

Terhi Tuominen

**THE ACCUMULATION OF FINANCIAL AND
SOCIAL CAPITAL AS A MEANS TO ACHIEVE
A SUSTAINED COMPETITIVE ADVANTAGE
FOR CONSUMER CO-OPERATIVES**

The thesis for the doctorate, Doctor of Science (Economics and Business Administration); to be presented with due permission for public examination and criticism in Auditorium 1381 at Lappeenranta University of Technology, Lappeenranta, Finland, on 12.12. 2013, at noon.

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ABSTRACT

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The accumulation of financial and social capital as a means to achieve a sustained competitive advantage for consumer co-operatives

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By so far, scholars have discussed how the characteristics of consumer co-operatives (co-operative principles, values and the dual role of members as the users and owners) can potentially give them a competitive advantage over investor-owned firms (IOFs). In addition, concern for the community (as partly derived from locality and regionality) has been seen as a potential source of success for consumer co-operatives. On the other hand, the geographic-bound purpose of consumer co-operation causes that consumer co-operative can be regarded as a challenging company form to manage. This is because, according to the purpose of consumer co-operation, co-operatives are obligated to 1) provide the owners with services and goods that are needed and do so at more affordable prices than their competitors do and/or 2) to operate in areas in which competitors do not want to operate (for example, because of the low profitability in certain area of business or region). Thus, consumer co-operatives have to operate very efficiently in order to execute this geographic-bound corporate purpose (e.g. they cannot withdraw from the competition during the declining stages of business).

However, this efficiency cannot be achieved by any means; as the acceptance from the important regional stakeholders is the basic operational precondition and lifeline in the long run. Thereby, the central question for the survival and success of consumer co-operatives is; how should the consumer co-operatives execute its corporate purpose so it can be the best alternative to its members in the long run? This question has remained unanswered and lack empirical evidence in the previous studies on the strategic management of consumer co-operation. In more detail, scholars have not yet empirically investigated the question: *How can consumer co-operatives use financial and social capital to achieve a sustained competitive advantage?* It is this research gap that this doctoral dissertation aims to fulfil. This doctoral dissertation aims to answer the above questions by combining and utilizing interview data from S Group co-operatives and the central organizations in S Group's network (overall, 33 interviews were gathered), archival material and 56 published media articles/reports. The study is based on a qualitative case study approach that is aimed at theory development, not theory verification (as the theory is considered as nascent in this field of study).

Firstly, the findings of this study indicate that consumer co-operatives accumulate financial capital; 1) by making profit (to invest and grow) and 2) by utilizing a network-based organizational structure (local supply chain economies). As a result of financial capital accumulation, consumer co-operatives are able to achieve efficiency gains but also remain local. In addition, a strong financial capital base increases consumer co-operatives' independence, competitiveness and their ability to participate in regional development (which

is in accordance with their geographically bound corporate purpose). Secondly, consumer co-operatives accumulate social capital through informal networking (with important regional stakeholders), corporate social responsibility (CSR) behaviour and CSR reporting, pursuing common good, and interacting and identity sharing. As a result of social capital accumulation, consumer co-operatives are able to obtain the resources for managing; 1) institutional dependencies and 2) customer relations. By accumulating both social and financial capital through the above presented actions, consumer co-operatives are able to achieve sustained competitive advantage. Finally, this thesis provides useful ideas and new knowledge for co-operative managers concerning why and how consumer co-operatives should accumulate financial and social capital (to achieve sustained competitive advantage), while aligning with their corporate purpose.

Keywords: consumer co-operative, corporate purpose, strategic management, networking, social responsibility, financial and social capital

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A few years back I had a dream to complete a doctoral dissertation. I started my doctoral studies as filled with ideals and enthusiasm but did not yet know what the life will bring during the next years. A lot has happened between the birth of this dream and the publication of the doctoral dissertation at hand. It has been a truly a roller coaster ride of joy but also enormous amount of panic, desperation and tears. Now it is the time to thank everyone who has contributed to this ride, making it possible to cross the finish-line.

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*"Into the distance, a ribbon of black
Stretched to the point of no turning back
A flight of fancy on a windswept field
Standing alone my senses reel
A fatal attraction is holding me fast
How can I escape this irresistible grasp?"*

*Can't keep my eyes from the circling sky
Tongue-tied and twisted just an earthbound misfit, I*

*Ice is forming on the tips of my wings
Unheeded warnings, I thought I thought of everything
No navigator to find my way home
Unladen, empty and turned to stone
A soul in tension, that's learning to fly
Condition grounded but determined to try*

*Can't keep my eyes from the circling skies
Tongue-tied and twisted just an earthbound misfit, I*

*Above the planet on a wing and a prayer,
My grubby halo, a vapour trail in the empty air
Across the clouds I see my shadow fly
Out of the corner of my watering eye
A dream unthreatened by the morning light
Could blow this soul right through the roof of the night
There's no sensation to compare with this
Suspended animation, a state of bliss*

*Can't keep my mind from the circling skies
Tongue-tied and twisted just an earthbound misfit, I."*

- Pink Floyd – Learning to Fly

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PART II: PUBLICATIONS

1. Uski, T., Jussila, I., Saksa, J-M. (2007), **Regional Co-operation: A Strategic Network Perspective on a Customer-owned Organization**, *Journal of Co-operative Studies*, 40(1), 18–29.
2. Uski, T., Jussila, I., Kovanen, S. (2007), **Social Responsibility in S Group Co-operatives: A Qualitative Analysis of Archival Data**, *International Journal of Co-operative Management*, 3(2), 49–57.
3. Tuominen, T., Tuominen, P., Jussila, I. (2013), **A Tool to be Used Deliberately: Investigating the Role of Profit in Consumer Co-operation**, *International Business Research*, 6(11), 121–132.
4. Tuominen, T., Tuominen, P., Tuominen, H., Jussila, I. (2013), **Social capital: A Source of Sustained Competitive Advantage for Consumer Co-operatives**, *International Business Research*, 6(12), 60–73.

The contribution of Terhi Tuominen (née Uski) to the publications:

1. Prepared the research plan. Conducted 13 interviews on the core themes of the paper. Conducted the data analysis. Wrote the first versions of the paper. Revising the paper, discussing the findings and drawing the conclusions were joint efforts.
2. Wrote and rewrote the first versions of the paper. Set up and redefined the theoretical framework of the paper.
3. Wrote the first version of the paper. Conducted the data analysis together with the co-authors. Revising the paper, discussing the findings and drawing the conclusions were a joint efforts.
4. Wrote and rewrote the first versions of the paper. Conducted the data analysis with the fourth author. Set up the theoretical framework of the paper together with the third author. Revising the paper, discussing the findings and drawing the conclusions were a joint efforts.

PART I: AN OVERVIEW OF THE DISSERTATION

1. INTRODUCTION

As a response to increasing globalization, the need for research on more sustainable business models from the local communities' perspective, such as that of consumer co-operatives¹, has increased during recent years (see e.g. Tuominen, 2012). For example, Peredo and Chrisman (2006) argue that consumer co-operatives represent a specific form of community-based enterprise² (CBE) that can offer a potential strategy for sustainable local development. That is, consumer co-operatives differ from investor-owned firms (IOFs) in that they are locally dependent (a fact derived from the geographically bound purpose of consumer co-operation) and thus, cannot relocate their operations elsewhere during the declining stages of business (see Tuominen, 2012).

Even though some scholars have recognized consumer co-operatives as "sustainable business models" from the local communities' perspectives (Peredo and Chrisman, 2006; Majee and Hoyt, 2011); the mainstream research and teaching of management have assumed that the primary corporate purpose of companies is to maximize profits (see Jussila, 2013; Tuominen, 2012). In more detail, scholars have usually developed and tested theories based on the assumption that the company form is that of an IOF and ignored the different corporate purpose of different company forms. Thus, there is need for more research on the strategic management of consumer co-operation that takes into account the corporate purpose of consumer co-operation.

The concept of corporate purpose (e.g. Springett, 2005, 2004; Ellsworth, 2002; Tuominen, 2012) answers the question "Why is the company in business?" In other words, it reflects the firm's mission and value declarations and determines the way a firm should operate and the

1 According to Jussila, Tuominen & Saksela (2008), consumer co-operatives exist to provide the owners with a) services and goods that are needed, but not otherwise provided, and/or b) services and goods at fair prices when they are (in the absence of the co-operative) provided with unfair prices (cf. Fulton & Hammond-Ketilson, 1992)

2 According to Peredo & Chrisman (2006), CBE is defined as "a community acting corporately as both entrepreneur and enterprise in pursuit of common good" and "CBE is therefore the result in which the community acts entrepreneurially to create and operate a new enterprise embedded in its existing social structure" (p. 310).

responsibilities of that organization (see Wilson, 2004; Duska, 1997) and is thus the central component when executing the corporate strategy.

In addition, managers of co-operatives also require specific knowledge and education concerning the strategic management of consumer co-operation. For example, Davis (2001) argues that the competitive survival of consumer co-operatives is dependent on “having a committed management who understands co-operative purpose and values and can use them both to gain and utilize the co-operative difference as a competitive advantage” (p. 31). Similarly, Tracey, Phillips and Haugh (2005) argue that community entrepreneurship (e.g. co-operatives) “appears to be much more complex than mainstream entrepreneurship, requiring a huge diversity of skills and high levels of commitment from organizational members” (p. 341). It is noteworthy that consumer co-operatives play a major role in societies as, according to the International Co-operative Alliance (ICA, 2012), co-operatives have over one billion members and all together they provide over 100 million jobs worldwide (Tuominen, 2012).

Therefore, this doctoral dissertation participates in the discussion of the strategic management of consumer co-operatives (e.g. Tuominen, 2012; Spear, 2000). In more detail, the background of this doctoral dissertation is based on the geographically bound purpose of consumer co-operation (see Tuominen, 2012; Tuominen, Jussila & Saksa, 2006) and the competitive advantages of consumer co-operatives (e.g. Spear, 2000). The term geographically bound refers to the fact that the owners of consumer co-operatives (consumers) benefit through the consumption of services (which usually requires close association) and thus, consumer co-operatives are geographically bound organizations – and can even be seen as captives of their regions (Tuominen, 2012; Mills, 2001; Jussila, Kotonen & Tuominen, 2007). Further, according to Tuominen (2012), “the physical and social structures of these organizations reflect to a great extent the geographical organization of the membership with some framings provided by economic consideration (the co-operative principle of economy) and technology (the means of production)” (p. 26).

However, even though consumer co-operatives are considered as geographically-bound organizations, it should be notified that consumer co-operatives are also actors in the market economy; thus they are also faced with the demands of competition. That is, consumer co-operatives should consider; *How can consumer co-operatives face the demands of competition if/when other large-scale actors enter into the markets?* and, a more detailed

question; *What value creating strategy should consumer co-operatives execute in order to achieve sustained competitive advantage*³ (see Barney, 1991)? It is noteworthy that, based on the above presented characteristics of consumer co-operatives, it can be argued that consumer co-operatives should execute a value creating strategy that is in accordance with executing their geographically bound purpose as a consumer co-operation.

In other words, the geographically bound purpose of consumer co-operation greatly affects the way consumer co-operatives form, manifest and execute their value creating strategies (about value creating strategies, see Barney, 1991). For example, the establishment of the case co-operatives of this doctoral dissertation (S Group co-operatives) was initially established as means to cope with problematic relations with the environment (see also Pfeffer and Salancik, 1978). In more detail, the establishment of the case consumer co-operatives (S Group co-operatives) was seen as a good strategy for securing the affordable production of benefits and services to members in rural areas (see Publication 4), which is also in accordance with the geographically bound purpose of consumer co-operation (see Jussila et al., 2008; Fulton and Hammond-Ketilson, 1992). That is, if co-operatives do not confront competition, they should still provide services in regions/fields in which there is a demand but not supply for certain services. However, this mission can be a difficult to execute as a profitable business operation (e.g. under the economic circumstances in which all other market actors have already withdrawn from competition). For example, Tracey et al. (2005) even ask “is it realistic to expect community enterprises to generate surpluses where there has been market failure, and/or to compete against mainstream businesses while at the same time achieving a range of social outcomes?” (p. 341).

Further, according to the main principles of consumer co-operation (see Jussila, 2013), rewarding different interest groups for their contributions to the co-operative’s operation leads to success. On the other hand, according to Tuominen (2012), co-operatives are even “obligated” to take into account the local interest groups that are predetermined for the co-operative. Finally, based on the above presented unique characteristics of consumer co-

³ According to Barney (1991), “a firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy” (p. 102).

operatives, it can be argued that a co-operative's ability to manage its relationship with its environment is vital in order to succeed.

It should also be noted that the corporate purpose differs between the different kinds of co-operatives depending on for whom the co-operative aims to create value (and to produce benefits); an employee (see e.g. Logue and Yates, 2006), a producer (see e.g. Nilsson, Svendsen & Svendsen, 2012) or a consumer (see e.g. Tuominen, 2012; Birchall and Simmons, 2004; Spear, 2000). Therefore, every co-operative needs its own specialized knowledge. So far, scholars have mainly focused on the management of worker or producer co-operatives (see e.g. Nilsson et al., 2012; Knight, 1996; Conn, 1990; O'Connor, 1985; Oliver, 1984) whereas there is still very few (empirical) studies on the area of the strategic management of consumer co-operation (see e.g. Davis and Donaldson, 2000).

Even though scholars have acknowledged consumer co-operatives' need to be efficient (see Jussila, 2013; Mills, 2008; Davis, 2001) and, on the other hand, they have also emphasized the social side of co-operation (e.g. Novkovic, 2008) – scholars have not empirically investigated how consumer co-operatives can use financial capital⁴ and social capital⁵ to create a sustained competitive advantage. Therefore this doctoral dissertation investigates how consumer co-operatives can use financial capital (e.g. Hicks, Maddox, Robb & Webb, 2007) and social capital (Valentinov, 2004; Spear, 2000) to create sustained competitive advantage (see Barney, 1991). Further, this is investigated based on four publications in the context of consumer co-operatives; 1) the strategic importance of both informal and formal networking (e.g. Hingley, 2010; Normark, 1996), 2) CSR behaviour (Hingley, 2010), 3) the role of profits in capital accumulation (e.g. Hicks, Maddox, Robb & Webb, 2007; Jokisch, 1994; Nilsson, 2001) and 4) social capital (see Valentinov, 2004; Spear, 2000). The data collected in this doctoral dissertation is based on S Group co-operatives.

Since the phenomenon investigated in this doctoral dissertation has not received much scholarly attention, the approach is a qualitative case study in which the researcher applied

⁴ Consumer co-operatives can accumulate financial capital e.g. by making profit

⁵ Social capital refers to the significance of social relationships and networks that have resource advantages to both individual and communities (see Ibarra, Kilduff & Tsai, 2005; Nahapiet and Ghoshal, 1998; Putnam, 2000, 1995)

thematic analysis when analyzing the interview data (e.g. Braun and Clarke, 2006; Gioia, Corley & Hamilton, 2012) in publications 1, 3 and 4 and a qualitative (discourse) analysis of the archival data (Publication 2) (about discourse analysis, see Wood and Kroger, 2000). The references used in this doctoral dissertation solely include studies published in academic journals (or books) in English in order to gain international impact and add value to this dissertation. The purpose of this doctoral dissertation is to generate and to develop new knowledge on consumer co-operation (although some elements of this study such as networking, can be, to some extent, applied to producer or worker co-operatives as well). Next, the researcher presents the doctoral dissertation in more detail by presenting; 1) the background of the research, 2) the research gap and objectives, 3) the key constructs and scope and 4) the outline of the thesis.

1.1 Research background

As presented, the research on consumer co-operation is still specifically in the early stages of theory development (see Tuominen, 2012). The research background of this doctoral dissertation reflects the research questions and the theories relevant to the research questions. It is noteworthy that the researcher also presents publications that were published after two of the articles included in this doctoral dissertation (publications 1 and 2) were published in order to present a comprehensive framework of the current studies in the field.

There are two main themes that should be noted in the studies of the strategic management of consumer co-operation. Firstly, what is the purpose of consumer co-operation (Tuominen, 2012; Jussila et al., 2008) and its implications on the strategic management of consumer co-operatives? Secondly, what are the competitive advantages of consumer co-operatives (Spear, 2000)?

First, the *purpose of consumer co-operation* (e.g. Tuominen, 2012; Mills, 2001; Michelsen, 1994; Nilsson, 2001; Spear, 2000) serves as the basic starting point for executing strategies. So far, scholars have acknowledged that the corporate purpose of co-operatives is different from the purpose of IOFs (e.g. Puusa, Mönkkönen & Varis, 2013; Tuominen, 2012; Jussila et al., 2008; Mills, 2008, 2001; Nilsson, 2001; Davis, 2001; Michelsen, 1994). In sum, there is a range of opinion as to the emphasis placed in determining the difference between a co-operative and an IOF. However, the main difference is that co-operatives do not aim at profit

maximization; instead they aim to create benefits from the goods and services markets (see Puusa et al., 2013; Jussila et al., 2008). In addition, Puusa et al. (2013) discuss the “dual nature of co-operatives”: referring to the fact that co-operatives do not only aim for the improvement of the economic, but also the social and psychological, conditions of those who engage in the activities of co-operatives (see also Jussila, Goel & Tuominen, 2012).

Tuominen (2012) has investigated the implications that the purpose of consumer co-operation has for the management and governance of consumer co-operatives, arguing that the roles of locality and regionality become emphasized in their management. It should be also noted that geographic boundness also sets significant boundary conditions for the strategic management of these organizations as they cannot withdraw from competition during the declining stages of business (see Tuominen, 2012). However, consumer co-operatives do not operate solely for the benefit of the wider community, rather they operate for their members. According to Simmons and Birchall (2008), there is a “widespread misconception that co-operatives are part of the non-profit sector, working for the benefit of the wider community rather than for their members” and that “on the other hand, co-operatives have had a struggle to be seen as social enterprises, rather than just part of the ‘private sector’” (p. 2135).

In the research on the strategic management of consumer co-operatives, Davis and Donaldson (2000) have conducted a very extensive survey of sixteen British consumer co-operative societies that investigates strategic management, membership, HRM, marketing and cultural issues etc. in seven different trading areas. For example, they identified co-operatives’ main threats (e.g. new sources of competition, changing shopping habits), opportunities (e.g. local ownership, a trusted image), barriers to change (e.g. a lack of finance was the biggest barrier to change) and required changes (e.g. to improve IT systems and customer relations). In sum, the survey by Davis and Donaldson (2000) aimed to find out what the co-operative advantage is in practice.

It should be also notified that understanding reasons for failures of consumer co-operatives is also very important in order to understand the success factors of consumer co-operatives. For example, Münkner (2000) has investigated the failure of largest consumer co-operative in Europe (Coop Dortmund-Kassel). In more detail, main causes of failure of these consumer co-operatives included such as wrong investments by the management, logistics were too expensive, growing competition, unsuccessful alliances, restructuring of shops was unsuccessful and finally, crisis led to a mass withdrawal of members and the capital reduction

of these co-operatives (as the co-operative share capital is variable as members can withdraw their shares) (Münkner, 2000). Further, Münkner (2000) argues that if consumer co-operatives want to survive, they need to abandon their approximation strategies (which are seen as means to use approaches and techniques for IOFs) and replace them by a differentiation strategy based on the strengths of co-operatives. According to Münkner (2000), “the main source of co-operative strength is an organized membership group, members’ commitment and member loyalty” (p. 89) and that the central point of differentiation strategy is the “principle of identity” (p. 89), meaning that members have triple role of shareholders, goal-setters and users. Other important success factors are service oriented management and emphasizing the instrumental role of capital (Münkner, 2000).

This doctoral dissertation investigates how consumer co-operatives can use social and financial capital to achieve sustained competitive advantage by approaching the research phenomenon based on four different publications (each representing a separate entity). The first publication is focused on the networking of S Group co-operatives and thereby, the research background of networking in the context of consumer co-operation is discussed first.

1.1.1. Networking in the context of consumer co-operatives

It is noteworthy that, even though there are studies on the strategic networking (e.g. horizontal collaboration) of producer co-operatives, such as farmers co-operatives (e.g. Nilsson, Svendsen & Svendsen, 2012; Hanf and Török, 2009), this doctoral dissertation primarily includes the important research background on consumer co-operation. In addition, as the context is consumer co-operation (which brings unique characteristics to networking because of the geographically bound purpose of consumer co-operation), the researcher has also excluded studies of organizational networking⁶ that either; 1) ignore the company form or 2) assume the company form to be an IOF.

Interestingly, as autonomy is one of the principles of co-operation and important in order to serve the members’ interests, equally important is co-operatives’ ability to network and cooperate (Simmons and Birchall, 2008). In more detail, co-operatives have been viewed as

⁶ Networking has received much scholarly attention in the field of entrepreneurship and inter-organizational collaboration. The used definitions similar to networking have also included different kinds of alliances (e.g. strategic alliances), different forms of networking (horizontal or vertical collaboration), industrial districts, etc.

“network organizations” in various studies (e.g. Davies, 2006; Valentinov, 2004; Spear, 2000; Normark, 1996). That is, networking (in the form of a consumer co-operative) enables the smaller and weaker actors in the market to achieve negotiation power and to develop businesses that are beneficial for themselves (as users) as well as for their operational area (Normark, 1996). One of the best known consumer co-operatives that is established based on the network structure is the S Group in Finland (Tuominen, 2012; Jussila, 2007).

It is noteworthy that co-operative values (e.g. self-help, openness, equity) are likely to support the development of new relationships in the co-operative network (e.g. Novkovic, 2008; Valentinov, 2004; Spear, 2000). Thereby, they can be considered as co-operatives’ strategic properties. Similarly, as the co-operatives are network-based organizations (Valentinov, 2004; Nilsson, 1996; Normark, 1996; Ollila, 1989), trust is an important mechanism for coordination and control in co-operatives (Borgen, 2001). For example, Borgen (2001) argues that members need to identify with their co-operatives in order for trust to develop. Further, without trust actors do not establish the reciprocal, trustful relationships that are the preconditions for successful networking and co-operation.

Recently, Hingley (2010) has investigated the market position of retail consumer co-operatives in the face of competition from retailer IOFs. He argues that an opportunity exists in the niche, in the local markets and in having a social/ethical orientation. As a result, Hingley (2010) suggests that the consumer co-operative “can survive and add value as an alternative organizational form, when genuine social responsibility is experienced by a network consisting of the co-operative, its members, customers, suppliers and the community as a whole.” (p. 111).

Hannah, Dey and Power (2006) have also investigated the required conditions for an organization to function as an effective network (by using a Scottish local healthcare co-operative as a case). In particular, they focus on the concepts of trust and distrust in this context and argue that because of a lack of trust, it is unlikely that the Scottish local healthcare co-operative could be effective in allocating healthcare resources.

Simmons and Birchall (2008) have also examined the relevance of various theoretical perspectives on network formation and network management to the newly emerging co-operative sectors in the developing world (taking various network perspectives to study the role of co-operatives in poverty reduction). The study by Simmons and Birchall (2008) provides a framework for understanding the processes that drive the formation of

relationships, networks and partnerships and asks how such alliances can be governed and managed effectively.

According to Simmons and Birchall (2008), “in terms of co-operative values and principles, the very nature of co-operatives as economic associations emphasizes the ‘connectedness’” between co-operatives and their members. A co-operative can therefore provide a hub for organizing local economic interests and/or protecting common pool resources” (p. 2131). Consumer co-operative sectors have especially often established strong federal bodies at a national level in order to enable them to do better business further up the distribution chain and to defend their interests politically (through national federations) (Simmons and Birchall, 2008; Birchall, 2004). In sum, Simmons and Birchall (2008) study co-operatives’ networks (generally) by considering their structure, content, purpose, functions and institutional characteristics. Further, they argue that the ability to network at both a local level and beyond seems vital for co-operatives’ survival (Simmons and Birchall, 2008). Similarly, Spear (2000) has investigated the economic and social advantages of consumer co-operatives and mentions the benefits of network relationships in consumer co-operatives (e.g. reduced opportunistic behaviour).

Finally, the networking of consumer co-operatives also has a communal dimension that benefits the local communities (see Peredo and Chrisman, 2006; Spear, 2000). In more detail, establishing close and trustful relationships with local stakeholders is important for consumer co-operatives as they are geographically bound. As presented earlier, this aspect is emphasized more in co-operatives than in IOFs because of the different corporate purpose of these two different kinds of company forms. Through local networking, co-operatives can gain legitimacy for their operation and thus reduce uncertainty in their environment (about the resource dependency perspective, see Pfeffer and Salancik, 1978). For example, Tuominen, Jussila and Saksa (2006) have suggested that the survival and success of a co-operative is strongly linked to the survival and success of the area in which the co-operatives’ economic and social activities are embedded. Therefore, consumer co-operatives often engage in community development activities (see e.g. Majee and Hoyt, 2011) and successful consumer co-operatives could seek competitive advantage via CSR behaviour (e.g. Hingley, 2010). Next, CSR and social capital in the context of consumer co-operation will be discussed in more detail.

1.1.2. CSR behaviour and social capital in consumer co-operatives

The fundamental questions of CSR are “Why should the organization consider social responsibility in its actions?” and “What is the importance of CSR to the enterprise?” So far, the main business motive for CSR behaviour has been legitimacy (Herzig and Moon, 2013). This doctoral dissertation highlights that the corporate purpose (see e.g. Springett, 2005, 2004; Wilson, 2004; Ellsworth, 2002; Duska, 1997) of consumer co-operation (see Tuominen, 2012) sets preconditions and requirements for socially responsible behaviour in consumer co-operatives. That is, as the members (who are also the customers) democratically govern the co-operative, and because of the regional dependency of consumer co-operatives, CSR behaviour is more important in consumer co-operatives than in the traditional IOFs (see Hingley, 2010).

In more detail, co-operatives and the co-operative movement have long traditions of social responsibility because of their corporate purpose and the values and principles assumed by the co-operative movement that emphasize socially responsible behaviour (see Hingley, 2010). For example, the co-operative principle of “concern for the community” and the co-operative value of democracy (see Novkovic, 2008) indicate that co-operatives act (or should act) in a socially responsible way. However, so far, CSR behaviour has not been explicitly investigated much in the context of consumer co-operation (nor have its implications for the strategic management of consumer co-operation).

The most recent study of CSR in consumer co-operation (which also has strategic implications for consumer co-operatives) was carried out by Hingley (2010) who argues that “it is possible for a co-operative to be creative in local community-based networks and to also preserve and reinforce their traditional organizational values, which can add a distinct (albeit niche) contribution; and there are customers for whom these values are important. This is a point of differentiation based upon stakeholder engaged local networks.” (p. 124). In addition, Tracey et al. (2005) have argued that community enterprises (e.g. co-operatives) can provide an alternative mechanism for organizations to behave in socially responsible ways. In more detail, they argue that traditional approaches to the governance of CSR are inadequate as these community enterprises “are the recipients of philanthropic corporate donations, the resulting resource dependency that this creates, and a corresponding absence of local accountability, legitimacy and participation.” (p. 341).

Overall, there are many studies concerning how consumer co-operatives exhibit socially responsible behaviour in communities. For example, consumer co-operatives have been investigated as a means of poverty reduction and of increasing community development in poor populations (e.g. Majee and Hoyt, 2011; Simmons and Birchall, 2008; Peredo and Chrisman, 2006). According to Majee and Hoyt (2011), community development is “a process that mobilizes resources and builds the capacity of local residents to work together to improve social and economic conditions in their communities.” (p. 49).

In other words, locality, regionality and co-operatives’ close relationships with their local communities (see Jussila et al., 2008; Jussila, Kotonen, & Tuominen, 2007a; Tuominen et al., 2006; Zeuli and Radel, 2005; Zeuli, Freshwater, Markley & Barkley, 2004; Fulton and Hammond-Ketilson, 1992) have been seen as the competitive advantages of consumer co-operatives that stem from their geographically bound corporate purpose (Tuominen, 2012). In more detail, stakeholders may look at them more favourably as co-operatives have a “genuine interest” in developing the territory in which they are embedded (Jussila et al., 2007). Similarly, Novkovic (2008) defines “concern for community” as a key area that defines the co-operative difference. In addition, Fulton and Hammond-Ketilson (1992) argue that “knowledge of local conditions as well as the sense that they possess the power to alter those conditions, enable cooperatives to make decisions that take into account members’ welfare. At the same time, local control cannot be at the expense of the ability to tie into a wider network that can provide scale economies” (p. 23).

Various scholars (see Novkovic, 2008; Davis and Burt, 2007; Valentinov, 2004; Spear, 2000; Fulton and Hammond-Ketilson, 1992; Normark, 1996) have also emphasized how the co-operative social values and principles (e.g. honesty, openness, democracy) increase the development of trustful relationships that give them a competitive advantage over IOFs. Similarly, Spear (2000) argues that, a “co-operative will have competitive advantage because their profit distribution constraints engender trust and there is also more likelihood that managers will perform in line with users preferences since returns to members is a key measure of performance” (p. 510). Davis and Burt (2007) argue that “the absence of social values denies co-ops their natural profile, renders them similar to their competitors to the point of not being able to distinguish them and denies them their natural competitive advantage” (p. 208). Thus, if they are to maintain a distinct identity, their values must be more explicitly stated (Somerville, 2007). Further, Somerville (2007) discusses how the autonomy and membership give them a competitive advantage compared to other organization types.

Recent studies on co-operatives indicate that co-operatives are seen as social capital based organizations (see e.g. Peredo and Chrisman, 2006; Valentinov, 2004; Spear, 2000). One explanation for this is that the co-operative principles and values themselves build social capital and enhance the development of social capital in consumer co-operation (see Valentinov, 2004). For example, the immediate motive for co-operation is not individual gain but is mediated by mutual self-help objectives and emphasizes the importance of personal relationships (Valentinov, 2004).

From the strategic perspective, social capital creates several advantages for co-operatives as trust increases: increased access to information, better communication and coordination, reduced opportunistic behaviour and transaction costs (e.g. Valentinov, 2004; Svendsen and Svendsen, 2000). Spear (2000) has also mentioned that the social capital of consumer co-operatives (trust derived from the company form and the circumstances in which the co-operatives have been established) can give them an economic and social advantage compared to IOFs. However, it should be noted that building social capital is also a necessity, or a precondition, for the establishment and development of a successful consumer co-operative (see Spear, 2000) because having a good and trustful relationships with the important stakeholders is vital due to the geographically bound purpose of consumer co-operation. Finally, even though scholars have emphasized the social side of co-operation (see Novkovic, 2008), several scholars have also recently emphasized the co-operatives' need to be efficient (see Jussila, 2013; Mills, 2008; Davis, 2001). Next, profit-making and capital accumulation in the context of consumer co-operatives are discussed.

1.1.3 Profit-making and capital accumulation in consumer co-operatives⁷

Profit-making to accumulate financial capital has been a controversial and debated topic in the research on consumer co-operation (e.g. Syrjä, Sjögren & Tuominen, 2012; Hicks, Maddox, Robb & Webb, 2007). That is, do co-operatives need to make profit (to accumulate capital) and is it in accordance with the principles and values of co-operatives (see e.g. Puusa et al.,

⁷ As this topic has received very little scholarly attention in the research on consumer co-operation, the researcher has also utilized some research on the area of producer/marketing co-operatives in this chapter (e.g. Boyle, 2004)

2013; Novkovic, 2008)? So far, profit-making (to accumulate capital) has been justified because of the “special financing risk of the co-operative” (Jokisch, 1994, p. 26). In more detail, this is derived from the fact that, according to the principles of co-operation, the co-operative is open for new members to join, while existing members are free to leave any time that they choose to terminate their membership (Novkovic, 2008; Watkins, 1986). In addition, the participation shares are the individual property of the members, which can be paid back to members if they decide to leave the co-operative (Nilsson, 2001). In other words, the member contributions can be seen as a loan to the co-operative. A noteworthy point is that this aspect of capital accumulation is very different from IOFs in which the capital stock does not decrease when one shareholder sells his/her shares to someone else.

Because of the above described co-operatives’ financial risk, it is crucial that a co-operative builds its own capital base (Hicks et al., 2007). For example, the study by Münkner (2000) concerning the causes of failure of a big German consumer co-operative shows that in times of crisis, the fact that share capital is not stable but variable in consumer co-operative “can lead to undesirable capital reduction by mass withdrawal of members” (p. 85). Thereby, it is justified that consumer co-operatives accumulate capital base by making profit and retaining it in the co-operative. Thus, profit-making has an instrumental role in the consumer co-operation (Cornforth, 2004) and the accumulation of capital “is not their end purpose but merely a means to serve people better” (Davis, 2001, p. 36). Similarly, the results from the research by Davis and Donaldson (2000) reveal that a lack of financial capital was considered as the biggest barrier to change in consumer co-operatives.

Profitability is also important in securing outside capital (Jokisch, 1994). However, the option of outside liabilities in terms of debt is not encouraged in the co-operative model, which highlights co-operators’ (co-operatives’) freedom and independence from other organizations (Jussila, 2013), such as outside creditors (banks). This is how co-operative principles steer co-operatives towards financing their operations by primarily using their profits rather than going outside the co-operative system.

Profit-making in co-operatives is often referred to as “economic efficiency” (see Boyle, 2004) and several scholars have argued that co-operatives are economically inefficient compared to IOFs (see Sexton and Iskow, 1993). In contrast to the general assumption that co-operatives are inefficient, Boyle (2004) empirically studied the economic efficiency of Irish dairy marketing co-operatives and found that they behaved as if they were profit maximizers.

Thereby, these co-operatives were at least as economically efficient as for-profit firms (Boyle, 2004).

Recently, Syrjä et al., (2012) found that co-operatives seem to generate high profits even though their objective is to generate consumer surplus (see also Fairbairn, Bold, Fulton & Hammond-Ketilson, Ish, 1991). Thus, the management of co-operatives seemed to behave in a more opportunistic way than the management of limited companies (Syrjä et al., 2012). Further, the research by Syrjä et al. (2012) reveals that consumer co-operatives often use profits to expand their operational areas or to invest.

