

# **Innovation processes in retailing**

A way to green food retail?

**Sigríður Droplaug Jónsdóttir**

Supervisors

Professor Oksana Mont

Assistant Professor Andrius Plepys

Thesis for the fulfilment of the  
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Tel: +46 – 46 222 02 00, Fax: +46 – 46 222 02 10, e-mail: [iiiee@iiiee.lu.se](mailto:iiiee@iiiee.lu.se).

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*It is the journey we take on that tie us together not the destination we are heading for.*

## Abstract

The retailing sector plays an important role in sustainable development and climate change. The grocery retailer serves as an intermediary between suppliers and consumers, and is thus in direct contact on a daily basis with consumers. This gives all stakeholders unique position from which to influence each other, i.e. on the production and consumption part of products, but also on *in-store* activities. Research on innovation and innovation processes primarily focuses on production companies or the entire retail sector, which is complex and diverse, but less on a specific branch within the sector, e.g. grocery retailers. It remains unclear how innovations are born and how they travel within the grocery retailer sector and within specific organisations. Advancing understanding of how organisational structure and innovation processes in grocery retailing interact and may influence the sustainability of retail operations is valuable knowledge for researchers and practitioners.

The analysis of literature on innovation and organisational structure identified knowledge gap on why some organisations are more innovative than others. Bridging the gap cannot be done simply by investigating differences in organisational structure among different organisations, but must also involve an analysis of how organisations engage in the process of innovation and whether or how the organisational structure affects outcomes of the innovation process and, especially, innovation for sustainability.

The main objective of this research is to provide a deeper understanding of how innovation processes in different organisational structures are shaped within the grocery-retail sector and how they may affect the uptake and implementation of eco-innovation. Furthermore, the goal is to understand which factors influence the innovation process and to study whether and where it is possible to improve the innovation process in order to reduce environmental impacts of in-store operations.

**Keywords:** Innovation, innovation processes, organisational structure, retail sector, grocery, eco-innovation.

## **Executive Summary**

*This thesis is part of a research project on Sustainable retailing where the role of retailers in greening their value chains: upstream, in-stores and downstream is studied. The focus of this thesis is on the in-store part where innovation processes in retailing are of special interest.*

The retail sector is one of the largest service sectors in Europe playing an important role in the economy (European Commission, 2010). In Sweden, the retail sector generated more than third of the output growth in 1990–2001 (OECD, 2005). This makes the sector very important from many viewpoints. One of them is the sustainable side of retailing and its role in sustainable development and climate change.

The grocery retailers serve as an intermediary between suppliers and consumers, and are thus in direct contact with consumers on a daily basis, which gives them eminently important opportunity to influence both consumers' behaviour and suppliers' practises towards sustainability. The relationships which retailers have with consumers and suppliers is important from an environmental perspective, but retailers' operations along supply chains and their in-store practises also contribute to climate change and affect the environment in various ways. Changes in technology or behaviour which are likely to reduce the environmental impact from in-store operations are an important contribution to sustainable development and better environment. How changes in practices within the stores take place and how innovation processes influence the uptake of environmental innovations is an under-researched field of retail studies. Even less is known about whether and how organisational structures may influence the innovation processes in retail organisations. This thesis aims to address this lack of knowledge by analysing how organisations with different organisational structure engage in the process of innovation and to shed light on whether organisational structure matters for the outcome of the innovation processes and especially innovation for sustainability.

### ***Research questions***

The main objective of this research is to provide better understanding of how innovation processes in different organisational structures function within the grocery-retail sector and how they may affect the uptake and implementation of eco-innovations. Furthermore, the goal is to understand which factors influence the innovation process and to analyse whether and where improvements in innovation processes that could lead to reduced environmental impacts of in-store operations are possible.

The following are the research questions (RQ) reflecting these objectives followed by one sub-question (SQ):

*RQ1: How does organisational structure influence the level of innovation and the innovation process in grocery retailing?*

*RQ2: How can innovation processes in grocery retailing be facilitated?*

*SQ1: What is the value of implementing formalized innovation process in grocery retailing?*

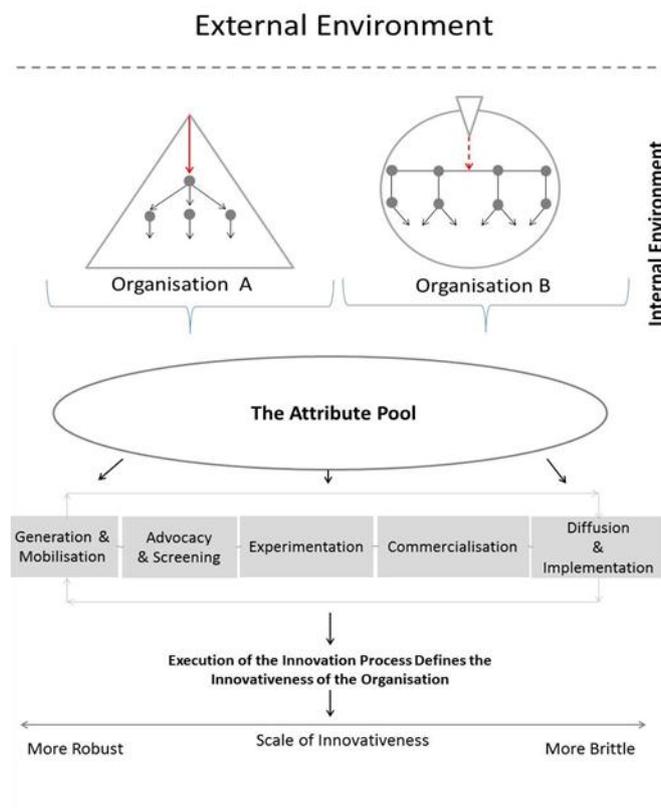
### ***Methodology***

*Primary data* was collected through semi-structured interviews with employees in stores and at corporate level. At store level managers and/or owners from two retail chains, ICA and Coop, were interviewed. The interviews provided in-depth insight into management aspects of the

innovation process in case companies. Within corporate senior management, the opportunity to select actively interviewees was very limited, resulting in data collection from only one person in each retail chain.

*Secondary data* was collected from the literature on retail industry, innovation in various organisations and on organisational structure and management structure. The sources included books, articles, research papers, business- and consultancy reports, and public reports from research institutes.

*Analysis:* As a foundation of analysis a framework for innovation processes and a definition of organisational innovativeness by Desouza's et al. (2009) were employed. This framework was further developed based on findings from literature in order to tailor it to the purpose of the research i.e. to investigate how organisations engage in the process of innovation and whether and how the organisational structure affects outcomes of the innovation process and especially innovation for sustainability (*the structured analytical framework is demonstrated below*).



As demonstrated in the figure above, the structured framework is used to analyse how different organisational structures influence each stage of the innovation process and to indicate the level of innovativeness of the case companies.

### **Main Findings**

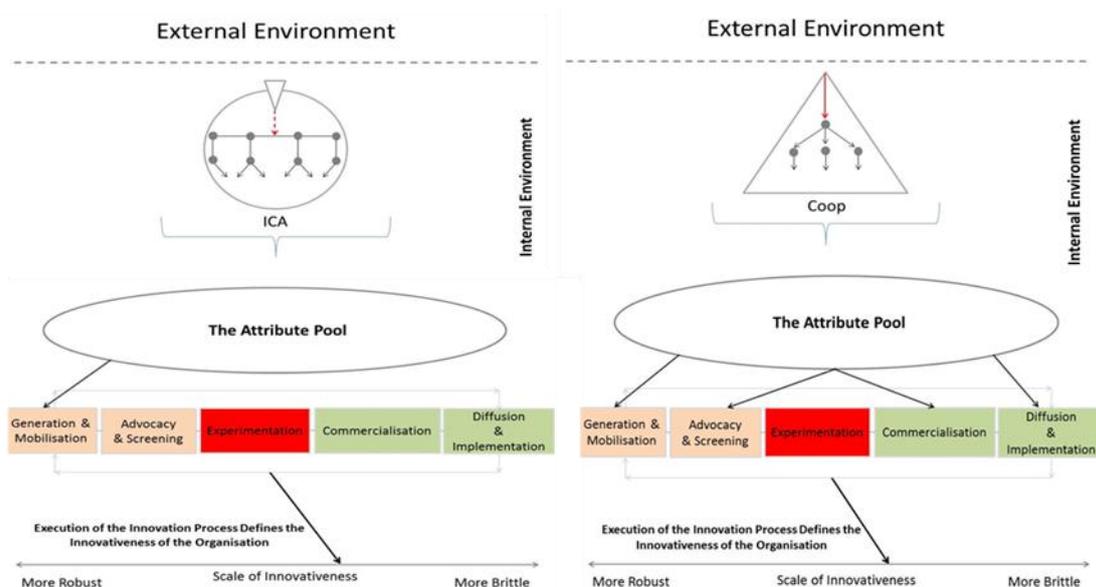
The research found out that the organisational structure has only partial influence on the innovation process while the managerial aspects within the stores are more likely to affect the outcome of the innovation process. The involvement of corporate senior management between the case companies differs. Furthermore, the level of innovations also influences whether and how much corporate senior management is involved in the process of innovation.

ICA is a collection of independent stores where corporate senior management is only involved in the generation and mobilisation stage of the innovation process. Since the stores are independent bodies, they do not have to go through higher hierarchical level with ideas that are born in their stores. Nevertheless, with the organisation moving more towards centralisation the involvement of corporate level has increased. This involvement is more related to ideas born at corporate level and applies in the context of the organisations as a whole. The ICA stores under study do not have a well-defined or structured innovation process in place.

Coop is a cooperative where corporate senior management is involved in one way or another in all but one stage of the innovation process. The level of their involvement is subjected to the level of innovation with higher involvement in radical innovations. Radical innovations that require higher resource investments have to be approved at corporate level. The Coop stores, as ICA stores, do not have in place a well-defined and structured innovation process.

Although case companies have different organisational structure and different level of involvement of corporate senior management, the way they manage their innovation process is rather similar with average management of the first two stages i.e. generation & mobilisation and advocacy & screening. Both chains engage in the third stage i.e. the experimentation stage in a very unstructured and informal way. The last two stages, commercialisation and diffusion & implementation, are practiced in a quite formal way. The obvious difference lies in the involvement of corporate level where within ICA the involvement is most likely in the first stage but within Coop in all but one stage, i.e. experimentation. Using the Desouza's terminology, both organisations can be classified as more brittle in their innovativeness.

The figure below demonstrates the findings of the study for each case. The different colours of the innovation stages indicate how well the case companies manage each stage. Green indicates good management of the stage, red bad management and beige somewhere in between.



### *Facilitating the innovation process within grocery retailing*

Although the study indicates that management of the innovation process plays a somewhat more important role than organisational structure, the latter still influences different stages of the innovation process as indicated by the differences in innovation processes in the case companies. Both chains do not have a formal innovation process in place, nevertheless they both claim that innovation ideas are being implemented frequently. This designates that despite the organisation do not have a specific innovation process, ideas go through the stages of described innovation process but in a more informal way. The difference depends more on how the stages are managed rather than the stages not existing at all. Facilitating the process of innovation is therefore likely to depend on the management aspects of the stages and managers' attitude towards the importance of having defined innovation process in place. Additionally, the innovation process needs to be adapted to the volatile environment in which grocery retailers operate; such adaptation might be part of facilitating the innovation process.

### *Eco-innovations*

The study revealed that the chains did not distinguish between eco-innovation and other types of innovation. Furthermore, eco-innovations are neither encouraged nor treated differently within the stores. Eco-innovations were often perceived as more costly rather than leading to direct financial benefits or savings and, therefore, other types of innovations took priority in both organisations.

### **Further research**

- Since only the organisational structure was analysed in this research it is possible that other organisational attributes also influence the innovation process. Therefore, further research is needed to fully understand how better management of innovation processes in grocery retailing could be reinforced.
- Analysing the innovation activities in the case companies indicates that improvement of innovation processes depends more on the specific managerial aspects of innovation activities, while the organisational structure is of less influence. However, this research indicates that while in less centralised organisations the freedom to innovate at the shop level can be higher in individual stores, in more centralised organisations the scale of uptake of innovations can be higher. Further research in the area is needed, however, in order to test this result in a quantitative study.
- The current research revealed that both cases engage in the experimentation stage in a very unstructured and informal way. *The question is why?* Does it have to do with the very nature of innovation or with innovation management structure in organisations in the retail sector? In order to obtain answers to these questions, further research is needed on how stores engage in the experimentation phase of innovation process and on which factors determine the uptake of innovation ideas and subsequent implementation.

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## **Abbreviations**

CEO – Chief executive officer

CFO – Chief financial officer

EEA – European Environmental Agency

IIIEE – The International Institute for Industrial Environmental Economics

KF – Kooperative Föbundet (e. Cooperative Union)

KPI – Key Performance Indicators

MCS – Marine Conservation Society

PET – Polyethylene Terephthalate

R&D – Research & Development

RQ – Research Question

SQ – Sub-Question

SCP – Sustainable Consumption & Production

WWF – World Wildlife Fund



# 1 INTRODUCTION

*This thesis is part of a research project on Sustainable retailing where the role of retailers in greening their value chains: upstream, in-stores and downstream is studied. The focus of this thesis is on the in-store part where innovation processes in retailing are of special interest.*

The retail sector is one of the largest service sectors in Europe in terms of value-added and employment (European Commission, 2010). In 2007, the retail sector was responsible for 8.4% of the total EU employment (17.4 million employees) and 4.2% of total gross value added. Of all retail categories, the grocery retailers comprise 50% of the retail sector in the EU (European Commission, 2010).

Along with wholesales, the retail sector generated more than third of output growth in Sweden 1990 – 2001 (OECD, 2005). This makes the sector very important for various reasons. One of them is the sustainable side of retailing and its role in sustainable development and climate change. The grocery retailer serves as an intermediary between suppliers and consumers, and is thus in direct contact on a daily basis with consumers which give it eminently important opportunity to influence both consumer's behaviour and supplier's practises towards sustainability.

The relationships which the retailer has with both consumers and suppliers is extremely important from an environmental perspective, but the retailer himself and his practises within the store also contribute to climate change and affect the environment in various ways. Changes in practices with new technology or behaviour, which are likely to reduce the environmental impact from stores operations, are an important contribution to sustainable development and better environment. How these changes take place and what affects the process that might influence the outcome for better or worse is an interesting topic to explore. Changes, which have significant improvements in the slipstream go under the term innovation and are perceived as one of the corner stones of successful businesses.

Understanding the process of innovation is an important aspect in developing sustainable innovation programs. But organisational structure is also important as it may affect the outcomes in crucial ways.

This thesis focuses on analysing how organisational structure influences the process and level of innovation within two selected Swedish grocery retailers i.e. ICA and Coop.

## 1.1 Problem Definition

The retailing sector plays an important role in sustainable development and climate change. The grocery retailer serves as an intermediary between suppliers and consumers, and is thus in direct contact on a daily basis with consumers. This gives these stakeholders a unique position from which to influence each other, but the grocery retailer is also an important locus for in-store activities. Research on innovation and innovation processes focus primarily on production companies or the entire retail sector, which is complex and diverse but less on a specific branch within the sector, e.g. grocery retailers. It remains unclear how innovation is generated and mobilised within the grocery retailer sector and within specific organisations. Advancing understanding of how organisational structure and innovation processes in grocery retailing interact and may influence the sustainability of retail operations is important for both researchers and practitioners.

Innovation is one of the corner stones of successful business, and today's focus is more on *how* to be innovative rather than reflecting upon the importance of innovation since that has already been acknowledged (Fredberg, Elmquist, & Ollila, 2008). Innovation usually spurs from quality, economic, and/or market perspectives with products in the foreground. In some cases, the drive to innovate comes from pressure to decrease environmental impact of products or processes (Rolstadås, Henriksen, & O'Sullivan, 2012). Focusing on production companies Foster & Green (2000) conclude that the ways towards effective eco-innovation and innovation in general are more or less the same. Furthermore, they identify information flow between demand side i.e. the company with its innovators and expertise and the response side as an important factor of effective innovation (Foster & Green, 2000). Taking this into account, one might expect that organisational structure could play a role in promoting effective innovation. Özsomer et al. (1997) adduces that innovativeness will increase as the organisational structure becomes more flexible. Nevertheless, some organisations do well in innovative activities while others do not as well regardless of their organisational structure. This indicates that other factors might influence the level of innovation. How innovation comes about depends on the whole process of innovation, and is further influenced by the structure of the company in question (Chang & Harrington, 1998; Kasper, Mühlbacher, & Müller, 2008). The effectiveness of the innovation process can determine the level of success of the innovation and what type of innovation reach implementation stage (Desouza, et al., 2009). Nonetheless, innovation is not limited to conventional production companies with well-defined research & development (R&D) departments but extends also to other types of businesses where the innovation process can be more blurry and/or hidden within the setup of the business. Then again, in services the distinction between product and process innovation seems to be less clear (Bitran & Pedrosa, 1998). OECD (2005) states that the role of innovation in the service-sector which grocery retailing falls within, has been “under-appreciated” (OECD, 2005, p. 10) for a long time and more poorly understood and measured than compared to many other sectors (Hristov & Reynolds, 2007).

The analysis of literature on innovation and organisational structures portrays a lack of knowledge on why some organisations are more innovative than others. Bridging the gap cannot be done solely by investigating differences in organisational structures among different organisations, but must also involve an analysis of how organisations engage in the process of innovation and whether and how the organisational structure affects outcomes of the innovation process and especially innovation for sustainability. Therefore, it is essential to understand how organisations engage in the process of innovation and how the organisational structure affects its outcomes.

To be able to do so, the research studies how innovation processes were carried out in companies with different organisational structure i.e. centralised and decentralised structure

and in what way they influence the process of innovation in general and innovation for sustainability in particular.

## 1.2 Research Objectives & Questions

The main objective of this research is to provide a better understanding of how innovation processes in different organisational structures function within the grocery-retail sector and how they may affect the uptake and implementation of eco-innovation. Furthermore, the research aims at shedding light on what factors influence the process so that it can be determined whether and where it is possible to make improvements in innovation processes that could lead to reduced environmental impacts of *in-store* operations.

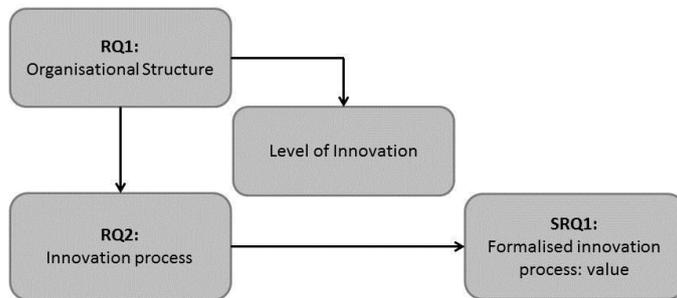
Below are the research questions (RQ) that reflect these objectives followed by one sub-question (SQ):

**RQ1:** How does organisational structure influence the level of innovation and the innovation process in grocery retailing?

**RQ2:** How can innovation processes for sustainability in grocery retailing be facilitated?

**SQ1:** What is the value of implementing formalized innovation processes in grocery retailing?

The diagram below indicates the relationship between the research questions in the study.



By answering these questions in relation to the findings of the research and current knowledge, I expect to improve our understanding of how grocery retailers manage innovation processes. Furthermore, this will expand our understanding of how eco-innovation can be promoted within the grocery retailer sector through improved practices of invention activities.

Figure 1-1 The relationship between research questions.

## 1.3 Scope

This case study focuses on innovation processes in grocery retailing in Sweden, aiming at understanding how the process establishment in grocery retail organisations with different organisational structures is attained. The grocery retail sector plays an important role in reducing environmental impacts up the value chain, *in-stores* and down the value chain with innovation as a key factor. The primary focus of this study is on *in-store* operations where energy consumption (electricity for refrigeration, lighting, heating, ventilation, air conditioning), water consumption and generation of waste add up to a sizable part of retailer's overall environmental impact (European Commission, 2009; Tassou, Ge, Hadaway, & Marriott, 2011; The Conservation Foundation of Greater Toronto & Toronto and Region Conservation, 2006). The way things are done within the store affects the environmental

impact of the operation of the store. Handling of material, setup and operation of cold storages, disposal practices are all part of both behavioural and/or technical aspects, which can be changed or replaced with more positive effects on the environment (UNEP, 2006).

