Exploring risk management during transition to omnichannel

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Abstract

Major changes with regards to digitalization and new customer behaviours have transformed the retail industry in many ways. One of the latest trends in retail is the focus on omnichannel, in order to stay competitive in today's changing market conditions. Omnichannel is about creating a seamless distribution and experience for the customers between channels. These changes that come with digitalization come with strategical and developmental challenges. As well as an increased pressure to work more efficiently and at an accelerated speed to cope with new trends. This can be hard to accomplish, to embark into unknown territory since no organization truly has reached omnichannel. Whilst speed and innovation play a vital part in adapting to new rules of conduct within retail, risk management is still a part of their project management tasks.

The purpose of this thesis is to explore how management is working with handling risks that can occur in the transition processes to omnichannel. This thesis is based on a qualitative research design where seven semi-structured interviews have been conducted with managers from various large Swedish retail organizations. The conclusion shows three main themes from the empirical findings, which are the following: Operational risks are more common and manageable than strategical, Depending on project scope; risk assessment and mitigation differs and the diversity and roles of employees.

Key words: Multichannel, Omnichannel, Retailers, Risk assessment, Risk mitigation & Risk management
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**Terminology:**

**Brick-and-mortar store (B&M)** = Refers to a physical store in a building and offers face-to-face customer experience.

**E-commerce** = Refers to either buying or selling a product(s) or service online or through the internet.

**Multichannel** = In a Multichannel approach processes are not integrated from both a retailer and customer perspective. The retailers use “stand-alone systems” for their logistics, whereas customers either obtain their product via deliveries or in a physical store. (Beck & Rygl, 2015)

**Omnichannel** = Omnichannel is regarded as an evolution of multichannel. There should only be one common shopping experience and logistics interface, where neither the retailer nor the customer can differentiate between channels. “Whereas the multichannel has a separation of the online- and the physical brick-and-mortar store. The customer journey in Omnichannel should be seamless. Regardless whether a customer is using a mobile device or a computer and then picking up their products in a store or acquired through home delivery. In other words omnichannel is supposed to optimize multiple sales channels while maintaining a high level of integration amongst them. (Hübner, Wollenburg & Holzapfel, 2016; Piotrowicz & Cuthbertson 2015; Verhoef, Kannan & Inman, 2015)

**Risk** = Risk can be seen as the potential for a development or deployment failure or any other negative occurrence that is caused by external or internal vulnerabilities. This may be avoided through preemptive action. With regards to a future activity that may at least have one negative or undesirable outcome. These consequences are related to a referenced objective or planned value. (Aven, 2016; Hansson & Aven, 2014; ISO 2009a)

**Risk management** = Risk management is a concept about an activity that can be defined as the identification, assessment, and prioritization of different types of risks. Followed by actions towards reducing, eliminating and monitor as well as control these mentioned risk to the extent that it is possible. By monitoring and controlling it means that the probability of impact of undesirable events is minimized.(Aven, 2016; Kaplan & Mikes, 2016; Meek, 2005).

**Transition** = will refer to: When companies go from a multichannel approach to an omnichannel approach.
1. Introduction

This section describes the background of the research topic and why it is of interest. It also defines the problematization and presents the research question as well as the purpose of why this study has been conducted.

1.1 Background

The combination of technological advancements and changes in customer behavior has during the last decade made a remarkable impact on retailers (E-Barometern 2017; Dennis, 2017). There has been a paradigm shift, which has gone from retailers having a single mindset of opening new B&M stores in order to expand, to today’s focus on E-commerce (Beck & Rygl, 2015; Hübner, Wollenburg & Holzapfel, 2016). In brief, there has evolved a digital maturity that has enabled a lot of potential ways for companies to meet their customers. Nowadays it is easier than ever before to gain access and buy merchandise from several countries online, which consequently have increased competition further within retailing (Verhoef, Kannan & Inman, 2015). This change has been conducted by, amongst others, E-commerce companies such as Amazon, Alibaba & Zalando (Dennis, 2017). They have successfully created a business to satisfy today’s digitally matured customers. In order to gratify the customers new behavior, since many of today's customers are tech-savvy and constantly wants immediate access. Due to the fact that they are almost always connected to the internet (E-Barometern 2017). Moreover, the amounts of touchpoints have increased which is all the different ways in which a consumer interacts with the company on their road for purchase. Customers’ new behaviors have given rise to two new trends, called “webrooming” and “showrooming”. “Webrooming” is when the customer searches for information online and purchase in B&M stores. Whilst “showrooming” is when the customer is looking for information in B&M stores and purchase online (Verhoef, et al., 2015). These indications of a more integrated customer journey have put a focus on omnichannel and the goal of having a seamless distribution (Hübner, A. et al., 2016).

But as always when there is a shift in trend, some companies will endure and others will not. This, in turn, has led to many closures of retail businesses both in Sweden and the rest of the world. Because retailers have not been able to meet the customers’ new requirements and as a consequence of that have seen their sales diminish. This trend has become known as retail death in the US, signaling the demise of traditional retail regarding B&M stores (Peterson, 2017). However, despite this ongoing change of events, retail companies have not completely given up on the idea of B&M stores. There are still many companies within Swedish retail
industry that continue to open up new stores, in some cases lots of them. (Blue, 2018) Certain markets have faced this transformation earlier than others, such as the US. But now, more and more products in Sweden have been sold through E-commerce the last couple of years and the forecast of future E-commerce in Sweden show an increase of this trend. For 2017 Swedish E-commerce had a turnover of 67 billion Swedish crowns which was a 16% increase from 2016. Followed by early estimates for 2018, that shows an increase to around a 77 billion turnover. Clothes and shoes are standing for around 37 % of the total turnover in Swedish E-commerce (E-Barometern 2017). This market demand seems to be intensifying and together with that demand, the integration of omnichannel has been gaining more and more attention in the media and amongst retailers. Many experts are talking about the opportunities that this phenomenon may make an impact on the retailing industry as a whole (Bernon, Cullen & Gorst, 2016).

Even E-commerce companies which only have been operating through online channels, such as Zalando, are opening up B&M stores (Gunnilstam, 2018). B&M stores are still profitable in many areas as well the preferred shopping experience by many customers (Thau, 2017; E-Barometern 2017). Therefor it seems to be a need for both B&M as well as E-commerce as these channels will need to support each other. However managing these changes in going from having a multichannel approach to an omnichannel requires significant investments in infrastructure, processes and capabilities for warehousing and distribution (Hübner et al., 2016; Beck & Rygl, 2015).

<table>
<thead>
<tr>
<th>Multichannel</th>
<th>Omnichannel</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Initial focus is driven by development of technology</td>
<td>- Manages customers and integration of retail mix across channels</td>
</tr>
<tr>
<td>- Main focus on either on B&amp;M-store or Digital channels</td>
<td>- Main focus is on interplay between channels and brands</td>
</tr>
<tr>
<td>- Separated channels and no overlap.</td>
<td>- Integration of channels -&gt; seamless distribution</td>
</tr>
<tr>
<td>- Channel management per channel within organization</td>
<td>- Management more involved across channels</td>
</tr>
</tbody>
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**Figure 1: Multichannel vs. Omnichannel bullet points**
(Beck & Rygl, 2015; Hübner et al., 2016; Verhoef et al., 2015)
1.2 Problematization

One of the reasons to why this occurring trend is interesting to study closely is because many Swedish retailers who have B&M stores are currently having a hard time to cope with these structural changes that E-commerce have brought (E-Barometern 2017; Picout-Coupey, Huré & Piveteau, 2016). In addition, uncertainties of future development and events are a natural risk moment in all businesses. Risk-taking as such provides opportunities for continued economic growth, but also, may adversely affect business operations and goals (KPMG, 2017; Aven, 2016; Kaplan & Mikes, 2016). Due to these undergoing changes, some Swedish retailers are starting to experience problems with managing a new way of making business. Both WeSc and Indiska have recently undergone reconstructions one respectively two times. Furthermore, Lindex and KappAhl have declared profit warnings to the stock exchange. This shows that many Swedish retailers have to change some part of their strategy in order to reverse this negative trend, with a decline in sales in B&M store (Hofbauer, 2018). They need to cope with the new purchasing behaviours that today's customers have and the increased amount of sales online. Additionally, the forecasts of the number of online sales in Sweden are projected to continue to grow in the future according to E-Barometerns research (E-Barometern 2017). Besides the implementation of omnichannel is still something many companies in Sweden need to work more on according to E-Barometerns annual report of 2017. In addition, the end goal with omnichannel is to increase sales for the organization, by creating a better customer journey (Bernon et al., 2016; Verhoef et al., 2015). As a result, omnichannel has gained attention as an example that may help Swedish retailers connect with their customers (E-Barometern 2017; Gunnilstam, 2018; KPMG, 2017).
However, during this ongoing transition to an omnichannel, retailers will meet several obstacles (Piotrowicz & Cutbertson, 2014). Because, there will be several ongoing projects that management have to handle, where earlier studies identified eight main challenges (see 2.1.3) which an organization faces with the transition to omnichannel (Picout-Coupey, et al., 2016). Moreover, in today's organizations, there is an increasing pressure on many positions of workers to make decisions that are both rapid and effective. Doing so can prove challenging especially when starting projects that are going into an unknown territory. This is due to the fact that having a high level of decision effectiveness and decision speed can be undue or incompatible (Gigerenzer, & Gaissmaier, 2011). Another perspective with regards to digitalization and transformation processes is that IT-enabled change is a sociomaterial practice (Iveroth, 2011). Furthermore, the combination of huge amounts of information flow and trends that are constantly changing requires both organizations and employees to be flexible. While maintaining some sort of risk management in the ongoing projects (Aven, 2015; KPMG 2017). Because even though it is debated, there are estimations that show that around 70 percent of all organizational change initiatives fail to accomplish their intended purpose and objectives (Burnes, 2011; Hughes, 2011). Therefore identifying challenges, operational and strategic risks in projects are an important part of projects to succeed (Aven, 2015; Dandage, Mantha, Rane, Bhoola. 2018). The success of project implementation is also what in turn leads to a successful transition to omnichannel (Piotrowicz & Cuthbertson, 2014). Moreover, according to Kaen (2005) successful risk management can help organizations with project implementation and during overall transformation processes.

1.3 Research Question

The abovementioned problematization has led to this thesis research question which is:

- How is risk managed during transition process to omnichannel?

1.4 Purpose

This thesis aim is to explore how management handles risks in the transition process to omnichannel. With a purpose to provide insight into how retailers handle risks in digital transformation processes.
1.5 Contribution to academic literature

This thesis examines how seven large Swedish organizations have approached their risk management during the transition to omnichannel. This, in turn, can provide some insight into other organizations who are about to embark on a similar transition to omnichannel. Thereby covering a theoretical and empirical gap on this subject, whereas previous research focuses on a more holistic overview of what omnichannel is. By providing insights into how the transition process to become omnichannel looks like and what challenges can occur.

1.6 Limitations

The focus of this study is limited to how Swedish retail management in seven example organizations works with risk management during the transition process to omnichannel approach. Furthermore, the study will be limited to companies who are currently using a multichannel approach and who are transitioning to an omnichannel approach. Which means both having B&M stores as well as E-commerce (in some cases more sales channel than this), where they sell their merchandise. Thereby, excluding Swedish retail companies who only have their business online and can be regarded as pure players such as Apotea, Boozt and Sportamore. Another limitation is that this thesis is only looking into how large enterprises are handling their risk management during the transition to omnichannel. Because the retail organizations that are included in this thesis are all considered large enterprises according to both Swedish and European standard (Bolagsverket, 2012; European Commission, 2016). The reason to why only large enterprises are used in this thesis is because they exist on a macro perspective in Sweden, (as well as in other countries, but this thesis specifically focuses on how they are conducting their work in Sweden) so the study is not intentionally singling out any specific region in Sweden. Considering limitations to the risk management process, this study focuses on risks that are considered strategic and operational risks.
2. Theory

This chapter contains the literature review, where previously available research about omnichannel is explained in short. Followed by the theoretical framework, that contains risk management theory. This, in turn, is followed by limitations to the chosen theory and analytical framework.

