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COMPETITIVE ACTION IN DIFFERENT ARENAS OF MANAGEMENT IN THE FINNISH GROCERY TRADE 1991-2005

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Abstract:

Competitive action in different arenas of management in the Finnish grocery trade 1991-2005

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Organizational performance and competition constitute a paradox, which has been left unnoticed by the researchers. Organizational performance is based on competitiveness, an abstract construct which is the connecting force of managerial action and organizational development. However, competitiveness is defined ex ante and it is realized and made visible only in action and reaction in the markets in competition. Thus, organizational performance is a measure of ex post validity, which has little predictive power to forthcoming tests of sustaining the demands of the future markets. Almost anything can be used as a determinant of organizational performance. Although useful for stated purposes, both practically and theoretically, such measures in isolation do not give a clear picture of the constituents the behavior, the competitive action in the field. (Saviotti & Krafft 2004, 2)

According to Teulings (1986), Tainio et al. (1983), managers have to deal with differing logics of action, which are dispersed into separate arenas of management. The arenas apparently involve their own particular rules, norms basic problems, and conditions. They each represent divergent spheres, with their own logic and condition for managerial action. The added value and competitiveness of the firm is produced by different mechanisms and by different processes at the differentiated arenas.

I propose three arenas of management as follows: 1) The institutional arena, where the management meets legislative constraints as well as other institutional forces of the environment. 2) The capital and ownership arena in which the management meets the challenges of ownership. 3) The Business and operations arena, in which the task of the management is to find and improve possibilities of selling goods and services. In this paper, I use the idea of managerial arenas to show how different logics of management have dominated certain management arenas in the Finnish Grocery trade between 1991 and 2005. The data consists of 12 CEO interviews of the 4 Finnish food retail groups. The time frame long enough to notice the changes in the context (the business environment) and in the focal companies and the reciprocal interrelationship of the two. The analytical approach is a case study design, which has borrowed methods of historical inquiry. (Üskiden & Kieser 2004)

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COMPETITIVE ACTION IN DIFFERENT ARENAS OF MANAGEMENT IN THE FINNISH GROCERY TRADE 1991-2005

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RESEARCH IN PROGRESS

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1. INTRODUCTION

In research literature, organizational performance is based on competitiveness, an abstract construct which is acquired by connecting force of managerial action and organizational development. However, competitiveness is predefined *ex ante* although it is realized and made visible only in action and reaction in the markets – in competition. Thus, organizational competitiveness is a measure of *ex post* validity, which has little predictive power to forthcoming tests of sustaining the demands of the future markets. (cf. Mayer 2005, 288) Examples of variables used in search of competitive advantage range from strategy to HR function, from visions to worker motivation. Although useful for stated research purposes, both practically and theoretically, such measures in isolation do not give a clear picture of the constituents – the behavior, the competitive action in the field. (Saviotti & Krafft 2004, 2)

This paper studies how competitive action has changed in the Finnish Food Retail sector between 1991 and 2005. The research setting consists of the two leading Finnish wholesale and retail groups during the years 1991-2005. The companies under study were Kesko (K-Group) and SOK (S-Group). These two firms were the market leaders in Finland, together having a market share of 72% in 2005. The market development is exposed also by examples from the activities of the smaller market players, Tuko/Spar and Tradeka.

In this paper I propose a conceptual framework of separate managerial arenas and depict how competition is different in these arenas. The framework helps understand competition as a multilayered phenomenon and elaborates the open questions in management studies about the nature of managerial work, giving empirically grounded answers to questions what is the nature of the emerging new logic of action in a specific arena of managerial work. (Teulings and Lilja 1989, 5) I first present a brief history of the corporations and the surrounding politico-sociological context. At the second stage I examine the relevant incidents through the conceptual framework provided in this paper.

2. METHODOLOGY

Methodologically this research is a case study which has borrowed elements of historical analysis. A case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident and in which multiple sources of evidence are used (Yin 1989, 22). Case study method is used to describe the characteristic of the particular firm under study. The findings are aggregated to present a theorization within these companies in a manner, which is transferable to other situations and contexts. Thus multiple-case study can show, what kind of different decisions the managers, singularly or collectively in the focal companies have made, while responding to the demands of the environment and the rivalry competition. The two comparison companies under study allows me as a researcher to compare different, unique solutions to managerial and leadership challenges in practice and to lead discussion on the nature of competition within the context of Finnish food retailing.

The analysis utilizes the principles of historical inquiry is a cyclical process of inference and tracing evidence from the past. Multiple and even complex pieces of evidence – newspapers, stories, interim reports, market analysis, legends - can serve as sources in order to draw credible inferences and claims about events in the past. The sources provide useful information after thorough critical and systematic consideration. Researcher examines what the evidence is speaking, whether the real meaning is different from the literal meaning. One step in interpretive criticism seeks to determine what the author (creator of the piece of evidence) meant. Also, the evidence must be taken into consideration in its full context rather than in isolation. Wide, complex and contradictory evidence is examined under the rule of corroboration: is there confirmatory evidence from equally credible witnesses? Conformance with other facts is a critical test of evidence (Golder 2000, 160-161). Thus the researcher rebuilds past events polyphonically, always testing the validity of the evidence and relying on multiple pieces of evidence. To a historian it is permitted to use almost whatever material or data he or she wishes and sees relevant and beneficial to his/her own study (Kalela 2002).

Methods of historical inquiry allow to reconstruct processes and the context, and to underline the specificity of their social setting. Moreover, it is a research strategy that is based on a theoretical frame but remains open to specific hypotheses in explaining adaption to specific conditions that impinge upon the development of institutions (Üskiden & Kieser 2004, 327). The outcome of the analysis is a construction of credible claims about what happened. Events, incidents and phenomena have many

explanations. The historical researcher constructs a path of development, adds a bulk of causes and creates order in it, and arranges the explaining causes in some ranking order (Carr 1963, 94-95).

This approach does not necessarily accept explanations of direct impact or causality but sees a network of affecting forces, from the multitude of the surrounding environment. The causal, deterministic, and teleological explanation can be replaced by a view, in which the past events are not as independent variables but instead contexts and processes. (Üskiden & Kieser 2004, 325; Clark & Rowlinson 2004, 346) "When a historian assembles a passage of antecedent events to compose a subsequent he builds what in the countryside is called a 'dry wall': the stones (that is, the subsequent event) are joined and held together, not by mortar, but in terms of their shapes. And the wall, here, has no premeditated design; it is what its components, in touch, constitute." (Oakeshott 1983, 94)

The empirical material of this paper comprises of interviews and written material. Written material from the period of 1991-2005 included annual reports, press releases, financial statements and interim reports and other shareholder information. A variety of business magazine articles (Kauppalehti, Talouselämä, Taloussanomat) were used as source as well as companies' customer magazines. A total of 12 interviews were conducted with the CEO's of the leading Finnish food retail corporations (K Group, S Group, Tuko and Tradeka). The contextual development was studied by interviewing the Directors General of the Finnish Competition Authority and the Managing Director of the Finnish Grocery Trade Association. Interviews were concentrated on CEOs, accepting their important and symbolic role as shapers of organizational decisions, actions and consequently, performance (Sutcliffe & Huber 1998, 793). All the interviews were transcribed verbatim.

