

Jarmo Seppälä

**Institutional perspectives on retailing:  
Rethinking the adoption of large-scale retailing in Finland**

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## ABSTRACT

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This dissertation focuses on the adoption of the hypermarket in Finnish retailing and examines how major retail organizations experienced the transition from established practices into new logic of retail business, the large-scale retail trade. The research builds on DiMaggio and Powell's (1983) analytical categorization of institutional isomorphic mechanisms, but utilizes more recent theorizations and insights of organizational institutionalism in the detailed theoretical framing.

My research questions were as follows. How did Finnish retail organizations initially regard the hypermarket format? How did their stances change over time? To answer these questions, I examined the adoption of this format in terms of local decision-making, internal propaganda and corporate training. Each topic was discussed in a separate research article.

The key findings of the research suggest Finnish retail organizations were initially strongly opposed to the hypermarket format and the principles of modern large-scale retailing in general. Key stakeholders of each organization resisted the hypermarket for different reasons, because the new practices did not fit the established lines of operation of the organizations and challenged their ideology-based principles. Thus, the top management worked actively to create support for the new practices and eventually for the adoption of large-scale retailing. Consequently, ideologically and structurally divergent organizations became increasingly similar (or isomorphic) as hypermarkets reached an institutionalized position.

The findings demonstrate the significant role of individual actors in facilitating the increase of isomorphism, thus modifying the original idea of structural effects. Above all, the dissertation offers an alternative and complementary view of an important period in Finnish retail history.

Keywords: hypermarket, large-scale retailing, business history, retail trade, neo-institutional organization theory, isomorphism, management and organizational history

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Karkkila, March 26, 2018

Jarmo Seppälä

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# 1 INTRODUCTION

Why do hypermarkets abound? Why do hypermarkets in different countries look alike? DiMaggio and Powell (1983) argued that similarity between organizations and their practices stemmed from three isomorphic mechanisms, which they labelled as coercive, mimetic and normative. Each mechanism had its own distinct origins and divergent outcomes. While DiMaggio and Powell (1983, 150) made an analytical distinction among these mechanisms in their article, they acknowledged that in empirical settings they would probably intermingle (see Table 1).

Table 1: Origins and outcomes of the institutional isomorphic mechanisms (DiMaggio and Powell 1983, 150–53).

ISOMORPHIC MECHANISM	ORIGINS	OUTCOMES
COERCIVE	Political influence (formal pressures) and the problem of legitimacy (informal pressures)	Imposition of operating procedures and legitimated rules and structures
MIMETIC	Response to uncertainty; modelling on other organizations	Organizations that are considered more successful or legitimate are modeled
NORMATIVE	Professionalization (cognitive base and legitimation for occupational autonomy; formal education; professional networks)	A pool of almost interchangeable individuals who occupy similar positions and possess a similarity of orientation and disposition; status competition

The purpose of this research is to ascertain how retail organizations in Finland introduced and then institutionalized modern large-scale retailing.<sup>1</sup> Despite the current popularity of hypermarkets, less than 50 years ago, many people in Finland considered them odd and unsuitable for Finnish conditions. At the time, four

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<sup>1</sup> Institutionalization is the process “by which social processes, obligations, or actualities come to take on a rulelike status in social thought and action” (Meyer and Rowan 1977, 341). In other words, they “become taken for granted by a social group” (Tolbert and Zucker 1996, 179).



major retail organizations dominated the Finnish retail market and within them all was a considerable opposition to the hypermarket. What makes this opposition interesting is that these organizations had different reasons. However, within a few years all of them adopted the hypermarket format. By the mid-1970s, 22 hypermarkets had opened across the country, indicating that they had become commonplace in Finland. Therefore, this research investigates how and why retail organizations opposed the adoption of large-scale retailing and what changed their attitude. It seems that major stakeholders did not consider the potential cost savings sufficient reason for adoption. Thus, I argue that stakeholders of retail organizations objected to hypermarkets because the adoption would have challenged their foundational beliefs. In this sense, large-scale retailing was a greater threat to the existing structures and operational principles of Finnish retail organizations than self-service, which had revolutionized shopping a decade earlier.

That said, I do not deny the tremendous effect of self-service on Finnish retail markets (see Figure 1). The four retail organizations – Kesko, OTK, SOK and TUKO<sup>2</sup> – operated with traditional established methods and similar outlets until the end of the 1950s. In 1957, Kesko started promoting the adoption of self-service among its members, who were private retailers. This proceeded slowly at first but accelerated in the early 1960s, leaving other retailers<sup>3</sup> far behind. Consequently, Kesko passed TUKO as the market leader in the late 1960s and held a leading position for nearly four decades. Thus, although the hypermarket did not transform the market as self-

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<sup>2</sup> OTK = Osuustukkukauppa, SOK = Suomen Osuuskauppojen Keskuskunta and TUKO = Tukkukauppojen Oy.

<sup>3</sup> Please note that I mean with “retailers” usually the retail organizations, irrespective of their corporate form. In case, when I speak about retailers as individuals, I will use phrases *independent retailer* or *private retailer*.

service did, it brought major changes to the mental and physical structures of retail organizations.

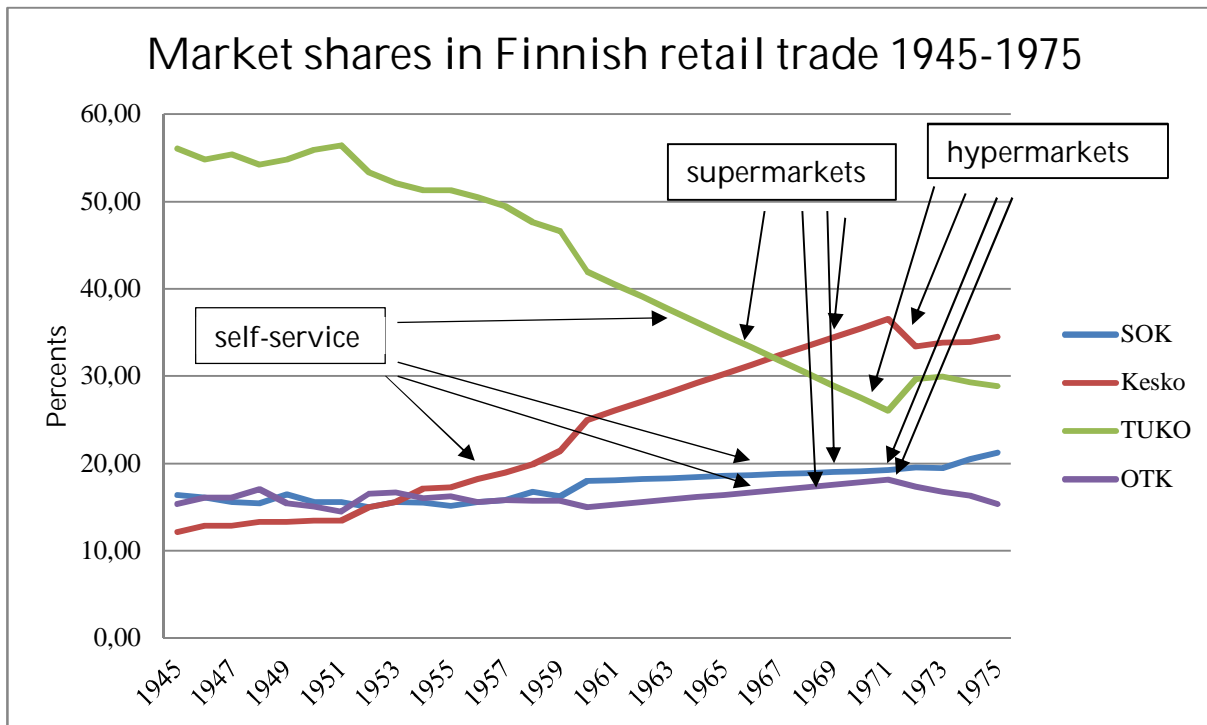


Figure 1: Market shares in Finnish retail trade and format adoptions (Source: AC Nielsen, Juha-Antti Lamberg).

To look into the attitudes of retail organizations and to see the effects of hypermarket adoption, I examined the process of organizational adoption through local decision-making, internal propaganda and corporate training. These functions were independent but integral to the operations of retail organizations. Furthermore, each of them seemed to be linked to one of the isomorphic mechanisms identified by DiMaggio and Powell. I used this theoretical linkage to produce an analytical research framework that served as my starting hypothesis (see Table 2).

Table 2: Analytical research framework.

	COERCIVE MECHANISM	MIMETIC MECHANISM	NORMATIVE MECHANISM
Local decision-making		X	
Internal propaganda	X		
Corporate training			X

The analytical framing served also as an offset for the empirical part of the dissertation (see the Presentation of articles below). At the time of hypermarket adoption, Finland's grocery retail industry was undergoing an exhaustive structural change that followed a series of interrelated social transformations. Urbanization, the rising standard of living and changing consumer habits revolutionized the operational environment of retail trade. Retail organizations had to find ways to operate in this new and unfamiliar environment. International development in the retail industry offered potential options, but when the top management of Finnish organizations learned that as the new measures would change the established lines of action, they would also raise doubts or outright resistance. The way in which these processes manifested in the Finnish context are the theme of my articles.

The study focuses on the period from 1960 until 1975, but the paper on corporate training begins with the early 1900s. The reason for the longer research period is in the scarcity of research on the history of corporate training. Without a proper grounding of the historical development of retail training, the analysis of the effects of the arrival of large-scale retailing would have been pointless.

## 1.1 Presentation of the articles

The article "Understanding the heterogeneity of decisions: A historical analysis of local competition and decision-making" centers on a historical case in which four retail organizations made highly heterogeneous decisions under similar conditions after a long period of uniform action. A specific interest in this situation arises from a local context, because organizations confronted similar stimuli and initially considered same course of action. Whereas the previous theoretical literature suggests that heterogeneity of decisions would follow from decidedly distinct cognitive interpretations, my research offers another explanatory scheme. According to my findings, the differences between decisions did not result from major deviation in interpretation schemes but rather from minor variations in similar cognitive frames. The paper also identifies a set of dimensions that featured in the decision-making processes. Methodologically, this article underlines the utility of internal corporate documents for the study of organizational decision-making and especially for the study of managerial cognition.

The second paper, "Managing the paradox of unwanted efficiency: The symbolic legitimation of the hypermarket format in Finland, 1960–1975" examines the role of retail organizations as active promoters of a retail innovation. More specifically, the paper describes the symbolic legitimation of large-scale retailing within the four focal retail organizations and in their individual contexts. The study reveals how organizations made the adoption of hypermarket format understandable to their internal stakeholders with the help of corporate magazines, where organizations

published articles about its applicability to their ideological objectives. The objective of those legitimation processes was to maintain stakeholders' belief in the ideological basis of their operation, although the actions of competing organizations became increasingly similar in terms of economic efficiency.

My third paper, "Changing content and form: Corporate training in Finnish retailing, 1900–1975" relates to the topic of this dissertation in two ways. First, it adheres theoretically to neo-institutional organization theory and applies it to the study of Finnish retail history. Second, the article follows the evolution of corporate training systems from their inception to the formation special training programs for the future managers of hypermarket outlets. The paper examines how retail organizations abandoned their long tradition of progressive internal training in favor of recruiting graduates of commercial institutes. The findings of the study indicate that the history of corporate training evolved through an interplay between content and form of training. Movements between these dimensions determined the distribution of ideological and practical components as well as the emphasis on general or specific models of training. In due course, these changes affected the rise of company-specific management training programs that socialized ready-schooled managerial talents onto ideologically imprinted organizational environments.

## 1.2 Research questions

The articles that comprise this dissertation have a dual function. In addition to answering a specific research question, each article serves the ends of this dissertation.

I used the empirical findings of the articles to arrive at answers to the research questions: How did Finnish retail organizations initially regard the idea of a hypermarket? How did their stance change over time? Hypermarkets had become institutionalized in Finland by the end of 1975, when their total number reached 22. This growth took only five years and it would not have been possible without the retail industry's general acceptance of the innovation.

I start this work by reviewing the historical development of retail trade. Then I present my theoretical perspective, before discussing the long tradition of interaction between history and organization theory. Lastly, I describe my source materials and present my concluding remarks with some reflection of the contributions of this dissertation.

## 2 HISTORY OF RETAILING

There is a rich tradition of historical research on the development of retail trade<sup>4</sup> both internationally and in Finland (see Appendix 1).<sup>5</sup> As a result, we are well aware of the main events of retail history from the nineteenth century to the present (Jessen and Langer 2012b). The development has been rather similar in North America and Western Europe despite some minor nation-specific variations in timing of certain events and definitions or specifications of store types. While the United States was a global trendsetter, Swiss and Swedish retailers were often pioneers of new retail practices in Europe. For example, the British retail trade developed more slowly until 1960s, at which point it gained momentum. The Finnish retail trade bore some similarity to its British counterpart, because in Finland, modernization also started late, but once it got started, the change in the sector was fast and wide-ranging.

A factor that set Finnish retail industry apart from similar industries in other countries was the position of corporate ideology in daily competition. The ideology of retail organizations was quite apparent in Finland, because the four major companies held divergent ideological views (e.g., Lamberg and Tikkanen 2006). In particular, the market share of Finnish co-operative retailing was larger than in other countries (Wilson, Webster, and Vorberg-Rugh 2013; Hilson, Neunsinger, and

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<sup>4</sup> If not stated otherwise, this work deals mainly with grocery retailing.

<sup>5</sup> Because I am studying the perceptions and discussions within retail organizations, I decided to leave out the literature on consumer history and marketing history, which both include a considerable amount of works on retailing (see Jones and Tadjewski 2016; Trentmann 2012). However, in some cases I have included works that are widely cited in or closely linked to the studies of retail history.

Patmore 2017), even though the sector consisted of two rival factions. These factors have been covered in corporate histories of these organizations (e.g., Perko 1979; Hoffman 1983; Kallenaution 1992; Lainema 2009; Wilmi 2015; Kuisma et al. 2015). These corporate histories view organizations from economic and ideological perspectives and thereby provide an excellent background for detailed analysis of their reactions and attitudes. In addition to commissioned histories, numerous academic studies (e.g., Home 1977; Mäkinen 1982; Kajalo 2002; Lamberg and Tikkanen 2006; Lamberg et al. 2009; Valorinta, Schildt, and Lamberg 2011) have utilized historical data and/or methodology. My purpose is to complement these studies by adding a new perspective to Finnish retail history.

On a global scale, much of the research on retail history has centered on the development of retail industry before 1945. Jessen and Langer (2012a, 6) noted that previous research has focused on the establishment and development of department stores, the emergence of the co-operative movement and the development of small-scale retailing. A significant change in the topics and time period of retail history happened in the late 1990s, when historians turned their attention to the latter part of the 20<sup>th</sup> century (Jessen and Langer 2012a, 6). As late as 1998, Alexander and Akehurst (1998, 1) claimed that history of retail trade had been understudied, but Alexander's (2016) more recent findings prove that literature has grown considerably in the last twenty years. Not only has the research interest in the history of retailing increased, but the variety of perspectives has also proliferated (Alexander 2016, 156).

I start my review of literature on the history of retailing with the emergence of modern retailing in the United States. Then I discuss the development



of the retail trade in Europe before moving to Finnish history and the context of my research.

## 2.1 International context

### 2.1.1 American origins

The history of modern retail trade is often dated to the emergence of the first large-scale retailing institution in the U.S. in the 1860s (Nystrom 1930, 127; Chandler 1977, 225). Until then, retailers served customers through general merchandise stores and specialty shops (Nystrom 1930, 79–82, 84). Those institutionalized forms of retailing were challenged by three forms of mass (or large-scale) retailing that appeared in the late 19<sup>th</sup> century: the department store, the mail order house and the chain store (Nystrom 1930, 84–86).

The emergence of large-scale retailing would not have been possible without the construction of railroad and telegraph network from the 1850s to the 1880s (Chandler 1977, 207). Chandler (1977, 207) underlined that “changes in production and distribution began as soon as steam and electricity were used extensively in transportation and communication.” The accelerating speed of flows of information and goods enabled direct purchases from producers, thus marginalizing the position of wholesalers in the supply chain (Nystrom 1930, 91; Chandler 1977, 218, 224). Although all three forms of early large-scale retailing in the U.S. enjoyed economies of scale and scope (Chandler 1977, 227, 229, 231–32, 235–37; Chandler 1990, 29–31, 59–62), I will limit my outline to the historical development of the grocery trade.

Among mass retailers, chain stores were first to start selling groceries. The founders of first chain outlets wanted to operate in a sector that was not yet occupied by department stores and mail-order houses (Nystrom 1930, 224; Chandler 1977, 233). The largest chain stores of the late 1800s, The Great Atlantic and Pacific Tea Company (A&P) and Jones Brothers Tea Company (since 1929 the Grand Union Company), operated in tea and coffee business (Nystrom 1930, 219; Lebhar 1952, 20–22). These tea companies eventually expanded to cocoa, coffee and sugar (Chandler 1977, 234) and companies from other lines entered the markets (Lebhar 1952, 23).

In 1912, A&P began an ambitious expansion program with the establishment of “economy stores” to cut its costs as much as possible (Humphery 1998, 32). Lebhar (1952, 25) described the economy stores as “small, low-rent, one-man affairs, with modest fixtures, all making for low operating costs, and were to be satisfied with a minimum of profit.” Profits would come from the highly increased volume of sales. A&P’s plan worked outstandingly well and from 1913 to 1925, the number of its outlets climbed from 500 to 14 000 (Lebhar 1952, 25). As a comparison, we can use the development of Kroger Grocery and Baking Company (Kroger), the second-largest grocery chain in the U.S. in 1925. Kroger had far fewer than 3000 outlets, which illustrates not only the size of A&P’s business but more importantly the pace of its growth (Nystrom 1930, 25, 48). Despite the success of the economy stores, the boom years saw the birth of a method of retail trade that would revolutionize daily grocery shopping.

The new method, self-service, originated in the early 1910s with the economy store. Clarence Saunders, who opened the Piggly Wiggly in 1916, was the

first retailer who successfully adopted self-service to the grocery retail trade (Nystrom 1930, 109; Freeman 1992, 161). Self-service stores changed the traditional look of grocery stores. Counters were removed and all goods were placed within arm's reach. Bowlby (2001, 141) defined the additional changes: "Unlike the conventional store arrangement, points of entry and exit were separated. There were turnstiles to get in and proto-checkouts in the form of separate tables for cashiers with room for only one person to pass through at a time." Nystrom (1930, 110) specified that "[e]very customer who enters must pass through all parts of the store and see all goods displayed."

With the introduction of self-service, customers selected their own groceries rather than having sales staff do it for them. As a result, customers did not need to wait in line to be served (Humphery 1998, 66). The new method of selling groceries proved successful. Saunders patented the standard design of Piggly Wiggly stores and granted franchise rights to retailers around the country (Nystrom 1930, 109). Freeman (1992, 164) noted that in the 16 months since the opening of the first store, Piggly Wigglys opened "in every region of the country." Other grocery chains (e.g., Kroger) became Piggly Wiggly franchisees before establishing their own self-service outlets (Lebhar 1952, 27).

The spread of self-service stores affected the development of the food industry and the emergence of packaged goods (Humphery 1998, 67). According to Humphery (1998, 67), self-service weakened the social relationship between customers and retailers and replaced traditional sales skills with managerial and

marketing capabilities (also Nyberg 1998, 100; Schröter 2004, 254; Jessen and Langer 2012a, 8).

Another important retail innovation was a “combination store” that also sold fresh meat and produce (Nystrom 1930, 234; Lebhar 1952, 27). The combination store required a larger sales area than traditional grocery stores. The 1930s saw the emergence of a store that combined the characteristics and benefits of self-service and combination stores: the supermarket (Bowlby 2001, 137–39). Supermarkets were “four or five times bigger than the traditional straight grocery stores” (Lebhar 1952, 27). Supermarkets offered the same fresh products that combination stores did, and offered self-service. Supermarkets like Big Bear and King Kullen took advantage of economies of scale, scope and speed to offer a wide variety of affordable products. Low prices turned became a strong competitive advantage because of the economic downturn in the late 1920s and during the Depression of the 1930s (Bowlby 2001, 135; Shaw, Curth, and Alexander 2004, 570). However, ensuing large volumes of sales through low prices brought retailers larger net profits than before (Appel 1972, 43–44; Chandler 1977, 235–37; Chandler 1990, 60; Humphery 1998, 69). Central to this equation was the rate of stock turn. According to Chandler (1977, 223), it was “an effective measure of the efficiency of a distributing enterprise, for the higher the stock turn with the same working force and equipment, the lower the unit cost and the higher the output per worker and per facility.”

Again, large grocery retail chains were quick to adopt the new practice, although they were not the first to do so. For example, the number of A&P supermarkets rose from 20 in 1936 to 1594 in 1941; while the total number of

supermarkets rose from 1 200 to 8 175 in the same period<sup>6</sup> (Appel 1972, 46; Humphery 1998, 69). Humphery (1998, 69) noted that the growth of supermarkets was accompanied by a huge drop in the number of A&P stores, because the total number of its stores fell by more than half. At the same time, the total sales of the company increased moderately before skyrocketing in the late 1940s (Lebhar 1952, 26, 28). The enormous rise of sales resulted mainly from the increased selling capacity of new supermarkets (Lebhar 1952, 28–29). In addition to the effects of supermarkets on the growth of the retail industry, some researchers have stressed their influence on the retail culture, and especially on shopping practices (Humphery 1998; Deutsch 1999; Bowlby 2001).

### 2.1.2 European development

The European retail trade shared many features with the American, especially the prevalence of small shops and emergence of the first mass retailers. Furthermore, European mass retailers benefitted from similar economies and the forms of retailing were identical to the American, but certain characteristics were decidedly local. The department store was a French innovation that appeared in European markets well before reaching the U.S. (Nystrom 1930, 127, 427; Cliquet 2000, 183–84). Another distinctly European feature was the strength of consumers' co-operatives in the retail markets (Nystrom 1930, 423, 433, 437). In Britain, the co-operative movement was particularly strong and co-operatives were counted among local large-scale retailers (Jefferys 1954, 6, 18, 157–58; Ekberg 2008, 150; Wilson, Webster, and Vorberg-Rugh

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<sup>6</sup> According to Appel (1972, 46), the market share of supermarkets went up from 5.5 percent to over 20 percent during that time.

2013, 99). Consumer co-operatives were different from other forms of retail trade in terms of their ownership structure. Co-ops were not in the possession of entrepreneurs, partnerships or companies. Their owners were their retail customers, in other words the members of co-operative societies. Furthermore, the co-operatives returned the surplus to their members according to their purchases, not based on the amount of capital held by the members (Ekberg 2008, 12).

Owing to the parallels between the North American and European trades, the success of the self-service method in general and the supermarket format in particular did not escape the attention of European retailers. As Europeans began to experiment with self-service in the 1920s (Nyberg 1998, 99; Shaw, Curth, and Alexander 2004, 571), a large-scale adoption of self-service outlets took place in the early postwar period (McClelland 1962, 156; Kylebäck 1983, 95; Shaw, Curth, and Alexander 2004, 571; Sandgren 2009, 736; Ekberg 2012, 1009, 1011, 1013).

It was typical of the European development that in many countries, the pioneers of self-service were co-operative societies (Kylebäck 1983, 103; Ekberg 2008, 57–58, 61–64; Shaw and Alexander 2008, 64–65; Langer 2013, 185; Hilson 2017, 27–28). Ekberg (2008, 64) estimated that the co-operative movement operated half of the European self-service stores in 1955, although it commanded only six percent of the total retail market. McClelland (1962, 157) attributed the fast development of co-operatives in self-service to variety of reasons. For example, co-operatives could count on the loyalty of their customers, even if they disliked a new innovation. In addition, co-operative stores were usually larger than outlets of multiples<sup>7</sup> or independent

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<sup>7</sup> "A multiple shop organization is defined as a firm, other than a Co-operative Society, possessing 10 or more retail establishments." (Jefferys 1954, 465).

retailers, which made them more suitable for conversion to self-service (cf. Wilson, Webster, and Vorberg-Rugh 2013, 221). McClelland (1962, 157) also claimed that service in co-operative stores was slow, so their customers welcomed the transition to self-service.

Schröter (2004, 252) suggested that the early dominance of co-operative movements resulted from their peculiar ownership structure. Because owners were not involved in daily operations, salaried managers were more inclined to conduct limited experiments. It was conceivable that individual co-operative societies could have dozens of outlets, so using one or two for pilot projects did not jeopardize the survival of the whole firm, as it would for independent stores (Schröter 2004, 252). Moreover, the co-operative societies worked hard to obtain information about progressive retail methods before testing it. The co-operative movement sent representatives to the United States to learn about the self-service and contemporary retail business (Nyberg 1998, 99; Ekberg 2008, 58; Shaw and Alexander 2008, 65). However, retail co-operatives were not only organizations sending their representatives on study trips.

Private retail groups and organizations arranged similar excursions (Nyberg 1998, 99–102; Kjellberg 2001, 131–33, 187–90; Shaw and Alexander 2008, 65). Outlet developers subscribed to American trade magazines, such as *The Progressive Grocer*, to learn about the key attributes of self-service outlets and the factors in the success of the self-service format (Kjellberg 2001, 132). In other fields of retail operations, developers sought expertise from Europe. For example, in the late 1940s, committee members of Swedish Hakonbolaget visited Switzerland and Finland to

gather information on the rationalization of purchasing (Kjellberg 2001, 185). At the same time, the Swedish co-operative KF was a popular destination for many study groups from across Europe (Alexander 2008, 501; Langer 2013, 184; Hilson 2017, 28).

American retailers and retail organizations cooperated willingly with their European colleagues. Often the study trips and other kinds of knowledge diffusion were part of the European Recovery Program, better known as the Marshall Plan for the reconstruction of Europe after the devastation of the Second World War (Bjarnar and Kipping 1998, 1). Thus, the effects of the Marshall Plan were connected to the Americanization not only of the retail trade but also of other spheres of business and everyday life (Schröter 2005, 3; e.g., Jessen and Langer 2012a, 4). Americanization has attracted considerable research interest over the decades (e.g., Kipping and Bjarnar 1998; Kudo, Kipping, and Schröter 2004; Schröter 2005), thus making a significant contribution to the research literature on retail history.

In a series of articles, Alexander, Curth and Shaw examined Americanization and the knowledge transfer mechanisms of British food retail trade (Shaw, Curth, and Alexander 2004; Alexander, Shaw, and Curth 2005; Shaw and Alexander 2006). They found that the British trade press and government reports effectively disseminated knowledge about self-service retailing practices (Shaw and Alexander 2006, 379). Thus, the British government was an active promoter of self-service outlets, when it propagandized for the benefits that would accrue to retailers and their customers. As Shaw et al. (Shaw, Curth, and Alexander 2004, 571–72; Alexander, Shaw, and Curth 2005, 811–12) suggested, the eagerness of government stemmed less from a noble desire to make life easier for retailers and customers than



from a desire to channel workers into other sectors of economy at a time of labor shortage.

Another group that praised the utility of self-service was the suppliers of shop fitting equipment, often U.S.-based companies trying to sell their products (Alexander, Shaw, and Curth 2005, 813). The early adopters of self-service offered first-hand evidence to fellow retailers that were contemplating the new method. These trailblazers spread the word, for example, by organizing study trips or hosting experts from abroad (Shaw, Curth, and Alexander 2004, 575–76; Alexander, Shaw, and Curth 2005, 813–15).