2.1 Literature Review

<table>
<thead>
<tr>
<th>Authors</th>
<th>Short description of study</th>
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</thead>
<tbody>
<tr>
<td>Piotrowicz, W. et al. 2013</td>
<td>- Used focus groups that discussed roles of IT in retail as well as the future role of traditional B&amp;M store, as E-commerce continues to grow. From those changes a new business model have emerged, which is omnichannel.</td>
</tr>
<tr>
<td>McCormick, H. et al. 2014</td>
<td>1. Use of several channels at the same time</td>
</tr>
<tr>
<td></td>
<td>2. Connected customers</td>
</tr>
<tr>
<td></td>
<td>3. Complete picture over the customer journey</td>
</tr>
<tr>
<td></td>
<td>4. Seamlessness between the digital and physical</td>
</tr>
<tr>
<td></td>
<td>5. Consistent treatment</td>
</tr>
<tr>
<td>Hübner, A. et al. 2015</td>
<td>- How retailers develop from multichannel to omnichannel by conducting interviews with retail experts</td>
</tr>
<tr>
<td>Bernon, M. et al. 2016,</td>
<td>- Explores if return rates for online retailing could be doubled through an omnichannel approach.</td>
</tr>
</tbody>
</table>

Figure 3- Overview of literature review

The author found through an extensive literature search that there are some existing research articles about the omnichannel concept. However, since it is a relatively new topic it currently has a limited space within academic literature. Some of the articles that have been written about omnichannel are Piotrowicz and Cuthbertson (2014) who conducted research on focus groups that discussed roles of IT in retail as well as the future role of the traditional B&M store, as E-commerce continues to grow. McCormick, et al. (2014) continued with a study on five distinguishable main themes in the omnichannel concept (which are; the use of several channels at the same time (1), connected customers (2), a complete picture over the customer journey (3), a seamlessness between the digital and physical(4) and finally a consistent treatment (5)). As well as, Hübner et al. (2015) that was focused on how retailers develop from multichannel to omnichannel by conducting interviews with experts in retailing from Germany. Followed by Bernon et al. (2016), where the research focused on if return rates for online retailing could be doubled through an omnichannel approach. As a summary, most of the research that has been conducted has been from a macro perspective on how the integration processes work.
2.1.1 The goal of Omnichannel

When the organization goes from a multichannel into an omnichannel approach, all “stand alone, silo-mentality” is supposed to dissolve any difference between B&M store and E-commerce. (Brynjolfson, Hu & Rahman, 2013) When this happens there is an empowerment that comes with the use of centralized data management. Because this enables data to be used more efficiently and increase its availability and transparency within the company (McCormick, et al., 2014; Neslin, S. et al. 2006). This is one of the more major ground bricks that are supposed to help the company to reach the ideal vision of omnichannel. To create a unified customer experience, where the customers have a seamless shopping journey regardless of which channel they choose to create and purchase their order. This in turn, is a reason to why omnichannel has become a hot topic since the integration of channels and a more “customer-centric” approach is believed that it will increase total revenue for the companies (Hübner et al., 2016 & Verhoef, et al., 2015). As omnichannel is meant to create more “foot traffic” within B&M stores since customers can order directly from their mobile device and then pick up/return their product in a B&M store. This, in turn, creates the opportunity for sales associates in store to recommend customers other products by using real-time customer insights through big data analytics. Thereby making cross-selling and up-sales possible and enabling the organization to give customers recommendations based on their own personal taste. This will hopefully lead to more satisfied customers as well as more revenue (Bernon et al., 2016).

2.1.2 Implementation process of Omnichannel

One of the first steps for retailers is to create a “buyer journey” based on how the customers behave across the different channels (1). This requires identifying challenges and prioritizing them. After that, they need to design and deploy a strategy concerning optimization of user experience, marketing and consistent branding in order to reach the omnichannel state (2). Making all sales channels, whether they are online or offline, work coherently across distribution and control systems (3), in other words synchronizing their channels. At the same time, it needs to be a key performance indicator (KPI) measurement target toward customer engagement, profitability and value. (Picot-Coupey et al., 2016; Hübner et al., 2016)

During the first phase of executing the omnichannel approach, infrastructure development, retail business often fail to meet their own goals (such as KPI measurement) and thereby later on also customer demand. Consequently, this is when channel conflict can arise, due to
inventory being limited, making goals hard to reach in all channels. When retailers are making the prioritization of one channel or the other, there might become a supply/demand gap (Picot-Coupey et al., 2016).

Furthermore, Piotrowicz and Cuthbertson (2015) conclude that the supply chain is a key concept in E-commerce. As supply chain-related investments is a core issue for companies engaged in E-commerce and B&M stores. This, in turn, will play an integral part of a successful omnichannel transition. As well as it is essential that the company designs both its stockholding and its logistics flow after choosing to work with its various sales channels. (Piotrowicz et al., 2015)

Figure 4 - Implementation process of omnichannel (Based on previous research by Picot-Coupey et al., 2016; Hübner et al., 2016)

2.1.3 Challenges with implementing omnichannel

According to Picot-Coupey et al., (2016) case study findings categorized the transformative process of a retailer’s transition to omnichannel by two main categories. The first category consists of five challenges related to strategy, which was particularly important in the beginning phase of the planning of the transition to omnichannel. This consisted of managerial, cultural, organizational, marketing and financial. However, if the strategic challenges were taken lightly upon in the planning phase, by not sufficiently anchoring the reasons of why the transition to omnichannel should be made and established a common ground within the organization before implementing the integration of channels. The
strategically related challenges would have a stronger negative impact on some of the mentioned challenges (managerial, cultural and organizational) are constantly available throughout the transition process. As these three abovementioned challenges are pillars of the foundation in a company that is going to make the transition possible (Picout-Coupey et al., 2016).

The second category was development related challenges, which consisted of three challenges. These three challenges are customer relationship management (CRM), information systems (IS) and retailing mix. This was more important in the implementation phase. With a broad range of connected challenges that differ in scope. The second stage (implementation) was more about the redesign process in moving to omnichannel retailing, mainly considering challenges about IS and CRM. In regards to IS, they needed to integrate and merge databases, manage big data and re-design the supply chain. In the unification of systems that concern logistics, information sales, marketing, training and product management (Picot-Coupey et al., 2016).

Now there are different versions and alterations regarding the retailing mix, but in this thesis, the retail mix will refer to 6ps which are the following: personnel, place, presentation, price, product and promotion. Where personnel refers to people within the organization that are in some way in touch with the consumers, either through selling, service support or internal marketing. Whilst place refers to a location, opening hours, space. Presentation is for instance about merchandising, uniforms, the layout on E-commerce and in the B&M store. Price represents margins and any difference there might be between channel prices. Product regards to assortment, categories, brands and service level. Finally, Promotion is about PR, personal selling and advertising both digitally and physically (Picot-Coupey et al., 2016).

Due to the complexity of deployment, coordination and evaluation of the different strategy choices that are available, there might also raise tension with the channel partners from different departments (B&M, E-commerce and logistics etc.) (Picot-Coupey et al., 2016; Neslin et al., 2006).
2.2 Theoretical framework

The theoretical framework in this thesis builds upon theories of risk management in order to give a deeper understanding of how the risk processes can proceed. Concepts of risk assessment, risk mitigation and risk evaluation will be illustrated. This is done in order to create a foundation for following chapters 4, 5 and 6. Those are chapters that will look further into how risk management is handled during the transition to omnichannel.

### Overview of theoretical framework

- **Definition of risk**
  - Operational and strategic risk
- **Risk management**
  - Purpose of risk management
- **Risk assessment** = Identifying
  - 1. Establish Context
  - 2. Assessment (Identify, Analyse & Evaluate)
  - 3. Risk treatment
  - 4. Monitor & review
  - Uncertainty in risk assessment
- **Risk mitigation** = Reduce exposure or eliminate risk
- **Risk evaluation** = Prioritization
  - Risk informed decision making

![Figure 6 - Overview of theoretical framework](image)

2.2.1 Definition of risk

There are many existing definitions of risk, whereas amongst other definitions this thesis will define risk as the following; Risk can be seen as the potential for a development or deployment failure or any other negative occurrence that is caused by external or internal
vulnerabilities. This may be avoided through preemptive action. With regards to a future activity that may at least have one negative or undesirable outcome. These consequences are related to a referenced objective or planned value (Aven, 2016; Hansson & Aven, 2014; ISO 2009a).

This thesis is focused on strategic and operational risk. Strategic risk is focused on the risk of not achieving the overall strategic goals of the company. Risks that are related to strategic risks are potential damage due to technological innovations, competition, regulations, demographic trends and overall reputation (Damodaran, 2017; Blau, 2014). Whereas operational risk is the risk of direct or indirect loss due to incomplete or failed internal or external processes, people and or systems (Girling, 2013).

2.2.2 Risk management

The purpose of risk management is to link growth and returns with risk, by recognizing challenges in order to deploy resources effectively. Thereby, improving response to risks and reduce operational failures/losses (Kaplan & Mikes, 2016). Furthermore, risk management is important since organizations need to define objectives such as goals and visions for the future. When doing this, they need to take risks in consideration since chances are that organizations might lose direction or worse if they do not have an action plan to make use of. Therefore decision makers need to take risks in consideration when planning projects. On account of that, risk management and risk analysis should be a part of project management’s process when starting new projects. Hence the goal of risk management is to make sure that organizations only endeavor to risks that will help them achieve their primary objective, meanwhile keeping any other risks limited and under supervision (Dandage et al., 2018; Blomé, 2004).

Risk management is an overall concept of an activity that can be defined as the identification, assessment, and prioritization of different types of risks. Followed by actions towards reducing, eliminating and monitor as well as control these mentioned risk to the extent that it is possible. By monitoring and controlling it means that the probability of impact of undesirable events is minimized (Aven, 2016; Kaplan & Mikes, 2016; Meek, 2005). A somewhat simplified approach to risk management includes three aspects, which are risk assessment, risk mitigation and risk evaluation. Where risk assessment is the identification part, risk mitigation is about reducing exposure and likelihood to a risk. Finally, risk
evaluation is about determining risk management priorities by established quantitative or qualitative methods, where the relationship between benefits and associated risks are weighted towards each other. In order to help decision maker take a decision with more guidance, support and foundation (Stoneburner et al., 2002; Harvey, 2012).

2.2.3 Risk assessment

Risk assessment in project management is an activity to direct and control the determination of estimation in a quantitative or qualitative risk connected to an activity. In order to see what that risk can have for consequences and how big of a probability it is for that event to occur. The assessment process is done in order to create decision support amongst alternatives for decision makers. This process of mapping out risk assessment information tends to be done in a combination of decision analysis tools, by conducting cost-effectiveness and cost-benefit analyses (Aven, 2015). However it is important to take in to account that these mentioned analyses may have limitations. Such as uncertainties that are neither included nor reflected by the analyses. Therefore research has shown that a risk decision should be risk-informed and not risk-based (Apostolakis, 2004). Furthermore, by deciding a specific impact date, to when this possible risk can create a negative outfall. Thereby, the project management can make an estimated conclusion if it is an acceptable risk take or not at that moment. As well as if there are ways to prevent and take precautionary actions to avoid, a negative or undesirable outcome may happen (Aven, 2015; Hansson & Aven, 2016).

The risk assessment process is about four stages, the first one being establishing context (scope and criteria). The second stage is where the risk assessment is taking place, during this stage communication and consultation plays an essential part. During this stage, there are three sub-levels, risk identification, risk analysis and risk evaluation. Risk identification is about gathering information and pinpointing potential risks. Risk analysis can be conducted both quantitative and qualitative to measure probability and severity on said risks. Followed by the risk evaluation which is when the uncertainties and assumptions are presented and considered. This is supposed to help decision maker (-s) to take a decision of whether or not, to follow through with a specific project. Stage three is about risk treatment, it is the action of managing the risk, by avoiding, reducing, transfer, share or accept the risk. Finally, the last stage is about monitoring and reviewing the continuation of the project and the risks that are connected to it (ISO, 2018en; Aven, 2015).
2.2.3.1 Uncertainty in risk assessment

Uncertainty in risk assessment is when there is a complete lack of what the outcome may have in store. It is unknown and cannot be guessed nor measured, in other words, uncertainty is not an unknown risk. Because decision makers do not even know that these uncertainties exist due to the lack of background information. Consequently, decision makers will miss identifying potential uncertainties in the identifying of risk processes. This is why uncertainties in risk assessments are hard and cannot be estimated, as an indicator used for uncertainty in the probabilistic analysis may lead a decision maker to take and commit to a conclusion on vague as well as unclear information. However, acknowledging the fact that uncertainty will exist and to have uncertainty as a variable during decision making process is important (Borgonovo, 2006; Flage et al. 2014; Kaplan & Garrick, 191).

