Deusto Estudios Cooperativos

Revista del Instituto de Estudios Cooperativos
de la Facultad de Derecho de la Universidad de Deusto

N.º 23 (2023)

doi: https://doi.org/10.18543/dec232023

The Consumer Co-operative Movement in Finland and Lessons We Can Learn from It

El movimiento cooperativo de consumidores en Finlandia y las lecciones que podemos aprender de él

Anu Puusa, Sami Karhu

doi: https://doi.org/10.18543/dec.2886

Submission date: 28 April 2023 • Approval date: 01 August 2023 • E-published: January 2024

The Consumer Co-operative Movement in Finland and Lessons We Can Learn from It

El movimiento cooperativo de consumidores en Finlandia y las lecciones que podemos aprender de él

Anu Puusa[1]
Professor, University of Eastern Finland
anu.puusa@uef.fi

Sami Karhu[2]
Professor of Practice, University of Vaasa
sami.karhu@uwasa.fi

doi: https://doi.org/10.18543/dec.2886

Submission date: 28 April 2023
Approval date: 01 August 2023
E-published: January 2024

Contents: 1. Introduction.—2. Aim and scope.—3. The Finnish consumers' co-operative movement.—4. Lessons to be learned: Understand the business model, maintain the competitive edge and operate according to the cooperative values and principles with the future in mind. 4.1. Everything is in motion: Build on the strengths of the cooperative idea, but change according to the members' needs. 4.2. Understanding the dual role as the basis for the unique identity of the co-operatives. 4.3. Members are at the core of the activities. 4.4. Managerial tasks in a co-operative are service jobs. 4.5. In a model based on democracy and joint ownership, co-operative governance plays a central role. 4.6. There is no room

---

[1] Anu Puusa works as a Professor of Management at the Business School of the University of Eastern Finland in Joensuu.

Her current research interests relate to co-operatives, organizational identity and change. She has published textbooks and numerous journal articles and other works.

She believes in giving back and as such has held positions of trust on the board and the presidency at Cooperatives Europe, the European regional organization of the Intenacional Coopeat ve Allance (ICA), on the Board of Pellervo Coop Center and she is a vice-president of the Board of Pohjois-Karjalan Osuuskauppa, a regional consumer co-operative that is part of S-Group. She portrays herself as "a co-operative enthusiastic".

Anu Puusa is an experienced organizational speaker, a TED TALK speaker and an awarded teacher.

[2] Sami Karhu is Professor of Practise at the University of Vaasa Cooperative Business School. For many years he was the Managing Director of Pellervo Coop Center, the national Finnish Federation of Cooperatives.

He is a Board member of Lilith Cooperative and chairs Kooperatiivi ry, the coordinator association of this publication.

His special interest is the cooperative business model.

for politics in the Finnish co-operative movement. 4.7. Strong local and secondary co-operatives. 4.8. Cooperation vs competition. 4.9. The provision of education is enshrined in the principles of the co-operative movement. 4.10. Values and objectives of the co-operative movement are still relevant.—5. Conclusions.—References.

Contenidos: 1. Introducción.—2. Objetivo y alcance.—3. Los consumidores finlandeses y movimiento cooperativo.—4. Lecciones que aprender: comprender el modelo de negocio, mantener la ventaja competitiva y operar de acuerdo a los valores y principios cooperativos pensando en el futuro. 4.1. Todo está en marcha: aprovechar los puntos fuertes de la idea cooperativa, pero aceptar los cambios según las necesidades de los miembros. 4.2. El papel de la identidad única de las cooperativas. 4.3. Los Miembros son el centro de las actividades. 4.4. Las tareas directivas en una cooperativa: son trabajos de servicios. 4.5. En un modelo basado en la democracia y la propiedad conjunta. El papel central de la gobernanza cooperativa. 4.6. En el movimiento cooperativo finlandés no hay lugar para la política. 4.7. Fuerza local y cooperativas secundarias. 4.8. Cooperación versus competencia. 4.9. La provisión de la educación está consagrado en los principios del movimiento cooperativo. 4.10. Los valores y objetivos del movimiento cooperativo son relevantes.—5. Conclusiones. —Referencias.

Abstract: Finland has a strong consumer co-operative movement with a market share of approximately 46 percent of daily goods. The co-operatives' road to success in Finland has not been a straightforward process. In this article we describe the history of the Finnish SOK retail co-operative and pose the question of what we can learn from the retail co-operatives' experiences.

Historical research strives to demonstrate the way things used to be: What happened, why it happened, and what the consequences were. It searches for explanations using cause and effect. The economic research undertaken by business science aims to find ways for financial organisations and entrepreneurs to be successful. This article combines these perspectives. The source of this article is the research literature.

The early 20th century in many ways proved to be a golden age for Finnish co-operatives. After the Second World War, in the 1950s and particularly in the 1960s, the general development of Finnish society clearly accelerated, and the consumer co-operative movement was unable to keep up with the pace of this development. After a severe crisis, a new rise began.

What can we learn from this? In this article, we highlight several development trajectories and finally summarize them into ten main points. The list can be summarised as follows: internalize and stay true to the co-operative purpose and aims, manage the model accordingly, find a balance between the business and member community aspects of the model – the two different but complementary roles and remain current and future-oriented. Historically, poor success has been the result of doing the opposite: having too many side interests, forgetting or ignoring the co-operative identity, and romanticising the past.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

Keywords: co-operative, consumer co-operative, cooperative movement, Finland.

Resumen: Finlandia tiene un fuerte movimiento cooperativo de consumidores con una participación de mercado de aproximadamente el 46 por ciento de los productos diarios. El camino hacia el éxito de las cooperativas en Finlandia no ha sido un proceso sencillo. En este artículo describimos la historia de la cooperativa minorista finlandesa SOK y planteamos la pregunta de qué podemos aprender de las experiencias de las cooperativas minoristas.

La investigación histórica se esfuerza por demostrar cómo solían ser las cosas: qué pasó, por qué pasó y cuáles fueron las consecuencias. Busca explicaciones utilizando causa y efecto. La investigación económica realizada por la ciencia empresarial tiene como objetivo encontrar formas para que las organizaciones financieras y los empresarios tengan éxito. Este artículo combina estas perspectivas. La fuente de este artículo es la literatura de investigación.

El comienzo del siglo XX resultó ser, en muchos sentidos, una época dorada para las cooperativas finlandesas. Después de la Segunda Guerra Mundial, en los años 1950 y particularmente en los años 1960, el desarrollo general de la sociedad finlandesa se aceleró claramente, y el movimiento cooperativo de consumidores fue incapaz de seguir el ritmo de este desarrollo. Después de una grave crisis, comenzó un nuevo ascenso.

¿Qué podemos aprender de esto? En este artículo, destacamos varias trayectorias de desarrollo y finalmente las resumimos en diez puntos principales. La lista se puede resumir de la siguiente manera: internalizar y mantenerse fiel al propósito y los objetivos de la cooperativa, gestionar el modelo en consecuencia, encontrar un equilibrio entre los aspectos comerciales y de la comunidad miembro del modelo (los dos roles diferentes pero complementarios) y mantenerse actualizado y orientado al futuro. Históricamente, el poco éxito ha sido el resultado de hacer lo contrario: tener demasiados intereses secundarios, olvidar o ignorar la identidad cooperativa y romantizar el pasado.

Palabras clave: cooperativa, cooperativa de consumidores, movimiento cooperativo, Finlandia.

1. **Introduction**

Finland has a strong consumer co-operative movement with a market share of approximately 46 percent of daily goods. (Osuustoiminta OT Vuosikirja, 2022, 32). This is unusual in Europe and even the rest of the world (World Co-operative monitor, 23). As we discuss in another article of this publication, the co-operatives' road to success in Finland has not been a straightforward process. Like co-operative movements around the world, the Finnish co-operative movement has gone through different phases of activity and even crises. They are worth learning from. This article will focus on this learning process, taking as an example the biggest co-operative group in Finland, the S Group.