Finally, regardless of the above notions concerning the need for profit-making in consumer co-operation, profit-making has been a controversial topic in co-operative literature (e.g. Hicks et al, 2007; Nilsson, 2001; Hansmann, 1996). It should also be noted that co-operatives are expected to accumulate economic surpluses that are reinvested and distributed back to the communities from which they came (Fairbairn et al., 1991). Thus, the “community retains a greater share of the business profits than would be the case with a publicly traded firm” (Zeuli and Radel, 2005, p. 49). This aspect is also consistent with the geographically bound purpose of consumer co-operation (Tuominen, 2012). Figure 1 presents the role of profit and capital accumulation in co-operatives (based on the above studies):

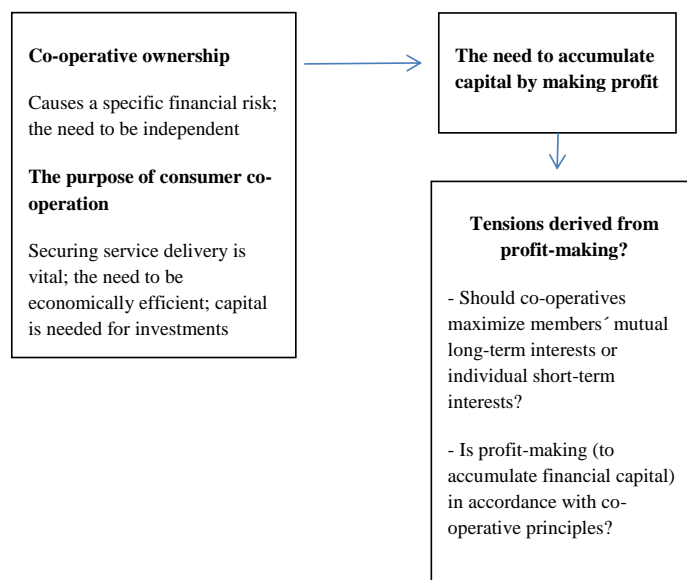


Figure 1. Why do co-operatives need strong financial capital?

1.1.5. Summary of the research background

In order to establish a more comprehensive framework for the research background, Table 1 collects the above presented perspectives on consumer co-operation by summarizing the main contributions of each of the references:

Table 1. Summary of the main research background

Perspective on consumer co-operation	Reference	Main contribution
The purpose of consumer co-operation and the competitive advantage of consumer co-operation	Tuominen (2012)	The implications of the purpose of consumer co-operation for the management and governance of consumer co-operatives
	Davis and Donaldson (2000)	An extensive survey concerning the co-operative advantage (including strategic management, HRM, membership, cultural issues, marketing issues etc.
	Münkner (2000)	Investigates the main causes of failure of a German consumer co-operative
	Davis and Burt (2007); Fulton and Hammond-Ketilson (1992); Normark (1996); Novkovic (2008); Spear (2000); Valentinov (2004)	That co-operative values, principles and ownership emphasize “concern for the community”, which can potentially operate as a competitive advantage
	Nilsson (2001)	The organizational principles for co-operative firms with a focus on collective ownership and profit-making
	Michelsen (1994); Spear (2004); Cook (1994); Davis (2001); Mills (2008)	Definition and discussion of the purpose of consumer co-operation
	Birchall (2000)	Strong local identity as a competitive advantage of consumer co-operatives
	Saxena and Graig (1990)	The problems that consumer co-operatives have faced; the potential success factors for consumer co-

		operatives
Networking	Normark (1996); Nilsson (1994); Ollila (1989)	Co-operatives as network organizations
	Simmons and Birchall (2008)	A network perspective on the role of co-operatives in poverty reduction
	Spear (2000)	Co-operative advantage derived from close relationships (networking)
	Hingley (2010)	Investigation of the market position of retail consumer co-operatives. The argument that niche opportunities are offered by local networks
	Hannah et al. (2006)	Investigation of the required conditions for effective network (by using a Scottish local healthcare co-operative); trust and distrust are investigated
CSR behaviour	Hingley (2010)	Investigation of the market position of retail consumer co-operatives. The argument that a co-operative can survive and add value as an alternative organizational form when genuine social responsibility is experienced by a network consisting of the co-operative
	Novkovic (2008); Tracey et al. (2005)	Co-operative values and principles emphasize socially responsible behaviour
	Majee and Hoyt (2011); Peredo and Chrismann (2006); Simmons and Birchall (2008); Zeuli and Radel (2005); Zeuli et al. (2004)	The socially responsible behaviour of co-operatives generated through community development
Social capital	Spear (2000); Valentinov (2004); Peredo and Chrisman (2006)	Social capital is highlighted in the establishment, development and/or management of consumer co-operatives
Profit-making (to accumulate capital)	Nilsson (2001)	Co-operative ownership (individualistic and collectivistic) sets requirements for profit-making and capital accumulation
	Boyle (2004)	Co-operatives behave as if they were profit maximizers; co-ops are

		economically as efficient as IOFs
	Syrjä et al. (2012)	Co-operatives generate high profits; management behaved in a more opportunistic way than the management of IOFs; co-operatives often use profits to expand their operations (investments)
	Sexton and Iskow (1993)	Co-operatives are economically inefficient compared to IOFs
	Watkins (1986)	Profitability is part of the co-operation principles
	Hicks et al. (2007); Jokisch (1994)	Co-operative ownership causes a specific “financial risk”, thus a co-operative has to build its own capital base
	Davis (2001); Cornforth (2004)	Profit-making has an instrumental role in consumer co-operation (it provides the means to serve members better)

It is noteworthy that some of the studies presented in Table 1 are included under several different themes. This is because some of the studies, such as Hingley (2010), include CSR as well as networking (similarly Peredo and Chrisman [2006], discuss both community involvement and social capital). Finally, the next figure (Figure 2) presents the competitive advantages of consumer co-operation (based on a review of past studies):

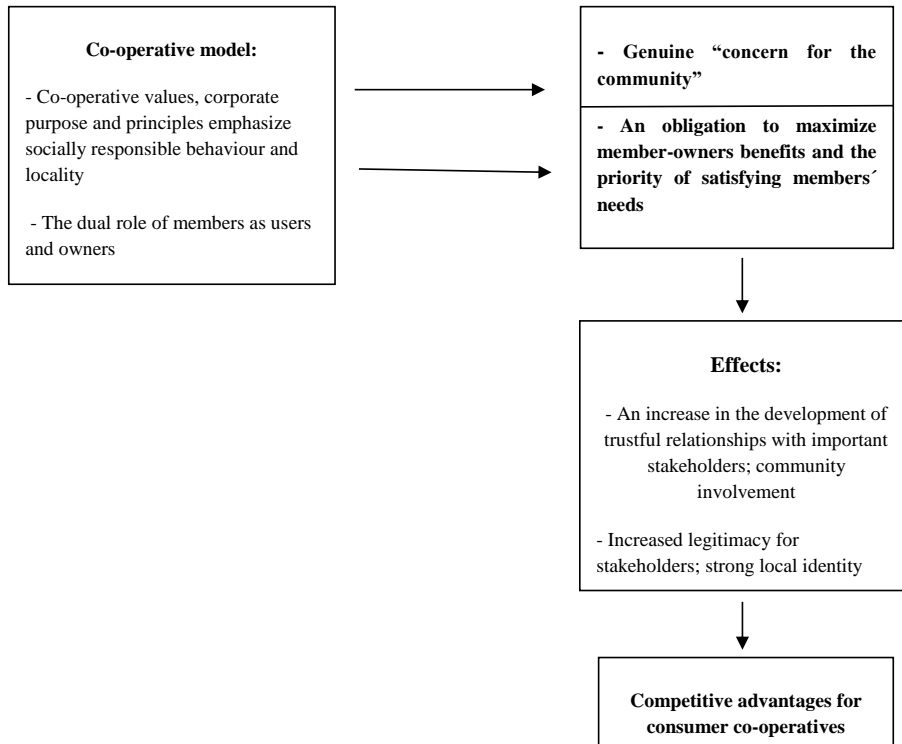


Figure 2. The competitive advantages of consumer co-operatives

In sum, Figure 2 presents the fact that, according to the principles and values of the co-operative model, consumer co-operatives have more “concern for the community” (compared to IOFs) and they are obligated to maximize member-owners benefits and prioritize the satisfaction of its members’ needs. Thereby, these characteristics of consumer co-operatives are likely; 1) to increase the development of trustful relationships with important stakeholders and community involvement activities and 2) to increase legitimacy for stakeholders and enhance the development of strong local identity. In other words, based on previous research on consumer co-operatives (e.g. Novkovic, 2008; Valentinov, 2004; Spear, 2000), it can be argued that the co-operative model itself operates as a source of competitive advantage for consumer co-operatives.

1.2 Research gaps and objectives

So far, research on consumer co-operation has focused on how the different purpose of consumer co-operation affects the management and governance of consumer co-operatives (e.g. Tuominen, 2012; Spear, 2004; Cook, 1994; Michelsen, 1994). In more detail, consumer co-operatives have a more complex set of goals in contrast to the objective of general profit maximization found in IOFs (Spear, 2004; Cook, 1994). That is, the purpose of consumer co-operatives is to conduct concrete services in such a way as to maximize the satisfaction of its members' needs (Michelsen, 1994). Further, the members' primary role is not as investors in the traditional sense (nor do they have a direct interest in profitability) but, as they are the consumers (customer-owners), they want more affordable prices and better products than the competitors offer (see Spear, 2004).

So far, scholars have emphasized the role of consumer co-operatives in community development (Zeuli and Deller, 2007; Peredo and Chrisman, 2006; Zeuli and Radel, 2005; Zeuli et al., 2004; Fulton and Hammon-Ketilson, 1992). Further, scholars have investigated the sources of success (Jussila et al., 2007; Tuominen et al., 2006), the co-operative advantage (Davis and Donaldson, 2000), what motivates members to participate in consumer co-operatives (Birchall and Simmons, 2004) and the implications the different purpose of consumer co-operation has for the management and governance of consumer co-operation (Tuominen, 2012; Spear, 2004; Cook, 1994; Michelsen, 1994). In addition, strong local identity (Birchall, 2000) and the dual role of members as users and owners (Normark, 1996) have been seen as potential sources of competitive advantage.

As presented in subsection 1.1, scholars have discussed how the characteristics of consumer co-operatives – for example, the principles, values and the dual role of members as the users and owners (e.g. Novkovic, 2008; Spear, 2000; Normark, 1996) – give them a competitive advantage over IOFs. Secondly, consumer co-operatives' ability to manage their relationship with their environment (see Pfeffer and Salancik, 1978) seems vital for consumer co-operatives due to their geographically bound corporate purpose (see Tuominen, 2012). It is noteworthy that the above presented geographically bound purpose of consumer co-operation (Tuominen, 2012) sets preconditions for establishing a value creating strategy that creates the sustained competitive advantage (see Barney, 1991) of consumer co-operatives. That is, executing a value creating strategy of consumer co-operative (to achieve sustained

competitive advantage) should also be in accordance with the geographically bound purpose of consumer co-operation.

Regardless of the above presented, increasing scholarly attention to consumer co-operation (e.g. Tuominen, 2012; Spear, 2004, 2000; Cook, 1994), scholars have not yet specifically, empirically investigated; 1) How consumer co-operatives can use social and financial capital to achieve sustained competitive advantage and, in more detail, 2) why and how consumer co-operatives accumulate these forms of capital? It is this research gap that this doctoral dissertation aims to fill. In more detail, the following aspects have remained vague in this context and research gap; the role of networking (e.g. Normark, 1996), CSR behaviour (e.g. Hingley, 2010; Tracey et al., 2005; Carrol, 1991), profit-making (e.g. Syrjä et al., 2012; Nilsson, 2001) and social capital (Valentinov, 2004). It is noteworthy that, as publications 1 and 2 in this doctoral dissertation were published in 2007, the research gap is based on the existing studies on the topics that were published before 2007. However, in the earlier chapter (subsection 1.1) the researcher presented studies that have been published after publications 1 and 2 were published in order to present a comprehensive view of the current studies.

As presented in subsection 1.1.2, consumer co-operatives have been characterized as “network organizations” (e.g. Davis, 2006; Normark, 1995) and co-operative networks are considered as territorially embedded and thriving where close relations between network actors are possible (e.g. Tuominen, Jussila & Saksa, 2006; Hansmann, 1996; Normark, 1996). For example, co-operatives are typically seen as a link between various regional or local stakeholders that serve the interests of the community (e.g. Tuominen, et al., 2006) and Normark (1996) suggests that “the development of new co-operatives is highly dependent on existing social networks in the local environment” (p. 429).

Regardless of the fact that networking has been acknowledged as important for consumer co-operatives, scholars have not yet investigated both the economic (the resource-based perspective, Barney, 1991; Wernefelt, 1984) and social perspectives (e.g. Brass, Butterfield & Skaggs, 1998) on developing an interpretative framework for analysing the strategic importance of both formal and informal networking in the context of consumer co-operation. In addition, scholars have not yet empirically investigated what implications consumer co-operatives’ networking has for accumulating financial and social capital in order to achieve sustained competitive advantage. Further, scholars have not yet empirically investigated what

strategic benefits consumer co-operatives can achieve by networking (what benefits can be gained from both the formal-based network structure and informal networking). It is this specific research gap that Publication 1 aims to explore.

Even though CSR behaviour (Carrol, 1979, 1981, 1998) has received much scholarly attention and has been studied from various theoretical perspectives – such as agency theory (e.g. Friedman, 1970), stewardship theory (e.g. Donaldson and Davis, 1991), the resource-based view of the firm (e.g. Hart, 1995), institutional theory (e.g. Jennings and Zandbergen, 1995) and stakeholder theory (e.g., Smith, 2003) – CSR has rarely been empirically employed to analyze CSR in the context of consumer co-operation. Instead, co-operative scholars have theoretically emphasized the normative framework of co-operatives, which emphasize human-centred values and principles (see e.g. Valentinov, 2004) and “concern for the community” (Nilsson, 1996: 637). In addition, CSR scholars have not considered how the geographically bound purpose of consumer co-operation sets different kinds of requirements for CSR behaviour.

In sum, even though CSR behaviour (Carrol, 1979) has not explicitly been empirically investigated in the context of consumer co-operatives, social responsibility has traditionally been an essential part of the co-operative philosophy (e.g. MacPherson, 1995; Munkner, 1981). For example, based on the recent study of the purpose of consumer co-operation (Tuominen, 2012), it can be argued that consumer co-operatives are obliged to act in a more socially responsible way than their competitors in the region they operate in since; 1) customers own the co-operative and 2) consumer co-operatives are regionally dependent. However, co-operative scholars have not yet empirically explored the implications of CSR for the strategic management of consumer co-operation and, in more detail, how the CSR behaviour of consumer co-operatives relates to accumulating social capital in order to achieve sustained competitive advantage and what critical resources consumer co-operatives can obtain through CSR actions. Publication 2 aims to fill this research gap.

By so far, scholars have seen profit-making in consumer co-operation as contradictory – and especially when the co-operatives accumulate financial capital by making profits (e.g. Hicks et al., 2007; Nilsson, 2001; Davis, 2001; Mills, 2001; Jokisch, 1994). For example, Jokisch (1994) argues that a traditional view of co-operatives has not been in favour of making profit. However, the research by Hicks et al. (2007) seems to treat profit as an important part of

consumer co-operation. For example, a co-operative can retain the profit as a collective property and, thereby, promote the members' mutual interests (Davis, 2001) by making collective investments. Similarly, the research by Syrjä et al. (2012) indicates that co-operatives do not usually have so much profitability pressures exerted by their owners' demands as those of IOFs. Further, the research by Syrjä et al. (2012) reveals that consumer co-operatives made profit which they often use to expand their operation / invest.

Regardless of these notions of profit-making in consumer co-operation, its implications for the strategic management of consumer co-operation have remained vague and lack empirical evidence. That is to say, is executing the geographically bound purpose of consumer co-operatives related to profit-making and if so, how? As presented earlier, consumer co-operatives should execute a value creating strategy (to achieve sustained competitive advantage) that is also consistent with executing their geographically bound corporate purpose. Publication 3 serves to answer this research gap.

Finally, the construct of *social capital* (see e.g. Adler and Kwon, 2002; Putnam, 2000; Nahapiet and Ghoshal, 1998) has been acknowledged as important for community-based enterprises such as co-operatives (e.g. Peredo and Chrisman, 2006; Valentinov, 2004; Spear, 2000). So far, social capital has been investigated in worker co-operatives (e.g. Logue and Yates, 2006), producer (e.g. farmers) co-operatives (e.g. Nilsson et al., 2012; Nel, Bins & Motteux, 2001) or social co-operatives (e.g. Gonzalez, 2010; Ridley and Duff, 2008). In addition, the normative framework and definitions of social capital (e.g. trust, community involvement) have been noted to be similar to those of co-operatives (see Valentinov, 2004; Nilsson et al, 2012). Recently, Nilsson et al. (2012) applied social capital theory as a tool for explaining the demise of many large and complex agricultural co-operatives, suggesting that the loss of social capital could explain this development (e.g. co-operatives no longer meet their members' demands). On the other hand, Nilsson et al. (2012) argue that co-operative managers have no instruments for estimating how much social capital they lose when executing their radical strategic decisions (e.g. pursuing a strategy of vertical and horizontal integration). It is worth noting that, even though network resources (the outcome of social capital) are not always visible, they also have an economic impact on these co-operatives and a loss of social capital can have consequences, such as less involvement in mutual benefits, less collaboration, members' decreasing trust in their co-operatives' managers and in each other (Nilsson et al, 2012). Therefore, social capital is likely to have a significant strategic

importance for consumer co-operatives. Overall, the strategic benefits of co-operative social capital have mainly been discussed theoretically (e.g. Spear, 2000) or have focused on producer co-operatives (Nilsson et al., 2012; Svendsen and Svendsen, 2012).

In sum, even though social capital has been investigated in the above presented contexts of co-operatives (producer co-operatives), it has gained less scholarly attention in the research on the strategic management of consumer co-operation (see e.g. Spear, 2000) and lacks empirical research. In more detail, scholars have not yet empirically investigated whether (specifically) consumer co-operatives accumulate social capital in order to achieve sustained competitive advantage. Further, scholars have not empirically investigated how consumer co-operatives develop and utilize different sources of social capital, how these different sources of social capital are related to different dimensions of social capital – such as communal, relational and cognitive social capital (see Nahapiet and Ghoshal, 1998; Ibarra et al., 2005;) and how different sources and dimensions of social capital create different kinds of strategic benefits. Publication 4 aims to fill this research gap.

Finally, as presented earlier, the geographically bound purpose of consumer co-operatives sets challenges for the management of consumer co-operatives (Tuominen, 2012). However, scholars have not yet empirically investigated how geographically bound consumer co-operatives can execute a value creating strategy to achieve sustained competitive advantage (see Barney, 1991) over global competitors (IOFs).

Finally, what is common to the above presented four knowledge gaps (one of which each of the four publications sets out to fill) is that previous scholars have not integrated and considered them together (the accumulation of social and financial capital) as a unique value creating strategy to achieve a sustained competitive advantage for consumer co-operatives. It is this research gap that this doctoral dissertation aims to fill. Therefore, the overall objective of this doctoral dissertation is to describe and understand how consumer co-operatives use social and financial capital to achieve sustained competitive advantage. This objective is served by combining three different interview data (gathered from Finnish S Group consumer co-operatives), utilizing the archival material of S Group co-operatives and previous literature on the topic.

Based on the research gaps identified, the researcher established the main research question⁸ as follows:

How can consumer co-operatives use financial and social capital to achieve sustained competitive advantage?

Further, the above presented main research question can be specified with two sub-questions which have different kinds of implications to the main research question. First, the role of financial capital accumulation in the strategic management of consumer co-operation has remained controversial (see Syrjä et al., 2012) and lacks empirical evidence. Thereby, the first sub-question is:

Sub-question 1: *Why and how can consumer co-operatives accumulate financial capital?*

As presented earlier, consumer co-operatives have been seen as social capital based organizations (Valentinov, 2004), emphasizing networking (Normark, 1996) and CSR behaviour (Peredo and Chrisman, 2006). However, the specific implications of social capital to the strategic management of consumer co-operatives have remained unanswered and lack empirical research. The question is how the accumulation of social capital is related to achieving sustained competitive advantage. Thus, the second sub-question is:

Sub-question 2: *Why and how can consumer co-operatives accumulate social capital?*

There are four publications serving the objectives of this thesis; each of them is published in international, peer-reviewed academic journals (two of these journals focus on co-operative studies and two on international business in general). Even though the publications are separate, they are also strongly interlinked with one another. That is, publications 1, 2 (partly) and 3 are applied to answer the first research question. Further, publications 1, 2 and 4 are

⁸ The research questions were redefined towards the final stages of this research process, which is typical of qualitative research

applied to answer the second sub-research question. Each of the publications is mostly based on publications on co-operation, although they also include some other important references in fields that the researcher thinks are appropriate to refer to when defining and presenting the key constructs of the study (e.g. social capital or networking). Each of the publications has been published in management and organization journals. Overall, the publications form a coherent entity and serve the objectives of this doctoral dissertation. Further, by answering the research questions presented in the publications, it is possible to establish an overall picture of how and why consumer co-operatives can accumulate social and financial capital (as a means to achieve sustained competitive advantage). Next, the key concepts essential to this doctoral dissertation are defined and presented. Also the scope of the work is further discussed.

1.3 The key constructs and scope of the dissertation

The key constructs of this dissertation are derived from the research questions (see above). Thus, the constructs of *the purpose of consumer co-operation* (Tuominen, 2012) and *a sustained competitive advantage (by executing a value creating strategy)* (e.g. Barney, 1991) serve as a foundation for this doctoral dissertation.

As defined by Jussila et al. (2008), *consumer co-operatives* exist to provide the owners with (a) services and goods that are needed but not otherwise provided, and/or (b) services and goods at fair prices when they are (in the absence of the co-operative) provided with unfair prices (cf. Fulton and Hammond-Ketilson, 1992). According to Tuominen (2012), the owner's primary role is as a user, not an investor, and the model does not aim primarily at profits and the increase (or change) in share value, but on lower prices and better products (cf. Spear, 2004; Borgen, 2004). According to Tuominen (2012: 26), *consumer co-operatives* "are businesses that are established by consumers to execute the purpose of consumer co-operation and, as owners benefit through consumption of services (which typically requires close association), thereby these are typically geographically-bound organizations (e.g. Mills, 2001) – even to the extent that they have been depicted as 'captives of their regions' (Jussila, Kotonen and Tuominen, 2007, p. 38).

According to Borgeois (1980), *strategy* helps to determine how an organization (e.g. a consumer co-operative) defines its relationship with its environment in the execution of its purpose and pursuit of its objectives. It is worth noting that the geographically bound purpose

of consumer co-operatives sets constraints on the strategic choices, as the co-operatives cannot withdraw from competition during the declining stages of business (Tuominen, 2012). In other words, understanding how to manage the relationship between the environment and the consumer co-operative is vital for the survival and success of a consumer co-operative. Thus, regionally dependent consumer co-operatives need to execute value creating strategies (see Barney, 1991) that also help them to manage their relationship with their operational environments (see Pfeffer and Salancik, 1978).

Overall, the construct of a *value creating strategy* refers to sustained competitive advantage, which Barney (1991) defines as follows: “a firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy” (p. 102). Generally, organizations execute different kinds of strategies to stabilize and bring certainty to their environment. In more detail, these strategies can restructure the organization to avoid instability or its consequences, stabilize exchange relationships or restructure the set of exchange relationships to enhance stability. For example, a consumer co-operative can enhance stability in its environment by executing strategies that increase their legitimacy in their organizational field. Finally, in order to understand the executed strategies, the construct of the environment needs to be defined.

The construct of the *environment* entails three different levels (Pfeffer and Salancik, 1978). At the first level, the environment consists of the entire system of interconnected individuals and organizations that are related to one another and to a focal organization through the organization’s transactions (Pfeffer and Salancik, 1978). On the second level, there exists a set of individuals and organizations with which the organization directly interacts (Pfeffer and Salancik, 1978). Finally, on the third level of the organization’s environment is the organization’s perception and representation of the environment (Pfeffer and Salancik, 1978). In the context of consumer co-operation, the construct of the environment entails primarily the local community / region as the consumer co-operatives are geographically bound (see Tuominen, 2012). However, depending on the scope/size of the co-operative, the environment of the consumer co-operative can also entail the regional, national and also the international environment. For example, it should also be noted that the co-operation between co-operatives, both at the national and international level, is also one of the principles of consumer co-operation (see Simmons and Birchall, 2008; Valentinov, 2004). Thus, the

environment of the consumer co-operative manifests primarily as; 1) local (as they are geographically bound) but can also manifest on the; 2) national and 3) international level (e.g. international co-operation between co-operatives).

Further, key concepts related to the sustained competitive advantage of consumer co-operatives in this study are related to the accumulation of social and financial capital in consumer co-operation. In more detail, the accumulation of social and financial capital in consumer co-operatives is investigated from four different theoretical perspectives (see the publications); 1) strategic *networking* (see e.g. Hingley, 2010; Hannah et al., 2006; Borch and Arthur, 1995; Gulati, 1988; Jarillo, 1988), 2) *CSR behaviour* (e.g. Windsor, 2006; Carrol, 1991; 1979; Davis, 1973), 3) *profit-making* (e.g. Syrjä et al., 2012) and 4) *social capital* (see e.g. Valentinov, 2004; Spear, 2000).

First, the concept of “strategic” networking derives from the notion that networks are conceptualized “as a mode of organization that can be used by managers to set their firms in a stronger competitive position” (Jarillo, [1988]: 32). In sum, strategic management theories on networks emphasize the importance of internal resources (e.g. Wernerfelt, 1984) and external resources (e.g. Langlois, 1992) in the process of creating a sustained competitive advantage via capabilities (see Barney, 1991). In contrast to this, research on social networks has included such topics as how network connections can explain differences in the resources available to individuals, groups and organizations (cf. Gulati, 1998). Liebeskind, Oliver, Zucker and Brewer (1996: 4) define a social network as the “collectivity of individuals among whom exchanges take place that are supported only by shared norms of trustworthy behaviour” (p. 430).

In the mainstream research on CSR, the definitions of CSR by Carrol (1991; 1979) are often utilized. According to Carrol (1979), the definition of CSR refers to not only economical and legal demands but also the ethical demands that society places on a business operation. Later, Carrol (1991) revised the construct of *CSR behaviour* to have four different dimensions; 1) economic responsibilities (“to be profitable”), 2) legal responsibilities, 3) ethical responsibilities (the “obligation to do right”) and 4) philanthropic responsibilities (to “contribute to the community”). Similarly, Windsor (2006) argues that CSR entails three different perspectives; 1) ethical responsibility, 2) economic responsibility and 3) corporate citizenship. Publication 2 focus on investigating CSR from a stakeholder theory perspective

(e.g. Donaldson and Preston, 1995). Thus, CSR in this doctoral dissertation is discussed and defined from the stakeholder theory perspective. Freeman (1984) defines stakeholders broadly as “any group or individual who can affect or is affected by the achievement of the organization’s objectives” (p. 46). According to Carrol (1991), “management’s challenge is to decide which stakeholders merit and receive consideration in the decision-making process” (p. 47). Davis and Donaldson (2000) identify the following three different stakeholder groups of co-operatives (from the managers’ perspective) that see co-operative values as very important for the management of key stakeholder relationships; board/committee members, active members, and past and future generations. Generally, the stakeholders of consumer co-operatives include member-owners and important regional interest groups that the co-operative is dependent on.

From the stakeholder perspective, organizations engage in CSR behaviour to gain legitimacy for their stakeholders in order to survive (e.g. Mizruchi and Fein, 1999; Meyer and Rowan, 1977). According to Carrol (1991), “legitimacy refers to the extent to which a group has a justifiable right to be making its claim” (p. 48). In addition to legitimacy, stakeholder’s power is another criterion for defining which stakeholders have the most urgent or important of the several stakeholder claims (Carrol, 1991).

It is noteworthy that CSR behaviour can be exhibited through networking (e.g. establishing close and trustful relationships with regional stakeholders). However, as a construct, CSR also entails much more than networking. In the context of consumer co-operation, CSR can be defined as follows; “CSR emphasizes the interconnectedness of business and society / the physical environment and much of the efforts of corporate organizations have emphasized both “giving back” (Bharracharya and Sen, 2004; Lindgreen et al., 2009 in Hingley, 2010: p. 115) and being engaged with society/environment and with principal stakeholders within a society’s legal and moral framework (Carrol, 1979; Maignan et al, 2005; in Hingley, 2010: p. 115).” In addition, CSR is not only about being seen to “do good” but it can only be meaningful when it is in the DNA of a co-operative and thus, for customers to believe in it, it must be genuine (Hingley, 2010).

Thirdly, *profit-making* in consumer co-operatives (e.g. Syrjä et al., 2012; Hicks et al, 2007; Mills, 2001; Hansmann, 1996; Jokisch, 1994) forms a central construct, since Publication 3 concentrates on why consumer co-operatives make profits. Profit-making in co-operatives is

often referred to as “economic efficiency, which encompasses the concepts of price or allocative efficiency and technical efficiency. Technical efficiency implies that the firm is on its production frontier whereas allocative efficiency implies that no reallocation of resources could yield higher profits” (Boyle, [2004]: p. 144).

Finally, *social capital* is also a key construct of the study (see Publication 4). As mentioned, previous research has not been able to generate a commonly accepted definition of social capital; instead, there are a wide range of definitions and dimensions of social capital (see Adler and Kwon, 2002; Nahapiet and Ghoshal, 1998). Firstly, the definitions of social capital differ from one another in terms of whether they focus on the substance, the sources or the effects of social capital (Adler and Kwon, 2002). Secondly, definitions of social capital vary depending on whether they focus on; 1) the relations that the actor has with other actors, 2) the structure of relations among actors within a group/collective or 3) both types of linkages (Adler and Kwon, 2002). In general, social capital refers to the significance of social relationships and networks that have resource advantages to both individual and communities (e.g. Ibarra, Kilduff & Tsai, 2005; Nahapiet and Ghoshal, 1998; Putnam, 2000, 1995) and this broad definition of social capital is also applied in this doctoral dissertation.

According to Nahapiet and Ghoshal (1998), there are three different dimensions of social capital; 1) the structural dimension (network ties, network configuration, appropriable organizations), 2) cognitive dimensions (shared codes and language, shared narratives) and 3) the relational dimension (trust, norms, obligations, identification). Further, each of these dimensions of social capital facilitate the creation of new intellectual capital, which according to Nahapiet and Ghoshal (1998) “refer to the knowledge and knowing capability of a social collectivity” (p. 245).

It is noteworthy that intellectual capital has been viewed as the most valuable asset of a company (especially in knowledge-driven organizations) (see Chatzkel, 2000; Edvinsson, 2000). Further, intangible assets represent the largest share of value in organizations and the growth of the intangible assets is likely to determine the economic performance of the firm (Chatzkel, 2000). Similarly, Edvinsson and Malone (1997) argue that the “value of a company’s Intellectual Capital will have a major influence on competitive advantage” (foreword). It is also worth noting that intellectual capital is also highly important to co-operatives, as education, training and information together form one of their main principles.

In addition, Allee (2000) has presented an expanded view of intellectual capital and redefined the concepts of value and wealth (both at the business and at the macro-economic level). In more detail, Allee (2000) discusses knowledge and intangible benefits as currency and pays more attention to types of value exchange. Further, Allee (2000) argues that scholars have “ignored the economic and business consequences of the corporate role in important areas of non-monetary value” (p. 19).

This doctoral dissertation focuses on the *resource advantages accrued from networks and relationships to communities* since the focus of this study is on consumer co-operatives (S group co-operatives, that are owned by over two million members in Finland). Thus, the benefits of social capital accrue to a wider community (although they aim to solely maximize members’ benefits) and thus, can be seen as communal social capital, i.e. connections between actors that enhance public good, to the benefit of the entire network or collectively (see Ibarra et al., 2005). In addition, this doctoral dissertation also highlights the relational (see Nahapiet and Ghoshal, 1998) and bridging dimensions of social capital (inward looking, tending to reinforce exclusive identities and being a homogeneous group) (see Woolcock and Narayan, 2000; Putnam, 2000). It is noteworthy that, as presented above, the definitions between the constructs of networks, social capital and CSR have certain interconnections. Thus, Table 2 summarizes more clearly the differences and interconnections between these constructs:

Table 2. Clarifying the boundaries and interconnections between the definitions of networks, CSR and social capital

Highlighted in the construct definition	Network (informal and formal)	CSR behaviour	Social capital
A general focus on the definition	<p><u>Informal network</u>: The structural and/or relational aspects of networking, a focus on actors’ positions in the network</p> <p><u>Formal network</u>: The strategic and economic aspects of networking, a</p>	Good citizenship, four-part conceptualization of CSR: economic, legal, ethical and philanthropic responsibilities	<p>Benefits accrued from interpersonal or inter-organizational networks and trustful relationships</p> <p>Structural, relational and cognitive dimension</p>

	focus on resources		
Is goodwill highlighted in the definition?	Social networks: yes Strategic/formal networks: no	Yes (in the ethical and philanthropic components of CSR)	Yes
Are social relations highlighted in the definition?	Yes (especially in social network literature)	Only indirectly, in the philanthropic component of CSR	Yes
Has the direction of the resource flow been highlighted in the definition?	Yes; resource <i>exchange</i> between actors	No	Yes; resource <i>benefits</i> accrued from the social networks / relationships (e.g. the creation of intellectual capital)
Are the resources being exchanged highlighted in the definitions?	Yes, goods and services or favours, gifts – depending on the type of network	Not directly mentioned in the definition of CSR	Yes, favours or gifts
Is community involvement highlighted in the definitions?	It depends on the form of network (however, generally it is not highlighted)	Yes (in the philanthropic component of CSR)	Yes (communal social capital)
To whom are benefits directed?	The individual or organization	The organization and community	The individual, organization and the community
What is the level of analysis in the definitions?	<u>Formal networks:</u> organizations <u>Informal networks:</u> network ties, focus on the structural aspects of networks (not explicitly on “who the actors are”)	The organization	The individual and organization
Is trust highlighted in the definitions?	Yes (especially in social network research)	Indirectly (in the legal, ethical and philanthropic components of CSR)	Yes
Has the company form been taken into account?	The company form has been ignored in general network research (although noted in the research on co-operatives)	Has been emphasized in the research on community-based enterprises (e.g. co-operatives)	Has been highlighted in the research on community-based enterprises

1.4 The outline of the study

This doctoral dissertation is formed of two separate sections. Part I consists of the four main chapters. In more detail, the first chapter introduced the readers to the previous research background for this doctoral dissertation: the research gaps and objectives, key constructs (networking, CSR, profit-making and social capital) and the outline of the study. Chapter 2 presents the used research methods and research design. The researcher carefully introduces the theoretical purpose, research strategy, research process, evaluates the quality and rigour of the study and introduces the key theoretical lenses that assisted the data analysis. In Chapter 3, the researcher introduces readers to the four different publications (in chronological order) that this doctoral dissertation is based on. The overall objective and the main findings of each of the four publications are presented. This chapter also presents preliminary answers to the research sub-questions. Chapter 4 consists of the discussion and conclusion of this doctoral dissertation. The researcher suggests the theoretical and practical contributions of the study as well as the limitations and suggestions for future research. Finally, Part II includes four publications that focus on four of the research sub-questions.