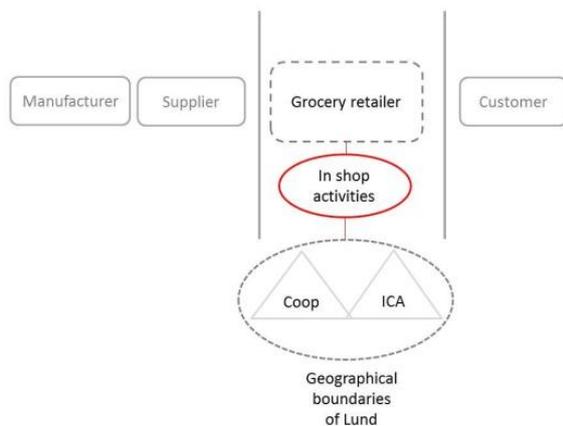


Figure 1-2 The scope of the study with manufacturers, suppliers and customers falling outside the scope

how different organisational levels perceive the innovation process. The study excludes all stakeholders other than the retailer himself as the focus is on *in-store* activities, how the retailer engages in the process of innovation under influence by the organisational structure. The geographical focus is on stores located in the city of Lund, Sweden as demonstrated in Figure 1-2.

## 1.4 Limitations

In this section I describe certain limitations of this study. First, there are limits on the information that were collect for the purpose of this study. This has two aspects. On one hand, the demography of the location of the research, i.e. Lund in Sweden, may affect the reaction of the case retailers in various ways. On the other hand, as there were limits to the number of interviews with employees on the senior management levels due to low participation rate at corporate level in both organisations, information about the internal workings of the organizations is limited.

As a consequence of this twofold limitation on available information, great care must be taken when the results of this study are extended to a broader context. In some sense, this study could be viewed as a pilot study for further research.

Second, there are certain limitations on the quality of the data obtained due to language barriers. To establish a better understanding of the innovation processes within the organisations the research consists of comparative study with interviews. There can be a language barrier since all interviews were conducted in English but neither the interviewer nor any of the interviewees is a native English speaker. In addition, two interviews took place with a translator; in both cases the translator was a member of the general employee working on the “floor” in the store. This introduces some weaknesses to the study since some data might be missing or might not have gotten right through to the interviewee or to the interviewer. In order to minimize the probability of misunderstandings and miscommunication in general, the questionnaire on which the interviews were based was provided beforehand. Furthermore, during the interviews the interviewees were given a clear opportunity to stop for clarification and were asked whether they fully understood the questions. Before and after interviews the interviewer gave the interviewee the opportunity to ask further questions regarding the

The aim of the case study is to understand how innovation ideas are born, how they travel within different organisational structures and whether and how they affect the implementation and outcome of innovative ideas for sustainability.

The study consists of comparison of the grocery retailers ICA and Coop. Store managers and/or store owners in Lund were interviewed to establish better understanding of innovation processes in-stores. Interviews were also conducted on senior managerial level to understand better the relationship between stores and corporate senior management and to establish whether there are differences in

interview. Finally, after describing the innovation processes observed in an interview, each interviewee was given the opportunity to comment on their own innovation process.

## **1.5 Methodology**

*The methodology of the research is described in this chapter i.e. the approach, data collection & analysis and interview design. The chapter ends with the deposition of the thesis.*

### **1.5.1 The Case Study Approach**

Qualitative research method is used in addressing the research questions presented in the study. The study consists of two basic components, literature analysis and in-depth comparative study of case companies. The in-depth comparative case study includes interviews with relevant actors within each company and provides the primary data. The literature analysis provides a reference point for the case study, overview of relevant concepts and overview of previous research related to the topic. Furthermore, the analytical framework for analysis and discussion is generated on the bases of the literature analysis.

The organisational structure of the two cases differs, one being a chain of franchise and the other being a more centrally steered organisation. In the grocery-retail sector, the case studies' competitors are believed to be of similar structure. Despite the research focusing on two different companies, the basic issues apply to and are observed from a wider perspective of the sector to which the companies in question belong.

### **1.5.2 Data Collection & Analysis**

*Primary Data:* Collection of primary data was through semi-structured interviews with employees from the case companies. The interviewees within the case companies at store level were selected on grounds of their positions within the company i.e. owners, store managers and/or assistant store managers. Additionally, the selection embodies different store chains. This selection provides relevant insight into the management aspect of the case companies.

At the senior management level the opportunity to select interviewees was very limited, resulting in data collection from only one person in each case. Because of this, information retrieved at this level is unverified and treated with caution.

*Secondary data:* Collection of secondary data through the literature of the issue under study embodies books, articles, research papers and public reports from research institutes. The main channel of sources is the Lund University library directory Summons. Part of data collection took place through the public internet where public reports from research institutes were consulted as they did not show up through the main channel of sources. Secondary data was collected more or less with "snowballing" technique where references in articles led the way towards the next source and so on. In some instances, an advance search with selected keywords in Summons was conducted.

*The Analysis:* The analysis of primary data gathered in interviews is based on a framework which was structured according to the findings from literature.

### **1.5.3 Interview design**

The interviews conducted for the purpose of the case studies were semi-structured. The questionnaire aimed at collecting facts but it was also meant to give the interviewees an opportunity to elaborate on many of questions.

Interviews were conducted in person or by telephone. The questionnaire (see Appendix B) was sent to the interviewee beforehand, usually the day before scheduled interview. General

introduction on the research project and the term ‘innovation’ was given prior to the interviews along with information on how the interview would be carried out. Each interviewee was given opportunity to pose questions before, during and at the end of the interview. The interviews were conducted in English, two interviews by means of translation between Swedish and English. The interviews lasted from 30 minutes up to 1.5 hour in one case. Overview of interviewees, their position in organisational context and method is provided in table 1-1 below.

*Table 1-1 Overview of interviews conducted for the purpose of the case studies*

Organisation	Store Type	Position of interviewee	Method	Language
ICA	Nära	Owner	In person	English - Translator
	Supermarket	Owner	In person	English
	Kvantum Malmborg	Project manager	In person	English
	Kvantum Malmborg	Store manager	In person	English
Coop	Nära	Store manager	In person	English
	Konsum	Store manager	In person	English - Translator
	Coop Forum	Assistant store manager	In person	English

Organisations	Hierarchical level	Position of interviewee	Method	Language
ICA	Central	Director of CR	Telephone	English
Coop	Central	Director of Quality and the Environment	Telephone	English

## 1.6 Audience

The intended audience are retailers and academia who are interested in understanding the relationship between innovation processes and organisational structure in grocery retailing.

## 1.7 Thesis Disposition

**Chapter 2** provides profound literature analysis on innovation, innovation processes and organisational structure and innovation, which serves as a reference point for the analysis of the study cases presented at later stages in the thesis. The analytical framework posed at the end of the chapter was made for the purpose of this thesis and is based on the literature presented in the chapter.

**Chapter 3** introduces the sustainable development aspect of the retail sector e.g. the role of retailers in sustainable consumption and production (SCP). The chapter also explains briefly the environmental impact of *in-store* activities.

**Chapter 4** introduces the case studies where the focus is on their organisational structures and observed innovation processes.

**Chapter 5** provides the empirical findings from the case studies analysed through the lens of the analytical framework and discussed in the context of the cases and findings from literature.

**Chapter 6** is the discussion part of the thesis where the methodology is reviewed along with the applied analytical framework. Furthermore, the sensitivity and the generalizability of the study is discussed briefly. The chapter includes reflections on the research questions and emerged questions from the study.

**Chapter 7** provides conclusions with short summary of the main findings and suggestions for further research.

## 2 LITERATURE ANALYSIS

*Chapter 2 provides the findings from the literature analysis. The chapter starts with contextualizing the concepts under study in a short introduction, followed with section on innovation definitions where explanations of different types and levels of innovation are provided for further understanding of the issues of the research. Next three sections, Innovation processes, Organisational structure, Organisational structure & innovation are the foundation of the literature analysis and are directly related to the research questions. The outcome of the literature analysis is presented in the final section with an analytical framework for the cases.*

### *Innovation and Organisational Structure*

“Innovation is increasingly considered to be one of the key drivers of the long-term success of a firm in today’s competitive markets” (Daniel Jiménez, Raquel Sanz, & Miguel Hernandez, 2008, p. 389).

Innovation is about implementing a new product/process or a product/process that embodies extensive changes for the company (De Jong, Bruins, Dolfsma, & Meijaard, 2003; OECD & Eurostat, 2005). Innovation can come around in a well-defined way with a new product on the market, i.e. radical innovation, or through small continuous changes of a product, process and/or operations, i.e. incremental innovation (OECD & Eurostat, 2005; Rolstadås, Henriksen, & O’Sullivan, 2012). Furthermore, innovation can both be born (new) within an organisation or adopted by an organisation other than the one which gave birth to the innovation in the first place (Damanpour & Gopalakrishnan, 1998). Most important, innovation is not static but a never-ending process (Oxford Handbooks Online, 2006) and as Dobni C. B., (2006) phrased it “innovation is a mindset rather than an act,” (Dobni, 2006, p. 331).

The understanding of the role of innovation in business context has developed from *why* innovation is important to *how* to manage the process of innovation (Fredberg, Elmquist, & Ollila, 2008). The Oslo Manual published by OECD & Eurostat (2005) mentions several reasons for companies to innovate such as to improve their performance, gain market advantages and/or differentiate themselves from competitors, but also to increase the ability to innovate (OECD & Eurostat, 2005).

The capability to respond quickly to dynamic market and gain competitive advantages can be attributed to innovative capacity of organisations (Daniel Jiménez, Raquel Sanz, & Miguel Hernandez, 2008; Tidd, Bessant, & Pavitt, 2001 ). What precisely determines this capability of organisations to innovate is manifold but studies on the matter mention organisational structure, organisational culture and organisational learning as antecedent conditions for innovation (Damanpour, 1991; Darroch & McNaughton, 2002; Vrakking, 1990). Furthermore, not all innovation is generated through the mainstream channel of Research & Development (R&D) departments but originate with proficient workers or with collaboration with other companies and/or research institutions. Conductive organisational structure in learning and utilising knowledge is of influence as well (OECD & Eurostat, 2005).

## 2.1 Innovation Definitions

*Box 2-1 Definitions of the term innovation, invention and creativity.*

**Innovation:** the action or process of innovating

**Invention:** the action of inventing something, typically a process or device

**Creativity:** the use of imagination or original ideas to create something; inventiveness

*Source: Oxford Dictionaries, 2012*

“An innovation is the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations” (OECD & Eurostat, 2005, p. 46).

The Oslo Manual (OECD & Eurostat, 2005) differentiates four types of innovation, i.e. product innovation, process innovation, marketing innovation and organisational innovation (OECD & Eurostat, 2005). Rolstadås et al. (2012) add the fifth, input innovation, which focuses on new source of supply of raw material (Rolstadås, Henriksen, & O’Sullivan, 2012). Box 2-2 provides definitions of types of innovation mentioned in the Oslo Manual.

### *Box 2-2 Type of innovation-definitions.*

**Product innovation** is when new good or service is introduced or when a good or service has been improved extensively with respect to certain characteristics or expected use (OECD & Eurostat, 2005). An example of a new product is the iPhone with all its features and possibilities while an example of a good that has been improved but whose intended use is still the same is the triple racer blade.

**Process innovation** consists in introducing new or extensively improved production or delivery methods, including extensive changes in techniques, equipment and/or software (OECD & Eurostat, 2005). An example of process innovation is the introduction of a new or significantly improved equipment on a production line or implementation of tracking system of goods to facilitate delivery of goods.

**Marketing innovation** is about implementation of new marketing methods, encompassing extensive changes in product design or packaging, product placement, product promotion or pricing. New sale channels, opening of new markets, changes in the appearance of products and branding are examples of marketing innovation (OECD & Eurostat, 2005; Rolstadås, Henriksen, & O’Sullivan, 2012)

**Organisational innovation** consists in implementation of a new organisational method related to the business practices, workplace organisation or external relations of a company. Introduction of new methods in improving learning within the company or supply chain management systems for the first time to the company are examples of organisational innovation (OECD & Eurostat, 2005).

All types of innovation involve different levels of innovation. In general, levels of innovation are categorised as incremental or radical. According to Rolstadås et al. (2012) most companies engage in both levels of innovation. Incremental innovation might generate results in the short term while radical innovation might have delayed but extensive payoffs (Rolstadås, Henriksen, & O'Sullivan, 2012).

*Incremental innovation (continuous)* involve small continuous changes resulting in better performance or results for the company (Ramadani & Gerguri, 2011; Rolstadås, Henriksen, & O'Sullivan, 2012). Incremental innovation focuses on improving already implemented processes, services or products and utilises current technology resulting in improved competitiveness of the company on competing markets or industries (Ramadani & Gerguri, 2011).

*Radical innovation (disruptive)* involves fundamental changes with high uncertainties, viewed often as disruptive (OECD & Eurostat, 2005; Ramadani & Gerguri, 2011). Radical innovation focuses on unknown operational features of products, processes or services (Ramadani & Gerguri, 2011).

Generation of innovation in services, including retailing, differ from innovation in manufacturing by not relying on technological development and consisting in small incremental changes in processes and procedures where R&D departments do usually not play a key role (De Jong, Bruins, Dolfsma, & Meijaard, 2003; Howells & Tether, 2004; OECD, 2005).

#### *Retailers and Innovation*

Innovation aiming at products and services are seen as one of the main lanes on the road towards sustainable consumption and production (European Topic Centre on Sustainable Consumption and Production, 2010). Furthermore, competition is seen as one way of promoting innovation (UNEP, 2006).

An OECD (2005) report on innovation in services reveals that less than 40% of wholesale and retail trade firms see themselves as being innovative leaving the sector as the least innovative sector along with transport and communication. According to Reynolds & Hristov (2009) less innovativeness reported by retailers can be attributed to the ways in which retailer engage in innovation which is less tangible as conventional R&D is (Reynolds & Hristov, 2009). Furthermore, several factors differentiate between retail firms and other sectors, such as innovation very often being adopted and the role of technological innovation seeming to be less important in retailing than in other sectors (Reynolds & Hristov, 2009). This can affect how the sector perceives its own level of innovation. OECD (2005) offers a partial of answer to the question why services, including retail, measures less innovative than other sector, namely that it is partly due to the type and level of innovation in which the sector engages.

Human capital is one of the cornerstones of the innovation process and most of the workforce within the service sector is employed in the wholesale and retail trade sector (OECD, 2005). According to Howells & Tether (2004) the human factor plays an important role in innovation in service firms, along with cooperation within the supply chain (p. 19). Additionally, services attribute its strengths in innovation to qualified employees and professionalism and in their being adaptable to market needs (Howells & Tether, 2004). In Sweden 60% of employees in business, services and finance are university graduates but only around 35% in the wholesale and retail sector. Lack of skills and qualified employees is perceived as one of the biggest barriers to innovation (OECD, 2005; Reynolds & Hristov, 2009).

Study done on innovation in the UK retail sector reveals that definition of the term “innovation” varies between retailers and is not easily understood (Hristov & Reynolds, 2007). De Jong et al. (2003) state that innovation within retail trade is more incremental than radical and the innovation process is usually neither defined nor formal (De Jong, Bruins, Dolfsma, & Meijaard, 2003). In general, service organisations engage more in organisational innovation but less in product innovation compared to manufacturing firms (Howells & Tether, 2004).

## 2.2 The Innovation process

“[I]nnovation is more than simply coming up with good ideas; it is the *process* of growing them into practical use.” (Tidd, Bessant, & Pavitt, 2001, p. 37).

When the process of innovation is not fully understood by organisations (Christensen & Raynor, 2003. Cited in Desouza et al. 2009) the result can be, according to Tushman & O’Reilly (cited in Desouza et al., 2009) bad performance in developing sustainable innovation programs (Desouza, et al., 2009). The common trend is to look at innovation as something that *just happens* where no standard practices, manuals or plans exist (Desouza, et al., 2009). Understanding innovation as a process is essential as it affects how organisations approach and manage it (Tidd, Bessant, & Pavitt, 2001).

Although innovations and organisations differ in many ways the basic elements of operating the innovation process is the same (Tidd, Bessant, & Pavitt, 2001). Furthermore, the level of success that firms enjoy in terms of innovation activities can be attributed to the characteristics of their innovation process. Desouza et al. (2009) distinguishes between two types of organisations in terms of their innovativeness, i.e. robust and brittle organisations. Table 2-1 provides main differences between these two types of organisations. Appendix C provides in-depth illustrations of the differences between these two types of organisations in terms of their innovation process.

*Table 2-1 Robust vs. Brittle organisation in the innovation process.*

<b>Robust organisations</b>	<b>Brittle organisations</b>
Well-defined innovation process	Neither well-defined nor dynamic innovation process in place
Well-defined procedures for the evaluation and screening of ideas	Innovation steps are coloured by confusion and hesitation
Framework to manage ideas in place	Miss out on innovation opportunities
Optimising and refining the innovation process constantly	Slow recovery from mistakes and failures they make in connection to innovation

*Source: Adapted from Desouza et al. 2009.*

According to Desouza et al. (2009), an organisation with a robust innovation process will become a leader within its industry.

Well-defined innovation process indicates effective innovation program within organisations. Although the innovation process varies between businesses, Desouza et al. (2009) have identified five features of innovation processes that are most common (Figure 2-1). The framework of Desouza et al. is used in this thesis as an analytic tool.

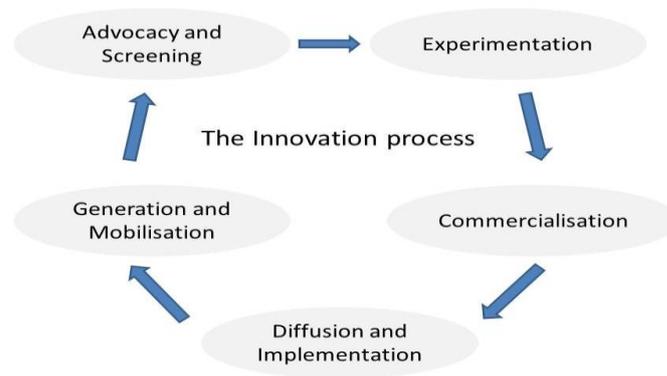


Figure 2-1 Framework for the innovation process.

Source: Adapted from Desouza, et al., 2009.

During the course of innovation, new ideas move through the five stages. It is, however, not essential for the organisation to manage or execute all of the five stages itself as it can choose to outsource part of the process or work in close cooperation with stakeholders e.g. customers, suppliers, and business partners. Furthermore, not all ideas entering the innovation process must go through the whole process; some of them might reach the final stage of implementation while others might be abandoned on the way (Desouza, et al., 2009). Explanations of each stage are provided below along with the main differences between robust and brittle organisations:

1. *Generation and mobilisation:*

*Generation* of ideas can spur from playful activities through encouragement of intuition and irrationality (Dougherty & Takacs, 2004) or from basic need of survival (Mueller, McKinley, Mone, & Barker III, 2001). Other attributes can play a role in the process of generating ideas i.e. challenging norms and assumptions within the company (Sutton, 2002), having an environment where the input of employees is valued and different kind of knowledge is transmitted between people within the company (Pettigrew, Massini, & Numagami, 2000). Ideas are also generated externally i.e. outside the boundaries of the company by customers, competitors, academia etc. According to Desouza et al. (2009) it is very important for companies to balance between birth of ideas via the playful channel and the needed one. Different segments of the organisation may respond differently to the challenge of generating ideas with some taking more problem-solve approach (need) while other take a more loose procedure approach (playful).