2.2.4 Risk mitigation

Risk mitigation is about what actions that decision makers take in advance, to prepare themselves in order to better fare against threats such as disruption. A disruption could, for instance, be a delay which lasts for short or long term as well as it can be either frequent or not and it can cause problems that are of lesser or greater significance. Risk mitigating actions are done in order to minimize or even neutralize negative effects of said disruption. However, risks can happen to be interconnected, which in some cases, taking action and mitigating one risk might aggravate another risk (Chopra, et al., 2004).

Solutions that can be used in risk mitigation are, first of all creating a common and shared understanding of existing potential risks. Followed by determining whether which circumstances needs an adaptation of risk mitigation to their specific part of organization or project. This can be done through stress testing, with “what if”-scenarios, in order to create an understanding and prioritizing of proposed risk. So if a similar scenario occurs, the organization should have a game plan to put in motion. Instead of being caught empty-handed if that “unforeseen” event occurs (Ibid). In other words, organizations can work with risk limitation by implementing controls, with the purpose of minimizing the impact of the risk. As well as using risk planning, this is creating a risk mitigation plan, of prioritization, what implementations to put in use and finally how to maintain control (Stoneburner, Gougen & Feringa, 2002). However, there are several difficulties in working with the insecurities regarding risk. But when planning for projects it is better to know or at least have an inclination of what might occur and how big the probability of the occurrence than of not
doing it and thereby not having any basis or presumption of what the risk means (Blomé, 2004). Therefore risk mitigation plays an integral part of risk management (Stoneburner, et al., 2002).

### 2.2.5 Risk evaluation and decision making

Risk evaluation attempts to measure and define an estimated magnitude of risk that has been identified but not avoided. This is done by trying to obtain necessary information so that the manager can make a more informed decision. This can be done by measuring the risk impact by quantifying a likelihood of occurrence and consequence of risk. They, therefore, try to create some type of rating on both the likelihood and consequence of risk impact. After the ratings are done, decision makers can then continue to create a prioritization of these evaluated risks. As a result, a large part of evaluations will be considered through how people perceive these estimated risks. (Aven, 2015; Hansson & Aven, 2014)

Using “the Triplet” (C’, Q, K) is one simplified way that is commonly used in scientific methods to visualize risk description and metrics framework for risk evaluation. Which refers to where C’ is a specified consequence, which means to identify a set of events/quantities of interest that characterize the potential consequence of C. An example of C could be the amount of sunk costs due to a failed implementation of technology. After the specification of consequences (C’), Q comes next which is then measure of uncertainty (usually probability) that is aligned with C’. Depending on what variables are specified for C and the choice of uncertainties (Q), decision makers (for example project managers) will obtain different perspectives on how to measure and describe a certain risk. This is then followed by K, which stands for the background knowledge that is supposed to support the base which the specification of C’ and the assignment of Q stands on. In addition, to what is included in that said background knowledge in K, is a judgment of the strength or lack of that knowledge (Aven, 2015; Kaplan & Garrick, 1981). However, there have been some criticisms to this simplified visualization, due to a lack of clarity in other settings such as the field of supply chain risk conceptualization (Heckman, Comes & Nickel, 2015). This visualization is used as an example to give a more steadfast illustration to this thesis background of the process of how risk metrics and description methods can look like.
Figure 7 - Risk informed decision making
(Hansson & Aven, 2014)

Risk informed decision making is about the journey of making a decision, which is based on four different stages of links that connect facts and values to an activity as well as the possible risks that can occur for that explicit decision (Hansson & Aven, 2014). In this thesis, risk informed decision making will be looked at in broad retrospective way on the empirical findings. The concept will be used to illustrate how decision making is done, connected to the projects in the transition process to omnichannel. Furthermore, it will specifically look at stage 3, the broad risk evaluation.

Stage one is about gathering information and data through testing and analysis about an activity, which provides evidence. This data and information, in the evidence stage, contribute to a knowledge base. This is where the evidence integrates together with the “experts” (in for instance a project group) previous knowledge. This leads up to the third stage, risk evaluation, where a summarization of the possible risks and uncertainties involved in the case are compiled. This, in turn, is followed by an evaluation which is done by involved experts, by identifying risks and uncertainties. This leads to stage four when decision maker (for instance a project leader) review and judges the evaluation. Finally, a decision is made in stage five (Ibid). Because knowledge plays an integral part in the risk informed decision making process, it is, therefore, essential to define the meaning of knowledge within this context. In this model knowledge is defined as Aven (2015) describes it, that knowledge is a know-how (skill) that is gained through for instance experience, testing and peer-reviewed scientific methodology.

However, having a strong knowledge base might lead to wrong focus, due to the fact of taking things for granted and not taking account of uncertainties. This could potentially have
troublesome consequences in the future if the knowledge base never becomes challenged and reexamined after a while to check that the knowledge or fact still is true (Ibid).

2.3 Criticism towards theory

As in all cases, there are limitations to studies and theories and there are no exceptions regarding the ones who are used in this thesis. It is, therefore, necessary, to highlight some of the various viewpoints and criticism that have been made to the chosen material in this thesis. With regards to the previous studies about omnichannel in the literature review, they should be seen as examples of what their respective study found out and not necessarily applicable to all cases regarding omnichannel. Therefore the author has asked the respondents of the thesis questions about, how they define omnichannel and what challenges that they faced.

Regarding the studies in the theoretical framework such as in Aven’s study (2015), he concludes that the scientific foundation and theoretical work that has been made in regards to risk assessment and management can misguide decision makers. That there need to be more studies conducted about risk management (assessment and mitigation). In order to explore and obtain a stronger scientific base about how risk is handled nowadays in an organization. Thereby, contribute to establishing a more developed scientific field of risk management. Where to a large extent, the scientific research that was conducted around 35-45 years ago, still builds the baseline in the risk field principles and practice today. These perspectives and principles that are built on theoretical work and practice with regards to this area of expertise; can create a conception of risk, that risk is a probability distribution or determined value.

Furthermore, there is criticism towards risk informed decision making that the reliability requirement is lacking regarding the assessment of risk. As there might have been a different decision if another decision maker would have assessed the risk. Because a new decision maker will likely have somewhat of another subjective belief it is imperative to acknowledge that any used tool (in this case the risk informed decision making model) simply needs to be treated as a tool. Thereby accepting as well as addressing that it has limits and restraints, which a decision maker need to give attention to (Aven, 2015).
2.4 Analytical framework

In interpretative qualitative research, it is important to have an analytical framework to illustrate how the data from the respondents are going to be analyzed. This analysis of the data will, later on, be the structure to answering this thesis research question. The questions that were asked the respondents in this thesis (see 3.4.3 Operationalization) were built on the thesis theoretical framework and accustomed to making empirical findings. These empirical findings, the collected data, are then going to be linked to the analytical framework to create a foundation for the thesis analysis section. In other words, this thesis analytical framework is supposed to guide the author and reader on what to look for in the collected data.

The reason to why the analytical framework is structured in this way is to illustrate how risk management works during transition omnichannel. There are three sections in this thesis analytical framework and it is conducted in the following way: The first section is about risk type, which includes both strategic and operational risks that can occur in the transition to omnichannel. Followed by the second section, the risk process, which illustrates how the processes of assessing and mitigating risks are established. In order to reach the third section and that is to reach an insight and conclusion on how risk management is conducted during the transition to omnichannel.

![Analytical Framework](image)

Figure 8 - Analytical framework
3. Research design

The research design chapter of this thesis aims to highlight the choice of method and the reasons behind doing so. This is done by first of all explaining the research approach and strategy. In addition to the used method and how the data was collected. Followed by critical considerations referring to the research design and how the study was conducted. As well as a section about criticism of source that is related to the theory chapter and last but not least a section on ethical reflections.

3.1 Research approach

The research approach is based on this thesis research question of how management handles risk in the transition process to omnichannel. Thereby, this thesis is built upon an inductive qualitative research approach in order to get a deeper understanding of how management handles challenges and risks in their transition to omnichannel (Bryman, 2012). As in many cases, this thesis has changed approach, purpose and research design from what it started out as. At first, the author was looking to get in touch with small to medium enterprises (SMEs) and conduct more interviews (a total of three interviews with respondents with different experience and tasks) within the company in order to get a deeper understanding. As well as different viewpoints from respondents who were working in various departments and handled different projects with regards to the organizations’ transition process to omnichannel. However having asked several SMEs (a total of eight companies) that turned the offer down, due to time limitations of having three of their employees interviewed. The author then made the decision that it was necessary to change the perspective due to the fact that the asked SMEs had little or no time to field those necessary resources. Thereby, the approach was changed to looking at how large enterprises, in like manner, were working with their risk management during the transition to omnichannel. In order to accommodate to organizations limited resources, one knowledgeable respondent from each of the seven different used companies were interviewed. To get their perspective on how risk management is handled during the transition to omnichannel.

3.2 Research Strategy

This study makes use of a multi-case study approach as qualitative studies advocate to make use of different sources to retrieve information. This approach created the possibility to use thematic analysis since there were several different sources that contributed to information about risk management in the transition process to omnichannel. This enabled the empirical findings to be cross-checked with theory and compared with each individual case, to outline
themes. Moreover, there will be seven different cases from seven different organizations that will be analyzed. Where this study is built upon an explorative approach since it is beneficial to use when an author seeks for new insights into what is happening in a specific process. The implementation of this approach has been conducted by applying previous research to create the question for the respondents. Followed by, the gathering of data from the conducted interviews, that later on was analyzed. To combine themes together with theory and especially the analytical framework in order to make the conclusions more grounded in reality. This, in turn, results in answering the research question (Bell & Bryman, 2013).

3.3 Method

The method for collecting the empirical data was through conducting semi-structured interviews, in order to facilitate flexibility and adapt to the ongoing interview process. One pre-study was made with a respondent that is working as a business advisor. His daily job is to help organizations with different omnichannel solutions in the Nordic market. This pre-study was then followed by interviews with seven representatives from seven different organizations. All of these respondents have insight into their specific companies risk management and transition process to omnichannel.

There is criticism for the chosen method, criticism that is targeted toward the fact that the specific contextual case of each study is limited and could have been more thoroughly investigated (Dyer & Wilkins, 1991). This potential problem and weakness is something that the author has taken into consideration. With regards to the method of analyzing the data, it was based from the risk management theories and previous research made by Picout-Coupey, K. et al. (2015) about challenges in the transition to omnichannel (see 3.4.3 Operationalization for more). Moreover, respondents from four different departments (sales/commerce, market, IT and logistics) will illustrate a representation of risk management during the transition to omnichannel. To get their view on risk management and project knowledge of integration work across channels. Since these four departments are heavily involved in the transition process (Picout-Coupey, et al. 2015).
3.4 Data collection

The primary data for this thesis was retrieved from respondents that have been and to some extent still, are working with the organizations’ transition to omnichannel. The respondents were found by the author by contacting them directly or through HR representatives at their company. Where employees within the organization would recommend a person until the right respondent to answer the questions from that organization was found. Thereby, the selection of respondent was used through a snowball sampling, since it was based on recommendations in order to find the correct interviewees (Bryman, 2012). Also, it should be noted that the respondents were in most of the cases responsible for E-commerce development and the integration of different sales and marketing channels. This indicates that they should be well aware and knowledgeable about their respective organizations transition process to omnichannel. This, in turn, increases the reliability and credibility of this study (Bell & Bryman, 2013). The secondary data that was used in this study primarily comes from E-barometerens annual report from 2017. This is data that was used to illustrate the increasing amount of sales within E-commerce and that B&M stores still are profitable.