S Group is a customer-owned Finnish network of co-operatives in the retail and service sectors, with more than 1,800 outlets in Finland. S Group consists of 19 independent regional cooperatives and SOK, which is owned by the regional cooperatives. In addition, S Group includes six local cooperatives. Their network extends throughout Finland, with a strong regional focus. S Group also offers their members comprehensive banking services through S-Bank.

SOK serves as the central company for the regional cooperatives and provides them with procurement, expert and support services. SOK provides services in the supermarket trade, the department store and speciality store trade, service station store and fuel sales, the travel and hospitality business and the hardware trade. In addition, some regional cooperatives have car dealerships and agricultural outlets in their own areas. SOK is also responsible for the strategic guidance of S Group and the development of the various chains. SOK's business operations supplement S Group's offering in Finland and in some neighbouring regions.

2. **Aim and scope**

Historical research strives to demonstrate the way things used to be: what happened, why it happened, and what the consequences were. It searches for explanations using cause and effect. It does not make value judgements – this can be done by the readers if they feel the need. The economic research undertaken by business science aims to find ways for financial organisations and entrepreneurs to be successful. Both perspectives have their sights on the future, on improving our ability to face the changing world. This article combines these perspectives. We will study the history of the Finnish SOK retail co-opera-

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

tive and pose the question of what we can learn from the retail co-operative's experiences.

This article only discusses the development of the Finnish SOK's co-operative business model. We will not get into the operations of the workers consumer cooperative movement, separated from SOK after 1917, which had close ties to the labour movement, though looking into them could also be a fruitful alternative. In addition, the co-operative Hankkija, which is now mostly under Danish ownership, has co-operatively sold farming equipment. This is also not included in the scope of this article. We will simply state in brief that many of the strengths and development issues SOK's co-operative business has run into were also encountered by OTK and Hankkija – sometimes to an even further extent than SOK. Before we get any further, it must be noted that SOK's co-operative business does not exist in isolation. Instead, it is part of the larger tale of Finnish co-operatives. The corporate-cultural factors are largely the same for all co-operatives, because they were all born of a Finnish mass movement. (Häikiö, 1997; Kallenautio, 2009; Kuisma, Henttinen, Karhu, Pohls, 1999).

We will briefly explain the over 100-year old history of Finnish consumer cooperative movement. Finally, we will present an analysis of what we can learn from the ideological essence of the movement based on examining the history of the Finnish co-operative movement from a particular perspective.

3. **The Finnish consumers' co-operative movement**

In the 19th century, Finland was a poor country, where agriculture was the main means of livelihood. However, many changes were brewing. Between 1809 and 1917, Finland was part of the multi-ethnic Russian Empire as an autonomous Grand Duchy. The grand duke was the Russian czar (see in more detail in the other Puusa & Karhu article in this publication). Finnish merchants traded with both the large consuming centre of Saint Petersburg, the Russian capital, as well as the extensive emerging markets of the West. In the 1860s, the forest industry started growing, which sped up the development of Finnish industry. Cities expanded and the working population multiplied. There was a shift towards a monetary and barter economy. The freedom of trade was established in 1879, which accelerated the change. Economic life became organised.

Consumers worked together to improve trading conditions, an early example of a Finnish co-operative undertaking. This was before

the co-operative movement organised at the national level in 1899 and before the Co-operative Act was decreed in 1901. Before the Co-operative Act came into force, the earliest co-operative stores operated in the form of societies and limited companies. The first co-operatives in Finland were created between 1860 and 1880 by the example of the United Kingdom, and they were organised by the working population and officials of the regions with high prevalence of railways and industry. (Puro, 1926, 10-11).

When the co-operative movement became organised and the Co-operative Act entered into force, co-operative businesses were established in both urban and rural areas. The workers' co-operative shops located in city areas had the most influence. They played the leading role in establishing Suomen Osuuskauppojen Keskuskunta (SOK), the central co-operative society for co-operative retail co-operatives in Finland. This was founded in Tampere, which is a focal location in Finnish industry, the co-operative roots of which lead back to the undertakings of the active industrialists and industry workers of the 1880s. The founding co-operatives are known as the twelve apostles. (Perko, 1979, 74-79; Simonen, 1949, 103-113).

There was an increased need for everyday consumer goods, and co-operatives had been established all around the world. At first, the most influential organizer, "the father" of Finnish cooperative movement, Dr Hannes Gebhard's attitude towards consumer co-operatives was wary: as an agrarian reformist he mainly associated them with city folk, factory workers and the labour movement, which meant that their goals were different from those of farmers' co-operatives, which were mostly production co-operatives. Furthermore, Gebhard did not consider consumer co-operatives to be of present interest in Finland, which was still heavily dominated by agriculture. Gebhard's favourite principle was, "We must learn to crawl before we can run," and he applied it also to his attitude towards developing the co-operative movement (Alanen, 1964, 280-282).

Heeding Gebhard's warnings, farmers did not hurry to establish co-operatives, but tried instead to get along with collective purchasing, which prepared them for co-operatives. Collective purchasing was just a short hop from the co-operative concept, and this is the way the development was invariably headed.

The first cooperative store that has operated continuously in Finland until these days was founded in Turku in 1901 and especially the cities of Tampere and Turku became centres of consumer cooperative activism when an open question about the Co-operatives Act had been resolved. From this point forward, co-operatives became more com-

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

mon relatively quickly (Laakkonen & Laurinkari 1995, 71-73). Bankrupt co-operatives fueled Gebhard's suspicions, and bankruptcies were common during the initial period of excitement, because many co-operatives were established without the necessary prerequisites being met. There were not enough capable people and not much capital to be used. Furthermore, many early co-operatives succumbed to the temptation of allowing customers to buy on credit, because that is what people were used to doing with private storeowners even though it was against advised policy and principles. Furthermore, unfit goods were kept in stocks that rotated very slowly (Alanen 1964, 280-281; Hyvärinen 1948). The new national central cooperative organization led by Hannes Gebhard, the Pellervo Society attempted to aid co-operatives by publishing a co-operative handbook in 1903. Furthermore, the Pellervo magazine that tried to educate the members, provided information about co-operatives and reminded people to be cautious and careful when establishing them (Alanen, 1964, 281).

One of the milestones in the expansion and establishment of co-operatives in Finland was a spiritual and political revolution in the country after a general strike in 1905 and a parliamentary reform the following year. The times were turbulent: Russia was unstable after having lost the Russo-Japanese War, and it was controlled by an absolutist government that was quickly losing power, which gave a momentarily break to Finns**.** Other important issues were the establishment of the central union of Finnish co-operatives, SOK, in 1904, as well as the guidance and counselling provided by SOK.

The early 20th century in many ways proved to be a golden age for co-operatives. At that time, SOK —a force that was owned by the co-operatives and united them— was one of the key actors leading the development and the country's leading wholesale business (Tammitie 2010, 13, 35). Back then co-operatives were a concrete part of the operations, people actively invested in them, co-operatives created a strong foundation for customer relations and they speeded up the expansion of the member base. SOK was also a trailblazer in many other respects.

The pioneer´s mind was changed by the will of the people and by 1909 Gebhard was a wholehearted supporter of retail co-operatives. He said that they had their own strengths: a fixed organisational structure, the benefits offered by SOK and other central organisations, systematic management of private stores, effective advertising, support of the general public and special benefits granted by the Government and municipalities. Clean and properly organised stores, improved customer service and a larger number of available products were all benefits that

the competition between co-operatives and private entrepreneurs offered to consumers (Alanen 1964, 287). Suspicions that commerce was a demanding line of business for co-operatives arose in the chaos following the Second World War, when the pioneers had already left the field. There is a saying among the members of workers' co-operative shops that describes the situation aptly: "Managing director Väinö Tanner built it up and his successors used it up." Tanner was the most important leader of the workers' cooperative movement for decades, equivalent to Hannes Gebhard. Tanner was also active in the International Cooperative Alliance ICA. He acted as the president of the ICA in 1927-1945. Tanner was known to be rather business-like for a co-operative leader[3]. According to Tammitie (2010), "the original co-operative ideology carried the co-operatives well into the 20th century, providing a vision that showed the right direction for the first decades of operation. Co-operatives were meant to support their members' finances not only with retail services, but also through diverse instructional activities. The goal was to improve the quality of the members' lives and their standard of living (Tammitie 2010, 116-117).