Although the effects of self-service looked promising and many European retailers were eager to shift to the new method, its adoption was not without problems. Postwar rationing and regulations hindered its implementation in many countries (Hoffman 1983, 420–21; Nyberg 1998, 105; Shaw, Curth, and Alexander 2004, 571–73; Langer 2013, 197–98). In addition, several factors were related to Europe's social, economic and operational environments. Schröter (2004, 249–50) itemized those factors for Germany, but similar concerns were prevalent in many other European countries (e.g., Hoffman 1988, 179; Nyberg 1998, 100; Shaw, Curth, and Alexander 2004, 571–73; Alexander 2008, 494, 496). The factors were fear of shoplifting, skepticism about the suitability of self-service to local attitudes, [too] small size of existing outlets, a shortage of capital for required investments and lack of pre-packaged products (Schröter 2004, 249–50).

European retailers overcame those hindrances one by one and eventually adopted self-service. As we know from previous research the pace of development

was uneven (Maixé-Altés 2009, 1–2; Sandgren 2009, 737; Heyrman 2017, 8). Sweden, Norway and Switzerland took the lead. As several scholars have mentioned, part of the lead can be attributed to the small population and low residential density of these countries (Schröter 2004, 252; Ekberg 2008, 63; Sandgren 2009, 736–37). At the same time, Swedish and Swiss retailers constituted the top level expertise in European self-service retailing (e.g., Langer 2013, 85–86, 184). In addition, all of the Finnish retail organizations regularly sent representatives to Sweden and Switzerland to learn about the latest developments in self-service (Hoffman 1983, 344–45, 513; Peltola 2015; Perttilä 2015). The Swedish and Swiss retailers were extremely adept at absorbing and adapting the best of American innovations. In many European countries, self-service followed European models in what researchers have termed “Europeanization” (or “hybridization”) to counterbalance the pervasiveness of Americanization (Scarpellini 2004, 628, 645, 660; Maixé-Altés 2009, 18; Jessen and Langer 2012a, 9–10; Langer 2013, 265).

By the early 1960s, widespread doubts about the legitimacy of self-service method had dissipated, but organizations still chose to reach it by different roads (Shaw, Curth, and Alexander 2004). Du Gay (2004) and Alexander (2008) noted that, especially in the early stage, retail formats were not clearly defined but actually complex combinations of technologies. Shaw and Alexander (2008) asserted that most customers were pleased with the changes such as less waiting in line that self-service brought to their daily shopping. Thus, the main reason for self-service was not price competition, but cost cutting (improved efficiency) and convenience for customers

(Shaw and Alexander 2008). Shaw and Alexander (2008) saw that price did not become a competitive tool until supermarkets appeared.

European retailers were aware of supermarkets before the establishment of conventional self-service stores. This raises the question of why they did not immediately adopt the more efficient type of retail outlet. Simply put, divergences in societal and technological development precluded the adoption of supermarkets (McClelland 1962, 1969). For example, cars and refrigerators were much more common in the U.S. than in Europe (Langer 2013, 160–61). American consumers could buy and store more goods at home than their European counterparts. Americans had more disposable incomes as a result of paid work in cities (Appel 1972, 40). Additionally, migration from rural to urban areas created a larger available workforce. The concentration of people in cities made the construction of larger outlets possible, but because the city centers did not have enough space for them, retailers had to open supermarkets in suburbs (McClelland 1962, 160, 169). Automobile ownership therefore became a necessary condition for access to and the spread of supermarkets. According to Appel (1972, 40), these major changes had taken place in the U.S. in the 1920s; the same did not happen in Europe until 30 or 40 years later (Nyberg 1998, 217; Schröter 2004, 262; Langer 2013, 272; Wilson, Webster, and Vorberg-Rugh 2013, 205; Battilani 2017, 600).

Another impediment to the adoption of the supermarket in Europe was regulation. Restrictions in construction and construction materials were imposed in many countries to secure the postwar reconstruction efforts (McClelland 1962, 156; Shaw, Curth, and Alexander 2004, 573; Ekberg 2008, 58). In Britain, such regulation

constrained development until 1954 (McClelland 1962, 161). In other countries like Norway, the restrictions did not notably interfere with the development of retail trade (Ekberg 2008, 90, 2012, 1014). Resale price maintenance (RPM)<sup>8</sup> prevented retailers from lowering their prices. The RPM systems were abandoned in late 1950s or 1960s (Pickering 1974; Langeard and Peterson 1975, 48–49; Nyberg 1998, 105; Shaw and Alexander 2008, 68; Degen 2017, 638; Mercer 2017, 778–79). At least in the Nordic countries, the spread of supermarkets was further hindered by health regulations that prohibited the sale of different types of products in the same store (Home 1977, 104–5; Nyberg 1998, 89, 115). After these “growing pains,” the supermarkets proved their advantages over counter service stores. Those gains increased as the sales area grew (Ekberg 2008, 77).

### 2.1.3 New wave of large-scale retailing

Supermarkets were self-service stores that met specific criteria concerning their assortment and size (Humphery 1998, 74). Supermarkets offered a complete range of food and household products. However, in terms of size, the definitions varied from country to country (Henksmeier 1961, 155; McClelland 1962, 154; Paunonen 1967, 108; Langer 2013, 265). In the United States, annual sales was the criterion used for supermarkets. Due to changes in money value and growing scale of retail business, the limit rose incrementally from \$250 000 to \$2 million per annum (McClelland 1962, 154; Schröter 2004, 253). According to the British definition, supermarkets were over 2000 square feet (approx. 186 m<sup>2</sup>), while in Norway the criterion was 300 square meters

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<sup>8</sup> Resale price maintenance was a system where manufacturers were able to set resale (minimum) prices on products (e.g., Mercer 2017).

(Shaw, Curth, and Alexander 2004; Alexander 2008; Ekberg 2008). For this research, I have followed the definition for Finland, Sweden and Germany: 400 m<sup>2</sup> (Home 1977, 131; Nyberg 1998, 152; Langer 2013, 265).<sup>9</sup>

While supermarkets held a promise of substantial economic gains, they simultaneously raised the requirements of resources and skills (McClelland 1962, 168; Ekberg 2008, 78). Administrative skills became more important, along with the growth of retail businesses. Supermarkets required large investments, which increased the risks correspondingly (Schröter 2004, 254; Ekberg 2008, 77–78). Therefore, retailers and store managers needed become business managers who monitored the retail operations from background. They had to delegate supervisory tasks to heads of departments and concentrate on monitoring rates of stock turn, the timeliness of replenishments and personnel development (McClelland 1962, 168; Ekberg 2008, 77–78). Yet, as Alexander (2015, 7–12) described, in retail chains much of the decision-making authority rested in the hands of the head office or the regional managers, which affected the authority and responsibilities of store managers.

Regardless of the firm-specific practices, the operation of a supermarket relied on low prices and large sales volume. The efficiency of the logistic system therefore became a crucial factor in the success of retail industry. In the words of Ekberg (2008, 78), the distribution system needed to provide “a steady influx of products obtained at a competitive price” to supermarkets. Because retail organizations had previously built warehouse systems to serve a scattered network of

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<sup>9</sup> “Supermarket denotes a self-service outlet, whose sales area is at least 400 m<sup>2</sup>, which sells mainly food and whose sales of the other products [than foodstuffs] is maximum the 1/3 of the total sales of the outlet.” (Home 1977, 131).

small retail stores, they had to modernize warehousing to meet the needs of larger retail units (Nyberg 1998, 145; Alexander 2008, 500). Thus, new large-scale warehouses, often called regional warehouses or distribution centers, became highly rationalized facilities (Nyberg 1998, 110, 145; Ekberg 2008, 167–68, 206–7; cf. Wilson, Webster, and Vorberg-Rugh 2013, 293). The modernization of warehouses often involved the introduction of automatic data processing to distribution. Alexander (2015, 8) emphasized that “investment in computerization was vital in enabling the company to maintain its highly centralized control of the increased volume and widening variety of goods.” At the same time, larger warehouse units helped to reduce the overlapping storage of goods in wholesale and retail levels that caused extra costs throughout the retail systems (Nyberg 1998, 145, 149, 160). While these changes were crucial for retailers’ capability to sell products at lower prices and still generate a profit, the growth of the outlets was also essential for the emergence of distribution centers and mass deliveries.

Co-operative retail societies, which still usually held a leading position in self-service retailing due to their early start, were also first movers in supermarkets (Ekberg 2008, 87; Alexander et al. 2009; Degen 2017, 637; Battilani 2017, 604). The same factors that had worked for co-operatives in self-service adoption were beneficial in the adoption of supermarkets (McClelland 1962, 157). However, many retailers quickly mastered the principles of supermarket trade and caught up with the co-operative movement in Britain in the early 1960s (Shaw, Curth, and Alexander 2004, 574–75; Shaw and Alexander 2008, 74–75; Wilson, Webster, and Vorberg-Rugh 2013, 223).

In Germany and France, chains beat co-operatives in the supermarket trade from the start (Langeard and Peterson 1975, 45–47; Schröter 2004, 254). In some countries, most notably in Scandinavia and Italy, the co-operatives maintained or even increased their leading position (Ekberg 2017, 705–6, 708; Battilani 2017, 599–601). Whereas competition with self-service outlets had been limited to local actors, the supermarket business drew entrants from abroad. In European markets, well-known and successful foreign retailers were the Canadian Weston group (Shaw, Curth, and Alexander 2004, 576; Alexander, Shaw, and Curth 2005, 814–15; Langer 2013, 179, 273–85) and the American International Basic Economy Corporation (IBEC) (Scarpellini 2004, 631–36; Langer 2013, 179). Weston's chains were in Britain Fine Fare, Coopers and Burtons and in Germany Deutsche Supermarket GmbH. IBEC established in Italy Supermarket Italiani S.p.a. In the end, the winners in each country were the retailers who made the best use of the benefits of the supermarket format. The tricky part was that the same formula did not work everywhere; the principles needed to be tailored to each context. Thus, the winners varied from country to country.

Fairly soon after the supermarkets broke through in Europe at the beginning of 1960s, another new retail format appeared. In Belgium, a retail company SA Supermarché GB opened three outlets called SuperBazar in 1961; in Sweden, a large private retail store Wessels started in 1962; and in France, Carrefour established another large outlet in 1963 (Nyberg 1998, 162; Cliquet 2000, 184–85; Kylebäck 2004, 156; Grimmeau 2013, 1; Dewitte, Billows, and Lecocq 2017, 5; Heyrman 2017, 8). In 1968 this new retail format came to be known as a "hypermarket" because it was larger than a supermarket (Grimmeau 2013, 1, 3). Many researchers have cited the European

origin of the hypermarket, mainly based on the integration of the sales of food and non-food products under the same roof, allegedly something that was not common practice in the U.S. (Langeard and Peterson 1975, 55; Cliquet 2000, 184–85; Ekberg 2008, 97–98; Grimmeau 2013, 6–7).

Alternatively, Grimmeau (2013) suggested that hypermarkets actually had American roots, because all types of retail outlets that merged in the hypermarket concept existed in the U.S. -- discount stores, supermarkets and less commonly, outlets that sold both food and non-food products. In addition, the SA Supermarché GB had an American partner, Jewel Tea Company of Chicago (Grimmeau 2013, 2). Also Cliquet (2000, 184) acknowledged the strong influence of supermarkets on the hypermarket, but he did not openly doubt its French lineage.

Therefore, hypermarkets had many similitudes with supermarkets, especially in their operational principles. Even then, hypermarkets were larger, more efficient and offered a wider variety of products. More importantly, it was a distinctive retail format (Burt 1985, 44). As Ekberg (2008, 95) described, hypermarkets made the supermarkets obsolete and consequently hypermarkets were “seen as the most modern and efficient form of food retailing.” More precisely, supermarkets were primarily grocery stores, hypermarkets were more like department stores (Nyberg 1998, 162). In other words, the share and breadth of the variety of non-food articles were considerably larger than in supermarkets. This helped hypermarkets to increase their profits, because non-food products had larger margins than food (e.g., McClelland 1962, 163; Burt 1985, 57).



Similar to supermarket retailers, hypermarket retailers sought larger sales volume with the reduced prices. Yet the quantities were bigger and prices lower than before (Burt 1985, 57). The ability to sell masses of products placed additional requirements for capacity and reliability of the logistic systems (Ekberg 2008, 95). In leading retail countries, the reorganization of logistics had begun with the emergence of supermarkets, but other countries had to follow in their footsteps with the adoption of hypermarkets. The size of the hypermarket format forced retailers (and retail organizations) to move their largest outlets outside of urban areas, because of the prohibitively high costs in the city centers (Ekberg 2008, 95). In the U.S., supermarkets had already moved outside of city centers, but in Europe, this had not always been necessary. Many European customers did not yet own a car and thus did not need a parking space (Bowlby 2001, 161–62; Alexander 2008, 494; Wilson, Webster, and Vorberg-Rugh 2013, 257). Such compromises were no longer possible with hypermarkets, as cars became more common and a location in the outskirts brought much lower property costs (Burt 1985, 39; Ekberg 2008, 98; Langer 2013, 272).

Additional savings in hypermarkets came from what Nyberg (1998, 162) calls their “Spartan atmosphere,” as well as from a calculated product mix and decreased labor costs (Burt 1985, 52–53). The product mix targeted at the fastest possible turnover of stock (Burt 1985, 30). Staffing requirements were lower in relation to size than in smaller outlets, because hypermarkets could sell a much larger volume of goods without a similar increase in store personnel (Burt 1985, 53–54; Ekberg 2008, 98). This allowed stores to hire part-time employees to work at the busiest times. Due

to the considerably lower costs, hypermarkets could offer prices that were approximately 10-15% lower than in smaller outlets (e.g., Ekberg 2008, 99).

In many countries, hypermarkets set their sales area at a minimum of 2500 m<sup>2</sup> (Burt 1985, 47; Nyberg 1998, 162; Heyrman 2017, 8; Dewitte, Billows, and Lecocq 2017, 8). This definition is not internationally valid; for example, in Britain large-scale outlets were divided between superstores and hypermarkets. Superstores were outlets larger than 25 000 square feet (2323 m<sup>2</sup>), while hypermarkets were larger than 50 000 square feet (4647 m<sup>2</sup>) (Burt 1985, 46–47; Wilson, Webster, and Vorberg-Rugh 2013, 256–57). In Germany, the hypermarket was not adopted in the late 1960s, with the introduction of large-scale outlets. Germans preferred the *Verbrauchermarkt*,<sup>10</sup> whose size limit was 1000 m<sup>2</sup>. In other respects, those outlets followed the operating principle of hypermarkets (see Langer 2013, 305–9). In addition to typical grocery retailing the hypermarkets offered amenities such as cafeterias, restaurants and gas stations (Burt 1985, 436; Langer 2013, 307). Their purpose was to provide a pleasant shopping experience for entire families; hypermarkets therefore offered also longer opening hours (Burt 1985, 59, 61).

Retail organizations around Europe adopted hypermarkets in the late 1960s and especially in the 1970s (Davies and Sparks 1989, 77; Nyberg 1998, 162; Cliquet 2000, 186; Wilson, Webster, and Vorberg-Rugh 2013, 257; Maixé-Altés and Castro Balaguer 2015, 456, 458). The large-scale units had considerable local consequences, many small outlets went bankrupt in their neighborhoods, generating

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<sup>10</sup> According to Wortmann (2004, 438, note 4), *Verbrauchermarkt* was used about stores, whose size is 2500 m<sup>2</sup> maximum. Larger stores were called *SB-Warenhaus* (i.e., self-service department store), which Wortmann likened to hypermarkets, although he also mentioned the difficulty of translating the terms exactly.

increasing resentment of hypermarkets (Nyberg 1998, 163–66; Langer 2013, 308). As a result of accumulating social pressures, most European governments started to regulate the diffusion of large-scale outlets (Burt 1985, 192–94, 201–2; Dewitte, Billows, and Lecocq 2017, 6; cf. Maixé-Altés and Castro Balaguer 2015, 456). In Germany, such regulation started as early as the late 1960s (Wortmann 2004, 428). The market share of the large-scale units hovered at 3-5 percent, where it stayed through the 1970s (e.g., Burt 1985, 100; Nyberg 1998, 166). Thereby, hypermarkets institutionalized their position in outlet networks of European countries, where most outlets were still small grocery stores (e.g., Ekberg 2008, 117–18; Maixé-Altés and Castro Balaguer 2015, 458).

As we have learned from this short history of the emergence of the hypermarket format, the previous research has uncovered the broad lines of the development but there is still demand for more detailed national studies. These studies could focus, for example, on the period since the 1960s onwards in specific countries or on the history of large-scale retailing. Excellent examples of such works are the edited volumes by Jessen and Langer (2012b), Hilson et al. (2017) and Wilson et al. (2013) that have covered the research of the postwar retail history and the history of the co-operative movement, respectively. Despite the notable merits of these works, there remains room for further research. In next section, I will turn my attention on the Finnish retail history and lay the groundwork for my contribution to the study of the history of Finnish large-scale retailing.

## 2.2 Finnish context

Finland was an agrarian country well in to the 1950s. Most of the working population was employed in primary production (Alestalo 1980, 104; Hjerppe 1988, 59). The large agrarian population was partly a consequence of the Finnish government's settlement measures after the Second World War. The government's policy favored small farms, when it strove to offer families their own dwelling and a livelihood (Alestalo 1980, 132; Ojala and Nummela 2006, 77–78). Thus the settlement in rural areas delayed urbanization, which only gained momentum during the 1960s (Ojala and Nummela 2006, 78–80).

In retrospect, the first signs of migration surfaced in the latter part of the 1950s but peaked in the next decade (Wiman 1982, 500). The major impetus for migration came from the increasing productivity of agriculture, which caused mass unemployment in rural areas (Wiman 1982, 502; Ojala and Nummela 2006, 74, 84–86). When the number of industrial jobs increased, many of the unemployed moved to the towns in search of employment (Pitkänen 1994, 50). As a consequence, the urban population grew and since the 1970s, most Finns have resided in towns (*Statistical Yearbook of Finland 1976 1977*, 5).

Following the migration and growing urbanizations, services became the largest economic sector in the latter part of the 1950s (Hjerppe 1988, 59). The transition from an agrarian to an urban postindustrial society happened in Finland virtually within a decade. Thus, Finnish economic development differed from that of Western European countries in two ways (Hjerppe 1988, 63). First, the structural change

happened in Finland later. The second difference was that the Finnish economy leapfrogged over industrialization, going from primary production directly to a service economy (Hjerppe 1988, 63).

The retail trade adjusts to the development of its society (Heinimäki, Santasalo, and Skogster 2006, 12). Therefore, the social transformations described above had notable consequences for Finnish retail business. For instance, retail outlets had followed people to rural areas and when people moved away, retailers suffered. While some retailers were able to relocate and open new stores in urban environments where people had resettled, many others closed their doors (Kallenautio 1992, 279; Hoffman 2004, 139). This development was one factor in the structural change of Finland's retail trade in the mid-1960s. The change revolutionized the system of Finnish retailing, which had been almost unchanged since the end of the 1930s (e.g., Kallenautio 1992, 94). The stationary situation survived wartime rationing and other governmental actions that froze the competition of retail trade at its pre-war level. When there were product shortages, the Finnish government organized the distribution of goods through a pool of retail organizations that allocated available goods to each group according to predetermined quotas (Perko 1979, 323–25, 364–65; Hoffman 1983, 226; Kallenautio 1992, 56).

The formal rationing continued after the Second World War until the early 1950s. Day-to-day trade went on unchanged for several years thereafter. Customers visited the outlets in which they had registered for rationing cards, because there was no reason to break the habit (Kallenautio 1992, 56, 94). Import controls ensured that the offerings in different outlets were almost identical (Hoffman 1983,

328, 420–21; Hentilä 1999, 291). There were no possibilities for price competition, because manufacturers or wholesalers had the power to set prices (i.e., resale price maintenance was in effect) (Home 1977, 107). Retailers accepted the situation because they had an established base of loyal customers.

### 2.2.1 Focal organizations<sup>11</sup>

A significant change in distribution from the pre-war situation was the establishment of two central organizations,<sup>12</sup> Kesko and TUKO, to secure balanced competitive positions for each of the four major Finnish retailers. Both organizations grew up from mergers of smaller organizations. Kesko and TUKO did not start new forms of collaboration as such, but they did formalize the joint actions of independent retailers and private wholesalers, respectively (Hoffman 1983, 35–46, 79–84, 209–13; Kallenautio 1992, 56; Hoffman 2004, 63–67). Hence, Kesko and TUKO were private companies, which set them apart from other major competitors (see Table 3). Two earlier central organizations, OTK and SOK, were co-operatives that had initially belonged to the same co-operative organization (SOK) but split after a clash of ideologies (Perko 1979, 70–72, 194–202; Kallenautio 1992, 24–29; Kuisma et al. 2015, 61). After separation in 1917, OTK identified itself as a “progressive” co-operative movement (following socialist ideology), while SOK labeled itself as a “neutral” one (endorsing agrarian ideology) (Perko 1979, 198; Kallenautio 1992, 27–28; Hentilä 1999,

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<sup>11</sup> I have introduced the focal organizations in each of the three articles. Therefore, I try to avoid repetition here.

<sup>12</sup> According to Hoffman (1983, 327) central organizations were companies, whose task was to direct the operations of their owners’ retail and wholesale groups. The exact forms of activity differed by organization because the needs of the owners, either co-operatives, retailers or wholesalers were divergent.

42; Wilmi 2015, 22). The four central organizations directed operations of their individual groups at the national level.

Table 3: Main characteristics of focal organizations (see also Lamberg and Tikkanen, 2006: 819; this dissertation: Article I, Table 1 and Article II, Table 1).

	Organizational ideology	Key stakeholders	Form of ownership	Strategic priority
Kesko	Capitalist	Private entrepreneurs	Private company	Retail trade
OTK	Socialist	Local co-ops	Consumer co-op	Industry
SOK	Agrarian	Local co-ops	Consumer co-op	Retail trade
TUKO	Capitalist	Local wholesalers	Private company	Wholesale trade

### 2.2.2 Self-service

One of the first signs of the incipient transformation was the adoption of the self-service system in retail outlets. The self-service format was introduced in Finland in the late 1940s (Perttilä 1961, 222–23), but it spread after 1957. At that time, Kesko initiated consistent efforts to promote self-service among its members (Perttilä 1961, 226–28). Owing to Kesko’s determined work, the number of self-service stores rose within a year from 60 outlet to 90 and within the next two years (1960) to 395 (Perttilä 1961, 228; Home 1977, 46).<sup>13</sup> In this way, self-service became more common first among Kesko’s member retailers and since the mid-1960s in other retail groups (see Figure 1) (Hoffman 1983, 361; Kallenautio 1992, 172).

<sup>13</sup> The total number of retail grocery stores at that time was estimated at 20,000, which was rather high given that the Finnish population was slightly over four million (Home 1977, 22, 75).

Before the breakthrough of the self-service system, the typical store was a service counter outlet. In towns, the most common type of service store was the “colonial ware store,” whose name derived from the sale of imports from overseas. In other words, the assortment consisted mainly of canned goods (Hentilä 1999, 38). Perishables were sold in small specialty shops, such as butcheries and dairies (Hoffman 1983, 162–63; Kuisma et al. 2015, 140). In rural areas, the predominant type of store was a general merchandise store, which offered a wide assortment of products, from groceries to textiles and hardware (Hoffman 1983, 244; Hentilä 1999, 38). Both the urban and rural counter-service stores were small and designed to serve a limited number of customers at a time.

Owing to the settlement pattern, most grocery retail outlets were still scattered throughout rural areas in the early 1950s (Hoffman 1983, 320; Kallenautio 1992, 131, 136). Due to insufficient infrastructure, decidedly poor roads and an incomplete telephone network, the local stores had to carry a large inventory to ensure availability of supplies in all conditions (Hoffman 1983, 392). The large stocks tied up capital and required additional storage space, significantly adding to the fixed costs of trading (Kallenautio 1992, 164–65). The technology of retail stores was largely embryonic. Mechanical cash registers and desktop calculators were the only labor-saving technologies in the first half of 1950s (Valorinta and Nokelainen 2011, 46).

The social transformations were both a strong initiative and a tempting opportunity for retail organizations to develop their operations. New stores in the new residential areas were an important in applying the latest operating principles



(Hoffman 1983, 360). Retail organizations preferred opening new self-service outlets to converting old service stores (Kallenautio 1992, 172; Kuisma et al. 2015, 143).

In the new stores, the self-service format offered greater benefits. Ample floor space enabled a more spacious layout and thus more room for customers to move around and find products (Hoffman 1983, 179, 360). With the spread of self-service, the central organizations started to coordinate the development of their outlet networks. Kesko was a pioneer in network development, establishing a store site office in the early 1960s (Hoffman 1983, 339–42; Perttilä 2015). Although it probably was not noticed at the time, Kallenautio (1992, 131) saw this as the first step in the direction of integrated marketing systems. Until then, central organizations had taken care of wholesale functions, but thereafter the organizations adopted a more directive and supportive role for their members (Hoffman 1983, 327–30; Kallenautio 1992, 131).

### 2.2.3 Logistic system

A major part of the supportive work was the evolution of logistic systems. In the 1950s, retail organizations expanded their warehouse networks to meet the rising demand generated by the growing number of outlets.<sup>14</sup> The central organizations saw a need for new warehouses, because the deficiencies in telephone and road networks made flow of information and long-haul transportations vulnerable to interruptions. As a result, retail groups opened offices and warehouses in all regions of the country (Herranen 2004, 208; Lainema 2009, 28). Thus, until the 1960s, managers of retail organizations perceived that the best way to take care of wholesaling was to keep the

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<sup>14</sup> The number of grocery stores grew until 1964, when it peaked at 22 566 (Home 1977; 27; Home 1989, 40).

warehouse units as small as possible while still operating profitably (Hoffman 1983, 399; Herranen 2004, 213). In remote localities, retail groups had offices or agencies that operated with smaller staff. Kesko, for example, established agencies to take orders from customers and to pass them forward by telephone (Hoffman 1983, 393), which was possible to realize single-handedly. Unlike agencies, offices had their own warehouses, which complemented the actual warehouse system but were also used as reserve supplies in emergencies (Hoffman 1983, 392). On the national level, retail groups had several warehouses that delivered products to regional warehouses and from there to local bureaus or offices, before they reached outlets. In addition, local co-operative retail societies had still their own warehouses, which added another level to the distribution chain (Peltola 2015). It is important to note that private retailers and co-operative societies had traditionally picked up the orders themselves from the local offices, thereby requiring transport equipment not only from central organizations but also from retailers (Perko 1979, 462).<sup>15</sup>

The total number of retail organizations' branch offices and agencies peaked in the early 1960s. Soon after that, the central organizations realized that there were too many branch offices and that many of them were running at a loss (Perko 1979, 458–60; Hoffman 1983, 393–95). Based on his research, Hoffman (1983, 395) argued that at least Kesko's top management had been aware of the situation for some years, but was unable to act until the Finnish government had completed its investments in infrastructure. In the meantime, retail organizations made plans to

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<sup>15</sup> In practice, the names of the various levels of warehouse units differed between the organizations due to their individual conventions. However, the structure of warehousing was largely similar.

reorganize their warehouse activities based on foreign examples (Perko 1979, 461; Hoffman 1983, 401; Kallenautio 1992, 211).