*Mobilization* is about moving ideas from one place to another (physically or logically) where it can stimulate innovation. Mobilization of ideas faces several obstacles, one being a hoarding of ideas where people keep the ideas to themselves as a notion of power or competition. Such behaviour hinders the company from benefiting from innovative ideas (Desouza, et al., 2009). Another obstacle is the fact that many ideas are context specific, i.e. are not adaptable to other environments other than the one it was generated for, which means that it is important for organisations to filter the right ideas for the right environment, or face the possibility of failing (Desouza, et al., 2009).

*Table 2-2 Main differences between Robust and Brittle organisation in generation and mobilization of ideas.*

<b>Innovation stage</b>	<b>Robust organisation</b>	<b>Brittle organisation</b>
Generation	Definition of the term “idea” exists.	The term “idea” is unclear.
	Procedures, guidelines and processes are in place.	Procedures, guidelines and processes are absent.
	The range of sources of ideas is wide and well defined.	The range of idea sources is limited.
Mobilization	Sources of ideas interact.	Communication of ideas is unclear and lack of interaction between generators and stakeholders.
	Reward and recognition system are in place to show the value of idea generation and mobilization.	Lack of recognising the value of ideas.
	Established focus of the most useful areas for the organisation by the idea sources.	Hoarding of ideas, resulting in limiting mobilization of ideas.

*Source: Adapted from Desouza, et al., 2009.*

## 2. *Advocacy and screening*

This stage offers evaluation and refining of ideas generated through discussions. The stage is vital in adopting new practices and in the development of new products (Desouza, et al., 2009). Well-defined practices of advocacy and screening characterises organisations with strong innovation processes (Desouza, et al., 2009).

*Table 2-3 Main differences between Robust and Brittle organisations in advocacy.*

<b>Innovation stage</b>	<b>Robust organisation</b>	<b>Brittle organisation</b>
Advocacy	Ideas communicated throughout the organisation.	Evaluation of ideas is unclear resulting in lack of idea sharing.
	Several platforms to advocate for ideas exist.	Feedback, support or constructive criticism limited.
Screening	Procedures for evaluation expressed and communicated throughout the organisation.	Process of evaluation is unclear, subjective and often done in secrecy.
	Long term focus on impact and revenues built into the evaluation system.	Short term focus on impact and revenues.

*Source: Adapted from Desouza, et al., 2009.*

## 3. *Experimentation*

The stage of experimentation is one of the least structured in the whole innovation process. Since each idea is unique and born within a given context, no single method is applicable for the generation of ideas in general. Tests or experiments are done on how suitable an idea is for the organisation at a given time. This process can either be

done by the organisation or outsourced. Ideas are often put to the side and stored for later if they are believed to have low probability at a given time (Desouza, et al., 2009).

Table 2-4 Main differences between Robust and Brittle organisations in experimentation.

Robust organisation	Brittle organisation
Processes are transparent, defined and documented.	Definitions and structure do not exist. Procedures are not documented.
Resources exist and utilisation of technology to experiment is widely used.	Lack of resources and experimentation, done by employees without defined processes.

Source: Adapted from Desouza, et al., 2009.

#### 4. Commercialization

Commercialization is about marketing the innovative idea. This can be done in several ways depending on the organisation in question; some write about the innovative idea while others attend conferences sharing the idea with the purpose of getting feedback from an audience. It is important to document the process at this stage, i.e. it is important to record aspects of the innovation such as how it is demonstrated and communicated. Without such documentation, it will be harder for the organisation to communicate the potential value of the innovation (Desouza, et al., 2009).

Table 2-5 Main differences between Robust and Brittle organisations in commercialization.

Robust organisation	Brittle organisation
Benefits are expressed and documented.	The process can be either internal or isolated.
Involvement of consumers and public settings are utilised.	The control is loose and uncoordinated.
The stage is controlled and objective driven.	Failure means the end of the process.

Source: Adapted from Desouza, et al., 2009.

#### 5. Diffusion and implementation

At the stage of diffusion and implementation, the acceptance of the innovation idea at every level within or outside the organisation is established, i.e. regionally, nationally, or globally, depending on the nature of the innovation. Furthermore, implementing the innovation with new product, process marketing and/or organisational methods is the final stage of the innovation process. For innovation to be implemented the organisation has to have adequate resources (time, financial, technical or material) and the ability to abandon behaviour and/or mechanical processes which the new innovation replaces (Desouza, et al., 2009).

Table 2-6 Main differences between Robust and Brittle organisations in diffusion and implementation.

Robust organisation	Brittle organisation
Dialogue between all stakeholders is rich.	Dialogue is limited.
Out-dated processes are eliminated.	Process is top-down with little regard for existing processes.

Unlearning is well understood and prepared for	Outdated processes persist and unlearning is slow.
Failure perceived as part of further stages or processes.	Failure represents the end point.

*Source: Adapted from Desouza, et al., 2009.*

### *Formalising the innovation process*

Formalised innovation process can be seen as contradiction since innovation connotes something new or substantially different, which is hard to formalise. In Froehle et al. (2000) formalisation is described as a process that “routinizes certain support activities, systematizes knowledge and offers sequences of steps that enhance learning about how to innovate” (Froehle, Roth, Chase, & Voss, 2000, p. 12). Oke (2007) describes a formal innovation process as a management in creativity where ideas addressing customer requirements are stimulated, the scope is wide, all employees should be involved in the process and support ideas generated by customers. Additionally, formalised innovation process does include selection and portfolio management and implementation management. The literature is not consistent about formalised innovation processes. Studies show that innovative organisations tend to have formal innovation processes (Oke, 2007) but it seems to depend on the sector. Study done by Kelly and Storey (2000) on systematic procedures in generation and screening of new ideas in UK service companies, revealed only half of the companies did have formal innovation process. Furthermore, study done by Chan et al. (1998) on management’s attitudes towards innovation in service firms in Hong Kong revealed similar results. Recent study on innovation management in service firms done by Crevani et al. (2011) indicates that practitioners focus more on formalising the organisation for the purpose of being more efficient instead of formalising the innovation process.

In De Jong et al. (2003) formalised innovation process is said to be more allied to radical innovation while incremental innovation is less bound by a specific process.

## **2.3 Organisational Structure**

An organisational structure defines the connection between different levels of the organisation and how the responsibility and work roles within the organisation are allocated. Furthermore, it provides the flow of information and decisions through the organisation (Gonzales, 2007; Kortman, 2012). According to Shtub & Karni (2010) it is the structure of organisations formal or informal, but usually mixture of both types (Gonzales, 2007). The organisational strategy is an outpost of how the organisation is structured (Lam, 2004), influenced by the environment it operates in (Damanpour & Gopalakrishnan, 1998; Tidd, Bessant, & Pavitt, 2001) but characteristics of the organisation play a vital role as well in defining the setup (Vracking, 1990).

Organisations with formal structure define responsibility, authority and the information flow in a clear way and have well-defined hierarchy (Shtub & Karni, 2010) where decisions travel from corporate senior management down the hierarchycal chain (Gonzales, 2007). Furthermore, formal organisations are easily understood and explained but often perceived as static. The formal organisation has many similarities to the centralised organisations, which is focusing on how decision-making processes are within the organisation. Organisation where centralisation is the common practice has more concentrated power with decisions made by the corporate senior management. The level of centralisation depends on how much power corporate senior management holds. Moreover, centralisation is seen as an efficient and direct process of making decisions (Kortmann, 2012).

The informal structure is a softer approach where actors within the organisation share some common interests, beliefs and values (Shtub & Karni, 2010). Organisations with informal characteristics are dynamic and responsive where promotion of communication between different people is an important aspect of the organisation (Kortmann, 2012; Nahm, Vonderembse, & Koufteros, 2003; Shtub & Karni, 2010;). Decentralisation is closely connected to the informal structure. Decentralisation is the antipode of centralisation, with power more distributed within the organisation giving non-managerial personnel opportunity to take part in decision-making and bring about their views and ideas (Kortmann, 2012). In decentralised organisation, it is easy to communicate both vertically and horizontally. Moreover, communication is rich in nature and not subject to delays (Nahm, Vonderembse, & Koufteros, 2003). Organisations build-up as a set of franchise is a good example of decentralisation where independency of the franchise owners is an important aspect of the organisation. Figure 2-2 provides simplified image of the difference in managerial aspects between centralised and decentralised organisation. The figure shows how decision-making flows from top-down in centralised organisations but is more distributed within decentralised organisation.

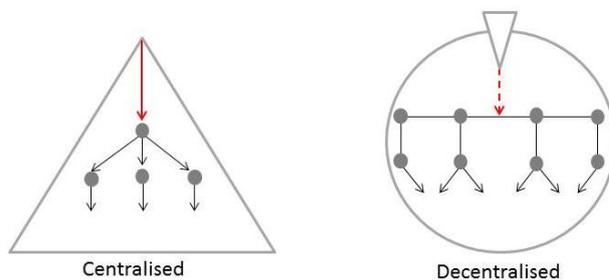


Figure 2-2 Centralised vs. Decentralised organisations: Distribution of decision making within the organisation.

In Nahm et al. (2003) organisational structure is in some extent said to be subject to the environment in which the organisation operates, more stable environment the more centralised it is likely to be and vice versa (Damanpour & Gopalakrishnan, 1998; Nahm, Vonderembse, & Koufteros, 2003; Tidd, Bessant, & Pavitt, 2001).

In the context of the thesis, centralised organisation is where activities at store level are under great influence from headquarters (corporate senior management), especially in connection with radical innovation. By contrast with centralised organisations, decentralised organisations are more independent where store managers/owners have the discretion of what happens in the stores and the level of innovation is not subject to who makes the decision.

## 2.4 Organisational Structure and Innovation

The context of how innovation emerges plays an important role in defining their success. Despite having well defined innovation process, the environment it applies to needs to be supportive and favour each stage of that process (De Jong, Bruins, Dolfsma, & Meijaard, 2003; Tidd, Bessant, & Pavitt, 2001).

Literature on innovation assumes that organisational structure affects various stages of the innovation process with centralised structure being more likely to influence it in more negative way (Damanpour F., 1991; De Jong, Bruins, Dolfsma, & Meijaard, 2003; Nahm, Vonderembse, & Koufteros, 2003). In relation to creativity and empowering employees' creativity, centralisation is understood as impediment in motivating such behaviour (Kortmann, 2012). Furthermore, is it believed to inhibit communication between various hierarchical levels affecting how innovative ideas travel within the organisation (Nahm, Vonderembse, & Koufteros, 2003). Additionally, flexible and fluid organisations can encourage employees' innovativeness (OECD & Eurostat, 2005). De Jong et al. (2003) claim that internal communication is one of the many factors relevant in creating the right climate for innovation. The level of innovation i.e. radical or incremental is also subject to the

structure of the organisation (Damanpour & Gopalakrishnan, 1998). OECD & Eurostat (2005) mention the influence an organisational structure can have on innovation and the efficiency of the process with decentralised types being more likely to encourage radical innovation. Salaman & Storey (2002) interviewed managers in a manufacturing company on barriers to effective innovation. Their findings indicated that organisational structure constrained effective innovation with corporate senior management as the biggest barrier. Tidd et al. (2001) state that the more centralised the structure is, the more likely it is that the organisation relies on specialization within the workforce increasing the likelihood of non-specialist being alienated and missing out valuable innovative ideas. Furthermore, organisational structure can influence what types of innovation are applicable and achievable. Hao et al. (2012) state the importance of suitable organisational structure for the benefit of innovation where organisational structure directly affects innovation. Damanpour (1991) maintains that different types of organisation face diverse environmental opportunities and threats affecting their degree of innovativeness. Moreover, other factors influence innovation e.g. the environment the organisation operates in and the source of innovation (Damanpour & Gopalakrishnan, 1998).

Chang & Harrington (1998) examined how centralised and decentralised organisational structure in retailing affected the rate of firm innovation. Their findings indicate that several factors play a role in determining which structure is more effective with respect to innovation e.g. innovativeness of store managers, the more innovative they are the more appealing does decentralisation become. Furthermore, their findings indicated that the organisational structure influences the effectiveness of adopting innovation generated at corporate level. In a centralised organisation implementation of all ideas is more likely rather than in decentralised organisation, the store managers weed-out the ones fitting their operation and ideas. Chang & Harrington (1998) also found that when innovative opportunities in the industry are moderate centralised structure is preferred since in decentralised organisation store managers are more likely to throw out all too many fairly good ideas generated at corporate level. On the other hand, when innovation opportunities in the industry are rich enough decentralised structure is preferred. The quality of ideas generated at corporate level play a role with higher quality ideas more likely to be implemented by store managers. Evaluation skills of corporate senior management and store managers affect implementation of ideas favouring centralisation when store managers hold poor evaluation skills (Chang & Harrington JR., 1998).

Bordia et al. (2008) state that organisational structure in itself cannot fully indicate how organisations will react to external and internal challenges. The same study implies that the structure and function of organisations can give a better image of how organisations will perform e.g. from innovation perspective (Bordia, Kronenberg, & Neely, 2008). The Booz Allen study (Bordia, Kronenberg, & Neely, 2008) say four organisational dimensions i.e. organisational structure, decision rights, motivators and information, and how these dimensions interact and function is a better indicator of predicting organisational performance with respect to innovation (Bordia, Kronenberg, & Neely, 2008).

Tidd et al. (2001) mention the importance of “getting the most appropriate structural form for the particular circumstances” (Tidd, Bessant, & Pavitt, 2001, p. 322). Furthermore, Tidd et al. (2001) state that the balance between different structures are important aspects of successful innovation process. According to Damanpour & Gopalakrishnan (1998) centralised structure is believed to go better in stable predictable environment. On the other end of the spectrum is unstable and unpredictable environment and under such circumstances are decentralised types of organisations said to function better.

Bansal & Kilbourne (2001) argue that the way in which the structure and decision-making is embedded into an organisation will affect its performance from the perspective of

environmental and sustainability. Decision-making is better connected to the environment it operates in with decentralised structures. Furthermore, it is more likely that decisions are built upon the relationship which the retailer has with his closest environment and sustainability goals will be met in the long run (Bansal & Kilbourne, 2001).

## 2.5 The Analytical Framework

*This section provides the analytical framework applied for the case study adapted from the literature analysis on organisational structure and innovation processes presented in previous sections.*

### *Adding into the framework – Organisational structure*

In addressing RQ1, extensive literature review was done on organisational structure and how it affects the innovation process. For the purpose of the study the focus was on centralisation and decentralisation. Following is a short summary from the literature on the subject under analysis.

#### Centralisation:

- is believed to have more negative effect on the innovation process than decentralisation (Damanpour F., 1991; De Jong, Bruins, Dolfsma, & Meijaard, 2003; Nahm, Vonderembse, & Koufteros, 2003),
- can inhibit the motivation of employee's creativity (Kortmann, 2012),
- can inhibit communication between different levels within the organisation affecting the travel of innovative ideas (Nahm, Vonderembse, & Koufteros, 2003),
- more specialization is closely connected with centralisation affecting the screening process of ideas with missing out valuable ideas from non-specialist (Tidd, Bessant, & Pavitt, 2001),
- functions better in a stable and predictable environment (Damanpour & Gopalakrishnan, 1998).

#### Decentralisation:

- is more likely to encourage radical innovation (OECD & Eurostat, 2005),
- supports innovative managers leaving them more effective in the process of innovation (Chang & Harrington JR., 1998),
- encourages employees' innovativeness with its flexible and fluid structure (OECD & Eurostat, 2005),
- facilitates communication between departments but the role of communication is important factor in relation to innovation (De Jong, Bruins, Dolfsma, & Meijaard, 2003),
- functions better in an unstable and unpredictable environment (Damanpour & Gopalakrishnan, 1998).

### *Adding into the framework - The innovation process:*

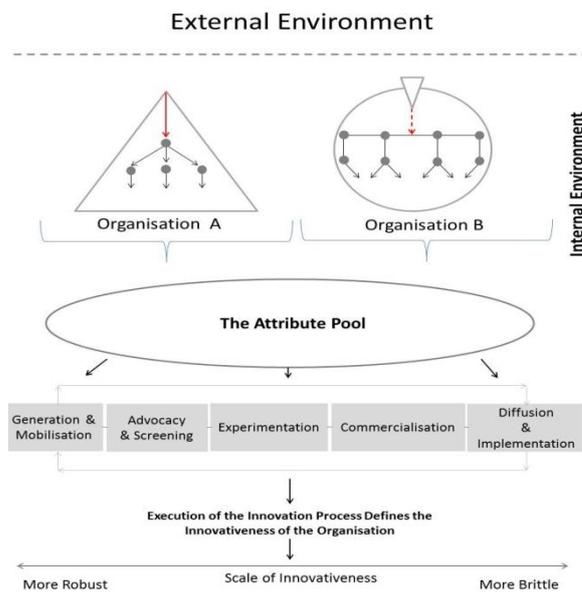
Addressing RQ2 - *How can innovation processes for sustainability in grocery retailing be facilitated?* analysis was done on the innovation and innovation process literature. The analysis revealed a framework (Figure 2-1) provided by Desouza's et al. (2009) on innovation processes. The framework can be used to identify in which innovation stages an organisation engages and to analyse the coherency of the innovation process. The literature analysis on innovation processes provides a couple of important aspects for the analysis of the case studies:

- The basic elements of the innovation process are the same despite different types of innovation and organisations (Tidd, Bessant, & Pavitt, 2001).
- Understanding of the innovation process is important element in how organisations approach and manage it (Desouza, et al., 2009; Tidd, Bessant, & Pavitt, 2001).
- Well-defined innovation process is an indicator of an effective innovation program (Desouza, et al., 2009),

*Adding to the framework – Characteristics of innovative organisation*

Closely connected to the innovation process is the organisation’s innovativeness, which refers to how it executes each stage of the innovation process. For the purpose of the study Desouza’s et al. (2009) classification of what constitutes a robust or a brittle organisation is adopted into the framework. It can reveal differences between the two retail organisations under study and provide a foundation for recommendations on better practices.

*The structured analytical framework*



*Figure 2-3 An analytical framework constructed for the purpose of this study.*

*Source: The innovation process incorporated into the framework is adapted from Desouza et al., 2009.*

Only few attributes are mentioned in the literature analysis as being descendant of organisational structure and suggestive of the innovation process e.g. specialization, communications skills, flexibility, level of creativity, responsiveness. These attributes are recognised in this thesis as being of importance but the cases under study were not examined through the lens of different attributes. How an organisation manages the innovation process, determine where it falls on the robust/brittle scale indicating its performance and success in relation to innovation. Although the framework is developed for the purpose of this study, it can be adapted to various organisational situations, depending on the context.

### **3 Introduction to the CASE STUDIES**

*Chapter 3 presents the case companies and provides understanding of the companies with focus on information about their context, operation, organisational structure, environmental work and innovation processes.*

#### *Contextualizing*

“Retailers today can no longer be accurately characterized as “merchant intermediaries” that buy from suppliers and sell to customers. Rather, they are best described as orchestrators or conductors of two-sided platforms that serve as ecosystems in which value is created and delivered to customers and, subsequently, appropriated by the retailer and its business partners.” (Sorescu, Framabach, Singh, Rangaswamy, & Bridges, 2011, p. 5).

The retail sector in Sweden has been growing steadily for the last fifteen years (Invest Sweden, 2012) and along with wholesales generated more than third of output growth in Sweden between 1990-2001 (OECD, 2005). Furthermore retail sales per capita in Sweden are well above the European Union (Jones-Lange-Lasalle, 2011) making the Swedish retail sector the strongest in Scandinavia and one of the strongest in Europe from growth perspective (Invest Sweden, 2012).

The Swedish grocery retail sector consists of three major companies that occupy over 80% of the total grocery retail market (USDA Foreign Agricultural Service, 2010). ICA is by far the largest food retailer with 38% (ICA (a), 2011) market share followed by Coop Group with 21,5% market share (Swedish Institute, 2011).