3. CONCEPTUAL BACKGROUND

Tainio et al. (1983, 31) have argued, that "[A] specific level of reality, where the management appears as an actor in structural context with possibilities and constraints, must be conceptually reproduced." In their framework, four arenas – finance, labor, markets, and state and politics - were discussed. Each of them are seen critical to the performance of the organization. The arenas apparently involve their own particular rules, norms basic problems, and conditions. They each represent divergent spheres, with their own logic and condition for managerial action (Tainio et al. 1983, 4-6).

Teulings (1985) classified the depth of managerial work into separate levels. The management faces the everyday challenges at the operational level. If these operational solutions do not fit, the management moves to the a deeper level – as new strategies, development projects investments, acquisitions and finally as interaction with the powerful actors in the surrounding society – authorities, business and trade associations, legislators, governmental officials, political party activists, the media.

In this study, I use the idea of managerial arenas to show how different logics of management have dominated certain management arenas. The arenas apparently involve their own particular rules, norms basic problems, and conditions. They each represent divergent spheres, with their own logic and condition for managerial action. (Tainio et al. 1983, 4-6). Building on the works of Teulings (1985), Tainio et al. (1983 and 1984) and on a later categorization of management levels (Tainio et al. 1986, 29), I propose three arenas of management as follows: 1) The institutional arena. Here the management meets legislative constraints as well as other institutional forces of the environment. 2) The capital and ownership arena. The basic nature of the firm is to produce profits. At the finance arena the management meets the challenges of ownership. 3) Business and operations arena, in which the task of the management is to find possibilities of selling goods and services.

I consider an "arena" to be a specific ground or setting for managerial action. The specificity of an arena is defined by the level of the managerial work and the affecting power fields the management's work is tied to. The added value and competitiveness of the firm is produced by different mechanisms and by different processes at the differentiated arenas. Both the arenas of management and the context can be summed up in a matrix, which constitutes separate locations for management's competitive performance and action. The locus in quo in which managers operate, to secure the viability and continuity of the organization, is made both of the context of the managerial work and of the arenas. At these different loci, managers link up and meet with the exogenous networks of power relations, to produce outcomes which affect the organization and its environment. The contexts can be local regional, national or international in character.

Managing and leading an organization is metaphorically guiding the continuity and survival of the organization, at least in the sense of capitalistic firms. The survival is often described as competition, which has underlying premises like cost effectiveness, operational superiority etc. Within a single corporation, organizational are related to a dominance of one management fraction and a contest between the will of different management fractions (Eriksson 1991, 41) In parallel, different competitive outcomes of separate corporations reflect different logics of action in the market – so far interpersonally

acceptable that they in common form a collective way of behaving (Daniels et al. 2002, 49; Bacharach et al. 1996, 478) Some times it is expressed in maybe reified terms pointing to the organization itself as "our company does", "we do", etc.

According to Karpik (1978) the theoretical functions of logic of action are twofold. Firstly, it serves to establish similarities and differences between actors who may be socially dispersed: logics of action are principles of regrouping and dispersal. Secondly, it serves in demonstrating the relations that exist between the organization and its members: logics of action are also principles of action around which individuals and groups organize their attitudes and behavior. "They provide an indispensable link between collective aims and private ones, inasmuch as these constitute a certain solution to economic demands." (Karpik 1978, 46-47)

In this study, competitive action in the market is seen as logics of action - to make sense of the collective action in the market. The focus is on the action, which is then analyzed to bear certain meanings, targeted at reaching certain goals. Thus, as Karpik (1978) claims, the observer, its is to say the researcher, constructs the logic behind the deeds. That underlines Eriksson's (1991, 40) statement: management has a conviction that if a certain action is taken, it will result in a certain outcome. The action taken, observed as a coherent set of repetitious behavior in the market, can be isolated as a concentration of shared meanings and interpretation of the business and its environment. This can be seen as logic of action, as Bacharach et al. (1996, 477) have defined, the specific ends and specific means for achieving them and the underlying general logic that guides each party's behavior.

3.1 The Institutional arena

Institutional management means securing the impact on the prerequisites of corporate action in political arena. It is managerial work, "with which one tries to secure and justify the legitimacy of one's own business activity and tries to improve the societal terms and conditions of the economic activity of the company. An important part of this work is to legitimate the necessary forms of corporate growth and change" (Tainio et al. 1986, 103-104).

The reciprocal relationship between the organization's management and the exogenous forces of the environment, have largely been neglected by the organizational research. Yet there are several streams to draw from. One has studied topics of "issues management" and "strategic issues

management" (Dutton & Duncan 1987). Ideally issues management acts as an early warning system through which firms anticipate the demands of or constraints imposed by various actors in their external environment, including legislatures, regulatory agencies, public interest groups, and the media. (Greening & Gray 1994, 467). These contain much the same research interest as do topics related to political influence of the corporations (Bonardi & Keim 2005: political strategies; Clougherty 2003; Hillman 2005: corporate political activity, corporate political strategy). The main point of these studies is that political strategy can be an active part of firms' strategy concept. Some dimensions of the business environment can be influence by corporate action. Laws, regulation, politics and their execution are constantly changing (Keim 2001). "Rather than taking the environment as a given to which the organization then adapts, it is considerably more realistic to consider the environment as an outcome of a process that involves both adaptation to the environment and attempts to change that environment" (Pfeffer & Salancik 1978).

Organizations often arrange their core activities according to accepted models or templates in their field. Institutional theory states that the regulated behavior in organizations is a result of ideas, values and beliefs, which are born in an institutional context. To survive in the competition firms must respond to these expectations, although they seem to have minimal connection to the technical requirements of the competition (Greenwood & Hinings 1996, 1025). Paraphrased by Baron (1996), the performance of a firm, and of its management, also depends on its activities in its nonmarket environment. The nonmarket environment is characterized by the social, political and legal arrangements that structure interactions outside of, but in conjunction with, markets and private agreements. The nonmarket environment encompasses those interactions that are intermediated by public institutions rather than solely by markets and private agreements. Treating nonmarket issues as separate force does not sufficiently emphasize the interaction between the market and nonmarket issues and the strategies to address them (Baron 1996, 33).

Political strategy can be an active part of the firm's efforts to "integrate the firm with its broader noncontrollable environment" (Schendel and Hofer 1979). Some aspects of a firm's environment are controllable or at least subject to influence. Laws, regulation and policies - and their enforcement - that comprise the formal institutional environment of business do change over time and are affected by explicit advocacy efforts of businesses and other organizations (Keim 2001, 584).

Institutional leadership can be seen as a reciprocal participation, which is useful to both parties. Useem (1981) has described that "[p]articipation in business policy association corporate officers and directors

participate in the formulation of government policies and programs in many ways: full-time service as top government officials, direct lobbying, contributing financially, serving on government advisory committees, panels and boards. . . . Business policy associations play an important role in formulating the concern and interest of member corporations and in promoting policies that protect these interests" (Useem 1981, 210).

3.2 The Capital and ownership arena

In March 1998 professor Raimo Väyrynen stated in Finnish Business periodical Kauppalehti in a very straight forward manner, that "Globalizing economy is to stay". The return to old national capital markets or national production model was seen to be "beyond imagination" (Lampi 1998). Finland's autonomy as a separate business area, under its own functional logics was definitely over. World economy and the movements of financial investments as well as efficiency and profit expectations had reached Europe's furthest corner.