The most critical shortcomings of the infrastructure were in the road and telephone networks. For example, only four percent of the Finnish roads had pavement in the beginning of 1960s. Within ten years, the share of paved road rose to 32 percent of the whole road network. When it comes to highways, the level of paved road exceeded 50 percent in 1970 (Perko, Skogström, and Vuoristo 1977, 385). Improvements in the condition of roads also led to a tripling of the number of motor vehicles within a decade. In 1970, the number of registered motor vehicles per 1000 inhabitants was 179; in 1960 the number was 58 (*Statistical Yearbook of Finland 1976* 1977, 191). Other significant factors that contributed to the proliferation of motor vehicles were deregulation of car imports and rising living standards (Home 1977, 38; Pihkala 1982b, 444). Consequently, the emphasis of freight traffic shifted from railways to trucks. The share of trucking doubled during the 1960s, although the total amount of freight more than doubled at the same time (Pihkala 1982b, 449).

The extension of telephone network improved communication between wholesaling and retailing. In addition, the automation of the trunk-line network enabled the development of data transmission, which was a precondition for many additional rationalization measures (Perko 1979, 462; Pihkala 1982b, 450; Hoffman 1983, 395). The improvement of logistics both made possible and necessitated the enlargement of warehouses and reorganization of distribution systems. Retail groups modernized their logistics at slightly varying rates, when they switched from local to

regional warehousing to large regional warehouses.<sup>16</sup> Both Kesko and SOK supplemented their systems with “central warehouses,” wherein they concentrated the storage of specialty goods (i.e., products with low stock turn) (Perko 1979, 462; Hoffman 1983, 401). Groceries and other products with high stock turn were delivered from regional warehouses or from the warehouses of the remaining offices to the retail outlets. At this point, the central organizations (or their contract carriers) took responsibility for the product deliveries (Perko 1979, 462; Hoffman 1983, 405–6). They transported products, whenever possible, directly from suppliers (or from ports) to regional warehouses, thus eliminating unnecessary stages of distribution chain, like overlaps in warehousing deliveries (Perko 1979, 462; Hoffman 1983, 400–401; Kallenautio 1992, 211; Herranen 2004, 208–9).

Owing to the development of the warehouse systems, retail organizations improved the speed and reliability of product deliveries. A key element in this improvement was the introduction of route deliveries or a “trunk delivery system” (Perko 1979, 462; Hoffman 1983, 405). The retail groups reorganized and rescheduled deliveries to individual outlets according to a detailed plan. For example, Kesko guaranteed 48-hour delivery for all its member retailers from December 1972 (“48 tunnin toimitusperiaate Uniscope-100:n avulla” 1973, 25). For most locations, the up-to-date data transmission system made possible deliveries within a day (Perko 1979,

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<sup>16</sup> The first phase of Keskos’s central warehouse started its operation in the end of 1965 (Hoffman 1983, 401). SOK’s central warehouse (actually “major warehouse,” *suurvarasto*) was opened in 1967 (Perko 1979, 462). TUKO’s regionally operating wholesalers established joint warehouses since 1972 and group’s central warehouse was completed in 1976 (TUKO 1977; Hoffman 2004, 188–89; Lainema 2009, 136–42). OTK developed its warehousing on a system of distribution centers. It built its first distribution centers already in the end of 1950s, but the project was suspended for several years before it continued after the mid-1960s. Delay in implementation of the original plans caused that circumstances changed considerably and OTK had to adapt its plans to the current conditions (Kallenautio 1992, 211–12, 336–38).

462; Hoffman 1983, 407), but even the more remote outlets could thereafter count on speedy delivery. The system helped to rationalize distribution but it would not have been possible without another technological innovation, the automation of order processing.

Retail trade was, with banks, in the vanguard of information-processing technology (Paju 2008, 77; Valorinta and Nokelainen 2011, 46). Previous research has identified several interrelated stages in the development of information technology in the retail industry (Valorinta and Nokelainen 2011). In the first stage in the 1950s, information technology in the retail firms was limited to the use of punch cards, which improved accuracy, capacity and speed of information processing in comparison with entirely manual work (Herranen 2004, 208; Valorinta and Nokelainen 2011, 46–47). While punch cards were initially used only to prepare consignment notes, technological advancement soon extended their use to wage calculation and accounting (Hoffman 1983, 402–3; Kallenautio 1992, 189; Runko 1993, 453–54; Herranen 2004, 208). Next, organizations acquired their first computers and began to use information technology in stock control and invoicing (Hoffman 1983, 404; Kallenautio 1992, 189–90).

Computers accelerated speed and accuracy of data processing, thus bringing the application of technology to routine decision-making (Hoffman 1983, 405). Nevertheless, the benefits of computers were limited until they could be connected to data transfer system (Valorinta and Nokelainen 2011, 48). A forerunner in data transmission, again, was Kesko that had conducted experiments on data transfer between its headquarters and regional offices from the mid-1960s (Hoffman

1983, 405; Kimmo 1993, 471). Before data could be transmitted via cables, it moved “within company” by car or by plane laden with punch cards or magnetic tapes (Terho 2000, 113; Valorinta and Nokelainen 2011). Thus the real benefits of centralized warehousing system were unattainable until the data systems of the central warehouse and the regional offices could communicate in real time (Hoffman 1983, 405). Kesko increased its competitive edge when it became capable of online order processing in 1969. Other organizations took a decade or more to reach the same operational capability (Hoffman 1983, 405; Kimmo 1993, 473–74; Valorinta and Nokelainen 2011, 48–50).

#### 2.2.4 Ownership and financing

Although the measures that reorganized the logistic systems aimed at rationalization and cost reductions, they required a massive sum of money. In terms of capital acquisition, the retail organizations were in very different positions due to their differing forms of ownership (see Table 3). The co-operative central organizations, OTK and TUKO, were owned by their member organizations, which were local co-operative societies. The owners of local retail co-operatives were their members. This arrangement provided co-operatives an internal source of funding, because the co-operative societies also operated a banking association in which their members deposited their money. The deposits made up a considerable sum, even if not all members were depositors. This was because both co-operative groups had more than 500 000 individual members since the early 1960s (Perko 1979, 426; Kallenautio 1992, 273).

Funding investments with deposits was low-priced in comparison with other sources. However, the total funds of deposits could not cover all investments (Perko 1979, 515; Kallenautio 1992, 163, 318–19). The co-operative law required co-operative organizations to keep reserve funds that provided another source of internal method of financing (Home 1977, 118). In any case, the co-operatives still needed to apply for loans from traditional financing institutions to meet their capital requirements. In that task co-operatives were in a good position because of the high value of their real property, until the substantial decrease in valuations since the early 1970s (Kallenautio 1992, 316–17). In general, the economic situation of co-operative groups worsened in the 1960s, causing problems in business in both co-operative groups (Kallenautio 1992, 136). Later the deteriorating finances jeopardized the future of co-operative retail groups (Kallenautio 1992, 369–72; Herranen 2004, 224–25, 232–33). In the end, the economic difficulties of retail co-operatives forced them to renounce their ideological opposition of large-scale retailing (see Article II).

Kesko was in a very different position from OTK and SOK. Kesko was a limited company that could acquire additional capital through increases of its stock capital. However, because its shareholders were private retailers, raising share capital was not lucrative. Individual retailers preferred to use their disposable assets to develop their own businesses than to shares of their central organization. Thus, Kesko paid its routine business expenses with short-term loans, bills of exchange and extended payment terms that were negotiated with suppliers (Hoffman 1983, 407–8). In 1959, Kesko adopted a new financial strategy when it issued a large bond loan. In the following year it transformed its shares into A and B classes that attracted new

capital but kept the organization under the control of private retailers (Hoffman 1983, 409–11).

In the mid-1960s, Kesko provided for the pending logistical investments with another 25 percent increase of its capital stock. In addition, it issued a debenture loan and made a loan contract for a foreign bond loan for the first time in its history (Hoffman 1983, 411–12). In consequence of these positive experiences, Kesko continued the use of these financial instruments through the 1960s and 1970s. Public capital procurements were supplemented with conventional loans from banks and insurance companies (Hoffman 1983, 412–13).

TUKO was definitely a latecomer to distribution investments. This resulted from its weak position in relation to its constituent companies, some of which were large private wholesale companies (Lainema 2009, 27; Alhava 2015). Thus TUKO's role was to act as a buying organization for the private wholesalers (Hoffman 2004, 234; Lainema 2009, 74). Occasionally wholesalers needed the central organization's formal backing in loan negotiations, because TUKO was credible surety for smaller organizations (Lainema 2009, 93–94). In practice, wholesale firms were in charge of their investments and financing. TUKO's role was to stay in the background, unless its help was requested (Lainema 2009, 155; Alhava 2015). Furthermore, because local wholesalers were reluctant to give up their decision power in distribution, there was not much that TUKO could do, even if it had been willing to develop the group's operations (Lainema 2009, 27, 148; Alhava 2015).



### 2.2.5 Supermarkets

Like American and European retailers, Finnish retail organizations started to expand their outlets as soon as possible. Although retail groups began to open a few single supermarkets (or preferably outlets that were called supermarkets, but did not meet the criteria) from 1963 (“Ensimmäiset suurvalintamyymälät” 1963), the turning point came in year 1967, when the health legislation changed (Hentilä 1999, 317, 320). Thereafter, outlets could sell different products under one roof. The decision was official legitimization of self-service outlets. Other important environmental factors were similar to the development of retailing elsewhere: population concentrated in towns and cities; standard of living increased and buying habits changed; cars, refrigerators and freezers became more common; and demand for branded goods proliferated (Home 1977, 92–93, 100–101; Pihkala 1982a, 459; Hentilä 1999, 296–97, 314–15).

The strongest pressure for the development of supermarket arose from the TUKO group. TUKO’s largest wholesalers belonged to international voluntary chains, A&O and Spar. From international collaboration they learned about large-scale retailing. Because co-operatives dominated the department store business, the local wholesalers wanted to invest in another form of large-scale retailing where competing groups did not have an established position (Article I). Hence they ended up in large-scale grocery retailing, which at the time were supermarkets (“A&O-suurmyymälä Vuosaaressa” 1965; Hoffman 1983, 426–27). The first TUKO’s supermarket opened in 1965 (see Figure 1) (“A&O-suurmyymälä Vuosaaressa” 1965, 8–9). Other groups followed TUKO’s example and started building their network of

supermarkets. OTK's first "modern" supermarket opened its doors in 1967, Kesko's took two years longer (Haapasaari 1969, 14; *Keskisuomalainen*, 26 November 1969; Aaltonen 1970, 22; Hoffman 1983, 345). In OTK and Kesko, supermarkets were called "halls" (*halli*), apparently to avoid a term of foreign origin because the definition of a hall was practically identical with that of a supermarket (Haapasaari 1969, 14; Kallenautio 1992, 288). SOK entered this competition at the end of 1969, when one of its local co-operatives opened a supermarket in southeast Finland ("Ok Yhtymä avasi supermarketin" 1970, 15; Peltola 2015; Herranen 2004, 150). What made SOK's outlet exceptional was that it was also called "supermarket" and it met the criteria ("Ok Yhtymä avasi supermarketin" 1970).

The number of supermarkets grew quickly in the early 1970s. According to Home (1977, 53, 65), there were 79 supermarkets in Finnish retail markets in 1968 and 159 four years later. Nevertheless, the effect of supermarkets did not stem only from their rising amount. A larger influence came from increased sales that was more than tenfold (on average in 1972) those in traditional milk and bread outlets (Home 1977, 52). Such a disparity fueled the closings of smaller outlets that had started in the 1960s in the wake of migration from rural to urban areas (Pihkala 1982a, 456–57; Kallenautio 1992, 239–40; Herranen 2004, 189). Although most of the closed outlets had initially been located in the countryside, the expansion of the new outlets caused "store death" to spread to towns (Hoffman 1988, 195; Herranen 2004, 189).

Another consequence of supermarkets was that they transferred Finnish retail trade into price competition (Article I). Resale price maintenance ended in 1964 (Ikkala 1965), but retail organizations were reluctant to start using price as a

competitive weapon, because it would have reduced their own profit margins (e.g., Mansukoski 1969, 4; Hoffman 1983, 494; Herranen 2004, 150). Local wholesalers, who came from outside retail business, were ready to think unconventionally and challenge the existing practices (Hoffman 1983, 426–27). As a part of the intensified competition, retail groups had to align their resources and start operating as integrated marketing systems (Kallenautio 1992, 168–69). This development had started slowly in the early 1950s with joint marketing and explicit use of group symbols (or “unified brand image”) (Hoffman 1983, 323, 328, 425; Kallenautio 1992, 98, 284; Herranen 2004, 217; Lamberg and Tikkanen 2006, 819), but really got underway in the latter part of 1960s. Until then, these had been intrinsic advantages of the co-operative organizations, but thereafter the private groups reached an equally competitive position (Herranen 2004, 188–89).

#### 2.2.6 Hypermarkets

Hence, one might say that Finnish retail trade slowly but surely followed the path from self-service to the large-scale retail units. After the establishment of supermarkets, it did not take long for hypermarkets to appear. The first hypermarket was opened in August 1970 by a subsidiary of Saastamoinen Group, one of TUKO’s largest private wholesalers (*Turun Sanomat*, 13 August 1970; Paaskoski 2005, 214; Lainema 2009, 63). Within 15 months, each of the four retail groups had at least one hypermarket and in 28 months, there were ten hypermarkets. At the time, each group managed at least two hypermarket outlets.

Steady progress in store openings reflect the work that retail organizations had done prior to the opening of the first hypermarkets. Managers of Finnish retail organizations had gathered information about the hypermarkets from their trips to the United States, France and Sweden (Paaskoski 2005, 214; Prättälä 2011). Once the first Finnish hypermarkets operated at full stretch, few retail experts could advise how to develop operations even further. Hence, managers needed to go abroad to acquire up-to-date knowledge, or learn it the hard way (Karhula 2012). The fact that personnel were able to travel abroad and study the new format proved that the top management of retail groups supported the development of large-scale retail trade. However, on the lower levels in organizations, hypermarkets encountered more skepticism. The problem with hypermarkets stemmed from its operational logic. It challenged the traditional operating principles of each organizations in distinctive ways.

In Kesko and TUKO, the main problem was that hypermarkets required huge capital investments and a fully integrated and centralized logistic system. Private retailers of Kesko lacked resources, but they did not want Kesko to participate in the retail business. The separation of retail from wholesale trade was a sacred principle within Kesko and among its retailers (Hoffman 1983, 193, 352–53, 434). In TUKO, private wholesalers opened several hypermarkets and discount department stores (Article I) before realizing that they were not equipped to handle the supply of goods themselves. Individual wholesalers lacked both logistic capacity and expertise (Article III) to manage large-scale operations (Lainema 2009, 326–27; Alhava 2015). It was clear that individual wholesale companies needed to join forces either with TUKO

or with other private wholesalers, both of which were difficult for managers of long-lived family companies to accept (Lainema 2009, 106, 134–38). It effectively meant losing the autonomy that had been a guiding principle in private wholesale companies.

For the retail co-operatives, it was difficult to accept the consequences of hypermarkets for the existing outlet network and thereby to the key stakeholders of the local co-operatives. An essential principle of co-operation was equal services to all their members (e.g., Lahdenpää et al. 1972, 23). SOK had faced this problem earlier during the first wave of store deaths, when they had to close outlets in rural areas that were SOK's most important power base. In the second phase, the effects of store deaths spread to towns, home of the main constituent group of the socialist co-operative OTK, the industrial workers (Perko 1979, 433–36; Kallenautio 1992, 102–3, 275–77). Hypermarkets had large market areas and their low prices drew customers even from larger areas. Therefore, many smaller outlets were closed if they fell under the influence of a newly established hypermarket. In consequence, the length of shopping trip multiplied for many people, even if they did not have decent opportunity to go to a distant outlet. Such situations were difficult to justify to the members of the local co-operatives. Their opinions were hard to dismiss, because they were de facto owners of the co-operative societies.

Considering the different effects that hypermarkets had in each organization and the challenges they posed to ideological principles of each group, it is not difficult to imagine that the reactions of groups differed. How these reactions and subsequent measures stood out are questions that have not been yet answered.

Thus, I rely on a theoretical perspective that allowed me to rethink the adoption of large-scale retailing from this point of view. I have presented my findings in empirical articles (Articles I-III), but next I will introduce the theoretical footing of my dissertation: neo-institutional organization theory.

### 3 THEORETICAL PERSPECTIVE

#### 3.1 Neo-institutional organization theory

DiMaggio and Powell's (1983) article on the isomorphic mechanisms is one of the most cited articles in sociology (according to the Web of Science database, second in all-time ranking with approximately 10 500 citations, date: 4 October 2017). The article became a foundational work of neo-institutional<sup>17</sup> organization theory, which no doubt explains the number of citations. As Greenwood et al. (2008, 3) remark, classic works are occasionally interpreted quite selectively without proper discussion or consideration. In any case, the impact of DiMaggio and Powell's article has been tremendous. With Meyer and Rowan's (1977) and Zucker's (1977) papers, DiMaggio and Powell delineated the emerging field of new organizational institutionalism. These early neo-institutionalists perceived the institutional environment as more pivotal to the behavior of organizations than other contemporary organizational theories have recognized.

Neo-institutionalists did not dispute the importance of rationality in organizational decisions, but they asserted that what rationality actually means might be socially constructed (Meyer and Rowan 1977, 346; Zucker 1977, 740). Meyer and Rowan (1977, 343) suggested that norms of rationality are present "in the rules, understandings, and meanings attached to institutionalized social structures." Hence

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<sup>17</sup> This dissertation is based on the new institutionalism in organization theory, which is mainly sociological. Thus, I will not discuss other forms of "new institutionalisms", in other words, historical (or comparative) institutionalism or rational choice institutionalism (see e.g., Hall and Taylor 1996, 936; Greenwood et al. 2008, 1).

it should be in the interest of organizations to conform to the social expectations and “become isomorphic with their institutional context” (Greenwood et al. 2008, 4).

Isomorphism with environment entails legitimacy, “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate” (Suchman 1995, 574). Legitimacy is critical for organizational survival because it safeguards organizations from social criticism and questioning (Meyer and Rowan 1977, 349). Another key concept of neo-institutionalist theory and closely related to the function of organizational legitimacy is decoupling. Organizations decouple their structure from activities to attain social conformity but maintain their technical efficiency (Meyer and Rowan 1977, 356–57). This buffers them from threats legitimacy, if institutional rules clash with requirements of efficiency (Meyer and Rowan 1977, 340–41). These views laid the ground for the concept of isomorphism that was included in the argument of Meyer and Rowan (1977, 346, 348–49, 352).

Whereas Meyer and Rowan (1977) emphasized a tight nexus between isomorphism and legitimacy, DiMaggio and Powell (1983) purported that isomorphism with environment would make organizations in a shared environment increasingly similar (see Introduction). In their view (DiMaggio and Powell 1983, 147–48), homogenization was linked to the structuration of organizational fields (i.e. industries). As structuration advanced, the actions of organizations were expected to become more consistent (DiMaggio and Powell 1983, 148). This understanding of influence mechanisms of institutional environments took root as the core of the neo-institutionalist theory. As a result, criticism of neo-institutionalism emerged and its main concern was the invisibility of agency and interest of human actors in the



theoretical implications (e.g., DiMaggio 1988). Critics underlined the “paradox of embedded agency” (Holm 1995; Seo and Creed 2002; Garud, Hardy, and Maguire 2007; Battilana and D’Aunno 2009): how actors conceived idea of changing institutions, if the structural effects governed behavior and thinking of those actors.

### 3.2 Old versus new institutionalism

An answer to the paradox of embedded agency was sought from earlier literature of organizational institutionalism, the “old institutionalism” by DiMaggio and Powell (1991b). Soon comparisons of new and old institutionalisms abounded, when the views were contrasted in the articles of Greenwood and Hinings (1996), Selznick (1996) and Hirsch and Lounsbury (1997a, 1997b). A common belief in these comparisons was that specific insights from the old institutional theory would be useful for the neo-institutionalist theory and compensate for its major limitations. In many respects, collaboration between the two forms of institutionalism seemed logical, because they both had roots in sociology (DiMaggio and Powell 1991a, 11; Selznick 1996, 273).

Old and new organizational institutionalism shared many characteristics, like doubts concerning the rationality of actors and salience of culture for the development of organizational realities. They were still distinct in various ways (DiMaggio and Powell 1991a, 12). For example, while new institutionalism perceived organizations as embedded in their industries or institutional fields, old institutionalism saw organizations primarily as parts of their local environments, to

which organizations are connected through personal connections or “face-to-face interaction” (DiMaggio and Powell 1991a, 13). According to the old institutionalist view, organizations may act strategically and utilize “co-optation” (Selznick 1949, 259–61) or “interorganizational treaties” (DiMaggio and Powell 1991a, 13) to realize their plans. New institutionalists for their part did not regard political maneuvering or conflicts of interest as central to their analyses (DiMaggio and Powell 1991a, 12).

Likewise, new and old institutionalists disagreed on the object and locus of institutionalization (DiMaggio and Powell 1991a, 14). In neo-institutional analyses, institutionalization occurred at the level of organizational fields where environmental influences provided operational templates for organizations. Older institutionalists saw that organizations themselves were the objects of institutionalization and thus most of the institutionalization took place within organizational boundaries (DiMaggio and Powell 1991a, 13–14; Powell and Bromley 2015, 764). According to Selznick’s (1949, 256, 1957, 17) understanding, organizations became “infused with value” and thereby achieved a “value-impregnated status” through institutionalization. In neo-institutionalism, institutionalization was the process by which institutions became taken for granted (Tolbert and Zucker 1996, 179).

In addition to the benefits that the old institutionalism could offer for the neo-institutional analysis, or better recognition of how individual actors and their interest influenced the emergence and development of institutions, it brought another important addition. Together the two version of organizational institutionalism made institutional theory more open to history and inclusion of historical understanding to institutional analyses.

### 3.3 Historical research in organizational institutionalism

Historical dimension was an integral element of old institutionalist research. Old institutionalists saw that a full comprehension of institutionalization required a detailed historical analysis (Selznick 1957, 16). In the same way, history and its significance was valued by Berger and Luckman, who were key advocates of neo-institutionalist research (Greenwood et al. 2008, 34). They regarded historical dimension as an integral attribute of institutions (Berger and Luckmann 1967, 54–55), and therefore, it is surprising that neo-institutionalists did not support history's defining role for institutions (see Meyer and Rowan 1977; Zucker 1977; DiMaggio and Powell 1983). That said, there was a notable exception to this practice in the early neo-institutional field. Tolbert and Zucker (1983, 35) took a stand on the historical dimension in organizational research and argued that history is focal "for understanding organizational structure and change." They did not conduct historical research (Tolbert and Zucker 1983), but capitalized on the work of historians in the period under study. This practice has been common in organizational research. In any case, in neo-institutionalist research, Tolbert and Zucker's (1983) assertion was extraordinary, because it openly recognized the value of historical research.

As several scholars (Rowlinson and Hassard 2013; Kipping and Üsdiken 2014; Suddaby, Foster, and Mills 2014) have noted, the amount of historical research in neo-institutionalism has proliferated since the 1990s. Before that history was virtually absent from neo-institutionalist research. This was consistent with the general practice in management and organizational research with its goal of

“scientization” (Kipping and Üsdiken 2014, 543). The social scientific aspirations relegated history to a secondary position. A part of this negligence of history might be explained by the use of classic texts, as Mizruchi and Fein’s (1999) study suggested.

In their analysis of the works citing DiMaggio and Powell’s (1983) article, Mizruchi and Fein (1999, 654–55) found that scientific knowledge might be socially constructed, when researchers cite and discuss only certain parts of a scientific work, in this case, an article. They also observed that in addition to a partial appropriation and selective interpretation of major works, the components of those works are only rarely operationalized in subsequent research. According to Mizruchi and Fein (1999, 658–60), in only 26 papers (from 160 articles published in six major journals) the authors had attempted to operationalize DiMaggio and Powell’s isomorphic mechanisms and from those, only two papers extended operationalization to all three mechanisms. Mizruchi and Fein (1999, 661–64) demonstrated that selective operationalization of isomorphic mechanisms is problematic, because other mechanisms are not considered even when they might offer an alternative explanation.

Researchers citing DiMaggio and Powell’s article highlighted the mimetic mechanism. A probable explanation for this arose from neo-institutionalism’s (and contemporary Northern American organizational discourse’s) dismissal of power and coercive relationships (Üsdiken and Pasadeos 1995, 519–20; Mizruchi and Fein 1999, 665). In addition, DiMaggio and Powell (1983, 150) warned that their typology of isomorphic mechanisms is analytic and their individual detection is difficult empirically, which concerns historical settings and thus complicates their

operationalization (Mizruchi and Fein 1999, 667). Mizruchi and Fein (1999, 667) noted that problems did not arise from difficulties in discerning the mechanisms unless some of them were disregarded.

Because Mizruchi and Fein (1999, 658) focused on journals of sociology and organizational analysis, it is understandable that their main purpose was the development and testing of theoretical hypotheses. Although several studies in the sample were longitudinal, they were not historical in a sense that they would have studied phenomena in authentic environments. Covaleski and Dirsmith's (1988) article came closest but other articles were more interested in the outcomes of institutionalization rather than the processes themselves (Mizruchi and Fein 1999, 664). In any case, Covaleski and Dirsmith's paper indicated that the historical foundations of institutional research lasted in neo-institutionalism, yet only in individual studies. In more recent reviews (Rowlinson and Hassard 2013; Suddaby, Foster, and Mills 2014), the emergence of historical research within neo-institutionalist literature has been often dated to Leblebici et al.'s (1991) paper on the development of the U.S. radio broadcasting industry. The paper presented a historical narrative that was based on analysis of periodicals and other secondary sources. Leblebici et al. (1991) concluded that institutional change was often initiated by organizations from the fringe of interorganizational fields. Furthermore, they periodized the history of radio broadcasting industry into three phases (Leblebici et al. 1991).

A few years later, the volume of historical research started to grow more steadily, with a stream of new research. For instance, Holm's (1995) article about the development of the sales organizations of Norwegian fisheries was a historical case

study. Holm (1995) adopted a nested-system perspective that combined historical and institutional viewpoints. In other words, Holm analyzed how institutional entrepreneurship was possible amid institutional pressures through several layers of institutional environments. Owing to these early contributions, the legitimacy of historical research increased in the eyes of neo-institutionalists, giving rise to a growth of historical research since the end of 1990s. I will mention only the papers whose importance recent literature has acknowledged.

In his study of the U.S. chemical industry, Hoffman (1999) followed the aspirations of Selznick (1996) and others (Greenwood and Hinings 1996; Hirsch and Lounsbury 1997a, 1997b), when he integrated old and new institutionalisms by “reintroducing” the idea of change to neo-institutionalist research. Hoffman analyzed how different conceptions of corporate environmentalism correlated with institutions that chemical industry adopted to comprehend the issue. Hoffman’s study covered 1960-1993 and it is considered historical analysis, although he preferred the terms “longitudinal analysis” and “longitudinal data” (Hoffman 1999, 351, 354).

