase *(see chapter E of this dissertation)*.

The following key questions allow a top management team of a multi-channel incumbent to evaluate its impact on mid-level empowerment in the context of the deliberate strategic change process towards cross-channel management.

Key questions in stage 7:

- By which leadership activities can top managers empower their middle managers to actively contribute to the strategic change process?
- Which actions actively prevent middle management disempowerment?
- How can top managers improve the informal top-middle management relationship to foster middle management empowerment to drive assigned change initiatives?

At *Matterhorn*, top managers including the CEO were heavily personally engaged by actively spanning hierarchy levels in order to convince their mid-levels about the new vision to install the defined nine cross-channel services in the front-end. Thus, they truly lived the new cross-channel vision. In addition, top management installed few but intensely used guiding mechanisms, such as the weekly steering committees where top and middle managers discussed the status quo of the change initiatives in great detail and decided on the reframing of initiatives' goals or resources if needed, in a timely manner. Moreover, to promote feedback accessibility from the top, the CEO announced an open door policy of all top managers. Additionally, he launched and partook in implementation workshops with store managers to get input on newly developed cross-channel services as well as to grasp ideas. The following template illustrates how the top management team of Matterhorn enacted the empirically derived leadership activities aimed at empowering their mid-levels for active contributions during the strategic change process. Also, it defines which actions prevented middle management disempowerment as well as intensified the informal top- and middle management relationship *(see figure 27)*.

Evaluation of top management leadership activities to empower middle managers

1. Activities fostering personal engagement:

- Actively spanning hierarchy levels to communicate an live the new cross-channel vision
- Building mutual relationship with middle managers and extensively support them in adopting the new cross-channel vision and communicating it to their subordinates

2. Activities providing structural guidance:

- Installment of a few but intensely used guiding mechanisms (e.g. steering committee meetings once a week)
- Principle of democratership which means that each middle manager is heard, but in the end, decisions on adjustments of respective goals or investment levels are made by the CEO

3. Activities ensuring feedback accessibility:

- Launch and partaking in innovation workshops with store managers to get input on newly developed cross-channel services as well as to grasp ideas.

4. Actions preventing middle management disempowerment:

- No blunt delegation of tasks to mid-levels
- No policing of middle managers
- No discouraging of mid-levels to provide feedback

5. Actions to improve the informal Top-Management-Team – Middle Management relationship:

- The CEO himself connects very well with his middle managers and they laugh a lot
- Open-door policy and coffee break dicussions as great opportunities for top and middle managers to familiarize on an informal basis
- Many informal discussions between a top and middle managers

Figure 27: Matterhorn's approach to empower their mid-levels
Source: own graph, based on internal documents from Matterhorn.

1.2.9 Stage 8: Cross-Channel Key Performance Indicators

In this stage, multi-channel firms need to define specific key performance indicators (KPIs) to measure and evaluate the success of their implemented cross-channel initiatives. So far, multi-channel retailers do not regularly measure the value of their multi-channel initiatives (Aberdeen, 2010). In addition, theory as well as practice lacks insights into which KPIs a cross-channel retailer needs to focus on. However, based on previous findings (IBM, 2007; Arikan, 2008; Forrester, 2008; Unic 2012), we developed a cross-channel cockpit consisting of four structural dimensions including 16 KPIs in total *(see figure 28)*. These dimensions relate to the well-known concept of the balanced scorecard from Kaplan & Norton (1992) and include 1) the customer perspective, 2) the financial perspective, 3) the marketing perspective, and 4) the process & learning perspective .

