Skurnik, Samuli

Creating competitive advantage through co-operativeness : The strategic renewal of the Finnish S Group since the early 1980s

Published in:
The Consumer Co-operative Sector

DOI:
10.4324/9781003333838-4

Published: 01/12/2023

Document Version
Publisher's PDF, also known as Version of record

The Consumer Co-operative Sector

International Perspectives on Strategic Renewal

Edited by John F. Wilson, Anthony Webster, Espen Ekberg and Samuli Skurnik

First published 2024

ISBN: 978-1-032-36801-6 (hbk)
ISBN: 978-1-032-36802-3 (pbk)
ISBN: 978-1-003-33383-8 (ebk)

3 Creating competitive advantage through co-operativeness – The strategic renewal of the Finnish S Group since the early 1980s

Samuli Skurnik

DOI: 10.4324/9781003333838-4

The funder of the Open Access version of this chapter is SOK Corporation.

Routledge
Taylor & Francis Group
NEW YORK AND LONDON

3 Creating competitive advantage through co-operativeness – The strategic renewal of the Finnish S Group since the early 1980s

Samuli Skurnik

3.1 Starting points

When the co-operative movement started in Finland, the country was an autonomous Grand Duchy of the Russian Empire with ambitions to be independent. The co-operative strategy for national survival was to create competitive commercial structures relying on three pillars: a mutually coordinating ideological umbrella organization Pellervo Society (1899), co-operative legislation (1901) and a federal two-tier organizational model (Simonen, 1949; Kuisma et al., 1999; Skurnik, 2002). The Central Finnish Co-operative Society SOK was consequently founded in 1904 as an integral component of this structure (Herranen, 2004).

Although this story is generally quite well known, the development of Finland's consumer co-operatives in recent decades has not been fully related in the English language literature (*cf.* Ekberg, 2008, 2012a and 2017; Battilani & Zamagni, 2012; Hilson et al., 2017). This chapter will provide a detailed analysis of how the S Group, the larger part of Finland's two-part consumer co-operative movement, coped with an increasingly challenging environment, focusing especially on the period of its strategic renewal since the 1980s. Because all this has long roots in history, it has made Finland an interesting consumer co-operative experimental laboratory of strategic renewal (SR) (Komulainen & Skurnik, 2023).

As is well known, in some Western European countries consumer co-operatives have totally vanished, but in others they have survived and even flourished (Furlough & Strikwerda, 1999; Battilani, 2005; Ekberg, 2017). Current explanations for these different experiences have been based on how these organizations have coped with three consecutive revolutions in food retailing: 'the supermarket', 'the chain store' and 'the consumer revolution' (Ekberg, 2008, 2012a, 2012b, 2017). As the lessons derived from a study of the Finnish S Group have not been covered in detail to date, this article is useful as a means of supplementing the literature. Three substantive components of S Group's strong development are still missing, and it is necessary to complete the global analytical picture of

DOI: 10.4324/9781003333838-4

consumer co-operatives. All these issues are systemic and relevant to the comprehensive interpretation of co-operativeness.

3.2 The strategic change of direction within the S Group

The postwar Finnish retail market has experienced three major structural transformations. The S Group's strategic renewal (SR) since the 1980s constitutes the third transformation in the industry (Lamberg et al., 2009) (Figure 3.1).

There are many reasons for this. In the 1960s and 1970s, the S Group became increasingly disadvantaged in competition with its main competitor, the K Group, and found itself on the brink of bankruptcy (Lamberg & Tikkanen, 2006). Its federated co-operative structure and the weak incentives it provided were regarded as ineffective relics of the past and thus key weaknesses (Holmström, 1986). In addition, many co-operative insiders had lost faith in their own business model (Ilmonen & Stœ, 1997; Kangas, 2004). Traditional co-op thinking certainly persisted, but it was no longer able to keep up with the contemporary challenges presented by the rapidly changing business environment. As Vasarla (1946) has argued, 'in most countries co-operatives have neglected comparative

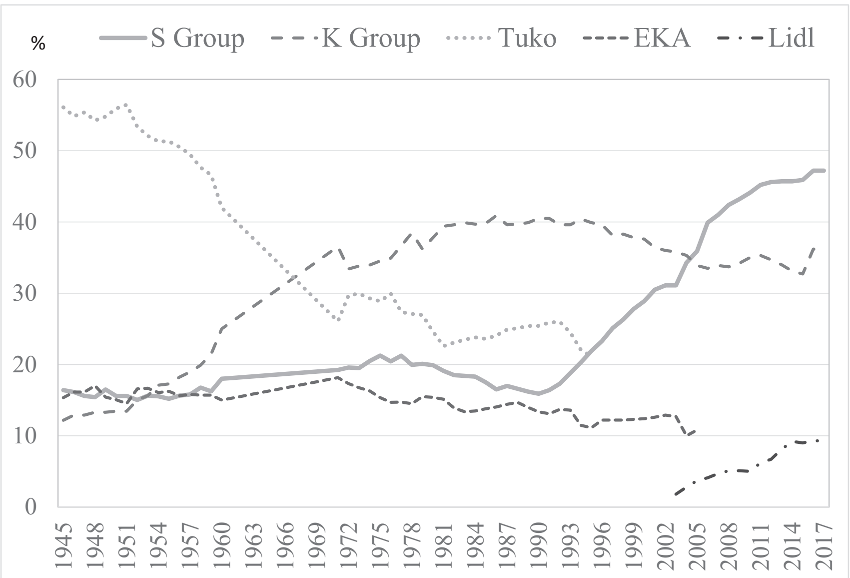

Figure 3.1 Grocery market shares in the Finnish retail market 1945–2017 (%).

Source: for 1945–78: Lamberg & Tikkanen, 2006; Lamberg et al., 2009 (statistically covering only the four biggest groups). For 1979–2017: the AC Nielsen Grocery store register. Thus, the comparison between the groups over the years before and after 1978 is approximate rather than strictly accurate.

business research' (Vasarla, 1946; Vasarla was SOK's GD, 1921–39). Moreover, the development of co-operativeness as a competitive advantage was neglected for a long time (*cf*. Vasarla, 1946; Brazda & Schediwy, 1989; Albæk & Schultz, 1998; Kalmi, 2007).

During the 1970s and 1980s, the S Group's aggregate losses were almost 1.4 billion euros (Figure 3.2), with a total debt burden already in 1983 of almost 1.3 billion euros and increasing yearly by about 170 million euros (Kangas, 2004: 105). Thus, a quick remedy was needed to break this vicious circle.

What was happening in the early 1990s when profits suddenly began to surge? Why did this happen precisely when the macroeconomic environment was extremely difficult? The main explanation is that the S Group's strategic renewal (SR) discussed in the introduction of this book had finally begun. Phase 1 (SR 1), the turn-around process, had started in the early 1980s (Lamberg & Tikkanen,

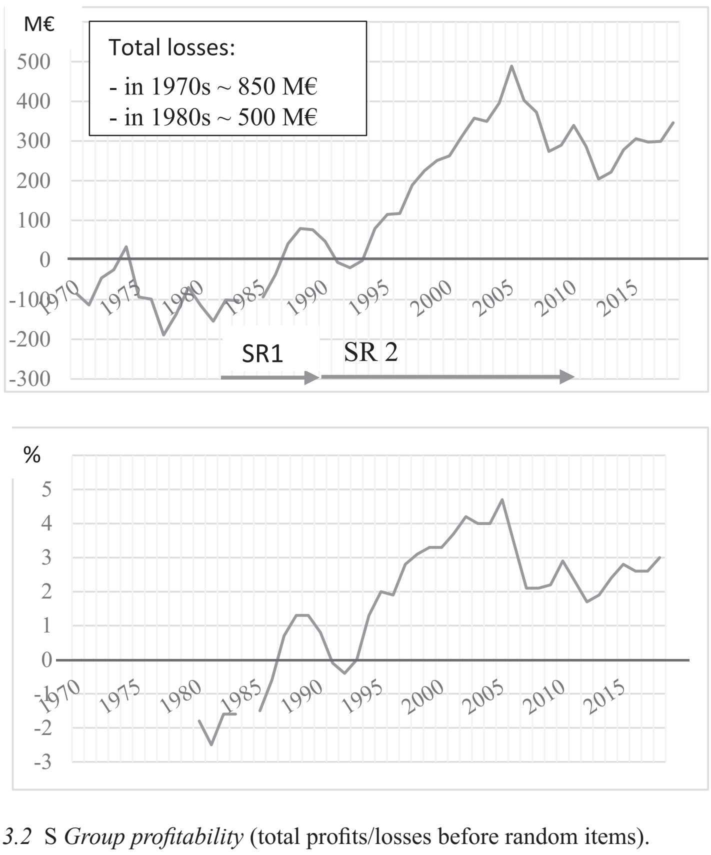

Figure 3.2 S *Group profitability* (total profits/losses before random items).