Hargadon and Douglas’s (2001) study of Edison’s electric lighting system was noteworthy for its open adoption of historical methodology. Hargadon and Douglas (2001, 480–81) argued for the benefits of historical analysis, while noting the potential challenges arising from the use of historical materials. Such openness and reflexivity has been rare among neo-institutionalist researchers (Suddaby, Foster, and Mills 2014, 103, 109–10). Hargadon and Douglas (2001, 480) proposed that historical analysis might offer such information about social processes that were beyond the reach of cross-sectional and longitudinal research. Thereby Hargadon and Douglas

distinguished historical case studies from longitudinal qualitative research.<sup>18</sup> Nonetheless, Perchard et al. (2017, 916) criticized the superficial contextualization of Hargadon and Douglas's study. They argued that more extensive reading would probably helped to understand the complexity of the authentic situation, but it would have made theory development more difficult (Perchard et al. 2017, 916).

In another historical study, Arndt and Bigelow (2005) examined the masculinization of a female occupation in hospital administration from 1913 to 1920. They examined journals targeted to administrative staff of hospitals and demonstrated how hospital administration was reframed from female-dominated to male-dominated (Arndt and Bigelow 2005, 235, 237–38). It is noteworthy that Arndt and Bigelow (2005, 239) did not use preconceived theoretical constructs in their research, but drew analytical categories from the authentic magazine articles used in their historical analysis.

Rojas (2010) conducted a historical case study of the ways in which a college president enlarged his authority during the Third World Strike at San Francisco State College in the late 1960s. According to Rojas (2010, 1264), the college president “acquired extensive powers by restructuring the organization and challenging the norms that governed student conduct.” Rojas used primary and secondary sources to construct a comprehensive view of the chain of events. The historical narrative of the process served as a material for a process model of institutional change and power (Rojas 2010, 1275–76).

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<sup>18</sup> Yates (2014) has reflected the differences between longitudinal and historical research in her article in *Organizations in Time: History, Theory and Method*.

David, Sine and Haveman (2013) analyzed the actions of institutional entrepreneurs in legitimating novel organizations in emerging fields. They used “a historiographic approach,” or a historical analysis to develop a history-grounded middle-range theory. David et al. (2013, 357) combined their historical evidence with theory to “sharpen, illustrate and ground [their] arguments.” Thus their purpose was not to test theoretical hypotheses, but to develop a context-specific theory that could both compensate for the temporal limitations of qualitative methods and be disconfirmable (David, Sine, and Haveman 2013, 357).

With respect to the topic of this dissertation and the discussion of the new and old institutionalism, David et al. (2013, 373) noticed that institutional entrepreneurs are not necessarily resourceful actors that simply realize their interests according to a specific plan (cf. DiMaggio 1988). Instead they found that “the actions of - - institutional entrepreneurs were distributed and emergent - - They did not have a common agenda - - until much later did they band together...” (David, Sine, and Haveman 2013, 373).

In a most recent study, Kim, Croidieu and Lippman (2016) investigated how organizations’ position in a field affected the discursive strategies of legitimation they used. Their empirical setting was the U.S. wireless-telegraphy industry from 1913 to 1927. Kim et al. (2016, 1427) applied a comparative case study design between two organizations and analyzed corporate journals to identify the legitimation strategies of focal organizations. The analysis was essentially historical, because the authors studied changes in organizational positions and behavior over time although they did



not explicitly employ historical methods (Kim, Croidieu, and Lippmann 2016, 1422–23).

### 3.4 Neo-institutional organization theory in historical research

Based on the literature review, we can draw two conclusions. First, the amount of historical research in neo-institutionalism has increased over the last twenty years, though we must remember that the initial level was very low (see Rowlinson and Hassard 2013; Kipping and Üsdiken 2014; Suddaby, Foster, and Mills 2014). Second, the research has been mainly social scientific, which has still kept history in an auxiliary role. Thus, regardless of the increased awareness of historical research and in some cases, the use of historical methodology, the main objective of these studies has still been to develop and refine institutionalist theory. In other words, the studies applied history and historical evidence for illustrative purposes, which Rowlinson and Hassard (2013) labelled “historical neo-institutionalism.” They contrasted it with “neo-institutionalist history” which is historical research using neo-institutional organization theory to elucidate historiographical debate (Rowlinson and Hassard 2013, 111).

The former approach “starts from theory and searches for a convenient historical situation to test or illustrate the theory,” while the latter “starts from access to an archive, or a historiographical debate, and searches for theory to illuminate the archival sources and historiography” (Rowlinson and Hassard 2013, 113). Although Rowlinson and Hassard (2013, 112–13, 121) did not find a specific research paper that

met their criteria of neo-institutionalist history, they were confident that such a research is possible and that would contribute to neo-institutionalist research. In their view, explicit adoption of institutional theory could increase the rigor of historical research, but this would not compromise its fundamental principles, like source criticism (Rowlinson and Hassard 2013, 121). This is in line with Maclean, Harvey and Clegg's (2016, 615) notion of "dual integrity," in which an interdisciplinary research field "should be deemed authentic within the realms of both [fields]."

Another contribution of neo-institutionalist history is to increase the awareness of primary sources and their advantages for organizational research (Rowlinson and Hassard 2013, 121; Maclean, Harvey, and Clegg 2017, 469–70). Most scholars with training in organization studies are unfamiliar with such sources and/or are unable to analyze them (Rowlinson and Hassard 2013, 121). Primary sources are by definition contemporaneous with the events that they describe and are often written by the actors (Jordanova 2006, 38, 40; Tosh 2010, 91–92). Thus the original sources could provide a complementary view to institutional theory that would take account of the perspective of the contemporary actors (Maclean, Harvey, and Clegg 2017, 470). Moreover, an in-depth familiarity with the thoughts and objectives of historical actors would allow theory-oriented researchers to comprehend the "historical embeddedness" of institutions (Vaara and Lamberg 2016).

Historical embeddedness, or sensitivity to context, is a constituent of historical research and has been featured in many recent discussions. For example, Maclean et al. (2016, 617–18) underlined the value of context for proper understanding

of historical actions. In their text on “historical institutionalism,”<sup>19</sup> Suddaby, Foster and Mills (2014, 118) promoted better recognition of the meaning of history in creation, maintenance and reproduction of institutions. They highlighted the gains that would follow from a recognition of diffusion, actors and embedded agency, all of which are focal notions underpinning the institutional theory (Suddaby, Foster, and Mills 2014, 111). Perchard et al. (2017, 906) emphasized that if researchers are not able to fully understand the context and its changes, “these lose their ability to reflect the dynamics of social processes and the implicit (and explicit) value of history.”

The previous literature on historical institutionalist research and the recent contributions encourage historians to engage in the ongoing theoretical and methodological discussions (see also Ojala et al. 2017, 325, 327). Therefore, one of my key objectives with this dissertation is to contribute to the emerging field of neo-institutionalist history. The neo-institutionalist literature has developed from the early conceptualizations that stressed stability and isomorphism into more dynamic field that takes change into account through the concepts of institutional entrepreneurship and work (DiMaggio 1988; Garud, Hardy, and Maguire 2007; Battilana and D’Aunno 2009; Lawrence, Suddaby, and Leca 2009). The development has benefitted significantly from the larger integration of historical research into neo-institutionalist analysis, which has for example facilitated the study of actors, interest and power (e.g., David, Sine, and Haveman 2013; Kim, Croidieu, and Lippmann 2016). Hence, the historical perspective has enabled a better understanding of institutional change due

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<sup>19</sup> Please note that “historical institutionalism” in this context is not the same field of research that Hall and Taylor (1996) and Thelen (1999) have called historical institutionalism in their review articles.

to its ability to follow events and organizations over time (e.g., Leblebici et al. 1991; Rojas 2010). However, while the research on historical neo-institutionalism has been limited to interorganizational actions, it has paid far less attention to actions within individual organizations. None of the sample articles mentioned by Suddaby et al. (2014) examined organizational level actions and used primary sources, yet Rojas (2010) came closest with his study of campus politics.

## 4 HISTORY AND ORGANIZATION THEORY

As I have illustrated above, my research design combines perspectives of history and organization theory. Such an integrated perspective has attracted increasing interest, but within the few last years it has established itself in leading journals of organizational research (e.g., Kipping and Üsdiken 2014; Rowlinson, Hassard, and Decker 2014; Godfrey et al. 2016; Mutch, forthcoming). Often the discourse about historical organizational studies has focused on the “historic turn” (Clark and Rowlinson 2004), thus leading to the misconception that the idea of combining history and management and organization studies is recent. However, as the following chapter and prior literature cited prove, the idea has a long tradition. After all business history and management and organization studies were once integrated, and might give us “fresh” ways to view their relationship.

### 4.1 Business history and its origins

Business history examines the development of firms’ (including their entrepreneurs and business systems) relationships and interaction with their economic, political and social environment (Jones and Zeitlin 2008, 1). In this way, business historians share points of interests with researchers from a variety of disciplines, including several subfields of history, economics, sociology and management and organization studies (Jones and Zeitlin 2008; Ojala et al. 2017). For most of its history, the field of business history has sought a place in the system of academic disciplines. Partly as result of

intentional effort and partly as a consequence of the changing objectives of other fields, business history is above all a subfield of history, but it still has lively interaction with the social sciences. Business history's linkage with management studies is particularly close, as several scholars have noted (Kipping and Üsdiken 2008; Fridenson 2008; Üsdiken and Kipping 2014).

Business history established itself as an independent discipline in the 1920s,<sup>20</sup> when it was included in the curricula of American business schools (Fridenson 2008; Üsdiken and Kipping 2014). Early researchers in business history tried to differentiate the discipline from economic history by focusing their work on the historical development of business administration, in modern terms, management (Üsdiken and Kipping 2014). The initial goal of the new discipline was to launch a broad research program of history of business that would have also larger effects on society (Redlich 1962, 61–62). However, instead of pursuing this noble goal, business historians had to settle for writing company histories, because the Great Depression shut off financing from other sources. According to Redlich (1962, 62), this was unfortunate for the young discipline, because although business historians could continue their work by working on commissioned histories, the field became identified and equated with company history. This tarnished the reputation of business historians among fellow historians who accused them of parochialism and propagandizing for business life (Cole 1962, 102; Redlich 1962, 62). As the economy

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<sup>20</sup> Redlich (1962) distinguished the study of history of business from the concept of business history. According to Redlich, although the term “business history” was coined in the 1920s, corporate histories had been studied since the 18<sup>th</sup> century. Furthermore, the development towards an academic discipline started at the turn of the 20<sup>th</sup> century.

recovered, business history found its way back to its original goals – creating broader understanding of managers and firms as actors in their authentic contexts.

## 4.2 Integration and separation of history and business administration

A watershed was the publication of Chandler's (1962) *Strategy and Structure* (Hidy 1970, 491; Kipping and Üsdiken 2008, 97–99; Üsdiken and Kipping 2014, 36). The book introduced a new type of business historical research that in a way took the field back to its origins. Chandler (1962, 1) thought that business historians should participate more actively in theory development, either through collaboration with social scientists or independently. In other words, Chandler (1962, 7) urged business historians to turn their attention from individual firms and entrepreneurs, and to general patterns in the development of business organizations.<sup>21</sup>

*Strategy and Structure* was an illustrative example of business history's potential for organizational theorizing and thus it became a classic of strategy research (Jeremy 2006; Whittington 2008). Owing to Chandler, business history gained a foothold in the field of business administration (or management and organization studies, see below) ("Debating Methodology in Business History" 2017, 443). However, this convergence was short-lived, because researchers in business administration were more concerned with the ideals of science. The field became more sociological and took organizations as its main point of interest (Üsdiken and Kipping

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<sup>21</sup> This tendency was reinforced when Chandler published two books that became classics in business history. *The Visible Hand* (Chandler 1977) and *Scale and Scope* (Chandler 1990) built upon the ideas of *Strategy and Structure*, but their impact on business administration was much smaller than on business history.

2014, 36–37). Thereby the scientization of business administration was connected to the larger trend of elevating the status of social sciences (Kipping and Üsdiken 2008, 99–101; Üsdiken and Kipping 2014, 37–38). Usually it meant quantitative research and “systematic empirical observation” (Augier, March, and Sullivan 2005, 86). Practical business administration became “administrative science” (Üsdiken and Kipping 2014, 37). As a part of this process, the field split into micro and macro perspectives, and the name of the field changed to “management studies” (Kipping and Üsdiken 2008, 100).<sup>22</sup>

Whereas management and organizational scholars backed off from the nascent convergence with historical research, most business historians responded in kind. Despite Chandler’s notable impact and his suggestions about business history’s potential to collaborate with the social sciences (“Debating Methodology in Business History” 2017, 443, 446), business historians generally remained committed to traditional historical analysis that was mainly qualitative (Lamoreaux, Raff, and Temin 2008; Eloranta, Ojala, and Valtonen 2010). The conservatism of business historians contributed to the divide between themselves and organizational researchers (Üsdiken and Kipping 2014, 41). Consequently, organizational researchers became increasingly interested in general patterns and scientific rigor, while historians still valued uniqueness and details in their analyses. According to Hannah (1984, 219), historians were “obsessed with setting the record straight, telling the story as it really was, but eschewing general theories.”

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<sup>22</sup> For the sake of clarity, I will from now on use the term “management and organization studies” in place of “business administration.”



### 4.3 History of management

In addition to this general separation between business history and management and organization studies, some management scholars shared historians' interest in the past. Those researchers were attracted by history of management thought and the development of management practices. Thus, when the Academy of Management formed its first interest groups in the end of 1960s, the Management History Division was among the seven original divisions (Üsdiken and Kipping 2014, 39) and known as "division 1" in the early years of "the Academy" (Greenwood 2015).

Young et al.'s (1967) report confirmed the popularity of management history among the members of the Academy in the late 1960s. And even if the reputation of history fell in the eyes of management scholars, it was still possible to publish historical articles in prestigious management journals during 1970s and even into the 1980s (Üsdiken and Kipping 2014, 40). After that, management history became marginalized and publication of historical research became increasingly difficult in the management field (Üsdiken and Kipping 2014, 40).

In Europe, the development of the management and organization studies differed from the American model, but the European version of management and organization studies was also largely detached from historical research (Kipping and Üsdiken 2008, 101). On the one hand, the lack of cooperation resulted from the paucity of historians working in business schools. On the other hand, business historians adhered to traditions of historical research and were thus resistant to influences from management and organization studies (Kipping and Üsdiken 2008, 101).

#### 4.4 Return of history in management and organization studies

The connection between history and management and organization studies resurfaced in the 1990s, when Zald (1990, 1993) and Kieser (1994) published papers that became foundational works for today's discussions about the "reunion" of history and organization theory. Zald (1993, 514, 517) promoted a reconfiguration of organization studies as a field of science and as a field of humanities, which in his view could create an applied discipline that would make organization studies more educative. Zald (1990, 83) was confident that contrary to the doubts of organizational theorists, the explanatory power of organizational theory would increase, if researchers were "able to specify the conditions under which they hold." Likewise, Kieser (1994, 609, 619) encouraged organizational scholars to take advantage of the benefits of historical research, but understood that organizational research was essentially a social science, which could not be changed.<sup>23</sup>

A central message of Kieser's article (1994, 609–12) was that historical research offered several benefits for organizational research. For example, organizations operate in culturally specific environments, which affected the behavior of organizations but those cultural factors could be clarified through historical studies. Kieser (1994) also believed that historical analyses could demonstrate how organizational development resulted from past choices and opportunities, not from laws. In addition, he stressed that historical analyses might help researchers to

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<sup>23</sup> In the latter part of his article, Kieser (1994, 612–19) proposed how historians might use organizational theory in their research.

overcome ideological and cultural biases in analyzing problems and testing theories with more extensive historical data (Kieser 1994).

After Kieser and Zald published their work, it was several years before other researchers joined them in promoting the rapprochement between history and management and organization studies. In 2004, *Business History* published a special issue on "History in Organization Studies." In the introduction, Üsdiken and Kieser (2004) described the current state of historical organization research, proposed a categorization of the literature and demonstrated a variety of ways in which the historical perspective could be combined with organizational research. They noted that calls for historical research had given rise to studies that either explicitly or implicitly applied a historical approach (Üsdiken and Kieser 2004, 321). Although the diversity of the perspectives was broad and the understanding of how history can contribute to organization studies was heterogeneous, Üsdiken and Kieser (2004, 322) divided research into three perspectives: supplementarist, integrationist and reorientationist.

In the supplementarist perspective, the potential of history was limited to providing data for testing theories, selecting variables or formulating hypotheses. The supplementarist view was identical with the goals of social sciences; therefore its objective was theoretical advancement (Üsdiken and Kieser 2004, 322). The integrationist perspective was more approving of the benefits of history, for example in understanding the factors affecting organizations' behavior. That is, integrationist researchers valued history for itself instead of (merely) its instrumental value in illustrating theory. Even then, Üsdiken and Kieser (2004, 322–24) regarded the

integrationist view as a form of social scientific research, but which was nevertheless willing to accept history as a potential source of theoretical insights and conceptualizations. The reorientationist view prepared to abandon positivistic ideals of social sciences and redirect the study of organizations towards conventions and practices of humanistic research (Üsdiken and Kieser 2004, 324–25).

A major impetus for the advancement of the historical research in management and organization studies came from another article in the special issue of *Business History*. Clark and Rowlinson's (2004) article introduced the "historic turn" in management and organization studies. Thereby, they connected organizational research as a part of wider social-scientific turn towards history that had taken place since the mid-1990s (see McDonald 1996). Clark and Rowlinson (2004, 331) explained that a hypothetical historic turn would comprise an alienation from the social sciences and closer integration with historical research. In addition, it would necessitate greater attention to historiographical debates and thus to differing understandings of history (Clark and Rowlinson 2004, 331).

Clark and Rowlinson (2004) judged that their criteria for historic turn were not met by the publication of the article. In their opinion, the greatest obstacle to the turn was the broad suspicion that organization scholars held towards the narrative form of historical research. When organization scholars explored theoretical abstractions of the behavior of organizations, they did not find use for the contingency, complexity and particularity of historical narratives (Clark and Rowlinson 2004, 343). All these contradicted the rational-deductive viewpoint of abstract theorizing (see Suddaby, Foster, and Mills 2014). Organizational researchers

demanded instead that the causes for organizational actions should be found from the variables and not from, at least partially, random decisions made by human actors (Abbott 1992, 428–29, cited in Clark and Rowlinson, 2004: 347). However, as Perchard et al. (2017, 919) have pointed out, in the field of history narrative is not an anecdote, but “a careful synthesis that combines evidence, analysis and interpretation in an explanatory, retrospective account.”

Although the resistance of organization scholars might have been tempered since the early 21<sup>st</sup> century, proponents of the historical research are still of the opinion that the historic turn in management and organization studies has not fully materialized (Kipping and Üsdiken 2014; Rowlinson, Hassard, and Decker 2014; Kipping and Üsdiken 2015; Decker 2016; Vaara and Lamberg 2016). However, more important than the question of the success of historic turn is its influence in structuring and advancing the discussion. As a result, the literature on historical research in management and organization studies has proliferated (e.g., Weatherbee, McLaren, and Mills 2015; Perchard et al. 2017). As part of this process, historical papers have regained their position in the top journals of management and organization studies (Wright and Zammuto 2013; Kipping and Üsdiken 2014; Rowlinson, Hassard, and Decker 2014; Godfrey et al. 2016; Maclean, Harvey, and Clegg 2016; Vaara and Lamberg 2016; Mutch, forthcoming).

## 4.5 Management and organizational history

The re-emergence of historical management and organizational studies has also brought about a new stream of research, management and organizational history. The development of the field has entailed several events, such as the establishment of *Management & Organizational History* and history-oriented subgroups and divisions in conferences (in the Academy of Management: Management History Division; in European Group for Organizational Studies: former Standing Working Group on organizational history). In addition, historical research has been a theme of special issues in several influential journals (van Baalen and Bogenrieder 2009; O'Sullivan and Graham 2010; Godfrey et al. 2016) and books (Bucheli and Wadhvani 2014; McLaren, Mills, and Weatherbee 2015). All these events illustrate the continuous efforts of a growing group of scholars from fields of history and management and organization studies to raise the status of historical research. In principle, the field consists of two areas of research. Management history is older and is concerned with "the evolution of management thought" (Wren 1987, 339). Organizational history has been defined as research and writing that combines history with organizational theorizing (Godfrey et al. 2016, 592). In both fields, the contemporary historical context plays a critical role as Bowden (2016, 126) emphasized.

The breadth of the definitions allow different proportions of historical and theoretical elements, ranging from "history-with-theory" to "theory-with-history" (Godfrey et al. 2016, 592) or from "history to theory" to "history in theory" (Kipping and Üsdiken 2014, 541). Thus, despite a theoretical difference between

management history and organization history, their research intermingles as soon as management historians use organization theory or organizational historians delve into the history of management (Godfrey et al. 2016, 593). Therefore, the term management and organizational history accurately describes the situation and it is also a logical extension of the field of management and organization studies (Weatherbee, McLaren, and Mills 2015, 3–4).

Likewise, business history is clearly a close relative of management and organizational history. Godfrey et al. (2016, 592) noted that when business historians apply organization theory in their research, they become organizational historians. Conversely, organizational historians are conducting business history research if they use some of historical methodologies (Jones and Zeitlin 2008, 3–4). The status of primary sources is often a key factor in drawing a line between or combining business history research and the studies of management and organizational history (Bowden 2016, 124–25; Godfrey et al. 2016, 592). While business historians almost always prefer primary sources, organizational scholars may settle for secondary sources (Godfrey et al. 2016, 592; Perchard et al. 2017, 913–14). Secondary sources are an easy and tempting route to find a fitting narrative that supports a particular theory. This might be beneficial for development of a theoretical argument, but is problematic for historical rigor (Perchard et al. 2017, 916).

As several researchers (e.g., Zald 1990, 83; Kieser 1994, 612; Kipping and Üsdiken 2014, 542; Vaara and Lamberg 2016, 641) have argued, acknowledging the influence of context may improve the strength of theories, because their scope would be defined. Kipping and Üsdiken (2014, 542) called contextually sensitive

organizational research “historically cognizant.” It was an “advanced” form of two more traditional approaches, which Kipping and Üsdiken (2014, 541) termed “history to theory” and “history in theory.” These latter categories bore a resemblance to and updated the supplementarist and integrationist categories of Üsdiken and Kieser (2004) in order to meet the current state of research. The merit of the historically cognizant studies is that they take the limits of historical knowledge into account (Kipping and Üsdiken 2014, 542–43).

If researchers neglect the proper contextualization in historical research, the consequences are twofold: essentialism and functionalism (Suddaby, Foster, and Mills 2014, 107–8). The problem of essentialist research is that it reduces historical processes into mere time variable, which would undermine the complexity and richness of historical environments and their effect on the institutions (Clark and Rowlinson 2004, 342; Suddaby, Foster, and Mills 2014, 107). Functionalist studies value historical phenomena from today’s standpoint, without considering their meaning and position in authentic environments. This means that survival of an institution is attributed to the superiority of that institution, although historical reasons for the survival are probably more complex and contingent than present-day scholars might think (Mahoney 2000, 519; Suddaby, Foster, and Mills 2014, 107–8).

Hence, relating to their topic of historical institutionalism, Suddaby et al. (2014, 107, 109) argued that researchers should analyze institutions as processes, which would turn attention to their origins and evolution (see also Holm 1995, 398, 417; Suddaby et al. 2010, 1236). Such a change would involve replacing the rational-deductive approach of management and organization studies with a historically



sensitive epistemology and methodology. Thereby scholars could contrast universal truth claims with particularist, unitary causality assumptions with complex causality, theoretical motivation with empirical and exogenous with endogenous explanations (Suddaby, Foster, and Mills 2014, 104–5). A similar reflection of the epistemological and methodological differences between historical and organizational theory was presented by Rowlinson et al. (2014) in their article on research strategies for management and organizational history. Maclean et al. (2016, 611) and Vaara and Lamberg (2016, 636–37) have also highlighted the salience of epistemology in the relationship between history and management and organizational research.

To enhance the understanding between historians and organizational scholars, Rowlinson et al. (2014, 251) introduced three “epistemological dualisms” that explicated the roots of “the reluctance of organization theorists to research and write narrative history derived from primary documentary sources.” The dualisms of explanation, evidence and temporality positioned historical theory in relation to organizational theory to make the aversion accessible and offer possibilities to close the divide. Organization scholars prefer analysis to narrative form of historical research; organization research considers archival sources as secondary to constructed data; and finally, organization scholars regard the passage of time as a chronology, while historians use it for analytical periodization (Rowlinson, Hassard, and Decker 2014, 251, 260). Based on their conclusions, Rowlinson et al. (2014, 268) recognized that it would be better to discard ideas of creating “a unified ontological or epistemological foundation” for management and organizational history. They based their opinion on

the fundamental differences between historical and organizational theories, but also on the plurality of historical research (Rowlinson, Hassard, and Decker 2014, 269).

Plurality of historical perspectives and methods is another burning topic in discussions about historical research in management and organizational studies (Kipping and Üsdiken 2014; Coraiola, Foster, and Suddaby 2015; Maclean, Harvey, and Clegg 2016; Vaara and Lamberg 2016; Kipping and Lamberg 2017). Decker (2016) also paid attention to pluralism of history in her review of papers by Coraiola, Foster and Suddaby (2015), Kipping and Üsdiken (2014), Maclean, Harvey and Clegg (2016) and Rowlinson, Hassard and Decker (2014) that outlined “paradigm maps” for management and organizational history. Decker was sympathetic to the use of maps that presented the diversity of the field, but she also worried about the unavoidable partiality of those categorizations. Decker (2016, 369) reminded readers that although recent studies brought forward different types of research, they still “invariably prioritize certain types of history at the expense of others.” In her view, this was problematic, because such preferential treatment creates expectations about the future research in management and organizational history. This may undermine the status of other perspectives, whether or not they are equally valid in all respects (Decker 2016, 369, 375). It is easy to concur with Decker’s opinion, if we consider the plurality of historical approaches (Fulbrook 2002, 7; Jordanova 2006, 160).

Like in management and organization studies, history has a variety of theories and methodologies (Fulbrook 2002; Decker, Kipping, and Wadhvani 2015; de Jong, Higgins, and van Driel 2015; Decker 2016; “Debating Methodology in Business History” 2017). This is why historians should take care not to reduce history

to only a subject or an unbiased method. I have tried to follow this guideline in my own research, which rests on a substantial number of primary sources. To give a better understanding of the source materials, I present them in the last chapter.

## 5 SOURCES AND HISTORICAL METHODS

The archives of each organization are large, and excellent for historical research. Because two of the focal organizations, OTK (since 1983 EKA) and TUKO went bankrupt in 1990s, their archives are readily available for research in the Labour Archives and in the Central Archives for Finnish Business Records, respectively. OTK's materials are well-organized and catalogued, which enable fast and efficient archival work. In contrast, TUKO's documents are only partly catalogued, thus making their examination much more laborious. I had to search for materials folder by folder. Kesko and SOK (now S Group) are still active firms, who together dominate the Finnish retail markets with an aggregate market share exceeding 80 percent. They maintain their own archives, although much of Kesko's older material is also in the Central Archives for Finnish Business Records. I was fortunate to be granted access to their archives, although not all materials were available for this research. Nevertheless, even the limited access was valuable for this study. The following section describes the materials that I used in my research.

### 5.1 Source materials

Most of my sources were corporate documents, like minutes of board meetings, reports, plans and memoranda. The more background information a source contained, the better for my research because of my interest in the argument for and

against large-scale retailing. Therefore, the more useful sources were minutes of the discussions, but their share of the total number of sources was regrettably low.