Figure 3 presents the outline of the study. The outline of the study was formed during the research process as the research questions were redefined and re-clarified several times (which is characteristic of the qualitative research process).

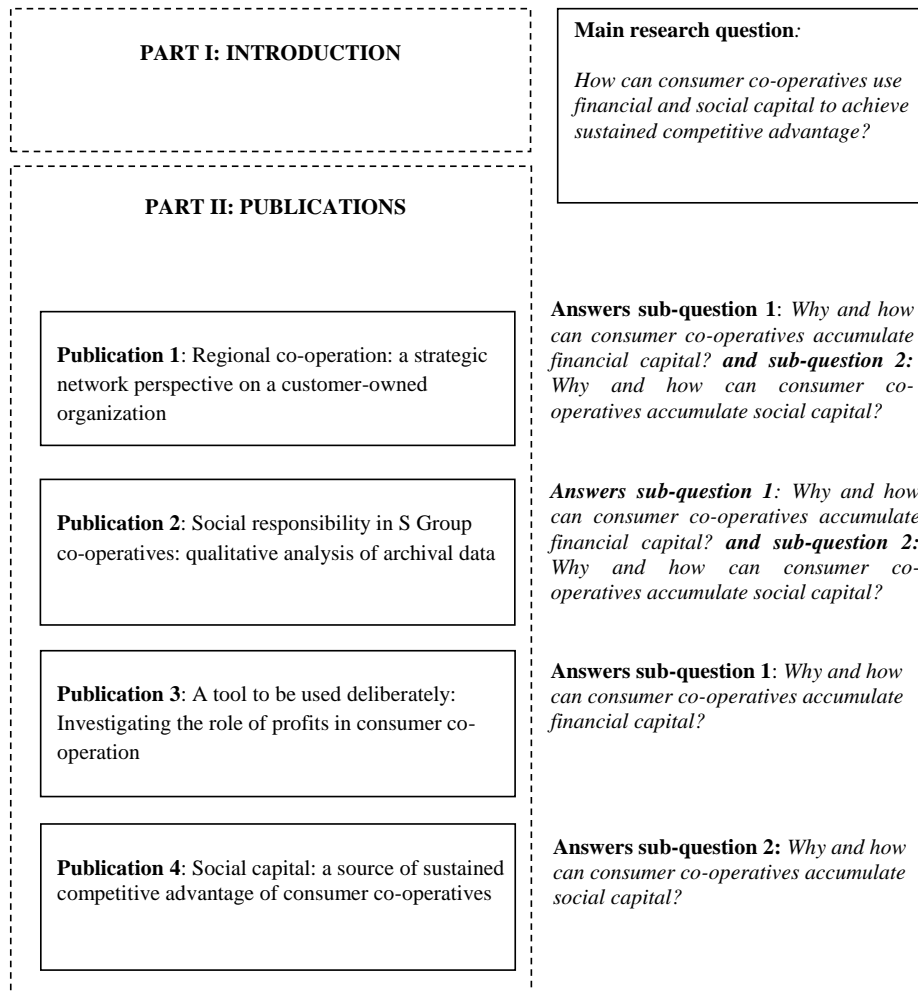


Figure 3. An outline of the study

The research design is established based on four different publications, each publication having its own specific role in this doctoral dissertation. In more detail, each of the publications aims to provide increased understanding of the research questions presented

above. Table 3 summarizes the research design of the study by presenting the specific roles, methods, analysis and used data in all four of the publications:

Table 3. Research design

<i>Publication</i>	<i>Role</i>	<i>Method and analysis</i>	<i>Data</i>
1. Regional co-operation: a strategic network perspective on a customer-owned organization	To provide an increased understanding of how strategic networking is related to accumulating financial and social capital	Qualitative case study Thematic interviews Thematic analysis	13 interviews with CEOs (of S Group), network members (CEOs), some archival material
2. Social responsibility in S Group co-operatives: a qualitative analysis of archival data	To provide an increased understanding of how CSR behaviour is related to accumulating financial and social capital	Qualitative analysis	Based on archival material, all together 56 articles and texts published in S Group
3. A tool to be used deliberately: Investigating the role of profit in consumer co-operation	To provide an increased understanding of how profit-making is related to accumulating financial capital	Qualitative case study Thematic interviews Thematic analysis	20 interviews with S Group regional co-operative supervisory board chairpersons
4. Social capital: a source of sustained competitive advantage of consumer co-operatives	To provide an increased understanding of how accumulating social capital is related to achieving sustained competitive advantage	Qualitative case study Thematic interviews Thematic analysis	20 interviews with S Group top managers and representatives

2.1 Methods, theoretical purpose and research strategy

The researcher has applied a qualitative case study (see e.g. Eisenhardt and Graebner, 2007), thematic analysis (see e.g. Braun and Clarke, 2005; Gioia et al., 2012) and a qualitative discourse analysis (about social constructivism, see e.g. Berger and Luckman, 1966) as research and analysis methods. The decision to use these methods is based on the research questions presented in each of the four publications. Secondly, as the topics related to the strategic management of consumer co-operation have received very little scholarly attention, there exists either little or no previous theory (theory in this field is considered as nascent) and thus, the decision to use thematic interviews and qualitative methods of analysis is justified (see Edmondson and McManus, 2007).

Further, the lack of prior theory on the role of social and financial capital in consumer co-operation meant that the researcher avoided hypothesizing about certain relationships between

variables (e.g. because the researcher does not know what issues might emerge from data). According to Gioia et al. (2012), studying organizational dynamics via construct elaboration and measurement hinders researchers' ability to gain deeper knowledge of organizational dynamics. In this study, as little is known about the research phenomenon, rich, detailed and evocative (qualitative) data was needed to shed light on the phenomenon. Thus, the researcher aimed at theory development, not theory verification (see Eisenhardt and Graebner, 2007). This is why qualitative research methods (see also Denzin and Lincoln, 2003) were chosen.

The data used in Publication 1 consists of 13 thematic interviews (with co-operatives' CEOs and network members). First, the researcher interviewed the CEO and the chairman of the governing board in the case co-operative. By analyzing the archival materials and the interview data, the researcher formed a preliminary description of the co-operative network. Next, when gathering additional data, we utilized the so called snowballing method by asking interviewees to name the most important actors within the network. Therefore, the next (12) interviewees were selected based on the accounts of previous interviewees. All the interviews were recorded and transcribed. After that, the data was studied systematically to gain understanding of the research context. The data was organized by themes (see Braun and Clarke, 2006; Boyatzis, 1998) and analyzed in detail.

Thematic analysis is a research method for identifying, analyzing and reporting certain patterns (themes) within the data. According to Braun and Clarke (2006), thematic analysis is a flexible and useful research tool that can potentially provide a rich, detailed and complex account of data. What counts as a theme is not (usually) dependent on quantifiable measures but instead, it depends on whether the potential theme captures something relevant to the investigated research question (Braun and Clarke, 2006). The thematic analysis used in Publication 1 represents more of a theoretical (instead of inductive) thematic analysis (see Braun and Clarke, 2006). That is, the thematic analysis is driven by the researcher's theoretical or analytical interest (previous studies on strategic networking).

Publication 2 is based on archival material, altogether 56 articles and texts published by the S Group (e.g. the annual reports of SOK and its social responsibility reports). Qualitative methods were also applied in this publication. Instead of using thematic analysis, the data is analyzed by using discursive analysis. According Wood and Kroger (2000), "discourse

analysis involves ways of thinking about discourse (theoretical and metatheoretical elements) and ways of treating discourse as data (methodological elements)” (p. 3).

Discourse analysis is based on social constructionism (see Wood and Kroger, 2000; Denzin and Lincoln, 2003; Berger and Luckman, 1966), which refers to the idea that “we do not construct our interpretations in isolation but against a backdrop of shared understandings, practises, language and so forth” (Denzin and Lincoln, 2003, 197). In other words, we do not find or discover knowledge so much as we construct or make it, and we invent concepts, models and schemes to make sense of experience and we continuously test and modify these constructions in the light of experience (Denzin and Lincoln, 2003). Therefore, “talk creates the social world in a continuous, ongoing way; it does not simply reflect what is assumed to be already there” (Wood and Kroger, 2000; 4).

The decision to apply discursive analysis was based on the research question (on how the responsibility and stakeholders are discussed in the publications of the S Group and how responsible behaviour is constructed in those articles/reports). In sum, by analyzing this material, the authors drew conclusions on how the S Group declares its definition of policy in terms of responsibility.

Publications 3 and 4 are both based on the same data; 20 qualitative interviews of CEOs and representatives of S Group co-operatives. All interviews were analyzed using thematic analysis (Gioia et al., 2012). Publication 3 can be defined as inductive thematic analysis in which we followed the guidelines set by Gioia et al. (2012). Publication 4, however, cannot be regarded purely as inductive thematic analysis because our knowledge of the past research background also shaped our data analysis. However, we tried to go beyond the existing theory taking into account the comment by Gioia et al. (2012) that “knowing the literature too early puts blinders on and leads to prior hypothesis bias (confirmation bias)”.

In publications 3 and 4, we aimed at achieving “qualitative rigour” (which has often been accused of being missing in qualitative research) in the data analysis through re-analyzing, reorganizing and redefining the data several times and establishing specific first order concepts and second order themes. We also present the data structure visually in publications 3 and 4, which shows how we progressed from raw data to terms and themes in conducting

the data analysis (see Pratt, 2008). In Publication 4, we also established aggregate dimensions in the data analysis in order to achieve more qualitative rigour (see Gioia et al., 2012).

Finally, the research strategy used in this study is a qualitative case study (see Eisenhardt and Graebner, 2007; Stake, 2000; Yin, 1994) as it aims at theory building. The research strategy is based on the research questions and research objectives. According to Eisenhardt and Graebner (2007), the justification for using the theory building approach rests mainly on the phenomenon's importance and the lack of prior theory or empirical evidence on the phenomenon investigated. As the research topic in this doctoral dissertation has received very little empirical scholarly attention and the theoretical framework is considered as nascent (at the early stages of theory development), the decision to use the theory building approach is justified.

In more detail, case studies usually answer research questions such as "How?" or "Why?" instead of questions such as "How many?" or "How much?" (Yin, 2003). Therefore, the form of the research questions in this doctoral dissertation support the decision to use a qualitative case study as a research strategy (see the research questions in subsection 1.2). In more detail, this study represents an instrumental case study, something which Stake (2000) defines as follows, "if a particular case is examined mainly to provide insight into an issue or to redraw a generalization. The case is of secondary interest, it plays a supportive role, and it facilitates our understanding of something else" (p. 437). For example, the studies in this doctoral dissertation can be categorized as instrumental case studies since the case co-operatives are of secondary interest but the cases increase understanding of how geographically bound consumer co-operatives should use financial and social capital to achieve a sustained competitive advantage.

The case co-operative in this doctoral dissertation is Finnish S-group (co-operatives). Currently, S Group has 20 independent regional co-operatives, eight local co-operatives, and the central unit SOK. S Group has expanded to several fields of businesses and currently operates in the grocery, agriculture, consumer goods, service and gas station, travel and accommodation, automotive, and accessories. In addition, S Group has established S Bank (www.s-kanava.fi; accessed 14th of May, 2013).

S Group is currently the market leader of daily consumer goods in Finland with an exceptionally high 45.2 % market share in 2011 (1.1 % increase from the year 2010). At the end of 2012, S Group had 2.055 million members (at the same time the population of Finland was approximately 5.40 million). Noteworthy, the number of employees in S group has increased rapidly in eight years and, at the end of 2012, S Group employed 43 417 people (in 2011, approximately 42,000 employees). Currently, S Group has over 1600 outlets (www.s-kanava.fi, accessed 14th of May, 2013).

The selection of the case(s) is critical in a qualitative case study (see Eisenhardt and Graebner, 2007; Flyvberg, 2006; Stake, 2000, 1995). The choice of the case is made to increase understanding of that “other interest” (Stake, 2000). When selecting a case, the first criterion is to maximize what we can learn through investigating that particular case (Stake, 1995). According to Flyvberg (2006), types of selection in case studies can be divided into a) random selection or b) information-oriented selection. In this doctoral dissertation, the selected case (S Group co-operatives) represents a critical case and is an information-oriented selection (not a random selection) (see Flyvberg, 2006). In more detail, “a critical case can be defined as having strategic importance in relation to the general problem” (p. 229) so that “if this is (not) valid for this case, then it applies to all (no) cases” (Flyvberg, 2006, p. 229). Yin (2003) also argues that the “single case can represent a significant contribution to knowledge and theory building” (p. 40), which is also the aim of this doctoral dissertation (it aims at theory building, not verification or testing of the theory).

The above definition of a critical case applies well to this doctoral dissertation for two reasons. Firstly, the chosen research questions and objectives fulfil the criterion of critical case as the case has strategic importance in relation to the general problem (how can consumer co-operatives use financial and social capital to achieve a sustained competitive advantage?). In more detail, this does not indicate that all consumer co-operatives accumulate social and financial capital in the same way. For example, some consumer co-operatives might not behave according to their main corporate purpose and principles and thus, may be less successful. However, the findings have implications concerning how successful consumer co-operatives should behave (to accumulate social and financial capital) in order to achieve sustained competitive advantage. Secondly, as the selected case (S Group co-operatives) has succeeded extremely well and grown to operate in several different fields of business, the investigation of it is likely to increase understanding of the competitive advantages of

consumer co-operation and how a successful consumer co-operative executes its main corporate purpose. Thereby, the criterion of a critical case – “If this is valid for this case, then it applies to all cases” – is fulfilled. However, the contextual factors of the study/case should also be considered and thus, they are discussed in chapter 4.3 (Limitations and suggestions for future research).

As the purpose of this doctoral dissertation is to develop theory, theoretical sampling (see Eisenhardt and Graebner, 2007) is appropriate. Theoretical sampling refers to when “cases are selected because they are particularly suitable for illuminating and extending relationships and logic among constructs” (Eisenhardt and Graebner, 2007: 27). For example, as this study aims to generate new knowledge concerning how successful consumer co-operatives have achieved their sustained competitive advantages and how they execute their geographically bound purpose, the selected case (S Group co-operatives) is justified to fit to the purpose of theoretical sampling (as the S Group is the leading and most successful consumer co-operative in Finland).

2.2 Research process

The qualitative research process has been characterized as *reflexive* (cf. Denzin and Lincoln, 2003) and *iterative* (e.g. Morse et al., , 2002). In more detail, the reflexive process refers to when the researcher critically evaluates the research phenomenon and (questions) the choices she/he has made. The reflexive process also refers to that definition of the phenomenon, the phenomenon and the finding/observation are rounded throughout the research process (Banister et al., 1994). An *iterative* research process refers to when the researcher moves back and forth between design and implementation – to ensure congruence among question formulation, literature, recruitment, strategies of collecting data and analysis – rather than linear research process and thereby, the analysis in qualitative research is self-correcting (Morse et al., 2002). In addition, the research questions are often revised several times during the qualitative research process (and even at the end of the research process) (see e.g. Denzin and Lincoln, 2003). All of these characteristics of the qualitative research process also apply to the research process of this doctoral dissertation. For example, a reflexive (critical evaluation) process was achieved by revising the papers based on reviewers’ comments. In addition, the reflexivity of the research process was also achieved in the sense that all of

the publications were revised several times before submitting the manuscripts to journals (e.g. several authors analysed the data individually and critically). However, it should be noted that the choices made in publications were also partly made based on the journal guidelines and/or reviewers' comments. In addition, we also refocused, narrowed and redefined the research questions at the end of the research process in order to establish a comprehensive view of the phenomenon investigated. The contribution of each publication and the interconnections between publications were defined at the end of the research process. Next, the research process is discussed in more detail.

The research process started in 2006 when the researcher started to investigate the strategic networking of an S Group co-operative. That is, Publication 1 is (partly) based on the researcher's master's thesis (author 1 in Publication 1). Further, the researcher worked in the research project that investigated the success factors and competitive advantages of consumer co-operation at the Lappeenranta University of Technology, School of Business. In more detail, the first publication was inspired by the project manager's discussion with key persons of the S Group who emphasized networking as important for S Group co-operatives. In addition, there existed some (theoretical) previous studies that highlighted co-operatives as "network-based organizations", but this kind of research needed more empirical investigation. Overall, the research on consumer co-operation was still in the very early stages and the theory was considered as nascent. Therefore, the doctoral dissertation aimed both for *scientific utility*⁹, but also *practical utility*¹⁰, from the beginning of the research process.

Publication 2 was carried out at the beginning of the researcher's doctoral studies, in 2007. It contributes to the study by answering sub-research question: why and how can consumer co-operatives accumulate social capital? It also contributes partly to sub-question 1 by discussing the "co-operative as a profit-making actor" (a specific discourse). The contribution of this publication to this doctoral dissertation was defined at the end of the research process as it revealed important findings concerning how profit-making (to accumulate financial capital)

⁹ Corley and Gioia (2011) maintain that the scientific utility of a theoretical contribution "is perceived as an advance that improves conceptual rigor or the specificity of an idea and/or enhances its potential to be operationalized and tested" (p.17–18).

¹⁰ The practical utility of a theoretical contribution "is seen as arising when a theory can be directly applied to the problems practicing managers and other organizational practitioners face" (Corley and Gioia, 2011, p. 18).

relates to executing the geographically bound purpose of consumer co-operation and achieving a sustained competitive advantage.

It is also noteworthy that the researcher was on maternity leaves during the years 2009 to 2012, during which time she did not complete any doctoral studies or publications. Therefore, publications 3 and 4 were published in 2013. Publications 3 and 4 are based on the same interview data but each investigates different perspectives: Publication 3 focuses on why and how consumer co-operatives accumulate financial capital and Publication 4 focuses on why and how consumer co-operatives accumulate social capital. The research process in these publications also represent reflexive and iterative processes as they were redefined and reanalysed both individually and jointly (with co-authors). It is noteworthy that there are some similar elements in publications 1, 2 and 4, but each has their own contribution to this doctoral dissertation. This is because the constructs of networking, CSR behaviour and social capital have certain interconnections (see Table 2). In addition, publications 1 and 2 are also (to some extent) utilized in Publication 4. Finally, the findings from the publications formed a central part of the theoretical framework.

2.3 Evaluation of the quality and rigour of the study

Unlike with quantitative (deductive) research methods, the evaluation tools have not been standardised in qualitative research. According to Yin (2003), there are several criteria for judging the quality of research designs, such as trustworthiness, credibility, confirmability and data dependability. When evaluating the quality and rigour of the study, questions such as “Do the findings illuminate participants’ experiences and/or understanding of the phenomenon under study?” and “Are the informants’ accounts and the author’s interpretations plausible?” or “How was the study done?” and finally “To what extent has the author provided sufficient detail of their approach to convince the reader of its rigour and appropriateness?” (Long and Godfrey, 2004). According to Yin (2003), there are several criteria and tests for judging the quality of the research designs. For example, the construct validity (see Yin, 2003; on establishing correct operational measures for the concepts being studied) was achieved by using multiple sources of evidence in this doctoral dissertation. In addition, when investigating the strategic networking of S Group co-operatives, the researcher interviewed all the important network members (by using the “snowballing method”).

External validity (see Yin, 2003; on establishing the domain to which a study's findings can be generalized) was achieved by adopting the guidelines set by Flyvberg (2006) who argues that generalization in a case study depends on the strategic choice of the case.

According to Eisenhardt and Graebner (2007), "the challenge of interview data is best mitigated by data collection approaches that limit bias" (p.28). That is, we selected our interviewees from different functional areas and geographies, as well as other actors from relevant organizations. For example, when investigating the strategic networking of the S Group, we interviewed key persons in SOK, in the regional co-operative as well as important partners of the S Group (key persons / CEOs).

In this study, the guidelines presented by Gioia et al. (2012) have also been utilized in publications 3 and 4 in order to increase the level of qualitative rigour. For example, we present the data structure in detail in publications 3 and 4 (which shows how we progressed from raw data to establishing the terms and key themes), specific first order and second order concepts (and also, in Publication 4, aggregate dimensions), which increase the qualitative rigour in our publications. In addition, we selected representative data for each first order concept to present evidence concerning our interpretations. These are often referred to as "power quotes" (Pratt, 2009) in thematic analysis. According to Flyvberg (2006), a common flaw in a qualitative case study is that it contains bias toward verification (the tendency to confirm the researcher's preconceived notions). In publications 3 and 4, the tendency to confirm the researcher's preconceived notions was reduced in the sense that we reanalysed and revised the themes several times. In addition, the data was analysed separately by two or three authors in publications 3 and 4 in order to reduce our bias towards verification (and to increase the qualitative rigour of our study). According to Morse et al. (2012), verification¹¹ in qualitative research refers to "mechanisms used during the process of research to incrementally contribute to ensuring reliability and validity and, thus, the rigour of the study" (Morse et al., 2002, p. 17).

¹¹ According to Morse et al. (2002), verification is "the process of checking, confirming, making sure, and being certain" (p. 17).

When evaluating the theoretical contribution of this doctoral dissertation, the researcher evaluates the scientific originality of the research by taken into account the guidelines set by Corley and Gioia (2011). In more detail, they divide the theoretical contribution into *incremental* and *revelatory* insights, the former referring to significantly advancing our understanding on a given topic and the latter to suggesting that “a contribution arises when theory reveals what we otherwise had not seen, known, or conceived” (p. 17).

Recently, Long and Godfrey (2004) also presented a specific evaluation tool to assess qualitative research studies. In sum, they present several questions that should be asked when evaluating the rigour of qualitative research. In more detail, these questions consider the phenomenon studied and the context, data collection, analysis and potential researcher bias, and policy and practical implications. In Table 4, the researcher evaluates the quality and the rigour of the study by using the guidelines and questions asked by Long and Godfrey (2004), Eisenhardt and Graebner (2007), Gioia et al. (2012), Yin (2003), Corley and Gioia (2011), Flyvberg (2006) and Yin (2003):

Table 4. Evaluation of the quality and the rigour of the study

Evaluation of the quality and the rigour of the study	
Phenomenon studied and context	Evaluation
1) Is sufficient detail given of the nature of the phenomena under study?	Extensive review on the research background; also in Figure 2 and Table 2 the researcher summarizes the phenomenon and theoretical background. Each publication contains specific details of the nature of the phenomena under study
2) In what way is the framework reflected in the way study was done?	The theoretical framework was re-established after reanalysing the data several times (e.g. themes related to social capital emerged as relevant), which is characteristic of qualitative research; findings from the publications formed a central part of the theoretical framework
3) How do the authors locate the study within the existing knowledge base?	The study is placed in the context of the strategic management of consumer co-operation and research on competitive advantages of consumer co-operation – although there are some implications for the mainstream field of management
4) Is the setting appropriate and/or sufficiently specific for examination of the research questions?	The research methods and strategy have been chosen based on the research questions. The data and methods fit the study and the investigated research questions well, as the research questions do not include investigations of causal relationships between different variables
5) Over what time period is the study conducted?	Publications 1 and 2 were conducted 2006–2007 and

	publications 3, and 4 in 2013
6) How is the sample selected? Is the sample appropriate to the aims of the study?	In publications 1, 3 and 4, the researcher has applied the strategies for the selection of samples and cases given by Flyvberg (2006): information-oriented selection and critical cases are consistent with the; 1) aims and purpose of this doctoral dissertation and 2) qualitative case study methods
7) Are the samples used appropriate in terms of depth?	Overall, this doctoral dissertation consists of three different data: altogether 33 in-depth qualitative interviews, some archival material, 56 articles and texts published by S Group. The depth of the interviews was guaranteed by using open (not pre-structured) interview questions. Interviewees include key persons of the S Group and also key persons in the network of the S Group (Publication 1)
8) What outcome criteria are used in the study? Whose perspectives are addressed?	The criteria are: the relevance to answering the research questions, understanding the research phenomenon, and the scientific and practical contribution The management perspective is addressed
10) Is there sufficient breadth (e.g. the contrast of two or more perspectives) and depth (e.g. insight into a single perspective)?	Sufficient breadth is achieved by focusing on two different perspectives: How can consumer co-operatives use; 1) social capital and 2) financial capital to achieve sustained competitive advantage? Sufficient depth to the investigations is achieved because: <ul style="list-style-type: none"> - Publications 1, 2 and 4 provide different insights into investigating the accumulation of social capital - Publications 1 and 3 (and also partly Publication 2) investigate the accumulation of financial capital Sufficient depth is achieved
Data collection, analysis and potential researcher bias:	Evaluation:
1) What data collection methods are used to obtain and record the data?	Interviews, archival materials, articles and texts published by the S Group, all interviews were tape-recorded
2) Is the information collected with sufficient detail and depth to provide insight into the meaning and perceptions of informants?	All interviews were transcribed in detail, including details concerning the background of the interviewees, etc. The anonymity of the interviews is guaranteed.
3) Is the process of fieldwork adequately described?	The duration of the interviews is mentioned in publications as well as the background of the interviewees, the snowballing method is used in Publication 1 (when collecting the data)
4) How are the biases related to interview data eliminated?	Interviewees are selected from different functional areas and geographies, and also actors from outside the case organizations are interviewed (key actors in co-operative's network)
5) How is the theoretical saturation achieved?	The researcher and the co-authors judge that no or little additional learning would occur from more (interview) data
6) What role does the researcher adopt within the setting?	The researcher let interviewees discuss the research topic at hand as freely as possible during the interviews. The researcher asked defining, but not leading, questions if necessary.
7) How are the data analysed? How adequate is the description of the data analysis?	Publications 1, 3 and 4 are analysed by using thematic analysis, Publication 2 by using discursive analysis. Guidelines by Gioia et al. (2012) are used in

	publications 3 and 4. which increase the qualitative rigour: presenting data structure, first order concepts, second order themes and aggregate dimensions (Publication 4).
8) Is adequate evidence provided to support the analysis?	In publications 3 and 4, the researcher has selected “power quotes” (see Pratt, 2009) or “representative data” for each first order concept. In publications 1 and 2, the researcher presents evidence for each themes or discourses in order to provide adequate evidence
9) How is the bias toward verification reduced?	The authors both individually (separately) and together reanalysed and revised the themes several times. The authors acknowledge that past knowledge / studies on consumer co-operation are reflected in their interpretations of the data.
10) Are the findings interpreted within the context of other studies and theory?	Yes; especially in publications 3 and 4 the findings are discussed in greater detail within the context of other studies and theory
11) Are the researcher’s own position, assumptions and possible biases outlined?	Knowledge of the relevant past studies is presented in each of the publications – which shaped the data analysis. However, the researcher aimed to go “beyond existing theory” when establishing the themes
<p>Evaluation concerning theoretical and practical contribution:</p> <p>Incremental theoretical contribution:</p> <p>Revelatory theoretical contribution:</p> <p>Practical contribution:</p>	<p>Incremental insight concerning the accumulation of social and financial capital in the context of consumer co-operation</p> <p>Successful consumer co-operatives should accumulate social and financial capital in order to execute a value creating strategy to achieve sustained competitive advantage.</p> <p>Suggestions concerning how consumer co-operatives can create a sustained competitive advantage (and simultaneously execute their geographically bound corporate purpose)</p>
<p>Evaluation concerning generalization</p> <p>1) To what settings are the study findings generalizable?</p>	<p>The study relies on analytical (not statistical) generalization (the investigator is striving to generalize a particular set of findings to some broader theory)</p> <p>Analytical generalization is achieved by focusing on the strategic choice of the case (S Group co-operatives)</p>

As presented in Table 4, the theoretical lenses used in publications (especially in publications 1 and 4) assisted us in the data analysis. For example, as the construct of social capital is often mixed with concepts of trust, networking or “good citizenship”, it was vital to understand the definition of social capital in order to analyse the data (to check if the data is actually

speaking about social capital?). Next, the key theoretical lenses that assisted us in data analysis are introduced.

2.4 The key theoretical lenses assisting data analyses

As presented in subsections 1.1 and 1.2, each publication has its own target discussion, knowledge gaps, assisting concepts and theories. The key theoretical lenses that assisted us in the data analysis are previous studies on co-operation (primarily on consumer co-operation), social capital, networking, CSR behaviour and profit-making (to accumulate capital) in consumer co-operation. However, what is common to each of these theoretical frameworks is that they are all linked to achieving sustained competitive advantage for consumer co-operatives.

Publication 1 aims to uncover the strategic importance (e.g. the benefits) of formal and informal networks to a co-operative organization. Therefore, the study utilizes concepts such as strategic networks (e.g. Borch and Arthur, 1995), a resource based perspective (Penrose, 1959) on networking and social networks (e.g. Brass et al., 1998; Liebeskind, Oliver, Zucker & Brewer, 1996). In sum, past studies on both economic and social perspectives on networking have been employed in order to develop an interpretative framework for analysing the strategic importance of networking in a co-operative context.

Publication 2 aims to uncover how CSR is constructed and how it is connected to stakeholder relations in S Group co-operatives. Thus, this publication utilizes concepts such as stakeholders (e.g. Smith, 2003), CSR behaviour (e.g. Carrols, 1991; Davis, 1973) and consumer co-operation (e.g. Nilsson, 1996). In more detail, it is vital to understand the constructs of CSR and stakeholders in order to analyse the data (What is actually regarded as CSR behaviour and who the stakeholders are?).

Publication 3 represents an inductive case study as there is very little empirical investigation concerning the topic. Thus, the data analysis employed in this publication is less theory-driven than in the other publications (especially publications 1 and 4). The topic of Publication 3 is investigated from the angle of “Why do consumer co-operatives make

profit?” and it contributes to the doctoral dissertation on the topic of “Why do consumer co-operatives accumulate financial capital?” As the role of profit has remained vague and controversial in the research on consumer co-operation, the phenomenon is investigated by intertwining both data and literature. Based on past literature, the following concepts are used to explain why consumer co-operatives accumulate financial capital: co-operative ownership, the role of profit-making and the geographically bound purpose of consumer co-operation.

Publication 4 seeks to uncover how the sources of social capital are developed in consumer co-operation and what strategic benefits consumer co-operatives achieve by utilizing and developing the different sources of social capital. Thereby, the concepts and dimensions of social capital (e.g. Nahapiet and Ghoshal, 1998; Putnam, 2000; Ibarra et al., 2005), co-operatives as social capital based organizations (e.g. Valentinov, 2004) are utilized in the data analysis.

3 THE PUBLICATIONS

This chapter presents the publications that comprise Part II of this dissertation. The structure of this chapter is as follows: first, the publications, their overall objectives and main findings are briefly introduced; second, at the end of the chapter, the findings of the publications are more thoroughly discussed when answers to the research questions set for the dissertation are presented.

The overall objective of this study, and consequently also of the publications, is to describe and understand how consumer co-operatives can use financial and social capital to achieve sustained competitive advantage. Each of the publications contributes differently to the above presented objective and they are presented in a chronological order. In sum, the findings from Publication 1 reveal that consumer co-operatives use (local) informal networking to accumulate social capital in order to achieve sustained competitive advantage (the publication addresses the specific strategic benefits derived informal networking). In addition, the findings from Publication 1 also reveal that consumer co-operatives use formal network-based organizational structure to secure the execution of their geographically bound corporate purpose and to achieve sustained competitive advantage (Publication 1 addresses the specific strategic benefits derived from a network-based organizational structure).

The findings from Publication 2 primarily address the fact that consumer co-operatives accumulate social capital through CSR behaviour and reporting (it addresses how CSR is constructed and how it is connected to stakeholder relations in S Group co-operatives). In addition, Publication 2 also increases understanding of why consumer co-operatives can accumulate financial capital (by presenting a specific discourse on responsibility: the “Co-operative as a profit-making actor”). Finally, the findings from Publication 3 contribute to the research question “Why and how can consumer co-operatives accumulate financial capital?” (by investigating why consumer co-operatives make profit) and Publication 4 contributes to the research question “Why and how can consumer co-operatives accumulate social capital?” (by addressing the sources and strategic benefits of social capital). The overall finding of this doctoral dissertation relate to forming a value creating strategy (by accumulating both social and financial capital) to achieve sustained competitive advantage for consumer co-operatives. Figure 4 presents the interconnections between the publications (on how consumer co-operatives use social and financial capital to achieve sustained competitive advantage):

Contribution to the specific research question: Contribution to the academic target discussion:

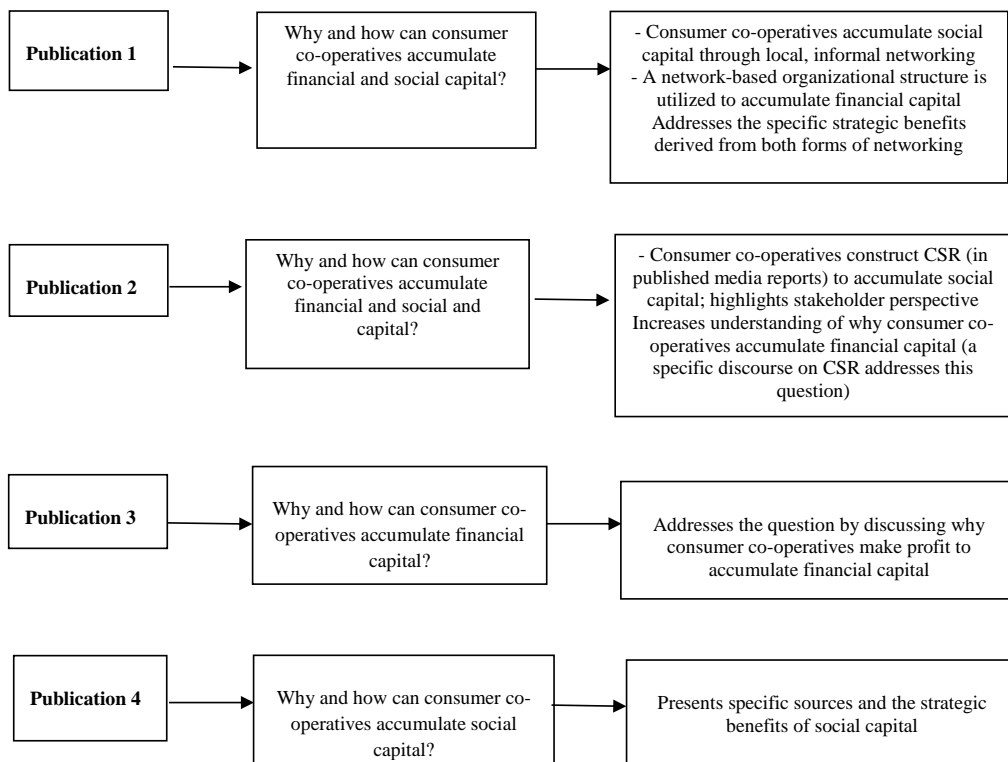


Figure 4. Interconnections between the publications

It is noteworthy that publications 1 and 4 have certain interconnections, as Publication 1 focuses mainly on describing strategic networking and Publication 4 on the sources and strategic benefits of having close, trustful relationships (e.g. networking) with important stakeholders. In addition, publications 2 and 4 are also related to one another in that Publication 2 focuses on the CSR of S Group co-operatives and Publication 4 presents strategic CSR as a source of social capital.