Source: Peltonen (2009): 1970-83; SOK 1984-17

2006) and phase 2 (SR 2), the actual SR, in the late 1980s. But only in the 1990s did the measures implemented since the early 1980s begin to have an impact on the Group's activities, boosted by the new dynamics of the second phase (SR 2).

In 1983, SOK had chosen a General Director (GD), for the first time from outside the Group, tapping an experienced turn-around specialist, Mr. Juhani Pesonen. Following the official turn-around plan's mandate (S-83), he had begun to develop a healthy new business structure and business-like way of thinking on which the Group could build all its future business activities. Quite typically in this kind of situation, the main goals of the S-83 plan were (Peltonen, 2009):

1) to prevent a liquidity crisis,
2) to break the debt spiral,
3) to restore profitability, and
4) to create a substantial platform for S Group activities.

And its implementation was to be based on six strategic programmes:

1) business,
2) structural,
3) realization strategy,
4) the administration and management,
5) reorganization of the group, and
6) competitive strategies.

Thus, the new GD encouraged (and partly forced) local co-ops to merge into bigger units called regionals (numbered in 1980 at 202 and in 1990 at 67) and began reorganizing business operations into chains. Additionally, there was a re-evaluation of co-op roots – which was quite new at that time – a process started by emphasizing entrepreneurship, co-operation and ownership by individual Finnish citizens. The S Group also began to look at itself as a strategic network (Pesonen, 2018). But the road ahead proved to be slow. Mr. Markku Alhava, looking at the development from the competitor's camp, in his letter to the author (2019) concluded: 'The S Group entered in the early 1990s into the weak market environment renewed and purified of its own weaknesses'.

With the next nomination of a GD (1988), the S Group selected Mr. Jere Lahti, a member of SOK's executive board, who had a long and diverse career inside the S Group. He was given the reins at a time when further strategic reappraisal of the co-operative nature of the Group was seen as necessary. The S Group's market share in groceries was then at its nadir (15.9%), while the K Group was hovering at its zenith (around 40%).

Even before Lahti took over his new position, he drew around him a compact *ad hoc* strategic group, to be called the Customer-owner Task Force, to help plan *phase 2* of the SR.[1] Lahti put forward his ideas in the first meeting on 6

January 1988 (Skurnik, 1988a). He wanted to keep the task force concise, noting that it 'will be kept independent from SOK's official planning systems', and its target-setting precise based on the notion that it would be 'progressing little by little utilizing new research results and trying to develop co-operativeness and regionality in new modern ways but at the same time in a back-to-basics spirit, identifying the Group's dominant characteristics' At the same time, it would be experimenting with pilots in a few of the nearest trusted regionals. Lahti's charge for the group was simple and outspoken: 'renew the ownership thinking and find concrete business advantages in the Group's history and its nature as a co-op (producing its members' services) that could be strategically exploited' (quoted in Skurnik, 1988a).

The core ideas for the new customer-owner (C-O) concept (investing by buying), which had already been quietly emerging in some individual co-operative societies (Kangas, 2004: 130–131), was formally written down in September 1988 (Skurnik, 1988c). It was strategically central to the future success of the Group. It took a fresh look in a back-to-basics spirit, exploiting comprehensively but in new ways the co-operativeness which had been a central feature of the S Group since its foundation (Lahti & Lehtinen, 1990).

This renewal was not, however, straightforward because of the Group's ideological and individualistic corporate culture, resulting in resistance to these new ideas (Lahti, 2008; Lamberg & Luoma, 2021). Opposition within the Group raised the issue that losses already incurred would prevent the Group from paying planned bonuses to the C-Os (Neilimo, 2005: 34). In other words, they did not see the bonus system as an incentive system.

Regardless of these doubts, the C-O concept began to reinvigorate co-op ownership. The basic realization was that in any enterprise, some party must always take responsibility for the ownership role (Veranen, 1987). For this purpose, the traditional collective idea of co-operative ownership was out-of-date. If there are not real owners available, the void would be filled by management (Skurnik, 1989a and 1989b, 1990; Heras-Saizarbitoria & Basterretxea, 2016). Genuine co-operative owners and real strategic ownership were an urgent necessity when dealing with the inner turmoil experienced across the Group (Lehtinen, 2022). Only the owners could make and be responsible for strategic decisions; otherwise, decision-making would be paralysed. Thus, what the task force was searching for might be described as an out-of-the-box approach that could strategically support the Group in the big development challenges to come.

Another matter of principle that has caused considerable confusion within the Finnish co-op movement in general was the misunderstanding that co-ops are not supposed to produce profits. When interpreted in too literal a manner, which has been typical in Finland, the consequence of this notion has been devastating, causing co-ops to make losses instead of profits (Jääskeläinen, 1989; Mills, 2001a; Tuominen et al., 2013a). In fact, the original idea carried over from initial co-op principles (Rochdale, 2018 [1844]) was not that co-ops should *not* be efficient and produce profits (in co-op dictionary terms, surplus = profits *ex-ante*) but that the surplus (or rather the *ex-ante* measurement error) should be returned – after all necessary investment, etc. – to members so that no profits would remain *ex-post* below the bottom line.

Figure 3.3 outlines how the taskforces discussions in 1988 were developed into a comprehensive new business plan and value chain, featuring from the consumer's own shop; investing by buying with comprehensive steps through all phases of strategy building and its implementation into the Group's competitiveness; and customer-specific service with large-scale benefits (namely, commitment and volume converted into information and efficiency). Making membership and its benefits visible for C-Os, it was argued, should confirm the Group's commitment to its C-Os – and *vice versa*. Taking advantage of the subsequent growth in volume and efficiency, the Group could access strategic information about the needs of its C-Os, resulting in a better fit with its customers (*cf.* Siggelkow, 2001). This would result in the development of a virtuous circle within the whole S-system (*cf.* Casadesus-Masanell & Ricart, 2011). However, the basic issue was related not only to cost-cutting and competitive prices (becoming the most affordable shopping basket in the market every day) but also to targeting a longer-lasting, profound (systemic) change in S Group's business model.

The keys to understanding this new business model were the most recent theories at the time, relating to the role of incentives and ownership in organization-building (Holmström, 1986; Veranen, 1987; Koski, 1988; Holmström & Tirole, 1989; Holmström & Milgrom, 1994). When the U.S.-based Finnish Professor Bengt Holmström – the 2016 Nobel co-laureate with Oliver Hart, for their contribution to contract theory (https://economics.mit.edu/faculty/bengt) – gave a lecture in Helsinki (Holmström, 1986), the author became personally acquainted with him, and through him with the relatively new (for Finland) field of the economics of incentives and organization (Holmström, 1979, 1982; Holmström & Ricart i Costa, 1986; Hart & Holmström, 1987; Holmström & Milgrom, 1994; Holmström & Tirole, 1989). This key contact and multiple personal discussions with him had an important influence on the S Group's strategic renewal (Skurnik, 1988b, 1988c).

These ideas indicated that to be competitive, the S Group needed to be strategically better than its competitors at creating preconditions in a true win-win spirit for making strategic use of information for future volume growth based on the incentivization of C-Os, and thereby reducing overall cost structures *on their behalf*. This could be done by coordinating all systems and structures used in guiding business operations and by developing all of them consistently to constitute a comprehensive organizational steering system and policies for the benefit of C-Os. To quote Markku Alhava's letter (2019) to the author from the competitor's camp again: 'Overall, the greatest change in 1990s retail business was the possibility to benefit from IT technology both