According to Tainio (2000) Finnish business system has gone in the 1990s/2000s through a metamorphosis, that has generated increased ownership governance in companies operating in Finland. This development was due to the structural change of ownership and ownership rights. Behind the change in Finnish and European firms are mergers and acquisitions reaching over national borders, privatization of state owned enterprises and changes in corporate governance models. Another powerful agency – the owners - has appeared to alongside the independent management. The reason to this rapid development has been the fast advancing of the North American style investment into Europe and the capital and finance markets' increase in significance (Tainio 2000, 158-172).

The globalization has substituted the industrial logics of economic action with the global finance logics. In the investment-driven world companies do not compete solely within the same industry, inside the boundaries of a production and commodity based markets. Instead, the companies strive for capital in the finance markets to be lucrative in the eyes of the global investors (Tainio and Meriläinen 2004).

Since being integrated into the global capital markets, the performance of Finnish companies has been measured by measures of immediate implication to shareholder value, that means market value or by share price. The new approach reflects the dominance of owners and their interests, and the "rules of

the game" are defined primarily in terms of shareholder value at a relatively short notice (Tainio & Lilja 2005, 75).

3.3 The Business and operations arena

The business and operations arena is a competitive ground for getting the resources of the personnel into use (Tainio et al. 1986, 29). Main concerns of the management in the Business and operations arena is to create opportunities for profit making: in what businesses to be in how to compete in order to be productive and efficient (Tainio et al 1983, 11-12). Amongst the business managers, a strong convention to structure the business level management is the concept of strategy, although it is only one of the many possible conceptual devices available.

At the business and operations arena, in managers' talk, the organization acts as a rational tool for delivering results. Organization is seen as an instrument for attaining goals. The criteria of evaluating success is on the number and quality of outputs and the economics realized in transforming inputs into outputs. The organization as itself is the basis for generating effectiveness criteria. (Scott 1992, 344)

Some of the key questions in Business and operations arena can be borrowed from Bell et al. (1997, 854): How to engineer growth to maximize economies of scale? How to increase added value? How to provide the customers with the benefit of price? And how to engineer an efficient supply chain?

4. CHANGE IN COMPETITIVE ACTION 1991-2005

4.1 Overview of the Finnish Market 1991-2005

Finland in the 1980's remained quite isolated economically. Her business system was dominated by bank group alliances, regulated markets and stagnation in the competition. Competition in the food retail and wholesale sector was structurally homogenous. Four large companies dominated the market – the K Group (Kesko), the S Group (SOK), Tuko (Tukkukauppojen Oy, also T Group) and the E Group, later Eka Group which later on became the Tradeka Group. In 1990 the four held a total market share of 96.4 % in food retailing. All four large groups were both wholesalers and retailers. All the companies

had roots in the Finnish business history, the S Group being founded in 1904, the Eka Group in 1917, Tuko in 1924, and the K Group in 1940.

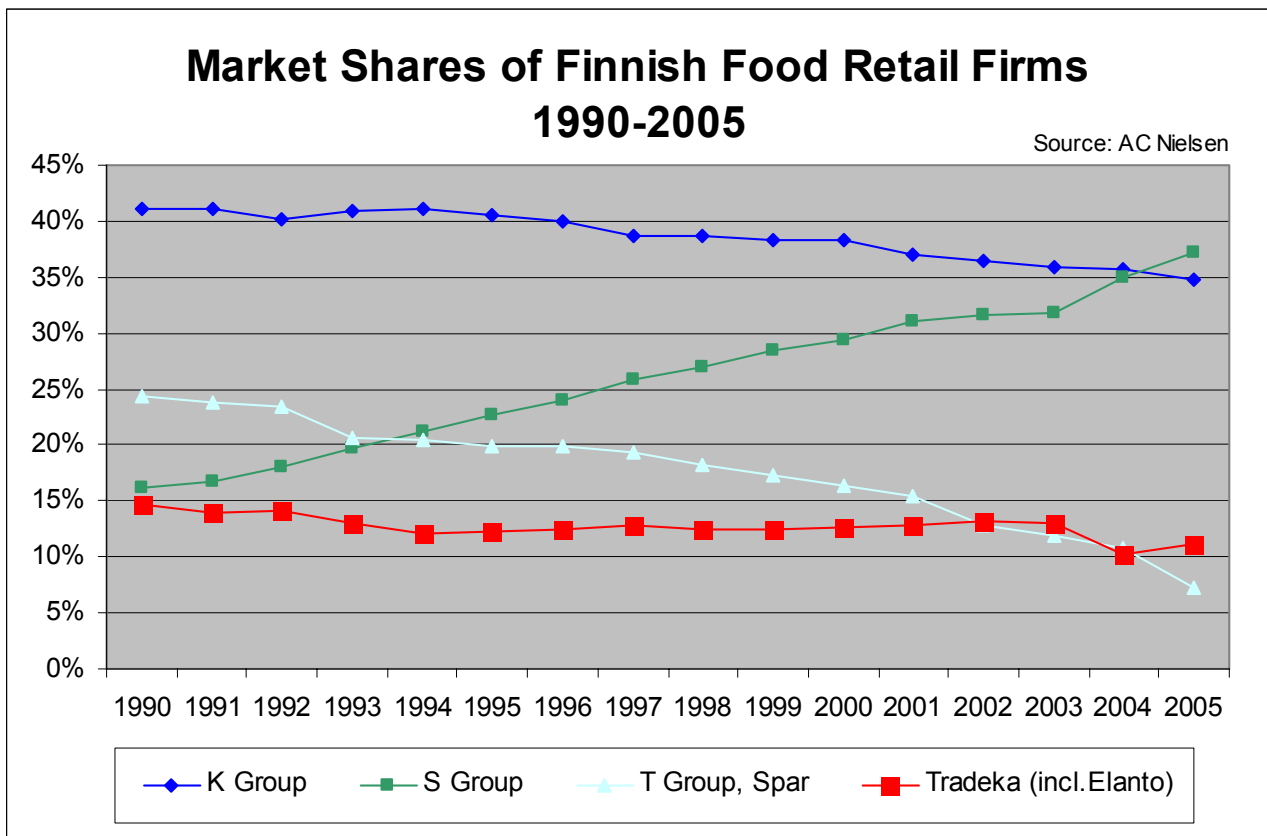
K-Group and Tuko were formed upon the idea of active ownership. This meant in K Group that the ownership of the corporation is in the hands of the grocer and the small shop entrepreneurs. In Tuko's case the ownership was in the hands of larger regional wholesale companies. The S-group and the Eka Group shared the idea of cooperative movement, in the form of consumers' cooperatives. Eka was mirroring the values of the cooperative socialist movement, by its leaders announcing strong ties to the class consciousness and the labor movement, including the majority of elected officials in boards and administrative councils to come from left wing parties.

Due to financial and organizational challenges, in the beginning of the 80s both the "leftist" E cooperatives and the S Group ran into troubles. S Group started a massive reorganization in 1983. At the same time a major merger was done in the E block, merging 39 regional cooperatives together with the central purchaser as E-osuuskunta Eka. This became with a later merger Eka Group. Domestic competition at this point was secured by Finland's isolated location in the North-East corner of Europe. The business development followed the changes in the Finnish society: smaller shops were diminishing in numbers and larger stores were beginning to make their outbreak.