3.4.1 Pre-study

A pre-study was conducted through a telephone interview on 25th of April 2018 that lasted for approximately 30 minutes. With an interviewee who had previous knowledge of organizations transition to omnichannel and to some extent risk management. The respondent is working as a business advisor, who helps organizations with different omnichannel solutions in the Nordic market but wanted to remain anonymous. This pre-study was made with the purpose of having the author receive more background knowledge about what the process and challenges with transitioning to omnichannel can look like. By gaining some insight from someone who has been a part of how different companies have made the transition. It was also done to verify if the questions that were asked are usable and straightforward enough (Bryman A. et al. 2013). That was the total impact of the pre-study on this thesis.
3.4.2 Interview process

The interviews were conducted by either a personal meeting (face to face) or by telephone. The semi-structured interviews are used as the primary data collection source for the empirical findings in this thesis. The semi-structured interview process was made by the author having a number of premade questions used as bullet points, to ask unless the respondents answered the question before they were explicitly asked (Bell & Bryman, 2013). All interviews started with a brief introduction of the interviewer, the thesis itself and a short description of how the interview and transcribing process would look like. Furthermore, all the interviews were conducted in Swedish. Moreover, the interviews with the seven different respondents were all recorded and later on transcribed. When they had been transcribed they were sent back to the respondents, in order to make sure that there was not any misunderstandings or errors. Thereby giving the respondents the opportunity to confirm that the author had compiled the answers correctly or change any misinterpretations.

The below-mentioned respondents in figure 9 have a combination of both experience and knowledge from retailing. They are, in some way, all working in connection with E-commerce, digitalization and/or other change projects together with other tasks. They all have various backgrounds, however together they have brought insight from how sales, marketing, IT and logistics work in retail. They also have some management and leadership experience. They are all connected and working in some way with projects concerning the integration of channels. Thereby, they have both insight and knowledge about their respective company transition to omnichannel. Furthermore, the interviewed respondents are currently working in more strategic roles. But they also have a background in managing more operational activities and tasks. Thereby, strategic and operational risks are some of the things that they are well aware of. As it is a part of what they work with and have to take into consideration in their projects (in this thesis, during the transition process to omnichannel). Thereby, all of the respondents are considered as good and reliable sources of information to this thesis. However notably, their views are formed by their own subjective reality. Thus, their perspectives will not be regarded as a definite and as an objective view of how reality works in regards to risk management during the transition to omnichannel. Instead, the respondents provide the thesis with their input and perspectives on these issues.
<table>
<thead>
<tr>
<th>Interview</th>
<th>Respondent</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interview 1</td>
<td>Head of digital channels</td>
<td>Main task is to develop Apoteket Hjärtats E-commerce and customer experience in their digital channels. This includes logistics, assortment, sales and marketing in the digital channels. Also responsible for Apoteket Hjärtats customer service unit.</td>
</tr>
<tr>
<td>Telephone interview</td>
<td>Conducted On 26th of April 2018</td>
<td>Duration 45 minutes</td>
</tr>
<tr>
<td>Interview 2</td>
<td>Program Manager for Personalization &amp; Loyalty</td>
<td>Responsible for one of the program within digital development, that aims to drive personalization in order to create a personal and local customer meeting in all channels.</td>
</tr>
<tr>
<td>Face-to-face in Stockholm</td>
<td>Conducted On 26th of April 2018</td>
<td>Duration 40 minutes</td>
</tr>
<tr>
<td>Interview 3</td>
<td>Head of E-commerce and Omni-channel manager</td>
<td>Main task is to drive Hemtex digital business by working with sales and communication strategies for integration and to make use of synergies in their store network and digital business. Also involved with Studio Hemtex.</td>
</tr>
<tr>
<td>Telephone interview</td>
<td>Conducted on 30th of April 2018</td>
<td>Duration 50 minutes</td>
</tr>
<tr>
<td>Interview 4</td>
<td>Head of E-commerce logistics</td>
<td>Operational and development/solutions responsibility for order fulfilment – warehouse distribution, collect in store and returns for E-commerce channel.</td>
</tr>
<tr>
<td>Face-to-face in Stockholm</td>
<td>Conducted on 2nd of May 2018</td>
<td>Duration 45 minutes</td>
</tr>
<tr>
<td>Interview 5</td>
<td>Director of Marketing</td>
<td>Responsible for branding and communication for Stadium as well as their tactical campaign work through all digital channels and B&amp;M stores. That includes teams within content, production, support marketing (events) and an in-house agency.</td>
</tr>
<tr>
<td>Face-to-face in Stockholm</td>
<td>Conducted on 4th of May 2018</td>
<td>Duration 45 minutes</td>
</tr>
<tr>
<td>Interview 6</td>
<td>Director of Marketing &amp; Vice President</td>
<td>Main task is primarily as director of marketing for all three countries, where he is responsible for Panduros marketing and E-commerce.</td>
</tr>
<tr>
<td>Telephone interview</td>
<td>Conducted on 4th of May 2018</td>
<td>Duration 40 minutes</td>
</tr>
<tr>
<td>Interview 7</td>
<td>Head BPO - interact with customer</td>
<td>Responsible for the customer perspective of a large change project called sCORE, which is about replacing a large part of Clas Ohlsons systems, in particular their ERP system.</td>
</tr>
<tr>
<td>Telephone interview</td>
<td>Conducted on 7th of May 2018</td>
<td>Duration 45 minutes</td>
</tr>
</tbody>
</table>

**Figure 9 - Data collection from respondents**

### 3.4.3 Operationalization

The interview questions were created based on the different concepts regarding this thesis area of interest (Bryman, 2012). The first category is about *Background Information about the respondent*. These questions are asked in order to get the conversation started and to get to know the respondent a little more. Followed by the two main categories that are the following; *A. Challenges in transition to omnichannel* and *B. Risk management*, the last one had the biggest focal point of the interviews since they are the questions that would help to get answers about how risk management is handled during the transition process to omnichannel.
In A. Challenges in transition to omnichannel there are the two following subcategories; “2.1 Transition into Omnichannel” and “2.2 Implementation challenges”. This category is necessary for this study, because it about with how the retailers started working with their omnichannel approach. Then it narrows down to exploring the challenges and difficulties that they experienced in the transition. After these questions, the second main focus category; B. Risk management, were asked, which includes four subcategories. These five subcategories are the following: “3.1 Risk assessment”, “3.2 Risk uncertainty”, “3.3 Risk mitigation” and “3.4 Overall risk management and evaluation”. This category (B. Risk management) is necessary for this study because it focuses on how management handled the risks.

These categories and associated question are of significance due to the need for creating an understanding of what challenges and risks the organization face in the transition to omnichannel. Each respondent will give a perspective on their point of view, regarding challenges and risk management in their department. This is done, in order to get data for the empirical findings section of this thesis. This later provided the foundation for analysis of this example company’s handling process of risk. Finally, this will, in turn, create a conclusion and thereby answer to this thesis main research question.

The thesis operationalization is illustrated in figure 10 on the next page.
### Variables

<table>
<thead>
<tr>
<th>Questions</th>
<th>Theory</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Brief information about respondent</strong></td>
<td></td>
</tr>
<tr>
<td>- Name</td>
<td>Bryman, 2012</td>
</tr>
<tr>
<td>- Title</td>
<td></td>
</tr>
<tr>
<td>- Short description of position</td>
<td></td>
</tr>
<tr>
<td><strong>Transition to omnichannel</strong></td>
<td></td>
</tr>
<tr>
<td>- How do you define Omnichannel?</td>
<td>Picot-Coupey et al., 2016</td>
</tr>
<tr>
<td>- How did your integration process of the different channels start?</td>
<td>Hübner et al., 2016 Piotrowicz et al., 2015 Verhoef, et al., 2015 Brynjolfsson et al., 2013</td>
</tr>
<tr>
<td><strong>Implementation challenges</strong></td>
<td></td>
</tr>
<tr>
<td>- Have you had any challenges and difficulties in the process?</td>
<td>Picot-Coupey et al., 2016 Bernon et al., 2016 Hughes, 2011 Neslin et al., 2006</td>
</tr>
<tr>
<td>- How did you handle the challenges?</td>
<td></td>
</tr>
<tr>
<td>- What part of the process was the most difficult to carry through?</td>
<td></td>
</tr>
<tr>
<td><strong>Risk Assessment</strong></td>
<td></td>
</tr>
<tr>
<td>- How is your risk assessment conducted?</td>
<td></td>
</tr>
<tr>
<td><strong>Risk Uncertainty</strong></td>
<td></td>
</tr>
<tr>
<td>- How do you handle uncertainties in your risk assessment?</td>
<td>Flage et al., 2014 Borgonovo, 2006</td>
</tr>
<tr>
<td><strong>Risk Mitigation</strong></td>
<td></td>
</tr>
<tr>
<td>- How do you work with reducing and eliminating risk?</td>
<td>Blomé, 2004 Chopra et al., 2004 Stoneburner et al., 2002</td>
</tr>
<tr>
<td>- How do you evaluate the projects connected to the omnichannel transition?</td>
<td></td>
</tr>
<tr>
<td><strong>Overall risk management &amp; evaluation</strong></td>
<td></td>
</tr>
<tr>
<td>- Have you changed anything in how you work with risk management during the process to omnichannel?</td>
<td></td>
</tr>
<tr>
<td>- What were the things that you might have overestimated or underestimated in relation to risk?</td>
<td></td>
</tr>
</tbody>
</table>

Figure 10 - Operationalization

#### 3.4.3 Brief description of the organizations

The selection of companies (illustrated below in figure 11) was made in order to get a broad insight from various retailers that are selling different products. Because collecting information from seven sources in different retailing industries will provide more perspective and input. In how these retailers handle risk management during the transition to omnichannel. As it was hard to find willing interviewees the author employed a snowball
sampling method where referrals were used to contact potential interviewees (Bell & Bryman, 2013). These retailers have all made this thesis limitation cut (from section 1.6) as well as done some various progress to omnichannel. However, some of the companies have even been nominated and won awards for their progress to omnichannel (Avensia, 2015).

<table>
<thead>
<tr>
<th>Company</th>
<th>Brief description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apoteket Hjärtat</td>
<td>Retail pharmaceutical company that was founded 2009 with more than 2000 employees</td>
</tr>
<tr>
<td>Clas Ohlson</td>
<td>Retail company that specializes in hardware, home, leisure and electrical products founded 1918 with more than 4800 employees</td>
</tr>
<tr>
<td>Hemtex</td>
<td>Retail company that sells home textiles and home decoration. Founded 1973 and have approximately 500 employees.</td>
</tr>
<tr>
<td>Panduro</td>
<td>Retail company that sells hobby-related products. Founded 1955 and have more than 650 employees.</td>
</tr>
<tr>
<td>Stadium</td>
<td>Retail company that sells sports equipment and founded in 1974. Have more than 3200 employees.</td>
</tr>
<tr>
<td>Åhléns</td>
<td>Department store that was founded in 1899 and has approximately 2300 employees.</td>
</tr>
<tr>
<td>Company X</td>
<td>Retail company that primarily sells clothes and founded in the middle of the 2000th century.</td>
</tr>
</tbody>
</table>

Figure 11 - Description of organizations

3.5 Critical considerations

Due to the chosen research design, by conducting qualitative research in the form of semi-structured interviews, there are several critical considerations to be made. The choice of data collection method includes that there to some extent is a participant bias and error. As well as the author as an observer will have some bias and error upon interpreting. Consequently, the answers received from the conducted semi-structured interviews, is to some extent both biased and subjective. The same criticism can also be applied to the questions relevance when the study was conducted through interviews. Which are that if the chosen questions had been altered in some ways the results might have been different. In other words, the framing of the questions that were asked are undoubtedly affecting the results of this thesis. Considerations such as these made the author look upon previous related articles and research about this subject and thereby choosing questions that seemed to be of relevance (Bell & Bryman, 2013). Concerning these circumstances, reliability which is the measurement of consistency for the research, where if the research would be carried out again, the result may perhaps have had a different outcome. This in turn makes this study therefore to be seen as less reliable than a quantitative study would have been. Because qualitative studies includes an interpretation of reality to what is being researched (Bryman, 2012). However, the reason by choosing a
qualitative study to this thesis was because the potential to get a deeper understanding of how management handles risks in the challenges that face their business development process, during their transition to omnichannel.