Finnish society-wise it was a turbulent period in, and politics drove an ugly wedge into the unity of the co-operatives. The people active in the co-operatives formed two separate camps, which in itself goes against one of the key principles of co-operatives: that the movement should be kept separate from political parties. Battles of will regarding co-operative movements' course of direction have been rather common all over the world. Universal societal pressures have also been reflected in the co-operatives. Division lines have been caused by nationalities, religion, occupational divides, disagreements between consumers and producers, and the differences of opinion between people from rural and urban areas, among other factors. In Finland, the biggest factor was whether the movement should be politically neutral or aligned with the labour movement, as the working class was becoming increasingly politically aware (Aaltonen 1953, 325-428; Herranen 2004, 23, 82-87). Nevertheless, there was a division into leftist working people and capitalist farm owners and city folk. Due to this duality, a strong new competitor to SOK was established in 1916-

[3] Väinö Tanner was one of the most prominent Finnish politicians in the first half of the 20th century. He was the prime minister of Finland in 1926-1927 and a minister in several governments after that, including foreign minister during the Winter War. Tanner was also one of the longest serving MPs. He was a presidential candidate in 1925, 1931 and 1937. In addition to his political career, Tanner was the managing director of Concumer Co-operative Elanto from 1915 to 1946 (Wikipedia 2022).

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

1917. It was based on the same principles, but it was targeted mostly at urban areas: co-operatives committed to the labour movement established their own confederation, Confederation of consumer cooperatives in1916, and their own central organisation, Osuustukkukauppa (OTK) in 1917 (Tammitie 2010, 13-14).

Finland became independent on 6 December 1917 in the chaos created by the First World War and the collapsing Russian Empire. The country drifted into a bitter civil war at the beginning of the next year. The war ended with the victory of the non-socialist, conservative Whites and the German army. The era of Russian rule ended, but the independence won by the Finns in 1917 did not actually begin in earnest until Germany lost the great war at the end of 1918. Co-operatives were one of the battlefronts during the war. The people in co-operatives had divided into two camps. The co-operatives that were members of SOK became known as providers of services for the bourgeois, and the other camp wanted to bring co-operatives closer to the vocational and political labour movement. In the civil war, the former sided with the Whites and the latter with the Reds.

Even though the 1920s and 1930s were a time of bickering and competition between the two discordant groups, they were otherwise a fairly good period for co-operatives. Operations were expanded, more varied services were offered and production facilities were established. The number of stores increased together with the number of members. Many co-operatives showed a surplus (Hyvärinen 1948). The ideological differences between the co-operative shops and the way they had to compete for customers also served to spur them on. Both co-operatives attempted to gain a foothold on the people who were looking for their place in the society.

But then another war struck and Eastern Finland was shaken when the people from Karelia had to leave their homes to escape the war. The Winter War from 30 November 1939 to 13 March 1940 was a war between Finland and the Soviet Union. The Soviet Union started the war by attacking without a declaration of war, and the war ended 105 days later —a period of time that is still known in Finland as "the Glory Days." The Finnish army of around 340,000 men was faced with around a million Soviet soldiers. The term "sisu", meaning internal strength or fighting spirit, became an inseparable part of the Finnish national identity. The Winter War was followed by the Continuation War (1941-1944). When it ended, Finland was faced with exacting terms of peace.

The beginning of the Continuation War meant that the people from the surrendered parts of Karelia could return to their homes. Despite

the difficulties, the economy started to quickly revive already during and most of all after the war. Finland is also known as the only country in the world that paid its war reparations in full. It was a huge effort for the small and poor nation. On the other hand, it led to the swift rise of industry and the economy (Laine *et al.* 2019). To sum up, during the Second World War, Finland was in war with the Soviet Union twice. The end result was that the nation's independence was preserved, but significant territorial losses followed. The loss of Karelia in particular was a big blow from co-operative movement's perspective too, since in that area it was particularly strong. However, the war was followed by rapid reconstruction, strong industrialization and urbanization.

The co-operative movement had been part of the efforts to heal the nation from social division and the horrors of the Finnish Civil War during the first world war in 1918, and the Second World War from 1939 to 1945 made it clear that the efforts had been successful to the extent that even the leadership of the Soviet Union was taken by surprise. On the other hand, co-operatives also adapted well to the restrictions imposed by the wartime economy. In the decades of peace and rebuilding that followed, the market economy was prevalent, but trade and industry were still quite heavily regulated. This did not do any favours for a dynamic business culture. Rather, it amplified the weaknesses of the co-operative business model.

After the wars, Finnish society experienced an exceptionally fast structural shift: Finland became urbanised, the agricultural community shrunk in size, the population gained more wealth, mass consumption became prevalent, much of the population joined the middle-class, and the class-based way of thinking fell into obscurity. Competing business models reacted to the changing world faster than co-operatives, and this cut the ground from under the co-operative movement's old justifications, and the co-operatives were having difficulty coming up with new justifications, particularly as the business operations of the co-operative movement were not sufficiently optimised.

Corporative social structures were almost tailor-made to prevent firm solutions from being made regarding business locations, business concepts, products ranges and image-building. There was some analysis, but no adequate solutions. The "command" of the co-operatives had too many political interests and benefits or imagined benefits related to organisations battling each other for hegemony.

The entire co-operative corporate culture —more than just SOK and its co-operative system— was in a state where putting off difficult decisions was commonplace, which only exacerbated the problems. Was the issue with democracy? Probably that as well. But mainly

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

it was an issue concerning the era's democratic leadership, as democracy requires leadership that is responsible and able to put forces in motion.

When we consider co-operatives from the perspective of their dual nature, in other words, understanding that co-operatives are simultaneously enterprises and members communities and that they have both economic and social aims (Draheim 1952; Puusa et al 2013; Novkovic et al 2022), we can see that the decision-making of the time focused far too much on the societal perspective, and even in that, the emphasis was on the past world of organisational power struggles and class-based thinking. What community meant in the modern world remained a mystery. The co-operatives had forgotten their entrepreneurial nature to an inexcusable extent. It should be noted that this also explains the strong counter-reaction suffered by the co-operative business model in later decades. The profitability of co-operative enterprises became a priority. The aspects of communality that were considered incorrect were purged, and with good reason. The new concept of communality was built on service promises and concrete member benefits offered by the co-operatives. The ideas central to this new communality are regional development, responsibility and sustainability. (Perko, 1979; Kuisma, Henttinen, Karhu, Pohls, 1999; Herranen, 2004; Kuisma, Siltala, Komulainen, Keskisarja, 2015; Komulainen, 2021)

After the wars, in the 1950s and particularly in the 1960s, the general development of Finnish society clearly speeded up, and co-operatives were unable to keep up with the pace of this development. Even though agriculture was still an important livelihood, the vitality of small farms waned. More and more farmers abandoned their fields and moved to new growth centres to earn a living. Demand for products in small village stores waned while larger units were needed in towns. The migration was just the tip of the iceberg. In the words of a contemporary: "The five-day working week was adopted, stores were open longer and more often, the inflation rate was high and the interest rate was excessively high. The taxation system was not favourable towards co-operatives: their year-end accounts could not show any surplus. The effects of the war could still be felt." (Tammitie 2010, 14-16).

The stores needed to renew themselves, specialise and listen carefully to the new, rapidly changing customer needs as the consumption habits changed (Laine *et al.* 2019). Co-operatives were not successful in this task. SOK remained in its traditionally strong area, the countryside, for much longer than other stores. The group became unprofitable in the late 1960s and remained that way all through the 1970s.