#### **3.1 Sustainable Development & Retailers**

“Charity begins at home” (UNEP, 2006, p. 17)

The environmental impact of people’s lifestyle in the developed countries has a negative effect on the natural environment (UNEP, 2006) and is a challenge for both living and unborn generations. The threads of responsibility are intertwined throughout the society with some actors playing a leading role towards sustainable development but participation of others as important. The retail sector is perceived as one of the leading actors in sustainable development (UNEP, 2006) and increased pressure from various stakeholders e.g. consumers, government and investors has triggered retailers to pay attention to the issue (Jones, Hillier, Comfort, & Eastwood, 2005). The role of the retailer has changed over the decades from being the local retailer to becoming acknowledged as an element affecting global eco-systems and societies. This has turned the focus towards better practices within their frame of operation. With more sustainable practices retailing will play an important role in the Europe 2020 Strategy (European Commission, 2010).

The role of retailers both up the value chain (greening the supply chain) and down (favouring eco-products) in promoting sustainability is exclusive since they serve as an interconnection between consumers and producers (Nordic Council of Ministers, Danish Ministry of the Environment & Copenhagen Resource Institute, 2011). Furthermore, grocery-retailers account for large proportion of all retail sales (Jones, Comfort, & Hillier, 2009). Jones et al. (2009) state that retailers have exclusive opportunities in promoting sustainable consumption, not only up or down the value chain but also through their own actions. Climate change, waste management and recycling, packaging, sustainable sourcing, ethical trade and Fair Trade products are among activities reported by the large food retailers embracing sustainable development (Jones, Comfort, & Hillier, 2009). Jones et al. (2005) state that sustainable practices will also from the business perspective benefit the retailer i.e. provide growth and financial security in the long run, which will build up stronger business.

### *Sustainable consumption and production (SCP)*

Despite the focus of this thesis is on *in-store* activities, it is important to address the role of retailers in SCP. Several factors affect the potential influences the grocery retailer will have on the issue now and in the future. The European Topic Centre on Sustainable Consumption and Production (ETC) (2010) specifically mention three major factors that likely will affect production and consumption:

1. Concentration and multinational food retailers,
2. More integrated industry,
3. New business strategies e.g. retailer's own-brand products and organic food.

*First*, the food retail sector has changed over the past decade and has become more concentrated with fewer but bigger food retailers (European Topic Centre on Sustainable Consumption and Production, 2010). The influence it will have on sustainability of both production and consumption of food is hard to foresee but could give retailers the opportunity to be more concise in their action towards SCP.

*Second*, over the last decade the food retailers have become more integrated into the industry i.e. they participate in various ways in production and distribution of products. The potential negative side of this development is that it could push production to larger scales and less quality. The potential positive side of it is the opportunity to integrate environmental criteria into their procurement practices (European Topic Centre on Sustainable Consumption and Production, 2010).

*Third*, the increasing number of food retailers who offer "own brand products" which often are cheaper than individually branded products can influence the SCP standards of these products. On the other hand is the overall control of the product from environmental perspective facilitated. In relation to organic food the debate on the transparency and credibility of such products is essential and on-going (European Topic Centre on Sustainable Consumption and Production, 2010).

The focus on sustainable development and retailing is more often on the relationship the retailer has with manufacturers, suppliers and consumers but less on the retailer himself, i.e. *in-store* activities. Still is it recognised as an important aspect of SCP.

#### *In-store activities*

Retailing is complex and wide and includes variety of activities e.g. store planning, logistics and store operations. In its simplest way retailing is seen as a way to distribute goods or services (Gilbert, 2003). Where retail activities begin and end can be unclear but nevertheless important in the context of the environmental impacts generated by the retail sector.

Environmental impact of *in-store* activities divides into direct and indirect impacts. The direct environmental impacts are connected to the operation of the store and derive from the use of energy (heating, cooling and electricity), water and generation of waste (European Commission, 2009). According to a study on retail food outlets in the UK the sector is responsible for approximately 3% of total energy (electrical) consumption where refrigeration play a dominant role, and 1% of total GHG emissions in the UK (Tassou, Ge, Hadaway, & Marriott, 2011). The indirect environmental impacts of *in-store activities* attributes to the products the retailer sells (European Commission, 2009).

Actions taken to reduce the overall environmental impacts of *in-store* activities vary from installing hardware e.g. more energy efficient light bulbs or equipment which monitors and tracks energy use, implement environmental management systems (EMS) to environmental training of employees (Environmental Protection Agency, 2011; European Topic Centre on Sustainable Consumption and Production, 2010). Furthermore, greening the design of buildings contribute to decrease the use of energy and greenhouse gas emissions (European Commission, 2009). Legislation and regulations in waste management have been the main driver in modification of practices in stores in relation to waste (UNEP, 2006). Still other initiatives taken by each retailer can contribute to less generation of waste e.g. purchasing operations.

### 3.2 ICA

The history of ICA can be traced all the way back to 1917 when Hakon Swenson founded the Hakonbolaget. The principle of Hakon’s idea still applies today which was to bring retailers together in a purchasing alliance (ICA (a), 2012) giving them leverage in economies of scale. Throughout the history of ICA, the company has undergone several organisational and structural changes, which is not of importance for the purpose of this thesis. Description of current ownership is demonstrated in Figure 3-1 and organisational structures in chapter 0.

Today, ICA Group is one of the leading retail companies in Northern Europe and Sweden’s largest grocery retailer with a 38% market share. In Sweden ICA AB operates 1334 ICA stores and 42 shop-in-shop pharmacies nationwide (ICA (a), 2011, ICA (d), 2012). In 2011 ICA Sweden employed 6,557 people, had operating income of about 2,600 SEK m and net sales of 62,500 SEK m, which was 3.1% increase from previous year (ICA (d), 2012). ICA claims working closely with and understanding local markets as being one of ICA’s foundation for “responsive, innovative and resource-efficient business” (ICA (e), 2012).

#### *The ownership*

ICA AB is a joint venture owned by Royal Ahold (60%) and Hakon Invest AB N.V. (40%). Despite different ownership, the controlling influence over ICA AB is shared equally between the owners (ICA (b), 2012). ICA-handlarnas Förbund own 67% in Hakon Invest with the remaining ownership by private shareholders. Royal Ahold is a holding company, which mainly engages in retail operations in US and Europe (ICA (c), 2012). Figure 3-1 demonstrates the organisational chart of the ICA Group.

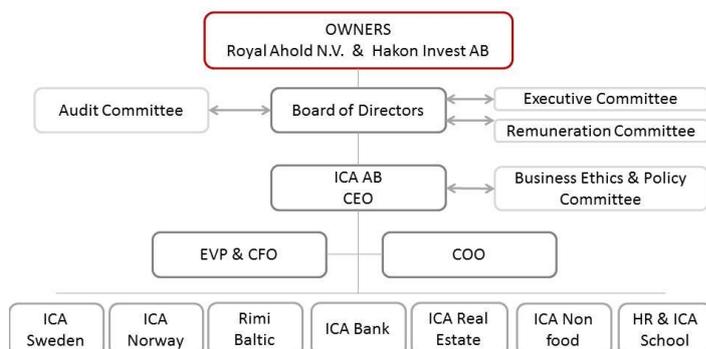


Figure 3-1 Organisational chart of the ICA group.

Source: Adapted from ICA (b), 2012.

*Store types operated by ICA*

ICA AB operates four stores formats, which offer different kind of assortments, service and/or opening hours. Store location is also part of store's characteristics and service level e.g. with ICA To-Go centrally located within the inner city areas and ICA Maxi easily accessible by car (ICA (d), 2012). Store types operated in Sweden and their characteristics are demonstrated in Table 3-1.

*Table 3-1 ICA's store types and chains*

Store type	Characteristics of store types	Chain	Number of stores nationwide	Number of stores in Lund
Hypermarket	Extensive assortment of food and non-food items. Long opening hours.	ICA Maxi Stormarknad	75	0
Large supermarket	Extensive assortment of both food and non-food items. Focus on healthy, organic and local products.	ICA Kvantum	117	3
Supermarket	Extensive assortment of food, high service level.	ICA Supermarket	435	2
Convenience store	Limited assortment of food, long opening hours.	ICA Nära	704	4
Convenience store	Focus on food to go.	ICA To go	3	0
Shop-in-shop	Pharmacy.	Cura pharmacy	42	0

*Source: Bonnedahl & Jensen, 2007; ICA (d), 2012.*

In Sweden stores are operated by one kind of business model *Independent retailers in cooperation* i.e. retailers own and operate their stores but in cooperation under an agreement with ICA AB, ICA To Go stores are fully owned by ICA Sweden (Kerstin Lindvall, personal communication, 12. August, 2012).

### 3.2.1 Organisational Structure

The organisational structure of ICA Sweden is demonstrated in Figure 3-2 below.

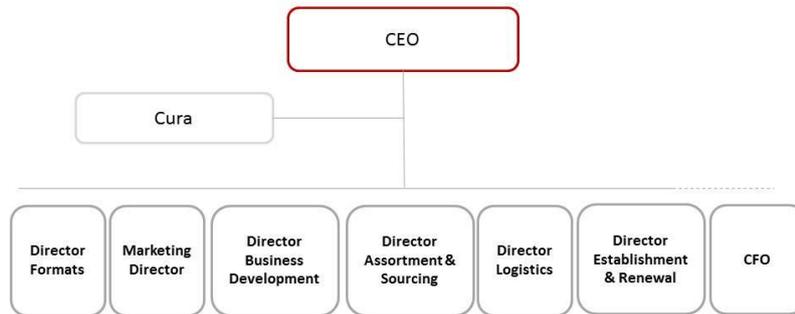


Figure 3-2 Organisational chart of ICA Sweden.

Source: Adapted from Kerstin Lindvall, personal communication, 12. August 2012.

The organisational structure of independent stores varies and do not necessarily represent the structure of similar store formats operated elsewhere in Sweden. The operational size and structure of the store and the owners view on the business have influences on each store. The case study of ICA, represents at least three types of organisational charts of ICA stores, simplified demonstration of each are in Figure 3-3 - Figure 3-5 where the focus is on the levels within the stores involved in the innovation process.

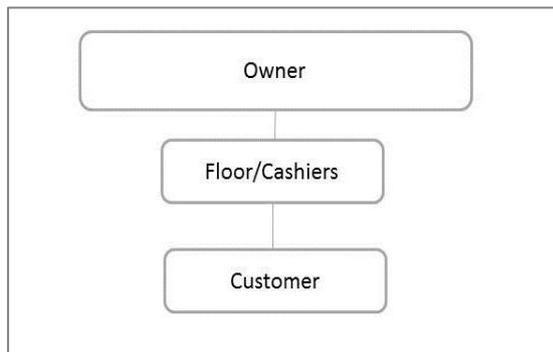


Figure 3-3 Organisational structure of ICA Nära Satelliten

Source: Kjell Åke Jarl, personal communication, 20.June, 2012.

ICA Nära Satelliten is a convenience store located in the neighbourhood, it is easily accessible, offers limited range of assortments and has long opening hours (ICA (d), 2012). On a daily basis there are about 3-5 people working in the store. The relationship between the owner and general employees is close and without any middle management. The work is not limited to one job description, the workforce takes on what has to be done within the store. Major decisions are made by the owner himself but often in liaison with general employees (Kjell Åke Jarl, personal communication, 20.June, 2012). Description of the store's organisational structure is

demonstrated in Figure 3-3.

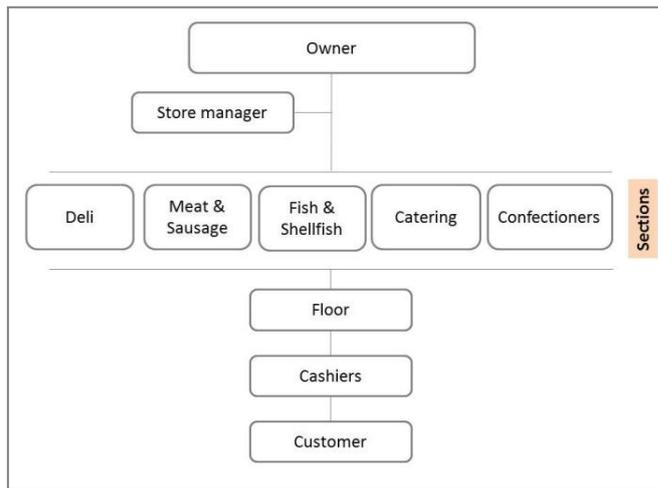


Figure 3-4 Organisational structure of ICA (Kvantum) Malmborgs Tuna.

Source: Anna Billing, personal communication, 21.June, 2012.

2012). Simplified description of the store’s organisational structure is demonstrated in Figure 3-4.

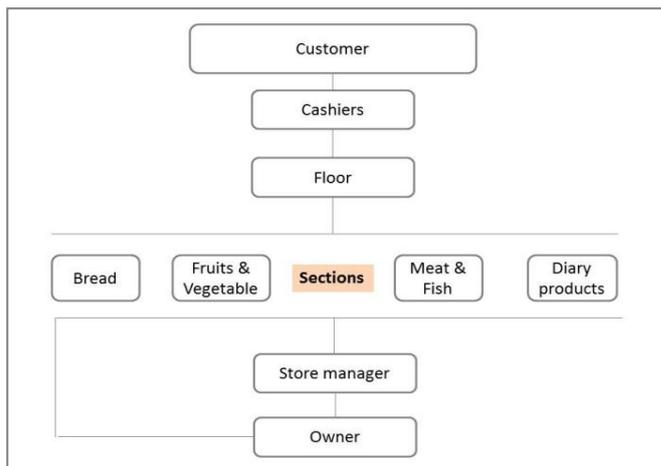


Figure 3-5 Organisational chart of ICA Supermarket Fäladstorget.

Source: Michal Wieloch, personal communication, 19.June, 2012.

19.June, 2012). Simplified description of the store’s organisational structure is demonstrated in Figure 3-5.

ICA (Kvantum) Malmborgs Tuna is a store with extensive assortment of both food and non-food items. The focus is on fresh food prepared in the store, healthy, organic and local products. The store is both KRAV and Swan (the Nordic eco-labelling) certified and three years ago it was awarded the *Best Fairtrade Store in Sweden* (ICA Malmborgs Tuna, n.d.; Anna Billing, personal communication, 21. June, 2012). On a daily basis there are about 80 people working in the store run by the store manager in a close cooperation with the owner. The workforce is assigned to specific roles within the store. Major decisions are jointly made by the owner and store manager and very often in liaison with section managers (Anna Billing, personal communication, 21.June,

ICA Supermarket at Fäladstorget is a store with extensive assortment of food and high service level. On a daily basis there are about 50 people working in the store and they are assigned to specific roles within the store. Major decisions are made by the owner but highly influenced by general employees and customers (Michal Wieloch, personal communication, 19. June, 2012). The organisational structure of the store is different from the other stores in the study. Customers serve as a “store manager” and the owner is at the bottom of the hierarchy. The structure is inspired by the owner’s view on his business, as well as being employed by the customers (Michal Wieloch, personal communication,

### 3.2.2 ICA’s Environmental work

The main goal of ICA in terms of the environment is to reduce environmental impacts at all levels within the organisation (ICA (f), 2012). To achieve that goal, ICA engages in environmental work in several areas within their operation e.g. in developing climate-smart stores and warehouses and reducing energy consumption and waste. ICA pays special attention to environmental impact of their operation on water, air, forests and earth. Addressing that, ICA is taking several measures to reduce its direct or indirect environmental

impact e.g. in terms of researches, co-operation with environmental NGOs, expanding eco-labelled products in stores and increasing the number of ethanol-powered delivery trucks (ICA (b), 2011). Furthermore, ICA launches several projects each year within the areas of product selection, purchasing, the environment and corporate responsibility, which contribute to more sustainable practices within the organisation. The ICA's Store Sustainably List which is part of ICA's environmental work, focus on engaging customers by encouraging them in thinking about the environment when shopping (ICA (b), 2011).

By 2020 ICA Group is aiming at reducing its greenhouse gas emissions by 30% compared to the year 2006 (ICA (b), 2011).

### **3.2.3 Innovation processes**

Keeping in mind the framework for the innovation process (Figure 2-1) introduced in chapter 2.2 ICA does not have a formalized and structured innovation process. Nevertheless, ICA engages in innovative activities, which will be described below. Each store interview is divided in this section into a view from corporate level and a view from owner's or manager's level.

#### *The corporate view<sup>1</sup>*

Innovation at ICA is generated at every level of the organisation from warehouses and corporate level to individual stores. Other stakeholders e.g. customers and suppliers are also an important well of innovative ideas for the organisation. Innovation generated at corporate level are broad in nature and are in broader context of the organisation e.g. how to increase revenue. Such ideas are then introduced further to the organisation.

ICA encourages customers, suppliers and employees to put forward their innovative ideas and they can do so by approaching anyone within ICA who they believe are responsible within the area of interest. It does not have to go through corporate senior management first.

Everyone within ICA can be involved in dealing with innovative ideas it depends on the context of the idea e.g. the creative director of marketing would be involved when the idea would involve marketing issue. Ideas involving energy efficiency of stores would be under the establishment department. Still each department gets inputs elsewhere from the organisation if applicable and necessary. This leaves each department with processes that are innovative instead of having one formalised and structured innovation process.

On corporate level, the responsibilities of mobilisation and approval of innovative ideas are more or less in the hands of department managers with the exception of innovative ideas involving fundamental changes for ICA and the business model. The management of such ideas are on corporate level. No defined criteria on innovation ideas is followed in relation to innovation ideas. It depends on what the innovation idea will affect e.g. if changes are likely to have big impact then key performance indicators (KPIs) are applied, otherwise not.

On organisational level ICA does not manage their innovative ideas in a defined way, still robust changes within the organisation are monitored on corporate level. Each department is given the latitude to choose their own way of managing their innovation. The level of innovation is more of a factor on the management level of innovation, with radical innovation more likely to be managed in a proper way e.g. changes in logistics, which involves many stakeholders. ICA does not engage in one way of collecting innovation ideas or has innovation collection but rather it depends on where the innovation spurt from and what it involves and

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<sup>1</sup> This section is based on information retrieved from personal communication with Kerstin Lindvall, 2. July, 2012

which level or department is responsible. Documentation on the performance of innovation ideas does not take place on an organisational level but rather within each department. Documentation is more closely connected to the level of innovation with innovation involving extensive changes being documented.

Within the organisation no formal method is for communicating innovative ideas. Innovative ideas perceived as major ones are communicated through the intranet. The marketing department was mentioned specifically as being very creative and there are e.g. formal meetings used to communicate innovative ideas. Otherwise, it depends on departments how innovative ideas are communicated both throughout the organisation and within each department. On external level innovative ideas are not communicated by any formal method, such as launching a new product, it is seen as a way in communicating with stakeholders outside the organisation.

ICA stores are individual bodies within the organisation and function as competitors with other ICA stores. Innovative ideas generated at store level apply to each individual store and spurt from the context of the store format, the environment the store operates in and the ambition of each store in certain fields, e.g. waste management. Such innovative ideas are not communicated between stores.

#### *ICA Malmborgs (Kvantum) – Clementstorget<sup>2</sup>*

The store does not operate according to formalised or structured innovation process and the store manager claims it is the right thing to do. Still, such process is hard to implement due to the volatile environment retailing as things happen too fast and therefore there is no time to think about processes.

Innovation within ICA Clementstorget are generated by various stakeholders e.g. employees, customers and corporate level. Suppliers and other retailers are also involved in generating innovative ideas for the store. Within the store, innovation spurt from the overall goal of selling things and making a profit. Such ideas are also adapted from elsewhere. Operation in a healthy and secure working environment is also a driver for generating innovative ideas. Innovative ideas generated at corporate level have increased over the years and are perceived by the store manager as being common activity today. The change in the involvement of corporate level is bound up with changes in organisational structures which happened about 15 years ago with Royal Ahold entering the scene. Today ICA is centralised to Stockholm instead of operating regional offices as it used to do.

Customers are not proactively encouraged to put forward their innovative ideas but the organisation has been looking at engaging customers more and giving them a chance to interact more closely with ICA. But it is more embedded into customer surveys done twice a year. Eco innovation is not encouraged in particular in the store and the treatment is a bit different often coloured by economic factors and often experienced in higher costs but low revenue for the store. Still it is common in the store to implement eco-innovation as it is part of the history of the store of being entrepreneur in the field of environment and retailing.