However, triangulation of sources provided a great deal of valuable information that individual sources could not confirm by themselves. As Kipping et al. (2014, 317) mentioned, triangulation may refer to different procedures, but historians often use pieces of information collected from different sources (see also Howell and Prevenier 2001, 69; Jordanova 2006, 152, 159; Tosh 2010, 134). Especially in comparative case studies, triangulation of partly overlapping documents of different actors and organizations can help to evaluate the reliability of information. Additionally, triangulation is useful in filling gaps in the source material. Different documents from the same or from different archives can corroborate or rebut specific details. Similarly, interviews (or “oral histories”) are often used as a method to complement written documents (e.g., Jordanova 2006, 54–55; Tosh 2010, 313). It is then the historian’s task to infer a probable course of events (Howell and Prevenier 2001, 69).

Another important element of historical analysis is source criticism (Howell and Prevenier 2001, 60–68; Jordanova 2006, 159–60; Tosh 2010, 122–30). Traditionally historians have divided it into external and internal source criticisms, which imply the evaluation of sources’ validity and credibility, respectively (Howell and Prevenier 2001, 60; Kipping, Wadhwani, and Bucheli 2014, 313–14; Lipartito 2014, 289–91). However, in the case of corporate documents validity is rarely a matter of great concern. The documents usually include detailed information about their origin, date and author. Additionally, they are almost invariably authentic. Even then, a

historian still needs to be meticulous in assessing their credibility and representativeness (Bryman et al. 2011, 452; Kipping, Wadhvani, and Bucheli 2014, 313–15). It is especially important to find out if there was a specific purpose that an author (of reports or plans or memoranda) tried to achieve with her/his text. With that kind of information, historical sources do not just reveal what is openly visible, but a historian must judge what is implicitly mentioned or completely left out. As Tosh (2010, 136) emphasized, “[t]he flair for turning evidence to new uses is one of the distinctive contributions of recent historical method.”

To provide an overview of the organizational documents that I consulted in this research, I divided the primary source materials into six categories:

- archival documents of central organizations (Kesko, OTK, SOK and TUKO)
- archival documents of local organizations (co-op Keskimaa, co-op Mäki-Matti, Saastamoinen Group) (especially in Article I)
- archival documents of corporate training centers (Kesko, OTK, SOK and TUKO) (especially in Article III)
- annual reports of central organizations
- internal trade magazines of retail groups (especially in Article II)
- yearbooks of ideological organizations

The list shows a wide variety of source materials. I utilized the sources in different combinations in each article. However, because I adapted the formats of each manuscript to the guidelines of specific journals, they do not all meet the conventions of historical research. A detailed list of the primary sources that I have used in this

dissertation appears in the appendices (Appendix 2). In order to complement the literary sources, I conducted a number of interviews (Prättälä 2011; Karhula 2012; Alhava 2015; Peltola 2015; Perttilä 2015).

## 5.2 Benefits of historical research

Organizational scholars often prefer secondary sources to primary documents. They also construct their own data or use data sets that are publicly available (Lipartito 2014, 300; Yates 2014, 269). This is partly a matter of convenience, because not all historical documents are kept in public archives (Bryman et al. 2011, 452; Lipartito 2014, 298). However, proper analysis of original documents brings benefits that make them often more useful than secondary sources, especially when researchers want to understand why managers and organizations acted as they did.

Historical analysis of primary sources enables researchers to avoid retrospective bias that is a disadvantage of interview data (e.g., Jordanova 2006, 55; Lamberg and Tikkanen 2006, 821; Kipping, Wadhwani, and Bucheli 2014, 313). In addition, reading primary sources helps to understand the authentic context that historical actors considered relevant. Once that is uncovered, historians have to know that context if they are to make justifiable interpretations based on their sources. All this work helps historians to understand the behavior of historical actors at a certain moment. In the words of Jordanova (2006, 90), “[t]here is a world of difference between ‘information,’ which makes us think of data and facts, and ‘understanding,’ which implies a deep grasp of processes and events in the past.”

At the same time, Jordanova (2006, 90) observes that historical research is always contingent on the quality and quantity of sources. In fact, sources are essential to the strength of a historical argument, not least because people's actions and mindsets have not always been consistent (Gaddis 2002, 57). Therefore historical research demands skills in interpreting varied and sometimes complex sources against their own relevant historical context (Jordanova 2006, 90, 150). Historians call this the "hermeneutical approach" (Howell and Prevenier 2001, 102–3; Stutz and Sachs 2018, 101) or "hermeneutic interpretation" (Kipping, Wadhvani, and Bucheli 2014, 320; Wadhvani and Decker 2018, 120). When this materializes in full potential, historians can explain and analyze complex historical processes and individual actions in an insightful and convincing way. Yates (2014, 267) summarized the benefits of historical research: "Historical methods offer great value in exploring historical phenomena, illuminating processes and meanings within a historical context, and studying change over more extended periods of time and within specific historical contexts."



## 6 CONCLUSIONS AND CONTRIBUTIONS

The purpose of this dissertation was to examine the institutionalization of large-scale retailing into Finnish retail markets in the early 1970s. Due to the long duration of historical processes and the changing landscape of Finnish retail trade, the research period spanned from the early 1900s into the mid-1970s. My primary focus, however, was the years between 1960 and 1975. By using this time frame, I could trace the contextual changes that followed the larger transformation of Finnish society. I incorporated the effects of societal changes into my perspective through the theoretical lens of organizational institutionalism. Furthermore, the institutionalist theory was essential in observing the primary object of the research, the social beliefs and expectations within each of the focal companies.

My research questions were 1) how Finnish retail organizations initially regarded the idea of a hypermarket format; and 2) how these attitudes changed over time. I sought answers in three empirical articles. In short, Finnish retail organizations originally resisted the hypermarket and the principles of modern large-scale retailing generally, because they did not fit the organizations' established lines of operations. In addition, the adoption called for changes in the ideological principles that were strongly emphasized in Finland. It is noteworthy that opponents of large-scale retailing were the key stakeholders of the retail groups, not usually the top management of the central organizations. Top managers acknowledged the economic gains of large-scale retailing and thus could not resist adopting it, even if it

contradicted their ideological standpoints. As a result, managers found different ways to “convert” skeptics to supporters.

Important tools in this endeavor were the internal training systems of retail firms (Article III). In corporate schools and institutes, the organizations could distribute new methods and operational principles to managers and other employees. Until the 1970s, retail organizations were largely self-sufficient in occupational training. Of course, individual employees were free to study independently, but they learned work-related skills through in-house training. An employee could begin as an errand boy and end with a permanent position within the same group. The eventual work task depended on the employee’s talents and characteristics. This was also the case after the adoption of self-service stores, which modernized the practice of retailing. Thus, the similar method endured until the late 1960s, when the managerial competence requirements of large-scale retailing undermined the functionality of the system.

Retail organizations were initially keen to retrain managers into new large-scale outlets from their existing managerial staff, but the plan did not work out well. Old employees were so imprinted into the old system that they were not receptive to principles of mass retailing. It was preferable to recruit young, well-educated talent from outside the group. The young graduates possessed sufficient theoretical knowledge and open-mindedness to take on the risks of big business. However before starting their new jobs, new recruits completed special training programs that instilled the organizational values and ideology. As the paper on organizational propaganda demonstrated, the ideological difference between the

retail groups was still necessary, even though the behavior of organizations became more isomorphic in practice. The similarity of Finnish retail groups also increased in their training activities. The training organizations kept a constant eye on the competitors' operations and copied new training practices from each other. Thus, in terms of the DiMaggio and Powell's (1983) model the corporate training systems fused normative and mimetic pressures.

As noted above, in the domain of organizational propaganda (Article II) top management of retail organizations used their authority to justify the transition to large-scale retailing and especially the adoption of the hypermarket format. Even the top managers could not impose their decisions, despite their rank and authority. Instead, they used symbolic management, which was a persuasive approach. More precisely, retail organizations used symbolic language to obtain the support of their main constituents for the new operational policy. Stakeholders' approval was first acquired by expressing the benefits of hypermarkets to preferred ideological and social objectives.

The practice changed after the first large-scale outlets were in operation. Thereafter, legitimation of hypermarkets rested on their economic efficiency. Hence taken together, the study of organizational propaganda suggested that the symbolic actions were related to all three isomorphic mechanisms, when retail organizations explicated the reasons for adoption through actions of other companies (mimetic), organizational survival (coercive) and recent trends in the industry (normative).

In the paper on local decision-making (Article I), I found a surprising multitude of actions in the same competitive environment. Based on the converging

behavior of retail groups at the national level, I expected to find more similarity in local firms. Furthermore, all four competing groups contemplated opening a hypermarket in Jyväskylä, but ended up investing in different outlet formats. My interpretation was that the managers of the focal organizations made different decisions following small deviations in their cognitive frames caused by profound environmental changes and intensifying competition. In other words, the idea of hypermarket was yet unestablished and in the face of growing uncertainty, local managers started to vacillate between investment decisions. It was evident that local actors followed at least partly the direct or indirect influences from the higher-level organizations (i.e., central organizations or controlling companies). Therefore, either coercive or normative pressures, depending on the organization, accompanied the mimetic pressures on the group.

In total, the findings of three research articles illustrated that the effects of institutional isomorphic mechanisms were more complicated than a theoretical reasoning suggests (cf. Table 2). However, this conclusion was predictable in light of DiMaggio and Powell's (1983, 150) original perception that the "typology [of isomorphic mechanisms) is an analytic one: the types are not always empirically distinct." Even so, it was interesting to investigate how the mechanisms interacted in these authentic organizational contexts.

I am now convinced that neo-institutional organization theory helped me to conceptualize and structure my empirical findings. For example, the different reactions within retail organizations demonstrated significant diversity in their operational principles. However, the actions of managers for advancing the

hypermarket format clearly increased the isomorphism of Finnish retail trade. Figure 1 indicates the starting points of systematic adoption of three outlet formats. While the gap between organizations was with self-service stores ten years, it halved to five years in the adoptions of supermarket. At the time of hypermarket adoption, the gap between the first and the last adopter decreased to approximately one year, which implies the growing similarity of organizations.

Thereby the institutional perspective on Finnish retail history complements the previous research that has focused on its technical-rational development. The emphasis has been on the profitability and competitiveness of firms instead of the “institutionalized myths” (Meyer and Rowan 1977). Therefore, my research does not provide much new information about the behavior of Finnish retail organizations, but it does enhance our understanding of why organizations acted as they did. In this regard, I want to reiterate that the starting point of this dissertation process was the history of the Finnish retail industry, not institutional organization theory. In Rowlinson and Hassard’s (2013) terms, the motivation of my dissertation is in neo-institutional history, not in historical neo-institutionalism.

In addition to its empirical contribution, this research has potential to advance theoretical understanding of institutions within the neo-institutionalist view. My research focused on the micro-level processes in individual organizations to examine the effects of institutional constraints. In this effort, I delved into the motivations and argumentation behind individual decisions and set them against their socio-historical context. This I performed by the means of historical analysis of primary sources produced by the historical actors themselves. This micro-level

approach enabled me to treat diffusion of an innovation as process and to study the actions and objectives of individuals. I examined actions in their organizational contexts. In this way, my research has overcome some of the major limitations for which neo-institutional organization theory has been criticized (Suddaby, Foster, and Mills 2014).

Concerning the research on historical turn in management and organization studies and on development of management and organizational history, this dissertation makes two contributions. First, it engages in this discourse by adopting a perspective that integrates history and organization theory. Second, my study highlights the importance of sustaining the cornerstones of historical research, — source criticism, contextualization and plurality of perspectives — in this interdisciplinary collaboration.

## 7 FINNISH SUMMARY

Tämän väitöskirjan aiheena on hypermarkettien tulo osaksi Suomen vähittäiskauppaa. Tutkimus tarkastelee suomalaisten kaupparyhmien suhtautumista siirtymään vakiintuneista tavoista kohti uudenlaista toimintalogiikkaa, vähittäiskaupan suuryksiköitä. Teoreettisilta lähtökohdiltaan väitöskirja pohjautuu DiMaggion ja Powellin (1983) institutionaalisten isomorfisten mekanismien ajatukselle.

Lähestyn tutkimusaiheeni seuraavien tutkimuskysymysten kautta: Miten suomalaiset vähittäiskaupan organisaatiot alun perin suhtautuivat hypermarket-myyvälätyyppiin? Miten kaupparyhmien asenteet muuttuivat ajan kuluessa? Etsin kysymyksiin vastauksia tarkastelemalla hypermarkettien käyttöönottoa paikallisen päätöksenteon, sisäisen propagandan ja yritysten sisäisen koulutuksen näkökulmista. Käsittelen jokaista aihepiiriä omissa tutkimusartikkeleissaan, jotka muodostavat väitöskirjan empiirisen osan.

Kaupan historiaa on tutkittu paljon, mutta tutkimus on painottunut kaupan alan yritysten konkreettisiin toimiin. Aiemmasta tutkimuksesta selviää esimerkiksi, milloin eri maissa on siirrytty itsepalveluun tai milloin keskeiset myymälätyypit on otettu käyttöön. Paljon pienemmälle huomiolle on jäänyt kauppaliikkeiden suhtautuminen uusiin toimintatapoihin ja erityisesti uusien käytäntöjen suhde yritysten toimintaperiaatteisiin. Vaikka suuret myymälät ovat nykyään kaupparyhmien ja asiakkaiden suuressa suosiossa, monet pitivät niitä outoina ja epäsovivina Suomen oloihin 50 vuotta sitten. Tuolloin Suomen

vähittäiskaupparakennuksia hallitsivat neljä suurta ryhmää, jotka kaikki avasivat ensimmäisen hypermarket-myyvälänsä 1970-luvun alussa. Vuosikymmenen puoliväliin mennessä maassa oli toiminnassa yhteensä jo 22 hypermarkettia. Viimeistään tässä vaiheessa uusi myymälätyyppi oli hyväksytty itsestään selväksi osaksi suomalaista vähittäiskauppaa.

Tutkimuksen kohdeyrityksiä ovat Kesko, Osuustukkukauppa (OTK), Suomen Osuuskauppojen Keskuskunta (SOK) ja Tukkukauppojen Oy (TUKO). Suurimpina eroina yritysten välillä voidaan pitää niiden yritysmuotoja ja aatteellista taustaa. Kesko oli vähittäiskauppias- ja TUKO tukkukauppiasjohtoinen osakeyhtiö. OTK ja SOK olivat osuuskuntia, joista edellinen tuki vasemmistolaisista aatteista ja jälkimmäinen agraari-ideologiaa. Erilaisten taustatekijöiden seurauksena myös organisaatioiden toiminnan päämäärät ja tärkeimmät sidosryhmät poikkesivat toisistaan.

Suomalaiselle päivittäistavarakaupalle oli ominaista hidas kehitys verrattuna alan edelläkävijöihin, Yhdysvaltoihin, Ruotsiin ja Sveitsiin. Siksi palvelumyyvälät säilyivät Suomessa yleisimpänä myymälätyyppinä pitkälle 1900-luvun jälkipuoliskolle. Päivittäistavarakaupan kehitysvauhti kiihtyi voimakkaasti 1960-luvun lopulla, kun kaupparyhmät alkoivat avata entistä suurempia myymälöitä. Ensin markkinoille tulivat supermarketit ja pian ryhdyttiin suunnittelemaan ensimmäisiä hypermarketteja, joista suomalaiset yritykset olivat käyneet hakemassa oppia ulkomailta 1960-luvun alkupuolelta lähtien. Kaupan myymäläkoon kasvun tiedettiin edellyttävän merkittäviä muutoksia kaupparyhmien toimintatavoissa. Suurmyymälöiden toiminta ei voinut olla kannattavaa, ellei jakelua ja varastointia



olisi kehitetty uusia vaatimuksia vastaavaksi. Tavaravirtojen keskittäminen puolestaan edellytti jakelupisteiden määrän tuntuva karsintaa sekä entistä suurempia pääomia.

Tutkimuksen teoreettinen näkökulma muodostuu uusinstitutionaalisen organisaatioteorian eri osa-alueista. Uusinstitutionaalista teoriaa on usein kritisoitu sen välinpitämättömyydestä inhimillistä toimintaa kohtaan. Ratkaisuna tähän ongelmaan on tarjottu uusinstitutionalismiin yhdistämistä niin sanotun "vanhan institutionalismiin" kanssa. Suurimpana hyötynä yhteisen institutionaalisen teorian kehittämisestä nähdään olevan, että se tunnistaisi yksilöiden vaikutuksen instituutioiden synnyssä ja kehityksessä. Näin ollen avautuisi myös mahdollisuus hyödyntää historiantutkimusta institutionaalisissa analyyseissä, sillä "vanhat institutionalistit" uskoivat, että institutionalisoitumisprosesseja voitiin ymmärtää vain yksityiskohtaisten historiallisten analyyysien avulla.

Historiaa onkin hyödynnetty viimeisen kahdenkymmenen vuoden aikana uusinstitutionalistisissa tutkimuksissa selvästi aiempaa enemmän. Suurin osa näistä tutkimuksista tähtää kuitenkin edelleen institutionaalisen teorian kehittämiseen ja historiaa käytetään vain teorioiden havainnollistajana. Tämän niin sanotun "historiallisen uusinstitutionalismiin" rinnalle on ehdotettu vaihtoehdoksi "uusinstitutionalistista historiaa". Siinä teoriaa käytettäisiin hyväksi historiantutkimuksen debattien selittämisessä. Toistaiseksi uusinstitutionaalisen historian hyödyt ovat jääneet todentamatta empiirisissä tutkimuksissa. On myös hyvin harvinaista, että institutionaalisissa tutkimuksissa analysoitaisiin organisaatioiden sisäisiä toimia alkuperäislähteiden avulla, vaikka monien mielestä

juuri se antaisi mahdollisuuden vastata uusinstitutionalistisen organisaatioteorian suurimpiin heikkouksiin.

Yhdistämällä historiantutkimuksen ja uusinstitutionaalisen organisaatioteorian näkökulmat, tutkimukseni liittyy viime vuosina yleistyneeseen keskusteluun johtamis- ja organisaatiotutkimuksen "historiallisesta käänneestä". Käännös on teoreettisessa muodossaan jäänyt toteutumatta, mutta käsitteen merkitys on silti ollut suuri tutkimuksen jäsentäjänä. Historiallisen käänneen seurauksena on muun muassa vakiintunut uusi tutkimusala, johtamis- ja organisaatiohistoria, jossa yhteiskuntatieteellisiä teorioita hyödynnetään historiantutkimuksessa.

Tutkimukseni keskeiset havainnot osoittavat, että suomalaisten vähittäiskaupparyhmien sisällä aluksi vastustettiin hypermarket-myyvälöitä. Olennaisessa osassa kielteisen mielipiteen muodostumisessa olivat kunkin organisaation tärkeimmät sidosryhmät. Yhteistä eri ryhmissä esiintyneelle vastustukselle oli, että uuden toimintatavan ei nähty sopivan yhteen kaupparyhmien ideologisten periaatteiden kanssa. Lisäksi kaupan suuryksiköt kyseenalaistivat kauppaliikkeiden vakiintuneet käytännöt. Tästä syystä jokaisen kaupparyhmän ylin johto aloitti uusien käytäntöjen aktiivisen tukemisen, joka tähtäsi hypermarkettien käyttöönottamiseen. Kun kaupparyhmät sovittivat toimintansa hypermarkettien asettamiin tarpeisiin, aatteellisesti ja rakenteellisesti erilaisista kaupparyhmistä tuli entistä enemmän toistensa kaltaisia.

Tutkimustulokset konkretisoivat myös yksittäisten toimijoiden tärkeää roolia isomorfismin lisääntymisessä, mikä muokkaa DiMaggion ja Powellin alkuperäistä rakenteellisten vaikutusten ideaa. Tämän lisäksi tutkimus syventää

uusinstitutionaalisen teorian ymmärrystä instituutioista organisaatiotason tarkastelun avulla sekä korostaa historiantutkimuksen kulmakivien — lähdekritiikin, kontekstualisoinnin ja näkökulmien moninaisuuden — säilyttämisen tärkeyttä johtamis- ja organisaatiohistorian poikkitieteellisissä tutkimuksissa.

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## Appendix 1: Articles on retail history.

Author	Year	Topic (keywords)	Country/Area	Period
Alexander, Andrew	2008	supermarket; self-service retailing; retail format; co-operative societies; retail change	Britain	1960-1965
Alexander, Andrew	2015	retail history; retail strategy; management decision-making; supermarkets	Britain	1965-1985
Alexander, Nicholas	2011	international; retail; marketing; characteristics; market selection; entry mode	Britain	1900-1960
Alexander & Phillips	2006	retailing; independent shopkeeper; retail theory	Britain	1930-1945
Alexander, Nell, Bailey & Shaw	2009	retailing industry; supermarkets; innovations; consumer attitudes	Britain	1945-1975
Alexander, Phillips & Shaw	2008	retail innovation; shopping practices; shopping geographies; consumption	Britain	1950-1970
Alexander, Shaw & Curth	2005	retail innovation; conduits of knowledge; knowledge management	Britain	1945-1965
Aluko & Knight	2017	co-evolution theory; Sainsbury; Sainsbury's	Britain	1869-1991
Baer, William C.	2007	shopping centre; mall; exchange; London; shopkeeper; commerce; retail	Britain/London	1550-1700
Bailey, Shaw, Alexander & Nell	2010	self-service shopping; consumer perspective; oral history; life course perspective; shopping practices	Britain/England	1947-1975
Balnavé & Patmore	2012	Rochdales; consumer co-operatives; retail, wholesaling; rural Australia	Australia	1859-2011
Bamfield, Joshua	1998	flour and bread societies; retail distribution;	Britain	1759-1850
Blackman, Janet	1967	retail grocery trade; local co-operative societies; retail history; historical sources	Britain	1800s
Buckley, Thomas R.	2017	John Lewis partnership; department stores; productivity; shopping centres; retail change; retail performance	Britain	1950-1980
Champsaur, Florence Brachet	2012	Madeleine Vionnet; Galeries Lafayette; fashion; couture; department stores; retail; diversification; copyright; transfer of creativity; licensing	France/Paris	1922-1940
Chan, Wellington K. K.	1996	department stores; market strategy; corporate histories; management styles; social conditions & trends	Shanghai, Hong Kong	1900-1941
Cliquet, Gérard	2000	department store; France; hypermarket; location regulations; retail life cycle; variety store	France	1852-1999
Collantes, Fernando	2016	retailing revolution; dairy chain; supermarkets; food consumption; food chain analysis	Spain	1960-2016
Davies & Sparks	1989	retailing, superstores, Great Britain, planning, location	Britain	1960-1986
Deutsch, Tracey	1999	chain stores, supermarkets, merchandising, grocers, consumer economics, retail industries, archives administration, grocery stores, shopping, gem stones	United States	1930-1950
Dewitte, Billows & Lecocq	forthcoming	retail; regulation; business model, store format; bargaining mechanism	France	1949-2015
Doherty, Davies & Tranchell	2013	fair trade; mainstreaming; fair trade organizations; supermarket retailers; multinational corporations; co-optation; dilution; fair-washing	Global	1980-2011
Du Gay, Paul	2004	retailing; shopping; personhood; self-service; consumption	Britain	1947-1965
Ekberg, Espen	2012	consumer co-operatives; retail history; self-service; supermarkets; hypermarkets; chain stores; consumer movements; co-operative ideology	Germany, Norway, Britain	1950-2008

Fletcher & Godley	2000	foreign direct investment; Woolworth; Singer; multinational retailing; internationalization	Britain	1850-1962
Fowler, Christina	1998	distributive trades; provincial England; wholesale trade; domestic trade; retail innovations; retail warehouses; branded goods	Britain/Southampton	1700s
Gálvez Muñoz & Fernández Pérez	2007	service industries; women owned businesses; self employment; economic history; gender equity	Spain	1800s-1900s
García Ruiz, Jose Luis	2007	marketing; advertising; retailing; Americanization; cultural constraints	Spain	1950-1975
Giertz-Mårtenson, Ingrid	2012	H&M; Centre for Business History Stockholm; corporate and industrial history; corporate culture; design archives; fashion industry; fashion retailing; oral history interviews; fashion trends; 'fast fashion'	Sweden	1947-2008
Godley, Andrew	2003	foreign direct investment; multinationals; innovation; retail trade; innovations	Britain	1850-1962
Hang & Godley	2009	psychic distance; China; international retailing; internationalization process	China	1840-2005
Heyrman, Peter	2017	retail; retail policy; Belgium; independent shopkeepers	Belgium	1930-1961
Hodson, Deborah	1998	retail markets; Lancashire; municipal market	Britain/Lancashire	1800s
Jones, Ghobadian, O'Regan & Antcliff	2013	dynamic capabilities; resource-based view; strategic renewal; familiness; entrepreneurship; shipping; diversification	Britain/Liverpool	1960s-2010s
Lamberg & Tikkanen	2006	cognition; path dependence; retail industry; competitive advantage; organizational structure; ideology; strategy; environmental change	Finland	1945-1995
Lamberg, Tikkanen, Nokelainen & Suur-Inkeroinen	2009	strategic consistency; competitive dynamics; industry evolution; business history; retail industry	Finland	1945-1995
Lohmeier, Andrew	1999	Farmers markets; distribution; economic development; history; urban planning; reforms	Germany/Berlin	1867-1891
Lyna & Van Damme	2009	eighteenth century; southern Netherlands; Antwerp; newspaper advertisements; retailing business; commercial discourse; consumption	Belgium (southern Netherlands)/Antwerp	1700s
Maixé-Altés & Castro Balaguer	2015	structural change; food trade; innovation and institutions; macromarketing; Spain; Mediterranean Europe	Spain	1950-2007
Mercer, Helen	2017	economic history; Britain; resale price maintenance; retailing; Institute of Economic Affairs; Basil Yamey; PWS Andrews; Co-operative society	Britain	1956-1971
Mitchell, Ian	2010	retailing; bazaars; fairs; markets; nineteenth century; London; department stores	Britain/London	1816-1850
Morelli, Carlo	1998	oligopoly; evolutionary approach; resale price maintenance; multiple retailers	Britain	1954-1964
Morris, Jonathan	1998	Italy; fascism; licensing system;	Italy	1922-1940
Mutch, Alistair	2006	public houses; Liverpool; management history; brewing	Britain	1846-1914
Mutch, Alistair	2010	public houses; brewing; Whitbread	Britain	1920-1940
Nell, Phillips, Alexander & Shaw	2011	consumers, consumption, consumer crime, supermarkets, shoplifting, retailing	Britain	1950-1975
Phillips & Alexander	2005	small-scale retailing; large-scale retailing; retail efficiency	Britain	1930s
Phillips, Alexander & Shaw	2005	shoplifting; supermarket; self-service; consumer misbehavior	Britain	1950-1970