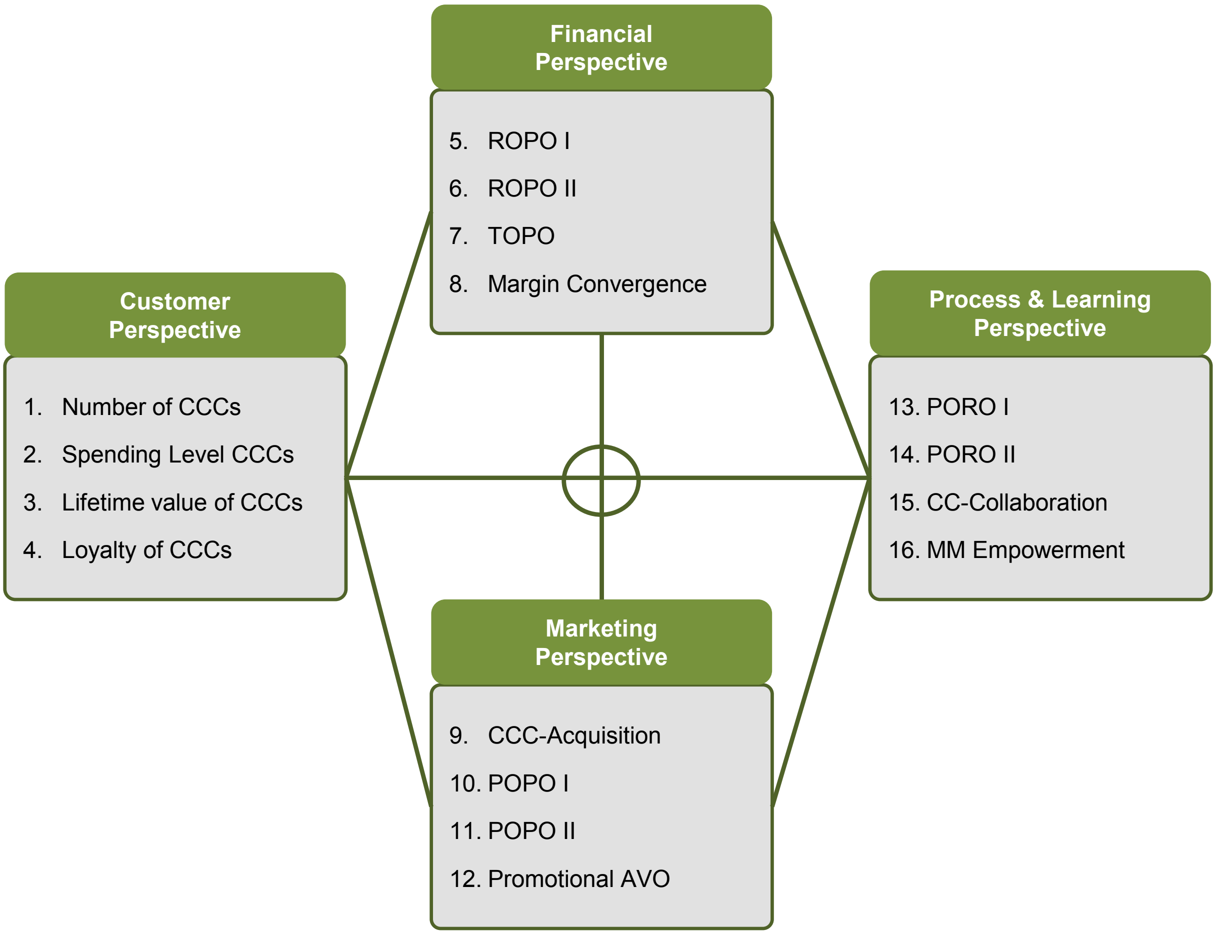


Figure 28: The Cross-Channel Cockpit
Source: own graph.

The *customer perspective* consists of four KPIs. These are: 1) the Number of CCCs (cross-channel customers), 2) the Spending Level of CCCs, 3) the Lifetime Value of CCCs, and 4) Loyalty Level of CCCs. The *financial perspective* also contains of four KPIs. These are: 5) the ROPO I (turnover and number of orders which have been researched online on the web or on a mobile device, but then purchased offline in the store) 6) the ROPO II (turnover and number of orders which have been researched offline via catlalog or flyer, but then purchased online on the web or on a mobile device), 7) the TOPO (turnover and number of orders which have been touched offline in the store, but then purchased online on the web or on a mobile device), and 8) the Margin Convergence (change in margin percentage points for each channel based on the overall increase of cross-channel orders). The *marketing perspective* also comprises four KPIs; these are: 9) the CCC-Acquisition Rate (average marketing spending to acquire a new CCC, 10) the POPO I (promotions online with couponing or codes, purchase offline in stores), 11) POPO II (promote offline with couponing or codes, purchase online on the web or on a mobile device), and 12) Promotional AVO (average order value needed to generate the revenue per mailing, email campaign or any customer promotion to pay for itself). The *process perspective* again comprises of four KPIs. These are: 13) the PORO I (service quality when items purchased online on the web or with a mobile device are returned offline in stores), 14) the PORO II (service quality when items purchased offline in stores or in the catalog are returned online via online-support), 15) CCC (level of cross-channel collaboration among channels and/or departments), and 16) level of middle management empowerment (evaluated by middle managers themselves) *(see figure 28).*

The cross-channel cockpit allows multi-channel incumbents to measure and evaluate the success of the implemented cross-channel initiatives in the front-end as well as in the back-end. For most multi-channel retailers, establishing a KPI-cockpit to measure their success in cross-channel management is a huge challenge. Often, the top managers of multi-channel incumbents are stuck in the multi-channel mindset and still evaluate their channel heads based on channel-specific objectives and therefore focus on multi-channel KPIS. The following key questions shall help multi-channel retailers to establish a cross-channel cockpit.

Key questions in stage 8:

- Which KPIs help to measure or to evaluate the various implemented cross-channel initiatives in our firm?
- Are these defined KPIs quantifiable, comparable, and value-driven and do they revert to analytics data across channels?

At *Matterhorn*, the management team is currently establishing a dashboard with meaningful cross-channel KPIs. So far, the firm only measures the KPIs “ROPO I” and “TOPO”. The cross-channel service “online order, store pick-up” measured by “ROPO I” generated twice as much orders compared to the service “online order placed in store, delivered home” measured by “TOPO”. Thus, this means that the online presence positively impacts the store frequency. That is already a crucial proof of concept pursuing a cross-channel journey. Nevertheless, *Matterhorn* has yet not been able to evaluate the spending level of their CCCs or to quantify the overall lifetime value. Moreover, also the the marketing perspective as well as the learning perspecitve have yet not been adequately addressed. Matterhorn’s management team is well aware of this fact and is currently implementing a dashboard with 10 cross-channel KPIs specifically adapted to their business model requirements.