Eka Group chose in 1992 to emphasize internationalization of its business. The grocery retailing was to be merged with an international operator. Eka's management systemically searched for alternatives. Eka's functional value was weakened by the fact that Eka did not have any foothold in the greater Helsinki region. After buying Valintatalo chain Eka's market share rose to about 5-10%, but it was not sufficient to attract international buyers or cooperative candidates. For this reason Eka was active in preparing merger with Tuko, which would have led to better logistics and Eka would have gained more stores inside Helsinki city. Finally, the plans for joining Eka and Tuko fell, due to resistance of the Tuko leaders and owners and a major Finnish bank Kansallis-osakepankki. (Kallenautio 1992)

In October 1993 Eka Corporation was hit by disastrous news and rumor, leading to liquidity crisis of the whole group. Eka Group was adjudicated to a reorganization process by its creditors on October 20, 1993 to avoid bankruptcy. The process led to refocusing on grocery retail sector and hotel and catering services. The group's name was changed to Cooperative Tradeka Group. The reorganization program ended at the end of the year 2003. A separate company was established for the grocery retailing in 2005. It was strengthened by the same year when grocery store chains Siwa, Valintatalo and

Euromarket were merged with Wihuri's Ruokavarasto, Sesto and Etujätti chains. During 1996-2003 also Elanto stores were part of the Siwa's chain management and logistics. Elanto itself stayed outside of the Eka Group's mergers as an independent cooperative. Later, in 2004, Elanto was amalgamated to a regional SOK cooperative of Helsinki.



Tuko faced a disaster in the early 90s. The T Group was subordinated to a heavy restructuring program, among others Tuko's Spar chain being restructured in 1993 under a new wholesaler Suomen Spar, which was founded on the basis of the Tuko's food retailing division together with four regional wholesalers. The old T Group was radically renewed to a chain of Spar stores, supported by some 600 T-stores, which should have been converted to nearby local groceries. Tuko's creditors and owners liquidated Tuko in 1996 selling the shares to Kesko Plc. However, the European competitive authorities denied the merger and Kesko had to sell parts of Tuko in 1997, thus releasing the Spar chain to start over from point zero. Spar Finland plc was formed in 1997. Spar's tale come to an end in 2005 when SOK acquired all the shares of Spar Finland Oy and the former Spar stores were split among SOK, the so called M Group consisting of small scale independent entrepreneurs, Tradeka and the K group.

4.2 Development in the institutional arena

In the beginning of the 90s, the internal regrouping and restructuring in the Finnish grocery trade happened at the same time as the wider political context changed radically. The gradual liberation from regulation towards free competition and Finland's EU membership transformed the structures of the competition. Until the Finnish EU membership Finland was controlled and regulated market area. Foreign companies could not import their own merchandize or assortment without proper permissions form the Finnish governmental authorities.

Simultaneously the regulatory powers of the European Union administration started to gain more influence on Finnish competitive arrangements and legal and political control. The European Union has expanded and gained more regulatory powers. Both the markets and the competitors have become under intensive supervision by the European competitive authorities. For example thorough investigation on the subject of retail power issue was raised in the context of development in retail distribution in the EU Commission's Green Paper on Vertical Restraints. EU has restructured competition policy with the introduction of new guidelines and policies concerning free competition. The question of food retail industry and its impact on competition have been investigated during the process of consolidating of two of Finland's largest food retail groups in 1996 (Kesko and Tuko) and the merger between two of the largest grocery operators in Austria in 1999 (Rewe and Meinl) (Dobson et al. 2001, 248).

Since the 1970's societal, political and economic development both in the individual countries in Europe and at the international level multiplied the impact of new innovations in the grocery trade. This has meant globalization, concentration and domestic consolidation which all serve to intensify the level of competition at the European level, as shown by the example of Great Britain by Davies and Ward (2000). The growth in absolute and relative size of retailers not only replaced the manufacturer dominance in the supply chain but also eliminated many wholesalers and started the trend towards backward integration of the retailer. The 1990s witnessed continued concentration and consolidation in all areas of the sector (Davies and Ward 2000; Hollingsworth 2004, 629).

The increased impact at the European level, the legal and normative constraints have naturally affected the Finnish markets. The underlying structures constructing competition have changed radically. The price level has been affected by allowing imports from abroad. This in turn had many side effects,

including the shift in balance of power between the food industry and the retail chains. Formerly, food industry sold directly to the independent groceries or regional cooperatives. Every single shopkeeper negotiated both the quantities and the prices of the products to be purchased.

The competition was divided between strategic groups; some of the food industry companies either being owned or otherwise belonging close to certain food retailers and wholesalers. The food retail corporations could dictate to the food manufacturers, to whom they could sell their products and brands. In the competition logics there was a swift of clusters: from food industry and food retailer driven axis to a bonuscluster consisting of food retailers, restaurants and hotels, which was due to customer loyalty programs and bonuscards.

Price level of the products was affected also by the fact that the price mechanism in the product value chain was altered by political decisions. Before Finland's membership in the European Union, the central Union of Agricultural Producers and Forest Owners (MTK) took care of the collective bargaining with the Finnish government about the income level of the farmers, mandated by the Act on Agricultural Income. This from its part to petrify the food producer's prices and in turn affected the end-level pricing in groceries.

The food retail sector in Finland has been concentrated. For foreign companies, it was operationally and strategically demanding to enter the Finnish markets. The Finnish retail groups were doing great, because they controlled large market shares and the volume of their operations was of large scale. The larger markets shares contributed to the buying power reflected towards the food industry.

The meaning of local town planning and zoning rose to the focus. Political decision making mechanism dictated where the retail corporations could erect their markets, although the question was affected by purely commercial pressures too. Town planning is in connection with buildings sites and land ownership: only 20% of suitable sites are owned by municipalities, in 80% of the cases the landowner is a private citizen, maybe in having agricultural occupation. Thus, at the local level management must combine both institutional influencing (or 'lobbying') towards the municipal or regional authorities and the commercially attractive of business transactions to the landowners. One has to succeed in both of these, it is worth nothing owning a business site and not have a license to build on it.

Good business sites are under heavy competitive bidding. The retail chains were heavily involved in the process of getting suitable areas to land development projects, but this has largely been transferred to

real estate investment firms. The shopping mall projects in 2003 had grown up to a size of 80 000–100 000 m². (Pääkaupunkiseudun päivittäistavarakaupan alueellinen kehitys vuosina 1997–2003, 12) The real estate investment has become a spin-off business for the retailers, for example Kesko Plc participating in 1998 in a joint venture having a base capital of 336 Million Euros, taking care of the Kesko's real estate needs. (Kesko 1998)

4.3 Development in the capital and ownership arena

The process of isomorphism and the streams of retail investments relate to other subprocesses. Domestic growth has led to cumulated capital, which constantly seeks attractive investment targets. Societal and political development has opened up new possibilities in the form of decreasing regulation and protective pressure. The expansion of the EU has been an opening of the ex-Eastern European markets. At the institutional level Poland, Hungary, Czechoslovakia, Cyprus, Estonia, Latvia, Lithuania, Malta, Slovakia and Slovenia have had to conform to European competitive legislation and to the principles of the free market. The increasing pressure from foreign competitors has impacted the willingness to move abroad to use the first mover advantage in the target country in winning market shares. The expansion of the cross border retailing has meant enormous investment flows inside Europe, especially from Central Europe to Eastern Europe.