3.1 Regional Co-operation: A strategic network perspective on a customer-owned organization

3.1.3 Overall objective

Publication 1 (Uski, Jussila & Saksa, 2007) builds on the literature on co-operation and networking (both the economic and social perspectives) to analyse the strategic importance of formal and informal networks for a co-operative organization. This paper aims to answer sub-question 1: *Why and how can consumer co-operatives accumulate financial capital?* and sub-question 2: *Why and how can consumer co-operatives accumulate social capital?* Overall, the publication contributes to understanding of how accumulation of both financial and social capital is related to achieving sustained competitive advantage for consumer co-operatives.

3.1.4 Main findings

The findings of this publication indicate that both informal and formal networks have a clear strategic importance for consumer co-operatives. The informal networking of consumer co-operatives (with important regional stakeholders and interest groups) accumulates social capital as it increases co-operatives' trust and legitimacy in their operational environments (on which they are dependent). In contrast, the formal networking of S Group co-operatives ("network-based organizational structure") increases economic efficiency (to be more

competitive) and thus, accumulates financial capital. Formal network-based organizational structure also secures the execution of the geographically bound purpose of consumer co-operation.

The informal network of consumer co-operatives consists of regional institutions and various other stakeholders (e.g. municipalities, associations, the university of the province, the regional chamber of commerce, the regional council and media). Further, informal networking with important regional actors is crucial for regionally dependent consumer co-operatives (derived from the geographically bound purpose of consumer co-operation). As they are “captives of their regions” they achieve the following strategic benefits through informal networking: the establishment of trustful relationships that may be inimitable (compared to those of an IOF) and increase their legitimacy. These can be seen as potential sources of sustained competitive advantage in regionally dependent consumer co-operatives. The development and wellbeing of the region are also the basis of cooperation between the co-operative and the actors of its informal network.

The strategic benefits of a formal network are also discussed in the publication. These included such benefits as an increase in negotiating (market) power, an expansion of market area, common technological solutions, closer relations in the value chain, etc. The formal network helped the co-operative to remain regional and collect the related benefits as competitors have centralized and removed their strategic and operational decision-making from the region – providing the co-operative with an advantage in their understanding of the business environment and customer needs. Finally, both formal and informal networks can be considered to operate as the implementers of the common interests of network actors, as well as channels of resource and information sharing.

3.2 Social responsibility in S Group co-operatives: a qualitative analysis of archival data

3.2.3 Overall objective

The aim of Publication 2 (Uski, Jussila & Kovanen) is to understand how CSR is constructed and how it is connected to stakeholder relations in S Group co-operatives. Literature on CSR

behaviour, co-operation and the stakeholder perspective are used in this publication. Further, qualitative discourse analysis is applied to answer the research question. This paper aims (primarily) to answer sub-question 2: *Why and how can consumer co-operatives accumulate social capital?* In addition, the findings from this publication increase understanding of *why and how consumer co-operatives accumulate financial capital* (sub-question 1 of this doctoral dissertation).

3.2.4 *The main findings*

As a result, we established four different discourses. The first discourse (the “co-operative’s involvement in peoples’ everyday lives”) describes co-operatives as long-lasting and stable actors that are prepared to change their operations according to changes in society. In this discourse, the co-operative is presented as a trustful partner who doesn’t abandon its principles, even during difficult times. This discourse also appeals to people’s emotions. The second discourse, (the “co-operative as a regional actor”) emphasizes the importance of regionality in the S Group, being a “human faced” business, having domestic values and developing trust. The third discourse (the “co-operative as a servant of customer-owners”) – focuses on the S Group’s collaboration with the co-operatives’ most important group of stakeholders – their customer-owners. For example, the actions and goals of the S Group are justified (in the archival materials) by emphasizing that they produce additional value for their customer-owners.

Finally, what is a characteristic of a discourse on a “co-operative as a profit-making actor” is that the economic responsibility finds its rationale and justification in other goals and responsibilities that co-operatives carry alongside their economic responsibilities. Thereby, this discourse also contributes to the research question of “why and how consumer co-operatives can accumulate financial capital?”, by clarifying the role of profit-making in consumer co-operatives.

In sum, what is common in these discourses is that they emphasize the benefit to society (instead of to an individual). Also common to these discourses is that they aim to create legitimacy, the image of a “trustful partner”, and thereby create social capital. Overall, the findings of this publication contribute to this doctoral dissertation by discussing how the

construction of CSR (in the published media reports of S Group co-operatives) relates to accumulating social capital in order to achieve sustained competitive advantage for geographically bound consumer co-operatives.

3.3 A tool to be used deliberately: investigating the role of profit in consumer co-operatives

3.3.3 Overall objective

Publication 3 (Tuominen, Jussila & Tuominen, 2013) address sub-question 1: *Why and how can consumer co-operatives accumulate financial capital?* Further, the publication contributes to increasing understanding concerning why consumer co-operatives make profit (accumulate capital). As presented earlier in this dissertation, profit has been seen to be a controversial concept in co-operative literature and there is a lack of empirical research on the topic. Further, it has been primarily associated with shareholder corporations and, thereby, sometimes seen as blurring the distinctiveness of the co-operative model.

3.3.4 The main findings

The findings of this publication provide co-operative researchers and practitioners with a more comprehensive understanding on the role of profit in successful consumer co-operation. In more detail, the findings also suggest that profit is approached in consumer co-operatives differently than in shareholder corporations and that the difference traces back to the set of ideas that make co-operation a unique model of economic organization.

That is, consumer co-operatives make profit because it is regarded as a safe way to accumulate capital and one that promotes co-operative independence (which is in accordance with the co-operative principles). In more detail, co-operatives have to show profit, but not as much as a normal capital firm. In consumer co-operatives profit is mainly used to accumulate (financial) resources in order to avoid the risks associated with the nature of capital provided

by individual members. Co-operatives have a specific financial risk that creates the need to build their own capital by making profit (and retaining it in the co-operative). Consumer co-operatives accumulate financial resources since they are required both to respond to competition and to act as a regional developer (especially in the supermarket trade, growth and critical mass are important). By having strong financial resources, consumer co-operatives are able to achieve stability and predictability in their environment, which increases their survival potential and reduces the uncertainty stemming from their regional dependency.

Finally, competing and regional development are based on the purpose of co-operatives in the consumer market and regional economy. In more detail, a consumer co-operative fulfils the purpose it was established for only if it is beneficial to members in relation to alternatives (competitors). For example, in an uncompetitive market, a consumer co-operative is supposed to provide goods and services that are needed but are not provided by other market actors. The geographically bound purpose of consumer co-operation has the effect that consumer co-operatives need to operate reliably, predictably and patiently according to the interests of the province. In other words, consumer co-operatives have to secure their service provision in the long run by accumulating financial capital. In sum, the findings of this publication contribute to this doctoral dissertation by discussing how financial accumulation (by making profit) relates to executing the geographically bound purpose of consumer co-operatives. Further, this contributes to this doctoral dissertation by presenting how this aspect of executing the geographically bound purpose of consumer co-operation is also a starting condition for the forming of value creating strategy (to achieve sustained competitive advantage).

3.4 Social capital: a source of sustained competitive advantage for consumer co-operatives

3.4.3 Overall objective

Publication 4 (Tuominen, T., Tuominen, P., Tuominen, H., Jussila, 2013) addresses the sub-question *Why and how can consumer co-operatives accumulate social capital?* In the extant literature, co-operative social capital (derived from the co-operative values, purpose and

principles) has been identified as a source of competitive advantage for consumer co-operatives. However, previous studies have been theoretical and lacking empirical evidence. Therefore, this publication contributes to this doctoral dissertation by discussing; 1) how the consumer co-operative can develop sources of social capital and 2) what strategic benefits consumer co-operatives achieve by utilizing and developing the different sources of social capital.

3.4.4 The main findings

This publication contributes to this doctoral dissertation by discussing how the development of social capital creates sustained competitive advantage. Firstly, the findings of this publication suggest that consumer co-operatives are able to develop communal social capital because caretaking and ethics are part of the co-operative model. In addition, strategic CSR, the genuine pursuit of common good (e.g. co-operatives invest in regional well-being), and interacting and sharing a common identity develop communal social capital in consumer co-operatives. For example, due to common identity, people assume the co-operative as their own and customers know the co-operative and can trust in their word having an effect on the operation of their co-operative. Secondly, cognitive social capital is developed through interacting and sharing a common identity and developing personal relationships. Thirdly, consumer co-operatives develop relational social capital by investing into the development of personal relationships.

Social capital contributes to consumer co-operatives' sustained competitive advantage in that all of the above presented dimensions of social capital (communal, cognitive and relational social capital) create resources for managing institutional dependencies in consumer co-operatives. This refers to regionality, which promotes co-operatives' ability to react to the demands of the region and impact on cities' and municipalities' opinions. In addition, cognitive social capital creates resources for managing customer relations in consumer co-operatives (e.g. being "local" provides better understanding of customer needs).

3.5 Answers to the research questions

This subsection presents more detailed answers to the research questions presented in subsection 1.2. First, answers will be provided to the two research sub-questions. After that, the main research question of the study “*how consumer co-operatives can use financial and social capital to achieve sustained competitive advantage?*” will be answered.

The first sub-question was, *Why and how can consumer co-operatives accumulate financial capital?* The findings from publications 1 and 3 provide answers to this research sub-question. First, the findings from Publication 1 address how formal networking (network-based organizational structure) is used to accumulate financial capital. To answer the question ‘why (accumulate financial capital)?’, findings from Publication 1 indicate that formal networking is used as a strategy to be competitive, efficient and promote regional well-being. The formal network-based organizational structure of the S Group provides consumer co-operatives with important strategic benefits (see Table 5), such as common technological solutions, closer relations in the value chain, the ability to remain local, etc. The findings from Publication 2 also support the need to have strong financial resources (the principles of economical responsibilities are highlighted).

The findings from Publication 3 address how profit-making is used to accumulate financial capital in consumer co-operatives. In answer to the sub-research question *Why and how can consumer co-operatives accumulate financial capital?*, the findings reveal that consumer co-operatives accumulate financial capital by making profit as it is needed for competitiveness, to participate in regional development, and to invest and grow (which is primarily local). Investments and growth are (in the long run) necessary for consumer co-operatives if they want to secure the execution of their main corporate purpose and in order to be efficient. Further, profit is also considered a safe way to accumulate capital (since co-operatives do not have to show as much profit as a normal capital firm) and accumulating financial capital by making profit promotes independence (which is in accordance with the co-operative principles).

The second sub-question was *Why and how can consumer co-operatives accumulate social capital?* Overall, this doctoral dissertation presents several means by which consumer co-operatives can accumulate social capital. In addition, we found several strategic benefits that consumer co-operatives achieve by accumulating social capital. Firstly, the findings from Publication 1 reveal that consumer co-operatives accumulate social capital through informal

networking with important regional stakeholders. Further, informal networking (by establishing close and trustful relationships with important regional stakeholders) provides unique social relationships which can be inimitable (derived from the geographically bound purpose of consumer co-operation). Secondly, the findings from publications 2 and 4 reveal that consumer co-operatives accumulate social capital through strategic CSR behaviour, which includes both socially responsible actions (Publication 4) and CSR reporting (Publication 2).

To answer the question of why consumer co-operatives can accumulate social capital, the findings from publications 2 and 4 address how consumer co-operatives are able to achieve the critical resources for managing institutional dependencies through strategic CSR behaviour (e.g. increasing trust, good image and legitimacy). In more detail, the “resources for managing institutional dependencies” refers to how being regional promotes co-operatives’ ability to react to the demands of the region and impact on cities’ and municipalities’ opinions. That is, local politicians are believed to favour the co-operative that is regional over a company that pays its taxes elsewhere.

Findings from Publication 4 also confirm that consumer co-operatives accumulate social capital by having a genuine interest in the common good (e.g. they invest in regional well-being), which also provides the resources for managing institutional dependencies. In addition, the findings from Publication 4 suggest that consumer co-operatives accumulate social capital by interacting and sharing a common identity (the “customer is the owner” and the “co-operative manifests regional well-being”). Thereby, consumer co-operatives are able to achieve unique resources for managing customer relations. Finally, the findings from publications 1, 2 and 4 reveal that the co-operative model itself (co-operative values, principles, corporate purpose) creates social capital and increases the development of trustful relationships.

In sum, the findings from publications 1, 2 and 4 provide several answers to the question of *Why and how can consumer co-operatives accumulate social capital?* First, consumer co-operatives are established solely to satisfy and maximize their member-owners interests (by providing benefits and services) and thus, they are obligated (more than IOFs) to adopt CSR behaviour and reporting, establishing close and trustful relationships and networking with important regional stakeholders. Legitimacy and (positive) power, achieved by executing these strategies (CSR and networking), help the co-operative to secure executing its main

corporate purpose. Most importantly, consumer co-operatives are able to achieve sustained competitive advantage because networking, CSR behaviour and reporting, and building social capital provide valuable (and inimitable) resources for consumer co-operatives: resources for managing institutional dependencies (e.g. trust, good image and legitimacy) and resources for managing customer relations. Further, both of these sets of resources are critical for consumer co-operatives because they are regionally dependent on their operational environment. In other words, these critical resources are likely to reduce co-operatives' dependency on their environment and increase their survival potential. As presented above, networking (see Publication 1) also gives several strategic benefits to consumer co-operatives (e.g. the ability to remain local but also efficient), which in turn create additional sustained competitive advantage.

Above, the researcher has answered the two specific research sub-questions presented in this doctoral dissertation. By answering these research sub-questions, it is possible to answer the main research question of this study: "How can consumer co-operatives use financial and social capital to achieve sustained competitive advantage?" First, based on the findings of Publication 1 presented above, it can be argued that consumer co-operatives accumulate (or should accumulate) financial capital through their network-based organizational structure in order to be competitive, efficient and to promote regional well-being. The benefits derived from the network-based organizational structure also secure the execution of their geographically bound corporate purpose in the long run as the co-operative is able to remain local, but also efficient and competitive. As consumer co-operatives are "captives of their regions" (they are geographically bound), they have to beat their competitors constantly and cannot withdraw from competition during the declining stages of business. Further, according to the purpose of consumer co-operation, they are obligated to provide their owners' with services and goods that are needed but not otherwise provided – and/or to offer lower prices or better products – in order to execute their corporate purpose. Therefore, the network-based organizational structure is used to accumulate financial capital as the co-operative is able to achieve efficiency through its network-based organizational structure (in order to be efficient and to secure the service delivery in the long run) but simultaneously remain local.

In addition, consumer co-operatives can accumulate (or should accumulate) financial capital also by making profit in order to secure the execution of their corporate purpose in the long run. In more detail, this is done by growing ("muscles"), investing (that is primarily local) and operating competitively and efficiently. In addition, the specific financial risk (derived from

the co-operative ownership) addresses how consumer co-operatives need to accumulate capital by making profit in order to increase their independence. This also supports how capital accumulation (by making profit) secures the execution of the corporate purpose in the long run. Overall, it seems that financial capital accumulation (by profit making) has an instrumental role in consumer co-operation, as it is not their primary purpose (compared to IOFs), but instead it secures the execution of their corporate purpose in the long run. Finally, it can be argued that this is also a starting condition for forming a value creating strategy for consumer co-operatives (to achieve sustained competitive advantage).

The findings from publications 1, 2 and 3 address how by having a strong financial capital base (by making profit and the efficiency gains derived from the network structure), consumer co-operatives are able to serve their members better. Thereby, a strong financial capital base satisfies members' mutual, long-term interests and secures the execution of the co-operative's main corporate purpose (the ability to produce benefits and services in regions and fields of businesses where others withdraw from competition – even when there is a demand for certain services).

Finally, the accumulation of both forms of capital is related to the creation of a value creating strategy in consumer co-operatives to achieve a sustained competitive advantage. However, it should be noted that either accumulating solely social capital (e.g. through networking and CSR behaviour) or financial capital (e.g. by making profit) is not enough; but when both are combined together, the consumer co-operative is able to achieve sustained competitive advantage. Table 5 presents the summary of the findings:

Table 5. Summary of the findings

How can consumer co-operatives accumulate financial capital?	Why can consumer co-operatives accumulate financial capital?	Contribution:	Publication:
By making profit	<p>Profit-making to accumulate financial capital is needed for competitiveness and to participate in regional development, invest and grow (in order to secure the execution of the purpose of consumer co-operation); it is also needed in order to be economically efficient</p> <p>-Profit is a safe way to accumulate capital (co-operatives do not have to show as much profit as a normal capital firm)</p> <p>-Accumulating financial capital by making profit promotes independence (which is in accordance with the co-operative principles)</p>	Profit-making (to accumulate capital) to secure the execution of the geographically bound purpose of consumer co-operation	Publications 2 (partly) and 3 (primarily)
By utilizing the efficiency gains derived from the network-based organizational structure	<p>Networking to accumulate financial capital is needed in order to be competitive, efficient and to promote regional well-being</p> <p>The strategic benefits of a network-based organizational structure: an increase in negotiating (market) power, common technological solutions, advanced technologies, closer relations in the value chain, flexibility, inter-organizational benchmarking, expansion of market area, selection and operations development, helping the co-operative to remain regional</p>	Using a network-based organizational structure to accumulate financial capital in order to achieve sustained competitive advantage	Publication 1
<p>How can consumer co-operatives accumulate social capital?</p> <p>Strategic CSR behaviour (actions and reporting)</p>	<p>Why can consumer co-operatives accumulate social capital by executing this strategy?</p> <p>In order to gain the resources for managing institutional dependencies through strategic CSR behaviour (to increased trust, good image, legitimacy)</p>	<p>Contribution:</p> <p>Engaging in CSR behaviour to accumulate social capital in order to achieve sustained competitive advantage</p>	<p>Publication:</p> <p>Publications 2 and 4</p>

Through informal networking and developing personal relationships (especially with important local stakeholders in the community)	Because informal networking (to accumulate social capital) promotes unique social relations (derived from the co-op's principles and purpose) that may be inimitable; for increased communication capacity, legitimacy, trust	Informal networking with important regional actors used as a strategy to accumulate social capital in order to achieve sustained competitive advantage	Publications 1 and 4
Co-operatives have a genuine interest in the common good (e.g. the co-operative "invests in regional well-being") By interacting and sharing a common identity (the "customer is the owner" and the "co-operatives manifests regional identity") The co-operative model itself creates social capital	In order to gain the resources for managing institutional dependencies through strategic CSR behaviour (for increased trust, good image, legitimacy) In order to gain the resources for managing customer relations	Building social capital as a strategy to achieve sustained competitive advantage	Publication 4

4

DISCUSSION AND CONCLUSIONS

This chapter presents the theoretical and practical contributions of the study. It also discusses the limitations of the study as well as questions that were not thoroughly addressed, thereby giving some guidelines and suggestions for future research.

4.1 Theoretical contributions

This doctoral dissertation contributes to the research on the strategic management of consumer co-operatives (e.g. Tuominen, 2012; Syrjä et al., 2012; Spear, 2000; Normark, 1996) in many ways. So far, scholars have acknowledged that consumer co-operatives are "geographically bound" (see Tuominen, 2012; Jussila et al. 2008; Jussila et al., 2007; Mills 2001), which gives them a competitive advantage (as they have close relationships with communities; see Fulton and Hammond-Ketilson, 1992; Zeuli et al., 2004) but also sets constraints on their strategic management as they cannot withdraw from competition during the declining stages of business. In addition, scholars have emphasized that co-operative values, principles and ownership structures can give them a competitive advantage over IOFs

(e.g. Novkovic, 2008; Davis and Burt, 2007; Spear, 2000; Normark, 1996). In more detail, these values and principles are likely to increase trust and the development of social capital (see Valentinov, 2004). However, scholars have not empirically investigated how consumer co-operatives accumulate social capital and what implications it has for the strategic management of consumer co-operatives. When it comes to the role of financial capital in the strategic management of consumer co-operation, scholars have paid even less scholarly attention (as most co-operative scholars have solely focused on the social side of co-operation).

Overall, the role of financial capital (e.g. Hicks et al., 2007) and social capital (e.g. Valentinov, 2004; Spear, 2000) in the strategic management of consumer co-operatives has remained vague lacking empirical evidence (see Valentinov, 2004). For example, profit-making to accumulate capital has been seen as controversial (is it in accordance with the purpose of consumer co-operation?) (see e.g. Hicks et al., 2007; Syrjä et al., 2012) and on the other hand, the construct of social capital (see Adler and Kwon, 2002) has been vague, lacking empirical evidence concerning how the sources of social capital are developed and what the strategic benefits of social capital are. In addition, co-operative scholars have not empirically investigated why and how successful consumer co-operatives accumulate these capital forms. Further, regardless of the fact that some scholars have investigated profit-making in co-operatives (e.g. Syrjä et al., 2012; Boyle, 2004), the strategic interconnection between financial capital accumulation (profit-making) to the management of consumer co-operatives has not been much investigated.

Overall, the findings from the publications contribute to this discussion in several ways. First, the findings from publications are novel in that the researcher presents how consumer co-operatives are able to accumulate these capital forms. That is, social capital is accumulated by the combination of informal networking with important regional actors (see also Majee and Hoyt, 2011), CSR behaviour (see Hingley, 2010; Carrol, 1991) and CSR reporting. In addition, the co-operative model itself (e.g. the principles, values, ownership, corporate purpose) enhances the development of trustful relationships and social capital (e.g. the “customer is the owner” and “co-operatives manifest regional identity”). Thus, co-operatives have a genuine interest in the common good (e.g. a co-operative “invests in regional well-being”), which their competitors (IOFs) are unable to imitate. In this way, the findings are similar to those of the studies by Spear (2000), Peredo and Chrisman (2006), Normark (1996)

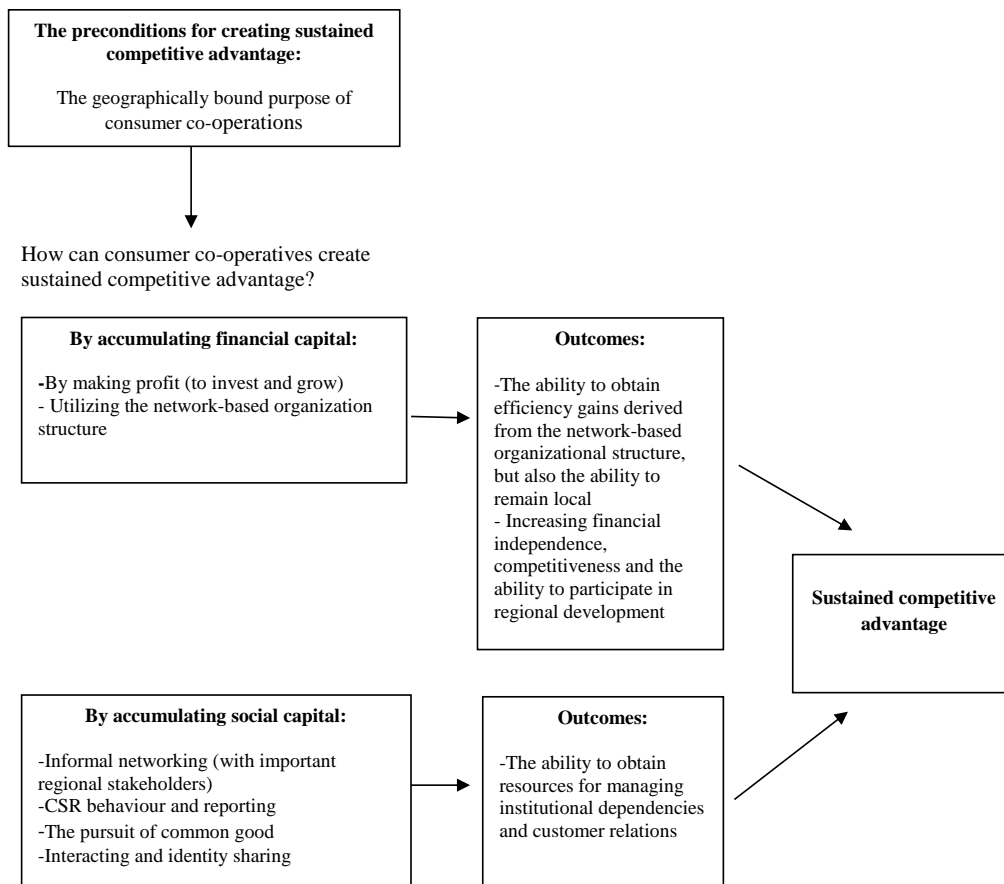
and Valentinov (2004) that found that consumer co-operatives are “social-capital based organizations” and that the co-operative model itself operates as a source of social capital.

However, the findings from publications 2 and 4 provide incremental insight (Corley and Gioia, 2011) to the research on co-operatives’ social capital – by suggesting that strategic CSR, the pursuit of common good, and interacting and identity sharing – should also be regarded as sources of social capital. In addition, the findings from publications 1, 2 and 4 contribute to the above studies by empirically investigating (whereas the above studies are theoretical) how consumer co-operatives actually build social capital and develop various sources of social capital, and by presenting the following resources derived from social capital (that previous scholars have ignored); 1) the resources for managing institutional dependencies and 2) the resources for managing customer relations. In this way, the findings also provide revelatory insights (Corley and Gioia, 2011) both to the mainstream research on CSR (e.g. Carrol, 1991), social capital (e.g. Adler and Kwon, 2002) and networking (e.g. Jarillo, 1988), and also to the field of consumer co-operation (e.g. Spear, 2000; Valentinov, 2004). For example, so far, co-operative scholars have emphasized the following benefits of social capital in the context of consumer co-operation: reduced transaction costs and opportunistic behaviour, increased access to information, and better communication and coordination (see Svendsen and Svendsen, 2000; Valentinov, 2004) – but the above presented resources have not been considered.

However, it should be noted that co-operatives’ ability to manage their relationship with their local operational environment (see also Pfeffer and Salancik, 1978) is even more important than in IOFs (e.g. the ability to execute strategies that reduce co-operatives’ uncertainty in their environment and which increase their survival potential). Thereby, the ability to obtain the critical resources (derived from social capital and CSR behaviour) for managing institutional dependencies is vital for success. Based on the findings from publications 1, 2 and 4, it can be argued that, like any other form of capital, social capital can either be a substitute (e.g. it can have superior “connections”) for other resources or can complement them (e.g. it can improve the efficiency of economic capital by reducing transaction costs). This aspect is consistent with the research by Adler and Kwon (2002) about the construct of social capital.

As with the research of Adler and Kwon (2002), it can be argued that social capital needs maintenance (social bonds have to be periodically renewed and reconfirmed or else they lose efficacy) and that, unlike many other forms of capital, some forms of social capital are “collective goods” because they are not the private property of those who benefit from them. Further, social capital is not “located” with the actors but in their relations with other actors (e.g. in co-operatives’ relations with regional stakeholders and members) (cf. Adler and Kwon, 2002). The findings from publications 1, 2 and 4 are also similar to the findings of the research of Adler and Kwon (2002) that found that social capital is both “appropriable” (e.g. friendship ties can be used for other purposes) and “convertible” (e.g. the advantages conferred by one’s position in a social network can be converted into an economic [or other] advantage). Finally, the overall contribution of this doctoral dissertation is presented in Figure 5:

Figure 5. Creating sustained competitive advantage for consumer co-operatives



Based on the findings from the publications, this doctoral dissertation contributes to previous research on consumer co-operatives (e.g. Spear, 2000; Tuominen, 2012; Jussila et al., 2008) by arguing that consumer co-operatives are able to achieve sustained competitive advantage by accumulating both financial and social capital. Further, Figure 5 presents the preconditions for creating a sustained competitive advantage for consumer co-operatives, how consumer co-operatives can accumulate these capital forms and what resources and/or strategic benefits consumer co-operatives are able to achieve by accumulating these capital forms. It is noteworthy that consumer co-operatives should simultaneously accumulate both capital forms in order to achieve a sustained competitive advantage. Thereby, the accumulation of financial and social capital together should be regarded as a value creating strategy that builds a sustained competitive advantage for consumer co-operatives.

Table 6 (see below) presents in detail the overall theoretical contribution of this doctoral dissertation both to the; 1) main research stream on CSR, social capital, networking and profit-making and 2) research on consumer co-operation specifically. In more detail, even though the researcher has primarily utilized studies on consumer co-operation in subsections 1.1 and 1.2, some aspects of the findings can also be generalized to mainstream studies (see Table 6). For example, the integration between informal (social) and formal (strategic) networks can be utilized in the general field of organizational networking (e.g. Borch and Arthur, 1995) and also in the research on co-operatives' networking (e.g. Normark, 1995; Simmons and Birchall, 2008; Davis, 2006). On the other hand, Publication 1 also provides incremental insight into the mainstream research on networking (see e.g. Borch and Arthur, 1995; Jarillo, 1988; Perry-Smith and Shalley, 2003) in that, based on its findings, it can be argued that the company form should also be noted when organizations co-operate and establish networks. For example, co-operative networks are more territorially embedded (compared to IOFs) because of their geographically bound corporate purpose (see Tuominen, 2012) and this aspect is also likely to shape and constrain the formation and development of organizational networks. Therefore, this aspect should be also acknowledged in the mainstream research on networking (e.g. Jarillo, 1988). In addition, the definitions of incremental and revelatory theoretical contributions by Corley and Gioia (2011) are utilized in Table 6, which summarizes the theoretical contribution of this doctoral dissertation:

Table 6. Theoretical contribution of the study

Research area	Theoretical contribution (see Corley and Gioia, 2011)
<p>RESEARCH ON NETWORKING:</p> <p>Mainstream research on networking:</p> <p>Networking in the context of consumer co-operation:</p>	<p>The company form should be noted when organizations co-operate and establish networks</p> <p>Informal networking is used to accumulate social capital in order to achieve sustained competitive advantage</p> <p>Efficiency gains derived from the network-based organizational structure accumulate financial capital</p> <p style="text-align: center;">→</p> <p>They also secure the execution of the geographically bound purpose of consumer co-operations in the long run</p> <p>The strategic importance of both informal and formal networking are integrated (this also contributes to the mainstream research on networking)</p>
<p>RESEARCH ON SOCIAL CAPITAL:</p> <p>Mainstream research on social capital:</p> <p>Social capital in the context of consumer co-operation:</p>	<p>Defining the sources of social capital</p> <p>The sources of social capital derived from the co-operative company form should also be noted, clarifying the constructs and interconnections between CSR, social capital and networks</p> <p>Increased understanding of how different sources of social capital are related to different dimensions of social capital (communal, cognitive and relational)</p> <p>Strategic CSR, pursuit of common good, interacting and identity sharing should be regarded as sources of co-operatives' social capital</p> <p>Building social capital to execute corporate purpose and to achieve sustained competitive advantage</p> <p>Presents the following critical resources derived from social capital (that previous scholars have ignored); the resources for managing institutional dependencies and the resources for managing customer relations (this also contributes to the mainstream research on social capital)</p>
<p>RESEARCH ON PROFIT-MAKING / ECONOMIC EFFICIENCY:</p> <p>Mainstream research on profit-making:</p>	<p>The difference in corporate purpose between different company forms (IOFs, co-operatives, etc.) should be more clearly noted; co-ops should not be investigated from the perspective of IOFs</p>

<p>Profit-making in the context of consumer co-operation:</p>	<p>Profit-making (to accumulate capital) to secure execution of the geographically bound purpose of consumer co-operation in the long run</p> <p>The suggestion of several reasons for profit-making in consumer co-operatives; observes that the need to accumulate capital by making profit is derived from the market and community needs, the purpose of consumer co-operation, competition and regional development. In addition, the study observes the need for financial independence of consumer co-operatives</p>
<p>RESEARCH ON CSR:</p> <p>Mainstream research on CSR:</p> <p>CSR in the context of consumer co-operation:</p>	<p>Different company forms have different requirements for CSR behaviour (due to their different corporate purposes)</p> <p style="text-align: center;">→</p> <p>In the context of consumer co-operation, the philanthropic component of CSR should be highlighted more than in IOFs. Consumer co-operatives have different economic responsibility than IOFs (they do not need to maximize earnings per share)</p> <p>Strategic CSR operates as a source of social capital / accumulates social capital</p> <p>The CSR behaviour and reporting of consumer co-operatives should be regarded as a part of a value creating strategy, required to execute the geographically bound purpose of consumer co-operation and to achieve sustained competitive advantage</p> <p>Presents the following critical resources derived from CSR, which previous scholars have ignored; the resources for managing institutional dependencies (this contributes also to the mainstream research on CSR)</p>
<p>RESEARCH ON THE COMPETITIVE ADVANTAGES OF CONSUMER CO-OPERATIVES:</p>	<p>Increased understanding of how consumer co-operatives accumulate social and financial capital to achieve sustained competitive advantage</p> <p style="text-align: center;">→</p> <p>Presents how networking, CSR, social capital and profit-making (to accumulate social and/or financial capital) are related to achieving sustained competitive advantage and/or executing the geographically bound purpose of consumer co-operation.</p>

As presented in Table 6, profit-making and the network-based organizational structure are used to accumulate financial capital (e.g. efficiency gains derived from the network structure accumulate financial capital). Strong financial resources also increase the financial independency of consumer co-operatives and thus, also increase their survival potential and

reduce uncertainty in their environment (see Pfeffer and Salancik, 1978). Based on the findings from Publication 1, it can be argued that the efficiency gains from the network-based organizational structure can increase their survival potential and reduce uncertainty in their environment (see Pfeffer and Salancik, 1978) as the co-operatives are able to be efficient but retain their local identity. In addition, informal networking and establishing close relationships with important stakeholders increases co-operatives' trust, power and legitimacy, which also help the co-operatives to manage their relationship with their environment. Overall, the findings from Publication 1 contribute to extant research on networking in the context of consumer co-operations (e.g. Simmons and Birchall, 2012; Normark, 1996) by suggesting informal networking is a co-operative's strategy to manage their relationship with the environment and to achieve sustained competitive advantage. The network-based organizational structure, on the other hand, secures service delivery in the long run and thus also secures the execution of the geographically bound purpose of consumer co-operation. Efficiency gains derived from the network structure also create sources for sustained competitive advantage (see Barney, 1991).