One important reason for this development was that co-operatives were used to operating barely profitably or even unprofitably. They did not actually seek any profits —quite the contrary: due to the underlying distorted idea of the co-operative movement, they did not aim for their business to be profitable and only wanted to provide services for their members (Herranen 2004, 186-197; Tammitie 2010, 14-32, 70). Co-operatives in other parts of Europe were faced with a similar crisis (Herranen 2004, 185-188; Tammitie 2010, 38). We consider this as a manifestation of the degeneration of the cooperative idea. Why? Because in the early years cooperatives had to be member oriented, follow market prices and be profitable. That was the seed of development learned from Rochdale, but now forgotten. In other words, the cooperatives overlooked or forgot their own teachings.

In the aftermath of the first wave of urbanization in Finland, the co-operative governance was also derailed. People who were at the very core of these events describe the faults of ownership steering. The most striking of the faults was the politicization and discord between the different reference groups that had already reared its ugly head in the past, although that was mainly due to the times. One gets the impression that the decision-making criteria in the management were no longer in the best interest of the co-operative. Instead, whatever was in the best interest of each group and gaining more control became the most important issues of the day. Supervisory duties were also neglected. The best people were not recruited to the management of the co-operatives or to other important positions. A blind eye was turned to internal appointments that suggest the existence of an old-boy network and many needed changes in the personnel were left undone. There was more bureaucracy and overlapping organisational structures, and the management drifted farther away from the everyday business. Co-operatives became more leader-centred. "In the 1970s, the central organisations of Finnish co-operatives were the giants of the economy and their presidents were their natural rulers...The presidents seemed more important than they actually were." Heads of local offices acted like dukes who jealously guarded their territory and had very much authority. Furthermore, reforms were not demanded even though the poor state of the economy was recognised and the signs of impending doom were noticed. The occasional concerned speakers who pointed out the poor state of the economy were silenced by louder speakers who focused on the ideology (Tammitie 2010, 12-28, 54-55, 122-123). This was also partly an issue of competence: most of the executives had a strong degree of ideological fervour —even though their preferred ideologies varied— but they did not have much management

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

expertise. People were often appointed based on their adaptability instead of commercial or management expertise (Herranen 2004, 255; Tammitie 2010, 37, 122). On the other hand, many people have stated —particularly in hindsight— that the members and different governance bodies were knowingly kept in the dark as to the actual financial status of the co-operatives (Tammitie 2010, 55, 68-69).

Furthermore, membership and its significance had been somewhat forgotten. The benefits from the membership were difficult to see, which further estranged the members. The co-operatives existed to benefit themselves instead of their members. The original mission statement was all but forgotten, and the principles of the co-operatives were interpreted very loosely. For example, people pleaded the principles when they wanted to retain store networks in sparsely populated areas that were experiencing net emigration, even though the profitability had deteriorated and the stores had become indebted (Tammitie 2010, 12-36, 70, 117-118).

The approaching crisis was also exacerbated by arguments between the former partners, SOK and Hankkija, and competition that ate away at the resources of both parties. The arguments caused the members to form camps that tried to trip each other up. All of this could also be seen from the outside: the reputation of the entire co-operative movement suffered (Tammitie 2010, 24-25).

The group persevered for two decades, and the discord within the group increased. This time has been characterised as a period of confused division and indecision for SOK, during which the financial chasm deepened. Finally, in the 1970s, the group was faced with a severe financial crisis that affected the entire industry, and that almost bankrupted the group by the 1980s. Its market share had clearly decreased, its reputation was poor and the members suffered from a lack of faith. The group was highly indebted and its solvency was poor. This led to a vicious circle: the dissatisfaction and poor performance meant that the group could not make any maintenance or development investments, which caused more customers to go to the competitors and further deteriorated the already poor state of competitiveness. The group had been lulled by a false sense of satisfaction due to its successes in the past decades and had forgotten to react to the changing social structure. People did not want or dare to give up the old ways of doing things, which is why the group's new president stated during the early stages of his presidency in 1983 that the group would be heading towards a "heroic suicide", unless it was able to swiftly alter its course (Tammitie 2010, 6-20, 45).

Exceptionally harsh reorganisation and structural reforms were implemented due to the crisis, such as the closing down of places of busi-

ness and co-operative mergers. The realisation of these measures was quite an effort, and the highly complex decision-making system due to the business form did not help at all (Tammitie 2010, 6, 53, 60, 67). The turning point was in 1988 when the balances of both the local co-operatives and the central union rose from the red to the black (Tammitie 2010, 61, 85).

The group survived the crisis —not without bruises, but with much more wisdom. It became so strong that it would be able to reclaim its position as a major player in the Finnish economy. Many people played a key role in this change, such as the group's strong presidents. The story of the S Group also proves that a mass movement will not be successful without strong individuals who have the necessary skills and the willingness to lead others in such a way that they will do their best to ensure survival of the co-operative.

Many of the reforms made during the crisis remain part of the backbone of the S Group today. The most important reform was the launching of the green S Card for the member-owners. The 1990s and the new millennium have been a period of strong development and growth as the reforms started to bear fruit and the operations became more than just a continuous fight to survive. The group's competitive edge was restored. The co-operative members —who are now called "customer-owners" to emphasise the unique ownership structure of co-operatives— are yet again at the core of the operations, and the roles of local co-operatives and the central union have been clarified (Jussila 2007; Puusa *et al.* 2013). The co-operatives are regional and independent actors that benefit from the chain that offers efficient procurement operations, logistics and data systems. One indication of the building of a culture of co-operation is adding group-level benchmarking as an important part of the operations (Tammitie 2010, 9, 85-90, 108-160).

During the past two decades years, the perennial debate on the centralised nature of retail trade and high food prices in Finland has become more heated and has also led to concrete action. The debate has been spurred by the arrival of the German retail company Lidl in Finland. Even though it opened its first shops in this country way back in 2002, it was at first considered a minor player with little competitive impact. However, Lidl has systematically increased its market share and has also won the affection of a growing number of consumers. Large domestic operators have realised that a retail chain specialising in imported private label products is becoming a serious threat to Finnish groceries and thus also to food production in Finland.

In response, S Group decided to significantly reduce food prices in its shops and launched a well-publicised price slashing campaign,

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

which has generated at times a bitter debate on the interests of producer and consumer co-operatives (Puusa & Saastamoinen 2021). The debate is not a new one even though it has taken new forms. Already in 1903, during the first conference of Finnish co-operatives, there were signs of conflict between producers and consumers, and the disagreements mainly concerned the pricing of raw materials and products (Tammitie 2010, 7). S Group has stated that it is defending the interests of its members and carrying out the basic task of a consumer co-operative.

Today the S-Group is the grocery store market leader in Finland and also an important trailblazer in the industry globally. Furthermore, it is one of Finland's most popular employers. The highly functional customer-owner system and strong finances are considered to be its key strengths. Its operations are characterised by openness and transparency. Having strayed from the right path for decades, the S-Group has learned to build upon its strengths, trying to balance co-operative's dual role - the business and member community aspects. Financial performance is of utmost importance, but it is only a tool to achieve the overall goals. In compliance with the rediscovered co-operative operating principles, profits are used to provide something good for ordinary people (Osuustoiminta OT, Vuosikirja 2020, 32-37; Osuustoiminta OT, Vuosikirja 2021, 32-37; Osuustoiminta OT, Vuosikirja 2022, 32-37).

4. Lessons to be learned: Understand the business model, maintain the competitive edge and operate according to the cooperative values and principles with the future in mind

History has many tales to tell, and there are many ways these tales can be put into words. However, the main lines are always the same: the co-operative movement in general and the Finnish co-operative movement in particular has had an eventful past with many different phases. There have been times of success and high hopes for the future. There have also been times of lacking analysis and initiative, of losses and letting go. What can we learn from this? We have made a list of ten points. The list can be summarised as follows: internalize and stay true to the co-operative purpose and aims, manage the model accordingly, find a balance between the business and member community aspects of the model —the two different but complementary roles and remain current and future-oriented. Historically, poor success has been the result of doing the opposite: having too many side interests, forgetting or ignoring the co-operative identity, and romanticising the past.