Purvis, Martin	1998	co-operative retailing; wholesale supply; competitive capitalism	Britain	1860-1877
Robertson, Nicole	2012	co-operatives; co-operation; dividend; thrift; credit; purchasing power; mutual aid; charity	Britain	1920s-1940s
Sandgren, Fredrik	2009	diffusion of innovation; knowledge transfer; rationalization of distribution; Americanization; self-service; retailing; wholesaling	Sweden	1935-1955
Scarpellini, Emanuela	2004	supermarket; Americanization; retailing; innovation adaptation; consumer culture; hybridization	Italy	1946-1973
Schröter, Harm G.	2008	retail; self-service; Americanization	Germany	1950-1975
Scott, Peter	1994	multiple retailing; property markets; Montague Burton; Marks & Spencer	Britain	1919-1939
Scott & Walker	2010	department stores; competitive advantage; sales promotion; chain stores; advertising campaigns; direct mail advertising; profit	Britain	1919-1939
Scott & Walker	2012	productivity accounting; benchmarking; profitability; department stores; retail industry	Britain	1919-1939
Scott & Walker	2017	retailing; services; productivity; innovation; inventory management; value chains	Britain	1919-1939
Shaw	2005	innovation; supermarkets; postwar Britain; transfer	Britain	1945-1967
Shaw, Curth & Alexander	2004	self-service; supermarkets; Americanization; Marshall Plan; retail innovation; propaganda	Britain	1945-1960
Shaw & Alexander	2006	knowledge; transfer; interlocking directorships; supermarkets	Britain	1950s-1960s
Shaw & Alexander	2008	self-service; supermarket; co-operative societies; retail innovation; post-war Britain	Britain	1945-1967
Shaw, Alexander, Benson & Jones	1998	structural-spatial relations; multiples; south-west England	Britain	1850-1939
Stobart & Hann	2004	retail change; modernity; fixed shops; specialized shopping districts	Britain/North-West England	1700s
Tennent, Kevin D.	2012	popular music; creative industries; distribution; retail; resale price maintenance; record shops; music majors; independent record labels; competition; post-war Britain	Britain	1950-1976
Valorinta & Nokelainen	2011	computer adoption; retail industry; punched-card; information processing; rationalization; inventory tracking; store invoicing	Finland	1950s-1970s
Valorinta, Schildt & Lamberg	2011	organizational power; information technology; retail industry; computers; path dependence; historical analysis; event structure analysis; ESA	Finland	1959-2005
Webster, Anthony	2012	co-operatives; co-operation; wholesale and wholesaling; dysfunctional federation; global trade	Britain	1863-1890
Wortmann, Michael	2004	retail industry, discounters, retail regulation; Germany; Mittelstand	Germany	1930s-2000s
Zumello, Christine	2011	credit cards; historical analysis; studies; consumer credit	United States	1960s

## Appendix 2: List of primary sources and their locations

Primary sources	
Kesko (in the Central Archives for Finnish Business Records, Mikkeli)	
(11172: 189) Store site activity: Plans, annual reports, reports et.	1961-1979
(11172: 193) Store site activity: Memoranda: Jyväskylä, Seinäjoki, Oulu, Vaasa	1961-1985
(11172: 203) Store site activity: Reports, memos, letters, etc.	1974-1984
(11172: 220) Studies: K-retail research	1967-1972
(11172: 221) Studies: K-retail research	1973-1979
(11172: 294) Studies: K-retail research	1965-1970
(11172: 352) Speeches and lectures	1974-1976
(11172: 353) Studies: K-retail reseach: trends	1965-1982
(11172: 374) Speeches and lecture: Director of field operations E.O. Mansukoski	1963-1976
(11172: 396) Store site activity: Store site plans etc.	1969-1975
(11172: 408) Long-range planning committee: Development of grocery retail trade etc.	1962-1976
(11172: 426) K-marketing system: Organizational development etc.	1960-1979
(11172: 428) Logistics: planning, memos, letters, etc.	1962-1976
(11172: 436) Speeches and lectures: Development and management	1958-1986
(11172: 470) Regional offices: Corresponde, study trips, seminars, etc.	1960-1979
(11172: 519) Retail planning: Outlet programs	1960s, 1970s, 1980s and 1990s
(11172: 524) Retailer institute: Annual reports etc.	1954-1970
(11172: 569) Training, courses and seminars: Management course	1960
(11172: 605) Memorandum: Locational planning of grocery retail trade	1968
(11172: 608) Memorandum: Electronic data processing in Kesko	1962
(11172: 613) Department store committee: Minutes	1960-1961
(11172: 616) Operating plan: K-marketing system	1962-1966
(11172: 617) Store site activity: Store site memos, etc.	1961-1964
(11172: 626) Consultation office: Development of retail trade	n.d.
(11172: 629) Consultation office: Adopting self-service	1952
(11172: 635) Consultation office: Self-service information	n.d.
(11172: 636) Consultation office: Memos etc.	1941-1962
TUKO (in the Central Archives for Finnish Business Records, Mikkeli)	
Organized documents	
(3038: 1014) Hämeenkylä retailer institute	1946-1969
(3038: 1019) Ask-bolagen and ASO-group	1954-1968
(3038: 1027) Finnish Wholesalers' Association: CEO Herkama	1962-1978
(3038: 1028) CEO Herkama: correspondence, speeches, etc.	1962-1979

(3038: 1034) Retail support group, training center and TUKO's shareholders	1968-1977
(3038: 1035) Domestic products group: Annual reports, memos, etc.	1968-1976
(3038: 1092) Statistics and memos	1960-1969
Unorganized documents	
Minutes of board meetings	1960-1975
TUKO's competitive situation	1970-1972
Retail support group: Minutes, Heps, Anttila	1975-1977
Retail support group: Memos (Markku Alhava)	1975-1976
Development of OTK	1971-1975
Retail support group: Training center	n.d.
Retailer institute	1983-
Development of SOK in the 1970s	1971
Memorandum of TUKO's overall plan	1971
Long-range planning I-II	1974
Annual reports of departments and manufacturing plants	1960-1975
Report: Department store trade in Finland	1968-1977
Saastamoinen Group (in the Central Archives for Finnish Business Records, Mikkeli)	
(2406: 1) Minutes of board meetings	1967-1974
(2406: 3) Minutes of board meetings	1975-1977
(2406: 231) Minutes of board meetings	1937-1967
(2406: 117) Correspondence between Y.H. Saastamoinen and O.P. Karttunen	1951-1966
Suurmarkkinat Oy (subsidiary of Saastamoinen Group)	
(2414: IC2) Minutes of board meetings	1969-1976
(2414: ID1) Annual reports	1970-1975
Pauna Oy (subsidiary of Saastamoinen Group)	
(2409:D4 1) Miscellaneous drafts: Pauna's long-range plan until 1976	1964-1971
(2409:M1 1) Memos	1961-1971
SOK (in S Group's head office, Helsinki)	
Minutes of board meetings	1960-1975
Board's letters	1971-1975
Annual reports of regional offices	1960-1975
Documents of training department	1918-1960
Travel reports	1960-1973
Keskimaa (local co-op of SOK, in Keskimaa's head office, Jyväskylä)	
Minutes of board meetings	1960-1964, 1975
OTK (in the Labour Archives, Helsinki)	
(CA:CA39-CA54) Minutes of meetings: board, administrative board and general meeting	1960-1975

(CAB:CAB1-CAB4) Administrative board: Minutes of the discussions	1967-1977
KK (OTK's ideological sister organization, in the Labour Archives, Helsinki)	
(CCBB:CCBB47-CCBB76) Minutes of board meetings with appendices	1960-1975
Mäki-Matti (local co-op of OTK, in the Labour Archives, Helsinki)	
(C:16-24) Minutes of meetings: board and administrative board	
Archives of educational organizations	
Co-operative school of KK/E-institute (in Ava-institute, Helsinki)	
Minutes of board meetings	1960-1975
Co-operative school of Finland (in S Group's head office, Helsinki)	
Minutes of board meetings	1971-1975
Annual reports	1934-1961
Retailers' institute (in Kesko's head office, Helsinki, and in Kesko's regional office, Tampere)	
Documents related to establishment process	
Syllabi and curricula	
Educational materials	
Correspondence	

## 9 ARTICLES

### Article I:

Understanding the heterogeneity of decisions: A historical analysis of local competition and decision-making

### Article II:

Managing the paradox of unwanted efficiency: The symbolic legitimation of the hypermarket format in Finland, 1960-1975

### Article III:

Changing Content and Form: Corporate Training in Finnish Retailing, 1900–1975

## Article I

Understanding the heterogeneity of decisions: A historical analysis of local competition and decision-making

Article I is a manuscript prepared for a strategy journal and therefore it lacks most of the references to primary sources. Currently, this paper is not submitted to any journal. You may request a copy from the author.



## Article II

Managing the paradox of unwanted efficiency: The symbolic legitimization of the hypermarket format in Finland, 1960-1975

Article II is accepted for publication in Business History and is available as an electronic version in: <http://dx.doi.org/10.1080/00076791.2017.1304540>.

## Managing the paradox of unwanted efficiency: The symbolic legitimation of the hypermarket format in Finland, 1960-1975

### Abstract

Occasionally, organisations are forced to adopt new practices that are inconsistent with the expectations of their stakeholders. An immediate adoption of the practices would risk the organisation's legitimacy, but as previous research has noted, the perceptions of organisational stakeholders can be managed through symbolic actions. In this paper, I examine how actors from four retail organisations symbolically legitimated the adoption of the hypermarket format within their individual contexts by means of internal professional magazines. The analysis suggests that the organisations buttressed their legitimacy by reversing Meyer and Rowan's idea of loose coupling - adopting the new practice but maintaining their formal appearances.

Keywords: legitimacy; institutional change; symbolic management; business history; retail trade

## Introduction

Legitimacy is a critical attribute of successful organisations. A legitimate organisation acts in congruence with social expectations of acceptable behaviour<sup>1</sup> and is socially supported,<sup>2</sup> and its behaviour is regarded as 'desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions'.<sup>3</sup> Once legitimacy is conferred, it becomes an objective feature, i.e., it becomes independent of individual constituents, which shield an organisation from sporadic deviations from a social norm.<sup>4</sup> However, if deviations become lasting or repeated, an organisation will lose its legitimacy unless it can provide a plausible reason for its actions. Hence, organisational actors must be able to justify to their constituents that the old practice is no longer an appropriate manner in which to act under present and/or future conditions and that the preferred objectives can be better achieved with a novel course of action.<sup>5</sup> Pfeffer asserted that it is a part of management's task 'to provide explanations, rationalisations, and legitimation for the activities undertaken in the organisation'.<sup>6</sup> Such 'symbolic action' has attracted growing attention among scholars of organisational legitimacy in recent years,<sup>7</sup> but despite the growing interest, there is still surprisingly little empirical research regarding how organisational actors strive to manage the perceptions of important stakeholders during crucial periods of de- and re-legitimation.

Although certain researchers, such as Rao, Clark and Soulsby, Human and Provan, Suddaby and Greenwood, and Sine, David and Haveman have contributed studies from the perspective of 'legitimation-as-process'<sup>8</sup>, we do not yet sufficiently understand how organisational actors actually balance maintaining

legitimacy and accomplishing demanded reforms. The purpose of this study is to shed more light on this issue by examining how organisational actors use symbolic management to legitimate new innovation in different organisational contexts. My focus is on the adoption of the hypermarket<sup>9</sup> format in the Finnish retail trade during the 1960s and 1970s, and I will provide a detailed empirical investigation of how four retail organisations argued for the adoption of a hypermarket format to their internal stakeholders by means of professional magazines.

Previously, business historians of retail trade, such as Sandgren and Shaw, Curth and Alexander, have labelled the symbolic actions of organisations 'propaganda'. They have also demonstrated that retail organisations have used organisational magazines to spread information about the positive aspects of self-service techniques and supermarket formats to retailers. The viewpoints of these previous studies vary from examinations of the concrete forms of propagandising to studies of the perceptions of self-service methods within the distribution sector at large.<sup>10</sup> However, business historians have thus far paid less attention to other retail formats and to the interaction between symbolic action or propaganda and the wider collective understandings within organisations. Thus, this paper also expands the scope of research in business history by extending the focus to hypermarkets and to the objectives that organisations attempted to achieve with symbolic acts.

The paper contributes to the theme of the Special Issue in several ways. First, it examines how on-going institutional change gave rise to a legitimisation process that endured for an extended period of time. Second, by adopting the perspective of historical institutionalism, the paper integrates views of business

history and organisation studies, thereby presenting research that is inspired by recent organisational theories but is founded on extensive historical source materials and historical analysis. Third, the findings of the paper underline the salience of agency for the behaviour of organisations and development of institutions and the importance of understanding the historical embeddedness of actors and organisations.

The remainder of the paper consists of four parts. In the first part, I present the theoretical foundation of my work by reviewing previous relevant literature. Then, I introduce the research context and describe the method and data of the study. These are followed by a detailed discussion of the findings of the study. The paper ends with a discussion section that combines the key insights of the study and reflects on how they contribute to our understanding of managers' ability to control legitimation processes.

Theoretical background

### *Institutional change*

Neoinstitutionalist organisation theory is famous for its emphasis on isomorphism – a phenomenon whereby organisations become increasingly similar by adapting their operations to environmental pressures. Accordingly, the neoinstitutionalist view has often been criticised for its negligence of change.<sup>11</sup> Institutionalists have rebutted these criticisms; for example, Greenwood, Suddaby and Hinings remind their readers that change is an integral part of institutional theory because organisations are not initially similar. Greenwood and his co-authors depict institutional change as

a process of several sequential stages, which begin with a sudden external event that results in the emergence of new practices. The sudden events have been called 'environmental jolts', 'triggering events' and 'antecedents of institutionalisation'.<sup>12</sup> Oliver further divides them into political, functional and social pressures and suggests that mounting pressures may cause challenges for established organisations or institutionalised practices because they invite resourceful actors, i.e., 'institutional entrepreneurs',<sup>13</sup> to introduce alternative practices.<sup>14</sup> If the new practices are widely accepted and approved, they will delegitimise the existing pattern and become (re)legitimated in turn. The processes of de- and re-legitimation consist of three interrelated mechanisms: theorisation, legitimation and dissemination, of which dissemination has thus far received the majority of research attention.<sup>15</sup> Therefore, in this study, I will focus on the mechanisms of theorisation and legitimation within institutional change and examine how organisational actors symbolically manage the legitimacy of organisations.

The main purpose of theorisation is to inform stakeholders about the features and expected outcomes of new practices.<sup>16</sup> Thereby, theorisation enables actors to specify how locally used practices might be generalised to other contexts. In the case of failures, theorisation is applicable to explain what went wrong and how it could be remedied. In addition to the informative function, theorisation is used to justify a new practice. Justification is furthered by legitimation, which has the goal of connecting a given innovation to broader social values and thus establishing a new practice.<sup>17</sup> In purely commercial settings, legitimation will most likely be executed by emphasising the logic of efficiency, i.e., economic rationality, but such functional

arguments and practical legitimation are rarely sufficient in contexts in which social norms have highly pronounced meanings for organisational identities, i.e., organisational self-conceptions of 'Who are we?'. In those circumstances, greater acceptance requires normative entitlement, i.e., 'ideas are couched in such a way that they are perceived to be consistent with prevailing values that they appear compelling and legitimate for adoption'.<sup>18</sup> When new practices become legitimate, they are disseminated through isomorphic processes.<sup>19</sup>

At times, theorisation has been equated to a process of sensegiving, which aims at influencing the sensemaking of organisational stakeholders. Through sensemaking processes, stakeholders attempt to interpret the meanings of unfamiliar and sudden events 'by extracting and interpreting cues from their environment', but managers (or other actors) attempt to confuse this process by giving sense 'toward a preferred redefinition of organizational reality'.<sup>20</sup> A typical example of an event that triggers organisational sensemaking processes is a threat to organisational identity. These threats, such as a deteriorating image, lead organisational members to consider who they are as an organisation and how they are perceived from outside.<sup>21</sup> Recently, Gioia et al. noted that the traditional view of organisational identity as a stable and enduring attribute has been superseded by an understanding of identity as a dynamic and changeable attribute, which has increased the weight of sensegiving as a theoretical construct.<sup>22</sup>

To properly address acts of theorisation and legitimation, I examine the basic model of institutional change outlined above through the lens of 'historical institutionalism'. Following Suddaby, Foster and Mills, I regard that the idea of

historical institutionalism is deeply rooted in neoinstitutional theory, but it is more sensitive to the epistemology and methodology of historical research than the view of the majority of institutionalists believe. Historical institutionalism views institutions as temporal processes and corollaries of changing human interaction and understanding. For example, an historically sensitive perspective does not consider path dependence to be a process of narrowing the range of alternatives but a sequence of 'specific moments of choice, each of which creates multiple paths of different historical trajectories or outcomes'.<sup>23</sup> This line of reasoning resembles Vaara and Lamberg's concept of 'historical embeddedness' that encourages researchers to acknowledge the role of context and origins to better understand historical phenomena, in this case institutions.<sup>24</sup> Suddaby and his colleagues especially highlight advances that could be achieved in the understanding of diffusion, actors and embedded agency, and thus the historical approach to institutional change draws attention to the antecedents of adoption decisions.<sup>25</sup> Furthermore, Hargadon and Douglas contend that historical institutionalism facilitates the study of changes that require years, if not decades, to fully develop.<sup>26</sup> Viewing decisions from a longer term perspective is important because the choice between adoption and non-adoption is never purely a dichotomy of two qualities, and people are often motivated by different, potentially conflicting, objectives.<sup>27</sup>

### *Legitimacy*

Researchers supporting the strategic approach of organisational legitimacy have also stressed purposive actions of managers. They have contended that managers may act determinedly to garner support from society, which contrasts with the view of



institutional-legitimacy researchers, who have granted less latitude to managerial action and underlined the constraining effect of social structures.<sup>28</sup> Suchman has criticised the commitment to either the strategic or institutional perspective and called for more integrative work to produce a comprehensive view of legitimation.<sup>29</sup> The integrated perspective is equipped to address the tensions between deviating action and restrictive social pressures, thus refocusing the field to better accord with the actual circumstances that organisational actors face in the real world. In this study, this objective is further advanced by examining how a new practice was legitimated in four different organisational contexts. An alternative approach to studying both institutional change and legitimacy would have emerged from the literature on institutional logics, which has developed into a central field of institutional theory through the works of Friedland, Alford, Thornton, Ocasio and Lounsbury.<sup>30</sup> However, because the primary interest of this study is the purposeful actions of managers intended to change the prevailing logics rather than the logics themselves, I decided to leave institutional logics outside of my theoretical framework.<sup>31</sup>

Definitions of legitimacy and legitimation have been few and far between,<sup>32</sup> but the parallel concepts of delegitimation and re-legitimation have received even less theoretical attention. Jointly, de- and re-legitimation could be defined as changes in the level of legitimacy, which decreases in the former case and increases in the latter.<sup>33</sup> Efforts to control the levels of legitimacy are often connected to the management of impressions, especially concerning questions of who bears the responsibility for the occurrence of given negative events, and how attention is

redirected from an unwanted incident to more preferable goals or practices.<sup>34</sup> Hence, organisational impression management covers 'any action purposefully designed and carried out to influence an audience's perceptions of an organisation'.<sup>35</sup> In practice, organisational actors govern such perceptions with their ability to control the information about the organisation that is provided to the audience.<sup>36</sup>

### *Symbolic management*

Symbolic management, a subset of impression management, further stresses the importance of language and other forms of symbolic action as tools of managers.<sup>37</sup> According to Pfeffer,<sup>38</sup> the main purpose of symbolic management is to convey preferred interpretive schemes, which is again closely associated with sensegiving. Contrary to the perspective of impression management, symbolic management is performed proactively.<sup>39</sup>

Recently, symbolic management theory has been in favour with organisational legitimacy researchers, and it has become well established that organisational actors may use rhetorical strategies and target their messages at specific audiences.<sup>40</sup> Taken together, these studies argue that perhaps more important than being able to carry out the adoption of new practices is an organisation's ability to cite reasons for the adoption to key stakeholders in a way that is both understood and accepted by them.<sup>41</sup> Furthermore, Brown has demonstrated that messages to different stakeholders may differ considerably, while Fiss and Zajac have found that organisational actors can sometimes make stakeholders believe that they are doing the opposite of what they are actually doing. These views can be linked to the ideas of loose coupling and decoupling,

which mean that organizations might be 'building gaps between their formal structures and actual work activities'.<sup>42</sup> Essentially, these views support the idea of sensegiving because they assume that it is possible to affect how people make sense of and give meaning to organisational actions. However, we should bear in mind that because symbolic action is always culturally specific and historically embedded, actors must be aware of the perceptions of organisational constituents.<sup>43</sup> In recent rhetorical studies of organisational legitimacy, this correspondence has been analysed through the concepts of social skill and reflexivity.

Social skill has been a key element in the works of Fligstein. He has defined it as an actor's 'ability bring about cooperation among others'. By means of such cognitive capacity, people are able to understand stakeholders and the surrounding environment.<sup>44</sup> Suddaby, Viale and Gendron support Fligstein's argument and develop it further. Their key finding was that the interaction of social position and skill produces variations in individuals' awareness of the constraints and opportunities of their institutional contexts, which they termed 'reflexivity'.<sup>45</sup>

### *Rationality*

To convincingly justify and legitimise new practices, organisational actors usually refer to their rationality. It is natural that stakeholders are inclined to subscribe to the new practice, if they believe that adoption will be good news for them in one way or another.<sup>46</sup> However, following the idea of Weber, several researchers have recognised that rationalisations might be based on various forms of rationality.<sup>47</sup> Weber divided the concept of rationality into four dimensions: formal, practical, substantive and theoretical rationality. The forms of rationality are not antithetical to

one another but operable within the same context.<sup>48</sup> The formal and practical rationalities both aim at means-end rational action, but with different motives. Whereas practical rational action is motivated by self-interest, formal rational action is guided by certain rules, laws or regulations.<sup>49</sup> Substantive rational action is appreciated for its own sake, independent of its prospects of success.<sup>50</sup> Therefore, it has the capacity to generate value-rational action.<sup>51</sup> Theoretical rationality may produce action only indirectly. It offers a means to construct increasingly accurate abstract concepts to master reality<sup>52</sup> and advance people's understanding of the world. The diversity of Weber's conceptualisation of rationality fits well with theories of legitimacy and symbolic management.

### *Research questions*

Based on this theoretical review combining insights and conceptual logics from the organisational institutionalism, organisational symbolism and historical sociology literatures, I seek answers to my research questions, which are the following: How and why do organisational actors symbolically manage legitimacy of their actions? How are legitimating rhetorical claims employed in specific organisational contexts? Finally, how and why are diverse rationalities used in the construction of rhetorical claims? To obtain an in-depth view of the dynamics of the legitimation process, I conduct historical analyses of the symbolic actions of four organisations in the adoption of a specific innovation. Thereby, the research frame permits a comparison of the organisations and reveals the similarities and differences in their symbolic measures.

## Research design

### *Research setting*

In my empirical analysis, I examined the actions of four central organisations in the Finnish retail trade in the adoption of the hypermarket format from 1960 to 1975.

The focal organisations of the analysis are Kesko, OTK, SOK and TUKO, which were responsible for four retail groups or 'blocks' as Sandgren calls similar organizations in Swedish context.<sup>53</sup> These groups dominated the Finnish retail market throughout the research period and had outlets all around the country.<sup>54</sup> The retail groups were responsible for similar tasks but differed from one another in many respects. Table 1 is an attempt to illustrate the central characteristics of the firms by emphasising the main differences among them.<sup>55</sup>

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Insert Table 1 about here

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*Kesko* (hereafter, *the Family Firm*) was a central organisation of private retailers. The ideological roots of the Family Firm were in the joint operation of rural traders, but over time, it developed into a general retailer organisation.<sup>56</sup> Its retail stores were owned and managed by private entrepreneurs and their families, who made decisions independently without formal approval from the central organisation.<sup>57</sup> According to Hoffman, the strategic focus of the group was retailing, and the objective of the Family Firm was to support the private businesses of its members through various services, including wholesaling, financing and business

counselling. Thus, the division of duties between the central organisation and member retailers was deeply institutionalised, and even after the mid-1900s, it was unthinkable within the group that the Family Firm could be directly involved in retail business. The formation of the retailers' organisation was originally strongly motivated by the establishment of a co-operative central organisation, and later, co-operative societies were regarded as its main ideological competitors because, in addition to ideological reasons, the co-operatives were large companies and major threats to private entrepreneurs.<sup>58</sup> In *TUKO* (hereafter, the *Wholesale Firm*), the ideal type of operation was a local group, which stood for a locally operating private wholesale firm and its customer retailers operating their private outlets.<sup>59</sup> The wholesalers occupied the leading positions of the local groups, consigning retailers to a secondary role and resulting in neglect for the development of retail business. Then, because the Wholesale Firm's retail business did not prosper along with trade in competitor groups, outlets passed from retailers to local wholesalers as payment for unsettled debts.<sup>60</sup> To avoid unnecessary losses and make the retail trade profitable, private wholesalers adopted the new function of being retailers. They began to integrate hitherto separate levels of wholesale and retail trade into unified distribution systems to enter into large-scale retail trade. However, the scale of individual wholesalers' stream of goods was able only to deliver partial savings compared to gains that were attainable.<sup>61</sup> However, achieving a sufficient level of activity would have called for pooling resources with fellow wholesalers, but local wholesalers sought to maintain their autonomy. As a result, members of the

Wholesale Firm competed not only against their ideological competitors but also against other private wholesalers.<sup>62</sup>

Due the peculiar power structures of the private retail groups discussed above, their operations were clearly divided between wholesale and retail functions. In the retail co-operative organisations, the structure was more versatile because their operations were intermingled between central organisations and local co-operative societies. While in other countries, co-operative retailing worked as a unified movement, in Finland, the co-operative movement split into two factions in the latter part of the 1910s, after a decade of recurring controversies over organisational objectives and principles of administrative practices.<sup>63</sup> The 'original' co-operative central organisation, SOK, worked according to co-operative principles, but a middle way did not satisfy the views of contrasting groups. The then newly founded *OTK* (hereafter, *the Worker Coop*) adopted a structure similar to that of SOK (hereafter, *the Agrarian Coop*), where the central organisation was controlled by local cooperative societies.<sup>64</sup> Because the discord between these dissenting political views in the Finnish co-operative movement was deepened by the sufferings of civil war<sup>65</sup>, any type of collaboration among the cooperative groups was virtually unthinkable in the following decades.<sup>66</sup>

A defining distinction among the cooperative groups was in the social status of their most important member groups. The Agrarian Coop's largest membership group was landed farmers, as a result of the organisation's close relationship with agrarian production cooperatives. Due to ideological affinity, the Agrarian Coop was committed to securing the retail services of rural areas, but that

task was complicated by the depopulation of the countryside, which had continued to increase since the turn of the 1960s.<sup>67</sup> Furthermore, it was common for local retail societies to purchase farm produce from their members and utilise the crop in their own bakeries or other production units.<sup>68</sup> Within the Worker Coop, a typical member was a blue-collar worker, who was in favour of a socialist worldview.<sup>69</sup> Moreover the Worker Coop's strategy differed from those of its ideological competitors because it was focused on the primacy of the production and sale of own products and thus subordinated retail trade to industrial production. The management of the Worker Coop believed that they could thereby guarantee the availability of affordable, high-quality products to their disadvantaged members.<sup>70</sup> By the same token, the co-operative retail societies of the Worker Coop considered it important that their outlets be located within walking distance of the members' homes, i.e., in urban areas. Regardless of the ideological and operational differences, both of the co-operatives perceived private retail firms as their main ideological rivals. Nevertheless, in practical affairs, retail co-operatives followed closely one another and made certain that their actions and policies were arranged similarly.