Finally, the strategic implications of CSR in consumer co-operation has received very little scholarly attention (see Hingley, 2010). In more detail, co-operative scholars have not yet investigated how CSR behaviour and reporting accumulates social capital. The findings from publications 2 and 4 are also novel in that it can be argued that strategic CSR (reporting and actions) should be regarded as a source of social capital. So far, this aspect has been ignored both in mainstream CSR (see e.g. Carrol, 1991) and in the research on consumer co-operatives (e.g. Hingley, 2010). In addition, the findings from publications 2 and 4 provide incremental insight into the mainstream research on CSR (e.g. Carrol, 1991) by highlighting that different company forms have different requirements in terms of their CSR behaviour (due to their different corporate purposes). Next, the practical contributions of this doctoral dissertation are discussed.

4.2 Practical contributions

According to Corley and Gioia (2011), a study has practical utility if "it can be directly applied to the problems practicing managers and other organizational practitioners face" (p.

18). In general, this doctoral dissertation provides practitioners with many implications that social and financial capital have on the strategic management of consumer co-operatives.

When it comes to the value of this doctoral dissertation to the practitioners of consumer co-operation, there are some important points to highlight. First, as many of the sources of social capital are linked to the co-operative purpose and co-operative model (see Publication 4), the managers of consumer co-operatives should pay some serious attention to them and utilize their potential to create a sustained competitive advantage. The reason for the sustained nature of the competitive advantage stemming from these sources of social capital is the fact that IOFs, for example, mainly seek to operate in the most attractive markets in terms of the profitability available and are not likely to commit themselves to the genuine pursuit of common good (i.e. the long-term provision of the services needed by the members of a declining rural community), which is important for geographically bound consumer co-operatives.

That is to say, it is easy to see why a consumer co-operative utilizing regional suppliers, creating surpluses and circulating them in a regional economy, and thereby focusing on the long-term creation of value to its community, is a more favourable partner from the community perspective. In other words, the sources, and also the benefits, of social capital are not easy to copy, thereby providing a sustainable basis for competitive advantage. Thus, the importance of social capital should not be undermined in the strategic management of consumer co-operation. However, even though the importance of social capital, networking, and CSR behaviour and CSR reporting should be highlighted in the management of consumer co-operatives, managers should also pay attention to executing strategies that also accumulate financial capital, so that the co-operatives are able to invest and potentially grow (if needed) in order to secure the service delivery in the long run. As presented, consumer co-operatives also have to secure service delivery in the declining stages of business (when other competitors withdraw from competition).

Therefore, profit-making should be regarded as an economic responsibility that finds its rationale and justification in other goals and responsibilities that consumer co-operatives carry along with their economic responsibilities. Further, managers need not only take care of the benefits to their members, but also ensure that the co-operative is the best option for its members and that the co-operative makes enough profit. In addition, managers of co-operatives should remember that, regardless of how (or in what form) the benefit (e.g. the

better location or a lower price) is to be produced for the member, the co-operative has to simultaneously achieve a high enough level of profitability.

Therefore, the managers of consumer co-operatives should remember that the profit-making of consumer co-operatives has more of an instrumental role in consumer co-operatives. That is to say, the role is not to maximize the profits in the short term but, instead, to guarantee and secure service delivery in the long run via efficient operation. This aspect should be more clearly stated in the management of co-operatives. Consumer co-operatives need to operate efficiently but also locally, paying attention to CSR behaviour and networking. On the other hand, co-operative managers face challenges regarding whether they can continue to sustain high levels of social capital while simultaneously struggling with the demands of global competition. One solution to this challenge is to utilize both 1) the formal network-based organizational structure and 2) informal networking with important regional stakeholders in order to gain legitimacy and trust. Thereby, consumer co-operatives can operate efficiently but remain local (see Publication 1) and not lose their social capital (retained by networking and CSR actions such as community involvement). In addition, consumer co-operatives should always make strategic decisions that are in accordance with their corporate purpose, principles and values.

4.3 Limitations and suggestions for future research

There are some limitations of this doctoral dissertation that should be mentioned. First, the collected interviews included solely CEOs, managers and key representatives of S Group co-operatives. In other words, the publications focus solely on the management perspective. However, for future studies, it could be also be fruitful to study how the key stakeholders see the social and financial capital accumulation of consumer co-operatives. The second limitation of this doctoral dissertation is that it only includes S Group co-operatives. Future studies could also include comparative analysis between different kinds of consumer co-operatives (e.g. How do they accumulate financial and social capital?). In addition, empirical studies of the failures of consumer co-operatives should also be applied in order to understand what factors hinder co-operatives' success.

A further limitation of this doctoral dissertation is that the interviews of S Group network members (key persons) were carried out in 2006. Thus, it would be important to investigate if

(and how) the network of the S Group has developed and changed since the time of these interviews. A final limitation of this study is that Finland's distinctively different geography, culture and demographic profile represent more of an atypical rather than typical context. Thereby, the findings of this study are only likely to be replicated in similar contexts (e.g. Canada). However, similar studies also need to be carried out in more densely populated countries/regions (e.g. the United Kingdom, Singapore or Japan) in order to understand the sustained competitive advantages of consumer co-operatives in different contexts.

For future research it would also be important to follow, for example, how the CSR of S Group co-operatives is understood by various stakeholders in different geographical regions. Further, it would be interesting to use comparative analysis to compare the actions of responsibility in the S Group with those in a competing company. There is also the need to reflect on the implications of some aspects of our research in the context of globalization and the growing evidence from research in other countries of the special competencies the co-operative social dimension provides for their competitive strategy as a business and as an association.

One important suggestion for future research would be to study the effect the growing size of consumer co-operatives is having on the social capital available to them. Further, analyses (of co-operatives' social capital) from other industries, such as banking (where co-operatives are common and also successful), could also be investigated in future studies. Further, education, training and knowledge have been regarded as some of the co-operative principles. Therefore, scholars could investigate how co-operative social capital facilitates the creation of intellectual capital in co-operatives. It is noteworthy that intangible assets have been seen as the most valuable assets of knowledge-driven organizations (see Chatzkel, 2000).

For future research it would be interesting to follow how demands on increasing efficiency shape the dimensions of a co-operative network (see Publication 1). Further, it would also be fruitful to investigate co-operative networks from a power theory perspective to understand the potential dynamics and tensions among the network members. In addition, it would be important to study co-operative networks in various other contexts.

On the other hand, growth can be also regarded as a controversial concept in consumer co-operation. That is, future studies could also address the question of how consumer co-operatives can hold on to their distinct identity (in the competition for social legitimacy) if they are seen to operate more like growth-oriented capitalist market actors. For example, the

findings from Publication 3 address how, even though the social side of co-operation (e.g. Novkovic, 2008) is important, it is also important to keep in mind that co-operatives usually operate in the capitalist market economy (Watkins, 1986). More research is needed to investigate the roles of different kinds of market actors and their reciprocal decisions that contribute to the evolution of the market and the repositioning of different actors in relation to each other, including co-operatives.

The findings from Publication 3 address how risk-avoidance and independence are two of the reasons for accumulating resources. For future research, it would be useful to study what other means co-operatives can utilize to create stability and predictability in their organization–environment relations. In addition, the findings from Publication 3 reveal that there is a need for more research to study how efficiency is defined and measured across different company forms and to investigate to what extent these definitions match and the measures are comparable.

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PART II: THE PUBLICATIONS

Publication 1

Uski, T., Jussila, I. Saksa, J-M. (2007)

**Regional Retail Cooperation: A Strategic Network Perspective on a Customer-owned
Organization**

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Regional Co-operation: A Strategic Network Perspective on a Customer-owned Organisation

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In recent years, the concept of network has been of interest to many scholars in the fields of management and sociology. The research on networks has focused on the benefits of networking and the relationships between network actors. Co-operative organisations have received only little academic attention in network research, despite of the fact that they seem to be closely related to the concept of network. In this article, we build on literature on co-operation and networking to analyze the strategic importance of formal and informal networks on a co-operative organisation. The empirical part of the article is based on thirteen qualitative in-depth interviews of the case co-operative managers and other focal actors of the network of a regional S Group co-operative (Finland). According to our analysis both dimensions of the network are of significant strategic importance to the co-operative.

Introduction

Network research has attracted extensive attention in the field of management. There have been two major approaches to the issues related to networks and alliances:

- 1) **research from an economic-rationalistic perspective**, which emphasises the strategic aspects of networking and
- 2) **research from a social perspective**, which highlights the social relationships between actors.

From the economic-rationalistic perspective (eg, Barney, 1991; Wernerfelt 1984), the resource-based view of organisation (eg, Penrose, 1959) has been one of the dominant contributors to the research on strategic aspects of networking (cf Oliver & Ebers, 1998). It suggests that firm's competitive advantage is derived from the resources and capabilities of the organisation (eg, Grant, 2005; Barney, 1991) and, thus, networking is economically profitable for firms because it enables them to concentrate on their core capabilities (eg, Jarillo, 1988).

While the economic-rationalistic perspective has concentrated on organisation level analysis on networks, the role of individual actors in networks has received increasing attention in recent years (Kilduff et al 2006). More specifically, the social network theory (eg, Perry-Smith & Shalley, 2003; Brass et al, 1998) declares that relationships between actors should be the core aspects of the network research. Although a distinction between the two approaches (schools) is often made, it is not evidently clear. Whereas research on social

networks has included descriptions of institutions and identities resulting from networks, it has also produced accounts of how network connections can explain differences in the resources available to individuals, groups and organisations.

Co-operatives have not attracted much of network scholars' interest even if co-operatives are often characterised as network organisations. Co-operatives are formed as networks because it enables small actors in the market to gain negotiating power and to develop businesses that are beneficial both for themselves as users as well as for the operation area (cf Skurnik, 2005; Normark, 1996). Co-operative networks have typically been considered to be territorially embedded and thrive where close relations between network actors are possible (eg, Hansmann, 1999). However, recent studies on co-operatives (eg, Davies, 2006) emphasise also the importance of network embeddedness, for example, when expanding their operations to international markets (cf Hess, 2004).

This article contributes to the co-operative management research from the network perspective (cf Normark, 1996). While also other perspectives on organisation (eg, Taylor & Asheim, 2001) would provide us with useful tools for uncovering the mysteries of co-operative businesses, we feel they are outside the limits of this study. We employ literature on co-operation (eg, Davies, 2006; Normark, 1996) and networking (eg, Perry-Smith & Shalley, 2003; Jarillo, 1988) to analyse the network of a Finnish customer-owned regional co-operative. As both economic and social aspects of relations are relevant in co-operative businesses (cf Skurnik, 2005; MacPherson, 1995), we employ both economic and social perspectives to develop

an interpretative framework for analysing the strategic importance of networking in a co-operative context. The empirical part of the article consists of analysis of qualitative data (eg, Denzin & Lincoln, 2000), which includes thirteen in-depth interviews with co-operative managers and other focal actors of the network, as well as, archival materials and non-academic literature.

Network Research and Co-operation

The concept of network has achieved a major role when exploring complex organisational phenomena, such as strategic alliances, power, influence, and inter-firm collaboration (eg, Borch & Arthur, 1995). A straightforward conceptualisation of a network states that "a network organisation exists to link different types of external stakeholders together" (Haberberg & Rieple, 2001:281). Importantly, networks link groups of companies together for a common purpose. Consequently, a new form of competition has spread across markets: group versus group (eg, Gomes-Cassares, 1994).

Examining networks from a strategic perspective has been one of the main tracks of network research (Borch & Arthur, 1995). The term "strategic" derives from the notion that networks are conceptualised "as a mode of organisation that can be used by managers to set their firms in a stronger competitive position" (Jarillo, 1988: 32). Strategic management theories on networks emphasise the importance of resources when aiming to create sustainable competitive advantage via capabilities (cf Barney, 1991; Wernerfelt, 1984). As Borch and Arthur (1995: 420) define, strategic networks are "investments in co-operative relations among firms in order to exchange or share information or resources".

A sociological view on networks (Podolny & Page, 1998: 59) emphasises informal aspects of networks stating that a network is any collection of actors

that pursue repeated, enduring exchange relations with one another and, at the same time, lack a legitimate organisational authority to arbitrate and resolve disputes that may arise during the exchange.

This means, for example, that while it seems useful to provide a list of formal organisational arrangements that can be characterised as

network organisations, any such list would obscure important variance within organisation types. On the other hand, even though network forms of organisation can not be identified according to some limited set of labels for formal organisational arrangements, a number of scholars have argued that network organisations can be characterised by a distinct ethic or value-orientation on the part of exchange partners (Podolny & Page, 1998).

What is important, taken the ends this article is aimed at, is that scholars have long recognised that organisations are embedded in multiple networks (eg, Powell & Smith-Doerr, 1994). Consequently, both formal and informal networks should play an important role when examining networks (cf Bell, 2005). It is strategically important, for example, that informal social networks provide links to resources (cf Gulati, 1998). As Borch and Arthur (1995) state, both economic and socio-cultural dimensions of networks should be acknowledged when attempting to reach in-depth understanding of cultural contexts, and of socio-economic relations of actors within strategic networks.

Resource-based perspective on networking

Strategic management theories on networks emphasise the importance of internal resources (eg, Wernerfelt, 1984) and external resources (eg, Langlois, 1992) when aiming to create a sustainable competitive advantage via capabilities. Barney (2001; 1991) also suggests that the resources have to be valuable, rare, imperfectly imitable, and non-substitutable. In order to develop competitive advantages via resources and capabilities, an organisation has to identify the strategically valuable resources and distinguish them from standard resources (cf Grant, 2005).

The competitive advantage of a firm is a combination of several valuable resources which can be called as "resource bundles" (Smith et al, 1996: 42) and capabilities (cf Helfat & Peteraf, 2003). Resource-based view on networks (eg, Gnyawali & Madhavan, 2001) suggests that firms co-operate to attain access to valuable resources which they would not have access to by operating individually. Organisations may establish more or less formal networks with interdependent organisations to create linkages to the "external" environment. This way they may gain access to essential resources or secure them (cf

Pfeffer & Salancik, 1978; Hillman et al, 2000).

The pursuit of competitive advantage through tangible and intangible resources, and capabilities leads to specialisation (cf Grant, 2005). That is, the organisation will cut down those resources that are not essential in terms of creating and utilising capabilities of the organisation and concentrate on its unique task in the network. This, on the other hand, means that firms need to develop their network-enabled capabilities (cf Zaheer & Bell, 2005). In sum, establishing networks and strategic alliances can be seen advantageous for organisations (ie, sources of competitive advantage), since partners can complement their own resource and capability base.

Social perspective on networking

According to the social perspective on networks, relations of social actors form the basis for analysing networks (eg, Brass et al, 1998; Holmlund & Törnroos, 1997). In addition, research on social networks has included description of institutions and identities resulting from networks as well as accounts of how network connections can explain differences in the resources available to individuals, groups and organisations (cf Gulati, 1998).

Social network can be defined as "collectivity of individuals among whom exchanges take place that are supported only by shared norms of trustworthy behaviour" (Liebeskind et al, 1996: 430). In other words, firms are "embedded in socially constructed networks of reciprocity and interdependence" (Taylor & Asheim, 2001: 316). Through social networks firms can get access to valuable information, which may have a positive impact on the efficiency of their economic actions (eg, Rangan, 2000). However, it must be acknowledged that in order to collect the benefits of social networking, firms must be able to identify and evaluate potential network partners.

The social network theory maintains that networks should be analysed in those social and institutional contexts where the economic actions take place (eg, Dacin et al, 1999; Gulati, 1998; Jones et al, 1997). This has been emphasised, for example, in the structural embeddedness perspective on networks (eg, Gnyawali & Madhavan, 2001; Jones et al, 1997). Simsek et al, (2003) define structural embeddedness as:

the relative proportion of internal and external

ties, ie, the number of existing relationships to the total number of possible relationships among all network members (if each network member were tied to every other member) and the number of relationships that network members have to non-network members, respectively.

Embeddedness is the contextualisation of economic activity in on-going patterns of social relations (Granovetter, 1985). As Holmlund and Törnroos (1997: 305) state, a relationship is based on the perception that there exist ties that connect actors together. Strong and weak ties (eg, Granovetter, 1973) or links such as friends of friends (eg, Boissevain, 1974) and group obligations (eg, Bourdieu, 1986) may provide privileged information, access to opportunities and enable individuals to obtain resources (Jack, 2005). In addition, network relationships may help organisations gain legitimacy from their stakeholders. This is crucial if they wish to survive (eg, Tolbert & Zucker, 1983; Meyer & Rowan, 1977).

Co-operatives as strategic networks

From the network research perspective, co-operatives offer a profound context for studying strategic importance of formal and informal as well as economic and socio-cultural dimensions of networks. As Skurnik (2002) maintains, it was already in the late nineteenth century that co-operation was determinedly built on a network idea. Thus, it has not been unusual to write of co-operatives as network organisations (cf Troberg, 2000; Nilsson, 1994; Ollila, 1989).

In the formal dimension, a co-operative network consists of relationships between members and the co-operative (first degree). That is, co-operatives are network alliances of small actors (eg, customers) in the market. They are organisations able to develop their operations in a way that serves the interests of the owners. The formal network (ie, in terms of membership) typically includes also the employees of the organisation (cf Skurnik, 2005; Normark, 1996). While groups of co-operatives are often formed to link local and regional co-operatives together for a common purpose (cf Skurnik, 2005), the formal network of a co-operative includes also the relationship between the co-operative and the central organisation (second degree).

It should be acknowledged that while a single

co-operative organisation (ie, a formal network) has legitimate organisational authority, co-operative networks include also non-owner actors (eg, through co-operative actors' social relations). For example, it is also typical to view co-operatives as a link between various regional or local stakeholders serving the interests of the community (eg, Tuominen et al, 2006). Taking into account the informal dimension, a co-operative network seems to be consistent also with the sociology-based definitions of networks (cf Podolny & Page, 1998). That is, a co-operative is an organisation strongly embedded in its regional context (cf Davies, 2006).

Co-operatives come close to the definitions of strategic networks (cf Borch & Arthur, 1995; Gomes-Cassares, 1994). That is, they form networks through which they can exchange or share information and resources (eg, Skurnik, 2005; cf Langlois, 1992; Wernerfelt, 1984) when trying to build sustainable competitive advantage (ie, benefits to their customer-owners). First, a co-operative has its internal formal network, which links buyers (ie, the customer-owners) to the seller (ie, the co-operative). This formal network is an important conveyer of information needed to develop genuinely customer-oriented businesses. In addition, a co-operative is part of a larger formal network enabling the use of resources which it would not have access to if working alone (cf Skurnik, 2002; Normark, 1996). On the other hand, a co-operative has typically close relations to its environment which may help to secure strategically important resources (Jussila et al, 2005; cf Hillman et al, 2000; Pfeffer & Salancik, 1978).

The network theory emphasises the importance of developing close linkages between buyer and seller. The linkages promote stability between buyer and seller as transaction costs are reduced and trust between actors is strengthened (Ollila, 1989, for transaction costs see also Williamson, 1975; Coase, 1937). One might expect this to help overcoming some of the co-operative weaknesses related to obtaining capital. Normark (1996) has even argued that co-operatives may have an advantage over investor-owned enterprises as, for example, the economic and social linkages between the organisation and its customers are stronger in customer-owned co-operative than in investor-owned enterprises. The customers are also owners of the co-operative, meaning that they have a right to information and wider variety of

means to participate and influence the co-operative than the customers of investor-owned companies (eg, Hansmann, 1999; Hirschman, 1979). As Normark (1996) states, co-operatives may be regarded as networks with extra communication capacity helping to develop efficient and effective business enterprises (cf Stein, 1993).

As was put forward above, in order to develop competitive advantages via resources and capabilities, an organisation has to identify its strategically valuable resources and distinguish them from standard resources (cf Grant, 2005). Some of co-operatives' strategic properties are their co-operative values (eg, honesty, equity, openness and self-help). They support the development of new relationships in the co-operative network, and trust (eg, Casadesus-Masanell & Khanna, 2003; Borgen, 2001), which has been considered as a crucial factor when constructing and maintaining network relations (eg, Johnson et al, 1996; Mayer et al, 1995).

Co-operative values support the development of the co-operative into a progressive and proactive business enterprise (eg, Normark, 1996). As Davies (2006) states, customer-owned co-operatives provide a point of distinction and differentiation from other organisational forms. That is, the active promotion of co-operative values provides co-operatives with a clear profile, which helps to differentiate themselves from their competitors. Thus, co-operative values are strategically significant intangible resources for co-operative organisations.

As mentioned, organisations have to gain legitimacy from their stakeholders to survive (eg, Tolbert & Zucker, 1983; Meyer & Rowan, 1977). Co-operatives may gain legitimacy by the local and regional stakeholders more easily than their competitors. That is, co-operatives may be looked at more favourably because co-operatives have a genuine interest in developing the territory in which they are embedded in (cf Hansmann, 1999). However, a communal approach to business is not only about co-operative values and principles (eg, MacPherson, 1995), but also about being rational. That is, the survival and success of a co-operative is strongly linked to the survival and success of area in which the co-operative's economic and social activities are embedded. This is among the reasons why co-operatives work together with other stakeholders of the area to create a well-functioning institutional

environment (eg, Tuominen et al, 2006; cf Blomqvist, 1985).

In sum, taking the network perspective, co-operatives may have at least three advantages over investor-owned companies. First, co-operatives have an advantage over investor-owned enterprises as the economic and social linkages between the organisation and its customers are stronger than in co-operatives than in investor-owned enterprises. Second, co-operatives have inimitable properties in terms of social relations. Third, because of their value-base, co-operatives may gain legitimacy by the local and regional stakeholders more easily than their competitors.

Content, Data and Method

During the last decade or two customer-owned co-operatives have received a major role in Finnish society and economy. However, the success of customer-owned co-operatives has varied contextually. For example, Finnish E-co-operatives and S Group co-operatives faced serious problems in 1980s, as conflicts between social objectives and the need for efficiency became apparent. For the same reasons, the whole "co-operative movement" lacked legitimacy in Finland (eg, Skurnik, 2005). Both E-co-operatives and S Group co-operatives strived for efficiency by carrying out major structural changes. E-co-operatives were formed as a consolidated "COOP Finland" while S Group divided its organisation structure into a network of 34 independent regional co-operatives and the central organisation SOK. (Neilimo, 2005; Schediwy, 1989).

E-co-operatives were bankrupted, but S Group co-operatives managed to achieve major success. According to Neilimo (2005), it was greatly due to the network structure that the S Group succeeded. Today, there are 22 regional and 16 local co-operatives that are, in turn, owned by their members - altogether over 1.6 million customer-owners (the population of Finland is around 5.2 million). Another reason for success was that S Group went back to its co-operative roots: The purpose of the co-operative is to provide services and benefits for customer-owners. S Group, which is the market leader, with close to 40% share of the Finnish retail sector. Year 2006, the retail sales of S Group were around 9777 million euros. Businesses of the co-operative include food and

groceries, specialty goods, hotels and restaurants, hardware and agriculture, automobiles and service stations. (www.s-kanava.fi; accessed 5 March, 2007; Neilimo, 2005)

The qualitative data employed in this study consists mainly of archival materials and eleven in-depth interviews conducted in year 2006 in the case co-operative and its network actors. First, we interviewed the CEO and the chairman of the governing board in the case co-operative. By analysing the archival materials and the interview data, we formed a preliminary description of the co-operative network. When gathering additional data, we utilised the so called snow-balling method (eg, Morrill, 1995), by asking interviewees name the most important actors within the network. That is, the interviewees were selected based on the accounts of previous interviewees. Our interviewees' included mayor of the largest city of the area the co-operative operates, manager of the provincial federation, CEO of the regional electric company (partner of the case organisation), the current and former Chairmen of the board of regional Chamber of Commerce, the head editor of the regional newspaper, one of the top managers of SOK and two CEOs of the purchasing companies of SOK. We also analysed data collected by one of the co-authors in the case co-operative in year 2004.

All the data was studied systematically to gain understanding of the research context. The data was organised by themes and analysed in detail by the corresponding author. To increase the reliability of our study, also one of the co-authors analysed the organised data.

Analysis of the Co-operative Network

Description of the network of the case co-operative

Consistently with the previous research (cf Skurnik, 2002; Troberg, 2000; Normark, 1996; Nilsson, 1994; Ollila, 1989), our case co-operative was considered to be (a part of) a multidimensional network. According to the accounts of our interviewees, the network of the case co-operative consists of formal and informal network (see Figure 1). The formal network consists of S Group (eg, SOK and its subsidiaries) and customer-owners (ie, the members of the regional co-operative). The informal network consists of regional institutions and various other stakeholders (eg,

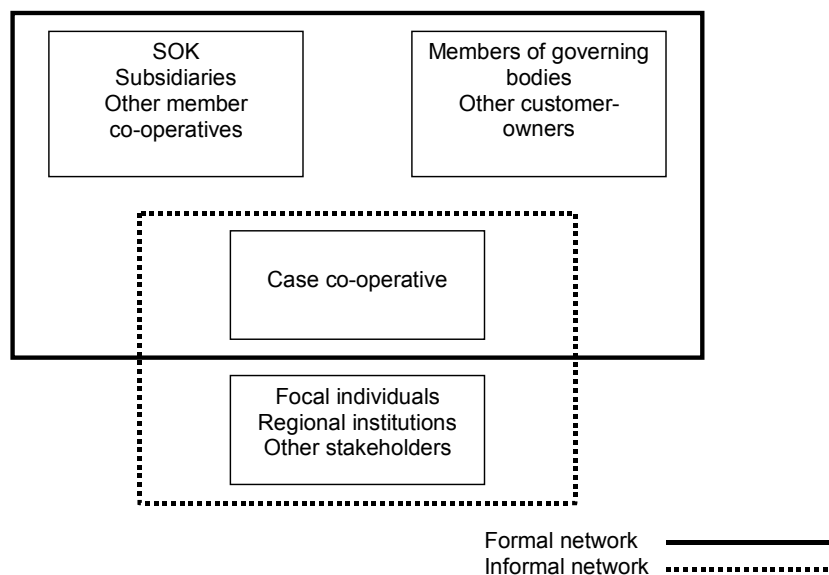


Figure 1 Formal and informal dimensions of the network of the case co-operative.

municipalities, associations, the University of the province, the regional Chamber of Commerce, regional council, and media), as well as, focal individuals (eg, heads of stakeholder organisations etc).

In the accounts put forward by our interviewees, both formal and informal dimensions of network were considered of strategic importance (cf Bell, 2005).

The strategic importance of the formal network

Our interviewees described S Group as a “strategic network” (cf Jarillo, 1988). That is, the member co-operatives of S Group share a mission, which differentiates S Group from other groups and is the basis of co-operation between the network actors. As one of our interviewees put it:

All of our operation philosophy (in network) is based on economic links ...of course the regional co-operatives carry also local missions in their own regions ... but all of the regional co-operatives are part of S Group ... we all have the same idea ... which is that we are here to serve our customer-owners ... this is the basis for our co-operation in this network.

Serving the customer-owners refers to mission

and business idea, which is to provide benefits and services for the customer-owners. While shared goals and values (cf Podolny & Page, 1998) form the basis for co-operation between network actors, the actors of the formal (ie, strategic) network are economically linked together via the central organisation (cf Skurnik, 2002) and its purchasing companies that carry out major share of procurements for the regional co-operatives. As presented above, economic links are an important part of the network structure. In addition, the case organisation is linked together with the formal network actors, for example, by shared management models and IT systems.

One of key aspects of networking is the distribution of work among actors. Consistently with Grant (2005), every actor in S Group’s network has its own unique function or special task in serving the mission. While the central organisation focuses on support services, the member co-operatives, including our case co-operative, have three basic tasks. First is to provide and organise services for the customer-owners in the co-operative’s own regions. Second is to increase the wellbeing of the customer-owners in the region. Third is to develop the economic and social wellbeing of the region (cf MacPherson, 1995). According to our interviewees, the intention of the case co-operative is to transfer all those functions to

the central organisation (and its subsidiaries) that do not provide comparative advantage when carried out by the co-operative itself.

According to our interviewees, being part of the strategic network has been one of the major reasons for the success of the case co-operative. It has helped the regional co-operative to compete against actors of other groups in the market (cf Gomes-Cassares, 1994). By investing in the co-operative relations in which information and resources are exchanged and shared (cf Borch & Arthur, 1995), organisations may achieve many operational and strategic benefits. As one of our interviewees pointed out:

By networking firms can together carry out larger and more demanding projects or they can concentrate on their own core business and outsource other functions...take subcontractors, contract suppliers or other network organisations...

Increase of negotiating (market) power, advanced technologies, common technological solutions, closer relations in value-chain, flexibility, inter-organisational benchmarking, expansion of market area, as well as, selection development, were given as examples of strategic benefits that networking has provided to our case co-operative (cf Davies, 2006; Skurnik, 2005; Normark, 1996; Ollila, 1989). In addition, one of the most highlighted benefits was related to information sharing within the formal network (cf Normark, 1996). That is, by sharing strategically and operationally important information regional co-operatives can significantly develop their operations. As one of the interviewees put it:

It opens new options ... in that we can then do common operation models, information transferring between different organisations so that the entity becomes better and more efficient ... for example this co-operation with [the case co-operative] has been so successful because they have concentrated ... the goal is that when we increase the efficiency, the customers can buy cheaper products ...

The information gathering, analysing, sharing, and utilising is systematic and managed. That is, different units collect and share information by using different kinds of systems that are

utilised in business operations of the network. In this way, the members of the formal network get valuable feedback concerning their operations. As one of the interviewees put it:

As a service, we share and even produce very much information ... concerning our group ... and also the success factors of business and the information concerning our operational environment ... and we hope that this serves the members of our network in that they can improve their operation ... so this is quite knowledge-intensive co-operation ...

In addition to the above listed benefits, the network structure of S Group has, for example, enabled the utilisation of locality and regionality in the businesses of the case co-operative (cf Tuominen et al, 2006). According to an interviewee:

In terms of strategic benefits to the business ... when we talk about the business that operates close to the customer, the network structure has brought this so called regional government which means that through networking we are able to manage geographically different regions ...

This is important, because, as it was pointed out, "the customers are a bit different in different regions". On the other hand, being local, regional and "independent" was considered as important aspects of co-operation. Thus, it was also made clear in the accounts of several interviewees that when it is profitable (ie, supports long-term survival) or serves the co-operative mission otherwise, all the activities should be (and are) carried out locally or regionally.

Consistently with the ideas put forward in previous research (eg, Tuominen et al, 2006; Hansmann, 1999; Hirschman, 1979), based on regionality and locality, the case co-operative seems to have a "co-operative advantage" over its competitors. Given the form of ownership, the case co-operative has close relations to its customers (cf Ollila, 1989). While competitors have reorganised by centralising their operations and removed their strategic and operational decision-making from the region, close understanding of the business environment and customer needs has become a strategic asset for our case co-operative. By remaining regional, the case co-operative has been able to maintain and develop customer-orientated business operations according to its mission (ie,

comprehensive fulfilment of customer-owners' needs).

On the other hand, according to some accounts in our data, the high structural embeddedness (cf Dacin et al, 1999) may bring some slowness to the operations and management of co-operatives. However, it was also pointed out that it is that the embeddedness brings more benefits than it brings costs.

The strategic importance of the informal network

According to the accounts put forward in our data also the informal network is of major strategic importance to the co-operative. Being regional means that the case co-operative has close relations to local and regional authorities and institutions. Co-operative principles (eg, MacPherson, 1995) and genuinely convergent interests with the region promote social relations that may be inimitable to the investor-owned competitors (cf Normark, 1996). As one of the actors of the informal network put it:

Regionality and locality ... those are the core values to us ... in co-operation with 'the co-operative people'...there we have noticed that we have the same core value which is that both of us want the success of the people and the enterprises in this province.

As the informal network consists of actors who have some kind of exchange relation between them and who share the same values and goals (eg, Jones et al, 1997; Liebeskind et al, 1996), locality and regionality seem to be essential concepts when examining the formation of the informal network of the co-operative (cf Tuominen et al, 2006). As implied in the representation above, close relations and common interests help co-operatives gain legitimacy from the local and regional stakeholders (cf Tolbert & Zucker, 1983; Meyer & Rowan, 1977).

The case co-operative collaborates with those organisations that have interest in improving economic and social wellbeing of the region and people within it (cf Skurnik, 2005; Normark, 1996). Consistently with co-operative values (MacPherson, 1995), the case co-operative participates in many provincial development projects (eg, culture, sport, and education) as "regional responsibility" is one of the key values of the co-operative (cf Neilimo, 2005).