4.1. *Everything is in motion: Build on the strengths of the cooperative idea, but change according to the members' needs*

Co-operatives should make every effort to preserve their distinctive character and their activities and, consequently, their competitive advantage should be based on the strengths arising from the uniqueness of the movement. At the same time, it should also be remembered that the values and principles enshrined in the documents guiding the co-operative movement will remain a dead letter if they are not understood and if co-operatives are unable or unwilling to apply them in their day-to-day activities and decision-making.

Examination of the past also shows that the principles of the co-operative movement should, from time to time, be critically reviewed and updated. Above all, they should be interpreted and put into practice in a manner reflecting the spirit of the times and the prevailing conditions and not always to the letter or relying on past success. One example of this is the prolonged and almost fatal love affair of the Finnish co-operatives with the countryside in a situation where urbanisation was a reality. Another example of misguided action (seemingly in accordance with the principles of the co-operative movement) was the past practice of not laying off employees even if operations were unprofitable or the staff members in question were no longer needed. Unprofessionalism and incompetence were accepted and this had a negative impact on the movement's performance and its ability to serve the members (Tammitie 2010, 55). The interests of the individuals took priority over the interests of the membership as a whole. This shows how interpreting the principles of the co-operative movement and ignoring the changes taking place in society at large may lead to the loss of competitiveness and financial trouble.

Serving the members in the selected sector and providing them with benefits and services in an attractive and competitive manner has been and will remain the basic task of the co-operative movement. History has taught us that the day a co-operative ceases to exist for its members and becomes an end unto itself, the seeds of destruction have been sown.

4.2. *Understanding the dual role as the basis for the unique identity of the co-operatives*

Being both a business and a community of members is characteristic of co-operatives. This is referred as the duality of co-ops or dual roles —business and member community roles of a co-operative. (Dra-

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

heim 1952; Puusa, Mönkkönen & Varis 2013; Puusa, Hokkila & Varis 2016; Puusa & Saastamoinen 2021; Novkovic, Puusa & Miner 2022). Consumer co-ops can only operate as co-operatives if they remain competitive. For this reason, the management should emphasize maximising the enterprise's competitiveness. However, the dualism means that in terms of competiveness management, a co-operative differs from other business models because in a co-operative, competitiveness means the ability to maximise the membership benefits. A co-operative does not have any existential basis if, in the members' view, there are options available on the market that can provide them with more benefits. At the same time, it should be remembered that only a profitable enterprise can bring long-term benefits for its members.

It is already widely recognised in business strategies that success can be an organisation's worst enemy (Normann 2002). In the history of the Finnish co-operative movement, there are also examples of what happens when an enterprise fails to expand into new areas and relies on past success without paying attention to the changes taking place around it. If the years of success have created a buffer, competitiveness may be quietly eroded and it may come as a surprise when the facade of prosperity finally collapses. This was the situation in SOK during the years of rapid urbanisation. Many in the organisation were blinded by the apparent success and nearly two decades later (form 1960s to 1980s) the group had to pay a heavy price for its complacency. The fact that SOK went from boom to near bust shows how much went wrong.

The belief that a co-operative should not make a profit is a complete misunderstanding (Levi & Davis 2008; Mazzarol *et al.* 2011; Birchall 2013; Puusa & Saastamoinen 2021). In the 1960s and 1970s, there was a reluctance in many SOK co-operatives to take a closer look at their figures and to recognise the realities contained in the indicators. Negative figures and indicators may even have been covered up in some cases. At the same time, emphasising the ideological aspects of the business created positive feedback. The above examples show how in the case of the S Group, accepting losses and barely profitable or loss-making operations drove many co-operatives into insolvency and the whole group into a difficult and prolonged economic crisis. It also led to an unhealthy relationship between regional actors and the central organisation, which will be discussed in more detail below.

However, it should be emphasised that in co-operatives there is a difference between making a profit and maximising a profit (Puusa *et al.* 2013; Puusa *et al.* 2016). In the efforts to ensure profitability, one area where co-operatives differ from investor-owned companies is that in a co-operative, the manager and their staff cannot se-

lect the products and services on offer using maximum profitability and efficiency as the decision-making criteria as the choices must be based on the membership's needs (See Puusa, Hokkila & Varis 2016). Thus, decision-makers in a co-operative must take a wider view than their counterparts in entities guided solely by business thinking as the owners' interests are more complex. We argue that the party granting the leadership mandate (membership) therefore requires that the management is able and willing to consider its interests at all times. One cannot overemphasise that it is important for co-operatives to find a balance between the two different but complementary roles. One role should not have priority over the other. Metaphorically speaking, the matter could be described as follows: It is much more natural and easier to stand on two feet than on one foot. A person trying to balance on one foot will ultimately fall whereas a person who has both feet firmly on the ground has plenty of time to choose the right direction and start going towards it on both feet. If a co-operative only emphasises the well-established principles of a business entity in its operations, the interests of the membership will became secondary, which will put the continuation of the operations at risk. On the other hand, a situation where too much consideration is given to the members' interests may also jeopardise the business performance of the co-operative (TED TALK 2021).

In the S Group there is a certain amount of fluctuation in prioritising the two aspects. At first the operations were almost exclusively carried out on an ideological basis. In the ensuing decades, the urbanised co-operative movement wanted to shed some of its rural-oriented ideological content. As the financial crisis set in and more emphasis was needed on proper financial management and performance, the movement went to the other extreme. The ideology was now a thing of the past and the co-operatives became business operators. There was no longer any educational work, co-operative thinking was no longer passed down from generation to generation and co-operative training was cut to a minimum. The situation was additionally exacerbated by the overheating of the Finnish economy in the 1980s and the fact that private ownership and maximisation of profits were becoming increasingly fashionable trends.

Then there is the progress of the co-operative movement itself. As enterprises, Finnish co-operatives have become downright allergic to loss-making. History shows us what it can lead to —business paralysis. Co-operatives have no wealthy investors who could quickly bring in new capital. Co-operatives typically have small capital contributions. New capital mainly arises from the surplus of profitable business operations.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

The main challenge now is that business operations are widely associated with what are called hard values. The capitalist business culture has become an integral part of our society, while at the same time there is no longer any public awareness of the principles guiding the co-operative movement. For this reason, it can be very difficult for people today to understand the mission of the co-operative movement, which sets it apart from other types of businesses: engaging in profitable operations while at the same time meeting people's needs and ensuring their well-being. Thus, it is quite understandable to have doubts about the workability of the dual nature unique to the co-operatives, especially because co-operatives are supposed to operate as mainstream businesses (Puusa *et al.* 2013).

Developments in the S Group show that the potential of the competitive advantage arising from customer ownership and co-operative principles is again becoming more widely recognised. When other aspects of the business are in good shape, "the unifying force based on the ideology is a great competitive advantage." (Tammitie 2010, 56).

4.3. *Members are at the core of the activities*

In a joint-stock company or a listed company, the most important input of the owner is in the form of making capital available to the enterprise, whereas in a co-operative, the members are expected to be actively engaged in the operations of the organisation in different roles (see Novkovic *et al.* 2022). For this reason, one of the most important tasks of the management of the co-operative is to provide a good basis for engagement and encourage participation. Membership should create a feeling of inclusion and be perceived as meaningful and personal. This will make it easier for individuals to become committed members of their co-operatives and identify with the dual role of the co-operatives.

In the co-operative movement, everybody can have a say and contribute to their own well-being and the well-being of their community, regardless of their age, social status or wealth. This means that the co-operative movement also promotes inclusion: On the one hand it brings people together, providing them with a forum for active engagement, while on the other hand, there is also the principle of self-help, which means that everybody is responsible for improving their own living conditions. Nowadays, the undisputed strength of the co-operative movement is also its weakness. Co-operative enterprises have managed to break the monopoly of private retailers and create healthy

competition to the extent that we now take them for granted. As the situation has improved, it is easy to forget what the co-operatives have always been about. At the time when the first co-operatives were established on these shores, Finland was an agricultural country with little capital and a poor and uneducated population. In those days, becoming a member of a co-operative was a matter of survival for many people. Furthermore, co-operative activities were an integral part of daily life in rural villages. We are now living in an era of well-being and prosperity and co-operatives have to reassess the needs that they are expected to meet. Does membership generate any benefits that the many competitors cannot offer?