The store operates two groups of people, one small group with seven people, which meet on a weekly basis and a larger one with 19 people, which meet once a month. These meetings are venues for processing innovative ideas.

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<sup>2</sup> This section is based on information retrieved from personal communication with Ola Hollerup, 27. June, 2012

The mobilisation of innovative ideas are manifold e.g. through meetings but also through an open dialogue between general employees and management. Open minded and relaxed atmosphere in the store is perceived as an important factor of being innovative.

The screening and other stages are in the hands of the store manager and the owner especially for radical innovation. More often innovative ideas are chosen on grounds of economic feasibility, the right time and/or employee safety. When the innovation is incremental then more people are involved in the overall innovation process e.g. the section manager.

The time it takes to implement innovative ideas depends on the level of the idea, with radical innovation taking longer time e.g. years but incremental ideas sometimes only days.

The store manager keeps an innovation collection where ideas are collected for later use when the time is right. Furthermore, the store manager looks at the investment plan as a part of the innovation collection. The results of innovation ideas are not managed except in terms of revenues. Innovative ideas within the stores are communicated in meetings, are written down on a board in the store and projected on a TV screen. Innovative ideas are not communicated with customers.

### *ICA Malmborgs Tuna (Kvantum)<sup>3</sup>*

ICA Malmborgs Tuna does not have a structured and formalized innovation process in place, but still they go about their innovation ideas in a way that will be described below in further detail.

Innovation ideas are generated at all levels within the store i.e. managers, owner and general employees. Corporate level, customers, suppliers and other retailers provide the store with innovative ideas on regular bases. Furthermore, innovative ideas come from other organisations the store cooperates with e.g. Fair trade organisations involving store manager, project manager and section managers in the process.

It is common to get ideas and projects from corporate level but still the store has the freedom to decide if and how the store will handle such ideas and projects. Sometimes store's independency generates conflict between corporate level and retailers. The store perceives the corporate level more as a service to the stores where it suggest not commands. Despite the store has its own freedom of doing things it is still bound to behave according to ICA policy. Innovative ideas generated at corporate level go through the store manager.

Both people within the store and other stakeholders are encouraged to put forward their ideas. They are enabled to do so through various channels. Customers can put forward their ideas through Facebook, Twitter or approach employees in the store. The ICA intranet is also a venue for corporate level and store to communicate and share their ideas. The general employee within the store can approach the management about their.

Special focus has been on encouragement of eco innovation e.g. reduction of food waste and Fair trade. The store pays attention to what is happening in the area of environment and sustainability. The store puts lot of effort in generating eco-friendly ideas and embeds them into the business. Despite the encouragement, eco-friendly innovative ideas are treated more differently than other types of innovation. This is more or less due to the reasons that such innovation often involves more cost than earnings. Still, eco innovation is seen as an

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<sup>3</sup> This section is based on information retrieved from personal communication with Anna Billing, 21. June, 2012

important factor in the marketing of the store and it is a way to show customers that the store takes on responsibility in the overall life cycle of products.

The levels of innovation play a role in the process with small incremental innovation involving general employees. Such innovation is very common. More radical innovation goes through the store manager and owner and sometimes section managers.

Innovative ideas spur from the interest of developing a company with good working atmosphere with a long history of family tradition. Furthermore, the store is much aware of its responsibility in the life cycle of products, this responsibility is a driving force to innovate. Economic aspects are the main criteria for selecting innovative ideas where the store manager screens out the most feasible ideas from an economic view.

There is neither innovation collection nor special management on innovative ideas within the store; innovative ideas are more or less stored within the managers' heads. The management of ideas are through weekly meetings of the store's managerial team.

Innovative ideas are communicated within the store through the phone, email and meetings. The managerial team of the store meets once a week where innovative ideas among other business related issues are discussed. The store manager engages in meetings with general employees more frequently. Bi-annually is a structural meeting held where long-term targets are discussed but this is also a venue for discussing innovative ideas.

As part of the marketing innovation ideas are communicated through advertisements in newspapers, Facebook, Twitter, through the monthly and weekly letter customers get from ICA. All campaigns derive from corporate level.

#### *ICA Supermarket – Fäladstorget<sup>4</sup>*

ICA Supermarket Fäladstorget does not have a structured and formalized innovation process in place but still many ideas are generated and implemented within the store. How they go about these ideas is described below in further detail.

How the owner views the relationship with the store's customers colours very much the way things are done in the store. The first indicator can be seen when looking at the chart presented in chapter 3.2.1. The managerial setup for the store is very different from other ICA stores and when the store was established the main goal was to be unique and stay outside the "ICA box" (Michal Wieloch, personal communication, 19. June, 2012). The owner claims the store is more successful than other stores due to the approach they have taken.

Innovative ideas are generated by all levels within the store but customers are the main generators of ideas. Suppliers are also idea generators for the store but participation of corporate senior management is very limited or as the interviewee claimed "they are following me (Michal Wieloch, personal communication, 19. June, 2012). The main driver for generating and mobilising ideas is that they want to do something new every day and in a way does the owner look at himself as more of an entrepreneur than retailer.

Everybody is involved one way or another in the innovation process, the level of participation is more subjected to who generated the idea, in what context the idea is and where it is being implemented.

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<sup>4</sup> This section is based on information retrieved from personal communication with Michal Wieloch, 19. June, 2012

There is no criteria in place in evaluating ideas that come up within the store or as the interviewee said “it either works or not!” and “better to do it and fail than not do it at all” (Michal Wieloch, personal communication, 19. June, 2012). One of the reasons for this view is the environment it is perceived as volatile, things need to happen fast otherwise there is a chance they will lose the opportunity.

The communication of ideas within the store is not formal, more of a chat over a cup of coffee. Communication with corporate senior management is also very limited and not at all with other stores except within the same store chain. But such sharing is more done in formal annual meetings where other things are discussed as well. Ideas are not specifically communicated to customers but sometimes up the value chain.

Employees are encouraged to come up with innovative ideas and everybody is very important no matter which positions they have in the overall process. Eco-innovation is not encouraged in particular but its importance is recognised and undergoes the same process as other types of innovation.

Ideas that are born within the store and are perceived as good ideas are implemented or as the owner said “it is better to implement than not – what can go wrong?” (Michal Wieloch, personal communication, 19. June, 2012).

There is neither an innovative collection in place nor a specific way of managing ideas but the owner keeps all good ideas inside his head. Furthermore, the performance of implemented ideas is not filed, and the owner even claimed it should not be.

#### *ICA Nära Satelliten<sup>5</sup>*

The store does not have a structured or formalized innovation process in place. In general the store manager and his wife are the main actors when it comes to innovation ideas within the store e.g. in screening, approving and implementing the ideas.

Innovation ideas that are generated within the store spurt more or less from the manager and sometimes from the general employees. Customers do not very often generate ideas for the store and corporate level never. Being innovative is encouraged within the store but not outside e.g. customers are not in particular encouraged, this is seen partly as the result of the nature of the store as being a small convenience store.

The main drive for being innovative is inspired by the overall operation of the store and the willingness to run a good store. Economic reasons are of influence as well.

There is no formal collection of innovation ideas, old and new ideas are “stored” in the head of the owner. Keeping formal collection is perceived as time consuming act which no time is to engage in.

Level of communication of innovative ideas are modest, they are spoken about within the store but not communicated outside the boundaries of the store.

### **3.3 Coop**

The first cooperative in Sweden was founded in Öresundsbro in 1850 (Coop (a), n.d.) following formation of the Cooperative Union (KF) in 1889 which was a turning point in the

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<sup>5</sup> This section is based on information retrieved from personal communication with Kjell Åke Jarl, 21. June, 2012.

development of such partnership (Coop (b), n.d.). The basic values of KF in 1889 are still in place at today's KF e.g. member ownership and concern for man and environment (Coop (c), n.d.). The history of KF is coloured by both organisational and structural development where the political and social environment plays an important role. These events are not of importance for the purpose of this thesis. Description of current ownership is demonstrated in Figure 3-6 and organisational structures in chapter 3.3.1

Today there are over 3 million members in 42 consumer associations owned by KF. Retailing is the KF's core business with the ownership of more than half of all Coop stores in Sweden. The other remaining Coop stores are owned by 37 different retail associations (Kooperativa Förbundet (KF) (a), 2011). About 6,800 employees or ca. 82% of all workforce within KF work in the retail branch of KF i.e. Coop Butiker & Stormarknader, Coop Inköp & Kategori, Coop Logistik, Coop Marknad, MedMera Bank, Coop Butiksutveckling (Kooperativa Förbundet (KF) (a), 2011). In 2011, the sales of the retail branch increased by 2.2% with 33,247 SEK m. In Sweden, Coop accounts for 21.5% of the grocery retail market and runs 760 stores (Coop (d), N.d.; Kooperativa Förbundet (KF), 2011).

*The ownership*

Kooperativa Förbundet (KF) is a cooperative business form, owned by the KF Group which is owned by 3,2 million members in 42 consumer associations. The operation of KF falls into five different business Groups i.e. retail, media, real estate, investment and other companies (Kooperativa Förbundet (KF) (a), 2011). Coop stores & supermarkets fall under the retail group and operate as a limited company within the retail group (Coop (d), n.d.). Figure 3-6 demonstrates the ownership of KF Group.

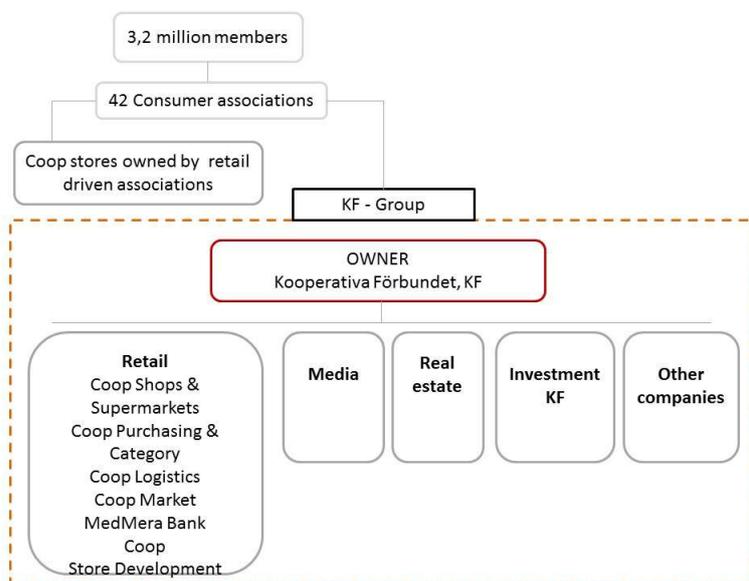


Figure 3-6 Organisational chart for KF Group

Source: Kooperativa Förbundet (KF), 2011.

*Store types operated by Coop*

Coop operates five chain-stores, which offer different kind of assortments, service and/or opening hours. *Daglivs* and *cooponline.se* are also part of Coop Shops & Supermarkets (Coop (e), n.d.). Coop's five chain-stores operated in Sweden and their characteristics are demonstrated in Table 3-2.

Table 3-2 Coop's store types and chains.

Store type	Characteristics of store types	Chain	Number of stores nationwide	Number of stores in Lund
Hypermarket	Extensive assortment of food and non-food items. Long opening hours.	Coop Forum	64	1
Supermarket	Extensive assortment of food, high service level	Coop Konsum	378	2
Convenience store	Wide range of fresh assortments, lower price,.	Coop Extra	80	0
Convenience store	Limited assortment of food, long opening hours.	Coop Nära	160	3
Hardware store	Focus on home and garden.	Coop Bygg	30	0

Source: Bonnedahl & Jensen, 2007; Coop (e), n.d.

### 3.3.1 Organisational Structure

The organisational structure of the Coop Stores & Supermarket Ltd. (see Figure 3-7) is divided into corporate senior management of Coop Shops & Supermarkets and tactical team where each store chain falls under.

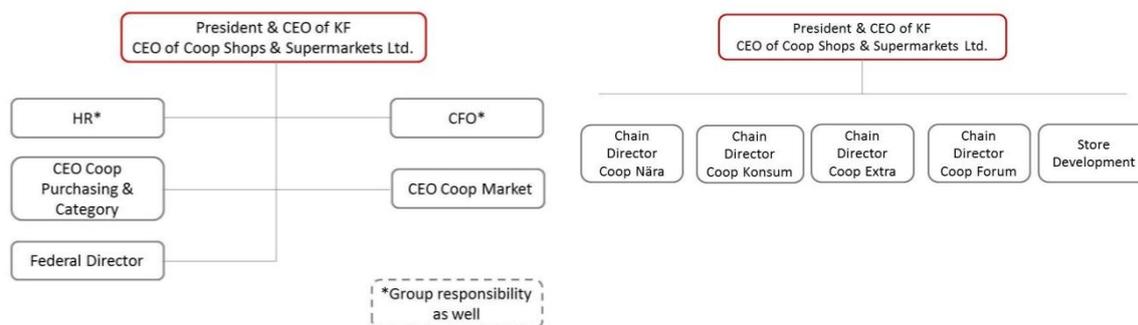
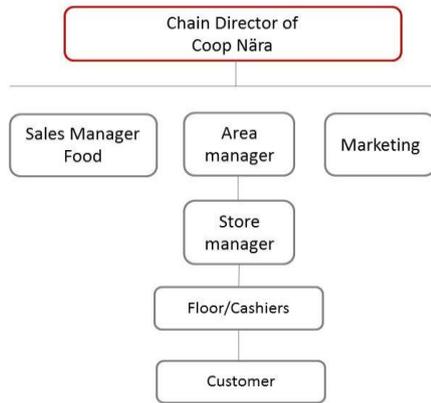


Figure 3-7 Organisational structure of Coop management team (left) and of Coop Shops and Supermarkets Ltd. (right).

Source: Kent Nielson, personal communication, 29.June, 2012.

The organisational structure of business chains is the same within each chain but varies between different chains e.g. the organisational structure of Coop Nära and Coop Forum. The case study of Coop, represents at least three types of organisational charts of Coop stores, demonstration of each is in Figure 3-8 - Figure 3-10. Aspects regarding the organisational structure of each store chain as IT, Business control and Human Resources are left out in mentioned figures as they are not believed to be important in the context of the study.

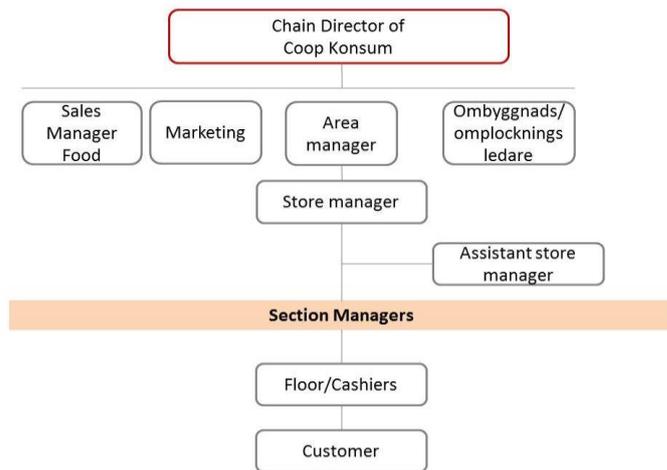


*Figure 3-8 Simplified Organisational structure for Coop Nära.*

*Source: Kent Nielson, personal communication, 29.June, 2012.*

with the store manager. The relationship between the store manager and general employees is open (Erica Hedin, personal communication, 19. June, 2012). Simplified description of the store’s organisational structure is demonstrated in Figure 3-8.

Coop Nära - Flojtvägen is a convenience type of store. It is located within the neighbourhood and therefore easily accessible especially for non-driving customers. It offers limited range of assortments but long opening hours (Bonnedahl & Jensen, 2007; Coop (e), n.d.). On a daily basis there are about nine people working in the store who step into all job roles. A store manager, who makes smaller decisions regarding the store often in a liaison with general employees, runs the store. Major decisions regarding the store are taken at higher level but in close contact



*Figure 3-9 Simplified organisational structure of Coop Konsum.*

*Source: Kent Nielson, personal communication, 29.June, 2012.*

organisational structure of Coop Konsum is demonstrated in Figure 3-9.

Coop Konsum Martenstorget is categorised as a supermarket and offers wide assortment of food with focus on high service level. It has a convenient location and is easily accessible (Bonnedahl & Jensen, 2007; Coop (e), n.d.). On a daily basis there are about 45 people working in the store with assigned job roles. Store manager runs the store and makes all decisions regarding the store on a daily basis, often in close contact with subordinates. Major decisions are done in close contact with his/her commander. The relationship between the store manager and general employees is open. (Kent Nielson, personal communication, 29.June, 2012). Simplified

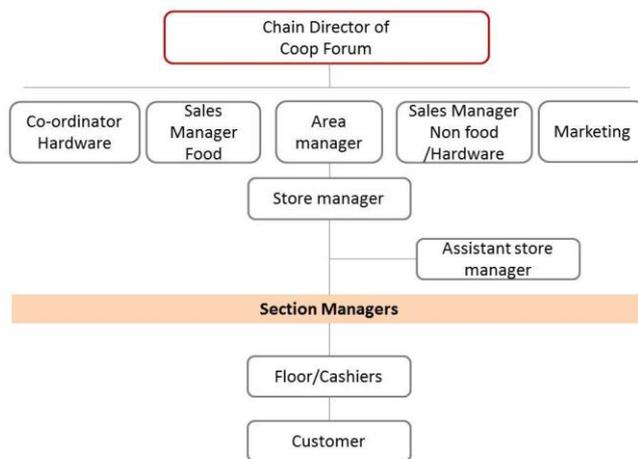


Figure 3-10 Organisational chart of Coop Forum.

Source: Kent Nielson, personal communication, 29.June, 2012

personal communication, 28.June, 2012). Simplified organisational structure of Coop Forum is demonstrated in Figure 3-10.

Coop Forum Traktorvägen is a hypermarket which offers extensive assortment of both food and non-food items (Bonnedahl & Jensen, 2007; Coop (e), n.d.). It is easily accessible by car with a location close to the city's biggest shopping centre. About 35 people work there on a daily basis with assigned jobs. A store manager runs the store in close cooperation with his subordinates. Major decisions regarding the store are taken at higher level but in close contact with the store manager. The relationship between general employees is open but usually goes through the store manager's subordinates (Johan Mases,

### 3.3.2 Overview of Environmental Work

Coop works according to the ten principles presented in the United Nations Global Compact which the KF Group officially accepted in 2007. In 2011 Coop was awarded as being Sweden's most sustainable and greenest brand (Kooperative Förbundet (KF) (b), 2011).

Coop works within several areas concerning the environment. The concernment of the Sea is among Coop's focus point. Addressing concerns for the sea, Coop takes on several measures e.g. by increasing eco-labelled fish products in stores. Marine products are purchased according to criteria based on fishing guides from the World Wildlife Fund (WWF), Environmental Management Council, Marine Conservation Society (MCS) and Incofish (Coop (f), n.d.).

In terms of affecting the climate, Coop's goal is to reduce its emissions of greenhouse gases by 40% compared to 2008 emissions. Furthermore, by offsetting their emissions Coop expects to be carbon neutral by the year 2020 (Coop (g), n.d.). To achieve their climate goals Coop operates smart transport, which entail use of trains instead of trucks for long distance transport. In reducing energy consumption in stores, installations of lids and doors on cooling devices are among operations along with educating employees on how to save energy in stores (Coop (g), n.d.).

Coop shares the industry's highest proportion of organic sales and the largest range of organic products (Coop (h), n.d.). All Coop stores are KRAV certified and they offer about 100 Fair trade – labelled products.

Coop works on reducing waste at all stages within its operation e.g. through better ordering practices. All packaging material is sorted and recycled and Coop has also been working on material development i.e. use recyclable material into something else within the context of the stores e.g. turning PET bottles into shopping carts (Coop (i), n.d.).