As the brief portrayals of the organisations reveal, ideology was a significant factor in the Finnish retail trade. It was common for co-operatives to compete with private companies,<sup>71</sup> but the split of the Finnish co-operative movement made the competitive field more varied. Because the means of transportation were poor during the first half of the twentieth century, it was essential for outlets to be built near customers.<sup>72</sup> This meant that retailers from each group opened outlets in every town, village and rural community. The co-operatives



were particularly engaged in fierce competition for the favour of co-operative-minded members.<sup>73</sup> Thus, the total number of retail outlets increased until the mid-1960s. The role of ideology was further increased by institutional changes at the end of the 1930s, when the Second World War began. During the first phase, rationing restricted the availability of groceries, and then price controls established prices at a fixed level. To prevent the emergence of a black market, groceries were distributed through a common pool of major retail organisations, which apportioned the available products according to fixed quotas based on market shares that prevailed before the war.<sup>74</sup> The food rationing system solidified the relationships between customers and retailers, and when the last products were removed from rationing in 1954, retailers did not see any reason to start competitive measures. Each retail organisation had its established clientele, who were also content with the situation.<sup>75</sup> Then, at the turn of the 1960s, the state of affairs began to change, when retail organisations were spurred into competition by governmental actions. Institutional changes, such as legislation promoting economic competition by forbidding price determination by previous levels in the distribution chain, encouraged organisations to adopt more active measures. A few years later in 1967, new legislation on public health allowed the sale of different products in the same outlet, which made it possible to increase the product assortment of individual stores while simultaneously increasing their area.<sup>76</sup>

Owing to a static competitive situation, the Wholesale Firm remained the largest retail group from the early 1900s until the latter part of the 1960s. Then, it was surpassed by the Family Firm, which had benefitted from its ability to adopt

self-service stores on a broad scale notably earlier than its competitors.<sup>77</sup> Behind the private organisations, the retail co-operatives developed more steadily, but by the middle of the 1960s, all retail organisations were familiar with the method of self-service, and by the end of the decade, all four were weighing a move to large-scale retailing.<sup>78</sup> Previous experiences with self-service outlets had proved that the critical point for the adoption of a new format was the acceptance of retailers and shopkeepers, who occupied in key positions in the adoption process. The adoption of self-service stores stumbled on several occasions because retailers (or shopkeepers) reassured that customers were not prepared to do their shopping in new types of outlets. Ultimately, customers did not shun self-service stores, but retailers themselves lacked confidence in the potential of the new method and therefore obstructed its adoption.<sup>79</sup> In the wake of these lessons, it became evident that the greater attention should be devoted to the opinions of the individuals carrying out a trade when considering the adoption of new format.

The attitudes of retailers were even more important in the case of large-scale retailing because the potential adoption posed a threat to the established organisational arrangements. Although large-scale retailing rested on the already legitimated method of self-service, the magnitude of operations changed the foundations of the industry. Until then, the independence of individual retail outlets and firms had been a typical feature of the retail business, but the new mode of operations demanded tighter collaboration between companies and different levels of the distribution chain.<sup>80</sup> Those changes challenged key ideological principles of private retail organisations, which were accustomed to a clearly defined division of

duties between the central organisation and its member organisations.<sup>81</sup> For co-operative organisations, the issue lay not in collaboration but in the consequences of large-scale retailing for the level and availability of services.<sup>82</sup> Over time, it became apparent to the top managers of retail groups that they could not afford to forego the potential gains of large-scale retailing. As a consequence of the abovementioned legislative changes and collective labour agreements, retail organisations had to raise salaries, as did organisations in other sectors, but were not allowed to raise the prices of goods.<sup>83</sup>

The retail organisations responded to the mounting pressures mainly by cutting small, unprofitable outlets.<sup>84</sup> Each organisation had built an extensive outlet network during the post-war period, and the number of retail outlets peaked in 1964, when there were more than 22,500 outlets in a total of 547 towns and municipalities.<sup>85</sup> The cuts in retail networks were so extensive that contemporaries labelled the phenomenon 'store death'.<sup>86</sup> From a broader perspective, such store deaths were part of larger rationalisations of the distribution systems, whereby retail organisations reduced their operational costs. Second, organisations sought to increase their revenues from selling goods. Regardless of price regulations, the retailers were able to sell products at lower prices because they were foregoing part of their sales margins.<sup>87</sup> These changes ended the long period of stagnation in the Finnish retail trade and inaugurated a period of active group competition.<sup>88</sup>

When all retail organisations took similar measures, it became more important to differentiate oneself from one's competitors in some other way. In the context of Finnish retailing, a natural approach was to emphasise the ideological

differences and divergent objectives of the groups. The top managers of retail organisations were aware that losing their individual identity would result in pure economic competition that would work against them all. Thus, the role of symbolic management grew to unprecedented importance. Its main objective was to maintain the high level of commitment on the part of the internal stakeholders, especially employees and elected officials. Winning their support was key to any other measure.

#### *Methods and data*

I examined the symbolic management of Finnish retail organisations through an analysis of their internal professional magazines.<sup>89</sup> The relevant magazines (and the changes in their names) and their years of publication are listed in Table 2. I began the analysis by going through the issues of each magazine from the beginning of the 1960s to the mid-1970s. The magazines were available from the archive collection of a depository library, which facilitated their study in a single location. However, the breadth of the source material required extensive reading, and multiple rounds of analysis that were conducted in numerous spells between 2012-2015. The final round of analysis and writing of this paper were performed during a period from September 2015 to March 2016.

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Insert Table 2 about here

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The professional magazines are a subtype of organisational magazines that organisations publish to 'inform, instruct, entertain or even provide collective

meaning for employees',<sup>90</sup> but they should not be confused with customer and in-house magazines.<sup>91</sup> The main target group of the organisational magazines is internal stakeholders, for example, elected officials, managers, retailers and salespersons, but the precise targets of professional magazines depend on the organisational structures and the purposes of journals at a given point in time.<sup>92</sup> Although none of the magazines in this study were consistently targeted each of the aforementioned constituent groups, they were constant conveyors of purposeful propaganda (i.e., symbolic management).<sup>93</sup> In the words of Heller and Rowlinson, organisational magazines act 'as powerful propaganda tools, a means for owners and senior management to influence and control their employees.'<sup>94</sup> Through the magazines, the retail organisations were able to reach their key stakeholders simultaneously and with the same message, which would have been extremely difficult using any other means available at the time.<sup>95</sup>

While reading the magazines, I searched for topics that were related to the development of the retail industry, new innovations and decision-making. In particular, I took note of the motives expressed for decision-making and the attitudes towards recent developments in the industry. The relevant articles (in total, approximately 1600 items) were photographed to facilitate easy access to the sources through subsequent rounds of analysis. The length of the articles varied from brief descriptions consisting of a few sentences to comprehensive stories covering several pages, but all of them were treated equally as self-contained pieces of text. After the relevant data were gathered, I diligently reread the articles to extract passages that provided information relevant for my approach to the topic. The research strategy

could be categorised as interpretive history, i.e., a detailed qualitative study of original primary sources, and my aim was to understand the meaning of the historical events for the actors in question.<sup>96</sup> The interpretive approach assumes that the actions that organisations take and practices that they adopt must be interpreted within their individual context, owing to their historical embeddedness.<sup>97</sup>

In the analysis, I focused on the legitimization of the hypermarket format and the delegitimation of existing formats, thus adopting ready-made categories from the literature. Similar methods are common in recent studies of rhetorical legitimization.<sup>98</sup> I searched for all the articles published in professional magazines that addressed hypermarkets, automarkets, auto department stores or discount department stores; the latter three terms were all used interchangeably with hypermarkets. Specifically, I searched for answers to questions concerning how a new innovation was conceptualised, what the causes and effects of its adoption were, what reasons were given for preferring new to old outlets in current and future situations and how new innovation was linked to essential social values. To manage the large volume of source material, I divided the analysis into two phases. Thereby, my purpose was to secure a thorough analysis of de- and re-legitimation processes while bearing in mind the requirements of sensitivity to history and the historical embeddedness of actors and organisations.<sup>99</sup> In that sense, my methodology can be categorized as an abductive approach, as I applied my initial theoretical framework during the analysis of the empirical data and modified the theoretical conceptions based on the strength of the empirical findings.<sup>100</sup>

In the first phase of the analysis, I gathered all excerpts that discussed the adoption of hypermarkets and analysed how they were used in theorisation and legitimation. In the second phase, I analysed the context of hypermarket articles through an analysis of how the evolution of the retail trade was discussed more generally and how this evolution was interpreted in the light of prevailing organisational ideology. My particular focus was on discussions of large-scale retailing, which was directly related to the development and adoption of the hypermarket format. I studied the texts organisation by organisation and summarised the perceptions in organisation-specific accounts. Finally, I compared the results of the two phases and began to merge them into a consistent narrative. Although each layer of the analysis provided interesting insights, I felt that their utilisation required an addition that could explicate the symbolic management of the legitimation processes. A suitable framework for further analysis was found in Weber's insights into the different dimensions of rationality.<sup>101</sup> Considering these various rationalities also enabled an examination of legitimation processes at a more abstract level and thereby supported previous phases of the analysis. After this stage, I concluded that additional rounds of analysis would not reveal any notable new information.

Before proceeding to the detailed presentation of the findings of the analysis, it is important to briefly discuss two obvious problems of source criticism that are related to the use of organisational magazines as source material. For example, it is difficult to prove that the target groups actually read the articles and that people were affected by the texts. Similarly, there is a dilemma of multiple

actors, when several or even dozens of people edited and wrote articles published in the magazines during the research period. Concerning the first problem, there are two reasons that one can assume that the magazines really were meaningful. First, the target groups of given professional magazines were limited primarily to managerial-level employees and thus required to follow the official line of organisational communication. Second, it was in the interest of managers and retailers to carefully track the development of management practices, changes in the institutional environment and general developments in the field, which were actively discussed in the articles in the professional magazines. With respect to the second challenge regarding the ambiguity of agency, I hold that the published magazine articles were manifestations of the official viewpoint of a given organisation, if the views were not corrected in the same or subsequent issue(s) of the magazine.

## Findings

### *Processes of de- and relegitimation*

The following discussion of the findings of this study is structured according to the stages of theorisation and legitimation in the model of Hinings et al.<sup>102</sup> The Finnish retail organisations absorbed the idea of the hypermarket from Sweden, where the first hypermarket was established in 1962.<sup>103</sup> It was common practice that Finnish retailers kept a weather eye on the actions of Swedish retailers because it was widely acknowledged that Finnish retail businesses lagged behind Swedish developments by 5-10 years.<sup>104</sup> Hence, the Swedish 'showcase' served as a 'crystal ball' that displayed a glimpse of the future for Finnish retailers.<sup>105</sup> Although Finns were able



to draw on experiences of retailers abroad, they nevertheless regarded new methods and formats as new innovations, the suitability and adaptability of which to the local context were well considered before adoption decisions were taken.

### *Theorisation*

Initially, the opening of Swedish hypermarkets was reported on in a factual manner. The features introduced their operational principles, the conditions for their establishment and their historical origins in the United States.<sup>106</sup> The novelty of the innovation manifested in the multiple names that were used to refer to this specific type of retail outlet. These outlets were called, e.g., discount department stores, hypermarkets, automarkets, sale department stores and low-cost department stores.<sup>107</sup> The variety of the names for the format indicated its newness and uninstitutionalised status.<sup>108</sup> The abstraction of the format was necessary to explicate its special characteristics and to differentiate hypermarkets from other formats. On the whole, the Swedish hypermarkets were discussed in a positive tone, and it was thus clear that the professional magazines needed to speculate about the possibility of introducing hypermarkets in Finnish markets. The conclusion was blunt. The conditions of Finnish society did not offer an appropriate environment for hypermarkets in the first half of the 1960s due to several factors. The greatest obstacles were the small number of motor vehicles, customers' unfamiliarity with the self-service method and the limitations imposed by the relevant legislation on the products that could be sold in a given outlet.<sup>109</sup> However, regardless of the impediments at the time, the managers of retail organisations were confident that

foreign experiences proved that large-scale outlets would enter Finnish markets at some point, but they were not able to estimate how long it would take.<sup>110</sup>

Although Finnish retailers were unable to make progress with their hypermarkets, they were able to follow the march of the format in Sweden and other countries. The magazines reviewed the development of store openings around Europe and reported frequently on the situation. The main message of those reviews was that hypermarkets were profitable and, more important, popular among customers.<sup>111</sup> Thus, organisational actors anticipated that the competitive situation amongst Finnish retailers would most likely lead to the adoption of the format.<sup>112</sup> In addition, there were several references that because Finns were not different from any other nationality, hypermarkets would eventually arrive in Finland.<sup>113</sup> Each group affirmed that they had made extensive investigations and were prepared for the arrival of hypermarkets.<sup>114</sup> It seems that it was important to note that the management had ready-made plans for how to initiate the hypermarket business when the time was right.<sup>115</sup> It was essential to appear modern and competitive, although retailers sought to blame the adoption on external factors. Initial delays could mean that later, there would not be any markets available for new hypermarkets.<sup>116</sup> However, the ambiguity between argumentation and action raises the question of whether the reference to competition was only a way to find a scapegoat for potentially controversial decisions and actions or was truly an imperative that could not be resisted. Moreover, the Family Firm's argument for adoption was that hypermarkets would draw their purchasing power from traditional department stores,<sup>117</sup> whereas the Agrarian Coop claimed the opposite - a

hypermarket would not affect the sales of its department stores.<sup>118</sup> At the time, the Family Firm was a market leader in the grocery retail trade, and the Agrarian Coop dominated the department store sector, which offers a proper context for these statements.

Another justification for the adoption of the hypermarket format was that it offered a means for efficient trade, as long as certain preconditions for the location of the outlet and the scale of operations were met. However, considering the tightening financial situation of the organisations, economic matters were seldom featured in the magazine articles or were mentioned only incidentally.<sup>119</sup> Usually, economic aspects were associated with deeper moral values, i.e., the ideological differences among the organisations. In particular, the adoption of the hypermarket format was justified as a measure to prevent the possibility that all the potential gains of the format would go to their ideological competitors.<sup>120</sup> Maintaining ideological barriers separating the organisations from their competitors and protecting ideological objectives were thus used as excuses for economic gains. These excuses linked justification to legitimation, which will be discussed in greater detail below.

### *Legitimation*

It is noteworthy that in the articles from Finnish retail magazines, there were virtually no references to the changes in legislation and regulations that accompanied the legitimation processes of hypermarkets.<sup>121</sup> Ultimately, some of those changes were extremely relevant for the adoption of large-scale outlets.<sup>122</sup> First, it became possible to build large-scale outlets that sold goods from different product

categories. Second, costs rose continuously, but price regulation prevented stores from charging customers more. These magazines widely discussed such legislative issues in other contexts,<sup>123</sup> but for some reason, they were not referred to the context of hypermarkets, although they must have been pivotal for the adoption decisions.

Although the justification efforts already connected hypermarket adoption to broader social values, the connection became more explicit after the retail organisations took the first initiatives to advance their adoption plans. Regardless of the assurances that adoption was essential for survival, some critical voices challenged this direction of development within the same organisations.<sup>124</sup> The criticisms focused on the effects that could result from wide-ranging adoption of the large-scale retail units. The greatest concerns related to the questions of how to maintain services to existing customers after cuts in outlet networks,<sup>125</sup> what the standing of private retailers would be when central organisations entered the retail business,<sup>126</sup> and what would happen to the social mission of trade when economic objectives were prioritised.<sup>127</sup> It was noted that the idea of large-scale retailing poorly with the traditional views of the tasks of each retail group. Because the organisations had their own ideological intentions, they could not place considerable stress on the economic benefits; otherwise, they would have lost their distinctiveness and as a result possibly also their legitimacy.

However, the top management of the retail organisations used these criticisms to support the legitimacy of their actions. Publishing a few critical texts demonstrated that the management was aware of these opinions and that they were taken into account. Furthermore, the dissenting opinions gave the management an

opportunity to legitimate their actions with a direct reference to the valued ideals of the constituent groups. Occasionally, legitimation was present in minor details, such as the proper name of the large-scale outlet. For example, there was fear that calling outlets 'discount' or 'low-cost department stores' could cause pejorative associations concerning the product quality level, and it was therefore preferable to use the name 'auto department store'.<sup>128</sup> Hence, it was evident that the organisational actors paid careful attention to the manners in which stakeholders perceived their organisational behaviour.

### *Dimensions of rationality*

The analysis above discussed the symbolic actions of organisations, but the discourses of organisational magazines can also be studied on a more abstract level. The motivation for another level of analysis arises from the continuous references to the importance of the 'ideological' underpinnings and to the obligations that they involved. However, whereas the authors did not define their ideologies explicitly, I will review how they adopted the idea of large-scale retailing in general, which will emphasise the relationship between the new form of retailing and the prevailing organisational ideology. In the discussion section, the two levels of analysis are combined in a matrix to demonstrate how they converge.

### *Formal rationality*

In the professional magazines, the arguments employing formal rationality were mostly related to the economies of scale that had become available because of the recent developments in the industry and society at large. In that

regard, the co-operative organisations had an edge over their competitors because the typical structure of co-operative retailing was readily suitable for large-scale operations.<sup>129</sup> The co-operative retail trade constituted a continuous distribution chain from wholesale operations to retail outlets, and the different operational levels understood that they were acting collectively in pursuit of shared objectives. However, the co-operatives did not manage to capitalise on their structural advantage. The reason was two-fold. Until the second half of the 1960s, the level of infrastructure was so poor that retail organisations needed to adjust their distribution systems to local conditions. In addition, the principles of co-operation required that the Worker Coop and the Agrarian Coop trade maximum economic performance for the pursuit of a social mission.<sup>130</sup>

The private retail organisations were organisationally more scattered than the co-operatives, but the advances in the infrastructure and institutional environment induced the Family Firm and the Wholesale Firm to consider a more integrated structure. Ultimately, the prospects for increasing profits sparked organisational restructuring within the Family Firm and the Wholesale Firm.<sup>131</sup> It soon became evident that coordinated economic collaboration brought unprecedented economies of scale and scope. The co-operatives were forced to compromise their ideological requirements and prioritise economic considerations. The shift did not mean that the co-operatives abandoned ideology altogether, but afterwards, economic resources determined the extent of ideological activity.<sup>132</sup> Economic rationalisations were the only method with which the co-operatives could secure the services of their members in the future.

In addition to the efforts at an organisational level, the private retail organisations were inclined to extend formally rational action to the level of personal business operations.<sup>133</sup> In this respect, the ideal of private entrepreneurship served the goal of economic rationalisation. The Family Firm in particular believed that the personal risk carried by the private retailers motivated them to constantly develop their businesses.<sup>134</sup> Within the Wholesale Firm, a large portion of the retailers had already encountered financial difficulties, and consequently, local wholesalers were taking over the management of retail outlets. Wholesalers argued that they were compelled to enter the retail trade because of the shortage of suitable entrepreneurs. In the case of large-scale outlets, private retailers also lacked sufficient resources to make the necessary investments.<sup>135</sup>

#### *Practical rationality*

In many of the routine, day-to-day problems, the managers of retail organisations did not rely on any formal precepts or value-based considerations. Their thinking was based on pragmatic intentions of obtaining benefits, i.e., practical rationality. This type of thinking is exemplified in the question of how private retail organisations such as the Family Firm and the Wholesale Firm viewed the retailer activity within their groups. Both organisations acknowledged the importance of commitment to joint operation and active participation.<sup>136</sup> However, their views regarding how passive members would affect the collaboration differed. The Family Firm did not think that passivity of individual retailers would cause direct damage to the group, but it believed that such passivity would nevertheless reduce the overall results and therefore weaken the competitive strength of the group.<sup>137</sup> Within

the Wholesale Firm's voluntary chains, the opinion was that passive members were capable of ruining the whole collaboration and frustrating the work of active members.<sup>138</sup> Therefore, voluntary chains preferred to remain small groups of active members instead of attempting to compete with rivals in terms of size.<sup>139</sup> Thus, although private retailers were expected to comply with certain coordinated joint actions, independent initiatives were encouraged in every other aspect.<sup>140</sup>

Although individual activity was not a priority in the Worker Coop or the Agrarian Coop, as organisations, they wanted to maintain an image as state-of-the-art retailers. After all, the co-operative movement claimed to be a progressive form of business.<sup>141</sup> In particular, the co-operatives perceived that they needed to keep pace with societal changes, which meant recruiting members and customers from new, growing social groups.<sup>142</sup> The push for new members was justified to the existing membership through the following logic: more products sold = larger purchases = cheaper purchase prices = cheaper retail prices. Moreover, the growth in total sales also meant growth in return of surplus. Conceptually, the co-operative actors labelled the recruitment campaign an 'indirect service' for existing members.<sup>143</sup> New membership was attracted with better economic benefits because conventional members' benefits had lost their attraction.<sup>144</sup>

Practical rationality was also employed when co-operatives explained the reasons that they were closing hundreds of retail outlets annually. In the Agrarian Coop, it was made clear that individual benefits had to give way to benefits for the whole organisation,<sup>145</sup> i.e., it was unacceptable that unprofitable outlets would threaten the profitability or survival of the entire group. By the same



token, the Worker Coop stated that if its members were not willing to patronise their local outlet, there was no reason to support unprofitable business.<sup>146</sup> The pragmatism of co-operative thinking was summarised in a statement in the Agrarian Coop's professional magazine: economic rationalisation was often a difficult public relations problem.<sup>147</sup>

### *Substantive rationality*

The arguments based on substantive rationality were related to the specific values that the retail organisations cultivated.<sup>148</sup> In the early 1960s, the values of the four retail organisations were axiomatic, but on-going social changes completely transformed the competitive environment by the end of the decade. As a consequence of the environmental changes, some of the traditional values of retail organisations lost their original status and required some type of revision.<sup>149</sup> It was the Worker Coop's management that was most willing to introduce new values and objectives. Originally, the Worker Coop actively promoted the introduction of democratic ideals into economic life.<sup>150</sup> Furthermore, the socialist co-operative opposed deliberate profit-seeking, which was perceived as an essential feature of capitalism.<sup>151</sup> In the early 1970s, when the Worker Coop's management weighed the situation of the group, they found that it would not be possible to eliminate the leftist imprint.<sup>152</sup> Thus, managers decided to publicly link the Worker Coop with the labour movement to reassert their status as a leftist organisation.<sup>153</sup> Furthermore, the Worker Coop redirected the focus of its ideological work to consumerism.<sup>154</sup> The Agrarian Coop did not oppose capitalism but rather upheld the ideological objectives of co-operative action, e.g., providing 'decent products at a fair price'.<sup>155</sup>

Abandonment of its original values was not an option because they were considered untouchable.<sup>156</sup> However, the top executives of the Agrarian Coop acknowledged that the principles should be reinterpreted in any given context.<sup>157</sup>

The Family Firm was a stalwart advocate of free competition even during times of severe competition.<sup>158</sup> According to the top management of the Family Firm, renunciation of competition would have meant denial of their own existence as entrepreneurs and private retailers.<sup>159</sup> Consequently, the Family Firm was determined to remain faithful to its first principles: private entrepreneurship and good business practices.<sup>160</sup> Retailers were expected to adjust their operations to current conditions but under moral guidelines of reputable behaviour.<sup>161</sup> Although the key values in the Wholesale Firm were similar to those of the Family Firm, the former placed greater emphasis on the economic independence and innovativeness of retailers.<sup>162</sup> Retailers were the bearers of risk, but at the same time, they were encouraged to take more radical and sometimes even controversial actions.<sup>163</sup> Illegal behaviours were not advised, but new and previously unused competitive weapons that were shunned by competitors were encouraged.<sup>164</sup> It was acknowledged that playing the part of forerunner was not easy, but it could open the road to success.<sup>165</sup>

### *Theoretical rationality*

Theoretical rationality involves intellectual processes such as logical reasoning, causal attribution and formation of symbolic meanings.<sup>166</sup> When private retail organisations began to promote deeper collaboration between the levels of wholesale and retail trade, they challenged the traditional ideologies constituted around the principle of independent entrepreneurship. To address the inconsistency,

economic alignment was theoretically rationalised by emphasising the voluntariness of retailers' accession to a group.<sup>167</sup> Furthermore, it was argued that joining a retail group did not eliminate the competitive weapons of private retailers but rather brought about benefits that otherwise would have been unattainable to lone retailers.<sup>168</sup> Within the Family Firm, the membership of the group presumed that collective responsibility was prioritised over extreme individuality.<sup>169</sup> Reciprocally, the Family Firm was ready to support member retailers through periods of temporary difficulties but refused to support consistently unprofitable outlets.<sup>170</sup> The Wholesale Firm and its voluntary groups did not offer systematic support to their retailers but rather believed that competition would separate the wheat from the chaff.<sup>171</sup>

Co-operative retail societies did not need to explicate the reasons for collaboration. Instead, their theoretical rationalisation efforts were focused on the justification of store closings and stressing the importance of their existing, loyal members.<sup>172</sup> The Worker Coop and the Agrarian Coop sought to convince their stakeholders that outlets were not closed because of small size or in pursuit of an objective of mere profit seeking, as was occasionally alleged.<sup>173</sup> The actual reason was that the central organisations had a responsibility for the profitability of the group, although profitability was not an objective of co-operative retailing as such.<sup>174</sup> Their true objectives were, in essence, social, but pursuing them could not be pure charity work.<sup>175</sup> The co-operatives needed income to maintain services for members and loyal customers. Members were the unique resource of co-operative societies

that private companies lacked.<sup>176</sup> A large membership served as a safety net during difficult periods and in upswings offered enormous growth potential.<sup>177</sup>

## Discussion

The purpose of this study was to examine how organisational actors symbolically legitimate the adoption of new innovation within their individual contexts.

Specifically, I focused on the adoption processes of a hypermarket format in four Finnish retail organisations and analysed the ways in which the organisations strove to affect stakeholders' perceptions of the innovation. First, I analysed practical-level legitimation through the discursive action within the pages of professional magazines. Apparent peculiarities in organisational arguments and outright connections between the argumentation and organisational realities called for an additional level of analysis, in which the mundane discursive legitimation was contrasted with higher-level rationalisations. A synthesis of the analyses is presented in Table 3.

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Insert Table 3 about here

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Like any other new innovation, hypermarkets were previously unknown to the majority of the key stakeholders of the retail organisations. Thus, it was crucial that a new format was introduced to the relevant people to bring about institutional change within a given organisational context. In terms of formal and practical rationality, the conceptualisation of the hypermarket format was similar in

the focal organisations. Because all format types rested on formal definitions, there was little room for creativity or subjectivity in argumentation. Similarly, hypermarkets were designed to make the most of available economies of scale and scope, which required the rationalisation of unnecessary services and products. Thus, there were no alternative ways to put large-scale retailing into practice in Finnish context. The greatest differences were apparent during conceptualisation in the accounts of how ideological counterparts, or sister organisations, had advanced with the adoption of hypermarkets. Naturally, the points of reference differed across organisations, but they also emphasised different aspects of the adoption process.

When the adoption of hypermarkets seemed distant to Finnish retailers at the time of initial introduction, the accelerating development of the Finnish society demonstrated similarities with other nations and thereby drove retail organisations to investigate whether the adoption could be feasible in the future and how it should be implemented. A typical feature of the justifications was that the economic effects of the large-scale retailing were mainly ignored. It was well recognised that large-scale retail units had potential for significant gains, but greater attention was given to the question of how those additional resources could be used to promote the operations of the own retail group and thereby specific ideological objectives. Claims of ideological competition were markedly aimed at the emotions of organisational stakeholders, who were not as interested in additional profit as they were in maintaining moral values in their business activities. Hence, the need for new business practices were set forth as a threat to ideological objectives instead of a pure question of profitability. The emotional side was further strengthened with success

stories of those foreign sister organisations that had entered into large-scale retailing and accounts of failures, if hypermarkets were deliberately ignored. Observations that Finns were not any different from other nationalities seemed to corroborate a deduction that a choice between the adoption and non-adoption of hypermarkets would determine the future of the organisation and the success of its larger social mission.