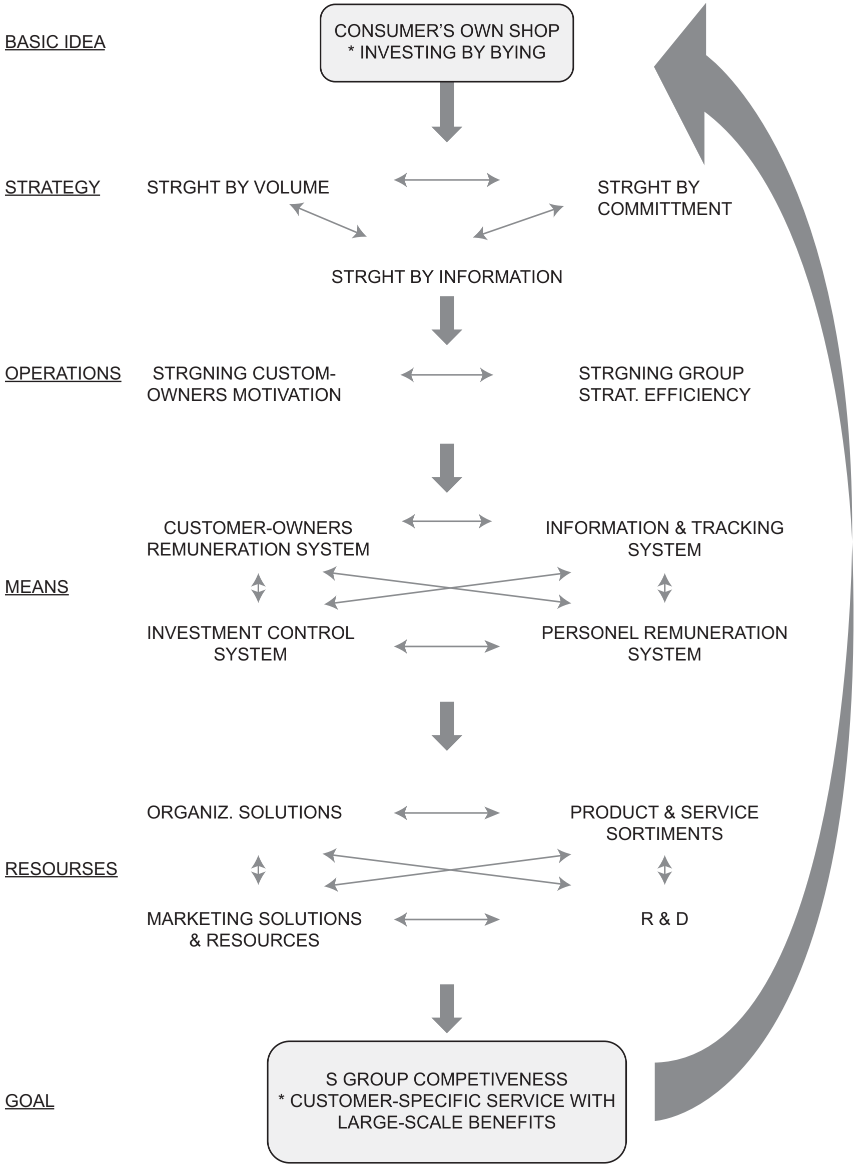

Figure 3.3 First outline for S Group strategic renewal in September 1988.

Source: Skurnik (1988c)

in the direction of consumers and in chain management'. One controversial but major issue in the new strategy was, however, the idea of progressive bonuses, or the realization of the investing-by-buying principle, an issue we shall now go on to examine.

3.3 The economics of the renewed incentive policy

While consumer co-ops have traditionally given their members a small annual rebate, S Group's new strategy sought to replace this *pro rata* system with a technically better arrangement based on the modern economic theory of incentives by using a checkout-based system with the help of the C-O's green membership card (S-card). In this new co-operative incentive system (CIS), monthly purchases would be automatically registered in each C-O family's bonus account (now located in the S Bank that was founded in 2007). The bonuses are explicit incentives that accrue and constitute a progressively increasing – currently 1 to 5% of the purchases – volume discount that is not connected to the co-op's financial result (in the balance sheet before profits). The C-O task force was convinced that when built into a traditional co-operative framework, this kind of bonus program had good possibilities in developing into something more than a normal loyalty program – as it has eventually turned out to be (Salovaara, 2010).

From the outset, however, this new CIS way of thinking was not accepted across the Group (Neilimo, 2005: 34; Tammitie, 2007b). According to the 'traditionalists', the new bonuses conflicted with the way they had learned to interpret the concepts of co-op democracy and equality. For the 'reformers', though, restoring the Group's incentive structures into a real CIS was the primary goal. Due to the overwhelming losses, and thus the lack of alternatives, the new incentive system (CIS) was adopted along with the understanding that the utmost goal of Finnish consumer co-operation had, from the outset, been to create in a market environment and within its means a counterbalance to those actors in the retail business who were exploiting the weak position of consumers.

The pivotal means in restoring the S Group's competitiveness was to exploit co-operativeness to motivate the C-Os for their own benefit. They also wanted to do this in innovative ways, namely, to attract new C-Os and have them use more of the Group's services; to increase the Group's buying volume, purchasing power and market share; and thereby reduce overall costs (Lahti & Lehtinen, 1990). In this way, the unit cost to the C-Os of products and services could be reduced as far as commercially possible. The more C-Os that used the Group's services, the bigger incentive could be paid to them equitably and in the name of the common good of the whole membership. Based on this philosophy, a comprehensive, family-level, progressive incentive system (accruing in all S Group chains and stores all over the country) was built into all the Group's business operations with its C-Os.[2] Accumulated annual group-level bonuses consequently increased every year from 1989 until 2012. In 2017, the total amount was € 334 million, or over 3% of Group sales (SOK, 2018).

3.4 The S Group's co-operative governance: a nexus of contracts

Apart from the changes to the bonus system, strategically important decisions were also made in the development and governance of the S Group's organization, including a clarification of roles and coordination among nationally led S-chains, SOK and the regional operations. The goal was consequently to gain simultaneously economies of scale at the group level (centralized sourcing and supply to chains), as well as professionalism and proximity with C-Os' membership and daily business contacts (at sites operated by the regionals). In other words, it was all about combining scale and closeness (Lahti, 2008; Ekberg, 2012b).

While this new approach was going to prove successful, at issue here was an internalization of group-level organizational criteria, namely: profit-making units versus support for the profit-making activities, as well as operating them so that they benefit the C-Os and their true interests as effectively as possible (Neilimo, 2005). In the 1980s there was, however, in the S Group a discussion about the nationwide single-cooperative model in the spirit of the time, too (Komulainen & Skurnik, 2024: 17). GD Pesonen even formally presented the adoption of such a model, but the proposition was narrowly defeated in a vote by the board, four votes to three (Tammitie, 2011: 136). However, his successor, Jere Lahti, held onto the traditional federative model (Figure 3.4), because his vision involved ten to 12 regionals which he felt would be easier to operate as 'people-sized' organizations (Lahti & Lehtinen, 1990).

Co-operative corporate governance (CCG) has clearly played a major role in S Group SR. On a general level, CG firstly comprises decisions about how the organization is to be positioned *vis-à-vis* the market (Holmström & Tirole,

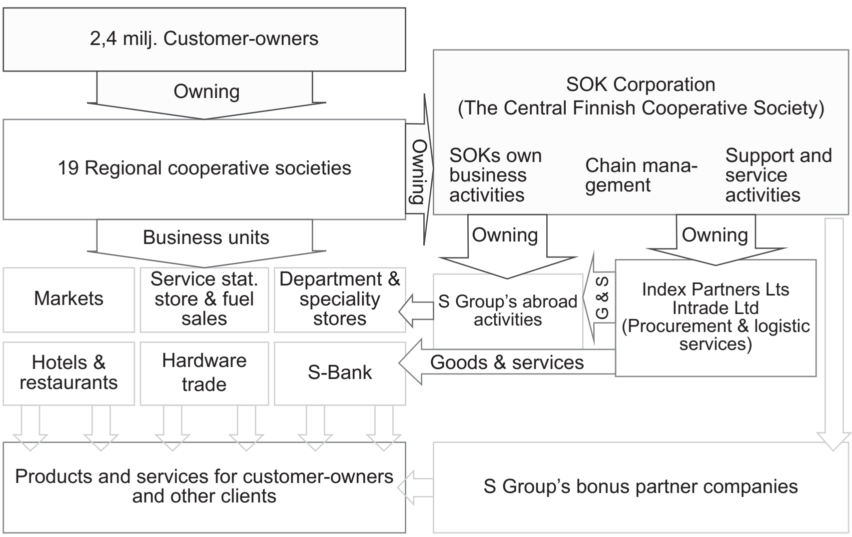

Figure 3.4 S Group as federative strategic network and business model – S Group's current structure and value chain.

Source: Neilimo, 2008 (updated and completed to reflect the situation in late 2010s, SOK, 2018a)

1989; Holmström & Milgrom, 1994; Holmström & Kaplan, 2001; Karjalainen, 2001). As co-operatives have decided – to secure the power of co-operative democracy – to opt out of the capital market connection (Hart & Moore, 1996), the role of the owners is to design and organize the governance of their co-operative enterprises (CCG) hierarchically. This raises the question: can the current S Group CCG model ensure that the business portfolio is always kept streamlined? To be able to answer this question, one must look deeper into the challenges and the details of how matters are currently arranged.