### **3.3.3 Innovation processes**

Common and defined innovation process is not in place at Coop (Anna-Lena Dahlberg, personal communication, 19.June, 2012), nevertheless Coop does practice each individual innovation stage in some way or another.

#### *The corporate view<sup>6</sup>*

There is no one general innovation process in place at Coop, how innovation comes about and are processed is more subject to the department they spurt from or apply too. Furthermore, innovation processes are integrated into the development processes of the company.

Coop does not distinguish between eco innovation and other innovation but talks about innovation in general. Ideas are often generated around corporate senior management but not by top managers. Ideas generated at store level have to be processed by corporate senior management e.g. approved. The level of innovation ideas play a role in how much corporate senior management is involved e.g. incremental innovation usually leaves out corporate senior management's involvement. Innovation ideas are generated both within and outside the organisation. Within the organisation generation of ideas is more often integrated into other processes e.g. the sourcing process. Members, suppliers and sometimes retailers also generate ideas. Coop encourages innovation within the given frame of each responsibility and that it will mirror the organisational vision in their brand policy and Code of Conduct. Who are involved in processing innovation ideas depends on the situation and where the innovation applies

How Coop collect innovative ideas varies between departments with sheets on the wall where ideas are written to folder on the intranet. Furthermore there is a "creative post box" for employees, for ideas aimed at the head directors. Press and Communication Department screen those ideas. Employees are enabled to put forward their ideas through the intranet, monthly forums and through workshops. Other stakeholders e.g. customers are enabled to put forward their ideas through the Coop Customer Service Department. Innovation collections where ideas and their results are systematically collected are department dependent but Coop is working on how to collect such information in a more defined and better way. No subscribed responsibility is on keeping track of innovation ideas but is rather included in job descriptions.

The main drive for innovation at Coop is development of departments' responsibility area. In some areas goals and targets on how to achieve KPIs drive innovation, especially in eco and Fair trade products.

There is no defined way of communicating innovation ideas rather it depends on the situation who takes on that responsibility. The main channels are through the personnel newspaper, intranet and monthly and weekly meetings. Department managers attend meetings and store managers when information on products and the market are revealed. Innovation ideas are communicated outside the organisation through homepages, seminars, meetings, media and with campaigns.

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<sup>6</sup> This section is based on information retrieved from personal communication with Anna-Lena Dahlberg, 19. June, 2012

### *Coop Konsum Mårtensstorget<sup>7</sup>*

There is no defined innovation process in place within the store, nevertheless innovative ideas are handled in certain ways by employees and managers.

Innovation ideas are mostly generated by corporate level and are more radical types of ideas. Store employees, customers and suppliers also come up with innovative ideas. Within the store incremental ideas are often implemented without involvement of the store manager and never with corporate level involved. Other retailers do not provide the store with innovative ideas. There is no common way of generating ideas, they spurt in the heat of the moment. Employees within the store are encouraged to be innovative and corporate level does encourage eco innovation, the store also focuses on eco innovation e.g. in increase the efficiency of the ordering process to decrease waste. The main drive for being innovative is economic, making better working environment and saving time.

The store does not hold any type of innovation collection and claims it would be difficult due to the lack of time and things need to happen fast within the store.

An innovation usually goes through the store manager and if the idea is radical in nature and involves financial factors then corporate level is involved. Group of four managers are usually involved in the ideas that come up within the store e.g. screening and mobilisation. There are no criteria in place for screening innovative ideas; it more goes by personal opinions.

Innovative ideas are communicated verbally and travel up the hierarchy, store managers hold a store network to share information concerning the store e.g. innovative ideas. Furthermore, store meetings with store employees are held bi-weekly. Customers are expected to observe the changes within the store, but innovative ideas are not specifically promoted to them.

### *Coop Forum<sup>8</sup>*

There is no defined innovation process within the store, still the store engages in innovation activities in many ways. The store talks about innovation in general but does not distinguish between e.g. eco innovation and other innovation nor treat them differently.

The generation of ideas are in the hands of employees within the store as well as customers, suppliers and other retailers. Corporate level does not provide the store with innovative ideas but are involved when the idea is radical in nature. Despite different actors provide the store with innovative ideas the store only encourage store employees to do so. Customers can leave their ideas at the information desk in the store and employees have a special mailbox for ideas they generate. Employees that come up with a useful innovative idea are rewarded e.g. with cinema ticket or get a verbal feedback.

Innovative ideas e.g. which come through the mailbox are discussed and processed at meetings of the managerial team of the store i.e. store manager, assistant store manager and section managers. Short meetings are two times a day every day of the week or at weekly meetings where ideas are discussed, screened and approved if applicable.

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<sup>7</sup> This section is based on information retrieved from personal communication with Kent Nielson, 29. June, 2012

<sup>8</sup> This section is based on information retrieved from personal communication with Johan Mases, 28. June, 2012

Economic factors e.g. increased selling is the main drive for change within the store and also the main criteria in the screening process. Other factors play a role as well e.g. customer satisfaction.

The store collects innovative ideas through the mailbox and at the information desk. All these ideas are written down and stored by managers in a folder for innovation ideas. Good ideas are brought to life and tested but others are stored for later since the timing might not be right at the very moment. Information about the implementation of an idea is not collected specifically. An innovative idea can take from weeks to years to implement depending on the level.

Despite not having defined innovation process managers do evaluate how the innovation went such as what went well and what could have been done better

Innovative ideas are communicated at meetings with managers and employees once a week, on information paper in the cafeteria and electronically. Customers are informed on a newly established Facebook page.

#### *Coop Nära Fjöllvägen<sup>9</sup>*

The store does not have defined and structured innovation process; despite they do engage in innovation practices in several ways. The store does not distinguish between eco innovation and other innovation.

Corporate senior management is less likely to be involved in the innovation process within this store since the size of the operation is relatively small compared to other chains within Coop. Innovative ideas are mostly adapted from other stores especially Coop stores. Employees, customers, suppliers and other retailers provide the store with innovative ideas as well. It is not common for corporate level to generate ideas, which are implemented in the store but corporate level is involved in processing radical innovation ideas. Employees are encouraged to put forward their ideas as it is part of the store culture. Encouragement is also embedded in the organisational agenda. The main drive for generating innovative ideas is economic and to create better working environment.

The store manager and assistant store manager are involved in the innovation process within the store and sometimes they involve and communicate successful ideas to their boss i.e. the director of Coop Nära in Skåne and Gästrikland. Mobilisation of ideas is in the hands of the store manager and the screening is mostly based on economic factors. Experimentation is through trial and error i.e. idea is implemented and how it went is then discussed some weeks later.

Innovation ideas are communicated through the intranet, email, through networking of store managers in Lund and/or Malmö, southern part of Sweden and all Sweden 2-4 times a year. Customers are expected to notice changes in the store but sometimes signs are put up in the store if the changes are not that visible.

Innovative ideas that are implemented are monitored by sales figures and the time to implement can take from weeks up to a year, depending on the level of the innovation.

There is no formal way of collecting innovative ideas mainly due to the lack of time. The store manager writes down some ideas or keeps them in her head.

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<sup>9</sup> This section is based on information retrieved from personal communication with Erica Hedin, 19. June, 2012

## 4 The Analysis of the Cases<sup>10</sup>

Chapter 4 presents the connection between the literature analysis and empirical findings with comparative study of the cases.

### 4.1 The analytical Framework in retrospect

The analytical framework (Figure 2-3) provides the foundation for the analytical part of the case studies. The main objective is to gain further understanding of the factors involved in different organisational structures on the innovation process.

The framework indicated that organisational structure has various effects on the characteristics i.e. the attribute pool of the organisation. The attributes affect the innovation process as a whole or stages of the process depending on the attribute. How organisations go about their innovation process implies how innovative they are. Organisations with structured routines and defined innovation process are perceived robust with brittle organisations at the other end of the spectrum.

### 4.2 Applying the Analytical Framework

Following chapters offer the analytical part of the case studies through the lens of the framework. The framework separates into two explanatory parts, first the organisational structure, second the innovation process and the organisational innovativeness. The final section presents the analytical framework where it is put together to reveal the findings of the cases.

#### 4.2.1 Part 1 – The Organisational Structure

“...if you work on a central level you are an office person...and sometimes they think if they write something or do a little project about it then it is happening...but the thing is it does not...” (Personal communication, store level)

Before presenting the cases under study, it is worthwhile keeping in mind what the literature

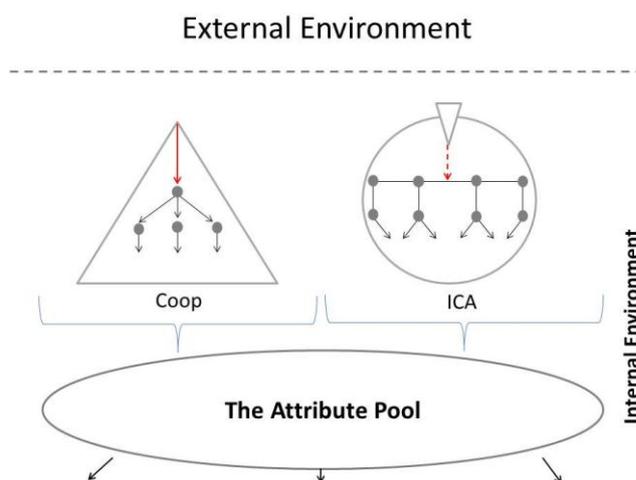


Figure 4-1 Organisational structure - the difference between Coop and ICA

says about the two different organisational structures under analyses. As it is revealed in Kortmann (2012) centralised organisations do have more concentrated power of decision making but decentralised organisation have more distributed power among non-managerial employees. In relation to the innovation process, the literature assumes the effectiveness of organisational structure on the process (Damanpour F., 1991; De Jong, Bruins, Dolfsma, & Meijaard, 2003; Nahm, Vonderembse, & Koufteros, 2003).

The organisational structure of Coop and ICA can be described in a

<sup>10</sup> All quoting in the analytical part of the thesis are anonymous due to potential sensitivity. Therefore all quotes are treated the same. The position of the quoted person is clarified to distinguish between hierarchical levels i.e. on store level or corporate level.

simplified way in Figure 4-1 with Coop being more centralised in decision-making than ICA. In Coop the organisational structure differs between different types of store chains, but is the same within the same types of store chains. The relationship with higher organisational level is similar both between and within store chains with various interactions both up and down the hierarchy. One interviewee claimed the size of the stores being a factor in how much corporate senior management is involved. With less involvement in the smaller stores e.g. Coop Nära.

ICA is described as decentralised where each individual store holds the power of its own operation and development. The organisational structure of store chains can be different both between business models and within. Furthermore, the relationship with higher organisational level is more in terms of suggestions rather than commands from corporate senior management down to the stores. Some stores claim they hardly interact with corporate senior management about *in-store* activities.

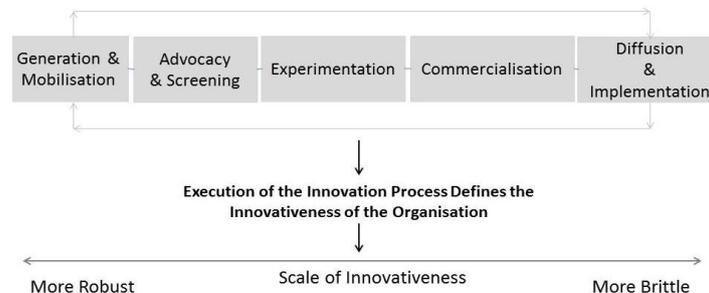
*What does the organisational structure of Coop and ICA denote for the purpose of this thesis?* First, to be able to answer the first research question one needs to understand the concept of organisational structure and where the difference lies between the cases under study. Second, the differences in organisational structure between Coop and ICA indicate different approaches in relation to innovation where corporate level is more involved in the innovation process within Coop, especially when the innovation is radical and/or include major financial output for the store. ICA stores are independent bodies and do not involve corporate level in the innovation process not even when the innovation is radical.

The understanding of the organisational structure of Coop and ICA leads us further down the applied analytical framework.

#### 4.2.2 Part 2-The Innovation Process & Scale of Innovativeness

“You can’t involve people by sending them a paper, you have to do something” (Personal communication, store level).

Looking back at the literature on the innovation process Tidd et al. (2001) state the importance of understanding innovation as a process as it influences how the organisations both approach and manage it. Furthermore does well-defined innovation process indicate effective innovation program within organisations (Desouza, et al., 2009). Neither Coop nor ICA have a formalised and structured innovation process in hand, nevertheless both of the organisations do engage in various innovation activities, which have been described in chapters 3.2.3 and 3.3.3. Discussions of where and how these innovation activities fit into Desouza’s et al. (2009) innovation process (chapter 2.2) are in following section.



*Figure 4-2 The innovation process & the scale of innovativeness.*

*Source: Adapted from Desouza et al 2009.*

*The Stage of Generation and mobilisation:* in both of the cases innovative ideas spurt from playful activities but more often by responding to a perceived problem especially on store level, or as one of my interviewee phrased it: "...you solve the problems as long as they come" (Personal communication, store level). Innovative ideas are generated by various stakeholders e.g. customers and suppliers and ICA and Coop do adapt from elsewhere but usually such activities are on store level. One Coop store reported that most of their innovative ideas were adapted from other Coop stores and sometimes their competitors e.g. ICA. The types of innovation generated in the stores are more incremental than radical innovation.

Neither ICA nor Coop can be seen as either robust or brittle in how they execute this stage of the innovation process but somewhere in between. Both of the organisations do not have definition of the term "idea" in place, still it is not perceived unclear what an idea is. The sources of ideas are wide but not necessarily well defined and there are no procedures,, processes or guidelines in place to evaluate sources or standardise stages of idea generation. Only one store (Coop) reported having reward or recognition system in place for employees who come up with valuable ideas other interviewees claimed having some kind of such system but it was more related to the overall work performance of employees than generating good ideas.

*What is the influence of the organisational structure at this stage:* The involvement of corporate level is the main difference between ICA and Coop at this stage of the innovation process. Owners and/or store managers of ICA claim it is quite common to get innovative ideas from corporate level with exception from one owner who said he never gets ideas from corporate level. One interviewee stated the involvement had increased with changes in the structure of the organisation i.e. when it became more centralised. Within Coop the involvement of corporate level in generation of ideas seems to vary between stores, some stores only get ideas from corporate level and other claimed not at all. Furthermore, types of ideas generated by corporate level differs between the cases, more broad ideas and in the context of the organisations as a whole are more likely to spurt from ICA's corporate senior management and being mobilised down to the stores. Within Coop's corporate senior management, ideas are born both in the context of the organisations but also in the context of each store chain, which are mobilised town to the stores.

How the case companies come up with ideas and manage them is very much in line with what Desouza et al. (2009) stated being the common trend in looking at innovation i.e. something that just happens. *But why is it like that in these cases?* The generation of ideas is more often a response to a problem or demand from e.g. customers, therefore the process of generating innovation ideas is often more reactive than proactive. This view can be captured in one of my interviewee's quotations "We don't talk about ideas that much...there is no need to as we are selling so much right now" (Personal communication, store manager). Another factor is the type of innovation ideas being most of the time incremental, which is in line with the literature (De Jong, Bruins, Dolfsma, & Meijaard, 2003; Howells & Tether, 2004; OECD, 2005). Such small, continuous changes in processes, services and products could be perceived as not being innovative in nature and therefore not necessary to manage in a well-defined way.

*The Stage of Advocacy & Screening:* both of the organisations engage in an advocacy and screening of ideas but in a vague way. Higher hierarchical level has more structured way of advocacy and screening than stores do in both of the organisations. On the store level, there is a difference between ICA and Coop in screening and advocacy of innovative ideas. Coop's corporate senior management is more involved in the stage and if stores come up with radical ideas, they have to go through corporate senior management. This is not the case within ICA. In both of the organisations the managerial team of the stores i.e. owner, store manager and/or section managers are involved in the screening and advocacy stage. When ideas are more radical in

nature then the owner and/or store managers are involved otherwise section managers take part in the process and in some cases the general employees as well.

Both Coop and ICA can be defined as brittle in this stage of the innovation process as there is no reward system in place for advocates but the main concern is the absence of evaluation criteria, which makes it unclear how to evaluate ideas. Economic factors were most often mentioned in serving as some sort of criteria for evaluating and screening ideas but creating better working environment and to be more efficient (save time) were also mentioned. Furthermore, there is no standard in place for either of the organisations on how to go about the process of screening.

*What is the influence of the organisational structure at this stage:* how the organisations go about this stage of the innovation process is different depending on where in the hierarchy it takes place. Within Coop, corporate senior management is more involved in this stage and some ideas e.g. radical ideas generated within the stores have to go through Coop's corporate senior management before reaching the next stage of the innovation process. This is not the case for ICA as the stores are independent, still they cannot act against the policy of the ICA brand.

How ICA and Coop go about the stage of advocacy and screening contradicts what Desouza et al. (2009) say characterise organisations with strong innovation processes. *But why is this stage so vague in both of the cases?* First, how the cases execute this stage of the innovation process is similar and indicates that the structure is only partly influential as one might expect. Coop has the possibility to implement standardised and well-defined stage of advocacy and screening throughout the organisation but still Coop does not. As ICA is a set of independent stores it is more dependent on the owners and/or store managers to implement such practices, still none of them do. *What is it then?* The level of innovation that is generated i.e. more incremental and spurt in the heat of the moment can be of influence on how innovative ideas are treated that is since the idea is small there is no need to run it through some defined evaluation scheme or advocate it throughout the organisation. The environment which the organisations operate in i.e. being volatile can also be of influence as owners and managers might view such defined process of advocacy and screening to inhibit as soon as possible the implementation of the idea.

*The Stage of Experimentation:* this stage of the innovation process in both of the cases is unstructured and is not done in a defined way. Ideas are tried out in the stores and their success is usually determined by sales figures i.e. do the sales increase or decrease with this new idea? Only one store manager (Coop) reported having some sort of innovation collection in place but all owners/store managers do not document the success/failure factors of ideas implemented in the stores. Within ICA documentation of the performance of innovation ideas depends on departments operating at corporate level that is some departments might have such documentation in place while others might not. Furthermore, radical ideas are more likely to be documented than incremental ones, especially if the idea involves extensive changes in the operation of the organisation.

Both ICA and Coop can be defined more brittle than robust at this stage of the innovation process. The cases do not have structured or defined process of how to experiment with new ideas and documentation of procedures do not exist. However both ICA and Coop value adoption of external ideas and one store reported that most of the ideas implemented in their store were adopted from elsewhere.

*What is the influence of the organisational structure at this stage:* It is hard to say how the organisational structure influences this stage of the innovation process since in both cases the stage is very unstructured and intangible. Still, one might expect centralised structure to be more effective

in the sense it would be easier to introduce and apply throughout the organisation methods of experimentation. On the other hand, one might also expect decentralised structure to be more effective as each store has the power on its own to decide how to experiment with new innovative ideas.

The experimentation within ICA and Coop echoes what Desouza et al. (2009) say about the stage of experimentation as being one of the most unstructured one in the whole of the innovation process. One of the reasons for the fact that each idea is unique and born within a given context makes it difficult to implement one method, which is supposed to apply to all circumstances (Desouza, et al., 2009). Another reason could be the fact that innovation within retailing is more often incremental, spurt in the heat of the moment and is more reactive than proactive. Conventional R&D departments are not in place to generate and/or test ideas or perceives not as a key element in the innovation process (De Jong, Bruins, Dolfsma, & Meijaard, 2003; Howells & Tether, 2004; OECD, 2005). *Does this mean that the stage of experimentation should be refrained from the innovation process in grocery retailing?* To be able to answer this question further research is needed into how stores engage in experimentation of innovation ideas with focus on which factors are determinant in deciding which ideas are implemented or repeated later.