The challenge today is how co-operatives can remain close to their members in a situation where operations and the organisation are continuously expanding. For example, the S Group has almost 2.5 million members in Finland (S Group 2022). As the competition is getting tougher, co-operatives have realised that in addition to providing membership benefits they must also offer other attractions ensuring the commitment of their members. What is needed is an emotional bond between the co-operative and its members.

It goes without saying that a co-operatives should not be afraid of having a diverse group of members with a multifaceted world view. For the members to participate and use their democratic rights as owners, they must be informed well, communicated with and otherwise actively sought out. Even today, there are instances in which members are not in any clear manner informed about co-operative or general meetings. It is not enough to post a notice regarding the meeting on the head office's noticeboard or the depths of the co-operative's website. These actions eat at the co-operative business model's credibility, which cannot be compensated by advertising.

Finally, we wish to emphasize that individual members of the co-operatives are not without responsibilities. For example, members should use all available opportunities to influence matters, irrespective of the size of the co-operative. An active and participatory approach is central to the ideology of the co-operative movement (Novkovic *et al.* 2022).

4.4. *Managerial tasks in a co-operative are service jobs*

The German economist Reinhold Henzler once wrote that co-operatives need managers because individual members may not have the business expertise needed to successfully steer the enterprise in rapidly

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

changing markets. In his view the role of the manager should be that of a servant, which is not necessarily how we understand the concept. Over the past decades, the idea has experienced a renaissance, which has also manifested itself in the development of a variety of management theories. Concepts such as servant leadership, authentic leadership and spiritual leadership appear in many of the new management genre theories.

Hannes Gebhard, the founder of the Finnish co-operative movement, who was by no means unselfish, learned the skill of serving others when working at Raiffeisen. In fact, the bulletin number 4 of the Pellervo Society, which Gebhard himself wrote, was titled "Being a member of the co-operative movement means providing mutual service." (Alanen 1964, 352).

This poses a challenge to the governance bodies in co-operatives: How to find managers that are genuinely committed to serving others and accept the dualism inherent in the co-operative idea and business model and the values and principles arising from this? Managers of co-operatives should also be able to apply these unique features in practical management work.

We also wish to stress that given the principles of the movement, concentration of power is not typical of co-operatives. Even though we need strong personalities who are committed to their cause and are also able to make other people equally enthusiastic, a personality cult or excessive focus on leadership will weaken the equality principle and especially the democratic principles of the co-operative movement. At the same time, however, the role of the individual should not be underestimated; for example, many of the innovations of the S Group "have been created by bold individual thinkers" (Tammitie 2010, 156). Hannes Gebhard himself as a "father of the Finnish cooperative movement", is also an unparalleled example of a strong and determined personality who believed in his cause and who, through his achievements, was able to steer the destinies of his close associates and the people of Finland. Him alongside with his wife Hedvig, are remembered for their relentless work in the Finnish co-operative movement (Alanen 1964, 274; Mäkinen, Sysiharju 2006, 73-109). The co-operative movement has always been a mass movement, attracting people who have meager resources, but are strong in numbers. Mass movements, however, consist of individuals, and history has shown that co-operatives can only be successful if they can rely on competent men and women who are committed to their cause, ready to take charge, prepared to shoulder responsibility and understand that co-operatives have a service task to carry out. Lauri Relander, who was President of

Finland between 1925 and 1931, summed this up in a fitting manner when bestowing Finland's highest decoration on Hannes Gebhard and when thanking him for his unique contribution to his country. In the President's words, "Men with vision and determination who are able to steer the destinies of the nation in accordance with its real needs are the product of difficult times and important missions." (Alanen 1964, 470, 480).

4.5. *In a model based on democracy and joint ownership, co-operative governance plays a central role*

Persons elected to the governance bodies of co-operatives should have both business expertise and a good understanding of the distinctive features of a co-operative (Davis 2001; 2014; Birchall 2014; Basterretxea *et al.* 2020; Puusa & Saastamoinen 2021; Puusa & Saastamoinen 2023). Members serving in governance bodies in different roles should support the management in decision-making and be fully aware of their role as supervisors. Deficiencies should be boldly tackled and criticism voiced. Decision-making should also be supported by extensive background information, and if such information is not made available, administrative officials should request it and search for it. Above all, the representatives should remember that by being a part of a co-operative governance system they represent the entire membership and need to supervise its interests. This means that in the operations and decision-making, the focus should be on the interests of the co-operative as a whole and not on the interests of individual members or specific interest groups.

The problem in large co-operatives like S Groups is that as they grow, the decision-making chain becomes longer and more distant from individual consumers, which means that ultimately most of the decisions concerning the members are made by a small group of persons. This poses a major challenge for the co-operative governance (Puusa & Saastamoinen 2023).

4.6. *There is no room for politics in the Finnish co-operative movement*

From the outset, Hannes Gebhard emphasised the non-political nature of the co-operative movement. The division of the Finnish co-operative movement in the early part of the 20th century is a concrete example of how party politics should have no place in co-operatives.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

Combining the two means that the mission of the movement is forgotten, there is less equality and there is no longer room for cooperation arising from the principles of the movement. Both minor and major events in history have shown how activities and decision-making guided by party politics also fan internal conflicts and rivalry in an unhealthy manner.

Nothing good can result from getting co-operatives involved in general political disputes. However, the administrations of co-operatives can and should have some number of members who are political decision-makers outside the co-operative. A society can never be too full of people who understand how the society works. Often, creating a connection between a company and society requires a multitude of societal skills in addition to business competence. In many cases, it can be vital to get this type of people involved. But it should be kept in mind that the co-operative's decisions are always made while wearing the co-operative hat, so to speak. Roles should never be mixed. Outsiders should not be given any reason for doubt.

4.7. *Strong local and secondary co-operatives*

There are many examples in history of the benefits of having a well-organised movement. Even though the co-operative movement was preceded by many forms of pre-cooperative activities (Laurinkari 2004, 13-20), the movement only started to spread and gain influence after it had become organised. The start of the co-operative movement is generally associated with the Rochdale Pioneers, while the founding of the Pellervo Society marked the beginning of this type of activity in Finland.

Growth and expansion of co-operatives and co-operative groupings has typically been accompanied by the establishment of secondary co-operatives, in other words strong central organisations. There are examples of this in nearly every sector, especially in the field of co-operative retailers and banking.

The strengths that the S Group has achieved through its cooperation between the central organisation and local actors include chain operations as well as cost-effective purchasing and logistics, which bring direct benefits to members in the form of better quality, delivery reliability and lower prices. On the other hand, history has also shown that there are many dangers and problems arising from an unhealthy relationship between regional co-operatives and the central organisation and from an unclear division of labour between the two. In the

worst case, the central organisation and regional organisations may start competing with each other or may even act against each other's interests. Sometimes the central organisation may become inward-looking, its activities may become an end unto themselves, and it may forget its role as a service provider. This raises the question *whether it is the dog that wags the tail or the tail that wags the dog.*

This short historic review shows how a smoothly working central organisation with a strong steering role can, in addition to generating benefits, also prove dangerous. The presentation contains examples of how this leads to more passive operations at "grass-roots level" (such as regional actors) and the disappearance of self-help, a central co-operative resource. In the S Group this meant that even though there were SOK management members who openly admitted that the operating practices needed be overhauled already in the early 1960s, practical action had to wait for another twenty years. This was partly because local level actors expected the central organisation to provide clear and unified instructions for further action, which were not issued until 1983.

Another indication of the unhealthy interdependence between SOK and the co-operatives was that in the post-war decades, the co-operatives did very little to ensure their own profitability and good financial standing. There was an understanding that SOK, which was considered to have plentiful assets, would not allow any local co-operatives to go under and would cover their deficits. In fact, SOK helped to keep many co-operatives alive by "providing them with different types of financial support year after year." (Tammitie 2010, 23, 33, 55).

4.8. *Cooperation vs competition*

Diversity and healthy competition are essential to successful economic activities. A situation where there are enterprises on the market with different revenue and operational models also boosts the overall performance of the economy. Co-operatives are one such model.