In general, the literature identifies two challenges (*cf.* Neilimo, 1994; Hansmann, 1996; Hart & Moore, 1996; Nilsson, 1999; Tuominen et al., 2009; Neto et al., 2012): CCG is said to be complicated and bureaucratically heavy due to (potentially) limited professional expertise and the lack of time that lay directors devote to Group matters. These problems can result in an inherent propensity for the Group to develop into a *de facto* management-led organization (*cf.* Kerr & Caimano, 2004; Jussila et al., 2007; Tuominen et al., 2009; Battilani & Zamagni, 2012; Heras-Saizarbitoria & Basterretxea, 2016). Another issue in the CCG is the absence of day-to-day connections to the capital market, which is regarded in publicly listed corporations as a basic requirement and efficiency anchor (Jensen & Meckling, 1976). In the case of the S Group, this can mean that the Group has a built-in propensity to overextend itself. From Harvard's perspective:

> Over time, the S Group's opaque corporate governance system allows slack to creep into the system, and it is forced to hike prices. This allows Kesko to also increase prices and improve profitability, drive its entrepreneur-retailers, and win back more customers through its superior shopping experience. That sparks another cycle of rivalry.
>
> (Casadesus-Masanell & Ricart, 2011: 105–106)

Today, S Group's federative network – or 'nexus of contracts' (Eisenberg, 1998) – consists of 19 regionals, each of which is a legally independent entity. The strategic body of the federation is SOK, which in turn is owned by the regionals and governed by their representatives on the SOK supervisory and executive board. This highlights the dual nature of the CCG structure (supervisory and executive board), with two kinds of owner representatives (the lay directors and the regional CEOs). As Borgström in his letter to the author (2018) noted: 'We need powerful CEOs, but they also need a strong enough counterweight from the owners' side'.

In SOK, the executive board is compact, and most of its members are experienced top-management representatives from the regionals. Its chairman, the GD of SOK, is also *de facto* GD of the whole S Group.[3] Because of the regionals' managing directors' representation in the SOK executive board (which has been in force since 1998) instead of a typically top-down hierarchical corporate structure, the S Group is sometimes called a reverse concern (Hiltunen, 2009; *cf.* Ekberg, 2012b), in that sufficient trust and experience among the major players is a precondition of the S Group's strategic functioning and development (Battilani, 2005; Birchall & Simmons, 2010). The S Group's strategic CCG since 2002–2005 has been organized in the following way:

The SOK Executive Board:

- GD of SOK (chairman);
- Six CEOs from the regionals;
- Two outside professionals (since 2019);
- The chairman and two vice chairmen of the SOK supervisory board have the right to attend and speak at board meetings.

The SOK Supervisory Board:

- 19 + 2 of which minimum 2/3 elected persons (normally chairmen of the regional's supervisory boards), the rest CEOs of the regionals + 2 personnel representatives;
- The chairman: elected person;
- Nominates the SOK GD and approves all S Group strategies.

SOK's supervisory board is the highest strategy body in the S Group. It is also compact, with each of the regionals having one representative (and one vote). Formally, each regional nominates its representatives independently, but *de facto*, by mutual agreement among the regionals, the number of management representatives consists of one-third of the total. In the SOK executive board, CEOs of the regionals represent the ownership to preserve, for professional reasons, group stability and smooth functioning of the integral value chain.

3.5 Business model perspective

When the Harvard Business School case team[4] came to Finland in 2005 to examine the S Group's development, its grocery market share was around 35% and still increasing. However, from HBS' point of view, its business model was regarded as an anomaly. To their way of thinking, the K Group, as an agile storekeeper (entrepreneur-driven) coalition with high-powered incentives, should have been the winner, while the S Group – a stiff, heavily manned, lay-governed, and salaried-employee-led hierarchic consumer coalition with low-powered incentives – should have been the loser. The S Group's network organization was simply regarded as a bee which should not be able to fly (Casadesus-Masanell, 2008). Of special interest to the HBS scholars were the S Group's value chain and its C-O system in the business model framework (Casadesus-Masanell et al., 2008; HBS, 2009; *cf.* Baden-Fuller et al., 2010;

Teece, 2018). Moreover, it was clear that the S versus K competition was an interesting case because they compete by relying on strategically very different business models and competition logic.

In the case study *Finland's S Group: Competing with Co-operative Approach to Retail* (Casadesus-Masanell et al., 2008), the HBS team wanted to teach its MBA students that this kind of business model and winning outcome can be logical when viewed in a broader group-level perspective. Thus, when the S Group's current strategy and competitive position are viewed in a business model framework from this broader perspective, it can function well, not only in theory (Hart & Moore, 1996; Hansmann, 1996; Novkovic, 2008) but in practice, too (Tuominen et al., 2013b and 2014; Talonen et al., 2016). For the K Group, operating according to the traditional competition model but with its own hybrid corporate structure, it has been difficult to find any effective countermeasures (Kautto, 2019; Casadesus-Masanell & Ricart, 2011; Lahti, 2008). As Markku Alhava from the competitor's camp in his letter to the author (2019) concluded:

> The business ideas of various S Group chains and their chain management as well as the customer-ownership were good managerial decisions. . . . The Inex Corporation gave it possibilities for seamless management of the value chain, both in procurement and logistics.

In preparing for the HBS visit, interesting differences between the two groups were noticed (Casadesus-Masanell et al., 2008; *cf.* Mitronen & Möller, 2003). If, for the sake of argument, both the S and K Groups were regarded as co-op federations,[5] then it can be said that S Group has been able to gain a new competitive advantage in its SR process *vis-à-vis* K Group. It has created for itself a tailor-made co-operative structure with a specific CCG model and powerful chain management (with decision-making powers over business ideas, concepts, the store's product selection, pricing, space allocation and store layout; Ojapelto, 2008), combined with sourcing and logistics via Inex Partners Ltd, buying for, instead selling to (Vehviläinen, 2008). This is more coherent and disciplined in its basic business concept than the hybrid and unbalanced model according to which the K Group is currently organized and governed. It was a consistency that has been a major source of the effectiveness and competitive advantage of the S Group during the past three decades.

3.6 Strategy implementation

Implementation of these ideas required the right management and owner-directors and the ability of key personnel to develop themselves and their skills (*cf.* Battilani & Zamagni, 2012). The whole of the top management and owner-directors of SOK were changed and trained. A pivotal role in implementation of the new strategies has been played by the modernization and professional management of the business model based on a well-disciplined federated co-operative business structure, long value chains, and comprehensive activity systems (Christopher, 2016), chain stores and store concepts (Paulamäki, 2007; Seppälä, 2018), as well as the imbuing the membership and management with customer orientation and C-O-thinking (Neilimo, 2005; Tammitie, 2007a; Lahti, 2008).

To ensure implementation of the strategy during the SR process, new tailor-made and vision-based leadership methods were developed (Tammitie, 2007b: 22–29). According to Neilimo, to manage and lead a network-like organization, one needs support in issues that knit the network together. Modes of operation based on a clear strategy became the main pillars of S Group's success. Vision is the issue that guides and provides support for actions, conditional upon all actors inside the Group understanding in the same way the message that is included in it (Neilimo, 2005; Neilimo et al., 2015).

Since then, Group businesses have been led and bound strategically together with a clear vision (*cf.* Kotter, 1995; Neilimo et al., 2015), which has evolved over the years. All of this has been distributed and processed broadly inside the Group (Tammitie, 2007a and 2007b; SOK, 2018a). Even more generally, management by vision and broad-based strategy processes has become part of a broader phenomenon among Finnish co-operatives (*cf.* Haapakoski & Silvennoinen, 2009). In these processes, strategic knowledge is distributed throughout the organization, and senior management is given *ex ante* authority to act effectively and in a timely fashion within certain constraints.

Professor Kari Neilimo played an interesting dual role in leading the S Group in its sensitive SR2 development period, first as the chairman of SOK's Supervisory Board (1991–2002), followed by a stint as SOK's GD (2002–2007).[6] He characterizes the competitiveness of an enterprise in the contemporary business environment as follows: 'The role of management is to develop for the enterprise a business model that creates a value chain integrating into a single entity the totality of supply, logistics, production, the company's own activities, distribution channels, customers, and control systems' (Jokinen, 2015). In a recent email to the author, Mr. Neilimo pointed out that in the S Group, SR, insight and courage – in conjunction with the renewed corporate governance (CCG) and management approach based on leading with knowledge – created conditions for the required changes (Neilimo, 2022).