1.2.10 Cross-Channel Culture

Along all stages of the cross-channel planning process, culture is a very important aspect since the transformation from multi-channel management towards cross-channel management initiates various changes within the firm. Since culture is an emergent phenomenon which cannot be directly addressed or influenced (Schein, 1983), also the cross-channel culture is a result of the defined changes and actions in all stages of the firm-wide strategic change process than a variable that can be directly influenced.

Although *Matterhorn* is well aware of this fact, it still tries to positively influence the cross-channel culture by encouraging informal and hierarchy-free discussions on fears and problems linked to the cross-channel strategy (e.g. during coffee or lunch breaks), by showing closeness and commitment to the cross-channel strategy among the top management team as well as by installing multidisciplinary cross-departmental teams which are granted high latitude and a high-level of responsibility to successfully self-manage their assigned cross-channel initiative.

1.2.11 The Value of the Cross-Channel Planning Process

The Cross-Channel Planning Process allows multi-channel incumbents to develop their specific cross-channel strategy on a stepwise basis – taking into account the specific market conditions as well as the core competencies of the firm – and is thereby closely related to the corporate strategy of the firm. The framework incorporates an inherent logic. Thus, we strongly recommend managers of multi-channel firms to address the presented stages of the process in the proposed order to successfully manage the transformation process towards cross-channel management.

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G Conclusion

Conclusion

Summary

This cumulative dissertation strives for a deeper understanding of how multi-channel retailers transform their so far channel specific business model to a much more integrated system of online and offline channels in order to successfully cope with a disruptive change in consumer behavior - the so-called cross-channel shopping phenomenon. The dissertation project scrutinizes this firm-wide strategic renewal process towards cross-channel management from three different perspectives: 1) strategic, 2) structural, and 3) managerial and is structured into four distinctive article contributions. The following final chapter will briefly summarize the major findings, limitations as well as theoretical and practical contributions for each article.

Key words: *Firm-wide Strategic Change, Cross-channel Management, Strategic Development Paths, Organizational Design Adaptation, Microfoundations of TM-MM interactions*

“Every advance is temporary.”
Katerina Stoykova Kle

1. Article 1 & Article 2: Strategic Development Paths

From a theoretical perspective, the empirically derived *typology of channel modes* as well as *the three strategic development paths* contribute to extant literature on multi-channel strategy research from a process perspective in several ways. This typology, as a novel contribution to the literature, relates to extant theory on multi-channel management and is the first empirically grounded framework that specifically addresses the change in consumer behavior towards cross-channel shopping from a managerial point of view (e.g. Gulati & Garino, 2000; Bahn & Fischer, 2003; Mueller-Lankenau et al., 2004; 2006; Neslin & Shankar, 2009; Zhang et al., 2009). Furthermore, the identified key capabilities and structural adaptations for each strategic development path illustrate the complexity of the top-driven strategic renewal process towards cross-channel management. However, since the study is exploratory, in the future, our findings could be confirmed and further refined with the help of additional research methodologies and foci. *First,* a quantitative survey among top and middle managers from multi-channel incumbents across the globe could confirm and further detail the three development paths, their key characteristics as well as thei differing characteristics and thereby also specify the theoretically developed evaluation scheme. *Second,* a more in-depth focus on capabilities and structural adaptations of each strategic development path would greatly contribute to the emergent research stream of microfoundations of dynamic capabilities in the context of top-driven strategic renewal (Gavetti, 2005; Teece, 2007).

From a practical perspective, both articles deliver hands-on guidance on how to successfully initiate and overcome the firm-wide transformation process towards cross-channel management. The developed typology of channel modes is an effective tool for managers to structure their current as well as planned cross-channel initiatives. In addition, the three derived strategic development paths help multi-channel incumbents to define which journey towards cross-channel management they shall pursue based on their respective market/industry setting as well as their internal readiness to manage this firm-wide strategic change process. The framework allows top managers to concisely plan their cross-channel strategy process by evaluating the advantages and disadvantages of each strategic development path and to identify the major pitfalls and critical success factors for their chosen growth path.

2. Article 3: Routes of Organizational Design Adaptation

From a theoretical perspective, the empirically derived framework shows that the two dimensions *market segment homogeneity* and *structural integration* are crucial when firms adapt their organizational design to overcome contingency misfits based on disruptive changes in the environment. These findings theoretically confirm and elaborate extant theory on organizational design adaptation (e.g. Lawrence & Lorsch, 1967; Tushman & O'Reilly, 1997; Tushman et al., 2010). Moreover, the four identified routes of organizational design adaptation contribute to the still fuzzy area of research on organizational design adaptation in the context of disruptive changes in contextual contingencies (e.g. Westerman et al., 2006) and offer a clear-cut management approach on how to deal with situations of disruptive changes in contextual contingencies. The present contribution is the first study to proclaim that intermediary forms of organizational design adaptation, as applied in the context of incremental changes in contextual contingencies (e.g. Clark & Fujimoto, 1991; Wheelright & Clark, 1992; Dougherty, 2001), are also applicable to the context of disruptive changes in the environment. Since this study is qualitative in nature, the findings have to be qualified as explorative and future research projects could refine and validate them in several ways. *First,* a quantitative survey with a non-European data-set, for example consisting of top and middle managers multi-channel incumbents from US, UK or Japanese retailers would not only validate the four routes of organizational design adaptation but add to our understanding of relevant antecedents in the cross-channel environment. *Second,* since the study rather focused on the content perspective in our research project identifying the four organizational design adaptation routes, further research could take on a process perspective and evaluate how firms switch between the different routes along their transformation journey towards cross-channel shopping. *Third,* although the study was not able to determine which of the four identified routes was more successful or more preferable – given the differences in each firm's immediate market environment and internal readiness for cross-channel management – future research projects could particularly focus on performance differences of multi-channel players when adapting their organizational design along the transformation journey towards cross-channel management.