Furthermore, qualitative studies usually has a smaller survey sample from which the data is collected as per in this case. Whereas a larger sample study could have been more helpful in order to get more data to understand and get a broader perspective on how management handles the aforementioned risks. This in turn would have increased this study generalizability (Bell & Bryman, 2013). Which for the thesis, generalizability is limited, it can only to some extent been said to be generalizable to Sweden and the Swedish retail market. Regarding validity in this thesis, the internal validity which may be affected by several factors such as maturation of when the events occurred and selection of participants are all affected. But all the respondents have been highly involved within projects and process that have occurred during transition to omnichannel and also a part of risk management. This has made the respondents, from where the data was collected, highly related as material in to answering the research question. However, the external validity is lower due to a smaller selection size of seven respondents and not being entirely generalizable or applicable to all types of situations. The measuring or rather emphasizes on words that occur in qualitative research makes a study less quantifiable as opposed to quantitative research, because it becomes more subjective and relies on the viewpoint of the respondents (Ibid).

Moreover, since the actual activities were not observed there is again an increase emphasis of subjective view. However, having an observational approach to this study would have required much more resources and specifically time to observe the process. Rather than how it was conducted now, with interviewing involved people. Furthermore, there should also be noted that through using telephone interviews it is harder to detect body language which may have had an impact or limitation to the interview process. On occasion it should be noted that that the questions that were asked to the respondents, from time to time, needed some clarification. In order for the respondent to understand what the question at hand was about. This could imply that the questions that were asked were unclear or needed to be set in perspective. However, after the clarification was done, the respondents understood well of what the asked question was about and provided satisfying answers about the different situations. Finally, the analysis process was done by the author with an aim to be objective in
the utter most possible way for the entire duration of the writing process. But as always that is something which can be difficult to achieve.

### 3.6 Research ethics reflections

Ethical considerations and measurements were acknowledged as well as dealt with in accordance with the views that Alan Bryman mentioned in his book *Social research methods* from 2012. Where measures were taken to make sure that the interviewed individuals felt comfortable during the interview process and inform them of what the data would be used for. By being as transparent as possible with what this study was about. As well as its purpose and to answer any specific questions that they might have had. Also worth mentioning is that the author will start working at Company X this upcoming autumn of 2018. Therefore, the author made sure not to treat the empirical findings any differently compared to the other organizations. Furthermore, the author has made efforts not to harm any third parties, intentional or unintentional. By letting the respondents go through the transcriptions before submitting this thesis.
4. Empirical findings
First of all, in the empirical findings chapter, there will be a brief description of when the organizations started their transition to omnichannel. Followed by, their views on omnichannel which in turn is followed by some of the developmental and strategic challenges that they faced during transition omnichannel. This leads to operational and strategic risks they faced during transition. Finally, there will be a section about risk assessment and one section of their risk mitigation.

Figure 12 below, is done in order to make referencing of the empirical findings more abbreviated and understandable, the reasons for this is that the respondents share similar titles. However, company names are mentioned in the text when the focus is on what the company does.

<table>
<thead>
<tr>
<th>Code name (Respondent number)</th>
<th>Respondent</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1</td>
<td>Head of digital channels Apoteket Hjärtat</td>
</tr>
<tr>
<td>R2</td>
<td>Program Manager for Personalization &amp; Loyalty Company X</td>
</tr>
<tr>
<td>R3</td>
<td>Head of E-commerce and Omni-channel manager Hemtex</td>
</tr>
<tr>
<td>R4</td>
<td>Head of E-commerce logistics Åhléns</td>
</tr>
<tr>
<td>R5</td>
<td>Director of Marketing Stadium</td>
</tr>
<tr>
<td>R6</td>
<td>Director of Marketing &amp; Vice President Panduro</td>
</tr>
<tr>
<td>R7</td>
<td>Head BPO - interact with customer Clas Ohlson</td>
</tr>
</tbody>
</table>

Figure 12 – Code name for respondents

4.1 When the process of transitioning to omnichannel started

The seven interviewed organizations have all started their integration process a couple of years ago. Clas Ohlson started with their focus on omnichannel in 2012 and therefore they were the earliest of the interviewed companies, while Åhléns was the most recent with their start in 2016. From then on, there have been successive changes to the process, and an intensified focus on omnichannel the last couple of years. Further, they all mention that they are currently in their integration work of all the channels to become more omnichannel focused. This is due to changes in customer behavior, the market and amongst competition (7 out of 7).
4.2 The respondents description of omnichannel

Before the transition to omnichannel started retailers had a focus on multichannel, where the sales channels were two different sales channels, either digital or physical. That is how the culture in the organization was, for instance with regards to marketing, where companies and employees were more focused on either digital or physical marketing (R5). From that separation between channels in the multichannel approach, there’s been an evolution (R4). Many respondents mentioned that the meaning of omnichannel has been changed from what it meant 3 to 4 years ago, to what it means today (R2; R3; R4; R5 & R7). In the beginning talks of omnichannel, there was quite a big separation between channels, with regards to different pricing and return policies in stores, which are considered to nowadays be basic factors for omnichannel (R3 & R4). As well as focusing on how everything functioned online, where retailers applied services and processes from E-commerce to B&M stores (R2). Furthermore, there was more of a focus on making the channels communication and visualization look the exact same in the earlier definition of omnichannel (R5 & R6).

But more recently, omnichannel focus shifted to be about the integration of these digital and physical channels, by creating the same terms and conditions for the customer regardless of which channel is being used (R2; R4 & R5). This shift is about what the customer expects and to meet the customer in which channel they are presently in. Further, there is not supposed to be a “betrayal to the customer”, in that, for instance, the price is different in different channels (R5). However, organizations are not able to have their entire assortment in store as they can online, due to logistical reasons (R1; R4 & R5). Customers don’t think about which channel they purchased their products (R6). Even though the purchase journey might begin and end through different touchpoints (R5). The basics of omnichannel are that companies should be able to deliver the same convenience, same offer and simplicity no matter what channel the customer uses (R7). This relates to simpler stuff, such as for a customer to be able to return their product in whatever channel they shop as well as “click and collect” (R3 & R7).

The focus nowadays is about a “unified commerce”, where it concerns the holistic experience, to weave the channels together (R2; R5 &R7). It is about the customers and making the channels seem seamless to the customer (R4) by doing everything on the customers’ terms, to show customers a brand and not separate channels (R2). As a result, the purpose is to make it more convenient for customers. However, in order to make it more convenient and seamless between channels, there are many challenges that organizations face (R2 & R7).
4.3 Challenges in the process of transitioning to Omnichannel

This section is divided into strategic and developmental challenges (as in the case as Picout-Coupey et al. (2016) did, where they identified two main types of challenges (section 2.1.3))

4.3.1 Strategic challenges

“One of the things that I experience is that organizations are used to work in a certain way. But retail is changing and now there is a “new world” and therefore we have to work harder with developing competence... It’s not about size anymore; it’s about speed and enabling the companies to be more agile.”

- R3

One of the challenges that retailers have to handle is that there will always be new and upcoming things, such as systems, designs and trends (R3 & R5). Because nowadays everything changes quite fast with digitalization compared to some decade ago. Therefore when it comes to consumer trends, decision makers need to be more flexible with marketing, because trends come and go much faster (R3; R5 & R6). Furthermore, R6 mentions that they need to accommodate for more “air in the system”, referring to that organizations should not make too many decisions far ahead or central decisions (referring to top level management) in order to be able to adapt to faster changes in market trends (R6). As customer expectations are changing as well as progressing all the time (6 out of 7 respondents mentions this as a challenge). This is something that they need to work with both for their digital and physical store, with what products that are being “fronted” for sales and marketing (R3, R5 & R6). The purchasing department needs to be more adaptable to trends. Today where many purchases are made from Asia, there are currently four to six months lead times before arrival. So the purchase departments need to be able to act more swiftly (R6).

“It’s hard to try to predict behaviors, because you can’t fully predict your own behavior and how you are going to behave in the future.”

- R5

4.3.2 Developmental challenges

According to (R1; R2; R5 & R7) it can be a challenge to work cross-functional when the business and IT side of an omnichannel project has to agree with what they want to do for the moment, as it takes time to implement new ideas. Therefore, both business and the IT side needs to have a long-term scope of what needs to be done and a short-term scope. However, that is a balance that can be tough to master (R7). Therefore, it is important to divide up
releases into smaller key factors. Instead of directly trying to build a complete “mountain”,
the process needs to be broken down into smaller pieces. This is also because a lot of things
might change during the implementation trip (ibid). Furthermore, all companies have a
legacy, whereas relatively young companies tend to have more modern IT systems and tools,
that are easier and more flexible to work with compared with older companies (R2; R3; R7).
Changes concerning ERP Systems are not something that is visible to customers (R2; R4 &
R7). But when organizations launch their project and problems occur, then the customers will
be directly or indirectly affected. Changing the ERP system will have a long-term effect on
the organization. (R7).

“Another difficulty is that there are good systems for working effective in B&M store, with a
good front- & backend. As well as there are good E-commerce systems. But when you are
working with an omnichannel focus, there is no real good system solution to integrate all the
systems; instead one might turn to more of a “silver tape” - solution.”

- R4

R5 mentions that organizations need to bring in “new knowledge” to build new work
structures on fact and not on old truths, whether it regards marketing or IT. Even though it is a
“know-how-ability” or “Businessmanship” to manage a store and business, an organization
need to be able to build a concept on substantial and reliable source material (R2; R4; R5).
Instead of only rely on employees “know-how ability” to manage a store and business (R5).

Due to logistical reasons, B&M stores cannot have the same depth as E-commerce with
regards to the assortment, due to limitations of stock keeping in store (R1; R5 & R6). This can
create a challenge when customers are requesting a specific product which a B&M store
might not have. This might for some customers not be a big deal, because they can understand
the reasons behind it. But to other customers, there is a chance of negative customer meeting
or a “betrayal to the customer” (R5). But as compliment organizations have something called
“order-in-store” where the employees or through machines in the B&M store, can make the
order for the customer (R5 & R6).
4.4 Risk types

Do take notice that only some operational and strategic risks are mentioned in this section, which appears in organizations risk management process during transition to omnichannel.

4.4.1 Strategic risks

Recap on strategic risks from section 2.2.1:

Strategic risk is focused on the risk of not achieving the overall strategic goals of the company. Risks that are related to strategic risks are potential damage due to technological innovations, competition, regulations, demographic trends and overall reputation (Damodaran, A. 2017; Blau, A. 2014).

One of the changes that Clas Ohlson currently is facing in their transition to omnichannel is in their project sCORE (systems for Clas Ohlson Retail Efficiency). This is about replacing a large part of Clas Ohlsons information systems, in particular, their ERP systems. This process can be seen as a large scope project because of the number of resources required (R7 & Clas Ohlson, 2017). Their sCORE project is connected to both operational and strategic risks, as it is an internal process that regards many of their information systems and affects their personal. Within the sCORE project, there are also strategic risks, because it is a part of their technological innovation and a necessary part of their overall business and strategic goals, to successfully implement sCORE (Clas Ohlson, 2017). Also, in large organizations, such as Clas Ohlson, there are many different processes that use an ERP system. This makes the system landscape quite complex since they are working together with two separate ERP systems in parallel to each other. During this project, they have to work on a structured basis, where they go one step at a time. To decide what functionalities are necessary to satisfy the customer (R7). The same goes for when organizations changed their cash register system for their B&M stores, which in all cases are plentiful of B&M stores that need a new cash register (6 out of 7 mentions). This type of change is more of a clean-cut according to (R1; R2 & R6), where they only get one opportunity to make the transition from the old ones to the new.

Another one time opportunity change was when Panduro decided to take away their main catalogue. That main catalogue of theirs was incorporated into how their work processes were conducted. But they wanted to take it away completely, in order to be able to commit to changes in trends, related to consumer behavior. As well as, to successfully focus on the implementation of new internal routines and processes, since their routines were aligned to the main catalogue. Moreover, R6 together with other top-level management decided that they needed to focus their marketing towards digital and social media, instead of having a lot of costs linked to the print of their main catalogue. These are changes that are linked with more
internal risks, in other words, operational risks, since in this case, it concerned their employees and how they on a daily basis worked with the catalogue as a tool. As well as strategic risks, but as R6 described, that was more of an adjustment and progress to demographic trends and technology, hence the emphasis was on their internal risks (R6).

“... That was “a necessary evil” to “kill your darling” - in a way, to be able to adapt to new circumstances.”