Therefore, the early 1990s strategic investments have produced major results for the S Group and changed the overall picture of Finnish retail. The S Group's market share began its strong upturn during phase 2 of its SR, reaching in 2016 its all-time high of 47.2% (The Finnish Grocery Trade, 2018). This is much higher than the K Group ever reached. At the same time, the Group's number of C-Os has reached the milestone of 2.4 million or about 44% of the population and 80% of all households, with 80% of the sales going to C-Os (Ojapelto, 2008).

At the same time, it is important to note that not all of this can be attributed to S Group's strategic actions and winning business model.

- Kesko's arrogance and false interpretation of the competitive situation helped S Group towards its success. Kesko was also terribly late in correcting its own negligence *vis-a-vis* S Group operations (Kautto, 2019; Lamberg & Tikkanen, 2006).
- Similarly, some major institutional changes in the Finnish business environment both challenged and assisted the Group's SR efforts. First, in the late 1980s, the Finnish economy plunged into a deep recession, compounded by a banking crisis (Vihriälä, 1997). Second, when TUKO and later the E Group lost their struggle to stave off economic collapse, over 30% of the grocery market was left to be divided up between other retail companies.[7]
- Third, Finland joined the EU in 1995, precipitating considerable changes in Finland's institutional and legislative framework. For example, EU competition law did not allow the S Group's traditional savings funds, leading to the establishment of the S-Bank. On the other hand, it prevented Kesko from acquiring TUKO in its entirety, enabling the S Group, supported (temporarily but just in good time for the S Group) by the renewed more liberal interpretation of competition legislation and perhaps also by sc. Amazon phenomenon (Khan, 2018; Kuoppamäki, 2003) – to acquire from the TUKO most of the former Spar stores.
- Fourth, Lidl entered the Finnish market in 2002, providing intense competition.
- Finally, the merger in 2004 of the Helsinki Cooperative HOK (S Group) and Elanto (E Group), operating in the most prosperous and populous area of the country, was commercially, mentally and ideologically a major event (Kuisma et al., 2015).

To put all this development in monetary terms, the S Group's turnover in 2015 was € 10.8 billion, which placed it second among European consumer co-ops between the leader, *Co-op Italia* (€ 13.5 billion), and *The Co-op Group*, *UK* (€ 9.4 billion) (ICA, 2016).

From the point of view of strategy literature and various theoretical tensions (Schmitt et al., 2016; Tuncdogan et al., 2019), the drivers of the S Group's SR have been quite clear:

- exploring and configuring the resource base (*cf.* Danneels, 2002);
- induced, based on the ideas that senior executives have been seeing, designing and implementing (*cf.* Kwee et al., 2011) and thus, subject to the managerial mental models built on executives' experiences, values and their personalities (*cf.* Barr et al., 1992; Battilani & Zamagni, 2012);
- co-alignment, with the purpose of re-establishing a good fit between the S Group and its environment (*cf.* Barr et al., 1992; Huff et al., 1992; Siggelkow, 2001; Volberda et al., 2001).

3.7 The outcome

When S Group C-Os are asked today to determine which features best describe the way the co-operatives represent them, they mention (Kantar TNS, 2017):

- Finnish ownership,
- locality,
- producing benefits for the customers,
- co-operation,
- domestic investment.

In contrast, in investor-owned companies, the most important features are:

- profit maximation,
- internationality,
- good investment possibilities,
- producing benefits for the owners.

This is well in line with the vision that the C-O Task Force had in mind in 1988. Today, however, the situation is still far from ideal. In Borgström's (2018) words: 'even now, most S Group customers don't recognize the ultimate co-operative values . . . the challenge is staggering'. Nevertheless, the S Group's green C-O card is today by far the most successful compared with all the many other loyalty cards currently available in Finland. As Salovaara (2010) concluded: 'One can say that in the S Group, the business revolves around the reward card, and in other chains, the card revolves around the business' (see *S Group vs. Co-op Norway*).

Thus, the co-operativeness epitomized by the green card is something valued by the C-Os, suggesting the existence of subtle motivation. However, further study is still needed here to understand what role, for instance, the growing criticism of globalization (*cf.* Neilimo, 2005: 96–99; Tammitie, 2007a: 12; Stiglitz, 2017) plays in the true psychological drivers of the S Group. At the same time, S Group's co-operativeness might still contain some unused or only partially utilized potential to become real 'globalization insurance' for the man in the street (Skurnik & Egerstrom, 2007). In the future, the S Group must, however, be able to take better advantage of the social identity and spiritual values to be found on the higher rungs of the value- and brand-hierarchy ladder (Aaker, 1997; Balmer, 2012).

3.8 Conclusions

While at first the S Group's strategic renewal (SR) was typical of experiences in the European co-operative world – namely, sluggish and staccato, with huge cumulative losses (in the S Group accounting yearly for 2–3% of net sales) – eventually the new approaches settled in and started to work. The core problem was developing a common understanding of the required corrective measures across the Group, with the competitive challenges and mounting losses forcing management into urgent change. It was this realization, beginning in the early 1980s, that prompted the emergence of a collective will to change the S Group's fortunes, resulting in a significant turnaround. There were two distinct phases to this process of SR:

Phase 1 (SR 1), starting early in the 1980s, was mainly about commercial recovery, but some important strategic decisions were made at that time, including reorganizing the supply chain, building up the real strategic co-operative network, the S Group, selling off unprofitable business units, and re-evaluating the co-operative roots of the Group.

But this was not enough, leading to:

Phase 2 (SR 2) started in the late 1980s with the development of co-operative strategy with an emphasis on renewing co-operative ownership and organizing the whole Group into an efficient strategic network with due co-operative governance (CCG) and a consistently managed value chain. An incentive system for the members – customer-owners (C-Os) – was developed to steer all the Group operations in a comprehensive manner into a virtuous circle for the true benefit of its C-Os and the entire business network.

What are the main conclusions that can be drawn from this case, and what are its contributions to the industry's literature? Even if the S Group case corroborates Ekberg's conclusions, there are also distinct features of the case that need to be highlighted. Specifically, the three major systemic explanations dealt with organization, incentive innovation, and recognizing the emotional and societal dimensions of co-operative membership. All these are integral features of the co-operativeness of the S Group and are supported by the following:

1. Developing and empowering the traditional two-tier federative co-operative organization structure. In the literature, a frequently asked question has been: Why have consumer co-operatives, which in principle should have every opportunity to develop into large-scale operations, never been able to achieve this goal? The answer is that although they are integrated through ownership, they have usually not been integrated operationally. The S Group's achievement since the early 1980s has been to fashion its organization with genuine ownership, real group-level strategic co-operative governance (CCG), and a coherent federated value system and logistics. Crucial to this development has been the reduction in the number of regionals (currently 19, with

a long-term goal of 10–12), coupled with strategic decisions concerning the design and functioning of the S Group.

2. Developing the traditional co-operative distribution of surplus into a real co-operative incentive system (CIS). The S Group has done this by creating a functional, progressive bonus system and incorporating it into its new business model. The dynamics of this innovative co-operative incentive system (CIS) are comprehensive, intelligible, intuitive and above all systemic (covering all the chains and regionals uniformly). A comparison of the S Group's and Coop Norway's bonus systems and their histories gives clear indications of how concrete and important this factor can be. As the accumulation of the S Group's bonus program is progressive and substantial (currently over 3% of total sales), it becomes beneficial for the C-Os to concentrate their purchases in S Group stores. With a growing number of C-Os concentrating their purchases in this way, the total buying volume of the Group organized through Inex Partners increased, thereby lowering unit costs. The savings could then be passed on as easy-on-the-pocket, effective prices ('the shelf price minus monthly bonus') paid by the C-Os. By enabling S Group stores to offer more competitive prices, this systemic innovation has resulted in the S Group's growing membership (currently 2.4 million, covering 80% of households), and increased market share (close to 50%).
3. The emotional and societal dimensions associated with S Group membership. New virtues of co-operativeness have been brought to light in recent years by globalization. This has accentuated the S Group's role for its members as potential 'globalization insurance' – at least intuitively – and thus increased the societal dimension and motivation of co-op membership. This dimension in co-operative membership has probably strengthened the effect of the first two factors. However, further research is needed to prove this hypothesis scientifically and enable it to be utilized.

The economic dynamics of the first two systemic features have typically deep economic and dynamic consequences, especially when intertwined in such a context as that in which the S Group operated over the past three to four decades, especially when strengthened by the emotional and societal influences incorporated in its co-operative corporate form. On top of these strategic factors, the S Group has also benefited from some external stimuli for consolidating the results of its strategic renewal efforts by some institutional changes in the business environment (e.g. on at least a temporary basis, liberalization in the interpretation of the competitive legislation), as well as the arrogance and false interpretation of the competitive situation by its main competitor, the K Group. Also, the sc. Amazon phenomenon has possibly helped the S Group which with the help of its long-term co-operative horizon has been able to consolidate the returns of its strategic investments without the excessive pressure of financial capitalism.