From a practical perspective, this third article also provides a strong management tool for multi-channel firms to evaluate which route of organizational design adaptation shall be pursued and to determine when and in which sequence these structural adaptations best facilitate the firm-wide strategic change process towards cross-channel management. With this framework, multi-channel retailers are able to choose the route which best fits their environmental settings and their internal conditions.

3. Article 4: Top Management Practices Facilitating Middle Management Empowerment

From a theoretical perspective, this fourth article identifies a second logic besides the current theory of symbolic power (e.g. Pfeffer, 1994; March, 2010; Stensaker & Langley, 2010) to explain how top managers empower their mid-levels for active contributions during strategic renewal. The article introduces a new theoretical framework of two different top management styles which explain how top managers empower or disempower their middle managers in situations of deliberate strategic change. It contributes to extant theory by elaborating the so far under-examined theory of relational empowerment (e.g. Hardy & Leiba-O'Sullivan, 1998; Walsh et al., 1998) and by applying it to hierarchical relationships between supervisors and subordinates to introduce the leadership approach of *re-enacting hierarchies*. It thereby shows that top managers' active interventions and support during strategic change can also explain middle managers' empowerment in top-driven renewal. It also adds discussion about the role of both management echelons in the context of deliberate strategic change and illustrates that the classic role distribution – top managers being in charge of strategy formulation while middle managers drive strategy implementation – can still hold (Mintzberg, 1978; Mintzberg & Waters, 1985). But top managers need to interact with their mid-levels throughout the whole change process based specific leadership practices. The study also provides insight on the self-empowerment of top managers and thereby contributes to the theory of psychological empowerment (e.g. Conger & Kanungo, 1988; Thomas & Velthouse, 1990; Spreitzer, 2008). It shows that top managers who intensively revive hierarchical relationships during strategic renewal by constructively applying the three scrutinized leadership practices not only become a valuable resource for middle managers in driving their assigned change tasks, but also empower themselves to actively contribute to the strategic change process. Since this study bases on a multiple case design, future research avenues may verify and substantiate these findings *first* by testing and elaborating the theoretical framework empirically based on quantitative research methods between different organizational settings or *second* by scrutinizing the identified leadership practices in more detail in similar top-driven change settings of other industries.

From a practical perspective, this fourth article introduces *re-enacting hierarchies* as a new way for top managers to empower their mid-levels in the context of deliberate strategic change. Three leadership practices are being used by top management of successful cross-channel retailers to revive hierarchies: 1) top managers *personally engage* with mid-levels by envisioning the new strategic direction early in the change process. 2) They also *guide* their middle managers *structurally* by actively caring for their problems and concerns during the change process. 3) Finally they ensure *feedback accessibility* by encouraging even lower middle managers to bring in new their critical thoughts and ideas late in the change process.

4. Final Synthesis

The present retail landscape is in the midst of a fundamental change as new technologies and new consumer behavior prompt firms to rethink and redesign their strategic channel configuration and offer seamless channel switching opportunities to their customers. This dissertation may offer guidance to top managers of multi-channel retailers who initiate and take part in the change towards cross-channel management, by illustrating how they can (1) strategically plan cross-channel initiatives throughout the firm, (2) structurally adapt their organization design as well as (3) empower their middle managers to actively contribute to the change process. Retailers who manage the transformation from a multi-channel to a cross-channel setup earlier and better than others will have the edge on their competitors by (1) keeping customers loyal, (2) attracting customers from multi and single channel competitors with limited channel switching opportunities and (3) expand their share of wallet through cross- and up-selling.

The future of retailing, according to this dissertation, is not necessarily online. Rather, it lies in the seamless combination of online as well as offline channels and consumer touch-points.

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H Appendix

1. Interview Narrative

Date: ____________________ *Company:* ____________________

Respondent: ____________________ *Title:* ____________________

Researcher 1: ____________________ *Researcher 2:* ____________________

Introduction (10 minutes)

1. **Explanation of dissertation project**
   a. The purpose of the project is to explore how multi-channel incumbents successfully manage the transformation process towards cross-channel management.

   b. Project addresses three major questions:
      - How do multi-channel firms manage their strategic change process towards cross-channel management?
      - What changes in organizational design are needed to facilitate the transformation process towards cross-channel management?
      - How can TMs empower their MMs to actively contribute in the context of the top-driven strategic renewal process and thereby foster relational empowerment that drives innovation?

   c. Background information on researcher(s).