In the course of history, co-operatives have managed to provide a credible alternative to other types of business and to create healthy competition, and in this manner offer consumers more alternatives, benefits and services. However, it should be remembered that competition is not the only way to ensure efficient and profitable business operations. According to neoclassical theories, the maximisation of profits is the main aim of an enterprise, and this aim can be achieved through competition (Mooney & Grey 2002). Competition, in all its forms, is

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

perceived as the source of success or failure. When the assumption is that all relationships are based on competition, there are few references to cooperation when speaking of the foundations of success and competitive advantage.

However, phenomena such as the readiness to cooperate, joint action, trust and solidarity are a natural part of all co-operative activities. They all embody the idea that unity is strength and that you achieve more by working together. Cooperation is a great opportunity for co-operatives and the idea of being stronger together is part of the fundamental ideology of the co-operative movement. In fact, in the international principles of the co-operative movement, co-operatives are encouraged to engage in cooperation with each other. It is stated in the principles that *co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures* (www.ica.coop).

The history of Finland's co-operative movement shows that there is still plenty of unused potential on this theme. For example, even though the membership of co-operatives has for a long time been divided into producers living in rural areas, and working-class consumers living in towns and cities, the interests of the actors operating in the Finnish producer-to-consumer value chain are mostly identical. Actors operating in Finland, a country with a small population and long distances, should remind themselves of the benefits of cooperation and remember that they have no real adversaries in the domestic value chain. Instead, we should be much more worried about foreign investor-owned companies and the fact that many of them have successfully established themselves in Finland as producers and suppliers of foodstuffs.

Why? The threat is that foreign ownership will lead to more products of foreign origin entering the Finnish food chain, which weakens Finnish agriculture and the food industry. There is also a threat that a significant part of the value of the food supply chain will be transferred abroad away from Finnish operators. In the long term, foreign ownership may also have an impact on the willingness to invest in Finland. This will not only threaten the livelihood of Finnish producers, but it also endangers the self-sufficiency in these areas, threatens the security of supply during crises and would lead to an overall dependency on foreign actors in a long run.

Therefore, cooperation between Finnish actors and especially between Finnish co-operatives in this field would be desirable and it would also be justified not only from national, but from the economic and human perspectives too.

4.9. *The provision of education is enshrined in the principles of the co-operative movement*

Spreading the co-operative ideology in Finland required a strong personality championing the cause. What was needed was an individual who believed in his cause, had accumulated extensive knowledge on the matter and was able to convince the public by presenting the information in a persuasive and easy-to-understand manner. History has shown that in addition to strong personalities, there is also a need for systematic education, integration of co-operative activities into teaching, as well as literature and research on the subject.

The fact that in the decades gone by there was a strong commitment to educating the public can also serve as a model for our time. It should be remembered, however, that even though the educational task means disseminating information about the ideology and principles of the co-operative movement, nowadays it also means that the management and elected representatives are constantly updated on the business operations.

Information is also needed because, in a world dominated by capitalist values, the dual role "seems too good to be true". It is difficult to understand, both conceptually and on a practical level, even though it provides a practical basis for co-operative operations. For this reason, co-operatives must make greater efforts to provide their internal and external stakeholders with information about the uniqueness of the movement. There have already been good and important inroads in this area and the work should continue. This is because understanding the unique identity of the co-operative movement is crucial to ensuring the commitment of the members and for strengthening the internal entrepreneurship of the employees working in the co-operative enterprises.

Digitalisation also opens up many new opportunities for co-operatives. It can be used more extensively in the efforts to improve the efficiency and functioning of business operations and to make communications and education more effective. Rapid advances in digitalisation also provide fresh opportunities for re-establishing the membership dialogue, which is no longer as extensive as it was in the past. In parallel to having a representative democracy, it is also possible to establish channels enabling direct democracy. Especially for large co-operatives, this provides an opportunity to return to the roots of the movement. One illustrative example is a Raati (~Panel) -application operated by Pohjois-Karjalan Osuuskauppa, one of the regional consumer co-operatives of the S Group operating in North Karelia. The application al-

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

lows members to contact the cooperative's management directly and give virtual real-time feedback. It allows not only direct communication between the co-op and its member-owners, but it is also an excellent tool to carry out direct democracy and strengthen member inclusion.

Hannes Gebhard, the founder of the Finnish co-operative movement, told that even though he had already read articles about the co-operative ideology, he became convinced of the cause when meeting a persuasive and strongly committed speaker: "It was only when listening to Professor Sering that I understood the importance of co-operative activities. His strong conviction prompted me to examine the co-operative movement more closely so that I could offer it to Finnish farmers as a useful instrument enabling them to improve their economic situation." Gebhard also describes how the lack of information on the subject hampered his efforts to promote the cause: "However, many years passed before I could start fulfilling this intention. I gradually collected information from different countries but noticed that there was not much literature available on the subject at the time." Later Gebhard received feedback on the effects of the educational efforts: "There are many country dwellers who later told me that these lectures served as an awakening and impetus for action that had a lasting impact." (Alanen 1964, 209-210).

4.10. *Values and objectives of the co-operative movement are still relevant*

The fact that the co-operative movement has a long history shows that it is strong, is founded on sustainable values and principles, and can provide individuals, groups and nations with material and immaterial wealth by combining both aspects of its dual nature in co-operatives' operations.

The value base and objectives of the co-operative movement are particularly relevant today as we are facing global challenges that may threaten the very existence of humankind, should the worst-case environmental scenarios come true. The many social problems facing Finland are also waiting to be solved in an ethically, ecologically and socially sustainable manner. Our era is characterised by growing environmental problems, increasing inequality and (especially in the Western World), a shift towards values emphasizing consumerism, individualism and greed. The co-operative movement can and must find solutions to these problems through compassionate economic means, cooperation and broad-based inclusion.

As before, there appear to be challenges ahead. Co-operatives should be highly conscious of their business form in order to play to their strengths and identify the weaknesses they can affect. The surrounding reality does not support the development of a co-operative model when the reigning ideology being taught and talked about in media emphasises investor-ownership. The administrations of co-operatives should have people with high levels of financial know-how who want to advance the basic function of the co-operative movement. In Finland, university professors are quite often involved in co-operative administrations because of their extensive education.

In the wider sense, co-operative culture should generally be considered dynamically prudent. Instead of remaining a prisoner of the past, the values and principles of the co-operative business model should be appropriately adjusted to the present. People are often involved with multiple co-operatives. This way, the practices of one co-operative become reflected in the other. Often, it is not enough that one co-operative or group of co-operatives takes the current times into account in their operation. All co-operatives must do so to keep the co-operative movement active and alert and to make sure that all co-operatives complete their basic function in a way suitable to the present. If the general state of co-operative culture has stagnated, the situation can be difficult for a single company or group of companies to resolve. Therefore, the situation concerns the dynamism of the entire mass movement. The co-operative movement should also ensure that new co-operatives continue being established. If the business model is not dynamic, it will be ignored by stakeholders.

Finns are open to the idea of participating in a co-operative business. They aren't enthusiastic about it, but the undertone is exceedingly positive. A recent attitude study found that the co-operation is the most popular economic ideology in Finland, even in comparison to the market economy. (EVA Analysis no. 79. 9/3/2020)

Co-operative members patiently use co-operative services even when the co-operative is going through difficult times. When a person is already accustomed to using the services of their own co-operative, the threshold to use a competitor's services is high. However, the use of services has decreased little by little and co-operatives have become more prone to crisis.

In the light of history, the leadership of co-operatives should be required to internalise the concept of the co-operative business to a significant extent and to have the ability to apply the concept in a way appropriate to the times. The leaders should also be capable, have good

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

judgement, high ethical standards, the ability to reject side interests and have distinctive courage. Under competitive economy, these are the bare minimum. Leaders should always understand their own business model. There is no need to know everything beforehand, but there must be a willingness to improve.