It remains to be seen whether the two Finnish cases, the S Group and E Group cases (Komulainen & Skurnik, 2023), represent a template for the rest of the European consumer co-operatives, given that they have all faced broadly similar competitive pressures and been obliged to pursue their own versions of renewal strategies to survive.

Acknowledgements

Many people have helped the author in the process of writing this article. My warmest thanks go to Espen Ekberg, Antti Haavisto, Arto Hiltunen, Matti Karvinen, Eero Kasanen, Juha-Antti Lamberg, Leo Laukkanen, Seppo Paatelainen, Eero Peltonen, John Simon, Kalle Sääskilahti and John F. Wilson. I would also like to thank the University of Jyväskylä School of Business and Economics for organizing a special workshop, as well as the Harvard Business School case project colleagues for providing a broader business research framework for my research topic. Aalto University School of Business has kindly provided the academic framework for my studies.

Notes

1 The author participated in this work as an invited outside economic and co-op expert.
2 There are many parameters according to which the bonus system is tuned: 1) the first rung on the ladder and 2) how it grows by 0.5%-point increments to a maximum 5% bonus. See: www.s-kanava.fi/web/s/nain-bonus-kertyy (accessed 04.09.2019).
3 SOK's executive board is *de facto* executive board of the whole Group. Until the '90s SOK (and thus, S Group) had internal board of directors led by the GD.
4 The author was a member of the case team.
5 As a matter of fact, Kesko was also briefly a co-op early in its corporate history (cf. Hoffman, 1990) and is regarded by some co-op researchers even today as such and thus kin to the co-op S Group (Birchall, 1994). Even if the K Group (Kesko Plc) is not currently organized legally as a co-op, the basic philosophy of federating shopkeepers in the K Group has many common features with, for instance, Finnish hybrid farmer co-ops such as Atria Plc and HK Scan Plc (Pellervo, 2001).
6 Neilimo, who has a doctorate in accounting, has served as a business school professor of management and strategy as well as a strategy consultant.
7 According to internal estimations, about half of the S Group's new 30% market share since early '90s came through these acquisitions and the other half organically (e-mail by Mr. Sääskilahti, 26.4.2019; in author's possession).

References

Aaker, J. (1997). "Dimensions of Brand Personality". *Journal of Marketing Research* 34: 347–356.

Albæk, S. & Schultz, C. (1998). "On the Relative Advantage of Cooperatives". *Economics Letters* 59/3: 397–401.

Baden-Fuller, C., Demil, B., Lecoq, X. & MacMillan, I. (Eds.). (2010). "Editorial". Special Issue on Business Models. *Long Range Planning* 43/2–3: 143–145.

Balmer, J. (2012). "Strategic Corporate Brand Alignment: Perspectives From Identity Based Views of Corporate Brands". *European Journal of Marketing* 46: 1064–1092.

Barr, P.S., Stimpert, J.L. & Huff, A.S. (1992). "Cognitive Change, Strategic Action, and Organizational Renewal". *Strategic Management Journal* 13: 15–36.

Battilani, P. (2005). "How to Beat Competition Without Losing Co-operative Identity: The Case of Italian Consumer Co-operatives". In *Consumerism versus Capitalism?*, ed. P. Verbruggen. Gent: Amsab Institute of Social History.

Battilani, P. & Zamagni, V. (2012). "The Managerial Transformation of Italian Co-Operative Enterprises 1946–2010". *Business History* 54/6: 964–985.

Birchall, J. (1994). *Co-op: The People's Business*. Manchester and New York: Manchester University Press.

Birchall, J. & Simmons, R. (2010). "The Involvement of Members in the Governance of Large-Scale Co-operative and Mutual Businesses: A Formative Evaluation of the Co-operative Group". *Review of Social Economy* 62/4: 487–515.

Brazda, J. & Schediwy, R., eds. (1989). *Consumer Co-operatives in a Changing World*. Geneva: International Co-operative Alliance.

Casadesus-Masanell, R., Khanna, T., Skurnik, S. & Mitchell, J. (August 2008, revised March 2010). "Finland's S Group: Competing with Co-operative Approach to Retail". *Harvard Business School*, Case N2–709–409.

Casadesus-Masanell, R. & Ricart, J.E. (2011). "How to Design a Winning Business Model?". *Harvard Business Review* 89/1,2: 101–108.

Christopher, M. (2016). *Logistics & Supply Chain Management*. London: FT Publishing.

Danneels, E. (2002). "The Dynamics of Product Innovation and Firm Competences". *Strategic Management Journal* 23: 1002–1121.

Eisenberg, M.A. (1998). "The Economic Structure of Corporate Law. The Conception That the Corporation is a Nexus of Contracts, and the Dual Nature of the Firm". *Journal of Corporate Earning* 24: 819–836.

Ekberg, E. (2008). *Consumer Co-Operatives and the Transformation of Modern Food Retailing. A Comparative Study of the Norwegian and British Consumer Co-operatives, 1950–2002* (Doctoral Dissertation). University of Oslo. www.duo.uio.no/bitstream/handle/10852/23720/364_Ekberg_17x24.pdf?sequence=1&isAllowed=y

Ekberg, E. (2012a). "Confronting Three Revolutions: Western European Consumer Co-operatives and Their Divergent Development, 1950–2008". *Business History* 54/6: 1004–1021.

Ekberg, E. (2012b). "Organization: Top Down or Bottom Up? The Organizational Development of Consumer Co-operatives, 1950–2000". In *The Co-operative Business Movement, 1950 to the Present*, eds. P. Battilani & H.G. Schröder. Cambridge: Cambridge University Press: 222–242.

Ekberg, E. (2017). "Against the Tide: Understanding the Commercial Success of Nordic Consumer Co-operatives, 1950–2010". In *A Global History of the Consumer Co-operation since 1850, Movements and Businesses*, eds. N. Hilson, S. Neunsinger & G. Patmore. Manchester: Koninklijke Brill NV: 698–726.

Finnish Grocery Trade (2005–2018). *Publications & Statistics*. Finnish Grocery Trade Association. www.pty.fi/front-page/publications-statistics/ (accessed 9.4.2018).

Furlough, E. & Strikwerda, C. (1999). "Consumers Against Capitalism? Consumer Co-operation in Europe, North America, and Japan, 1840–1990". In *A Global History of Consumer Co-operation Since 1850*, eds. E. Furlough & C. Strikwerda. Lanham: Rowman & Littlefield: 191–219.

Hansmann, H. (1996). *Ownership of Enterprise*. Cambridge, MA; London: The Belknap Press/Harvard University Press.

Hansmann, H. (1999). "Co-operative Firms in Theory and Practice". *The Finnish Journal of Business Economics* 48: 387–403. http://lta.lib.aalto.fi/1999/4/lta_1999_04_a2.pdf (accessed 23.5.2019).

Hart, O. & Moore, J. (1996). "Cooperatives vs. Outside Ownership". *NBER Working Papers*: 6421.

HBS. (2009). "Finland's S Group: Competing With a Co-operative Approach to Retail. Teaching Note". *Harvard Business School*: 5–709–507.

Heras-Saizarbitoria, I. & Basterretxea, I. (2016). "Do Co-ops Speak the Managerial Lingua Franca? An Analysis of the Managerial Discourse of Mondragon Cooperatives". *Journal of Co-operative Organization and Management* 4: 13–21.

Herranen, T. (2004). *Together Forward. SOK 100 Years 1904–2004*. Helsinki: Edita.

Hilson, M., Neunsinger, S. & Patmore, G., eds. (2017). *A Global History of Consumer Co-operation Since 1850. Movements and Business*. Studies in Global Social History, vol. 28. New York: Brill.

Hoffman, K. (1990). *Kesko 1940–1990*. Kesko: Helsinki.

Holmström, B. (1979). "Moral Hazard and Observability". *Bell Journal of Economics* 10: 74–91. www.jstor.org/stable/3003320

Holmström, B. (1982). "Moral Hazard in Teams". *Bell Journal of Economics* 13: 324–340. www.jstor.org/stable/3003320

Holmström, B. (1986). "Economic Incentives and the Organization of Economic Activities". *Festive Presentation in the Seminar Organized by the Research Institute of the Finnish Economy ETLA* (in Finnish).