2. **Information about confidentiality**
   a. We will treat all information as highly confidential.

   b. Results on a personal basis are only shared with the respondent.

   c. Results on a firm-wide basis are only shared within the firm.

   d. All results will be anonymized and reported in a way that the identity of a firm or specific individuals cannot be discovered.

e. We would like you to give us permission to tape the whole interview. The recording of the interview makes it much easier for us afterwards to analyze our data.

f. You may refuse to answer any of the questions, ask us to stop the recording at any given point in time or even to stop the interview.

3. Interview structure

a. The interview narrative we us here consists of open-ended as well as closed-ended questions.

b. In open-ended questions, you will be asked to express an opinion or give a description about a specific issue or process.

c. In close-ended questions, you will be asked to give numerical ratings or impressions about specific items.

d. The interview has four sections
   - General background and warm-up
   - Strategic perspective on cross-channel management
   - Structural perspective on cross-channel management
   - Managerial perspective on cross-channel management

   State the importance of the integrative view on all three perspectives.
   The whole interview will take about 75 minutes.

4. Note on abbreviations for type of informants

a. TMs = Top Managers (typically CEO, CFO, CMO, etc.)
b. MMs = Middle Managers (typically higher middle managers such as head of online channel or lower middle managers such as store manager or team leader online marketing)
c. ALL = refers to both types of informants described above

Warm-Up (5 minutes)

1. Personal background of informant

a. ALL: Please briefly describe your background here at __________________ (focal firm)

b. ALL: Prompts:
   - What is your current job?
   - What type of positions have you held before?
   - What did you do before coming to __________________ (focal firm)?

2. Ice-breaker questions

a. TMs: What are the key drivers of the transformation process towards cross-channel management in your segment of the ________________ industry? (e.g. level of competition, market share gains from pure online players)

b. TMs: What are the key competitors and what is their strategic approach? *(see performance sheet - figure 1)*

c. TMs: How does the change in consumer behavior towards cross-channel shopping affect your firm's competitive strategy?
If platitudes are mentioned, then:
- How does your product/market scope differ from the one of key competitors? (online, offline, and multi-channel retailers)
- What do you do differently compared to your competitors? (online, offline, and multi-channel retailers)

Part I: Strategic Perspective (25 minutes)

1. Current multi-channel strategy (2011/2012)

a. ALL: How has multi-channel management evolved within your firm during the last 3-5 years?

b. ALL: How would you characterize your current multi-channel strategy?
- Overview on channel revenues 2011 *(see performance sheet - figure 2)*
- Brief description of each installed offline and online distribution channels
- Brief description of each installed offline, online and social communication channels
- Differences in offline and online channels from a front-end perspective (e.g. assortment, price, layout/design, services, promotion)
- Differences in offline and online channels from a back-end perspective (information systems and business processes; e.g. order management & fulfillment, inventory management & control, CRM)
- Current multi-channel strengths and weaknesses

2. Future cross-channel strategy (2015)

a. ALL: How would you characterize your future cross-channel strategy?
- Overview on channel revenues and cross-channel effects 2015 *(see performance sheet - figure 2)*
- Brief description of cross-channel services to be installed
- Brief description of cross-media campaigns / cross-channel promotions to be installed
- Level of integration of offline and online channels from a front-end perspective (e.g. assortment, price, layout/design, services, promotion)

- Level of integration of offline and online channels from a back-end perspective (information systems and business processes; e.g. order management & fulfillment, inventory management & control, CRM)
- Number and naming of planned cross-channel innovation initiatives (in the front-end as well as in the back-end)

3. Transformation process towards cross-channel management

a. ALL: What are your firm's key challenges/threats regarding the firm-wide strategic change process towards cross-channel management?
   - Quick naming of key challenges
   - Naming of major threats

b. ALL/TMs: How does the strategic development path to integrate all online and offline channels look like?
   - ALL: What are the defined cross-channel initiatives? (in the front-end as well as in the back-end)
   - TMs: What are the priorities and time lines of the defined cross-channel initiatives?
   - ALL: Is your transformation process focused on the communication channel integration, the distribution channel integration or both?
   - TMs: Evaluation of the strategic renewal performance of the firm in regard to the transformation process towards cross-channel management *(see performance sheet - figure 3)*

Part II: Organizational perspective (25 minutes)

1. Current organization design

a. TMs: How are the different distribution channels organized today?
   - Cross-channel organization structure (independent vs. harmonized)
   - Current level of cross-channel collaboration (isolated vs. coordinated)
   - Level of decision-making (decentralized vs. centralized)

b. ALL: What are the most burning issues with the current organization design? (e.g. departmental duplicities across channels – online vs. offline marketing)

c. ALL: Could you describe a bit more in detail your current cross-channel collaboration initiatives? *(see performance sheet - figure 4)*
   - Examples and their functionality as well as impact
     - formal committees (type, frequency, impact)
     - informal relations (frequency, impact)
   - Please describe in great detail at least one successful and one unsuccessful cross-channel collaboration initiative