The question of viability was directly linked to another set of claims that called for the appearance of modernity. Irrespective of ideological factors, retail organisations also stressed that retailers and shopkeepers should not give rise to understandings that they were not able or willing to follow the evolution of the field. If customers were to become dubious that they were not served in the best possible way, they could easily switch to another store and buy similar products there. Thus, retailers should not excessively rely on the power of ideology to keep customers loyal; they needed to substantiate their progress through concrete actions. In practice, this meant the introduction and adoption of new practices, including outlet formats, which were not necessarily profitable but proved that the given organisation was not stuck in a rut.

To acquire legitimacy for the hypermarket format, organisational actors could not conceal the fact that the primary reason for the use of the hypermarket format was its economic efficiency. This openness likely resulted from the poor financial situation of retail groups and from the on-going recession period, which made the economic prospects rather dim. Organisations were required to implement more efficient methods to enhance the odds of organisational survival. During

theorisation, it had been possible to ignore the conflict by stating that a potential adoption would also benefit the ideological work. However, in the legitimisation process, addressing the inconsistencies between large-scale retailing and the organisations' social values was unavoidable. I identified three different strategies that organisational actors applied in the legitimisation of hypermarkets. These strategies were to regard the prevailing environment through a lens of ideological principles, to translate ideological principles to fit current circumstances and to redefine ideological objectives according to the current needs of their members. The strategies signalled that although retail organisations were ready to change their course of action, they were reluctant to abandon their ideological guidelines. Actual changes to objectives were conceivable only to better serve existing members. Moreover, changes in organisational behaviour were presented as a continuation of organisational tradition and thereby added an historical element to repertoire of symbolic acts.

In conclusion, the analysis of the adoption of the hypermarket format suggests that the organisational actors used symbolic management to smooth over an apparent contradiction between traditional values and a new method. During theorisation and legitimisation, the hypermarket format and large-scale retailing became loosely coupled to organisational images. The peculiarity of this process was that loose coupling took place in reverse order from the established meaning of the concept. In the reversed version, organisations adopted the innovation discreetly but denied that it would cause major changes in their operations or ideological objectives. Thereby, retail organisations were able to maintain their formal

appearance in a field that was becoming increasingly isomorphic as a result of institutional change.

Various symbolic acts became apparent through the historical analysis, which examined discussions of hypermarkets and large-scale retailing over an extended period of time. The rhetorical claims of organisational actors were based on diverse rationalities and directed to subjects who were behaving and thinking in a more or less non-rational way. Organisational actors with good social skills and a high level of reflexivity were familiar with the sentiments of their stakeholders and developed their rhetoric accordingly. Emotional and temporal claims were employed to generate a vision of adherence to traditional value bases and forms of activity. Sensitivity to historical contingencies enabled the comprehension of separate rhetorical claims as purposeful and well-targeted symbolic management. All of the above contributes to our understanding of legitimation processes under institutional change.

The paper was built on a framework that combined theoretical elements from the literatures of organisational institutionalism, organisational symbolism and historical sociology. The insights were mixed for the purpose of historical research, which examined legitimation processes within their authentic historical environments. The historical research was able to delve into actual legitimation practices over a long period and follow how the processes developed. Thus, this analysis contributed to existing research by examining the dynamics of legitimation processes at a micro level, through individual rhetorical claims. Thus, on the one hand, the paper built on the findings of previous quantitative studies, but on the



other hand, it subjected those findings to critical empirical examination. Similarly, historical studies would be suitable to study how conflicting theoretical views can complement one another in analysing empirical situations. For example, a potential future research agenda would be to analyse how organizations adapt themselves to conflicting pressures of isomorphism and differentiation. The findings of this research suggest that such juxtaposition was a real and prominent issue for the organizational actors.<sup>178</sup> Alternatively, I would like to encourage historians to conduct more historical research on legitimation processes. That is, I call not only for studies that use historical data but also research based on explicit historical research methods. This kind of research might enable better identification and operationalisation of contextual factors and deeper understanding of complex causality, which have represented major challenges in process studies on legitimation.<sup>179</sup>

## Notes

<sup>1</sup> Dowling and Pfeffer, "Organizational Legitimacy," 122; Richardson, "Symbolic and Substantive Legitimation," 140.

<sup>2</sup> Meyer and Scott, "Local Government," 201.

<sup>3</sup> Suchman, "Managing Legitimacy," 574.

<sup>4</sup> Ibid.; Ashforth and Gibbs, "Organizational Legitimation," 183; Berger and Luckmann, *Social Construction*, 110–111.

<sup>5</sup> Hinings et al., "Dynamics of Change," 312.

<sup>6</sup> Pfeffer, "Symbolic Action," 4.

<sup>7</sup> E.g., Pfeffer, “Symbolic Action”; Ashforth and Gibbs, “Organizational Legitimation”; Elsbach, “Managing Organizational Legitimacy”; Fiss and Zajac, “Framing and Decoupling”; Zott and Huy, “Entrepreneurs.”

<sup>8</sup> Rao, “Social Construction of Reputation”; Clark and Soulsby, “Former State Enterprises”; Human and Provan, “Legitimacy Building”; Suddaby and Greenwood, “Rhetorical Strategies of Legitimacy”; David, Sine, and Haveman, “Seizing Opportunity.” In their recent review of legitimacy literature, Suddaby, Bitektine and Haack identify the processual view as one of the three configurations of legitimacy. For a more comprehensive discussion of the ‘legitimacy-as-process’ perspective and additional exemplary papers, see Suddaby et al. “Legitimacy.”

<sup>9</sup> A hypermarket is a retail outlet that follows the self-service principle and is usually operated on a single level. The product range of a hypermarket is equivalent to that of a department store, and the sales of any of commodity group cannot exceed two-thirds of total sales. A hypermarket is typically located on the fringe of a population centre and has numerous parking spaces. The minimum sales area of a hypermarket is 2500 m<sup>2</sup>.

<sup>10</sup> Sandgren, “New Way of Thinking,” 745–46; Shaw, Curth, and Alexander, “Selling Self-Service,” 579–80.

<sup>11</sup> Meyer and Rowan, “Institutionalized Organizations,” 346; DiMaggio and Powell, “Institutional Isomorphism,” 149; Van de Ven and Hargrave, “Social, Technical, and Institutional Change,” 260.

<sup>12</sup> Meyer, “Adapting to Environmental Jolts”; Meyer, Brooks, and Goes, “Industry Revolutions”; Hoffman, “Evolution and Change”; Oliver, “The Antecedents of Deinstitutionalization.”

<sup>13</sup> DiMaggio, “Interest and Agency.”

<sup>14</sup> Oliver, “The Antecedents of Deinstitutionalization,” 567.

<sup>15</sup> Greenwood, Suddaby, and Hinings, “Theorizing Change,” 59; Hinings et al., “Dynamics of Change,” 306–313. In their paper from 2002, Greenwood, Suddaby and Hinings presented a model of six stages, but in 2004 (Hinings et al.), the number of stages was reduced to five. There was actually no meaningful revision to the model but rather only a minor regrouping of the liminal stages.

<sup>16</sup> Strang and Meyer, “Institutional Conditions for Diffusion,” 488–489; Greenwood, Suddaby, and Hinings, “Theorizing Change,” 60.

<sup>17</sup> Hinings et al., “Dynamics of Change,” 312; Greenwood, Suddaby, and Hinings, “Theorizing Change,” 60, 75–76; Tolbert and Zucker, “Institutional Theory,” 183.

- <sup>18</sup> Greenwood, Suddaby, and Hinings, "Theorizing Change," 75; Simons and Ingram, "Organization and Ideology," 787–788.
- <sup>19</sup> Hinings et al., "Dynamics of Change," 312.
- <sup>20</sup> Gioia and Chittipeddi, "Sensemaking and Sensegiving," 442; Weick, *Sensemaking in Organizations*; Maitlis and Christianson, "Taking Stock," 58.
- <sup>21</sup> Dutton and Dukerich, "Image and Identity," 520; Elsbach and Kramer, "Organizational Identity Threats," 442–443; Gioia and Thomas, "Identity, Image, and Issue Interpretation," 370–371; Ravasi and Schultz, "Responding to Organizational Identity Threats," 433.
- <sup>22</sup> Gioia et al., "Organizational Identity," 129–131, 160–161.
- <sup>23</sup> Suddaby, Foster, and Mills, "Historical Institutionalism," 108, 111.
- <sup>24</sup> Vaara and Lamberg, "Historical Embeddedness," 634.
- <sup>25</sup> Suddaby, Foster, and Mills, "Historical Institutionalism," 111–18.
- <sup>26</sup> Hargadon and Douglas, "Electric Light," 476.
- <sup>27</sup> Suddaby, Foster, and Mills, "Historical Institutionalism," 112–13.
- <sup>28</sup> Suchman, "Managing Legitimacy," 572.
- <sup>29</sup> *Ibid.*, 577.
- <sup>30</sup> Friedland and Alford, "Bringing Society Back In"; Thornton and Ocasio, "Historical Contingency"; Thornton, "Conflict and Conformity"; Lounsbury, "Two Cities"; Thornton and Ocasio, "Institutional Logics."
- <sup>31</sup> Cf. Fligstein and McAdam, "Strategic Action Fields," 4.
- <sup>32</sup> Suchman, "Managing Legitimacy," 571–572.
- <sup>33</sup> Cf. Deephouse and Suchman, "Legitimacy in Organizational Institutionalism," 57.
- <sup>34</sup> Arndt and Bigelow, "Presenting Structural Innovation," 496; Staw, McKechnie, and Puffer, "Organizational Performance," 584; Sutton and Callahan, "Spoiled Organizational Image," 407; Elsbach and Sutton, "Illegitimate Actions," 710; Elsbach, "Managing Organizational Legitimacy," 83.
- <sup>35</sup> Elsbach, Sutton, and Principe, "Hospital Billing," 68.

<sup>36</sup> Brown, "Managing Understandings," 952–954.

<sup>37</sup> Pfeffer, "Symbolic Action," 3, 24–26; Zott and Huy, "Entrepreneurs," 72–74.

<sup>38</sup> Pfeffer, "Symbolic Action," 5, 21.

<sup>39</sup> Brown, "Managing Understandings," 953–954.

<sup>40</sup> Fiss and Zajac, "Framing and Decoupling"; Zott and Huy, "Entrepreneurs"; Ashforth and Gibbs, "Organizational Legitimation"; Elsbach, "Managing Organizational Legitimacy"; Westphal and Zajac, "Corporate Governance"; Brown, "Managing Understandings"; Pfeffer, "Symbolic Action"; Vaara, Tienari, and Laurila, "Discursive Legitimation"; Vaara and Tienari, "Discursive Perspective on Legitimation"; Lefsfud and Meyer, "Science or Science Fiction"; Green, "Rhetorical Theory of Diffusion"; Suddaby and Greenwood, "Rhetorical Strategies of Legitimacy."

<sup>41</sup> Green, "Rhetorical Theory."

<sup>42</sup> March and Olsen, *Ambiguity and Choice*; Weick, "Educational Organizations"; Meyer and Rowan, "Institutionalized Organizations," 341.

<sup>43</sup> Brown, "Managing Understandings"; Fiss and Zajac, "Framing and Decoupling"; Zott and Huy, "Entrepreneurs"; Vaara and Lamberg, "Historical Embeddedness."

<sup>44</sup> Fligstein, "Social Skill," 112; Fligstein and McAdam, "Strategic Action Fields," 7; Fligstein, "Stability and Change," 41.

<sup>45</sup> Suddaby, Viale, and Gendron, "Reflexivity," 3, 18–19.

<sup>46</sup> Scott, *Institutions and Organizations*, 2nd ed.:138.

<sup>47</sup> E.g., Clegg, "Values and Occasional Irony"; Townley, "Competing Rationalities," 165; Weick and Putnam, "Organizing for Mindfulness"; Lounsbury, "Two Cities"; Lounsbury, "Practice Variation."

<sup>48</sup> Weber, *Economy and Societ*; For reviews, see Kalberg, "Types of Rationality"; Townley, "Competing Rationalities."

<sup>49</sup> Kalberg, "Types of Rationality," 1151–1152, 1158.

<sup>50</sup> Townley, "Competing Rationalities," 165.

<sup>51</sup> Kalberg, "Types of Rationality," 1155.

- <sup>52</sup> Ibid., 1152, 1154.
- <sup>53</sup> Sandgren, “New Way of Thinking,” 737.
- <sup>54</sup> Kallenautio, *Eka Suomessa*, 94–95; Lamberg and Tikkanen, “Changing Sources,” 818.
- <sup>55</sup> Cf. Lamberg and Tikkanen, “Changing Sources,” 819.
- <sup>56</sup> Hoffman, *K-kaupan historia*.
- <sup>57</sup> Ibid., 532; Lamberg and Tikkanen, “Changing Sources,” 818.
- <sup>58</sup> Hoffman, *K-kaupan historia*, 57, 59, 76, 205, 323, 352–53.
- <sup>59</sup> Myyntineuvoja 6/1975.
- <sup>60</sup> Lainema, *Oman onnensa sepät*, 66–67, 70–71.
- <sup>61</sup> Shaw, Curth, and Alexander, “Selling Self-Service,” 579; Alexander, “Format Development,” 500–501.
- <sup>62</sup> Lainema, *Oman onnensa sepät*, 56, 65–67.
- <sup>63</sup> Kujala, *Cooperative Movement*, 9; Heikkilä, *Land of Cooperatives*, 22; Inkinen, *Diffuusio ja fuusio*, 83–85.
- <sup>64</sup> Although the labels of the retail co-operatives may imply something else, it is perhaps in order to remind that the organisations were consumer co-operatives.
- <sup>65</sup> The Finnish Civil War started in 27 January 1918 and it ended in 16 May 1918, when the ‘Whites’ organized a parade in Helsinki to mark their victory over the ‘Reds’. Tepora and Roselius, “Introduction.”
- <sup>66</sup> Kallenautio, *Eka Suomessa*, 93–94.
- <sup>67</sup> Perko, *Yhdessä enemmän*, 270, 468.
- <sup>68</sup> Heikkilä, *Land of Cooperatives*, 29; Kujala, *Cooperative Movement*, 32.
- <sup>69</sup> Kujala, *Cooperative Movement*, 43.
- <sup>70</sup> Kallenautio, *Eka Suomessa*, 291.
- <sup>71</sup> See, e.g., Alexander, “Format Development”; Sandgren, “New Way of Thinking.”
- <sup>72</sup> Hoffman, *K-kaupan historia*, 319.
- <sup>73</sup> Kallenautio, *Eka Suomessa*, 131.

- <sup>74</sup> Hoffman, *K-kaupan historia*, 73, 236, 238; Kallenautio, *Eka Suomessa*, 56.
- <sup>75</sup> Kallenautio, *Eka Suomessa*, 94.
- <sup>76</sup> Hentilä, *Kaupan työ*, 317, 320; Hoffman, *Yksityisen tukkukaupan historia*, 233; Home, *Kyläkaupasta supermarketiin*, 104–107.
- <sup>77</sup> Hoffman, *K-kaupan historia*, 360; Kallenautio, *Eka Suomessa*, 172; Lamberg and Tikkanen, “Changing Sources,” 820.
- <sup>78</sup> Kallenautio, *Eka Suomessa*, 139–140, 172; Hoffman, *K-kaupan historia*, 361.
- <sup>79</sup> Hoffman, *K-kaupan historia*, 358–59; *Kauppias* 5/1965.
- <sup>80</sup> Perko, *Yhdessä enemmän*, 415.
- <sup>81</sup> Hoffman, *K-kaupan historia*, 353.
- <sup>82</sup> See also Alexander, “Format Development,” 502.
- <sup>83</sup> Home, *Kyläkaupasta Supermarketiin*, 111–12; cf. Shaw and Alexander, “British Co-Operative Societies,” 68; Sandgren, “New Way of Thinking,” 734.
- <sup>84</sup> Hoffman, *K-kaupan historia*, 320; Kallenautio, *Eka Suomessa*, 180, 239–240.
- <sup>85</sup> *Statistical Yearbook of Finland 1965*, 3; Home, *Vähittäiskaupan rakennemuutos*, 56.
- <sup>86</sup> E.g., *A&O-myyntineuvoja* 5/1972; *E* 7/1972; *Kauppias ja myyjä* 25-26/1966.
- <sup>87</sup> Hoffman, *K-kaupan historia*, 426; Cf. Shaw and Alexander, “British Co-Operative Societies,” 73.
- <sup>88</sup> Perko, *Yhdessä enemmän*, 414.
- <sup>89</sup> Cf. Sandgren, “New Way of Thinking.”
- <sup>90</sup> Heller and Rowlinson, “Organizational Magazines,” 119.
- <sup>91</sup> Nuutinen, *Kaupan aikakauslehdet*, 8.
- <sup>92</sup> Heller and Rowlinson, “Organizational Magazines,” 119.
- <sup>93</sup> See Shaw, Curth, and Alexander, “Selling Self-Service,” 579–580.
- <sup>94</sup> Heller and Rowlinson, “Organizational Magazines,” 122.

- <sup>95</sup> Myyntineuvoja 13/1974.
- <sup>96</sup> Collingwood, *The Idea of History*; Carr, *What Is History?*
- <sup>97</sup> Vaara and Lamberg, "Historical Embeddedness," 20.
- <sup>98</sup> E.g., Fiss and Zajac, "Framing and Decoupling"; Vaara, Tienari, and Laurila, "Discursive Legitimation"
- <sup>99</sup> Suddaby, Foster, and Mills, "Historical Institutionalism"; Vaara and Lamberg, "Historical Embeddedness."
- <sup>100</sup> Dubois and Gadde, "Systematic Combining," 559; Van Maanen, Sørensen, and Mitchell, "Theory and Method," 1149.
- <sup>101</sup> Weber, *Economy and Society*; for a review, see Kalberg, "Types of Rationality."
- <sup>102</sup> Hinings et al., "Dynamics of Change," 312.
- <sup>103</sup> Kauppias 10/1962; Osuuskauppalehti 6–7/1963.
- <sup>104</sup> Kauppias 24/1967.
- <sup>105</sup> A&O-myyntineuvoja 7–8/1968; Kauppias 8/1969. For similar development in Britain, see Shaw, Curth, and Alexander, "Selling Self-Service."
- <sup>106</sup> Kauppias 9/1964, 5/1969; Kauppias ja myyjä 24/1967; Osuuskauppalehti 6–7/1963, 21/1963; Osuusliike 3/1966.
- <sup>107</sup> E 1/1971; Kauppias 18/1966, 15–16/1967, 24/1967, 4a/1968; Osuuskauppalehti 21/1963, 22/1965, 5/1969, 1/1970; Osuusliike 3/1966.
- <sup>108</sup> Osuuskauppalehti 4/1970.
- <sup>109</sup> Osuuskauppalehti 21/1963.
- <sup>110</sup> Kauppias 9/1964, 5/1969; Kauppias ja myyjä 18/1966, 24/1967; Osuuskauppalehti 21/1963, 6–7/1973.
- <sup>111</sup> Kauppias 15–16/1967, 4a/1968, 11/1968, 5/1969; Osuuskauppalehti 4/1964, 22/1965.
- <sup>112</sup> A&O-myyntineuvoja 5/1969; Kauppias 12/1968, 4/1970, 7/1970; Osuuskauppalehti 4/1971.
- <sup>113</sup> Kauppias ja myyjä 24/1967. Cf. Shaw, Curth, and Alexander, "Selling Self-Service," 573; Sandgren, "New Way of Thinking," 743.
- <sup>114</sup> E 4/1971; Kauppias 4/1970; Osuuskauppalehti 5/1969.

- <sup>115</sup> Osuuskauppalehti 9/1971.
- <sup>116</sup> A&O-myyntineuvoja 5/1969; Kauppias 8/1969.
- <sup>117</sup> Kauppias 12/1968.
- <sup>118</sup> Osuuskauppalehti 6–7/1973.
- <sup>119</sup> Myyntineuvoja 3/1975; Osuuskauppalehti 1/1970.
- <sup>120</sup> Kauppias 6/1971; Osuuskauppalehti 4/1970, 4/1971.
- <sup>121</sup> Osuuskauppalehti 21/1963.
- <sup>122</sup> E.g., Hentilä, *Kaupan työ*, 317, 320.
- <sup>123</sup> E.g., Aso-viiri 5/1965; Kauppias ja myyjä 19/1966, 3/1967, 5–6/1967, 21/1967; Osuuskauppalehti 20/1964, 5/1968.
- <sup>124</sup> E 1/1971, 4/1971, 6/1972, 7/1972; Kauppias 12/1968, 7/1974; Myyntineuvoja 3/1975; Osuuskauppalehti 5/1969, 11/1973. Cf. Alexander, “Format Development,” 496, 502.
- <sup>125</sup> E 1/1971, 4/1971.
- <sup>126</sup> Kauppias 12/1968.
- <sup>127</sup> E 7/1972.
- <sup>128</sup> Osuuskauppalehti 5/1969.
- <sup>129</sup> Osuusliike 3/1960.
- <sup>130</sup> E 7/1972; Osuuskauppalehti luottamushenkilöille 5/1960.
- <sup>131</sup> A&O-myyntineuvoja 4/1969; Aso-viiri 5/1965, 11/1965; Kauppias 8/1961, 8/1963.
- <sup>132</sup> E 1–2/1970; Osuuskauppalehti 10/1971; Osuusliike 5/1967.
- <sup>133</sup> Kauppias 5/1962, 3/1963, 5/1963.
- <sup>134</sup> Kauppias 10/1964, 3/1965, 11/1968, 22/1975; Kauppias ja myyjä 4/1966.
- <sup>135</sup> A&O-myyntineuvoja 3/1971.
- <sup>136</sup> A&O-myyntineuvoja 4/1969; Kauppias ja myyjä 6–7/1966.



- <sup>137</sup> Kauppias ja myyjä 6–7/1966, 16–17/1966.
- <sup>138</sup> A&O-myyntineuvoja 4/1969.
- <sup>139</sup> Aso-viiri 3/1963; A&O-myyntineuvoja 1/1968, 7–8/1968, 4/1969, 5/1970, 10/1970; Myyntineuvoja 11/1975.
- <sup>140</sup> E.g., Kauppias ja myyjä 22/1965.
- <sup>141</sup> Sandgren, “New Way of Thinking,” 748.
- <sup>142</sup> Osuusliike 3/1960, 4/1962, 5/1967.
- <sup>143</sup> Osuuskauppalehti 14/1967.
- <sup>144</sup> E 2/1971. Cf. Shaw and Alexander, “British Co-Operative Societies,” 74.
- <sup>145</sup> Osuuskauppalehti 14/1967.
- <sup>146</sup> Osuusliike 6/1964, 3/1966.
- <sup>147</sup> Osuuskauppalehti 5/1965.
- <sup>148</sup> Kalberg, “Types of Rationality,” 1155–57; Townley, “Competing Rationalities,” 165.
- <sup>149</sup> A&O-myyntineuvoja 11/1967; E 2/1971; Kauppias 8/1961; Osuuskauppalehti 23–24/1964.
- <sup>150</sup> Osuusliike 2/1960.
- <sup>151</sup> Osuusliike 6/1969.
- <sup>152</sup> E 2/1971.
- <sup>153</sup> E 9/1971, 6/1972, 8/1972, 8/1973.
- <sup>154</sup> E 3/1972, 6/1972, 7/1972, 2/1975.
- <sup>155</sup> Osuuskauppalehti 10/1965.
- <sup>156</sup> Osuuskauppalehti 23–24/1964.
- <sup>157</sup> Osuuskauppalehti luottamushenkilöille 5/1962.
- <sup>158</sup> Kauppias 8/1961, 5/1962, 8/1963, 1–2/1965; Kauppias ja myyjä 16–17/1966.
- <sup>159</sup> Kauppias 8/1961.
- <sup>160</sup> Kauppias 8/1962, 1/1968.

- <sup>161</sup> Kauppias 10/1972; Kauppias ja myyjä 16–17/1965.
- <sup>162</sup> Aso-viiri 7/1964; A&O-myyntineuvoja 11/1967; Myyntineuvoja 7/1975.
- <sup>163</sup> A&O-myyntineuvoja 1/1968.
- <sup>164</sup> Myyntineuvoja 2/1974.
- <sup>165</sup> A&O-myyntineuvoja 4/1970, 10/1970, 12/1970, 11/1971.
- <sup>166</sup> Kalberg, “Types of Rationality,” 1152–1155.
- <sup>167</sup> Kauppias 8/1961, 6–7/1966.
- <sup>168</sup> Kauppias 10/1964, 3/1965, 11/1968, 22/1975; Kauppias ja myyjä 22/1965, 4/1966.
- <sup>169</sup> Kauppias ja myyjä 6–7/1966.
- <sup>170</sup> Kauppias 12/1969.
- <sup>171</sup> A&O-myyntineuvoja 3/1970, 4/1970.
- <sup>172</sup> Osuuskauppalehti 1/1971, 11/1972; E 1/1974; Osuusliike 6/1964.
- <sup>173</sup> Osuuskauppalehti 1/1971; E 7/1972.
- <sup>174</sup> Osuuskauppalehti 10/1971.
- <sup>175</sup> Osuusliike 3/1966. Cf. Alexander, “Format Development,” 502.
- <sup>176</sup> Osuuskauppalehti 1/1971.
- <sup>177</sup> E 2/1971, 1/1974; Osuuskauppalehti 2/1972; Osuusliike 3/1960.
- <sup>178</sup> I would like to thank one of the reviewers for emphasising this point and bringing it to my attention.
- <sup>179</sup> See Suddaby et al. “Legitimacy.”

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Table 1: Key organisational characteristics.

	Key constituents	Ideal type	Strategic focus
Kesko	Private retailers	Entrepreneur (family)	Retailing
OTK	Local co-ops	Member (worker)	Industrial production - retailing
SOK	Local co-ops	Member (farmer)	Retailing – Industrial production
TUKO	Local wholesalers	Local group (wholesaler and customer retailers)	Wholesaling - retailing



Table 2: The professional magazines and the years of their publication.

Organisation	Magazines	Years
Kesko		
	Kauppias Kauppias ja myyjä K-kauppias	1960–1965, 1968–1972, 1974– 1975 1965–1967 1973
OTK		
	Osuusliike E	1960–1969 1970–1975
SOK		
	Osuuskauppalehti luottamushenkilöille Osuuskauppalehti	1960–1962 1963–1975
TUKO		
	Aso-viiri A&O-myyntineuvoja Myyntineuvoja	1962–1965 1966–1972 1973–1975

Table 3: Synthesis of the analysis.

	Formal rationality	Practical rationality	Substantive rationality	Theoretical rationality
Conceptualising the practice	differentiation from other formats	operation in practice	actions of ideological counterparts	applicability to local context
Justifying the practice	investigations and preparation for future development; requirements of the format	profitability; resources for ideological work	ideological competition	development in other countries; similarity with other nations; competition
Linking practice with social values	operational efficiency	organisational survival	advancing ideological goals	revision of connection between action and values

## Article III

Changing Content and Form: Corporate Training in Finnish Retailing,  
1900–1975

Article III is currently in a review process (first round revision) in *Management & Organizational History*. You may request a copy from the author.