Holmström, B. & Kaplan, S. (2001). "Corporate Governance and Merger Activity in the United States: Making Sense of the 1980s and 1990s". *Journal of Economic Perspectives*, 15/2: 121–144. https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.15.2.121

Holmström, B. & Milgrom, P. (1994). "The Firm as an Incentive System". *American Economic Review*, 84/4: 972–991.

Holmström, B. & Ricart I Costa, J. (1986). "Managerial Incentives and Capital Management". *Quarterly Journal of Economics* 101/4: 835–860.

Holmström, B. & Tirole, J. (1989). "The Theory of the Firm". In *Handbook of Industrial Organization*, eds. R. Schmalensee & R. Willig. North Holland, Los Angeles, CA, London, New Delhi, Singapore: Elsevier, 61–133.

Huff, J.O., Huff, A.S. & Thomas, H. (1992). "Strategic Renewal and the Interaction of Cumulative Stress and Inertia". *Strategic Management Journal* 13: 55–75.

ICA. (2016). *The Power of Co-operation – Co-operatives Europe Key Figures 2015*. https://co-opseurope.co-op/resources/projects/power-co-operation-co-operatives-europe-key-figures-2015 (accessed 23.5.2019).

Ilmonen, K. & Stœ, E. (1997). "The 'Consumer' in Political Discourse: Consumer Policy in Nordic Welfare States". In *Constructing the New Consumer Society*, eds. P. Sulkunen, J. Holmwood, H. Radner & G. Schultze. London: Palgrave McMillan: 197–217.

Jääskeläinen, J. (1989). "Speaking Terms to the Society: Interview with Samuli Skurnik". *Co-operative Magazine* 3/1989: 4–6 (in Finnish).

Jensen, M. & Meckling, W. (1976). "Theory of the Firm: Managerial Behaviour, Agency Costs and Ownership Structure". *Journal of Financial Economics* 3/4: 305–360.

Jokinen, J. (2015). "CEO Kari Neilimo: Success Factor Cannot Be Seen in Balance Sheet". *Tilisanomat* 5/2015.

Jussila, I., Saksa, J.-M. & Tienari, J. (2007). "Customer-owned Firms and the Concept of Regional Responsibility: Qualitative Evidence From Finnish Co-operatives". *International Journal of Co-operative Management* 3/3: 29–39.

Kalmi, P. (2007). "Disappearance of Cooperatives From Economic Textbooks". *Cambridge Journal of Economics* 31/4: 625–647. https://doi.org/10.1093/cje/bem005

Kangas, L. (2004). *Kauppaneuvosten aika*. Jyväskylä: Keskimaa.

Kantar TNS (2017). *Co-operative Study 2017 – The Whole Population*. Jyväskylä: Co-op Center Pellervo (in Finnish).

Karjalainen, M.-M. (2001). "Professor Bengt Holmström, MIT: The Overemphasis of the Shareholder Value Is Going Past". Interview in *Co-operative Magazine* 4/2001. Helsinki.

Kautto, M. (2019). *The Contents of the Business Models, Their Logics and Change. A Case Study of K Groups Business Models in 1985–2015* (Doctoral Dissertation). Helsinki: Aalto University Publication Series, 62 (in Finnish).

Kerr, J. & Caimano, V. (2004). "The Limits of Organizational Democracy [and Executive Commentary]". *Academy of Management Executive* 18/3: 81–97.

Khan, L. (2018). "Amazon – An Infrastructure Service and Its Challenge to Current Antitrust Law". in *Digital Dominance. The Power of Amazon, Facebook, and Apple*, eds. M. Moore & D. Tambini. Oxford: Oxford University Press.

Komulainen, A. & Skurnik, S. (2024). "The Darker Finnish Consumer Co-operative Story: The Decline of the Workers' E Group 1950–1995". In *The Consumer Co-operative Sector: International Perspectives on Strategic Renewal*, eds. J. Wilson, T. Webster, E. Ekberg & S. Skurnik. Routledge Studies in International Business and the World Economy, Abingdon: Routledge: 11–26.

Koski, T.H.A. (1988). *Ownership Strategy and Competitive Advantage* (Dissertation), Acta Polytechnica Scandinavica: Mathematics and Computer Science Series, Issue 49. Helsinki: Finnish Academies of Technology.

Kotter, J.P. (1995). "Leading Change: Why Transformation Efforts Fail". *Harvard Business Review* 73/2: 59–67.

Kuisma, M., Henttinen, A., Karhu, S. & Pohls, M. (1999). *Peoples Economy. Pellervo and the Idea of Common Entrepreneurship 1899–1999*. Pellervo-Society/Kirjayhtymä. A shortened English version: *The Pellervo Story. A Century of Finnish Co-operation*. Helsinki. https://pellervo.fi/wp-content/uploads/2015/02/pellervo-story.pdf (Accessed 4.6.2019).

Kuisma, M., Komulainen, A., Siltala, S. & Keskisarja, T. (2015). *Kapinallinen kauppa. Helsingin Osuuskauppa Elanto 1905–2015*. Helsinki: Siltala.

Kuoppamäki, P. (2003). *Markkinavoiman sääntely EY:n ja Suomen kilpailuoikeudessa*. Helsinki: Helsingin yliopisto.

Kwee, Z., Van Den Bosch, F.A.J. & Volberda, H. (2011). "The Influence of Top Management Team's Corporate Governance Orientation on Strategic Renewal Trajectories: A Longitudinal Analysis of Royal Dutch Shell plc, 1907–2004". *Journal of Management Studies* 48/5: 984–1014.

Lahti, J. (2008). *Your Companion in Finland*. Helsinki: SOK (in Finnish).
Lahti, J. & Lehtinen, J. (1990). *Customer-owner. A Resource in S Group*. PS Systems Ltd, Helsinki (in Finnish).
Lamberg, J.-A. & Luoma, J. (2021). "Ideology in Vicarious Learning – Related Communication". *Organization Science* 32/3: 708–730.
Lamberg, J.-A. & Tikkanen, H. (2006). "Changing Sources of Competitive Advantage: Cognition and Path Dependence in the Finnish Retail Industry 1945–1995". *Industrial and Corporate Change* 15/5: 811–846.
Lamberg, J.-A., Tikkanen, H., Nokelainen, T. & Suur-Inkeroinen, H. (2009). "Competitive Dynamics, Strategic Consistency, and Organizational Survival". *Strategic Management Journal* 30/1: 45–60.
Mills, C. (2001a). "Distributions, and What it Means to be a Co-operative". *Journal of Co-operative Studies* 3: 173–181.
Mills, C. (2001b). "Do Large Membership-Based Businesses Have a Future in the Twenty First Century? Some Reflections on UK Retail Co-Operative Societies". *Journal of Co-operative Studies* 41: 17–29.
Mitronen, L. & Möller, K. (2003). "Management of Hybrid Organisations: A Case Study in Retailing". *Journal of Industrial Marketing Management* 32/5: 419–429.
Neilimo, K. (1994). "S Group – A Modern Co-Operative Network". In *Network Economy*, ed. J. Kuisma. Helsinki: Pellervo-Society: 52–63 (in Finnish).
Neilimo, K. (2005). *Your Own Shop*. Helsinki: SOK (in Finnish).
Neilimo, K., Kuusela, H., Närvänen, E. & Saarijärvi, H. (2015). "S Group's Vision for Strategic Transformation: 'Your Own Store'". *Strategy & Leadership* 43/4: 47–53.
Neto, S., Barroso, M. & Rezende, A. (2012). "Co-Operative Governance and Management Control Systems: An Agency Costs Theoretical Approach". *Brazilian Business Review* 9/2: 68–87.
Nilsson, J. (1999). "Co-operative Organizational Models as Reflections of the Business Environments". *The Finnish Journal of Business Economics* 48: 449–470. http://lta.lib.aalto.fi/1999/4/lta_1999_04_a6.pdf (accessed 23.5.2019).
Novkovic, S. (2008). "Defining the Co-operative Difference". *The Journal of Socioeconomics* 37/6: 2168–2177.
Paulamäki, J. (2007). *Operational Freedom of Retailer-Entrepreneurs in a Chain Store Organization. An Interview Research From the Perspective of Agency Theory* (Doctoral Dissertation). Helsinki: Acta Universitatis Oeconomicae Helsingiensis: A-310 (in Finnish).
Pellervo (2001). *Corporate Governance and Control in Co-operatives*. Helsinki: Pellervo-Society.
Rochdale (2018 [1844]). *The Rochdale Principles of Co-operation*. www.rochdalepioneersmuseum.co-op/about-us/the-rochdale-principles/ (accessed 9.4.2018).
Salovaara, M. (2010). *Comparison of Reward Systems in Finnish Retail Industry. S-card, the Market Leader*. *Seinäjoki University of Applied Sciences, Business School* (Thesis). Seinäjoki: Degree Programme in International Business.
Schmitt, A., Raisch, S. & Volberda, H.V. (2016). "Strategic Renewal: Past Research, Theoretical Tensions and Future Challenges". *International Journal of Management Reviews* 20/1: 81–98.
Seppälä, J. (2018). *Institutional Perspectives on Retailing: Rethinking the Adoption of Large-Scale Retailing in Finland* (Doctoral Dissertation). Jyväskylä: University of Jyväskylä.