- R6

Another operational and strategic risk during transition to omnichannel, that R2 brought up is about “PnL”- split (Profit and loss), where employees only do what they are followed up on but don’t necessarily do what they are not followed up on. In large organizations that is something which is hard to change. Even if the will and dedication is there for the employees, there are still much of the organization internal structures that are built on KPIs (R2). For a traditional organization, that is something which requires a whole new way of thinking and working (R1; R2 & R4). Another challenge is that it is easy to get “comfortable” in the way that they “know how retail works” (R3 & R5). But since no one has cracked the omnichannel code, there is also no one to look at for as answer (R1; R2; R4 & R5). With these operational and strategic risks, the organization has to assess them.

4.4.2 Operational risks
Recap on operational risks from section 2.2.1:
Whereas operational risk is the risk of direct or indirect loss due to incomplete or failed internal or external processes, people and or systems (Girling, P. 2013).

When it comes to new concepts, products and implementing new features in sales channels, respondents mention that the organization on a regular basis work with this on a smaller scale by making tests (6 out of 7). Associated with these new concepts, products or features are that there are both operational and strategic risks involved. But a stronger emphasis is made on operational risks in these smaller types of project. In contrast, strategic risks are linked with a more holistic view of the overall strategical goals of the company (R1; R3; R4 & R5). With regards to operational, that is the most common and frequent risk of the two mentioned in these small types of projects. The processes, people and internal systems can be incomplete or failed. As well as strategic risks that can cause overall damage to reputation, or that the competition is making use of technological innovation or demographic trends in a more optimal way.
Most of the companies mentioned (6 out of 7) that they have in recent years or are currently implementing “click and collect”. That service allows customers to buy products through their E-commerce and collect the order in a B&M-store. As well as “return in store”, this is about the ability to return an order that was purchased through any of the E-commerce channels in a B&M store. That is something all respondents refer to as basic factors when it comes to omnichannel. However, these procedures are aligned with operational risks, where especially the internal systems and processes are liable to an incompletion or failing (6 out of 7).

Therefore, retailers want to try and test these new ideas of features, concepts and products by pilot testing, before launching the actual implementation and expansion of projects on a larger scale (R1; R3; R4 & R5). As in Hemtex case, by testing new pink screens in store to see if they can create more purchases or as in Stadiums case when they are working with their concept stores “Puls”, “Sneakerspoint” and “Junior”. There is no way of really knowing exactly how successful the implementation is going to be received or not. So that are uncertainties aligned with the processes, but small scale testing is done in order to get more information and less ambiguity (7 out of 7 respondents).

With regards to logistical changes during the transformation and integration of channels R4 mentioned, that they wanted to optimize their check-in system of load carriers. That instead of scanning each and every product, they should be able to scan one load carrier at a time, containing, for instance, fifty products. To make their routines more effective, this is something that is linked to operational risk. Hence, there needs to be a backup procedure if one or two products are damaged or missing or if they were sent to the wrong department store (R4).

Furthermore, regarding logistics and stock keeping, Apoteket Hjärtat has started to work with satellite warehousing. In the sense that their pharmacies that might have a little less pressure and more downtime have packing benches where they can package orders that were ordered through their E-commerce. Instead of having traditional warehouse workers, Apoteket Hjärtat has professional pharmacists, with a five-year university education, who expedite medicines and products. This is done for many reasons such as to make use of available resources and maximize productivity within B&M stores. But also by minimizing errors that could occur if the personnel were less knowledgeable about the products (R1). Another, mostly operational
risk that R1 and R5 mention that they are working with during their small scale tests, is to see the flow of the B&M store for ordering, picking up or returning products. Because, when customers have purchased something online they do not want to stand in a queue for a long time (R1).

4.5 Risk process

4.5.1 Risk assessment
During the implementation of Clas Ohlsons sCORE project, there is one IT-project team, which focuses on working with the operational risks related to their area and systems. Whilst there is a business project team, that is working with risks and education for all end-users. With regards to risk assessment, there is a basic testing from both the IT-perspective and end-user perspective before “going live” with the project. After “going live” there is a continued evaluation and correction of some things. But hopefully most of the frailties and operational risks have been identified and either eliminated or mitigated during the pre-based judgement and basic testing (R7). As well as when new functions or systems are released, the employees in the organization will both understand and be dedicated to the change. That they see the advantages and why this change is implemented. Because this it is not something that is done overnight, therefore, education during the successive transition plays an important role (R1; R2; R5 & R7). When it comes to risk assessment in testing, they need to map out the critical flows in the company. These are, when it comes to a retail company, heavily focused on the products. Either the product comes into the distribution center or out of it, either to a customer, another warehouse or B&M store. These business critical flows need to be analyzed, both before the projects, during and after. In many of the critical business flows, it is about testing. So it is a continuous workflow of intercepting “what are the major risk areas” (R7). Followed by how they can contain them before or after implementation, which is then followed by testing and taking security measures around them (R4 & R7).

When retailers are testing new features in store as Hemtex does with their pink screens and Stadium with their concept store (“Sneakerspoint”, “Junior” and “Puls”) or as both Panduro and Hemtex do with their AI-solution to see how customers navigate on their websites. They do some sort of pre-based judgement on what they need to do and how they will do it and what the end result will be. If that pre-based judgement gets an approval of decision makers (either by a manager, project- or control group) the next step is a small scale implementation. That small scale implementation is ideally on either a few selected stores (that are based on
different types of sales history, location, size and demographic factors) a selection of representative B&M stores that demonstrate what effect this change might have on different (heterogeneous) types of B&M stores (R1; R3; R5 & R6). Or done by a convenience sample, which was the case for Stadium when they were working with their club system price dilemma (R5 & R7). Regarding how they should make their prices more visual and understandable for their customers. After testing, the result and effects that did or did not happen in the few selected stores. They use the small scale work as a sample, which is supposed to be applicable to their organizations entire B&M store system or E-commerce. This is a trial-and-error approach to an implementation where the retailers can discover any start-up issues, incompletions to their processes or systems. As well as to find out how the customers respond to these changes (R3; R4 & R5).

Despite the fact that there are operational risks regarding the implementation of “Click and collect” and “Return in store” there are many examples of companies who have previously adapted to these functions and there are a lot of know-how about how the implementation is going to work and what could potentially go wrong (R2; R3; R4 & R5). Therefore, implementing both “Click and Collect” and “Return in store” is mentioned to be “chartered territory” (R2 & R5) where there are few uncertainties and possible complications are fairly known (R4).

Moreover, logistics plays a big part in the critical flow for retailers, in all projects not just omnichannel (R4). Another risk is about not having a receivable organization to the changes that are implemented (R1; R2 & R5). Because when a new functionality is implemented the organization needs to be adaptive to the change. In order to successfully implement and get the intentional exchange on their investment (R2). For instance, when it comes to assessing the load carrier operational risks, decision makers want to establish a context of how the flow looks like and what procedures are involved that can go wrong, with the scanning process. They have identified those situations, such as damaged products or sending the loading carriers to the wrong department store (R4). After that decision makers together with product experts look at options to avoid them, more on that in section 4.6.

Apart from small scale testing, it happens that, organizations make use of “user test” before they implement new products or features (R2; R3; R6 & R7). By inviting and ask x-numbers of customers if they want to try out Clas Ohlsons new purchasing experience on the website.
Where they put together a group that gets to try out a new thing and then provide us with feedback. That feedback might be about what is hard in for instance the purchasing process. This is done in order to get input, instead of taking things for granted (R2; R3; R5; R6 & R7). There are other approaches than “user tests” and pilot testing in order to collect information to make pre-based judgement (R3). Such as sales forecasting, that is quantifiable where they calculate the amount of income a sales activity probably will generate. From that forecast, decision makers will also receive an approximate calculation of how much money they need to spend on marketing, in order to reach that sales goal (R3). But they cannot really know if their offer is good enough for the customer. So there will be an unknown and undefined factor, a risk that the amount money put into marketing for this event might be a sunk cost (R3 & R5).

“You have to dare a little with new projects, products and innovation, otherwise you will not go anywhere as an organization. But then of course, that is something that needs be balanced with capital, stock levels etc.”
- R6

Notably, with regards to uncertainties in risk assessment, all respondents (7 out of 7) acknowledge the fact that; uncertainty will always be there in every process. As that is the epitome of uncertainty and since uncertainty surrounding projects and in relation to risk assessment decision makers have to acknowledge it and have it in the back of their head. There is nothing they can do about uncertainties, except that there needs to be some type of pre-made action plan if an incident occurs (R2; R6 & R7).

In addition, all of the respondents describe the chain of command and how they are made, in the same manner. That is that the chain of command varies a lot, it all trickles down to the scope of the project or test, depending on what they are trying to implement. Because the larger the scopes on the implementation the more people are involved. During those types of projects, there is usually one or multiple project group (-s). In some cases even a control group who holds the overall responsibility. Meanwhile, when it comes down to projects with a much smaller scope, it can end up on an individual level, of what to do and who makes the decision. Where a project manager is the one who makes the evaluation and takes the decision (R3; R4 & R5). Thereby, that person is the one responsible for identifying and assessing risks as well as mitigating or eliminating those (usually) operational risks. These are daily tasks that can regard whether or not purchasing “a dynamic fractloader” to increase efficiency in the
logistics flow (R3 & R4) or by running a specific marketing ad on social media. Where the effect is less impactful and there is a limit to what possible operational risks have for implications (R3 & R5). Finally, after assessing the operational and strategic risks, the organizations try to mitigate or eliminate them.

4.5.2 Risk mitigation

“It is important to have a clear prioritization, since resources (time, personnel and money etc.) are not infinite... So I believe, that the two key factors if a risk happens, is to already have a risk assessment done with clear prioritization and a clear action plan.”

- R7

A part of the way to reduce risk is through testing on small scale project. But regarding larger implementations, they emphasize on planning, through for instance workshops or user test (R7). Where they plan on what potential things can go wrong and what manual routines are supposed to do if the thing that is implemented does not work. What are the workarounds during critical launches, that when these scenarios occur, there needs to be a clear plan of action, perception and instructions of how to proceed accordingly. But decision makers can never really know exactly what is going to happen, so there needs to be an organization that can handle the issue (R2; R6 & R7). Changing ERP systems is a big aspect of the organization since they have thousands of employees that work, in and together with their B&M store (R2 & R7). Thereby decision makers always have, in the back of their head, that the more people that are affected by the change, the larger the consequences can be and thereby also the risks (R7).

Regarding the loading carrier’s example (R4), after the established context of how the flow and procedures look like. They start with trying to come up with a new solution, to scan the entire loading carrier instead of the single products. Meanwhile, acknowledging the fact that there will always be something that goes awry or fails with surrounding procedures. They let the new scanning system run parallel to the old one. Thus, enabling the chance to use both systems to avoid an incomplete process of scanning the loaders in the distribution center. So that, when the operational risk happens they have a backup system and routine to work with the issue. Thereby, they have identified what processes are in the distribution flow, what can go wrong (what are the operational risks) and how they are supposed to handle these risks if
problems on an occasion arise (with a backup system that can scan in single products and action plan of how to reroute missing products to the right department store) (R4).

Generally (6 out of 7), retailers want to make pilot tests, since that is an advantage that they have in retail, to be able to test concepts in a few stores. So after testing out the new concept stores that Stadium have, Hemtex new pink screen in their B&M stores or a new AI navigation system that Panduro and Hemtex work with for their E-commerce. It’s during these small pilot tests where they can find any startup issues and identify operational risks in the process flow. After and sometimes during testing, decision makers (which again refers to manager, project- or control group) evaluate if they should try to fix any issues that might arise during testing or not. If it is not worth to go on, they just scrap the idea. But if the test is given the “green light” of approval, they will then expand the implementation to a larger scale. Thereby, since the pilot tests are usually done on a small scale, in few stores, they have minimized their eventual resources that could be considered sunk cost. As a result, they have diminished the operating area and can more easily both discover and extinguish upcoming consequences and risks (6 out of 7 respondents mention this).

However, pilot testing is not applicable to all scenarios, in Panduros decision with the removal of their main catalogue (R6). The same goes for implementing a new ERP system for Clas Ohlson or new cash registers that most of the companies in this study have changed (R7). Panduro mentions that they had area managers that travelled around and educated their personnel together with their store managers who were there to support on a more daily basis. Where the staffers had to learn to navigate on the site and adapt to walking around with Ipads in store to help their customers reach more of Panduro’s assortment online than what was in their B&M store (R6).