2. Future organization design / needed adaptations

a. ALL: How will the different distribution channels be organized in the future?
- Description of specific adaptations of the current structure (harmonized vs. integrated)
- Future level of cross-channel collaboration (slightly coordinated vs. strongly coordinated) and description of new collaboration initiatives
  - formal committees (type, frequency, impact)
  - informal relations (frequency, impact)
- Change in level of decision-making (decentralized vs. centralized)

b. TMs: Could you describe a bit more in detail which new cross-channel collaboration initiatives you plan to install and how you plan to improve the current level of cross-channel collaboration? *(see performance sheet - table 4)*
- Examples and their functionality as well as impact
  - formal committees (type, frequency, impact)
  - informal relations (frequency, impact)

3. Organizational responsibility for cross-channel management

a. ALL: Who is driving the strategic change process towards cross-channel management within your organization?
- Who is in charge today? (title, position, role, authority)
- Who will be in charge in the future? (title, position, role, authority)
- If you install a new function such as a cross-channel manager, what are the activities and competencies of this new position?

Part III: Managerial perspective (25 minutes)

1. Strategy process

a. ALL: How is the strategic change process organized today?
- Process characteristics - top-down vs. bottom-up process
- Where and to what extent are MMs involved in the process (strategy formulation, strategy implementation)
- Role of TMs/MMs during the transformation process
- How has the strategy process changed within the last years?

2. TM-MM interaction

a. TMs: Please describe the TM-MM interaction in the context of the transformation process towards cross-channel management from your top management perspective
- TM-MM interaction on an overall basis
  - When, how frequently, and what for?
  - Acceptance level of cross-channel innovation initiatives *(see performance sheet - figure 5)*

- Specific peak/low performance incidents
- Approach to foster MM empowerment

- TM-MM interaction during 2 specific strategic initiatives
  - Context, initiative goal, process, and major problems
  - Your role an activities during these initiatives
  - Role of MMs in these situations
  - Your expectations about the MMs contributions
  - Specific activities fostering MM empowerment

b. <u>MMs:</u> Please describe the TM-MM interaction in the context of the transformation process towards cross-channel management from your middle management perspective
  - TM-MM interaction on an overall basis
    - When, how frequently, and what for?
    - Acceptance level of cross-channel innovation initiatives *(see performance sheet - figure 5)*
    - Specific peak/low performance incidents
    - Approach of TMs to support you in your role
  - TM-MM interaction during 2 specific strategic initiatives
    - Context, initiative goal, process, and major problems
    - Your role an activities during these initiatives
    - Role of TMs in these situations
    - Your expectations about the TMs support
    - Specific activities by TMs to enable you to actively contribute to these initiative(s)

<u>Post-interview conclusions (interviewer notes/observations/analysis)</u>

1. How are the defined cross-channel initiatives structured to successfully manage the strategic change process towards cross-channel management?
   a. Previous multi-channel strategy
   b. Focus on distribution channel integration or communication channel integration or both at the same time? *(observation/analysis: do interviewees of the same firm share the same perspective)*
   c. Detailed description of the pursued strategic development path

2. What adaptations of the current organization design are planned based on the chosen strategic change process towards cross-channel management?
   a. Previous organizational design
   b. Targeted organizational design
   c. Changes in organization structure, cross-channel collaboration (formal & informal) and decision-making *(observation/analysis: do interviewees of the same firm share the same perspective)*
   d. Process perspective on executed adaptations of the organization design

3. By which activities can top managers empower their middle managers to actively contribute to the strategic change initiatives already in the development phase and not only in the roll-out phase?
   a. Role and activities of TMs (evaluated by TMs and MMs)
   b. Role and expected contributions by MMs (evaluated by TMs and MMs)
   c. Description and analysis of interaction processes of TMs and MMs
   d. Specific TM activities to empower MMs for active contributions during strategic change formulation as well as implementation (evaluated by TMs and MMs)
   e. Observation of TM-MM interactions during formal management meetings as well as discussions on an informal basis

2. Performance Sheet

Date: ____________________ *Company:* ____________________

Respondent: ____________________ *Title:* ____________________

Researcher 1: ____________________ *Researcher 2:* ____________________

Figure 1: Evaluation of the market environment

Firms:	Strategic Approach: Early-Mover	Follower	Late-Mover
• Us:	O	O	O
• Competitor 1: ______________	O	O	O
• Competitor 2: ______________	O	O	O
• Competitor 3: ______________	O	O	O
• Competitor 4: ______________	O	O	O

Figure 2: Overview on revenue shares among channels 2011 vs. 2015:

in mio. CHF / Euro	Description	Sales 2011	Sales 2015
Classic store revenues	Items bought in stores from the shelf		
Classic online revenues	Items ordered online, delivered home		
Classic catalogue/call-center revenues	Items ordered by catalogue/call-center, delivered home		
Cross-channel revenues I	Items ordered online, picked up in stores		
Cross-channel revenues II	Items ordered online in stores via in-store kiosk or tablets, delivered home or picked up in stores		
Cross-channel revenues III	Items order via call-center, picked up in stores		

Figure 3: Evaluation of the strategic change performance:

Key characteristics: | Level of fulfillment *(1 very low vs. 5 very high)*

Key characteristics:	Level of fulfillment *(1 very low vs. 5 very high)*
• Achievement of change initiatives goals	1 - 2 - 3 - 4 - 5
• Compliance to planned budget constraints for initiatives	1 - 2 - 3 - 4 - 5
• Time lags of initiatives	1 - 2 - 3 - 4 - 5
• Overall level of top and middle management collaboration to manage initiatives	1 - 2 - 3 - 4 - 5

Figure 4: Evaluation of current and future cross-channel collaboration initiatives:

Cross-channel collaboration initiative	Goal	Description	Involved channel departments	Who is contributing what in which function?	Burning issues to be improved / resolved
1.) ...					
2.) ...					
3.) ...					
4.) ...					