In the mid-1990s internationalization in the food retail sector offered opportunities for continuing investments and for the growth at such a rate the stock market had come to expect. (Wrigley 1997) This led to expansion into those markets, which could easily be conquered, either by erecting a greenfield hypermarket sales network, or by acquiring majority shares of existing retail companies. Combining the dimensions of logistics, location, growing prosperity and purchasing power, large number of population, expanding market opportunity and competition the Central and East European were targeted as new markets. Finland, Sweden and Norway remained untouched until Lidl's decision to expand North in 2002-2004.

The internationalization of food retail companies has two typical paths: first of all, expansion is realized by an acquisition or joint agreement of cooperation, by which the buyer gets a minority share or a 50-50 share of a foreign operation. For example, the U.S.-based Wal-Mart bought the majority of the British Asda shares and converted some stores to bear the Asda-Wal-Mart name. The Norges Gruppen ASA signed in October 2003 a cooperation agreement with the French retailer Carrefour, starting to operate

its stores under Carrefour's banners, particularly its Champion supermarket fascia. Carrefour was to supply groceries to the Norwegian company. As another example, the Dutch Ahold bought 50% of the Swedish ICA in 2003 generating a larger alliance.

Secondly, food retailers internationalize by merging national or local food store chains to their own business network, or consolidating larger rivals, which already have their presence abroad. Metro of Germany has become the second largest retailer in the world after adding Kaufhof, Asko, Deutsche SB-Kauf to their portfolio. The result was that Metro's sales in 1996 were 57.4 billion dollars worldwide, compared to the figure of 18.8 billion dollars in 1990. (Kumar 1997)

S Group renewed its activities by focusing in the 1990s to its owners – the people who had paid their share of the co-operative capital. The "customer-owners" were designed as a concept, by which the S Group sought after concentration of daily purchases, customer loyalty. Respectively S Group offered bonuses according to the amount of buying. In 1994 all the regional cooperatives were taken in into this new system. (Lahti 1996, 36-37) Ownership is respected in the S Group, as reflected in the words of CEO Kari Neilimo: "It forces us to long range planning, unlike in publicly listed companies, in which the price of the shares is sharp focus. The customers know the decision makers, and the decisions are not made somewhere in the Cayman islands." (Nikula 2005, 2)

Structural limitations vary greatly from ownership issues to capability of having access to various networks of political influence at the local level. As in the case of the K Group, the central purchaser Kesko Plc is a publicly listed company and traditionally has been owned by the independent grocery entrepreneurs. The ownership has been sheltered by heavy ownership arrangements which protect the majority share of the entrepreneurs. By July 31, 2006 the amount of foreign ownership in Kesko's A-share was 0.18% of all shares while nominee registered had a share of 30.28%. Similarly, the outside ownership in the S Group is impossible, because the legal status of the S Group is based on cooperatives, being owned locally by the mutual ownership of its shareholders – the individual members.

The K Group based its success to the potential of the individual grocer-entrepreneurs. Larger supermarkets were constructed to serve the Finnish customers too. The first realization was the Lahti Citymarket, opened in 1971, following international Carrefour's example for the Finnish experiment. Kesko agility was impeded by a concept restriction. The retailing business at the local level was always the responsibility of the independent grocer, who was an entrepreneur and owned and managed his

own business. Retailing as a business taken care by the central wholesaler Kesko Plc was thus prohibited. This meant that operational demands for building up a food retail chain, which would be based purely on centrally managed logistics and sales channel would definitely threaten the chain of command within the K Group. As well it would jeopardize Kesko's ownership and governance structure. (Timo Karake, interview January 17, 2008)

The importance of ownership begun to be seen. The Corporate Charter had been altered in 1999 to allow the whole share capital to be publicly exchangeable at the Stock Exchange. (Mitronen 2002, 147) The K grocers have been pivotal owners of Kesko plc. The change in operative structure and the changes in ownership and governance system in 2000 mirrored development from a grocery-owner's contingent towards a more investor-oriented K Group. The grocers started to acquire Kesko's shares in order to use necessary votes in the annual General Meeting. "Kesko is a stable investment target and a good payer of dividends. Or are the grocers buying shares to get the power of decision so that they can like the Raisio farmers reject all decisions harmful for their own business?" (Vihma 2002)

Tradeka's challenge was the negative covenant of spending yearly tens of Million Euros as investments (In 2003 117.7 MEUR). The Tradeka management was unsure of the goals of the creditors: were they or were they not willing to continue the debt restructuring and corporate reorganizing programme. (Antti Remes, interview June 3, 2008)

4.4 Development in the Business and operations arena

Organizational efficiency is a key concept in competition. All the active participants in the Finnish food retailing field have developed their capabilities and increased their efforts to reach higher efficiency. The methods of improving efficiency are threefold. Firstly, there are attempts to gain organizational efficiency in the form of more productive organizational arrangements. Secondly, in the question of food retailing two industry specific success factors are critical: in large scale volume business the price of the product bought and the logistical expenses dictate the gross profit margin. By developing the logistics it is possible to reach lower prices per unit and thus offering the clients cheaper products to purchase. To lower the price of the products, companies can increase their volume of buying and to simplify the product's cost structure.

European leading retailers founded in 1988 a joint buying alliance AMS - Associated Marketing Services Sourcing B.V. to create synergy in commodity buying. AMS initiates, manages, and

coordinates joint buying activities for its members. The function of the joint purchasing company is to create economies of scale, pooling the expertise and volumes of major European retailers. (www.ams-sourcing.com, accessed 15.9.2008) Kesko joined the AMS in 1990, seeing it an operative option against Finnish and more concentrating European Food industry. The joint purchasing power of the AMS members was very countable in negotiating the prices of the commodities. With increased volumes, the manufacturer could raise the number of working shifts from one to two and thus take advantage of economies of scale. The decrease in price per unit can be transferred to lower consumer prices. AMS cooperation included also change of information, coordination of logistics, joint private labels.

SOK has been doing close cooperation with N.A.F. International Amba, which was the international buying alliance of European consumer cooperatives. N.A.F. represented until its liquidation to Coop Trading A/S in 2005 some 7,600 European stores operated by leading, cooperative retailers. N.A.F. International was established in 1918 to co-ordinate international cooperatives' food and grocery buying, to utilize the economies of scale that exist in collective procurement.