*The Stage of Commercialisation:* both cases engage in several ways of commercialising their ideas, both internally and externally. Internally, ideas are communicated through email, on whiteboards located in lunchrooms within the stores, at meetings and/or over the telephone. Externally, newspapers, customer letters, homepages, Facebook, Twitter, seminars and Campaigns are all reported as commercialising channels of innovative ideas. Communication of ideas differs between the cases under study. Within ICA only ideas generated by corporate senior management are communicated throughout the organisation. Communication of ideas between stores is rare as each store is a competitor to another ICA store. In Coop, it is more likely that ideas are communicated throughout the organisation independent of where they were generated. Furthermore, it is also more likely that Coop stores communicate their ideas with other Coop stores. On store level within both of the cases, documentation of this stage and the aspects of the innovation is lacking except in terms of sales figures. This leaves it harder for managers to communicate the potential value of the innovation both within the organisation but also to other stakeholders. The marketing department of both ICA and Coop perceives as a key element in this stage. As no one from the marketing departments was interviewed, a deeper understanding of the marketing practices in relation to this stage of the innovation process of the cases is missing.

The cases fall between of being robust or brittle at this stage of the innovation process. The cases engage in many components reported by Desouza et al. (2009) as characterising robust organisation but also the ones that would fall within the brittle definition. Both cases are robust in the sense they utilise public forums and engage customers in the process. On the other hand it is more likely that only benefits of radical ideas will be articulated and documented but not the incremental ideas. It is more likely that a centralised unit within Coop will manage this process rather than within ICA. The marketing department within ICA is less likely to engage in commercialisation on store level, as the stores are independent bodies, except when running campaigns.

*What is the influence of the organisational structure at this stage:* The most likely influence of the organisational structure is on the communicational aspect of innovative ideas. Within Coop, both different levels and types of ideas are more likely to be communicated and commercialised more widely than within ICA. On the other hand stores within ICA are not bound to higher hierarchical level in how they execute this stage, which could affect the speed of the stage in a positive way resulting in more ideas being commercialised in shorter period of

time. Nevertheless, it is not necessarily the speed or the amount of ideas that indicate the success of this process but how it is managed.

*The Stage of Diffusion & Implementation:* in both of the cases the managerial team of stores is involved at this stage of the innovation process, the level of their involvement is dependent on the level of the innovation, the more radical ideas the more store managers/owners are involved. Incremental ideas might be implemented without store managers/owners involvement, section managers and the general employee would then implement the innovation idea. The involvement of ICA's corporate senior management is more related to the level of the innovation and where it takes place that is if the innovation will involve many stakeholders e.g. with changes in logistics. ICA's corporate senior management is not likely to be involved in implementing ideas at store level. Coop's corporate senior management involvement is similar as within ICA with little bit more involvement at this stage of the innovation process. Nevertheless, the involvement is also subjected to the level of the innovation being implemented leaving the corporate senior management out when the nature of the innovative idea is incremental.

Both ICA and Coop can be perceived as more robust than brittle in how they manage and execute the stage of diffusion and implementation. Implementation of innovation ideas at store level is under supervision of the store's managerial team in both of the cases with little or no involvement of corporate senior management. Due to the ICA stores being independent bodies within the organisation the dialogue between store level and corporate senior management is very limited at this stage of the innovation process. At Coop the dialogue between store level and corporate senior management is likely to happen more often than within ICA. Both cases use technology and social media to communicate implemented ideas at store level. Still is it dependent on the level of the innovation idea if it is communicated with the more radical ones being communicated. Some stores expect customers to observe changes in the store and do not specifically communicate them and others do not communicate them at all.

*What is the influence of the organisational structure at this stage:* the organizational structure of the cases is likely to have influence on the innovation process at this stage especially in diffusing the implemented ideas between different levels and stakeholders. According to the literature centralised structures are more likely to inhibit communications (Nahm, Vonderembse, & Koufteros, 2003), thus affecting the diffusion of implemented ideas. In these cases, it is hard to determine if one case is doing better than the other since the setup of these two organisations is very different. Engaging in diffusing ideas between different stores within ICA is something that is not done since each store is independent and competing with other ICA stores. Diffusion of implemented ideas is active both between stores and between Coop's corporate senior management. Such interaction is likely to both facilitate and inhibit the overall performance of Coop in terms of innovativeness. Facilitate in the sense that adoption and implementation of good ideas is made possible with potential positive effect on the operation of the stores and the organisation in general. Inhibit in the sense that the involvement of Coop's corporate senior management might slow down the process of implementation, which might affect how reactive stores are to the environment they operate and leaving them less competitive.

### **4.3 Putting the parts together**

The setup of the organisation does not only introduce the level of involvement by the corporate senior management but also if senior managerial level participates at all in the innovation process at the store level. The involvement of the case's corporate senior management in the innovation process at store level differs between the cases but also between stores within the same organisation. In some stages of the innovation process, the

involvement of corporate senior management is deeper than at other stages or not at all. At all stages of the innovation process, overall participation of the corporate senior management is more probable within Coop than within ICA. Still in how the stores of the cases under study go about the innovation process is similar. This indicates that there are other factors as well beside the organisational structure, which are likely to contribute to the overall outcome of the innovation process. One of the factors could be lack of understanding of innovation as a process as Tidd et. al. (2001) argued being essential as it affects how organisations approach and manage the innovation process.

#### *How to read the analytical framework for the cases*

For each of the cases the findings are put into the analytical framework applied in this study and presented along with explanations. These findings are presented case by case in the following section.

The organisational structure influences the pool of attributes, which is left empty in this case but nevertheless recognised. The arrows pointing from the attribute pools to specific stage of the innovation process represent the influence and/or participation of the corporate senior management.

Three different colours (green, red and beige) are used as indicators on how well the cases manage each stage of the innovation process:

- *Green* indicates good management of the stage,
- *Red* indicates bad management of the stage,
- *Beige* is average management of the stage.

Finally, the scale of innovativeness of the cases is projected, based on the overall management of the innovation process by the cases under study.

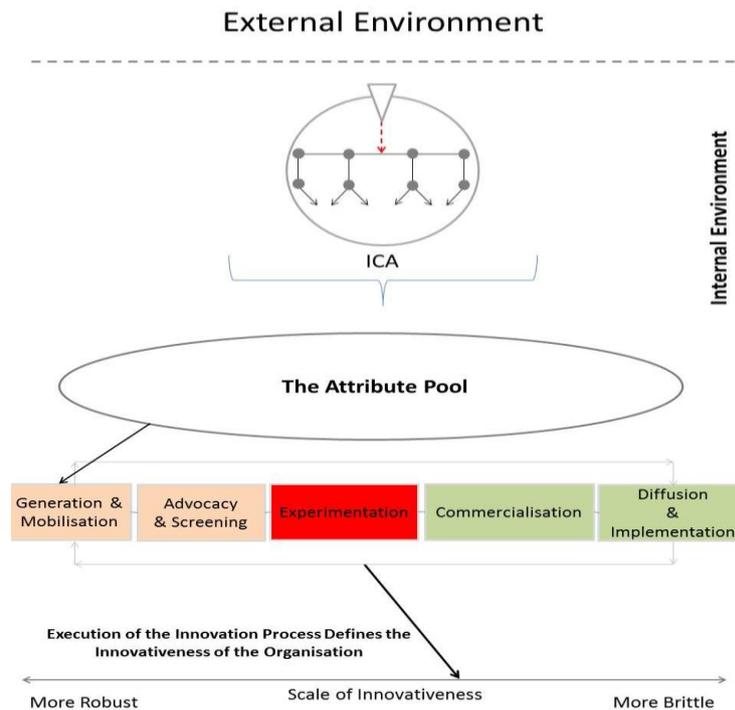
#### *Summing up the findings case by case*

**ICA:** corporate senior management has very little influence on *in-store* activities, which are in line with the organisational structure of ICA i.e. its *decentralisation* and the independency of the stores. The performance is hardly influenced by the organisational structure since the corporate senior management is seldom involved within the stores. The management of the innovation stages within the stores are more likely to affect the performance than not. The sum of how well ICA engages in all of the innovation stages indicates the innovativeness of the organisation indicating ICA stores being more towards brittle than robust in that sense. Since, only the organisational structure was observed in this research the attribute pool is empty, but it is possible that different organisational attributes would be of influence as well.

Innovation generated in stores within ICA is more likely to be incremental in nature than radical. Nevertheless radical innovation is born within the stores as well. The involvement of corporate senior management is very little notwithstanding the level of the innovation generated. The involvement of senior managerial level is more related to innovation that involve the organisation overall e.g. the ICA brand.

The involvement of corporate senior management is little and they only influence one stage (stage of generation & mobilisation) of the innovation process as has been described earlier. According to OECD & Eurostat (2005) does decentralisation nurture employees' innovativeness better than centralised structure, this can have positive influence on the innovation process especially the stage of generation & mobilisation. At the same time

responsibility and the information flow is more often better defined within centralised setup (Shtub & Karni, 2010) along with possible positive influence on the management of the innovation process. Daniel et al. (2008) and Tidd et al. (2001) stated that the capability to respond quickly to dynamic market and gain competitive advantages can be attributed to innovative capacity of organisations. The independency of the stores might possibly influence the responsiveness of the stores to the external environment and therefore partly its innovative capacity. Figure 4-3 demonstrates the analysis of ICA through the lens of the analytical framework.



*Figure 4-3 ICA – the innovation process and scale of innovativeness according to the case analysis.*

*Source: The innovation process incorporated into the framework is adapted from Desouza et al., 2009.*

**Coop:** the level of corporate senior management involvement derives from Coop’s organisational structure i.e. its *centralisation*. The way stores go about their innovation process is partly influenced by the centralisation of the organisation. Involvement of corporate senior management seems to have both positive and negative effect on the outcome of the innovation process. The performance is partly influenced by the organisational structure but also by the management of the innovation stage within the stores. The sum of how well Coop engages in all of the innovation stages indicates the innovativeness of the organisation leaving it more towards brittle than robust.

The level of innovation i.e. radical or incremental, play a role in how much the corporate senior management is involved in the process of innovation. With radical innovation, the involvement of corporate senior management increases. This trend goes both ways that is innovation generated at corporate level implemented in stores are more often radical in nature. Furthermore, radical innovation generated in stores requires the involvement of corporate senior management. Incremental innovation is less likely to involve senior managerial level within Coop. Reflecting back to the literature, innovation in e.g. retailing is more likely to be

incremental in nature (De Jong, Bruins, Dolfsma, & Meijaard, 2003; Howells & Tether, 2004; OECD, 2005).

Corporate senior management is involved and therefore influences at least all but one stage (stage of experimentation) of the innovation process as has been described earlier. According to Kortmann (2012) centralised structure is perceived as an efficient and direct process of making decisions, which can have positive influence on the innovation process. At the same time there is a possibility of it impeding motivation of proactive thinking by employees (Kortmann, 2012). Since the store managers are always in one way or other bound to higher hierarchical level in operating their stores, it is likely that some stages of the innovation process might take longer time or else. In a volatile environment as all store managers implicated operating in, delays might restrain the competitiveness of the stores (Daniel Jiménez, Raquel Sanz, & Miguel Hernandez, 2008; Tidd, Bessant, & Pavitt, 2001). Figure 4-4 demonstrates the analysis of Coop through the lens of the analytical framework.

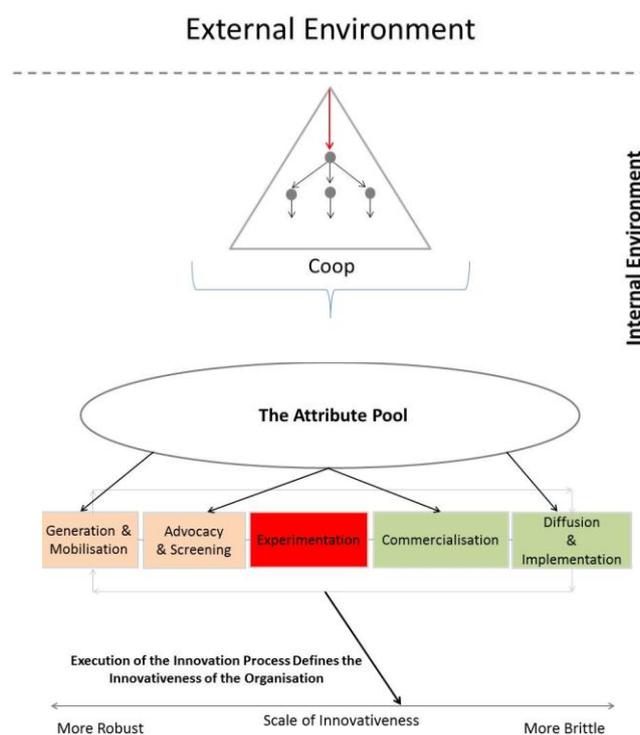


Figure 4-4 Coop - the innovation process and scale of innovativeness according to the case analysis.

Source: The innovation process incorporated into the framework is adapted from Desouza et al., 2009.

#### Facilitating the innovation process within grocery retailing:

Looking back at the analysis presented earlier indicating how stores go about the innovation process is more subject to the *in-store* management than the structure of the organisation. Nevertheless, the organisational structure influences the stages of the innovation process and the involvement is different between the two cases. Both cases do not have an innovation process in place, nevertheless they both claim ideas being implemented frequently. It designates despite not having a specific innovation process that ideas go through the stages of described innovation process but in a more informal way. The difference reposes more on how the stages are managed rather than them not existing at all. Facilitating the process of

innovation is therefore likely to lie in the management's aspects of the stages and managers' attitude towards the importance of having a defined innovation process in place. Additionally, the innovation process needs to be adapted to the volatile environment grocery retailers operate in, such adaption might be part of facilitating the innovation process.

*What about the Eco innovation*

Foster & Green (2000) concluded in their research on production companies that the ways towards effective eco-innovation and innovation in general are more or less the same. As stated in the interviews eco-innovation is neither encouraged nor treated differently within the stores. Furthermore they are often perceived as more cost than having direct financial benefits. *What does this denote then?* Thus, eco-innovation can be considered as being radical in nature and should be treated in a way other radical innovation is treated. But this also demonstrates that other types of innovation than eco-innovation are of priority for both organisations.

## 5 DISCUSSION

*This chapter reflects on the case study, research questions and the potential contributions from a practical point of view.*

It is recognised that innovation takes on different forms from one organisation to another, nevertheless there are certain basic elements of innovation processes that are the same (Tidd, Bessant, & Pavitt, 2001). The innovation process Desouza et al. (2009) describe which I use as a source in this thesis is based on five most common features of such processes: generation and mobilisation; advocacy & screening; experimentation; commercialisation; diffusion & implementation. Furthermore Desouza et al. (2009) state that well-defined innovation processes indicate effective innovation programs within organisations.

### 5.1 The Methodology in Retrospect

*The approach*

A qualitative research method was used in gaining a better understanding of the issue under study where literature analysis and in-depth comparative study were the main components of the method. The in-depth comparative case study included interviews with relevant sources within each company.

In relation to the methodology, two questions need to be reflected upon at the end of the case study:

1. Was the method applicable in addressing and gaining better knowledge of the issue under study?
2. How did the method affect the result of the comparative case study?

First, the methods of combining literature analysis and in-depth comparative study with interviewees provide a connection between this particular case study and other research. Therewith, the literature analysis provides potential explanations of the observed cases and facilitates understanding and interpretation of the findings. Additionally, the interviews provide valuable insights into the *in-store* operation from two main angles. The first perspective is how store managers or owners perceive the relationships with corporate senior management in connection to the innovation process. The second perspective is how the process of innovation in stores takes place. Therefore, the chosen method was useful for addressing and gaining better knowledge of the relationship between organisational structure and the innovation process, which was the focus of one of the research questions.

The innovation process proposed by Desouza et al (2009) is based on their collective research on the matter. This thesis uses their approach as it turned out to be the most useful for addressing the research questions, compared with others. Furthermore, it allowed combining innovation processes with the organisational structure of the cases.

Applying an innovation process, which is based on a collective research from various sectors does not reflect how retailers go about the innovation process but somewhere in between. The fact that retailing tends to have incremental rather than radical innovation R&D is not seen as a key element in the process. This can indicate that other elements are either more or less important than proposed by Desouza et al. (2009). The stage of experimentation as described by Desouza et al. (2009) turned out to be the weakest of all the stages, which could be an indicator of it being less important within the store operation than in other settings. The stage might be more linked to conventional R&D, where innovation is tested before going to the next stage. The pressure, which a volatile environment poses might push the

experimentation stage closer to the implementation stage, even so that the implementation functions as an experimentation in a way. Furthermore, with the level of innovation (generation of incremental rather than radical innovation) the experimentation stage might be viewed as less necessary or even restraining the process. When applying the innovation process as proposed by Desouza et al. (2009) it is important to identify the characteristics of the sector to which it is applied since the weight of the different stages might vary between different sectors.

Identifying the innovativeness of different organisations is closely connected to the identification of the relevance of different stages as identified by Desouza et al. (2009) in their collective research. The way Desouza et al. (2009) determines whether organisations are robust or brittle is described in absolute terms, which serves as an indicator of their innovativeness. The reality might be slightly different with most of the organisations somewhere in between of being either robust or brittle. Nevertheless, the level of innovativeness proposed by Desouza et al. (2009) is a good way of getting more familiar with the aspects of what defines a well-managed and robust innovation process. Furthermore, it does help to identify the qualities and flaws of the process within a given context.

The cases under study were identified as being slightly more brittle than robust based on the criteria proposed by Desouza et al. (2009). It indicates that their ways of handling innovation ideas are neither very well structured, well defined nor managed

#### *The applied analytical framework*

The applied analytical framework was specifically structured for this case study. However, it is both applicable to other cases and from other perspectives. The components of the framework are based on the analysis of the literature. It turned out to be useful to analyse the cases from the point of view of the organisational structure, using the framework from Desouza et al. (2009), to see whether and how the structure affects the innovation process. Moreover, it highlights where the differences are found.

The attribute pool, although an important aspect of the framework was left empty in this case. Different attributes affect the innovation process or the innovation stages but their influence derives from the organisational structure. Only few attributes are mentioned in the literature analysis as being descendant of organisational structure and suggestive of the innovation process e.g. specialization, communications skills, flexibility, level of creativity, and responsiveness. These attributes are recognised in this thesis as being of importance but the cases under study were not examined through the lens of different attributes.

#### *The Sensitivity of the Analysis*

The limited access to corporate senior management in each case is likely to affect the results. This poses some limitation to the study as information on the issue under study from higher hierarchical levels is narrow. The understanding of how much or in what way corporate senior management is involved in the innovation process on *in-store* level is therefore seen as incomplete.

#### *The Generalizability of the Study*

The comparative study focuses on two different grocery retailers located in Lund of which both belong to retail chains that operate nationwide. The stores included in the study can be found throughout Sweden, nevertheless the basic elements of each store are the same since

they are part of certain store chain operated by the organisations. Concerning the generalizability of the study the following two aspects are relevant:

*Sectorial:* The results are believed to be generalizable within the grocery sector in Sweden. The sector shares the same elements and aspects, which is of influence in relation to innovation processes. Therefore, the results are likely to be applicable across the sector.

*Geographical:* Despite the fact that the study is only conducted within stores located in Lund Sweden, the stores operated by the case chains are similar regardless of where they are located. Furthermore, grocery retailers with similar organisational structures are likely to share similar characteristics, which affect the innovation process. Therefore, the results are likely to be applicable to stores in different geographical locations.

### 5.1.1 Reflection on the Research Questions

*RQ1: How does organisational structure influence the level of innovation and the innovation process in grocery retailing?*

The main contribution of this study is gaining a better understanding of the influence which the organisational structure has on the level of innovation and the innovation process. The analysis of the literature and the comparative study of the two cases contributed to better knowledge on various aspects of the connection between the innovation process and the organisational structure. Nevertheless, the analysis also identified other questions worth further investigation in relation to what influences the innovation process within retailing.