Many of the respondents emphasize that both strategic and operational risks during transformation and transition process to omnichannel, is about taking care of their employees. Because getting people to progress along with implementing new innovations concerning technology or concepts is a vital part during transition. The focus on handling “change management” is brought up as an essential part of taking care of risks. As it is the employees in the organization who are going to execute the omnichannel projects (R1; R2 & R6). Therefore, there is a need to identify who the end-users are and back them up, even before the rollouts are implemented. Because there is a need for the employees to understand why and
the meaning of the change, in order for them to have an interest in what is going to be implemented. This, in turn, is so that they can establish behavior where the employees work with the new process and structures, instead of sticking with the old routines and processes (R1; R2; R5 & R7).

“...whereas IT platforms and data etc. that is something you solve. It might take a lot of resources, with regards to time and money, but in the end, that is something that you will solve. So the cultural aspect is something that I find extremely important.”

- R2

Finally, one thing that is recurrently brought up under the interviews is that many companies mimic each other with similar solutions. Nowadays product and price is something that is quite similar no matter where a customer goes (R5; R7). They can find many of Clas Ohlsons products in many other places and vice versa. Therefore, in the work to transitioning to omnichannel, organizations need to find different things that will make them stand out amongst the competition. But simply defining and create those things that can be both complex and hard to do. Nevertheless, it might quite frankly be that in the end, companies and products become more or less the same, instead of being unique. This is something that might sound easy on paper, but in reality be tougher to accomplish (R2; R5; R7).
5. Analysis

5.1. Transition to omnichannel

The respondent’s definition of omnichannel is similar to the description found in Hüblner, et al. (2016) & Verhoef et al. (2015) articles. Both the respondents and the scientific articles express that the definition has changed from what it meant a couple of years ago. Nowadays omnichannel is focused on convenience for the customer and a seamless distribution. The customer meets a brand and not a channel (what omnichannel meant a few years ago). In the past organization’s focus was simply on making the retail mix identical across all channels.

It is interesting to note that “speed” is something that comes up fairly often in the interviews and that has changed the work process for retailers. Because nowadays trends come and go while delivering times are expected to be shorter. This has made the interviewed retailers progress from a multichannel approach since they needed to adapt to new patterns of retail. Global companies coming closer and an increase of competition has probably accelerated retailers focus on omnichannel approach. Furthermore, many respondents emphasize the need for being flexible and to have the courage to try new things, because otherwise the organization will be outrun by competition. In addition to that R6 mentioned the need for more “air in the system” which means that they can’t have too much that is scheduled in order to be adaptable to the new trends.

The challenges during transition to omnichannel that were brought up recap a lot of what Picout-Coupey et al. (2016) identified in their research. The majority of the respondents talked about strategic challenges, especially about cultural, marketing, managerial, and organizational. Whilst the developmental challenges and operational risks, although vital and imperative to success, were emphasized more as something which is hard. But with resources as time and money, developmental challenges are more “easily” manageable since they are more tangible than strategic and challenges risks.

5.2 Risk types: Operational and strategic risks

As illustrated in the empirical findings there are many different types of situations in the transition process to omnichannel where operational and strategic risks can occur. Therefore there are many different ways of handling them. Depending on the scope of the implementations there are different implementation procedures that are taken before, during
and after implementation. Whereas, when it comes to operational risks they are more present in the smaller to medium sized projects. Regarding smaller scope projects such as Hemtex testing of a pink screen in B&M store, the load carrier process and AI-navigation testing on E-commerce channels. As well as the basic “factors of omnichannel”, the implementation of “click and collect” and “return in store”. There is more focus on the operational risks and what in the external or internal process, systems or people are incomplete or fail. On the contrary, strategic risks tend to be more present in medium to large scope projects than on small scope. Where there are more people, systems and process involved. Such as in the case of Clas Ohlsons sCORE project and Panduros main catalogue shift. As well as the focus on taking care of the company’s employees, so that they are committed and dedicated to being a part of the transition process. Whilst medium scoped project such as Stadiums concept stores and Apoteket Hjärtats use of satellite warehousing are in between both operational and strategic risks. These types of projects interact both with internal processes, people and systems (which are linked to operational risks) as well as technological and demographic trends (which tend to be more linked to strategic risk).

5.3. Risk process

5.3.1 Risk assessment

With regards to applying Hansson and Aven (2014) risk informed decision making (2.2.5), the experts in transition to omnichannel are the staffers of the different projects (B&M, sales, market, E-commerce and logistics etc.). Whereas decision maker can shift depending on scope of project, but it is either a project manager, project group or a control group. During the fact-based phase, evidence is collected from either small scale testing (pilot testing), previous implementations done by themselves or other companies or a pre-based judgement from focus groups or information about demographic trends or technological innovations. The knowledge base is referred to as “businessmanship” (R2; R3 & R5). Followed by a broad risk evaluation, however, this is done both by the experts and decision makers. Not only the experts as Hansson and Aven (2014) model show. The broad risk evaluation is either during or after the projects on a small and to some extent medium sized scope project. Whilst for large scope projects it is done primarily before launching and approving the project. However, during decision makers review of broad risk evaluation there tends to be a lot of uncertainties regarding new project/features and concepts implemented during transition to omnichannel. Furthermore, the speed change of trends with regards to technology and demographics,
creates time pressure as Gigerenzer and Gaissmaier (2011) brought up in their study. Therefore, decision makers have to sometimes, take a chance and endeavour out in the unknown (R3 & R6).

It is fairly obvious that the scope (with regards to resources as time, capital and personal) of the project, concept, features and changes plays a major role. Because the larger the scope the more things can go wrong. On larger scope projects, decision making tends to involve both a control group and project group. Therefore, establishing a context of workflow and critical factors plays a major role in larger scope project. Decision makers want to identify internal and external risks that surround the projects. As a result, decision makers or involved personnel need to gather more information about the project features or concept to create a more solid knowledge base (R2; R6 & R7). Such as in the case of implementing new cash registers, sCORE or focus on employees where they “go one step at a time”. Especially looking at what the critical flows and deployments are regarding those processes that will interact with the implementation. As a result decision makers thereby get an overview of the process of where potential challenges, problems and risks are. In regard to operational and strategic risk, large scope projects usually get just one or two chances of implementation, such as Panduro with their main catalogue and Clas Ohlson with their implementation of sCORE.

Whereas on smaller scope projects, such as incorporating new ideas and features retailers have a lot more chances to try things out. In smaller scope projects, risk decision making is usually on an individual level (a project manager). This, in turn, puts less focus on making a risk assessment beforehand, since it is more of a “take-it-as-it-comes” approach. They do, however, of course, do a pre-based judgement of whether or not they think the implementation might have a positive impact. Where they on a small scale or by a so-called pilot testing, test how this idea in practice work, where the risk assessment is something that rather occurs during and after the test. In order to hopefully find start-up issues during the process. Thereby, for smaller scope projects there is a focus on trial-and-error perspective (R1; R3; R4 & R5). Whilst medium scope projects have a mix of both depending on what departments are involved. Furthermore, they all acknowledge the fact that there will always be uncertainties regarding project implementation and risk assessment. For logical reasons, as decision makers cannot always know what is going to happen and therefore, they need to dare to try out new things. As this is the only possible way of knowing what actually will happen.
As well as, the only way to progress along with other retailers in order to offer their customers more convenience and create a seamless integration in order to reach omnichannel.

When it comes to what departments are involved, the views on risk assessment tend to differ according to the empirical findings. Where IT and logistics mention that they can calculate the impact of an implementation and potential operational risks more thoroughly. Firstly, they will go through identification of critical flows and then try to make that into quantifiable variables. Secondly, many technological implementations have already been made at another organization, therefore there tend to be other results to look at. But they are to some extent cautious about that because mimicking others does not necessarily guarantee success in their case. Whilst when it is more about marketing and sales, they can quantify their marketing and sales impact from KPIs and earlier history (R3). But their focus on risk assessment of new features and functions are more on testing on a small scale. These differences are probably due to initial differences between departments and their respective tasks since they all have different functions. However, there would need to be a larger sample, with more respondents to conclude that this pattern is declared as a true pattern. Therefore, the views of risk assessment concerning various departments would need further investigation. But nevertheless, that is a curious and perhaps to some extent logical insight from the empirical findings that the views of risk assessment differ from various departments.

5.3.2 Risk mitigation

In small scope projects, such as “click and collect”, scanning of load carriers or testing out new features in all types of channels, operational risks are reduced or eliminated during and after the project. Where decision makers test the project on a small scale and either dismiss or implement the new feature after project evaluation. These pilot studies are made to minimize risks and consequences, where few resources are put to use (R1; R3; R4 & R5).

In medium scope projects, such as concept stores and satellite warehousing, the assessment process shows more planning and identifying before roll out. Thereby the focus has shifted to reducing the operational and to some extent strategic risks, before implementation (R3 & R4). Moreover, these projects are similar to smaller scope projects, where the organizations still try things out but on a larger scale in comparison. Much of the reducing and eliminating risks still occur during the project.
Larger scope projects focus on having a solid ground of knowledge, information and evidence (risk informed decision making) to make a pre-based judgement before implementation, in order to mitigate risks (R2; R6 & R7). The focus on prioritizing also seems to be higher on large scope project implementation according to the empirical findings. After the critical flows are identified and assessed, decision makers evaluate them and from that evaluation, backup plans come forth. These backup plans are about what needs to be done if this or those problems arise. In other words, an action plan with clear direction on who to contact and what to do if an internal process or system failure. Another interesting and noticeable difference about how their working procedures have changed during transition was that they work more cross-functional now (R1; R2 & R7). Hence their projects need a larger involvement of more departments than before in the multichannel approach. This makes more employees with different background knowledge apart of control or project groups and in turn, the risk assessment process. This is probably good to have more perspectives on the issues and perhaps views.

However, some of the respondents did mention, that it is a major challenge to work across functions because different employees are often evaluated on different KPIs (R1 & R2). This is especially common in larger enterprises and logical since personnel have different tasks to perform. However, the fact that these KPIs judge and evaluate employees from different departments on different indicators can create tension and might cause decision makers to fail in obtaining a holistic view of the process. Consequently, employees are more focused on reaching their own goals. For instance, some departments can have more of reward for higher risk ventures, which can create different risk appetite. Moreover, it might cause a negative impact on the risk assessment procedure when company’s strategic goals and risk management, do not align with what the employees are evaluated on. This is also something that is similar to what Picout-Coupey et al., (2016) mention in their research.

Figure 13 below, gives an overview of risk management that is based on detectable patterns from the empirical findings. This figure illustrates, that depending on which scope the project has there are different ways to take care of risk management regarding operational and strategic risks.
<table>
<thead>
<tr>
<th>Scope</th>
<th>Examples</th>
<th>Risk Type</th>
<th>Decision maker</th>
<th>Project implementation</th>
<th>Risk assessment</th>
<th>Risk mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>Features &amp; Add-ons for B&amp;M store and digital channels. Such as load carriers, new screens and AI-navigation.</td>
<td>Usually related to operational risks.</td>
<td>Decisions made about risks are usually on individual level (by project manager).</td>
<td>Small scale testing and/or pilot studies. These testing methods usually last from one day up to a couple of months, before dismissed or implemented.</td>
<td>Identify start-up issues as test goes on, more of a trial-and-error approach.</td>
<td>Reduce and eliminate risk during and after the project. Goes from a small project to a possible expansion. This reduces amount of resources involved and has a smaller impact if deployment failure occurs. Less focus on strategic challenges and more on developmental.</td>
</tr>
<tr>
<td>Medium</td>
<td>Concept stores and satellite warehouse.</td>
<td>Usually related to operational and to some extent strategic risks.</td>
<td>Decisions made about risks are usually on a project group level, to some extent even control group.</td>
<td>Pilot studies are used to some extent or sometimes only one-chance opportunity. These testing methods usually last from a couple of months up to 6 months to a year, before dismissed or implemented.</td>
<td>More focus on planning and identifying before implementation.</td>
<td>Reduce and eliminate risk before, during and to some extent after the project. Mitigation process is a mix of in-between small and large scope projects.</td>
</tr>
<tr>
<td>Large</td>
<td>Changes in ERP- &amp; cash register systems, catalogue and focus on employees.</td>
<td>Usually related to strategic risks and to some extent operational risks.</td>
<td>Decisions made about risks are usually on either control group or project manager level.</td>
<td>More of a clean-cut and a one-chance opportunity. Can have a loner time frame than medium scope projects.</td>
<td>Pre-based judgement almost entirely.</td>
<td>Focus on reducing and eliminating risk beforehand. Tends to have a lot of resources involved usually related to strategic challenges and high impact or consequence if deployment failure compared to small scope. Usually involves focus on employees to make sure that they are dedicated to the transition project.</td>
</tr>
</tbody>
</table>

Figure 13 – Overview of risk management
6. Discussion & Conclusions

Chapter six is the final chapter of this thesis and starts with a discussion section. This is followed by a summary in the conclusion section, regarding risk management when transitioning to omnichannel. Finally, this is followed by a presentation of contributions which is continued with a discussion of criticism to the thesis and suggestions for future research.