Private labels are goods or brands, that are sold only in the particular grocery chain's stores. The product is manufactured by outside producers, but the food retail corporations and chains own the brand labels and their immaterial rights. When the total sales of the chain increase, it will be more able to purchase goods at more favorable terms. The retailer can exert influence over the features, packaging and other attributes of the goods. AMS completed Kesko's own private label Pirkka, which was launched in 1986. SOK's private labels have been Daily and Rainbow

For retailers, margins from private label goods are higher than those on similar branded products. Private labels' prices are lower to the end-customers, making them more affordable. This puts pressure on the manufacturers of branded goods, who are dependent on the retailers for distribution channels. Simultaneously also the retail corporations have created store concepts, which have gained a foothold as a sort of "brand", affecting the willingness of the customer to make his daily purchases in a specific chain store. Combining the chain's brand with the private labels has resulted in increased customer loyalty. Concurrently the development shifted the balance of power between food industry, the manufacturers and the food retail corporations to the benefit of the retailers. After SOK started to promote the idea of grocery stores as a brand, each chain or brand having its typical assortment and shop concept, they could sum up a greatly improved purchasing power towards the food industry. The sourcing and buying was concentrated to the central headquarters of the Group. The efficiency of the

chain operations mode was to intensify the volumes of sales. "And that gave us the weapons in our hands. We could jump on the food industry saying that: here we have such a stack of orders, what would its cost?", as SOK's CEO Jere Lahti described it. (Jere Lahti, interview September 24, 2007)

Increasing logistical efficiency was one key factor in higher operative performance. Using integrative and collaborative management of the supply chain, food retailers have succeeded in streamlining the delivery processes. According to a survey in 2005 Efficient Consumer Response projects had resulted in an increase of sales by 482 million Euros (+4 % of turnover) and cost savings of 191 million Euros (-3% of turnover). (ECR Finland 2009)

The S Group and Tradeka founded in 1990 Inex Partners Oy, to manage both trade group's logistics. The company was owned on a 50-50 basis. The aim of the strategic maneuver was to join purchasing efforts and increase the volume as well as rationalizing the transportation and delivery processes in both of the retail companies. In August 2005 Tradeka sold its share of Inex Partners to the S Group and moved to use Tuko Logistics services.

The efficiency of the Kesko Group was quite well comparable to best international food retail chains. "This encourages us to expand and renew our sales activities in home markets and abroad", announced Kesko's CEO Matti Honkala in 2003. Even as early as in 1995 Kesko had decided to open foreign branches in the Finland's close-by regions, in St. Petersburg and in the Baltic states. According to Kesko's view, foreign competition was seen as a challenge, while the Finnish markets had become so saturated, that there were no room for growth or new business opportunities. Kesko started cooperation with Swedish ICA, starting food retailing in Estonia, Latvia and Lithuania. Soon the growth abroad was established as one of the Kesko's main business goals. Kesko's CEO Matti Honkala's stated in the 2001 that "Finnish companies are responding to the competition by increasing their effectiveness and overturn by growing their operations outside of home country." A share of 20 percent of the overturn should have been generated by foreign operations.

Kesko accepted a new worldview, according to which the basic business was not tied solely into local domestic market. Food retailing as a business was considered capable of going abroad. Simultaneously Kesko sought after increasing scales of business to gain critical mass, making the corporation better to stand against the foreign competitors. Kesko decided to enter among others the Swedish grocery business, in the search of experiences. Kesko's management wanted to learn how to compete against the threat of entry of the foreign competition by responding with Kesko's own store formats which were in operation at that time. Going abroad meant also that Kesko's freedom of action,

due to ownership arrangements and attitudes inside the K group, was a lot higher than at home, where the group's independent grocers would be an obstacle to new business experiments. In Estonia Kesko Food operated Säästumarket discounter chain, Citymarket and Supernetto stores and distribution centre near Tallinn. In 2004 it had 67 groceries in the Baltic region. Due to a strategic reorientation Kesko ran down its food retailing operations in the Baltic region in 2006.

SOK opened two Prisma hypermarkets in Tallinn, Estonia in 2000. In 2002 two more Prismas were opened. SOK had a nearly 15% market share of the Estonian food market, and a 30% share of in the Tallinn area.

4.4.1 Shop concepts

Even in the mid 80's Eka Group had started to develop the Siwa store concept as a nationwide chain. Siwa was an example of a grocery store, which had a narrow assortment but could take care of the daily needs of its local customers. (Kallenautilio 1992, 397) The SOK bought the hard discounter chain Alepa in 1987. Alepa had 34 stores in Greater Helsinki region. Alepa's mission was to "win the K-grocer in cost efficiency and the Siwa-chain in perishable goods". Two years later regional cooperatives in the S group started to build up a nationwide discounter chain called Sale. (Herranen 2004, 266)

By the time Lidl entered Finland, also Kesko moved to experiment with its own discounter concept Cassa and to find out what kind of market share the new format could take. Kesko wanted to learn how to compete with the low-priced product assortment. Additionally, another kiosk type of store concept Pikkolo was tested. In the pilot phase of the trial, the Cassa kiosks were operated directly by Kesko. The Kesko's maneuvering into the retailing irritated a number of K-retailers and was fiercely fought by the grocery entrepreneurs. Finally, Kesko gave in at the end of 2005 by running down the project and transforming the Cassa kiosks into smaller K Markets.

Finnish firms counterattacked Lidl with its own weapon: the price. Food retailing groups established a separate collection of low price products within their assortment. "Although the edge of competition is aimed at the domestic competition, our basket of 1000 lowered price products is our response to the ecstatic discussion around Lidl", stated the Managing Director of regional cooperative Suur-Savo, Leo Laukkanen in 2002. (Riihonen 2002)

The hypermarket concept, born in the United States, spread to Europe in the beginning of the 60's. Bernardo Trujillo, director of the International Management Systems Seminars, commented on the development of modern retailing by stating: "No parking, no business". (Tordjman, 1988, cited in Perrigot & Cliquet 2006). The idea was chanted straight away in Finland. Director Heikki Tulimaa presented the idea of supermarkets relying on Trujillo's catch-phrase in Finnish television in September 1966. Trujillo's teachings resulted in a launching of a new concept in the French grocery trade market: thus the idea of the hypermarket came to Europe. (Perrigot & Cliquet 2006)

Larger supermarkets were constructed to serve the Finnish customers too. The first realization was the Lahti Citymarket, opened in 1971. Carrefour was the pivotal the model for the Finnish experiment. At that time Kesko followed and studied the Swiss and the U.S. markets. Although Kesko's management did not have any direct contacts with Carrefour, instead they observed the Carrefour's action, assortments, arrangements in the stores, and analyzed how the hypermarket store functioned from clients point of view. There were no exchange of operational information, in the form of sales distribution figures or profitability calculations, so it meant that the developed Citymarket concept remained 90%:ly Finnish. (Matti Honkala, interview October 17, 2007)

S Group studied followed foreign retail companies abroad, first preliminary targets being in the 60's the Swedish co-operative OBS! outlets, which were designed for active car users. One exemplary store was located in Stockholm Värby. Also the American supermarkets and department stores were investigated. (Herranen 2004, 220)

4.4.2 Chain operations mode

During the 1990's the share of vertically integrated chains in Finland's grocery trade rose from 45% to 96% (Kautto & Lindblom 2004) The "chain reaction" was started by the cooperative actors S Group and Eka/Tradeka. At first the chain business model was taken into use in the larger stores, in the hypermarket segment. Later on also the supermarket segment adapted the chain operations business model and finally the near-by smaller markets were adapted to the dominant system.