According to our data, the case co-operative has an advantage over its nationally or internationally operating competitors, partly because active communication with the regional institutions, such as municipalities and the regional council provide co-operative managers with first hand information concerning, for example, forthcoming economically significant projects within the region (cf Tuominen et al, 2006). The mayor discussed the city's interest in interacting with the case co-operative as follows:

Co-operation is the keyword and of course networking ... maybe there is also need to achieve common objectives and goals in the network ... so the other important key word is that we know each others objectives and are able to figure out where it is crucial to co-operate together.

Co-operatives may be regarded, in part, as informal networks with extra communication capacity helping to develop efficient customer-oriented businesses (cf Normark, 1996; Stein, 1993). In the accounts of our interviewees it was stated that active communication within the informal network helps to develop businesses that fulfil the customer-owners needs, provide benefits to them and, at the same time, guarantee long term survival of the co-operative (cf Normark, 1996; Stein, 1993; Blomqvist, 1985).

Having common interests with the regional stakeholders (ie, the informal network) is crucial for the case organisation. As co-operatives also serve the interests of a wider society, they are, according to our data, looked at favourably by the regional institutions (cf Hansmann, 1999). That is, co-operatives gain legitimacy by the local and regional stakeholders more easily than their competitors. According to the accounts in our data, mutual understanding of common interests between regional network actors promotes trust between the case co-operative and the stakeholders. This is important, because trust has been considered as a crucial factor when constructing and maintaining network relations (eg, Blomqvist, 2002; Johnson et al, 1996; Mayer et al, 1995).

Discussion

In this paper we have described a customer-owned co-operative and its relations as formal

and informal networks, emphasising the strategic importance of those networks for the co-operative. That is, we have employed both economic and social perspectives on networks to develop a framework for analysing the strategic importance of networking in a co-operative context.

The formal network consists of S Group (eg, SOK and its subsidiaries) and customer-owners (ie, the members of the regional co-operative). By analysing our in-depth data, we also found that the informal network of the case co-operative consists of regional institutions and various other stakeholders (eg, municipalities, associations, the University of the province, the regional Chamber of Commerce, regional council, and media), as well as, focal individuals (eg, heads of stakeholder organisations etc) (see Figure 2).

While the actors of the formal network are linked together with economic ties, shared management models and IT systems, the shared mission, business idea, values, and goals form the basis of their co-operation (cf Podolny & Page, 1998). Locally and regionally shared objectives (eg, the development and well-being of the region) are also the basis of co-operation between the co-operative and the actors of its informal network (cf Tuominen et al, 2006).

Our conclusion is that both formal and informal dimensions of the network are of strategic importance (cf Bell, 2005). As presented in the figure above (Figure 2), both

formal and informal networks can be considered to operate as implementers of common interests of network actors, as well as, channels of resource and information sharing.

The formal network helps the co-operative to compete against other groups in the field. The strategic benefits of the formal network include increase of negotiating (market) power, common technological solutions, advanced technologies, closer relations in value-chain, flexibility, inter-organisational benchmarking, expansion of market area, as well as, selection and operations development (cf Davies, 2006; Skurnik, 2005; Normark, 1996; Ollila, 1989). The formal network has also helped the co-operative to remain regional and collect the related benefits, as competitors have centralised and removed their strategic and operational decision-making from the region providing the co-operative with an advantage in understanding of the business environment and customer needs (cf Hansmann, 1999).

The informal network is of major strategic importance to the co-operative as well. Co-operative principles and genuinely convergent interests with the region promote social relations (eg, with institutions and other stakeholders) that may be inimitable to the investor-owned competitors (cf Normark, 1996). That is, locality and regionality are essential concepts trying to understand the formation and strategic importance of the informal network (cf Tuominen et al, 2006). What the informal network enables, for example, is the increase

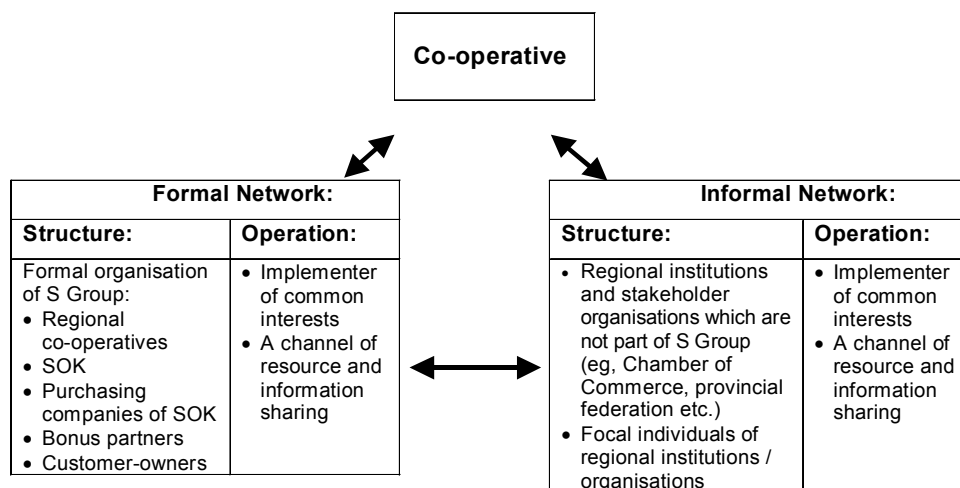


Figure 2 The structure and operations of the co-operative network.

of communication capacity, which helps the co-operative to develop efficient customer-oriented businesses and, thus, guarantee long-term survival (cf Normark, 1996; Stein, 1993). One of the crucial benefits of the informal network is the legitimacy provided to the co-operative by the stakeholders.

The main contribution of this article is the two dimensional framework for analysing co-operative networks. Both dimensions have been discussed in prior network research. However, to our knowledge, they have not been employed to understand the strategic importance of formal and informal networks on co-operative organisations. Based on our research, the co-operative values and goals seem important elements tying various actors together in co-operation. This idea seems consistent with Jones et al's (1997) work that assumes values to guide network participants.

While this paper is a preliminary attempt to integrate the perspectives in research on

co-operative networks and our evidence is based on limited data, we would expect further investigations worthwhile. For future research it should be interesting to follow, for example, how demands on increasing efficiency will shape the dimensions of co-operative network. It would also be fruitful to study the co-operative networks from a power theory perspective to understand the potential dynamics and tensions among the network members. It should be also acknowledged that this particular study has been conducted at a time of exceptional success that has generated optimism and cohesion among network actors. In addition, it would be progressive to have results of studies on co-operative networks in various contexts. Most importantly, as very little of research has been conducted on the topic of this paper, we would like to call for research that employs various approaches and methodologies.

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Social Responsibility in S Group Co-operatives: A Qualitative Analysis of Archival Data

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Social Responsibility in S Group co-operatives: a qualitative analysis of archival data

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Abstract

In recent years, the concept of corporate social responsibility (CSR) has been of interest to many scholars in the field of management. Dimensions of CSR, such as social and environmental values have been typically supported by co-operatives, which often operate in social economy. The aim of this article is to understand how CSR is constructed and how it is connected to stakeholder relations in Finnish S Group co-operatives. Based on our qualitative analysis, we suggest that the social responsibility of the case organization can be interpreted as fulfilling co-operative values, emphasizing regional responsibility, understanding the importance of customer-owner relations and taking care of the continuity of co-operative business.

Key words

Co-operation, Corporate Social Responsibility, Stakeholders

Introduction

Research on corporate social responsibility (CSR) (e.g., Knox & Maklan, 2004; Carroll, 1998; 1981) has received a lot of scholarly attention in recent decades. The key approaches may be divided into three approaches: 1) ethical responsibility, 2) economic responsibility, and 3) corporate citizenship (Windsor, 2006). More specifically, CSR related questions have been studied in various theoretical frameworks (McWilliams, Siegel, Wright, 2006), such as agency theory (e.g., Friedman, 1970), stewardship theory (e.g., Donaldson & Davis, 1991), resource-based view of the firm (e.g., Hart, 1995), institutional theory (e.g., Jennings & Zandbergen, 1995), theory of the firm (e.g., McWilliams & Siegel, 2001) and stakeholder theory (e.g., Smith, 2003). The stakeholder perspective has been widely employed in research on CSR (e.g., Agle, Mitchell, Sonnenfelt, 1999; Berman, Wicks, Kotha & Jones, 1999).

Despite of the extensive attention to CSR in research on mainstream organizations, the framework has been rarely employed to analyze CSR in a co-operative context. This may be seen as ironic given that social

responsibility has traditionally been an essential part of the co-operative philosophy (e.g., MacPherson, 1995; Münkner, 1981). This is illustrated by co-operative values and principles which include, for example, "concern for the community" (See International Co-operative Alliance, Geneva, Statement of Co-operative Identity 1995, MacPherson, 1995, p21, Nilsson, 1996, p637). The co-operative philosophy seems to be consistent also with Carroll's (1979) definitions of corporate social responsibility, according to which a responsible business enterprise notifies not only economical and legal demands, but also the ethical demands which the society directs to the business operation. That is, co-operatives are - in their operations and businesses - sensitive to the interests of their stakeholders. In a broad definition, stakeholders are usually characterized as "*any group or individual who can affect or is affected by the achievement of the organization's objectives*" (Freeman, 1984, p46). According to this definition, it seems that any social actor functioning within the community context of a co-operative can be considered as a stakeholder of the co-operative organization. This may be particularly significant in the context of consumer co-operatives.

In this study we will focus on stakeholder theory perspective on CSR (e.g., Donaldson & Preston, 1995). The aim of our study is to describe and understand how social responsibility is constructed and how it is linked to stakeholder relations in Finnish S Group co-operatives. We employ qualitative methods (e.g., Denzin & Lincoln, 2003) to solve the mystery of CSR in the given context. Our data consists of various written articles and archival materials published in S Group's magazines during the years 2000-2005.

Corporate social responsibility

Regardless of the wide recognition of CSR in various fields of research (Van Marrewijk, 2003), academics have not come to an agreement on the key question - What is the importance of CSR to the enterprise? For example, some economists (e.g., Friedman, 1962) have argued that the only social responsibility of an enterprise is its efficient use of resources in order to increase its profits. Some of the recent strategy scholars (e.g., Grant, 2005) seem to agree with the Friedman

economistic and market based approach in their accounts of the topic, emphasizing profit maximization as the only objective of a firm's operations.

However, there exist many strong arguments that speak for the benefits of social responsibility to the enterprise (Davis, 1973). First of all, the enterprise must produce those goods and services for which there exists demand at a given time. In other words, the better the enterprise follows the expectations and the needs of a society, the better it will position itself in a society. Secondly, by following and reacting to the expectations of the society, the enterprise may achieve a more favorable image on the markets (see also Knox & Maklan, 2004). Thirdly, social responsibility may operate as a competitive advantage of an enterprise or at the minimum it can be considered as a precondition for successful business operation.

Davis (1973) defined that social responsibility takes into account also other demands than solely the legal demands which the enterprise faces. This is because society grants authority (legitimacy and power) to business leaders and, "in the long run, those who do not use power in a manner which society considers responsible will tend to lose it" (Davis, 1973 p.314). A more elaborated framework of CSR was developed by Carroll (1979), who added an ethical perspective to corporate social responsibility to the previously employed economic and legal views. By employing CSR an enterprise takes into account the needs and interests of the wider society in its operations and decisions (George, 2003). According to stakeholder-theory, CSR refers to a condition where an enterprise aims at making decisions which have positive impacts on all of its stakeholders (Epstein, 1987: 104). Finally, Windsor (2006) has added an environmental dimension to our understanding of how CSR is acted out by arguing for the inclusion of values supporting environmental sustainability as being at core of the responsible enterprise's value base today.

Stakeholder perspective

One of the fundamental questions of CSR is "Why the enterprise should consider social responsibility in its actions?" One of the rationales of CSR is that if an enterprise itself shows that it follows the principles and ethics of CSR, the legislators - a group of stakeholders (Freeman & Reed, 1983) - do not have to impose legislations in order to direct the enterprise to a more "responsible direction" (Davis, 1973, p314). In a broader sense, organizations may engage in CSR to gain legitimacy from their stakeholders in order to survive (e.g., Meyer & Rowan, 1977; Mizruchi & Fein,

1999). *Stakeholders* (Smith, 2003; Mitchell, Agle, Wood, 1997; Murray & Vogel, 1997; Freeman & Reed, 1983) are usually characterized as social actors (individuals or organizations) which effect the operations of an enterprise or to whom the enterprise has an effect on - such as the owners, investors, employees or customers of the enterprise. In other words, the relationships that exist between the stakeholder and the enterprise are usually based on ownership, contract, and customer-relationship or on legal demands (Talvio & Välimaa, 2004, p49). Donaldson and Preston (1995, p87) point out that research on stakeholder-theory usually focuses on analyzing corporate stakeholders from normative, descriptive (empirical) or instrumental views. The normative view on stakeholders (Carroll, 1989) gives guidance on how an enterprise should treat its stakeholders and why it should acknowledge the expectations of various stakeholders and act on them. George (2003) argues that employees are one of the most important stakeholder-groups for an enterprise and as such employers' should pay attention to them. Employees who are motivated to serve the customers of the enterprise and to develop the business operation, provide the company with a competitive advantage due to the development of competences which are difficult to reproduce by competitors. The descriptive view on stakeholders (e.g., Brenner & Cochran, 1991) describes how the enterprise manages its stakeholders or interacts with them and whether it takes into account the expectations of the stakeholders. The instrumental view on stakeholders (e.g., Aupperle, Carroll & Hatfield, 1985) focuses on analyzing how and to what extent the stakeholders can effect the operation of the enterprise.

Corporate social responsibility and stakeholder perspective on co-operatives

According to the literature on co-operatives (e.g., Skurnik, 2005; Nilsson, 1996; Münkner, 1981), it is typical for co-operative organizations to aim at both economic and social goals in their operations. Laurinkari (2004, p 25), for one, writes that;

"co-operation is about economic or social collaboration and is exercised in the form of co-operative business enterprise in order to satisfy the various needs of co-operative's members".

That is, the purpose of co-operative enterprises is not profit maximization. (Nilsson, 1996 and Munkner, 1981) Instead, co-operatives typically aim at delivery of valued services to their members which add value, both economic and social, to their members as well as the surrounding society. There is a collective dimension as well as an individual dimension to the

value added process in a co-operative but it is not profit as such as it remains undistributed during the co-operatives life time lifetime and in a wind up context even them in some examples (see the Industrial Common Ownership Model in the UK) monies left after creditors ext has to be reinvested in another co-operative or co-operative investment fund. In other words, various dimensions of CSR may be considered important for co-operatives relative to their various stakeholders and their actions in this respect are supported by the ICA Statement of Co-operative Identity – incorporated in the eight co-operative principles (cf. MacPherson, 1995).

It could be argued that co-operatives gain legitimacy through their local and regional stakeholders more easily than some of their competitors whose roots may be seen to be either international or outside the region. That is, co-operatives may be looked at more favorably because co-operatives have a genuine interest in developing the community in which they are embedded in (e.g., Tuominen, Jussila, & Saksa, 2006). While it has been stated that co-operatives should operate as any other business enterprise to succeed economically well in order to compete and operate in the markets (e.g., Laidlaw, 1981), a communal approach to business can be considered rational because the survival and success of a co-operative is strongly linked to the survival and success of its operating area. This is highlighted in customer-owned businesses, which may be considered by ownership as “captives of their regions” (Davis, 2001). This is among the reasons why co-operatives work together with other (interdependent) local and regional actors (e.g., the stakeholders that share their destiny) to create a well-functioning institutional environment (e.g., Kotonen, Tuominen, & Jussila, 2007). In sum, it could be argued that co-operation, corporate social responsibility and stakeholder management are closely interconnected at the level of the locality of co-operative practise and membership.

Methodology for the S. Group co-operatives study

Our study was conducted in Finnish S Group, which consists of 22 independent regional co-operatives, 19 local co-operatives and central organization SOK. S Group co-operatives represent “customer-owned co-operative entrepreneurship” while SOK operates as a provider of common support services and as knowledge and development centre for regional and local co-operatives. S Group co-operatives have been

important actors in Finnish society and economy for over 100 years. In addition, they have been characterized as containers of local and regional identity reproduced in their operations. (e.g., Neilimo, 2006, p5; S Group, 2006)

The purpose of S Group is to provide services and benefits to its committed customer-owners. It has been argued that they are tightly market controlled by their customer-owners (i.e., their businesses are efficiently focused to satisfy the economic needs of their members). S Group aims at increasing the commitment of their customer-owners and at acquiring committed, well concentrated members. (e.g., Neilimo, 2006 p5; S Group, 2006)

In this study we aimed to reaching our objectives by qualitative methods (e.g., Denzin & Lincoln, 2003, p257). The research material consists of fifty-six articles and texts - published in S Group during years 2000-2005 - in which the topic of our investigation is discussed. Our iteratively enhanced understanding of the topic was based on gradual analysis. That is, first we collected empirical material through the annual reports of SOK and its social responsibility reports. By analyzing this material, we drew conclusions on how the S Group declares its definition of policy in terms of responsibility. According to our analysis, regional co-operatives are independent (i.e., inside S Group) in terms of CSR. Second, we collected and analyzed annual reports and social responsibility reports of various regional co-operatives based on the interpretations made in the first phase. Finally, while our aim was to analyze accounts on CSR aimed at employees and customer-owners, we collected the topic related articles published in S Group’s employee magazine “Ässä” and customer-owner magazine “Yhteishyvä”.

Discourses of CSR in Finnish media

In Finnish society and business environment, many discourses (i.e., well established ways of speaking and writing about something) are constructed and employed to discuss CSR. Among these, Vehkaperä (2003) found four dominant discourses of CSR in *Talouselämä*, one of the leading business magazines in Finland. These discourses focus on 1) Benefit of the entire society, 2) Benefit of all of the company’s stakeholders, 3) Benefit of the enterprise, and 4) Benefit of the owner. According to Vehkaperä’s (2003: 97) analysis, these discourses differ from one another in that they emphasize either responsibility or consequence and either broad or narrow definition of CSR.

	Emphasis on responsibility ethics	Emphasis on consequence ethics
Broad definition of CSR	1. Benefit of the entire society	2. Benefit of all of the stakeholders
Narrow definition of CSR	4. Benefit of the enterprise	3. Benefit of the owner

Fig. 1. The Discourses of CSR in Finnish media (Vehkaperä, 2003: 97)

The discourses presented in Fig. 1 seem to be consistent with the distinct definitions made in previous research on CSR. For example, the "Benefit of the entire society" - discourse seems to maintain the idea that that by employing CSR, an enterprise takes into account of the needs and interests of the wider society in its operations and decisions (cf. Carroll, 1979). On the other hand, the "Benefit of the owner" - discourse is consistent with the accounts put forward by certain capitalist economists (e.g., Friedman, 1962). This particular discourse may be employed to reproduce the idea that an enterprise should concentrate in efficient use of its resources to benefit solely the owners and not, for example, to use of its resources to certain communal purposes.

The history of CSR in S Group

Consistent with the previous research on co-operatives (e.g., Laurinkari, 2004; Hansmann, 1999; Nilsson, 1996), accounts put forward in our data maintain that S Group co-operatives were originally established to carry out both economic and social objectives. According to Neilimo (2006, p31) CSR has been identified as peculiar to S Group right from the beginning:

"Sustainable operations are built on strong value base. The S Group's values and operations as a regional, democratically managed group of companies suit the values of Finnish society and of Finns as individuals. This is why the S Group's core values - excellence, responsibility, renewal and partnership - have carried us for 100 years."

According to our data, co-operatives have carried an important mission in Finnish society, which has been

emphasized during national crises, for example, before and the World War II. As put forward in our data, SOK and the regional co-operatives have operated as exemplary responsibility-carriers in Finnish society especially in 1930s, after the wars and during the time of reconstruction. SOK and regional co-operatives have strongly operated as promoters and supporters of Finnish education, culture and environmental issues (e.g., libraries, study circles, movies and paper recycling). That is, in addition to other dimensions of CSR, environmental values and responsibility have also been highly important in S Group (cf. Windsor, 2006). However, according to our data, S Group officially accepted the established principles and values of environmental policy (in 2002) only after the managers of co-operatives had interpreted that there were strong institutional pressures (e.g., from media) to do so. As a result of adaptation S Group finally published its first responsibility report in 2005.

Accounts of co-operative history in Finland speak about development in which co-operative organizations have in various situations adapted their operations according to the demands imposed by the society and, thus, been able posit themselves in a way that secures their survival. This notion is consistent with Davis's (1973) arguments in that the better the enterprise follows the expectations and the needs of a society, the better it will position itself in a it. On the other hand, S Group has found itself in its most severe crisis under circumstances in which it has not been able to adapt its businesses fast enough to societal changes and market pressures in 1960's and 70's.. During the given period, S Group did not pay enough attention to the economic dimension of CSR spoken for by Friedman (1962). Today, S Group attempts to satisfy both the economic-

rational and social psychological (e.g., emotional) needs of their members. That is, the operations and businesses of S Group are designed and implemented in a way that appeals to customer-owners' and other stakeholders' rational and social psychological motives (e.g., Neilimo, 2006).

Definitions of CSR in S Group

In management research, the definitions of CSR have included various dimensions, such as economical, legal and ethical views of responsibility (e.g., Carroll, 1979; Davis, 1973). Consistently with these, also the definitions and features of corporate social responsibility in S Group include various dimensions. As stated in our data:

"The purpose of S Group is to provide services and benefits to committed customer-owners responsibly following the principles of sustainable development. By responsibility we mean locally, economically, ecologically and socially responsible long-term business operations."

According to our analysis, the discourses in S Group's publications emphasize economical, social and environmental dimensions of corporate responsibility. S Group's CSR seems to be consistent with the notions (e.g., Davis, 1973) according to which an enterprise has to be economically strong in order to operate and succeed in a market and society. It is consistent with, for example, Laidlaw's (1981) ideas; the economical responsibility is often a precondition for socially responsible operation of co-operatives.

In the context of our study, economic responsibility may be considered to consist of benefits for customer-owners and the region in which the co-operative organization is embedded as well as the entire society. As put forward in our data, major share of the profits co-operatives show are directed to the development of their operating areas:

"We return one third of our annual surplus to our members. Last year this amount was 135 million euros. One third of the surplus is used for development of operations and one third goes to taxation. Responsible action is present in each part."

Being economically responsible is considered to be appealing to stakeholders' economic-rational motives, whereas being socially and environmentally responsible is assumed to appeal to stakeholders' social motives. Finally, according to our data, all the responsible behavior is considered to appeal to co-operative stakeholders' psychological motives.

The commitment of customer-owners is assumed to be stronger when their own co-operative contributes extensively to the welfare of the society. In other words, the responsible operation of the co-operative produces additional value to its customer-owners. As put forward in our data:

"Social responsibility is seen as a natural part of the value basis of S Group and the principles are well employed in different operational programs in various units. The goal is to produce additional value to the committed customer-owners through the management of economical, social and environmental information."

Appealing to stakeholders' emotions by means of discourse in publications may not be entirely altruistic. That is, it may simply be part of a strategy which aims at constructing a more "positive" image of the group and, thus, create competitive advantage to the co-operative (cf. Knox & Maklan, 2004). However, when it is made to increase member commitment, the focused communication may also be considered as a practice consistent with co-operative philosophy (cf. MacPherson, 1995).

The role of stakeholders in S Group's operations

Accounts of stakeholders in S Group's publications seem to be consistent with the definitions given in literature on social responsibility and stakeholder management (e.g., Freeman & Reed, 1983). As put forward in our data:

"Stakeholders are defined as all of those parties which have something to do with S Group or to whom the S Group effects or which have impact on the operations of S Group. Collaboration [with the stakeholders] may be based on economical, ideological or some other interests. Stakeholders may therefore have a direct relationship with the group - as employees or customer-owners. Stakeholders have always some kind of expectations of the operations of the enterprise."

The normative view on stakeholders (e.g., Donaldson & Preston; Carroll, 1989) focuses to on the question of: "Why should an enterprise pay attention to its stakeholders?" According to our data, the co-operative form of business sets its own demands in regard to the prioritization of stakeholders. In our S Group co-operatives, various stakeholder-groups are considered highly important, for example, because of high interdependence. Many regional stakeholders share co-operative's destiny. Co-operatives are

tentative especially to their customer-owners, who are the basis of their existence. Also employees are also highly important stakeholders to S Group (George, 2003). S Group co-operatives have succeeded well in national employee satisfaction competitions. According to our data the tentative approach to employees is a great asset of co-operatives. It is considered to help co-operatives to become better places to work, but to operate more efficiently and produce better quality services.

The instrumental view on stakeholders (e.g., Donaldson & Preston, 1995; Aupperle et al., 1985) focuses on the question of "How much stakeholders effect the operation of the enterprise?" As the customers are also owners of the enterprise, they are able to have voice in the co-operative in many ways (e.g., via customer feedback, personal relations, governance etc.) and therefore produce outcomes on the operations of their co-operative. According to our data, the operations of the S Group are also effected, for example, by local and national authorities and decision-makers, EU-authorities, consumer and environmental organizations, international organizations and national as well as international competitors.

The relationship between the stakeholders and perspectives of responsibility

S Group has strengthened its stakeholder-relationships during the last ten years, when the corporate social responsibility has emerged to a highly important role in Finnish media. By reporting its long-term responsibility, S Group can achieve a more favorable image among its stakeholders. The stakeholder-relationships have become particularly strong when examined locally and regionally. According to our analysis, this may an outcome of the significant role of locality and regionality in various responsibility-discourses in S Group's publications. Regionality has been presented along three other perspectives (economical, social, and environmental) of responsibility. The concept of "regional responsibility" is efficiently put into practice in the operations of regional co-operatives:

"The strength of responsibility in S Group is its regional structure. Regional co-operatives understand the features of their regions, preferences of their customer-owners and they enhance the stable development of their regions through their operations. Regional co-operatives are strong influencers in their regions as their

decision-making is local and they are governed by their own customer-owners."

The accounts put forward in our data seem to be consistent with, for example, George's (2003) ideas on the high importance of recognizing the surrounding society as a group of stakeholders. In various communal settings of our study, local citizens are interpreted to be interested about the new jobs and tax revenues which the enterprises bring to the region. According to our data, CSR of the regional co-operatives have many welcomed "effects" on their regions. The ethical and responsible operations of co-operatives are considered to increase trust between co-operatives and its business partners as well as other stakeholders and to bring conformity and predictability to their operations (Vehkaperä, 2003). That is, the CSR of S Group was considered as a "trust building mechanism". As put forward in our data:

"All our operation and collaboration with different stakeholders are based on trust. Our operation is open, honest and trustful. We carry responsibility of our employees' welfare, the safety of our operation and the welfare of the citizens and the environment in our region."

The precondition for the generation of trust between regional citizens and S Group is the open dialogue between the co-operatives and their stakeholders. Stakeholder-communication may be employed as a means of increasing both customer-owners' and employees' commitment to the co-operative.

Conclusion

The aim of our study was to understand how the concept of corporate social responsibility is constructed and how it is interconnected with stakeholders in various archival materials of our case organization (S Group). By employing qualitative analysis on our data, we found four discourses which emerged in the publications of S Group.

Fig. 2 presents these discourses which are employed to construct S Group's CSR and its stakeholder-management:

"Co-operative's involvement in peoples' everyday life" - discourse describes co-operatives as a long-lasting and stable actors, which are prepared to change their operations according to the changes of the society and operational environment. In this discourse, the co-operative is presented as a trustful partner who doesn't abandon its principles even when facing difficult times. The publications of S Group appeal also to people's emotions. For example, they emphasize

<p>CO-OPERATIVE'S INVOLVEMENT IN PEOPLES' EVERYDAY LIFE</p> <ul style="list-style-type: none"> • Long history of responsibility • Responsibility in changes of society • Continuity • Appealing to emotions 	<p>CO-OPERATIVE AS A REGIONAL ACTOR</p> <ul style="list-style-type: none"> • Regionality • "Human faced" business • Domestic values • Trust
<p>CO-OPERATIVE AS A SERVANT OF CUSTOMER-OWNERS</p> <ul style="list-style-type: none"> • Customer-owners and employees are the most important stakeholders. • Responsibility as a producer of additional value to customer-owners • Responsible action together with the stakeholders of S Group. 	<p>CO-OPERATIVE AS A PROFIT-MAKING ACTOR</p> <ul style="list-style-type: none"> • Responsibility as part of "normal operation" • Principles of economical responsibilities • Profitability of the operation

Fig. 2: The discourses of responsibility and stakeholder –management in S Group

that the S Group has been with and for Finnish people under the time of war and reconstruction in Finland. *"Co-operative as a regional actor"* -discourse emphasizes the importance of regionality in S Group. For example, regional co-operatives understand well the needs and preferences of customer-owners and other stakeholders of their region and are actively involved in many local activities.

"Co-operative as a servant of customer-owners" -discourse focuses on S Group's collaboration with co-operatives' most important group of stakeholders - their customer-owners. In this discourse, the expectations and needs of customer-owners are considered as vital for the successful operation and business of S Group. In addition, actions and goals of S Group are justified - in the archival materials - by emphasizing that they produce additional value to customer-owners. What is typical to *"Co-operative as a profit-making actor"* -discourse is that the economic responsibility finds its rationale and justification in other goals and responsibilities that co-operatives carry along economic responsibilities.

Consistently with previous research on CSR (e.g., Windsor, 2006; Carroll, 1979; Davis, 1973), we found that the CSR of S Group includes economic, social and environmental dimensions. However, we also found that in S Group another dimension could be added, which unifies the above mentioned dimensions. According to our data, the so called "regional responsibility" is in the core of S Group's CSR. On the regional level, this notion is consistent

with Nilsson's (1994) statements in that co-operatives emphasize the welfare of the entire society in their actions and decisions.

Finnish discourses of CSR are typically divided into four different levels which emphasize either the benefit of an enterprise, owner, all stakeholders or the benefit of the entire society (Vehkaperä, 2003). In our study we found that in S Group the benefit of the entire society was also emphasized. In this discourse, the enterprise questions profit maximization as the primary mission of the enterprise - it considers its mission is to increase the welfare of the society and not only its owners.

This paper is a preliminary attempt to integrate the perspectives in research on corporate social responsibility, co-operation and stakeholder management and our evidence is based on limited data. Our findings do suggest that further investigations would be worthwhile. For future research it should be interesting to follow, for example, how the CSR of S Group co-operatives is understood by various stakeholders in different geographical regions. In addition, it would be interesting to use comparative analysis and compare the actions of responsibility in S Group and in a competitor's company. There is also the need to reflect on the implications of some aspects of our research for the context of globalization and the growing evidence from research in other countries of the special competencies the co-operative social dimension provides for their competitive strategy as a business and as an association.

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A tool to be investigated deliberately: Investigating the role of profit in consumer co-operatives

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A Tool to be Used Deliberately: Investigating the Role of Profit in Consumer Co-operatives

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Abstract

Profit is a controversial concept in co-operative literature. It is primarily associated with shareholder corporations and, thereby, sometimes seen as concealing the distinctiveness of the co-operative model. Following our observations from Finnish consumer co-operatives, which highlight the importance of profit, we decided to investigate its role in more detail by thematically analyzing twenty qualitative interviews with S Group executives and key representatives of governance, asking: why do consumer co-operatives make profit? The findings provide co-operative researchers and practitioners with a more comprehensive understanding on the chain of reasons underlying profit-making in consumer co-operatives. Importantly, the findings also suggest that profit is approached in consumer co-operatives differently than in shareholder corporations and that the difference can be traced back to the set of ideas that make the co-operative a unique model of economic organization.

Keywords: consumer co-operation, co-operative, profit, surplus, growth

1. Introduction

Shareholder corporations are built on the association of invested capital (Novkovic, 2008; Hansmann, 1996). Their owners are investors, who expect returns on the capital invested (Duska, 1997). They benefit from shareholding in terms of dividends and the increase of share value. Profits are essential for both of these ways of creating value for the owners, which makes investor-owned corporations profit-seeking entities. Profit maximization is placed as a core idea and purpose of the investor-owned model (Jensen & Meckling, 1976; Friedman, 1970). Further, an essential feature of the public corporation is that shareholders get their share of the firm's market value immediately as they sell their stock. Thereby, the market value of the company is of investors' concern.

Co-operatives are different. It is argued that one of the key distinguishing features of co-operatives as compared to shareholder corporations is that they are built on association of people (the owners) as opposed to capital invested (Jussila, 2012; Novkovic, 2008; Michelsen, 1994). Association of people refers to the fact that the owners compose a community of members, who share mutual interests (e.g., in having particular service needs satisfied) and are also dependent on each other in the pursuit of having those interests served. As it comes to the co-operative organization—a legal (contractual) entity—it can be seen as a tool for the members to serve their mutual interests. Thereby, the member interests serve as the basis of co-operative purpose, which for consumer co-operatives (Tuominen, 2012) is to operate in the consumer market in a manner that creates user-benefits to the consumer-owners (e.g., in terms of lower prices). Further, since the members cannot sell their 'share' of the co-operative (Nilsson, 2001), the members' interest in the co-operative is focused on its capacity to provide them with future user-benefits.

Given this purpose, and the fact that they are not investors by their primary role, members do not have a direct interest in profits (Spear, 2004). In fact, consumer-owners may be against profits, since profits (in co-operatives typically referred to as surplus) are made in trade with the owners themselves and, thereby, in their expense (e.g., in terms of higher prices). Consistently, a traditional view of co-operation questioned the role of profit in co-operation (Jokisch, 1994). It was expected that if profit is made due to 'miscalculated prices', it should be

returned to the members and, according to the principles of co-operation, that should be done in proportion to the members' transactions with the co-operative (Nilsson, 2001; Mills, 2001).

More recent thinking, however, positions profit as an important part of co-operation (Hicks, Maddocks, Robb & Webb, 2007). Some believe (even if it may not hold for co-operatives) that profit manifests economic efficiency and by showing a level profitability that matches that of their investor-owned peers, co-operatives can prove wrong the general assumption that they are inefficient (Boyle, 2004). More importantly, it is reasoned that a co-operative requires financial resources in order to survive competition (Mills, 2001) and making profit is a convenient way to accumulate those resources (Hicks et al., 2007).