Figure 5: Acceptance level of cross-channel innovation initiatives:

Key characteristics:	Level of acceptance of innovation initiatives *(1 very low vs. 5 very high)*
• Employee resistance against innovation initiatives	1 - 2 - 3 - 4 - 5
• Customer feedback about innovation initiatives	1 - 2 - 3 - 4 - 5
• Overall level of top and middle management agreement of the importance of innovation initiatives	1 - 2 - 3 - 4 - 5

3. Acquisition Letter to Win Case Firms

Institute of Retail Management
University of St.Gallen

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St. Gallen, *xx. month, year*

To whom it may concern,

As a PhD student at the Institute of Retail Management from the University of St.Gallen, I have chosen to focus my dissertation project on the very topic of cross-channel management.

Focus of the dissertation project

Together with my supervisor Prof. Dr. Thomas Rudolph, I have launched several research projects to examine how multi-channel incumbents harmonize their online and offline distribution and communication channels aimed at catering to the demands of the so-called cross-channel shoppers - a phenomenon we coin "cross-channel management".

To tackle this topic, my dissertation project follows a management-oriented approach basing on three distinctive layers:

1. **Strategic perspective** – to identify different strategic development paths for multi-channel incumbents striving towards cross-channel management
2. **Structural perspective** – to elaborate needed adaptations in the organization design that best support the implementation of the defined cross-channel strategy
3. **Managerial perspective** – to scrutinize top management leadership practices that empower middle managers to actively contribute to the strategic renewal process towards cross-channel management.

Case-based research design

I pursue a qualitative multiple case design since the topic is considered as nascent field of research and yet only a few multi-channel retailers have successfully overcome the firm-wide transformation process towards cross-channel management. Thus, the chosen research design sets the requirement to acquire 6-8 multi-channel retailers from various retail industries striving for cross-channel management as case firms and thereby to conduct semi-structured interviews on top and middle management levels within each firm.

Official request to win your company as a case firm

Based on the already launched initiatives aimed at integrating online and offline channels at *firm x*, we qualify your firm as being an ideal project partner.

As already discussed with *Mr./Mrs. Y of your firm x* in advance, it would be great to be able to interview 6-8 top and middle managers from different departments which are all involved in cross-channel initiatives. This approach will help us to grasp a holistic perspective on the key challenges regarding the cross-channel management topic within each case firm to be able to compare and contrast the different approaches. Each interview will be conducted on an individual basis and will not last longer than 90 minutes at maximum. An interview narrative structures each interview whereas there is enough room for spontaneous deep-dives on specific issues.

Your value

- Dialogue on the very topic of cross-channel management - a topic which is still in its formative stage and practice yet lacks learnings from successful cases
- Access to results of the dissertation project
    - key findings on an aggregated level
    - anonymized findings from other case firms
- Exchange of experiences with other case firms *(project partners decide on an individual basis about the degree of openness towards others)*

Confidentiality is of top priority. Therefore, you decide at any stage in the process what information needs to be anonymized and by what extent you wish to exchange key insights and learnings with other case firms.

Please do not hesitate to contact me in case of questions.

I would be glad to win *firm x* as an official project partner for my dissertation project.

Best regards,

Felix Brunner
Research Associate and Doctoral Candidate
Institute of Retail Management at the University of St.Gallen

4. Overview on Interview Partners

Interview Number:	Interviewee Number:	Management Level:	Date:	Duration:
Case Firm: Mont Blanc				
1	1	Top Manager	23.08.2012	45min
2	2	Top Manager	18.11.2011	1h10min
3	3	Higher Middle Manager	22.09.2011	1h45min
4	4	Higher Middle Manager	18.11.2011	1h10min
5	5	Higher Middle Manager	18.11.2011	1h15min
6	6	Higher Middle Manager	22.09.2011	1h15min
7		Higher Middle Manager	13.10.2011	2h00min
8		Higher Middle Manager	25.04.2012	35min
9	7	Middle Manager	25.01.2012	1h10min
10	8	Middle Manager	25.01.2012	50min
11	9	Middle Manager	25.01.2012	50min
12	10	Middle Manager	25.01.2012	55min
13	11	Middle Manager	25.01.2012	50min
14	15	Middle Manager	25.01.2012	1h50min
Case Firm: Annapurna				
15	16	Top Manager	09.11.2012	32min
16	17	Top Manager	30.07.2012	57min
17	18	Top Manager	27.06.2012	52min
18	19	Higher Middle Manager	26.06.2012	1h23min
19	20	Higher Middle Manager	26.01.2012	2h50min
20		Higher Middle Manager	26.06.2012	1h05min
21	22	Higher Middle Manager	26.06.2012	55min
22	23	Higher Middle Manager	26.06.2012	57min
23	24	Middle Manager	26.06.2012	1h13min
24	25	Middle Manager	27.06.2012	1h12min
25	26	Middle Manager	27.06.2012	54min
26	27	Middle Manager	26.06.2012	1h28min
27	28	Middle Manager	27.06.2012	1h06min
28	29	Middle Manager	27.06.2012	1h22min
Case Firm: Matterhorn				
29	30	Top Manager	02.07.2012	49min
30		Top Manager	05.11.2012	33min
31	31	Top Manager	02.07.2012	1h01min
32	32	Top Manager	30.01.2012	1h55min
33	33	Higher Middle Manager	18.04.2012	2h23min
34		Higher Middle Manager	21.06.2012	2h01min
35		Higher Middle Manager	12.03.2013	1h10min
36		Higher Middle Manager	15.05.2013	35min
37	34	Higher Middle Manager	02.05.2012	36min
38	35	Middle Manager	21.06.2012	43min
39	36	Middle Manager	21.06.2012	44min