S Group was in the lead of launching the chain operations, or vertically integrated business model in Finnish grocery trade. In the autumn of 1985 the S Group adopted the so called S-90 plan as its strategic guidelines for the four next years. The primary focus was on the creation of the chain operations mode, which was based on a vertically integrated business model. (Herranen 2004, 259-

261) After the strategic renewal, the S Group was agile to move towards organizational improvements. Jere Lahti's era was the time of creating sufficient processes and supporting elements for a streamlined and lean organization within the whole group. "In 1986 I was visiting Vienna, Austria at a congress about Retail chains and its backoffice processes with IT-systems. And as I was listening to the presentations and collecting the material I immediately felt that this suits us very well. So that we would build it up, we don't have to reinvent the wheel in every village so to say, the concept exists right there, the only thing we have to do is make the adaptation." (Jere Lahti, interview September 24, 2007)

S Group's solution was to make its chains into different brands, emphasizing characteristics by marketing and sales promotion, with price level image and by restricted assortment within each chain. This was connected to region-wide marketing, conjoined commodity sourcing done by the SOK and consistent price level with uniform assortment in every regional cooperative. The first S-Market was founded in 1984. First supermarket targeted for active car users had been opened by Osuuskauppa Keskimaa already in 1972 in Jyväskylä. The examples for the supermarket were the Swedish supermarkets near Umeå and Södertälje. (Kangas 2004, 74) The formation of the Prisma chain as S Group's hypermarket concept was initiated in 1988. Initially some Sokos department stores were transformed into Prisma stores. In 1990 the Prisma chain won the leading position in the hypermarket segment.

Although Kesko examined the foreign markets actively looking for new shop concepts, Kesko's agility was impeded by a concept restriction. The retailing business at the local level was always the responsibility of the independent grocer, who was an entrepreneur and owned and managed his own business. Retailing as a business taken care by the central wholesaler Kesko Plc was thus prohibited. This meant that operational demands for building up a food retail chain, which would be based purely on centrally managed logistics and sales channel would definitely threaten the chain of command within the K Group. As well it would jeopardize Kesko's ownership and governance structure. (Timo Karake, interview January 17, 2008)

Kesko changed its position as a wholesaler in 1995. Kesko took more responsibility of the chain management and the chain operations mode was build on grocers' mutual horizontal cooperation. In the system Kesko as a central wholesaler took care of the chain units, which were to guide the operations of each chain. The chain management teams were given the responsibility to make decisions about the assortment of the chain. (Mitronen 2002, 169-170 and 185)

In 2000 Kesko went through a more thorough chain restructuring. It was targeted at clearer shop concepts, efficiency and competitive advantage. Centrally managed chains had done better in the rivalry. Exactly positioned and defined chains, which were operated tightly following centralized procedures and processes had been able to answer the demands of sales, profitability and customer satisfaction challenges. (Mitronen 2002, 147) Kesko moved from horizontal chain operations to vertically integrated model. The cooperation between the grocery entrepreneurs was substituted by central operations management by Kesko, in order to improve joint purchasing, category management and logistics. (Mitronen 2002, 425-426). Kesko took over the development of the operation model and the shop concepts, chain management and purchasing of the selected assortment for the whole chain. The Grocer's role was to be responsible for his/her own entrepreneurial activities and profitability in his/her own store, following the guidelines mandated by the chain agreement. (Kesko 2000)

The changes unsettled Kesko's traditions remarkably. The whole K Group had been based since decades on collaboration between the grocery entrepreneurs. The competitive advantage before the renewals in 2000 were created by a model, in which Kesko was responsible for the centralized functions and the independent local K-grocery owners met the demands of the customers. (Mitronen 2002, 166)

The chain operations business model in its purest form was put into practice in the Tradeka Group. In 1992 CEO Antti Remes sent letters to Finnish Embassies in Bonn, Paris, London and New York, inquiring contact information of experienced grocery trade specialist. Of the proposed management consulting firms Price Waterhouse and Siard Bossard were selected as Tradeka's new mentors. Besides of help from the management consulting firms, Tradeka personnel visited Tesco and Carrefour stores and studied the processes of some other foreign food retail chains. The Tesco model was close to the preliminary thoughts of how the Tradeka chain should be organized and served as inspiration for Tradeka's management. (Antti Remes, interview June 3, 2008)

"And all the way, when the management consulting companies had done something new, which was related to this conceptual model, they contacted us that now one has opened such and such a store, which carries the same variables that you have been thinking of. One has treated that problem in such and such ways, come and see how they made it in practice. And then we had the chance to discuss less with the consultants but more with the Tesco people in their headquarters. We questioned ourselves that are we advancing in the right direction and how the other part has thought things over. And then we received confirmation that we're right, they too have had the same problems and solved

them in a particular way", Tradeka's CEO Antti Remes illustrated the atmosphere of exchange of ideas. (Antti Remes, interview June 3, 2008)

5. CONCLUSIONS

The research question of this paper was to answer what were the competitive actions in the Finnish grocery trade during the years 1991-2005 and how has it changed. I used an elaborated framework of Teulings (1985) and Tainio et al. (1983 and 1984) to describe and analyze competitive action at different levels, providing a view, according to which different managerial levels have different logics and management's action differs due to differentiated nature of demands at each level.

In the Finnish food retailing competitive advantages were based upon technical, operational or institutional superiority as a dynamic phenomenon, which cannot be depicted in a cross section analysis. The competition consisted of heavy capital investment, proactive store development, tight control of distribution and logistics, innovative supply chain management, own-label product development, and integrated information management systems. (cf. Wrigley 1997) In addition to this, chain operations mode (vertically integrated business model) was crucial in obtaining superiority, assisted by Efficient Consumer Response (ECR), centrally controlled selection of products and standardized methods and procedures and economies of scale.

In the beginning of the 1990's the business and operations level competitive action could be described a logic of special offers. Groceries were competing against each others by offering special prices on for example coffee, sausages, and sugar. In the ownership level competition was divided into special "camps", each of the different wholesalers owning their own food industry production units, among others coffee roasting plants, slaughterhouses and meat producing units. At the institutional level the politics was to yield to the demands of farmer driven agricultural protectionism, under the protective wings of Finland's isolated location in North-East Europe. Simultaneously, Finland sought political space by seeking contact with the European Union. The rapprochement with west European business systems resulted in EES agreement and Finland's membership in the EU. This changed the regulative, eg. the setting for institutional management remarkably as well as the business and operations level by allowing direct imports from abroad.

In the beginning of the 1990s Finland sought more stronger ties to Western Europe and initiated negotiations for EES and later full EU membership. This altered the possibility of a foreign entrant to

enter Finnish markets and allowed goods to be imported without protectionist governmental quotas or licenses. This in its turn triggered the restructuring of agricultural production system and Finnish food producing industry, leading to a shift in power in benefit of the retail chains. The top management of the groups were tasked with the question of adapting to norms at the institutional level.

In 1994 Finland enjoyed total freedoms of a European-wide capitalism. In the business level the logic of management had been turned into efficiency-based logic, by streamlining the logistical chain with joining the wholesaling and retailing and the vertically business models and chain management, creating an echo in superior scales in procurement and commodity buying. At the ownership and capital level the owner rose to focus: in Kesko they sought after capital investment, in other firms they were afraid of hostile takeovers. Finland was seen as a place to implement a capital and ownership takeover as a tool for acquiring a major market share in grocery retailing. The logic was changing. Market objectives were dominated by growth.