Despite the above discussion, there is scarcity of research focusing on the role of profit in co-operatives. Thereby, profit remains a controversial concept in this context (see e.g., Boyle, 2004; Syrjä, Sjögren & Tuominen, 2012) and, in our view, one that deserves more research. The process that led to the identification of this gap started with our dealings with Finnish consumer co-operatives and financial media. In the co-operatives, it was often highlighted, consistent with Hicks et al. (2007), that profits are crucial in order invest to the future, to survive. Representatives of financial media on the other hand questioned profits and investments made by consumer co-operatives and called for lower prices, echoing some of the voices we had heard also in the co-operatives. In the view of the journalists, a co-operative making profits and accumulating its own capital reserves is just like any other company—not a unique form following a set of co-operative ideas (for the set of basic ideas of co-operation, see Jussila, 2012; Novkovic, 2008). Following these observations, we decided to study this issue in more detail in order to provide the kind of intellectual framings that can serve to inform both scholarly and practitioner domains. Serving this purpose, we analyze qualitative data (altogether twenty interviews) from Finnish consumer co-operatives asking: *(1) why do consumer co-operatives make profit?* We go deeper into the chain of reasons that start from profit being a convenient way to accumulate financial resources (Hicks et al., 2007). This is how we push understanding on this issue forward, thereby providing both scientific and practical value.

The paper is structured as follows. Consistent with our research approach, we first provide a detailed account on the context, data and methods of the study. As our research is data-driven, we present our findings first and then discuss their relationship with extant literature. In some areas the literature helps us answer what the data does not and in other areas the data is used to push co-operative literature forward, in part by bringing in literature from outside the field. Essential is the synthesis that is the outcome of intertwining the data and literature and which provides us with a more detailed understanding on the topic.

2. Context, Data and Methods

In more than a hundred years, Finnish retail co-operation has come a long way from small village co-operatives to large scale businesses. Perhaps the most successful example of this is the S Group, which comprises of 20 independent regional co-operatives, eight local co-operatives and the central unit, SOK, which is owned by the co-operatives. S Group has expanded to several fields of business and currently operates in the grocery trade, agricultural trade, consumer goods trade, service station and fuel trade, travel and hotel industry, automotive trade and accessories. In addition, S Group has also established S Bank providing primarily small deposit and loan services (www.s-kanava.net; accessed 14th of May, 2013).

S Group is currently the market leader of daily consumer goods in Finland with an exceptionally high 45.2 % market share in 2011 (1.1% increase from the year 2010). At the end of 2012 S Group had 2.055 million members (at the same time the population of Finland was approximately 5.400 million). Noteworthy, the number of employees in S group has increased rapidly in eight years and at the end of 2012, S Group employed 43 417 people (in 2011, approximately 42 000 employees). Currently, S Group has over 1600 outlets. (www.s-kanava.net, accessed 14th of May, 2013).

In 2012, S Group's retail sales were EUR 12 billion (11.46 billion in 2011) and the group's total profit before extraordinary items were 212 million euros (269 million in 2011). In 2012, members were paid 378.5 million in bonuses (360 million in 2011) and the group's investments to new services and new stores / shops were 574 million euros (546 million in 2011) (www.s-kanava.fi; accessed 14th of May, 2013).

2.1 Data

Our research process began with some pilot interviews (see Fielding, 1993) with experts of S Group co-operatives. The interviews were carried out by the third author using an instrument developed by an analysis of extensive archive materials on co-operation. The primary purpose of these interviews was to gain understanding on the context of the study and to ascertain the relevance of research questions to the interviewees.

Two authors continued the process with more interviews on the topic and some related themes. The aim of these tape-recorded thematic interviews (see Braun & Clarke, 2005) was to deepen our understanding on the strategic management of consumer co-operatives. The authors have also engaged in several informal discussions with the executives of S Group that have painted a clearer picture of the cases and enabled us to deepen our understanding and test our interpretations.

Altogether, the documented qualitative data (e.g., Denzin & Lincoln, 1994) analysed for this study consists of twenty interviews. Acknowledging the challenges related to interview data (Eisenhardt & Graebner, 2007), we engaged into data collection approach that limits bias and chose to interview experts of co-operation, organizational actors from different levels and areas (i.e., CEOs of several regional co-operatives, managers from SOK, and supervisory board chairs of regional co-operatives).

2.2 Methods

As the phenomenon we are investigating has not yet received much scholarly attention in this field of research, we believe that our decision to build our research in the form of qualitative thematic analysis is justified (see Gioia, Corley, & Hamilton, 2012; Braun & Clarke, 2005). In the interviews, we did not directly ask our research question. Instead, we followed the kind of procedure that has been recently described for example by Gioia et al. (2012), giving the voice to the informants and allowing them to talk about co-operation, co-operative ownership and co-operative management in their own terms.

Following the guidelines of thematic analysis (e.g., Gioia et al., 2012; Braun & Clarke, 2005), we studied through the data several times, codified it, analyzed it and identified implicit and explicit ideas and associations. The findings were combined to triangulate the themes and then intertwined with the interpretative frameworks (i.e., ideas and associations of ideas in co-operative literature). We first listed all the interview accounts that seemed to speak to our research question (see Braun & Clarke, 2005). Simplifications of these accounts were defined as 1st order concepts (see Gioia et al., 2012) in our study.

Table 1. Data structure

2nd order themes and the related 1st order concepts
Profit is a safe way to accumulate capital and one that promotes independence
Does not have to show as much profit as the normal capital firm
The slice returned to the owner from annual surplus is smaller than in IOFs and money is allocated to investments
Investment resources must be left to the company
Profitability is the precondition for the existence of operation
Co-operatives need their own resources to be independent
Efficiency of operation cannot be sacrificed
Financial resources are required for competition and regional development
Co-operative has to face the everyday threats of market economy
Critical mass is needed to succeed in competition and to develop
Supermarket trade is a business with so low profit margins that growth is the only way to survival
The surplus goes back to members in the form of investments to the region
Competition and regional development are essential part of executing co-operative purpose in the consumer market and regional economy
The production of economic benefit for the owner in the form of affordable services is the most important goal
Co-operative has to offer better services than a competitor
Ability to operate reliably, predictably and patiently according to the interests of the province and the people
The co-operative is the last one who has to leave the region

Next, we searched for similarities and differences among the 1st order concepts and tried to figure out “*is there some deeper structure in this array?*” (see Gioia et al., 2012) and moved to axial coding in which we searched

for relationships between and among categories, which helped to shape the 2nd order themes. Following the work of Gioia et al. (2012), we asked whether the emerging 2nd order themes suggest concepts that might help us describe and explain the phenomenon of interest. At this stage of the research process, we redefined the 2nd order themes several times after re-analyzing the data and intertwining it with extant literature. Table 1 presents the data structure of our study in which we show the 1st order concepts and 2nd order themes. In order to increase the credibility of our interpretations, we also established three separate tables (Tables 2, 3 and 4), in which we present the selected a representative data for each of the 1st order concepts.

In the following, we discuss the findings from our thematic analysis in more detail. Noteworthy, we also discuss our findings in relation to the existing literature on consumer co-operation in those aspects that this literature does not take into consideration or is not well grounded.

3. Analysis and Synthesis: Intertwining Data and Literature

As illustrated in Table 1, we established three different 2nd order themes that provide a logical account of the reasoning for profit in consumer co-operatives; 1) Profit is a safe way to accumulate capital and one that promotes independence, 2) Financial resources are required for competition and regional development, and 3) Competition and regional development are essential part of executing the co-operative purpose in the consumer market and regional economy. Next we will provide a more detailed account of the formation of the 2nd order themes by focusing on each of its constitutive 1st order concepts in more detail.

3.1 Profit is a Safe Way to Accumulate Capital and One that Promotes Independence

Our data suggests that consumer co-operatives do have to make profit even if they do not have to show it to the extent that investor-owned firms do. That is, they have to make enough profit to be able to secure their future through investments. In that regard, our interviewees highlight that the slice returned to the owner from annual surplus is smaller than in IOFs as investment resources must be left to the company. As put forward by one of the interviewees:

“We cannot operate in the same way than the exchange-listed company... You share maximum amount of profit to shareholders and only the necessity is allocated to investments, we have to operate in a different manner because these investments are the same as this customer-owner, because it develops the (service) network in different regions/areas, as I told you I think it is a brilliant business idea, from many different perspectives..”

This finding provides further understanding on why the co-operatives use their profits to expand their business, as observed by Syrjä et al. (2012). Consistent with extant literature (Hicks et al., 2007), co-operatives use profit as the mechanism to accumulate their own capital resources. This leads us to ask why profit is used as such a mechanism as opposed to relying on, for example, member contributions or outside resources. Our data refers to profit providing the co-operative with independence. This is where extant literature provides us with some answers. It seems that in order to understand the role of profit, we must understand the nature of capital in the co-operative organization.

First, upon the establishment of a co-operative the members build up the initial capital-base by contributing participation shares (Novkovic, 2008; Hicks et al., 2007; Nilsson, 2001; Hansmann, 1996). These shares are typically small in value and can sometimes be partly paid from bonuses that member-candidates receive from patronage with the co-operative (Watkins, 1986). Further, the number of participation shares is not fixed. Instead, the number changes as members join or leave the co-operative. That is, according to the principles of co-operation, the co-operative is open for new members to join, while existing members are free to leave any time they choose to terminate their membership (Novkovic, 2008; Watkins, 1986). The participation shares are individual property of the members, which are paid back to the members when they leave the co-operative (Nilsson, 2001). What this means is that the member contributions can be seen as a loan to the co-operative. This is very different from investor-owned firms in which the capital stock does not decrease when a shareholder sells her/his shares to someone else.

Second, resulting from the nature of shares, the co-operative has “the special financing risk of the co-operative” (Jokisch, 1994, p. 26). As a consequence, it is crucial that a co-operative builds its own capital base and this is done by making profit and retaining it in the co-operative (Hicks, et al., 2007) as collective property of the members (Nilsson, 2001). Thereby, for co-operatives, profit-making is “a means to an end rather than an end in itself” (Cornforth, 2004, p. 15). Considering typical credit policies, making and showing profit could also be seen as important if a co-operative is in need of outside capital (Jokisch, 1994). However, the option of outside liabilities in terms of debt is not encouraged in the co-operative model. Instead, freedom and independence from other organizations (e.g., outside creditors) are amongst the basic ideas of co-operation (Jussila, 2012). This is

how co-operative principles can be seen as steering co-operatives towards financing their operations by primarily using their profits rather than going outside the co-operative system. Obviously, this is not to say that co-operatives do not use banking services. Following the principle of co-operation amongst co-operatives it is recommended, however, that co-operatives primarily seek for outside capital in another co-operative, such as a co-operative bank (Watkins, 1986).

Highlighting the importance of profit as means to an end (Cornforth, 2004; Davis, 2001), it is put forward in our data that profit-making could be added as a principle for co-operative enterprises. As an interviewee states:

“The task of a co-operative CEO is to take care of the continuity and principles of business meaning that we definitely not have forgotten the principles of business in a co-operative, sometimes we have but not today because the concept of profit is the principle of securing continuity in business”

However, co-operative literature (e.g., Jussila, 2012; Watkins, 1986) indicates that profit is in fact part of co-operative principles even if expressed in different terms. The principle of economy suggests that in co-operation rewards of each operation must exceed its costs. If a co-operative makes losses, in the long run it will cease to exist. According to our data, this principle has not always been remembered in S Group. As a manager commented:

“We forgot these economic factors and all the decisions were made solely by the criteria that could that kind of store bring some joy also and...until we realized that they all were (more or less) unprofitable and the whole good was beginning to disappear... the whole group would fall and at the last moment we had a wake-up call and profitability was given proper attention”

In fact, paying insufficient attention to profitability was one of the major reasons that led S Group to a nearly devastating crisis in 1960s–1980s, during which the group lost its position to its competitors (mainly merchants of Kesko Corporation), who had been efficiently developing their operation. Table 2 provides a summary of the above discussed 1st order concepts; representative supporting data is also included.

Table 2. Profit is a safe way to accumulate capital and one that promotes independence

1st order concepts and the selected representative data
Does not have to show as much profit as the normal capital firm
<i>“Co-operation is, it does not necessarily have to show as much profit as the normal capital firm...”</i>
The slice returned to the owner from annual surplus is smaller than in IOFs and money is allocated to investments
<i>“The return of the surplus and the interests paid to co-operative capital, in kind of, the slice returned to the owner from the annual surplus is considerable smaller (when compared to IOFs), and if used well, that slice can be used for the development of business...so that in a way...I see the co-operative perhaps even technically that way that it is a one company form which have significant superiorities or benefits when compared to other company forms, as long as we are able to use them right.”</i>
Investment resources must be left to the company
<i>“In S group we have even defined it on the paper that what the principles for allocation of the surplus are and in them we have started with the premise thought that the co-operative must be healthy and it must create a certain amount of cash flow financing and cash flow in order it can develop, so investment resources must be left to the company and for the financing and self-fulfilling for these kind of investments and it is until then if there is still something left, then it is returned as interests of co-operative capital or as return of the surplus...”</i>
Co-operatives need their own resources to be independent
<i>“we looked that we have the preconditions that the co-operative is independent and self-directed so it is able to create itself that kind of resources that it is able to respond to the challenges of the future...”</i>
Profitability is the precondition for the existence of operation
<i>“We have to start from that the precondition for the existence of some kind of operation is that it has to be competitive and profitable, otherwise there is no co-operative and membership and other...”</i>
Efficiency of operation cannot be sacrificed
<i>“In co-operation the meaning of customer feedback is not only in the efficiency of operation but also in directing the services so that they cover the customers’ needs as good as possible.. and not necessarily and solely so and the main point is not that does this customer oriented direction of operation produce a better financial result...as long as we keep in mind that we cannot sacrifice the efficiency of operation so that we are not able to produce the services in the long run...”</i>

3.2 Financial Resources are Required for Competition and Regional Development

So far, we have established that consumer co-operatives need resources to secure continuity and profit is a convenient way to accumulate them. What remains to be understood in more detail is why existence is in jeopardy without financial resources. The above-mentioned lessons learned by S Group indicate that the answer to this question should not be treated as self-evident. On the other, those lessons also lead us to the answer. That is, our data highlights the fact that consumer co-operatives are market economy actors that face competition. In a competitive environment, any firm pursuing survival and success has to have resources in order to respond to the competitor's moves. As put forward by an interviewee:

"Competition is becoming more intense in daily consumer goods, our main competitor shapes up and probably there will be foreign entrants to Finnish markets too and it means that the price level will fall, it means that we need to accumulate buffers against the fall of the price levels..."

According to our data, critical mass is needed. This is consistent with retailing literature suggesting that retailing organizations are primarily engaged in "the procurement of merchandise for subsequent resale to the end customer" (Robinson & Clarke-Hill, 1995, p. 179) and in well-functioning retail markets, price is a key competitive element and "the cost of goods sold (i.e., product costs and distribution costs) is the single largest expense item on a retail company's profit and loss account" (Burt & Sparks, 2003, p. 246). According to our data, critical mass is particularly important in supermarket trade, because it is business with so low profit margins that growth is the only way to survival. In Finland, retail trade (the main branch of S Group) does not grow much and neither does the population of the country (at least not so significantly), mainly people just change places of residence. In the absence of growth, critical mass is likely to become even more important, as "market share exploited through centralized buying processes provides greater scope to negotiate volume and other discounts" (Burt & Sparks, 2003, p. 246).

Our data also suggests that growth is important, since as more and more people bring their trade to the co-operative (i.e., new members join collective action), also the costs and other trading risks can be spread more widely and prices can be kept low (Mills, 2008). This is yet again one example of why it is important that the surplus made by the co-operative goes back to members in the form of investments to the region. As an interviewee put it:

"...of course this good economic development of the co-operative has assisted us in that we have been able to invest more and we have come back to co-operation and its structure; to us the money has no other pocket to go and the money which has been generated in that good spiral, we have used the cash flow and the bottom line to investments, building up new services and restoring and improving old business units. This has caused a positive spiral in that customers have been happier and we have become more competitive"

Burt and Sparks (2003) refer to this development as a spiral of growth, which begins when increasing scale allied to efficient operation and investment that meets customer demands allows an organization to increase its sales faster than others do. This will then enable cost to fall across the organization and provide further possibilities to invest for operational activities or to reduce price. If the investments to operational activities are successful, they will then continue to attract customers as well as increase sales and market share. In general, such spiral of growth may be critical for consumer co-operatives, since in the capitalistic market economy their competitors are, as Watkins (1986) takes note, typically shareholder corporations that derive their power from capital association.

Our data suggests that competition in the market is not the only reason for the need of resources. It is also the special role of consumer co-operatives as organizations counteracting market failures (Hansmann, 1996). As an interviewee put it:

"...we invest in such places of business, in which no other actor in retail business would even think of building a new unit. We invest to produce services in such municipalities"

For many communities, such a role may be critical. Quite obviously, access to services is likely to be an important factor in people's decision to inhabit a location (cf. Jussila, Kotonen & Tuominen, 2007). By accumulating resources and assuming the role of a regional developer and promoter of community viability, consumer co-operatives may achieve stability and predictability in their organization-environment relationships. That is, in their classic work in this area, Pfeffer and Salancik (1978) put forward that "growth enhances an organization's survival potential because it provides additional stability and reduces uncertainty and also provides leverage for the organization in managing interorganizational relationships" (p. 139). Because of their size, large organizations have larger constituencies to look after them as well as more important and established relations to business communities. Table 3 provides a summary of the above discussed 1st order concepts;

representative supporting data is also included.

Table 3. Financial resources are required for competition and regional development

1st order concepts and the selected representative data
Co-operative has to face the competition in market economy
<i>"We now that in Finland our main branch, supermarket trade or retail trade does not grow much, population of Finland does not grow, it just changes the place of residence and due competition price levels have almost deflationary development in supermarket trade and currently our competitors are probably at a disadvantage in supermarket trade, but we know that K Group does everything in their power to get everything into shape and possibly also foreign chains will enter so we have threats, but these are everyday threats in a market economy..."</i>
Critical mass is needed to succeed in competition and to develop
<i>"we talk about the concept of critical mass, in a way we need to have adequate business and competence in order to be able to develop also in terms of competence, not only the economic side but also this competence side..."</i>
Supermarket trade is a business with so low profit margins that growth is the only way to survival
<i>"..especially when talking about supermarket trade the situation is that price competition becomes tougher... the logic of supermarket trade is that is has no other option than grow, in a way it is a business with so low profit margins that growth is the only way to survival ..."</i>
The surplus goes back to members in the form of investments to the region
<i>"The surplus that the co-operative generates goes back, we do not have shareholders who get dividends or we do not pay dividend, in our case the surplus we are able to generate goes back to members, in the form of bonuses and other refunds but also via investments to this region, for example our co-operative has two ways, we pay more... in every year more than before at least so far and then we invest in this network, we still have a lot to do with this network..."</i>

3.3 Competition and Regional Development are Essential Part of Executing Co-operative Purpose in the Consumer Market and Regional Economy

As we start looking into why co-operatives compete and develop their regions, our data suggests that the answer lies in their purpose, which is different as compared to that of shareholder corporations (Tuominen, 2012; Borgen, 2004). As an interviewee put it:

"Maximizing the profit is not the most important task of co-operation; it is bringing about the good services and the development of operation"

Importantly, our interviewees also emphasize the fact that the performance of a consumer co-operative is always relative to other actors in the market (Jussila et al., 2008; Mills, 2001). As put forward by an interviewee:

"..when according to our business idea, we say that the delivering benefits and services to the customer-owner, so in addition to the services, we also have to produce benefits and it is not a benefit if we have the same prices or even higher than the competitors so they have to also have the network close to them, that it is plentiful, I mean all around Finland, it is diverse from car shops to grocery stores"

Co-operatives execute their purpose by providing the goods and services in a more convenient location (Saxena & Craig, 1999), with higher quality, and/or lower prices (Spear, 2004; Borgen, 2004; Fulton & Hammond, 1992). The emphasis may vary across market conditions, but the main point is that "a co-operative fulfills its purpose only if it is beneficial to the members relative to alternatives" (Jussila, 2012, p. 3). In other words, consistent with Jussila et al. (2008), our data suggests that in serving its members, a co-operative has to do better than its competitors do in serving them as customers.

Finally, speaking to co-operatives' role as counter actors to failing markets, the purpose of consumer co-operatives is to provide goods and services that are needed, but not provided by other market actors (Jussila et al., 2008). What further stresses the importance regional development is that our interviewees emphasize co-operatives' "ability to operate reliably, predictably and patiently according to the interests of the province and the people". This is consistent with the thoughts of Fairbairn et al. (1991) among others. Co-operatives are expected to be the last to leave their regions and function as vehicles of economic and regional development and promoters of community viability (see e.g., Majee & Hoyt, 2011; Jussila et al., 2007). While growing co-operatives have more power and leverage over their environment, they are also expected to be responsible and use their power in a way that benefits the entire community (i.e., in accordance with the co-operative

purpose). Table 4 provides a summary of the above discussed 1st order concepts; representative supporting data is also included.

Table 4. Competition and regional development are essential part of executing co-operative purpose in the consumer market and regional economy

1st order concepts and the selected representative data
The production of economic benefit for the owner in the form of affordable services is the most important goal
<i>"Well of course the most important goal is the production of economic benefit for the owner of a co-operative share but it does not come via company's return on investment but in the form of affordable services and that is a clear indicator, for example in grocery store we have the objective that the price level of our every market chain is two percentage cheaper than what the competitors have ...that is a this kind of clear indicator of the way you achieve benefits from ownership..."</i>
Co-operative has to offer better services than a competitor
<i>"Possibilities are just in this co-operation and the originality and maintaining the special features and especially that, that our basic starting point for our competitive strategy is that how do we get people to come here over and over again to this store and there is it...by being different, being better than the competitor and this company form offers us this..."</i>
Ability to operate reliably, predictably and patiently according to the interests of the province and the people
<i>"Reliability in this operation and the fact that the decision-makers and owners are near to the operations of the co-operative and they are not going to transfer the operation to China, continuity and security of operation..."</i>
The co-operative is the last one who has to leave the region
<i>"...that is the spirit, we make so big units there and are so competitive that we are the last one who has to leave and others will leave before us, there is no pessimism in that "</i>

4. Summary of the Findings

Consumer co-operatives make profit because it is regarded as a safe way to accumulate capital and one that provides the co-operative with independence. In more detail, co-operatives have to show profit, but not as much as the normal capital firm in which profit is a central goal. In consumer co-operatives profit is used to accumulate resources in order to avoid the risks associated with the nature of capital provided by individual members. That is, the initial capital base is formed from members' small participation shares (which are not fixed in terms of total count) and which are paid back to the members if they leave the co-operative. This causes a specific financial risk in consumer co-operation, and thereby, co-operatives should build their own capital by making profit and retaining it in the co-operative. The idea of profitability can be seen as linked to the principle of economy and, thereby, not a total stranger to the co-operative model.

Co-operatives accumulate these resources since they are required both to respond to competition and to act as regional protectors and developers. Particularly in supermarket trade growth and critical mass is important. By having strong financial resources, consumer co-operatives are able to achieve stability and predictability in their environment which increase their survival potential and reduces the uncertainty stemming from their regional dependence.

Finally, competing and regional development are based on the purpose of co-operatives in the consumer market and regional economy. In more detail, a consumer co-operative fulfils the purpose it was established for only if it is beneficial to members in relation to alternatives (competitors). In an uncompetitive market, a consumer co-operative is supposed to provide goods and services that are needed, but not provided by other market actors. Such a role is important since it is expected from a co-operative that it operates reliably, predictably and patiently according to the interests of the province, which includes securing service provision in the long run: to be the last to leave the community. Figure 1 summarizes the chain of reasoning found through the above-reported iterative process, which answers the question: why do consumer co-operatives make profit?

5. Discussion and Conclusion

For consumer co-operatives, profit is a tool that must be used deliberately. Although it is typically associated primarily with a different company form (i.e., the shareholder corporation), it serves a purpose also in consumer co-operatives. The management uses it as it seeks to find a proper balance between the immediate individualistic short-term interests of members and their long term mutual interests.

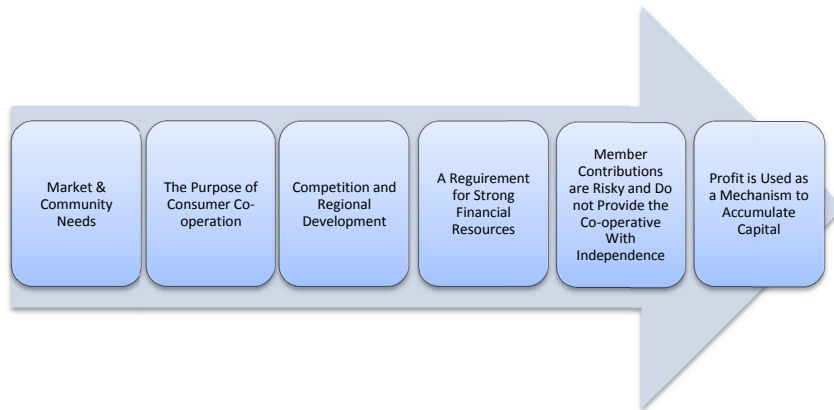


Figure 1. A chain of reasons for profit-making in consumer co-operatives

Prior our study, we already knew that profit is essential for co-operatives in order to accumulate financial resources (Hicks et al., 2007). We also knew that co-operatives use profits to expand their businesses (Syrjä et al., 2012). Our work provides a more holistic view and a more logical understanding on the role of profit in consumer co-operatives. In more detail, now we know why profit is used to accumulate resources instead of member contributions or loans. We also know more broadly why consumer co-operatives accumulate financial resources even if they are not primarily based on capital association. Finally, we now know that this all comes to executing the purpose of co-operatives in the consumer market. In other words, through this study, we now have a chain of reasons that takes us from profit to the purpose of consumer co-operation.

Noteworthy, we have reached this additional understanding by inductively proceeding from data to themes in an iterative process that has made use of extant literature from different co-operative contexts as well as literature from outside the field. Thereby, we not only provide new insight, but also introduce an approach that is new to the discussion on this issue.

The notion that pursuit of risk-avoidance and independence are amongst reasons for using profit to accumulate resources instead of member contributions or loans offers a number of important avenues for future research. For example, it would be useful to study what other means these organizations may utilize to create stability and predictability in their organization-environment-relations. It seems to us that the importance of this question for co-operative management is highlighted due to the geographic-boundness of consumer co-operatives, which stems from their purpose.

The finding that competition and regional development call for financial resources leads us to ask about the role of capital association in consumer co-operatives. How well this is actually addressed in previous research that has highlighted the association of people (the owners) as opposed to capital invested (Jussila, 2012; Novkovic, 2008; Michelsen, 1994) as a key distinctive feature of consumer co-operation. Our work suggests that even though the social side of co-operation (Novkovic, 2006) is important, it is also important to keep in mind that co-operatives usually operate in the capitalistic market economy (Watkins, 1986), which in many markets requires “big muscles” to survive. It seems to us that this aspect of the co-operative as a tool of the members should not be overlooked. Instead, it deserves more attention and research. Growth is another tricky concept in the context of co-operation. How can co-operatives hold on to their distinct identity (in the competition for social legitimacy), if they are seen as operating like more growth-oriented capitalistic market actor?

Given that competition relates to the execution of the co-operative’s purpose in the consumer market, it is worth asking do we know enough about co-operatives as competitive actors? While co-operation and competition may seem like opposite strategies, our work suggests that they co-exist. Consumers co-operate, but their joint co-operative competes with other actors in the market and cannot settle for anything else than victory—at least if it wants to fulfill its purpose. On the other hand, their role as promoters of the market leads us to ask whether their role is—or should be considering the model—collaborative also in their relationships with their competitors. Thereby, more research should be focused on the roles of different kinds of market actors and their reciprocal

decisions that contribute the evolution of the market and the repositioning of different actors in relation to each other, including the co-operatives.

The high demands that the execution in otherwise demanding conditions or competitive conditions place on consumer co-operatives lead us to ask about the concept of efficiency and the role of efficiency in consumer co-operation. We agree with prior research (e.g., Boyle, 2004) in that we should not assume co-operatives are less efficient than investor-owned firms. However, we also think that we should not be too quick to judge co-operatives as efficient or inefficient simply by comparing their financial results to those of investor-owned firms. We must ask how efficiency is defined and measured across company forms and critically examine to what extent these definitions match and measures are comparable. Further, it would be worth studying what strategies consumer co-operatives use to increase their efficiency as co-operative actors. We certainly hope a lot of research will follow to address this question and other important questions identified through this study.

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Social Capital: A source of Sustained Competitive Advantage for Consumer Co-operatives.

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Social Capital: A Source of Sustained Competitive Advantage for Consumer Co-operatives

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Abstract

Competitive advantages of consumer co-operatives have received increasing scholarly attention during the recent years. In the extant literature, co-operative social capital (derived from the co-operative values, purpose, and principles) has been identified as a source of competitive advantage for co-operatives. However, the literature lacks empirical evidence concerning how the sources of social capital are developed and utilized in consumer co-operation and what strategic benefits consumer co-operatives achieve by utilizing and developing different sources of social capital. Our paper is directed toward this end. In our study, we thematically analyze 20 qualitative interviews with executives, managers, and supervisory board chairs of Finnish retail and service organization S Group and its co-operatives. Our findings indicate that there are several sources of social capital for consumer co-operatives (e.g. interacting and sharing a common identity). Further, we consider how these sources of social capital are interrelated to different dimensions of social capital (communal, relational, and cognitive). We also describe the strategic benefits that the different dimensions of social capital create, the most important finding being that social capital may help consumer co-operatives to achieve a sustained competitive advantage by providing resources for managing institutional dependencies and customer-relations.

Keywords: co-operation, consumer co-operative, social capital, strategic management, competitive advantage

1. Introduction

Competitive advantages of consumer co-operatives have received increasing academic attention during the recent years. Scholars have emphasized the intimate relationship consumer co-operatives are likely to have with their local communities (e.g., Jussila, Tuominen & Saksa, 2008; Jussila, Kotonen & Tuominen, 2007; Tuominen, Jussila & Saksa, 2006; Uski, Jussila & Saksa, 2007; Zeuli & Radel, 2005; Zeuli, Freshwater, Markley & Barkley, 2004; Fulton & Hammond-Ketilson, 1992), suggesting that this embeddedness stemming from the purpose of consumer co-operation (Tuominen, 2012) provides them competitive advantage over investor-owned firms (IOFs). That is, consumer co-operatives are network-organizations with an extra communication capacity (as users are also the owners) and this kind of an active communication network can be used as a tool for developing efficient and effective business organizations (Normark, 1996). Further, in addition to the linkages between the members and their co-operative, consumer co-operatives are part of the regional networks of their operation areas (Uski, Jussila & Saksa, 2007), giving them both knowledge of local conditions as well as the power to alter those conditions which then enables to make decisions that take into account the members' welfare (Fulton & Hammond-Ketilson, 1992) and to utilize the benefits of locality and regionality (Tuominen et al., 2006).

In addition, various co-operative scholars (e.g., Davis & Burt, 2007; Fulton & Hammond-Ketilson, 1992; Normark, 1996; Novkovic, 2008; Spear, 2000; Valentinov, 2004) have emphasized how the co-operative social values and principles (e.g., honesty, openness, democracy) increase the development of trustful relationships which give them a competitive advantage over IOFs. For example, Spear (2000) argues that profit distribution constrains in consumer co-operatives are likely to increase trust and that managers are more likely to perform in line with users' preferences since returns to members are a key measure of performance. Spear (2000) refers to this as "social efficiency" and puts forward that the associative nature of co-operatives and their strong linkages to the community provide a basis for the utilization of social capital. That is, local stakeholders may look at them more favorably as co-operatives have "genuine interest" in developing the territory in which they are embedded (Jussila et al., 2007).

Thus, the social side of co-operatives should not be undermined or underestimated in consumer co-operatives. For example, Davis and Burt (2007) argue that “*the absence of social values denies co-ops their natural profile, renders them similar to their competitors to the point of not being able to distinguish them and denies them their natural competitive advantage*”. Valentinov (2004) has even found social capital to be a cost-effective governance mechanism and as one that is linked to the principles of co-operation. The interconnection between social capital and co-operative principles has also been identified in studies of producer co-operatives (Nilsson, Svendsen & Svendsen, 2012; Svendsen & Svendsen, 2000) that have provided some insights on how the erosion of social capital negatively effects the co-operatives’ and communities’ economic growth (Nilsson et al., 2012).

In sum, by so far, consumer co-operative scholars have acknowledged that co-operative purpose, values, principles, and co-operatives’ embeddedness with their communities (and concern for their communities) create additional trust and social capital which can be seen as sources of competitive advantage and success. However, although providing some important pieces of information, extant literature is rather fragmented and none of the above listed studies has engaged into empirical investigation concerning (1) *How is social capital developed in consumer co-operation?* and (2) *What strategic benefits do consumer co-operatives achieve by developing and utilizing social capital?* In this paper, we define strategic benefits as those which contribute to sustained competitive advantage, referring to implementation of “*a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy*” (Barney, 1991).