Siggelkow, N. (2001). "Change in the Presence of Fit: The Rise, the Fall, and the Renaissance of Liz Claiborne". *The Academy of Management Journal* 44/4: 838–857.

Simonen, S. (1949). *The 50 Years History of Pellervo Co-operation*. Helsinki: Pellervo-Seura (in Finnish).

Skurnik, S. (1989a). "Ownership and Democracy". *Co-operative Magazine* 5/1989 (in Finnish).

Skurnik, S. (1989b). "Co-operation Has to Find Itself". *Talouselämä Magazine* 31/1989 (in Finnish).

Skurnik, S. (1990). "Ownership in Co-operation". *Co-operative Magazine* 5/1989 (in Finnish).

Skurnik, S. (2002). "The Role of Co-operative Entrepreneurship and Firm in Organizing Economic Activities – Past, Present and Future". *Finnish Journal of Business Economy* 51/1: 102–134. http://lta.lib.aalto.fi/2002/1/lta_2002_01_d6.pdf (accessed 23.5.2019).

Skurnik, S. & Egerstrom, L. (2007). "The Evolving Finnish Economic Model: How Co-operatives Serve as 'Globalization Insurance'". *Joint Conference of the Canadian Association for the Study of Co-operation (CASC), The International Co-operative Alliance Research Committee (ICA) and The Association of Co-operative Educators (ACE)*. University of Saskatchewan 29.5.2007. www.scribd.com/document/31887148/The-Evolving-Finnish-Economic-Model (accessed 22.5.2019).

SOK (2018). *S Group Annual Report 2017*. SOK. www.s-kanava.fi/web/s-ryhma/en/vuosikatsaus/etusivu (accessed 12.9.2018).

Stiglitz, J.E. (2017). *Globalization and Its Critics Revisited. Anti-Globalization in the Era of Trump*. New York: W.W. Norton & Company.

Talonen, A., Jussila, I., Saarijärvi, H. & Rintamäki, T. (2016). "Consumer Cooperatives: Uncovering the Value Potential of Customer Ownership". *AMS Review* 6/3–4: 142–156.

Tammitie, K. (2007a). "Business Idea – Starting Point and Goal: Kari Neilimo's Interview". In *Towards Your Own Shop – Perspectives About Management in S Group*, ed. K. Tammitie. Helsinki: SOK (in Finnish).

Tammitie, K. (2007b). "The Vision Is Showing the Direction: Interview of Kalle Sääskilahti". In *Towards Your Own Shop – Perspectives About Management in S Group*, ed. K. Tammitie. Helsinki: SOK (in Finnish).

Tammitie, K. (ed.) (2011). *Myrskyä ja myötäistä: S-ryhmän väylä kriisistä menestykseen*. Helsinki: Osuuskaupparyhmän muistelmayhdistys.

Teece, D. J. (2018). "Business Models and Dynamic Capabilities". *Long Range Planning*, 51/1: 40–49.

Tuncdogan, A., Lindgreen, A., Volberda, H. & Bosch van den, F. (2019). *Strategic Renewal: Core Concepts, Antecedents, and Micro Foundations*. Routledge Studies in Innovation, Organizations and Technology. London & New York: Routledge.

Tuominen, P., Jussila, I. & Kojonen, S. (2009). "Overcoming Challenges to Governance of Consumer Co-operation: Analysis Reports of Key Representatives". *International Journal of Co-operative Management* 4: 22–35.

Tuominen, P., Jussila, I. & Tuominen, T. (2014). "The Potential of the Consumer Co-Operative as an Alternative to the Public-Private Partnership". *International Business Research* 7: 174–180.

Tuominen, T., Tuominen, P. & Jussila, I. (2013a). "A Tool to Be Used Deliberately: Investigating the Role of Profit in Consumer Co-operatives". *International Business Research* 6: 122–133.

Tuominen, T., Tuominen, P., Tuominen, H. & Jussila, I. (2013b). "Social Capital: A Source of Sustained Competitive Advantage for Consumer Co-operatives". *International Business Research* 6: 60–73.

Vasarla, H. (1946). "Saavutusten oikea arviointi". *Osuustoimintalehti* 5: 87–90.

Veranen, J. (1987). *The Ownership Function and the Performance of the Firm. A Study of the Renewal Process of the Firm* (Doctoral Dissertation). Helsinki: Acta Universitatis Oeconimiae Helsingiensis: A-54.

Vihriälä, V. (1997). *Banks and the Finnish Credit Cycle 1986–1995* (Doctoral Dissertation). Helsinki: Bank of Finland Studies E: 7. www.econstor.eu/bitstream/10419/212940/1/e07-bof-studies.pdf.

Volberda, H., Bosch van den, F.A.J., Flier, B. & Gedajlovic, E. (2001). "Following the Herd or Not?: Patterns of Renewal in the Netherlands and the UK". *Long Range Planning* 34/2: 209–229.

Unpublished sources

Alhava, M. (2019). Personal letter to the author 26.2.2019. Mr. Alhava (now retired) was for a long time the EVP Strategy in Tuko Group and after that Board member in Tradeka (successor of Eka), both major competitors to the S Group (in author's possession).

Borgström, M.H. (2018). Personal letter to the author 10.9.2018. Mr. Borgström has had for a long period multiple layman director positions in the Finnish co-op enterprises and their organizations: in S Group, chairman of the supervisory board of one regional (Varuboden, currently Varuboden-Osla) and member in the SOK supervisory board; in HK Scan Plc Co-op, chairman of the board; in Pellervo-Society (currently Pellervo Co-op Center), chairman of the board. Also, in major family business Paulig Ltd., owner, and longstanding chairman of the board. (In author's possession).

Casadesus-Masanell, R. (2008). "Finland's S Group: Competing with a Co-operative Approach to Retail". *Harvard Business School* (Video recording 20.11.2008, in author's possession).

Haapakoski, P. & Silvennoinen, M. (2009). "From Co-operative Cashes into Co-operative OP-Pohjola Corporation: OP-Pohjola Group and Case: Pohjola-acquisition and Its Integration". *Lecture in Aalto Strategy Course* 20.4.2010 (In author's possession).

Hiltunen, A. (2009). "Aalto Biz Strategy Lecture". *Aalto Biz* 12.3.2009 (In author's possession).

Lahti, J. (2008). Harvard Case N2–709–409 Team's Interview in Helsinki 10.3.2008 (transcript by Jordan Mitchell, in author's possession.

Lehtinen, J.R. (2022). Interview by the author 10.5.2022 (In author's possession).

Neilimo, K. (2008). Lecture in Aalto University Business School Strategy Course. Helsinki (in author's possession).

Neilimo, K. (2022). E-mail to the author 8.6.2022. (in author's possession)

Ojapelto, J. (2008). Harvard Case N2–709–409 Team's Interview in Helsinki 11.3.2008 (transcript by Jordan Mitchell, in author's possession).

Peltonen, E. (2009). "Osuuskauppaväen taistelu kuilun partaalta menestykseen – juuriaan unohtamatta" (The Battle of the Co-op People from Brink of the Bankruptcy to Success – Without Forgetting Their Roots). PP-presentation given in 3.11.2009 in the annual meeting of the mutual forum of the social and health organizations (In author's possession).

Pesonen, J. (2018). Interview by the author (notes in author's notebook).

Skurnik, S. (1988a). Notes *ad locum* in personal notebook: 6.1., 29.8. and 26.9.1988 (In author's possession).

Skurnik, S. (1988b). "What Possibilities and Competitive Advantages the Co-operative Background Offers for the Development of S Group?". Lecture for *the S Group Management* 12.9.1988 (In author's possession).

Skurnik, S. (1988c). "The Strategic Starting Points for the Development of S Group". memo for *SOK Customer-Owner Task Force* 26.9.1988 (In author's possession).

Spear, R. (1996). "Governance in Member-based Organizations". *ICA Research Conference*, Tartu 27.9.1996.

Vehviläinen, J. (2008). Harvard Case N2–709–409 Team's Interview in Helsinki 11.3.2008 (transcript by Jordan Mitchell, in author's possession).