At the same time different food retail groups executed their individual logics of competition, Tradeka relying on heavy concentration and central chain management, S Group sliding into more coherent chain management and K group emphasizing on individual K-grocers' entrepreneurship. Consumer choices started to favor larger scale stores, accessible by car and easiness of one stop shopping. This strengthened the change where hypermarkets were the forerunners in competition, with higher efficiency and better performance. With the two concepts, chain management and hypermarket, proven successful, Kesko had to restructure its operations and business model. The dualism of chain operations and entrepreneurship started to shear off, the former showing increasing sales efficiency. This meant increasing pressure to move from entrepreneur logics towards capitalistic ownership logic in Kesko plc. The entrepreneurial logic of action was partly abandoned, which in turn affected the capital and ownership level, resulting in conflictual situation within the K Group.

In 2002 internationalization, both the threat of newcomers to Finnish markets and the outbound internationalization of the Finnish retail chains sculptured the competitive landscape. Lidl entered Finland. The logic was dominated by efficiency. The view was dualistic: on the other hand T Group and K Group counted on entrepreneurship while S group and Eka favored controlled chain management. In the beginning of the 2000s, the vertically integrated business model and centrally managed chains replaced more independent ways of competing in the grocery business. Even K group had changed its basic setting to go in line with the vertically integrated business model and chain marketing, although

this led to a series of crisis at the ownership and capital level. Internal conflicts over dominance within the K group between entrepreneurs and Kesko were constant.

In 2005 the competitive actions stressed international orientation and were backed up by internationalization aspirations, which were underlined by using "strategy" discourse. The Baltic market loomed attractively in front of the corporate managers. Kesko manifested having a strong foothold in Finland and having capabilities of internationalizing: to grow in size and to acquire needed experience in international business operations. (Honkala 2004)

6. DISCUSSION

Organizational researchers use the concept of competition referring to its implicit interpretation. "Competition" is something we all know and accept as taken-for-granted. To underline the importance of getting a better understanding of what competition is, I agree with Djelic, when she says that "[t]he issue of competition – its definition and understanding – the value of this understanding is being granted in a particular societal context and the nature of institutions, organizations and processes that sustain and support that understanding - is highly structuring of economic arrangements in particular but also possibly of societal, political or even value choices" (Djelic 2002, 234).

However, the question remains unanswered - what is competition? The answers are multifaceted and complex. As Clark (1925) described it, "*Competition includes, of course, the making of goods to sell, and the getting of things to make them with, including land and plant, materials, power, and labor, and the privilege of operating, in cases where that is not automatically open to all. Thus competition extends to many forms of rivalry, most of which may be treated as subsidiary to the basic struggle of business enterprises making and selling goods, but which are nevertheless very different from each other. There is buyers' and sellers' competition, one-sided and two-sided competition, competition in price, in quality, in advertising and selling, and in securing access to the means of production.*" (Clark 1925, 220)

The main argument of this paper is that competitive action is choices made in companies, made by individuals. Certain action produces better outcomes and is copied by the rivals, thus changing the dominant logic at the industry level, when the proven model of how to compete reaches a taken-for-granted status. Thus individual competitive action creates, in aggregate, competition in the market. Instead of being equilibrium, competition is economic evolution. Competition affects structures and

technological development and thus competition is behavior in the market, not a market structure. (Saviotti & Krafft 2004, 2)

It might be useful to take a closer look at the concept of competition through the counter-concepts of competition. If we state that the counter-concept of competition is monopoly, it makes possible to illustrate the world in variables at a single spot in the timeline. Instead, constructing a counterconcept of competition as cooperation leads us to other paths in observing phenomena. What kind of a state is cooperation? It is not a state, it is a process of action, acting together towards specified goals. Processes and change are hard to depict, as in the case of human action in the markets, emphasized by Herdinza stating that "[t]he question of what competition actually is can not be answered scientifically. It is only possible to identify which processes and facts, and which types of market occurrences, are usually referred to as competition. In this regard, there are vast differences in definition approaches." (Herdinza 1999, 31, cited in Briglauer 2004, 94).

In conclusion I summarize three major findings from the previous argumentation. Firstly, looking at competition as a multilayered phenomenon seems justified. Competition is fragmented to various managerial arenas, which each have their own specific agents and are driven by specific inner logics of action. The logics of action are humanly constructed beliefs of the actors and their capabilities, positioning in the organizational field, and thus subjective views of certain situation in time.

Secondly, competitive advantage is a dynamic phenomenon. It cannot be depicted in a cross section analysis. It is future-oriented conceptually, designed to win the market contests ahead. It is paradoxical in its nature, being proven only after having been tested in real life situation in the markets, by dynamic and exogenous forces of the rivals. It is also short-termed, the experiences of the market experiments leading to alteration of the desired goals of the companies. The change in plans, targets and visions separate the rivals from the trajectory of continuous and deterministic business action. Companies innovate and create opportunities of being stronger in the competition-to-be, thus effecting the competitive field and the environment, which constitutes "the market". Competitive advantage will be competed away through the duplication efforts of other firms. Changes in the economic structure may cause the sources of sustained competitive advantage no longer valuable. These "Schumpeterian shocks" redefine which of a firm's attributes are resources and which are not. What were resources in previous industry setting may be weaknesses or simply irrelevant in the new situation (Barney 1991, 103).

Thirdly, organizational performance, as a result of desired goals, selected competitive logic of action, given organizational structures and personnel, together with market-proven competitive advantage is an context-bound and unstable measure. The main goal of organized action is to generate better results, the interpretation of "better" demands a comparison. "Better" in the organized business life means ever going improvement, good corporate profit is expected almost like a natural law. The diverse processes and procedures of numerous actors are producing efficiency in a contest-like situation; some of the development occurs naturally, some are results of heavy development programs. The entrepreneurial ethos creates pressure of being superior, leading to a demand for improved organizational demand.

Continuous seek for higher efficiency has meant ever going search for concepts and ideas in conformity with the free flow of ideas: best practices, examples, principles and policies. At the societal level, this has led to changing of the economic structures and polities. National business systems have been affected by the micro-level search of operational excellence. The source of attempts to higher performance means homogenization of productive and competitive methods and schemas, and their free transfer to local markets, which in turn has the effect of increasing the amount of homogenization.

Human capability of innovation both creates and follows the constant quest for more profitable way of operating. Innovations taken into use make some firms more competitive than others but sooner or later the innovations have spread and been taken into use by the competitors. The competitive advantage disappears (March & Sutton 1997). The qualitative change of the other competitors is a change of the competitive landscape. Innovations slowly, step by step, transform the logic of action making some procedures seem to be profitable while others diminish in effectiveness.

According to Meyer, two different ideas of performance are generally mixed. The "performance as a result of past accomplishments", at a given time spot and the theoretical "promise of future results" - or the potential - are substituted. (Meyer 2005, 288) In research concerning the firm's performance, there is no justification to presume that performance has dimensions that can be projected to the future. The competitiveness of the firm is affected by the turbulence of the environment, that is, the contextual factors and the actions and counteractions of the rivals.

Observing competition only as an equilibrium or a state is not sufficient for the organizational theory. To be capable of seeing the long range changes we are need to have a dynamic model of the developments. This is due to the notice that within the evolution of the markets also the models of

evolution do change (Pantzar 1991, 233), which makes the definition for efficiency and performance also variables of contextual change. This would suggest that competition as market behavior, or action, can best be examined as a process or evolution, using longer time series of data.

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