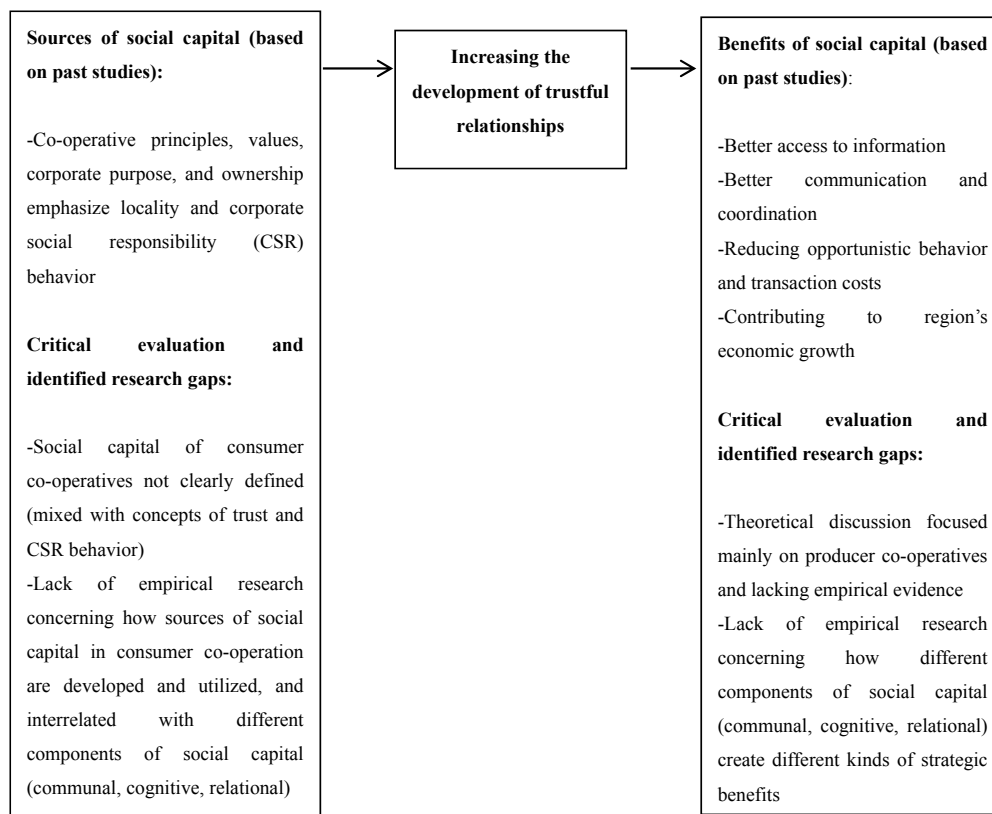


Figure 1. Social capital and co-operatives

Figure 1 presents the research background and the knowledge gap. To fill the knowledge gap, we use a qualitative case study approach (see Gioia, Corley & Hamilton, 2012). Our data consists of 20 interviews with executives, managers, and key representatives of a Finnish consumer co-operative group (S Group co-operatives). The texts generated in the interviews are analyzed by using thematic analysis (Braun & Clarke, 2005; Gioia et al., 2012).

Our paper is organized as follows. First, we review literature on social capital and co-operatives in order to provide some theoretical background to the phenomenon under examination. Then, we introduce our research context, data, and methods. We continue with data analysis and association of ideas based on our data. After summarizing our findings, we discuss the contribution of our study to future research and practice of consumer co-operation.

2. Social Capital and Co-operatives

In this section, we will take a brief look at the definition of social capital and the research of social capital in the co-operative context. The latter part will provide the reader with a more detailed description of the body of knowledge that this paper is set to advance.

2.1 The Dimensions of Social Capital

Social capital theory focuses on the significance of social relationships and networks that have resource advantages to both individuals and communities (Ibarra, Kilduff & Tsai, 2005; Nahapiet & Ghoshal, 1998; Putnam, 1993; Bourdieu, 1986). Social capital has been conceptualized in several different ways. Adler and Kwon (2002) differentiate the substance, sources, and effects of social capital, suggesting that social capital is “*the goodwill available to individuals or groups. Its source lies in the structure and content of the actor’s social relations. Its effects flow from the information, influence, and solidarity it makes available to the actor*” (p. 23).

Also, structural hole theory (e.g., Burt, 1997) has been applied in the context of social capital. It defines social capital in terms of “*the information and control advantages of being the broker in relations between people otherwise disconnected in social structure*” (Burt, 1997, p. 340). The disconnected actors are seen as standing on opposite sides of ‘a hole’ in some social structure, which manifests an opportunity for an actor to act as a mediator in the flow of information between people and control the form of projects that associate actors around the hole.

Ibarra et al. (2005) divide social capital into two types: (1) individual (i.e., benefits that accrue from individual network connections) and communal (i.e., connections between actors that enhance public goods to the benefit of the entire network, or collectivity). Research focusing on individuals and social capital has mainly assumed that individuals use network ties instrumentally, pursuing opportunities that benefit themselves (Bourdieu, 1985). That is, they may strive to advance their careers with usage of diverse information and resources, which are captured through connections bridging disconnected clusters (Burt, 1992; 2004). In contrast, research focused on communal social capital has mostly been based on the assumption that connections between actors promote public good to the benefit of the entire network (Putnam, 1993). Thus, strong social capital within and between informal groups in an organization may reduce the occurrence of events that affect all organizational members negatively (Nelson, 1989).

Another way of conceptualizing social capital is put forward by Nahapiet and Ghoshal (1998) who define it as “*the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit*” (p. 243). Further, in their exploration of the role of social capital in the creation of intellectual capital, they suggest that social capital has three dimensions: 1) structural, 2) relational, and 3) cognitive. Structural dimension of social capital refers to “*the overall pattern of connections between actors*” (p. 244)—that is, who you reach and how you reach them (Burt, 1992). Relational dimension refers to “*those assets created and leveraged through relationships*” (Nahapiet & Ghoshal, 1998). The third dimension labeled as cognitive refers to resources that provide shared representations, interpretations, and systems of meaning among different parties (Cicourel, 1973). In addition, several authors (e.g., Woolcock & Narayan, 2000; Putnam, 1993; 2000) have referred to bridging dimension of social capital (outward looking, encompassing people across diverse social cleavages) and bonding social capital (inward looking, tending to reinforce exclusive identities and homogeneous groups).

In sum, the various definitions of social capital vary, firstly, depending on whether they focus on the substance, the sources, or the effects of social capital, and secondly, on whether they focus on 1) the relations an actor maintains with others, 2) the structure of relations among actors within a collectivity, or 3) both types of linkages (Adler & Kwon, 2002).

2.2 The Role of Social Capital in Co-operatives

As introduced, social capital has been highlighted as important for co-operatives (e.g., Nilsson et al., 2012; Spear,

2000; Svendsen & Svendsen, 2000; Valentinov, 2004). Nilsson et al. (2012) argue that as the co-operative is a user-owned and user controlled business that distributes benefits on the basis of use, they are linked to the concept of social capital. In more detail, co-operatives are not about conveying capital gains to investor-owners in proportion to capital invested, but about creating member benefits to associated people in proportion to their patronage in the co-operative—often negotiated after the accounting period in processes that build on the principle of democracy. Thereby, the form of ownership, the distribution of benefits, and the principle of control are all indicative of social relationships between the co-operative and the members and amongst the members (Nilsson et al., 2012).

Further, trust has been regarded as an indicator of social capital (see Nilsson et al., 2012) and also important for the efficient operation of co-operatives (see Svendsen & Svendsen, 2000). According to Spear (2000), the establishment of any consumer co-operative requires social capital so that the members can efficiently pool their resources together. This idea is supported by the work of Jussila, Goel, and Tuominen (2012), who identify social exchange as important for the formation and success of co-operatives. In addition, co-operatives are similar to social capital in that they are both 'jointly owned' (see Nahapiet & Ghoshal, 1998; Nilsson, 2001), gaining individual and collective value through networking (Nilsson et al., 2012; Uski et al., 2007; Zurbano, 2005).

Given the above notions, a co-operative can be regarded as a specific form of community-based enterprise (CBE) which can be defined as "*community acting corporately as both entrepreneur and enterprise in pursuit of common good*" and which is "*managed and governed to pursue the economic and social goals of a community in a manner that is meant to yield sustainable individual and group benefits over the short and long term*" (Peredo & Chrisman, 2006, p. 310). Further, in the context of CBEs (like the co-operatives), interaction between the individual and the organization enhances development of a common identity to respond to the challenges and pressures of globalization (Peredo & Chrisman, 2006).

Social capital of co-operatives represents especially communal nature (see Ibarra et al., 2005) since co-operatives are usually involved with various community development activities, adopt ethical principles and corporate social responsibility (CSR) which benefits the whole community (see Majee & Hoyt, 2011; Kangayi, Olfert & Partridge, 2009; Nel, Binns & Motteu, 2001; Zurbano, 2005; Uski et al., 2007; Jussila et al., 2007; Zeuli et al., 2004; Davis & Worthington, 1993). Engagement with co-operative values and principles (Dobrohoczki, 2006; Majee & Hoyt, 2011) steers co-operatives into acting in a socially responsible way. In addition, regionally responsible activities can be seen as a 'must' for organizations that are dependent on particular local stakeholders or stakeholder groups (Jussila et al., 2007). Nevertheless, CSR creates social capital and increases co-operatives' legitimacy in a particular environment, whereas distrust from the community can threaten the survival of the business (Russo & Tencati, 2009; Loza, 2004).

Valentinov (2004) has also discussed social capital theory of co-operative organizations and argued that a co-operative represents social-capital based organization as it is governed on the basis of co-operative principles much in the same way other organizations are governed through market and/or hierarchy. Spear (2000) explains how the characteristics of co-operatives (e.g., profit distribution constrains, trust dimension derived from the company form, circumstances in which the co-operatives have been established) give them an economic and social advantage compared to other company forms. Further, in social capital-based organizations such as co-operatives, the immediate motive for co-operation is not the individual gain but mediated by mutual self-help objectives where interpersonal relations are critical (Valentinov, 2004). While one could see Valentinov's (2004) view making some distance to the co-operative principle of economy (Watkins, 1986) and governance through the consumer market (Tuominen, Jussila & Kojonen, 2009) as well as the role of competence-based authority in the governance of co-operatives (Watkins, 1986), it highlights the importance of social capital for consumer co-operatives and its link to some key principles such as voluntary association and democracy (Novkovic, 2008).

Several other authors (e.g., Igual & Vidal, 2002; Kangayi et al., 2009; Valentinov, 2004) have also emphasized that co-operatives operate in social economy, emphasizing solidarity, mutual assistance, trust, and social capital. Social capital generates several benefits to co-operatives: better access to information, better communication and coordination, and reduced opportunistic behavior and transaction costs as trust increases (Valentinov, 2004; Svendsen & Svendsen, 2000). In addition, increased level of social capital has been related to region's economic growth (Svendsen & Svendsen, 2000).

In sum, although providing some important insights, extant literature is rather fragmented and lacks empirical research on the role of social capital in creating sustained competitive advantage for consumer co-operatives.

3. Context of the Study

In more than a hundred years, Finnish retail co-operation has come a long way from small village co-operatives to

large scale organizations. Currently, S Group has 20 independent regional co-operatives, eight local co-operatives, and the central unit SOK. S Group has expanded to several fields of businesses and currently operates in the grocery, agriculture, consumer goods, service and gas station, travel and accommodation, automotive, and accessories. In addition, S Group has established S Bank (www.s-kanava.fi; accessed 14th of May, 2013).

S Group is currently the market leader of daily consumer goods in Finland with an exceptionally high 45.2 % market share in 2011 (1.1 % increase from the year 2010). At the end of 2012, S Group had 2.055 million members (at the same time the population of Finland was approximately 5.40 million). Noteworthy, the number of employees in S group has increased rapidly in eight years and, at the end of 2012, S Group employed 43 417 people (in 2011, approximately 42,000 employees). Currently, S Group has over 1600 outlets (www.s-kanava.fi, accessed 14th of May, 2013).

In 2012, S Group's retail sales were 12 billion Euros (11.46 billion in 2011) and the group's total profit (for the role of profit in co-operatives, see Hicks, Maddox, Robb & Webb, 2007) before extraordinary items was 212 million Euros (269 million in 2011). In 2012, members were paid 378.5 million in bonuses (360 million in 2011) and the group's investments to new services and stores were 574 million Euros (546 million in 2011) (www.s-kanava.fi; accessed 14th of May, 2013).

4. Research Process and Methods

Our research process began with pilot interviews with experts of S Group co-operatives. We continued the process with 20 tape-recorded qualitative thematic interviews with executives, managers, and supervisory board chairs of S Group and its co-operatives. Our study represents thematic qualitative case study which is deeply embedded in rich empirical data and aims to build new pieces of theory (Gioia et al., 2012) on the strategic management of consumer co-operatives.

Following the guidelines of thematic analysis (e.g., Braun & Clarke, 2005; Gioia et al., 2012; Corley & Gioia, 2004), we studied through the data several times, codified it, analyzed it, and identified implicit and explicit ideas and associations. In the beginning of the data analysis, we first listed all the relevant aspects which emerged from our data that capture something relevant to our research questions (see Braun & Clarke, 2005) as 1st order concepts. After re-analyzing the data and revising the 1st order concepts, we established 24 different 1st order concepts (see Table 1).

Next, we carried out "axial coding" in which we searched for relationships between categories, which helped to establish 2nd order themes (see Gioia et al., 2012). We analyzed the data several times, re-defined and clarified the specific themes, considering our research questions. Noteworthy, consistently with the work of Gioia et al. (2012), when interviewing the co-operative managers we did not ask directly about the role of social capital in co-operation and co-operative management. Instead, as part of a broader research project, we asked about interviewees' views on co-operation as a form of organization (e.g., ownership, governance, management, structures, special features). It was in the analysis stage that we moved towards our research question first asking ourselves: "*are there some aspects related to social capital (e.g., building trustful relationships, community involvement) that are highlighted as important for the co-operatives in our data and if so, what are they and why?*"

Understanding the concepts of social capital (see Nahapiet & Ghoshal, 1998; Putnam, 2000) and consumer co-operation (Tuominen, 2012) were important in order to successfully analyze the data and thus, prior studies in this area also shaped some aspects of the specific themes. However, we tried to go beyond the existing theory taking into account the comment by Gioia et al. (2012) which suggest that "*knowing the literature intimately too early puts blinders on and leads to prior hypothesis bias (confirmation bias)*" (p. 7). Nevertheless, based on our analysis, we established seven second order themes which were 1) Caretaking and ethics as part of the co-operative model, 2) Strategic CSR, 3) Genuine pursuit of common good, 4) Interacting and sharing a common identity, 5) Development of personal relations, 6) Resources for managing institutional dependencies, and 7) Resources for managing customer-relations. Table 1 summarizes the data structure of our study.

Table 1. Data structure

2nd order themes and the related 1st order concepts
<p>1. Caretaking and ethics as part of the co-operative model</p> <p>The co-operative model encourages care-taking on the individual, firm, and environment-levels</p> <p>Initiative, justice, honesty, openness, solidarity, democracy and equality are part of the co-operative model</p>

2. Strategic CSR

Corporate citizenship (CSR) actions and reporting creates a valuable (good) image for the co-operative amongst partners and stakeholders, including members

All leaders of the local units are educated to be tentative to regional interests and social responsibility

3. Genuine pursuit of common good

Co-operative invests in the well-being of the people in its operation area

The co-operative invests in undertakings that have economic and symbolic value in the region

The co-operative genuinely creates surplus that remains circulating within the regional economic system

By favoring regional suppliers the co-operative shows it is genuinely concerned about the value-chain in its operation area

The co-operative focuses on long-term creation of value to its community

4. Interacting and sharing a common identity

Customers know the co-operative and can trust in their word having an effect on the operation of their co-operative

The co-operative manifests regional identity and takes care of that identity in its strong influence, which promotes peoples' identification with it and their support for it

Being intimate and sharing identity the customer understand each other

Customer is an owner and, thereby, can view oneself as a partner with the co-operative instead of an object

Due to common identity, people assume the co-operative as their own

5. Developing personal relationships

An experienced co-operative CEO of a regional co-operative is visible, competent, and desired for regional positions of trust

The key representatives of the co-operative have good relationships with the stakeholders

Personal investments of a co-operative CEO in relationships with local decision-makers

6. Resources for managing institutional dependencies

Being regional promotes co-operatives' ability to react to demands of the region and impact cities and municipalities opinions

Good personal relations with key stakeholders help in getting business places

Local politicians favor the co-operative that is regional over a company that pays its taxes elsewhere

By being known and trusted by the local decision-makers helps in getting business places

7. Resources for managing customer-relations

Being 'local' provides better understanding of customer needs

When people care about regionality and identity, being regional creates a stronger tie

Intimacy between the co-operative and its members lowers mental threshold for feedback

Themes 1–5 represent the aggregate dimension Sources of social capital, while themes 6–7 form the aggregate dimension Strategic benefits of social capital, describing the competitive advantages social capital provides for consumer co-operatives.

5. Findings of the Thematic Analysis

Our analysis suggests that the co-operative model encourages care-taking at the individual, firm, and environment-levels, 'caretaking and ethics as part of the co-operative model' being the first out of our seven 2nd order themes. This is consistent with the co-operative principles of association and accountability which direct co-operatives and their members towards being mutually responsible (Watkins, 1986). The data also speaks to particular ethics and values being embedded in the co-operative model, such as justice and solidarity. Such accounts are consistent with co-operative literature (Novkovic, 2008). In other words, care-taking and ethics are part of the co-operative model. Linking this theme to conceptualizations in extant social capital literature, it seems that the co-operative model per se steers towards CSR which can be seen as a source of social capital for consumer co-operatives. In this sense, our analysis aligns with prior co-operative literature of social capital (e.g., Valentinov, 2004).

Table 2. Caretaking and ethics as part of the co-operative model

1st order concepts and the selected representative data
<p>The co-operative model encourages care-taking on the individual, firm, and environment-levels</p> <p><i>"This company form comes with more comprehensive care of the individual, the company, the operational environment ..."</i></p> <p>Initiative, justice, honesty, openness, solidarity, democracy and equality are part of the co-operative model</p> <p><i>"The principles of co-operation ... we speak about initiative, justice, honesty, openness, even solidarity ... or democracy, equality ..."</i></p>

Forming a theme of its own ('strategic CSR'), our analysis also reveals that CSR activities and reporting can be more or less calculated, representing strategic CSR. In other words, consumer co-operatives may actively utilize CSR in their attempts to promote social capital (e.g., through a more positive corporate image). As the co-operatives realize the strategic importance of social capital, they educate all unit leaders to be tentative to regional interests and social responsibility.

Table 3. Strategic CSR

1st order concepts and the selected representative data
<p>Corporate citizenship (CSR) actions and reporting creates a valuable (good) image for the co-operative amongst partners and stakeholders, including members</p> <p><i>"When we speak about a corporate citizen or [the co-operative] as a corporate citizen so the objective is that a positive good corporate image is created that is then added value... it comes through actions and, as an example, this corporate social responsibility reporting that is carried out ... it is stakeholder communication above all, that is, for those partners and decision-makers who are the one forum, stakeholders, but probably it is most important to tell to the customer owners ..."</i></p> <p>All leaders of the local units are educated to be tentative to regional interests and social responsibility</p> <p><i>"We have also strong local leadership, in the level of municipalities and local villages, the managers and superiors of S-markets can be educated to it ... we strongly educate them to regionality and social responsibility ..."</i></p>

Turning to the third theme ('genuine pursuit of common good'), we put forward in our analysis that the co-operative invests in the well-being of the people in its operation area as well as undertakings that have economic and symbolic value in the region. The co-operative creates surplus that circulates within the regional economic system. As a manifestation of their genuine concern for the community and orientation towards long-term creation of value for the community, the co-operatives favor regional suppliers over others. This is consistent with extant literature on how consumer co-operatives approach their communities (Tuominen, 2012; Jussila et al., 2007). Further, placing consumer co-operatives in the social capital discussion, these notions seem to relate to the definition of CBE (Peredo & Chrisman, 2006). In other words, acting as a CBE, a consumer co-operative is likely to generate, what Ibarra et al. (2005) refer to as communal social capital.

Table 4. Genuine pursuit of common good

1st order concepts and the selected representative data
<p>Co-operative invests in the well-being of the people in its operation area</p> <p><i>"How we invest in the well-being of the people of the own region, from it comes exactly this culture issue, investing in youth and upbringing work"</i></p> <p>The co-operative invests in undertakings that have economic and symbolic value in the region</p> <p><i>"then exactly this development of the economic activity of the own region so that, as an example of this, this story of [an important tourist attraction] can be told...how it has begun to succeed again when the co-operative has become the owner ..."</i></p> <p>The co-operative genuinely creates surplus that remains circulating within the regional economic system</p> <p><i>"All that money that is created from the operation is left within the region in practice, that is, it goes either as wages or taxes or dividends, as investments it benefits that own operation region ..."</i></p> <p>By favoring regional suppliers the co-operative shows it is genuinely concerned about the value-chain in its operation area</p>

"A co-operative is in fact an enterprise of its region...favors willingly regional purchasing ..."

The co-operative focuses on long-term creation of value to its community

"We ... operate predictably and persistently for the benefit of our own province and for the benefit of the people and we represent this kind of stability and reliability in a positive sense ..."

According to our analysis, when the co-operative and its reactivity are known by the customers, they can trust to be heard and understood. The co-operative also manifests regional identity and takes care of that identity in its strong influence in the region which promotes peoples' identification with it as well as their support for the co-operative. Due to common identity, people assume the co-operative as their own. A factor in interaction and identification is that customers are owners, who thereby may view themselves as partners of the co-operative instead of being an object of business. We interpret that the aspects of this theme 'interacting and sharing a common identity' having elements of cognitive social capital (Cicourel, 1973). Further, interaction and identity sharing are also related to the concept of community-based enterprise (Peredo & Chrisman, 2006) and, most importantly, provide yet another source of social capital.

Table 5. Interacting and sharing a common identity

1st order concepts and the selected representative data

Customers know the co-operative and can trust in their word having an effect on the operation of their co-operative

"We are known, I'm also known here that it is this kind of an important thing customers can trust in that their words are heard and understood because we can go on the spot to see if something is wrong ..."

The co-operative manifests regional identity and takes care of that identity in its strong influence, which promotes peoples' identification with it and their support for it

"It has been excellent that this kind of an identity essence has been strong in that region and people have been willing to belong to the co-operative, be on its side and so ... have a strong influence in their region and take care of that identity ..."

Being intimate and sharing identity the customer understand each other

"That is again from the point of view of the customer to know the customer, we come to regionality and locality and these identity issues, the visibility over there and so on ..."

Customer is an owner and, thereby, can view oneself as a partner with the co-operative instead of an object

"partnership ... the atmosphere of doing together, that is, this customer is not here as an object but he or she is the owner and customer together ..."

Due to common identity, people assume the co-operative as their own

"Fundamentally it is about regional identity, co-operative identity, locality that is near to people, then it feels like one's own ..."

Moving to the theme five ('developing personal relationships'), key personnel of the co-operative is said to develop good personal relationships with key stakeholders. A co-operative's chief executive officer (CEO) may make significant personal investments in relationships with local decision-makers and, as an experienced, competent, and visible actor, is often desired for regional positions of trust. Such investments in personal relationships can be seen as being associated with Adler and Kwon's (2004) ideas of social capital, Burt's (2007) work on structural holes, and Ibarra et al.'s (2005) notions on both individual and social capital, our interpretation considering the context emphasizing the latter. This theme also evidently links to the creations of relational social capital (Nahapiet & Ghoshal, 1998).

Table 6. Developing personal relationships

1st order concepts and the selected representative data

An experienced co-operative CEO of a regional co-operative is visible, competent, and desired for regional positions of trust

"I have this long track record (as a CEO) and I can say that in regional level it provides me with visibility and substance to act in different positions of trust to which I am asked all the time.."

The key representatives of the co-operative have good relationships with the stakeholders

"our management is there in the region and management and administration have good relationships to, it can be said, all possible stakeholders that affect the operation of the co-operative"

Personal investments of a co-operative CEO in relationships with local decision-makers

"Be involved genuinely in a way that there is a visible person and a decision-maker in the locality and is committed to co-operation ..."

Our analysis suggests that the different forms of social capital discussed above may be used in many ways for the benefit of the co-operative and, thereby, eventually the entire community. The first theme that speaks to this issue is 'resources for managing institutional dependencies'. This theme includes that being regional promotes co-operatives' ability to react to demands of the region and impact cities' and municipalities' opinions. Especially the good personal relations with key stakeholders (actors knowing and trusting each other) help in buying business places proactively. Co-operative management knows what is going on in their business environment and where they should be serving their community in the future. Further, when local institutional actors understand the role of a consumer co-operative as up-holder of and contributor to regional welfare and when fair play rules allow for it (offers for a lot are the same), they tend to favor the regional co-operative over a company that pays its taxes elsewhere. Overall, such notions are consistent with extant consumer co-operative literature (Tuominen, 2012; Uski et al., 2007; Jussila et al., 2007). Moreover, they reflect how co-operatives can use their social capital to improve their competitive position by actively or latently affecting their institutional environment. Noteworthy, in our view the competitive advantage stemming from trust between the co-operative and the regional stakeholders is likely to be rather sustainable, as it is unlikely that an IOF, for example, commits itself to long-term service provision in a given community as they mainly operate in those segments or markets where there are the best possibilities to make high profits. Therefore, achieving that kind of trust related advantage may be more difficult, if not even impossible, for them.

Table 7. Resources for managing institutional dependencies

1st order concepts and the selected representative data
Being regional promotes co-operatives' ability to react to demands of the region and impact cities and municipalities opinions

"Regionality is very important in our strategies...we can be this kind of a regional organization ... we can react in there, also influence regionally as a regional company that operates there, to the direction of cities and municipalities we are much stronger of an opinion-maker than when there could be only some regional manager from Helsinki ..."

Good personal relations with key stakeholders help in getting business places

"through it (good personal relationships with key stakeholders) we succeed, for example, in buying business locations ... this new establishment is easier ..."

Local politicians favor the co-operative that is regional over a company that pays its taxes elsewhere

"If we speak about the issue of the lot in [a street] ... so when we go and negotiate with political decision-makers that some gas station of [the co-operative] is going to be situated there ... and a chain from Helsinki would be coming there at the same time that pays its taxes to Helsinki so there is a certain benefit, if offers [for a business location] are similar they select the provincial [company] ..."

By being known and trusted by the local decision-makers helps in getting business places

"we are known better, it affects positively that it can affect the getting of business locations in the decision-making processes and other things like that ..."

The final theme of our analysis is 'resources for managing customer-relations'. Our analysis suggests, for example, that being relatively local provides better understanding of customer needs. Further, it is seen that when people care about regionality and identity, they will experience a stronger tie with a company that is in fact regional. The intimacy between the co-operative and its members lowers members' mental threshold for feedback. These notions seem to speak to the role of cognitive social capital (Cicourel, 1973) and communal social capital (Ibarra et al., 2005) in providing the co-operative with resources such as customer affective commitment as well as customer participation in developing operations and services, which can be seen as a source of sustained competitive advantage.

Table 8. Resources for managing customer-relations

1st order concepts and the selected representative data
<p>Being 'local' provides better understanding of customer needs</p> <p><i>"We are a Finnish company that operates mainly here in Finland, a clear main market area is here in Finland...owned by Finnish people, our customers are Finnish through it we know maybe better these needs of the Finnish people better than some foreign again ... and the history and other things..."</i></p>
<p>When people care about regionality and identity, being regional creates a stronger tie</p> <p><i>"see it truly as strength that when the regionality and identity matter ... and when it is made regionally this kind of a stronger tie is born for it ..."</i></p>
<p>Intimacy between the co-operative and its members lowers mental threshold for feedback</p> <p><i>"having customer and member close, it has a tremendous importance for us in terms of business ... the mental threshold of the customer to give feedback is much lower"</i></p>

6. Summary of the Findings

As introduced, we set ourselves to investigate the development of social capital and the strategic benefits of the utilization of such resources. Figure 2 presents the comprehensive framework concerning the sources of social capital and how the different dimensions of social capital contribute to consumer co-operatives' sustained competitive advantage.

To answer our first research question, we found that consumer co-operatives are able to develop communal social capital because caretaking and ethics are part of the co-operative model. In addition, strategic CSR, genuine pursuit of common good, and interacting and sharing a common identity develop communal social capital. Second, cognitive social capital is developed through interacting and sharing a common identity and through the development of personal relationships. Third, actors of consumer co-operatives (CEO in particular) develop relational social capital by investing into the development of personal relationships.

To answer our second research question, social capital contributes to consumer co-operatives' sustained competitive advantage in that all of the above presented dimensions of social capital in consumer co-operatives (relational, cognitive, communal) create resources for institutional strategies aimed at a better competitive position. In addition, cognitive social capital creates resources for managing customer-relations.

7. Discussion and Conclusion

Our study contributes to the studies concerning the competitive advantages of consumer co-operation (e.g., Tuominen et al., 2006; Valentinov, 2004; Spear, 2000; Normark, 1996) in several ways. First, even though close relationships with the community have been highlighted in this field of research (e.g., Jussila et al., 2008; Jussila et al., 2007; Tuominen et al., 2006; Uski et al., 2007; Zeuli & Radel, 2005; Zeuli et al., 2004; Fulton & Hammond-Ketilson, 1992), this aspect has not been clearly linked to how various kinds of social capital (communal, relational, and cognitive social capital) are explicitly developed and what kinds of resources the co-operative is able to achieve through the development of social capital.

Second, while extant literature (Tuominen et al., 2006; Fulton & Hammond-Ketilson, 1992) has suggested that consumer co-operatives have both the knowledge of local conditions as well as the ability to alter those conditions (i.e., to affect and alter local institutions), less attention has been given to the mechanisms involved. Thus, with our findings related to the sources and benefits of social capital we contribute to this discussion by illustrating that the dimensions of social capital (relational, cognitive and communal) create resources needed for implementing institutional strategies in consumer co-operatives.

Third, even though it has been put forward by scholars that co-operative values and principles (Spear, 2000; Valentinov, 2004) create additional trust and social capital, and co-operatives' embeddedness with their communities (and concern for their communities) may provide them with legitimacy in the eyes of local or regional stakeholders (Jussila et al., 2007), research has not so far been able to unpack these issues into a list of the components that are needed in order to achieve those trust-related benefits. Thus, with our findings on the critical aspects of the co-operative model, strategic CSR, pursuit of common good, interacting and identity sharing as well as developing personal relationships, we are able to fill or at least begin filling the knowledge gap.

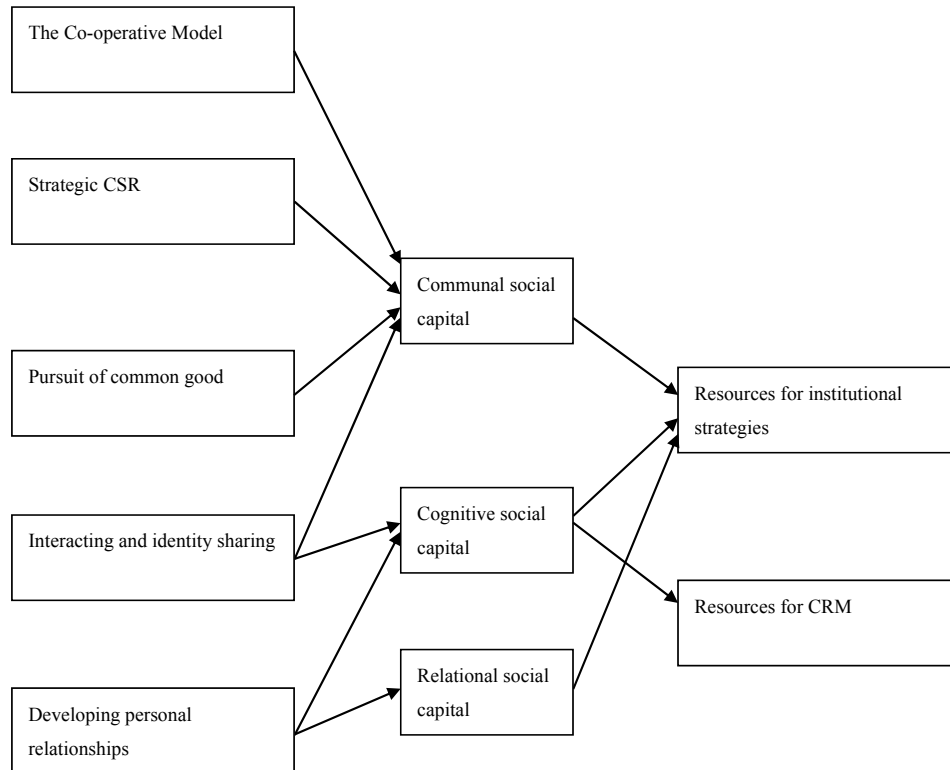


Figure 2. Empirical findings concerning sources and benefits of social capital in consumer co-operatives

As it comes to the value of our study to the practitioners of consumer co-operation as well as wider society, there are some important points to highlight. As many of the sources of social capital are linked to the co-operative purpose and the co-operative model, we think that managers of consumer co-operatives should pay some serious attention to them and utilize their potential in creating a sustained competitive advantage. Sustained advantage stems from social capital since it is not easily imitable for example by IOFs, which mainly seek to operate in the most attractive markets in terms of the profitability available and are not likely to commit themselves to the genuine pursuit of common good (e.g., long-term provision of the services needed by the members of a declining rural community) which is imperative for geographic-bound consumer co-operatives.

In addition, it should be noticed that the question *to whom the social capital creates value is important (an employee, farmer, or a customer-owner)*. For example, S Group has 2.055 million members in Finland whereas the population in Finland is approximately 5.4 million people (www.s-kanava.fi, accessed 14th of May, 2013). Thus, the benefits of S Group social capital are likely to accrue to the wider society (i.e., representing communal social capital) and even enhance the economic development in regions. For example, Svendsen and Svendsen (2000) have suggested that the social capital also has economic impact to the co-operatives' and regions' economic success (even though this can be difficult to measure).

However, there is also another side in the coin. Namely, can consumer co-operatives continue to sustain high levels of social capital while simultaneously struggling with the demands of global competition (e.g., many co-ops aim for economies of scale and are therefore seeking to grow their size and muscles)? For example, will the members still share their identity with the organization they own and view themselves as part of the co-operative instead of an object taken advantage by the organization whose operation their word will not have any effect on? Svendsen and Svendsen (2000) argue that in the case of Danish Dairy co-operative movement, rich pleasant community life collapsed when small, local dairies were shut down. Further, they argue that *"any loss in social*

capital must be deducted from the economic gain following economies of scale” (p. 81). However, it should be noticed that Nilsson et al. (2012) and Svendsen and Svendsen (2000) studied producer co-operatives and, therefore, one important stream for future research would be to study the effects the growing size of the consumer co-operatives has on their social capital and what means do consumer co-operatives have to preserve and develop social capital if they grow. Another important starting point to further studies is the trustful relations between the co-operative and the regional stakeholders. That is, what are the boundaries that should not be crossed or are there such boundaries? Should a consumer co-operative get all its investments implemented solely due to the fact that it is a co-operative and seeks to pursue common good? Finally, as we have focused on consumer co-operatives and especially those in retail trade in this paper, we would like to see analyses from other industries, such as banking, where co-operatives have also been common and successful and, where social capital may be even more critical judging by the recent financial crises.

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