6.1 Discussion

First of all, from the empirical findings, B&M store still seems to be an essential part of retailer’s plans for the foreseeable future. However, the layout and shape or modelling of the B&M stores might probably change, to a smaller size, with more focus on concept stores where technology is incorporated into the physical space. This might give customers access to more assortment, information which as an end goal create more convenience and hopefully increases sales. Secondly, E-commerce in Sweden will continue to grow according to E-barometerns annual report and the respondents mention that E-commerce will play an important part in the organization in the future. Thus, the vision of a unified commerce through an omnichannel will probably continue to be the retailers focus for quite some time.

At the same time, rapid changes in technology, trends and customer behavior, demands that retailers try new things in order to survive the competition. However, since no retailer has yet reached omnichannel, there is uncertainty in how to transfer to omnichannel - many steps are not obvious or palpable for the organization before it tries the step out. By identifying transitional issues as early as possible in the project’s lifetime, the probability of successfully completing the project increases. Furthermore, to identify operational risks, retailers often use a trial-and-error approach to test new features, projects and concepts. This enables them to minimize risk and be more cost-efficient than their competitors. These approaches are conducted in limited and restricted areas, which reduce potential consequences of failure or incompletion. From small scale testing and pilot studies, retailers can either expand their tests or scrap the project.

The purpose of trial-and-error testing is to discover operational risks early in projects, thus being able to correct them before proceeding to launch a major expansion. As a result, the risk of wasteful resource spending is minimized, resulting in a higher cost efficiency and
competitiveness on the market. Operational risks are taken care of and focused on in a shorter perspective, in comparison to strategic risks, where a trial-and-error approach is often not feasible and maybe even impossible.

However, risk mitigation by small scale testing is not always doable, as in the case of larger scope projects. Projects such as, implementing ERP systems (Clas Ohlson) or ending the main catalogue and changing direction to focus on more online marketing (Panduro) are too big for small scale testing. In these cases, implementation is more of a clean-cut change, than having the opportunity to try out different ways of implementation. Furthermore, large scope projects are more inclined to contain strategic risks than operational. That is because large scope projects are more connected to the overall strategic work and direction that the organization takes, whilst operational risks tend to be focused on daily work operations and happen more regularly.

In comparison for large scope projects, retailers want to build up a solid knowledge base on how the transition is going to go and then have the courage make the change. In these cases, their risk assessment is more focused on building a more solid pre-based judgement. This could be with more knowledge about former implementations of ERP, but most of all identification of critical flows. Here risk mitigation is emphasized and done before the implementation. Whilst during and after implementation, there needs to be back up plans and a go-to strategy if there are any failures or incompletions in the internal and external systems. Moreover, large scope projects tend to have more focus on a longer perspective, with strategic risks that are linked to not achieving overall strategic goals.

Equally important is ensuring that the organization's employees are dedicated to the transformation process. It is the employees who are going to execute the process which makes their interest in the transformation a crucial part. When motivating employees, it is important to consider the implications of different departments and their KPI’s. While working cross-functionally provides more perspectives and input on risk management it also creates difficulties as different KPIs result in dissimilar risk appetites. Some pattern of differences between departments such as IT, logistics, marketing and sales are noticeable from the empirical findings. This would, however, require further investigation; in order to make a more solid conclusion more respondents is required.
6.2 Conclusion

- **RQ**: How is risk managed during transition process to omnichannel?

Technological advancements and changes in customer behaviour necessitate the ability to adjust to new premises. This has implications for risk management during the transition to omnichannel. As revealed by this thesis empirical findings risk management varies, but there are three main themes from which conclusions can be made:

1. *Operational risks are more common and manageable than strategical.*
2. *Depending on project scope; risk assessment and mitigation differs.*
3. *The diversity and roles of employees.*

Regarding, *operational risks are more common and manageable than strategical*, the main focus during the transition process to omnichannel is on business development, efficiency and innovation. Where developmental challenges are to some extent more linked to operational risks because they are mostly focused on internal processes and people (Even though it should be noted that operational and strategic risk might to some extent be fused together). These developmental challenges and operational risks are both more common and manageable than strategic challenges and risks. This is because operational risks are more tangible than strategic risks that are to a greater extent intangible. But operational risks and developmental challenges are easier to handle, even though it might consume many resources such as time and capital, but that is something that will be solved according to the empirical findings. Whilst strategical risks and challenges are more complex since there are a lot of uncertainties surrounding projects during transition to omnichannel. As a consequence decision makers have to dare to make changes, even though it might be hard to estimate and value both operational and strategic risks about new projects.

With regards to *Depending on project scope; risk assessment and mitigation differs*, the focus is on small scale testing such as pilot studies, workshops or user tests. If those testings are deemed successful, they will then probably be allowed to expand to a larger scale. Where for smaller to medium sized scope projects, frequent fine-tuning takes place to adjust to new premises. However, this is not always possible with small scale testing, which makes pre-based judgements more essential. Therefore large scope projects tend to demand a more solid
knowledge base regarding risk assessment and mitigation, where importance is put on critical business flows and having action plans if any issues arise.

Meanwhile, one of the major factors to risk management is the roles and diversity of employees. That is because the employees are the ones who are going to execute plans into practice. As well as employees are the ones who are going to assess and mitigate operational and strategic risks. Therefore it is vital to make sure that employees are dedicated and engaged in the transformation process. Furthermore, working cross-functionally (which is what happens in most projects) during the transition to omnichannel creates an opportunity for more perspectives on the issues, which can be seen as beneficial. However, the evaluation of employees with regards to KPIs can to some extent be seen as a complication. That is because different employees might have a different measurement for their performance evaluation which might contribute to different risk appetite.

### 6.3 Contributions

This thesis contributes with information to a theoretical gap on how large organizations (in this case large Swedish retailers) work with risk management in major digital transformations (in this case transition to omnichannel). Currently, from the empirical findings, the transition to omnichannel is not yet reached and it still is a trendy topic amongst retailers. Despite the fact that some of the interviewed retailers started with their omnichannel focus a couple of years ago. Moreover, this thesis empirical finding might to some extent additionally confirm previous research done by Picout-Coupey et al., (2015) regarding their findings of the main challenges of transitioning to omnichannel. As well as to give some further insight from another study to Hübner et al., (2016) and Verhoef et al. (2015) definition of omnichannel.

Furthermore, this thesis might give other industries than retail a more comprehensive understanding of what risk assessment and mitigation can look like. Similarly to Aven (2015) reasoning, regarding the fact that risk management sometimes can be looked as hard to understand or simply only be determined as a probability distribution through quantification measures. Thereby this thesis might potentially give readers another illustration of how risk management can be made in an understandable way for both practitioners and observers. As well as potentially spark an interest and give other researchers some insight to dwell deeper into project/change management within retail. Because these topics are touched upon since risk management interacts with them as well. Alternatively, this thesis might potentially give
readers some insight into difficulties of managing tangible and especially intangible processes. Because uncertainties during transformation processes and risk management are probably always going to be there.

However, eventually, there will most likely come a time when omnichannel belongs to the past. But nevertheless, this thesis might perhaps still be of relevance or to some extent useful, for practitioners and other observers after cessation of the omnichannel concept. Due to the fact that this thesis gives some insight into how risk management work during this digital transformation.

6.4 Criticism

As all research has its limitations, this thesis is no exception. This thesis would have benefited from a longitudinal approach, which could have been both interesting and beneficial for the result. That is because repeated observations over a longer period of time could potentially provide more insight than only conducting interviews. However, due to limited resources and access, it could not be accomplished for this study. Moreover, this thesis could perhaps have been more ideal as a case study on two or three organizations, with more interviews from involved personnel as it was first intended.

Moreover, this thesis result is of course heavily influenced by the answers of the chosen respondents. Most respondents are working in strategic roles rather than operative (even though most of them have previous experience from operative roles). There still needs to be further investigation about differences in risk management between departments, which is something that probably could be done with either more resources at hand or by a qualitative survey method thesis approach. Additionally, the empirical findings and conclusion should not, as earlier mentioned, illustrate an objective reality. Omnichannel is a broad term, which includes all channels, thereby all departments are in some way connected to the transition work. This itself is a challenge to include, whereas this thesis included four major departments (Sales/commerce, market, logistics and IT) there could perhaps have been more involvement from representatives of other departments to get an even more solid base. However, the author decided that it was more beneficial at the time of writing this thesis to focus on the major departments and how they perceived risk management during transition to omnichannel.
6.5 Future research

If future researchers would be allowed access and have the possible time, it would be interesting to do a study with a longitudinal approach. That would probably be beneficial to conduct. This is because observations could have discovered new insights that did not come forth from the interviews in the study. Moreover, fewer organizations could have been looked at, but with more respondents from the same organization. Employees who are from different departments but work cross-functionally on the same projects with a mission to integrate the channels and become omnichannel. This would give more perspectives on the same project and probably a more detailed depth on one or two example projects.

Another approach that would be interesting to elaborate on would be to interview organizations who are “pure players” (in the sense that they have only E-commerce at the moment). But are going to expand to B&M stores and follow their transition to omnichannel. Such as the potential moves that Zalando are currently making. To see how they work with risk management and compare it to this study or have another example organization that will illustrate the more traditional retailers who are going from a multichannel perspective.

Moreover, a third approach for future research that would be interesting to conduct is to look at only one company. Because findings from this thesis show that having engaged and dedicated employees seem to play a vital part in risk management and mitigation during transformation process. Perhaps even include financial risks as a third type of risk, to explore what that may result in. Exploring how financial risks are managed during digital transformations would require including employees from a financial department, which could result in interesting findings. Further, if granted access, interview five or six people from different departments and roles. To compare how their respective journey with risk management during transition to omnichannel have looked like, with a retrospective and comparative approach.
7. References


Appendix

Appendix 1 - Interview questions (English version)

Before the interview questions start:

Is it okay with a follow-up interview?
Is it okay that I record our conversation in order to make the transcription process easier?
Would you like to be anonymous?
Do you have any questions before we start?

1. Background information about respondent
   1. Name:
   2. Title:
   3. Short description of your work:

A. Challenges in transition to omnichannel

2. Transition to omnichannel:
   4. How would you define omnichannel?
   5. How did your integration process of the different channels start?

2.2 Implementation challenges:
   6. Have you had any challenges and difficulties in the process?
   7. How did you handle the challenges?
   8. What part of the process was the most difficult to carry through?

B. Risk management.

3.1 Risk assessment
   9. How do you look at risk management?
   10. How is your risk assessment conducted?

3.2 Risk uncertainty
   11. How do you handle uncertainties in your risk assessment?

3.3 Risk mitigation
   12. How do you work with reducing and eliminating risk?
   13. How do you evaluate the projects connected to the omnichannel transition?

3.4 Overall risk management & evaluation
   14. What are your thoughts about risk management in combination of business development?
   15. Have you changed anything in how you work with risk management during the process to omnichannel?
   16. What was the thing or process that you overestimate and underestimated in relation to risk?
   17. Is there anything that I didn’t ask you that you would like to bring up or emphasize?
Appendix 2 - Interview questions for the pre-study (English version)

1. How do you define Omnichannel?
2. When in the process of work for the transition?
3. What are the challenges and difficulties that they usually face?
4. What part of the process is usually the hardest to face?
5. How do you work together with the company to mitigate risks?
6. How do you evaluate the projects in the process to omnichannel?
7. What process is usually the most underestimated in the transition to omnichannel?
8. Is there anything that I didn’t ask you that you would like to bring up or emphasize?