Each organisation has different characteristics such as different levels of specialization, communication skills, flexibility, levels of creativity and responsiveness. These may derive from the organisational structure in question. Furthermore, the organisational culture and organisational learning potential were mentioned as antecedents of innovation. Conversance on how these organisational attributes affect the level of innovation and the innovation process is worth exploring as it might contribute to better practices in relation to innovation processes. Thus, the following question stands out as worth exploring:

**Potential RQ1:** *How and in what way do different organisational attributes affect the level of innovation and the innovation process in grocery retailing?*

The operating environment is an important factor in deciding what kind of organisational structure is appropriate. Keeping in mind that organisational structure influences the process of innovation, affecting the competitive ability of the organisation, the following question suggests itself:

**Potential RQ2:** *In what kind of environment do grocery retailers operate?*

*RQ2: How can innovation processes in grocery retailing be facilitated?*

The case study's focus was on how the innovation process in grocery retailing can be facilitated as well. The answer to this question reposes within the overall analysis, which was done in relation to the RQ1. Looking into how the cases go about their innovation activities indicates that the main problem lies within the managerial aspects of innovation activities where the organisational structure is of little influence. The cases engage in the stages of innovation as described by Deaouza et al. (2009) in some way or another. This could indicate

that the seeds of defined and structured innovation process have been disseminated, but it needs to be nurtured in a way that suits the environment in which grocery retailing operates. These reflections attract the focus from the facilitation towards the managerial aspects of *in-store* activities, which leaves potential research question out in the open:

**Potential RQ3:** *What aspects of the management of in-store activities affect uptake of defined and structured innovation process within the stores.*

The case study proposed one sub question, which is not actively answered but serves more as a reflection from the two main research questions.

*SQ1: What is the value of implementing formalized innovation processes in grocery retailing?*

The literature proposes part of the answer to *SQ1* but in De Jong et al. (2003) formalised innovation process is said to be more allied to radical innovation with incremental innovation being less bound by a specific process.

As we have learned from this case study, with a support from the literature, incremental innovation is more likely to occur in retailing than radical innovation. Still, radical innovation is born and implemented within the sector. This could indicate that formalised innovation process is not suitable for all types of innovation and should be applied in the context of both types and levels of innovation.

*Contributions to Desouza's et al. (2009) framework and literature*

The case study contributes to the literature as it provides better understanding of the relationship between organisational structure, innovation processes and management within the stores. Additionally, it indicates what needs to be investigated further to understand other factors affecting the innovation process within grocery retailing.

Desouza's et al. (2009) framework for the innovation process (Figure 2-1, p. 12) provides good direction towards understanding what embodies the innovation process. Furthermore, their definition of what exemplifies brittle and robust organisations provides a good roadmap to follow when managing the process of innovation. The findings of the literature analysis revealed that organisational structure affects the innovation process in various ways. Additionally, organisations have different characteristics which are descendants of organisational structure and suggestive of the innovation process. Therefore, the framework of Desouza et al. (2009) was developed further to include other aspects of the organisations, which affect the innovation process and organisation's innovativeness. Other researchers when studying organisations and innovation processes can use the developed analytical framework.

## 6 CONCLUSION

*Chapter 6 presents the main findings, their generalizability and suggestions of further research in the field.*

*The knowledge gap:* The analysis of literature on innovation and organisational structures identified a knowledge gap on why some organisations are more innovative than others. Bridging that gap cannot be done simply by investigating differences in organisational structure among different organisations, but must also include an analysis of how organisations engage in the process of innovation and whether and how the organisational structure affects outcomes of the innovation process, and especially innovation for sustainability.

*Why is it important:* The role of the retailer has changed over the decades from being the local retailer to becoming an important social and economic actor affecting global eco-systems and, therefore, playing an important role in sustainable development. This has turned the focus towards better practices within their area of operation. How these changes are manifested at the level of individual stores and how sensitive they are to organisational structure is a valuable knowledge as it might contribute to better innovation activities. Therefore, it is important to provide a deeper understanding of how innovation processes in different organisational structures are shaped within the grocery retail sector and it also contributes to a better understanding of how innovation processes may affect the uptake and implantation of eco-innovation.

*Why choose it:* First, this topic was chosen as it was seen as a chance to gain valuable knowledge of the role of retailers with special focus on *in-store* activities. Furthermore, I found it important to have an opportunity to contribute academically to better practices within this ever-growing business sector, that affects all the domains of sustainable development i.e. the economic, the environmental and the social domain. Second, the topic is part of an on-going research project on Sustainable Retailing at the International Institute for Industrial Environmental Economics (IIIEE), where the role of retailers in greening their value chains: upstream, *in-stores* and downstream is studied. Third, working closely with honourable professors at the IIIEE was seen as a valuable experience.

*Objective:* The main objective of this research was to provide a better understanding of how innovation processes in different organisational structures function within the grocery-retail sector and how they may affect the uptake and implementation of eco-innovation. Furthermore, to understand what factors influence the innovation process to see if and where improvements are possible, that could lead to reduced environmental impacts of *in-store* operations.

Two research questions and one sub-questions were proposed to reflect these objectives:

*RQ1: How does organisational structure influence the level of innovation and the innovation process in grocery retailing?*

*RQ2: How can innovation processes in grocery retailing be facilitated?*

*SQ1: What is the value of implementing formalized innovation processes in grocery retailing?*

Reflection on these questions is found in the previous chapter 5.1.1.

## 6.1 Main findings

The main findings of the case study indicate that the organisational structure has a partial influence on the innovation process. What is more likely to affect the outcome of the innovation process are the managerial aspects within the store. The involvement of corporate senior management in the cases is different with Coop's senior managerial team more involved in innovation activities. Furthermore, the level of innovation also influences whether and how much corporate senior management is involved in the process of innovation.

ICA is a set of independent stores where corporate senior management is only involved in the generation & mobilisation stage of the innovation process. Since the stores are independent bodies, they do not have to go through higher hierarchical levels with ideas born in the stores. Nevertheless, the involvement has increased with changes in organisational structure i.e. moving more towards centralised operation. This involvement is more related to ideas born at corporate level and applies in the context of the organisations as a whole. The ICA stores under study do not have in place a defined or structured innovation process and ICA tend to be brittle in their innovativeness.

Coop is a cooperative where corporate senior management is involved in one way or another in all but one stages of the innovation process. The level of their involvement is subjected to the level of innovation with more involvement in radical innovation. Radical innovation or innovation, which involve great financial obligations have to go through corporate level. The Coop stores do not have in place a defined or structured innovation process and Coop also tends to be brittle in its innovativeness

Despite the fact that the cases have dissimilar organisational structure and the involvement of corporate senior management is different, the way they go about their innovation process is similar. Figure 6-1 demonstrates both the similarities (the innovation process) and the difference (the influence of corporate level) between the two cases.

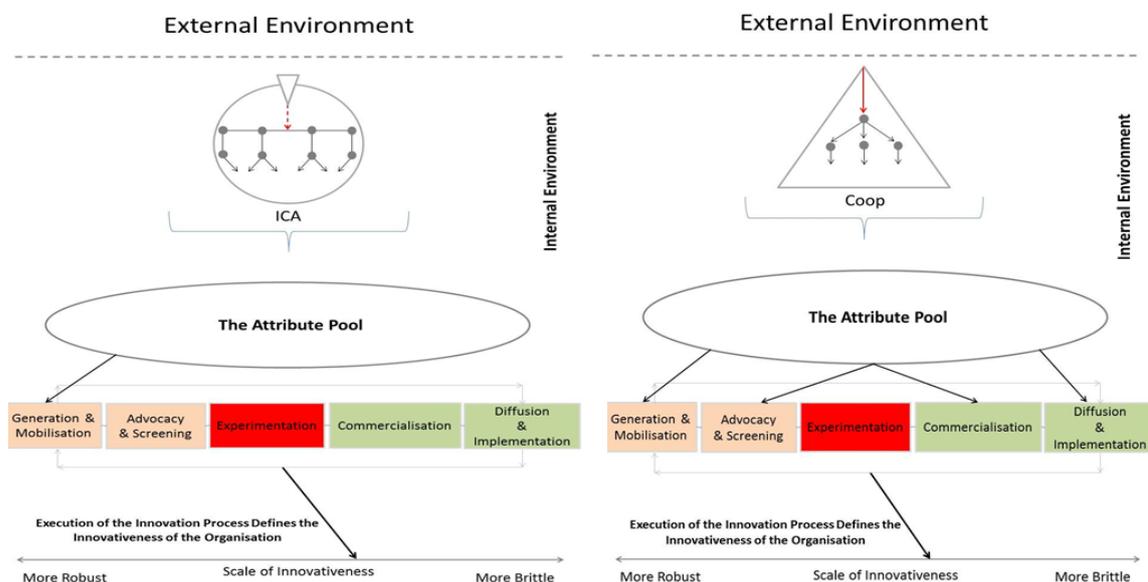


Figure 6-1 The innovation process and scale of innovativeness according to the case analysis. ICA (left) and Coop (right).

Source: The innovation process incorporated into the framework is adapted from Desouza et al., 2009.

Both cases go about their innovation activities in a similar way with neither bad nor good management of the first two stages. Both cases engage in the third stage in a very unstructured and casual way. The last two stages were quite well carried out. The obvious difference lies in the involvement of corporate level where within ICA the involvement is most likely in the first stage but within Coop in all but one stages. Both organisations perceive as more brittle in their innovativeness.

## 6.2 Further Research

Three potential research questions are derived from the case study (see 5.1.1.), which could contribute to further research in the field:

- Since, only the organisational structure was analysed in this research it is possible that other organisational attributes also influence the innovation process. Therefore, further research is needed to fully understand how better management of innovation processes in grocery retailing could be reinforced.
- Analysing the innovation activities in the case companies indicates that improvement of innovation processes depends more on the specific managerial aspects of innovation activities, while the organisational structure is of less influence. However, this research indicates that while in less centralised organisations the freedom to innovate at the store level can be higher in individual stores, the scale of uptake of innovations can be higher in more centralised organisations. Further research in the area is needed, however, in order to test this result in a quantitative study.
- The current research revealed that both cases engage in the experimentation stage in a very unstructured and informal way. *The question is why?* Does it have to do with the very nature of innovation or with innovation management structure within organisations in the retail sector? In order to obtain answers to these questions, further research is needed for deeper understanding of processes of how stores engage in the experimentation phase of innovation process and especially better understanding factors that determine the uptake of innovation ideas and their further implementation.

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**Appendix A: List of Interviews**

<b>Interviewee</b>	<b>Organisation</b>	<b>Position</b>	<b>Date</b>	<b>Method</b>
Michal Wieloch	ICA	Owner	19/6 2012	In person
Erica Hedin	Coop	Store manager	19/6 2012	In person
Anna-Lena Dahlberg	Coop	Director of quality and the environment	19/6 2012	Telephone
Kjell Åke Jarl/ Daniel Jarl	ICA	Owner	20/6 2012	In person
Anna Billing	ICA	Project manager	21/6 2012	In person
Ola Hollerup	ICA	Store manager	27/6 2012	In person
Johan Mases	Coop	Assistant store manager	28/6 2012	In person
Kent Nielson	Coop	Store manager	29/6 2012	In person
Kerstin Lindvall	ICA	Director of quality and the environment	2/7 2012	Telephone

## Appendix B: Comparative Case Study Interview Questions

### Questionnaire

#### Background information

1. What is your position in the organisation?
2. For how long have you been working in the organisation?
  - a. Have you had other position(s) than the current one within the organisation?

- 
1. How are creative ideas born within your organisation?
    - a. Do staff, customers, suppliers, other retailers put forward their creative ideas?
    - b. Is there a common way of generating creative ideas within the organisation?
    - c. Do creative ideas come from central level?
      - i. If yes – How common is it?
    - d. Are staff/customers/suppliers encouraged or enabled to put forward their creative ideas?
      - i. If yes – are there any types of incentives e.g. financial?
      - ii. If yes – how are they enabled to do so?
      - iii. Do you have some kind of reward scheme for those who do?
    - e. Are green innovation encourage in particular within your organisation?
    - f. Are there any incentives from central level in relation to creative ideas?
    - g. What is the main driver for creative thinking and putting forward creative ideas?
  2. How / in what way are creative ideas collected within your organisation?
    - a. Who are involved in dealing with creative ideas that are born within the organisation?
  3. How do you manage creative ideas that are put forward?
    - a. How do you systematise/organise innovation ideas?
    - b. Is there a specific process to handle innovative ideas within your organisation?
    - c. Who (department(s), position(s)) plays a key role of keeping track innovation ideas?
    - d. Do you collect information about all creative ideas that are born within your organisation e.g. innovation collection?
      - i. If yes - What is done with the data collection?
      - ii. If no – Do you think it should be done? Are there any plans to do so?
    - e. Do you collect results of creative ideas?
    - f. Do you collect information on implementation of creative ideas?
    - g. Who is responsible for moving forward creative ideas? Top management? Store management?
    - h. Who is involved in approving creative ideas that are born within the organisation?
      - i. Is there a criteria for evaluating innovation?
        - i. If yes – Who evaluates and by what criteria?
        - ii. If yes – can you please give me example of criteria used?
  4. Is there a feedback or reward system for those who come up with creative ideas?
    - a. Who gives the feedback?
    - b. In what form is the feedback?
    - c. What is the channel for providing incentives or rewards?

5. Is there a difference in treatment between green innovation and other types of innovation?
  - a. If yes – please explain
6. How often is innovation processes within your organisation evaluated?
  - a. If yes – how often is it evaluated (annual, bi-annual etc)
  - b. In no – why not?
  - c. If no – are there any plans to do so?
7. How are creative ideas communicated within the organisation?
  - a. How does the organisation share information between departments about creative ideas?
  - b. What is the formal method to communicate creative ideas within the organisation e.g. between different stakeholders or central level?
  - c. How often does the organisation have formal meetings where creative ideas are discussed?
    - i. Who attends such meetings?
  - d. How are creative ideas communicated outside of the organisation (ex. to customers and other stakeholders).
  - e. Is there any pressure from other stakeholders about efficiency of the store?
8. Does the organisation have specific target of putting creative ideas into action?
  - a. If yes – what is the target?
9. Can you give an example of recent creative ideas in this store?
  - a. How long does it take to implement?
10. Is there any kind of innovation competition you take part in?

## Appendix C: Robust vs. Brittle Organisations in the Innovation Process

**TABLE 1: ROBUST VERSUS BRITTLE ORGANIZATIONS IN THE INNOVATION PROCESS**

Innovation process	Robust organizations	Brittle organizations
Idea generation	<ul style="list-style-type: none"> <li>Guidelines and processes exist to standardize stages of idea generation</li> <li>An 'idea' is defined</li> <li>Multiple venues exist to identify ideas</li> <li>A conscious balance exists between the pressure of need and an environment of open playfulness</li> <li>Procedures are defined to evaluate sources</li> <li>A wide range of defined idea sources exists</li> <li>Are often subject to information overload or an absence of ideas</li> </ul>	<ul style="list-style-type: none"> <li>Employees are unsure what constitutes an idea</li> <li>Need and pressure are used in inappropriate situations</li> <li>Idea sources are limited in range and scope</li> </ul>
Idea mobilization	<ul style="list-style-type: none"> <li>Idea sources are connected across departments, geography and authority ranks</li> <li>Idea sources are focused on the most likely or useful areas for the organization</li> <li>Reward and recognition systems show value in both generation and mobilization of ideas</li> <li>Accountability for recognizing and mobilizing ideas is specified</li> <li>Idea generators and those involved with mobilization interact with stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Idea generators are unclear about how to communicate ideas</li> <li>The value of ideas is often not recognized</li> <li>Sources and idea flow is unmanaged</li> <li>Rewards are lacking for good idea generators or recognizers</li> <li>Idea hoarding may be present, limiting mobilization</li> <li>Methods and track record of recognizing and mobilizing ideas are not part of job descriptions or evaluations</li> <li>Idea generators may be isolated from key stakeholders</li> </ul>
Advocacy	<ul style="list-style-type: none"> <li>Organizational and customer considerations are clear to advocates</li> <li>Possible ideas are broadly communicated</li> <li>Numerous avenues to advocate for ideas and find supporters exist</li> <li>Dedicated advocate roles exist, and/or reward systems are standardized to reward advocates</li> </ul>	<ul style="list-style-type: none"> <li>Employees are nervous about sharing ideas because evaluation is unclear</li> <li>Little feedback, support or constructive criticism is available</li> <li>Limited processes exist by which to share ideas</li> <li>Reward systems are skewed towards idea generators, do not recognize advocate role</li> </ul>
Screening	<ul style="list-style-type: none"> <li>Standards for evaluation are articulated and communicated across the organization</li> <li>A clear, conscious shift towards evaluative objectivity is made</li> <li>Evaluation is as transparent as possible</li> <li>Long term and immediate consequences of ideas are built into the evaluation system</li> </ul>	<ul style="list-style-type: none"> <li>Evaluation process is unclear and subjective</li> <li>Egos play a large role in idea evaluation</li> <li>Secrecy surrounds the evaluation process</li> <li>Focus is on short term impact and revenues, or local context</li> </ul>
Experimentation	<ul style="list-style-type: none"> <li>Resources are in place for experimentation</li> <li>Process is defined and sanctioned</li> <li>Adoption of external ideas is valued</li> <li>A variety of avenues exist to experiment, some of which involve external parties</li> <li>Documentation of process contributes to the organization</li> <li>Technology is utilized and invested in</li> <li>Process is transparent and communicative</li> <li>Failure is part of the process, not an end point</li> </ul>	<ul style="list-style-type: none"> <li>A lack of resources or incentives exists</li> <li>Structure and definitions are nonexistent</li> <li>Experimentation is on employees' own time, without standard process</li> <li>It is difficult to customize existing experimental processes to current need</li> <li>Documentation procedures do not exist</li> <li>Experimenters are isolated</li> <li>Failure, risk and resource expenditures are emphasized</li> </ul>
Commercialization	<ul style="list-style-type: none"> <li>Public forums are utilized</li> <li>Consumers are involved</li> <li>Distinctions are drawn between immediately useful and ideas needing refinement or market changes</li> <li>Benefits are articulated and documented</li> <li>Scope is considered</li> </ul>	<ul style="list-style-type: none"> <li>Isolated or internal processes exist</li> <li>Weak evaluation of market trends decreases likelihood of success</li> <li>One-hit wonder syndrome exists</li> <li>Ideas are not evaluated against market demands or service scope</li> </ul>

*(Continued)*

**TABLE 1: ROBUST VERSUS BRITTLE ORGANIZATIONS IN THE INNOVATION PROCESS** *(Continued)*

Innovation process	Robust organizations	Brittle organizations
	<ul style="list-style-type: none"> <li>Presentation of components is re-evaluated</li> <li>Bundling is possible</li> <li>Centralized unit manages this process</li> <li>Commercialization is controlled and objective driven</li> <li>Market response feedback is given to experimenters</li> </ul>	<ul style="list-style-type: none"> <li>Is not differentiated from or managed differently from previous innovation stages</li> <li>Loose and uncoordinated control exists</li> <li>Failure is considered the end of the process</li> </ul>
Diffusion and implementation	<ul style="list-style-type: none"> <li>The whole organization is targeted</li> <li>Existing initiatives are incorporated</li> <li>Realistic objectives are established</li> <li>Knowledge broker role is acknowledged</li> <li>Dialogue is emphasized with all stakeholders</li> <li>Older, duplicative processes are eliminated</li> <li>Unlearning is understood and prepared for</li> <li>Storytelling and metaphor is used to inspire and convey the need for and type of change</li> <li>Values and culture are emphasized</li> <li>Social networks are utilized</li> <li>Customer segmentation is established</li> <li>Technology is used to communicate</li> <li>Failures are evaluated and considered for further stages or processes</li> </ul>	<ul style="list-style-type: none"> <li>Process is draconian and top-down with little regard for existing processes</li> <li>Lack of dialogue exists</li> <li>Objectives may be arbitrary</li> <li>Old processes persist and unlearning is slow and not encouraged</li> <li>Minor failures threaten culture</li> <li>Existing culture and stories disregarded</li> <li>Changes not obviously in line with existing values or culture</li> <li>External stakeholders are disregarded</li> <li>Technology is not fully supported</li> <li>Failure is an end point</li> </ul>

A definition of Robust and Brittle Organisations in the Innovation Process, Desouza et. al. (2009), p. 11-12.