Interview Number:	Interviewee Number:	Management Level:	Date:	Duration:
Case Firm: Zugspitze				
40	37	Top Manager	24.04.2012	1h36min
41		Top Manager	19.03.2013	25min
42	38	Higher Middle Manager	12.04.2013	53min
43	39	Middle Manager	05.04.2013	25min
Case Firm: K2				
44	40	Top Manager	19.04.2012	1h23min
45		Top Manager	20.06.2012	42min
46	41	Higher Middle Manager	23.04.2012	1h25min
47	42	Higher Middle Manager	30.04.2013	44min
48	43	Higher Middle Manager	19.04.2012	1h30min
49	44	Higher Middle Manager	19.04.2012	1h39mn
50	45	Middle Manager	23.04.2012	1h20min
Case Firm: Everest				
51	46	Top Manager	02.08.2012	57min
52	46	Top Manager	15.07.2013	31min
53	47	Top Manager	20.06.2012	55min
54	48	Higher Middle Manager	04.07.2012	1h18min
55	49	Higher Middle Manager	05.07.2012	53min
56	50	Higher Middle Manager	04.07.2012	1h50min
57	51	Higher Middle Manager	05.07.2012	1h08min
58	52	Middle Manager	05.07.2012	1h31min
59	53	Middle Manager	04.07.2012	1h06min
60	54	Middle Manager	05.07.2012	1h14min
Case Firm: Lhotse				
61	55	Top Manager	17.07.2013	1h04min
62	56	Top Manager	30.04.2013	41min
63	57	Higher Middle Manager	27.04.2012	1h18min
64		Higher Middle Manager	22.07.2012	35min
65	58	Middle Manager	28.06.2013	1h35min
Case Firm: Kilimanjaro				
66	59	Top Manager	12.03.2013	1h20min
67	60	Higher Middle Manager	22.06.2012	1h32min
68	61	Higher Middle Manager	06.03.2013	37min
69	62	Middle Manager	15.03.2013	58min
70	63	Middle Manager	19.06.2013	37min
Case Firm: McKinley				
71	64	Top Manager	17.09.2012	1h15min
72	65	Top Manager	18.06.2012	30min
73	66	Higher Middle Manager	17.09.2012	1h10min
74	67	Middle Manager	10.06.2013	58min
Additional Expert Interviews				
75	68	Top Manager	28.06.2013	1h16min
76	69	Top Manager	10.04.2013	52min
77	70	Top Manager	17.07.2013	35min
78	71	Higher Middle Manager	08.07.2013	1h07min

Curriculum Vitae

Name	Felix Brunner
Date of birth	April 08, 1980 in Zurich, Switzerland

Education

2009 – 2013	*University of St.Gallen* (HSG), Switzerland PhD studies – Department of Marketing
2012 – 2013	*University of Massachusetts* (UMASS), Amherst, MA, U.S. Visiting Researcher – Isenberg School of Management Scholarship from the Swiss National Science Foundation
2004 – 2006	*University of St.Gallen* (HSG), Switzerland Master of Arts in Marketing, Services and Communication Management (M.A. HSG)
2000 – 2004	*University of St.Gallen* (HSG), Switzerland Bachelor of Arts in Business Administration (B.A. HSG)
1995 – 2000	*Kantonsschule Enge Zurich,* Switzerland High School Diploma

Work Experience

2006 – today	*Malik Management,* St. Gallen and Zurich, Switzerland Project Manager for Management Consulting and Education
2009 – today	*Institute of Retail Management (IRM-HSG),* St. Gallen, Switzerland Project Manager and Research Associate
2004 – 2006	*Unilever*, Thayngen, Switzerland Student Trainee as Part of the Master Program
2005 – 2006	*Consultant for Retail Flowers Stores,* Switzerland
2002 – 2005	*Start-Up:*, Flowers & Mohr, Winterthur, Switzerland Co-Founder of a Retail Flowers Store
2002 – 2002	*Albert Uster Imports,* Gaithersburg, MD, U.S. Student Trainee in Marketing, Sales, Purchasing and Logistics