5. **Conclusions**

In the end, what can we learn from all this? The consumers' co-operative model is a mass movement meant to function generation after generation. The Finnish co-operative movement is now being used and guided by its fifth generation. The leading star of co-operative business should be the future and the upcoming generation. How can we operate in a manner that allows us to keep co-operative services first-rate and the first choice of the current youths, young adults and all those who use the services? By focusing on future needs. They may not be completely separate from the current needs, but there are differences. Needs and ways of life change no matter what, and if this change is not sufficiently responded to, the co-operative movement will fade away. The change requires a profound understanding of the basic mission of co-operatives. This undoubtedly involves understanding the values, business model and story of the co-operative movement, as well as its view of human beings.

One of the risks of a co-operative business is that each generation may view the company's operating environment through the lens of their own life experience and only pay attention to the world view and reality they learned when growing up. As one wise person has said: at one point or another, those in power at the co-operative mass movement fall too deeply in love with the mental landscape of their youth. In comparison, the new reality may seem a strange place with unnecessary and dangerous elements. In the historical worst-case scenario, this has also been accompanied by battles for hegemony with co-operatives as battlegrounds. The combined weight of these paralysing forces proved too much.

A former CEO of SOK once asked why the co-operative movement refuses to change until it has its back against the wall. This is the fundamental question. Co-operatives have failed to interpret their operating environment and to draw conclusions from it in time. When a mass movement leads, who leads the mass movement? The people selected as leaders need to act in a manner that can convince the member-owners and company to change for the sake of the future.

Therefore, success is a question of the cultural elements being built into the co-operative movement, the reigning ways of thinking. The mass movement should put its function first and be in the front lines of change instead of reluctantly accepting change after its competitors have already sped past. Those elements of the past that can endure the future should be taken along, while the elements that were bound to that specific time should be left behind. If you do the opposite, you're in for a difficult journey. Recognising what to take and what to leave requires strong societal, social and economic understanding and co-operative action led by an active desire for reform.

References

AALTONEN, Esko (1953). Kuluttajat yhteistyössä. Suomen yhteisen osuuskauppaliikkeen vaiheet vuoteen 1917 ja katsaus edistysmielisen osuuskauppaliikkeen toimintaan sen jälkeen. [Consumers in cooperation. The stages of the common cooperative trade movement in Finland until 1917 and an overview of the activities of the progressive cooperative trade movement after that.] Yhteiskuntahistoriallinen ja sosiologinen tutkimus. Kulutusosuuskuntien Keskusliitto. Helsinki.

ALANEN, Aulis J.(1964). Hannes Gebhard. Helsinki..

BASTERRETXEA, I., CORNFORTH, C., & HERAS-SAIZARBITORIA, I. (2020). Corporate governance as a key aspect in the failure of worker cooperatives. *Economic and Industrial Democracy*, 1-20.

BIRCHALL, J. (2013). The potential of co-operatives during the current recession; theorizing comparative advantage. *Journal of Entrepreneurial and Organizational diversity 2*(1), 1-22.

BIRCHALL, J. (2014). *The governance of large co-operative businesses. A research study for Co-operatives UK*. Co-operatives UK: Manchester.

DAVIS, P. (2001). The Governance of Co-operatives Under Competitive Conditions: Issues, Processes and Culture. Corporate Governance: The international journal of business in society 1:4. 28-39. https://doi.org/10.1108/EUM0000000005975.

DAVIS, P. (2014). Retrieving the Co-operative Value-Based Leadership Model of Terry Thomas. J Bus Ethics (2016). 135:557-568. DOI: 10.1007/s10551-014-2489-9.

DRAHEIM, G. (1952). Die Genossenshaft als Unternehmungstyp (2nd edition 1955). Goettingen: Vandenhoeck & Ruprech.

EVA Analyysi. Askel oikealle [EVA analysis, Step to the right] no 79. 9.3.2020.

HERRANEN, Timo (2004). Yhdessä eteenpäin. SOK 100 vuotta. [Moving forward together. SOK 100 years.] Helsinki 2004.

HÄIKIÖ, Martti (1997). Satoa ja katoa Hankkijan saralla. Hankkija ja Noveran historia 1955-1992.[Hankkija and Novera's history 1955-1992.] Tampere.

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es

HYVÄRINEN, K. (1948). Karjalan luovutetun alueen osuuskauppaliikkeen historia. [The history of the cooperative movement in the ceded area of Karelia.] KK, Helsinki.

JUSSILA, I. (2007). Omistajuus asiakasomisteisissa osuuskunnissa. [Ownership in customer-owned cooperatives]. Acta Universitatis Lappeenrantaensis 271Digipaino: Lappeenrannan teknillinen yliopisto.

KALLENAUTIO, Jorma. (2009). Lamasta uuteen nousuun. Eka-yhtymän ja Tradeka-yhtymän historia 1983-2008. [From a recession to a new upswing. The history of the Eka Group and the Tradeka Group 1983-2008.] Hämeenlinna 2009.

KOMULAINEN, Anitra. (2021). Punapääoman linnake. Työväenosuustoiminnan dramaattiset vaiheet.[Red capital fortress. The dramatic stages of worker cooperation.] Tallinna 2021.

KUISMA, Markku, SILTALA, Sakari, KOMULAINEN, Anitra, KESKISARJA, Teemu. (2015). Kapinallinen kauppa. Helsingin osuuskauppa Elanto 1905-2015. [A rebellious trade. Consumer cooperative Elanto in Helsinki 1905-2015.] Helsinki 2015.

KUISMA, Markku, HENTTINEN, Annastiina, KARHU, Sami, POHLS, Maritta. (1999). Kansan talous. Pellervo ja yhteisen yrittämisen idea 1899-1999. Tampere 1999. Summary in english: Kuisma, Markku, Henttinen, Annastiina, Karhu, Sami, Pohls, Maritta, The Pellervo Story. Century of Finnish Cooperation 1899-1999. Tampere 1999.

LAINE, J. FELLMAN, S., HANNIKAINEN, M. & OJALA, J. (2019). Vaurastumisen vuodet. [Years of prosperity .]Gaudeamus Oy. Tallinna Raamatutrukikoja OU, Tallinna.

LAAKKONEN, Vesa, LAURINKARI, Juhani. (1990). Osuustoiminta taloudellisen yhteistoiminnan muotona. [Cooperative activity as a form of economic cooperation.] Helsingin yliopiston osuustoimintaopin laitoksen julkaisuja no 22.

LAURINKARI, Juhani. (2004). Osuustoiminta. Utopiasta kansainvälisen yrittämisen muodoksi. [Cooperation. From utopia to a form of international entrepreneurship.] Pellervo.

LEVI, Y. & DAVIS, P. (2008). "Co-operatives as the "enfants terribles" of economics: Some implications for the social economy." *Journal of Socio-Economics, 37(6)*, 2178-2188.

MAZZAROL, T., LIMNIOS, E. & S. REBOUD (2011). *Co-Operative Enterprise: A Unique Business Model?* Paper presented at Future of Work and Organisations, 25th Annual ANZAM Conference, Wellington, New Zealand, December 7-9.

MOONEY, P. & GRAY T. (2002). *Co-operative Conversion and Restructuring in Theory and Practice.* Research Report 185. United States Department of Agriculture. Rural Business Co-operative.

MÄKINEN, Riitta, SYSIHARJU, Anna-Liisa. (2006). Eteenpäin ja ylöspäin. Hedvig Gebhardin osuus ja toiminta. [Onward and upward. Hedvig Gebhard's role and activities] Keuruu.

NORMANN, R. 2002. *Normannin liiketoimintateesit.* [Normann's business theses].Sanoma Pro.

NOVKOVIC, S., PUUSA, A. & MINER, K. (2022). Co-operative identity and the dual nature: From paradox to complementarities. Journal of Co-operative Organization and Management 10:1 (2022) 100162. https://doi.org/10.1016/j.com.2021.100162.

Osuustoiminta OT. Vuosikirja [Cooperative Magazine. Yearbook] 2020, 2021 ja 2022.

PERKO, Touko, YHDESSÄ enemmän. SOK 1904-1979. Helsinki 1979.

PURO, Olavi H. (1927). Suomen Kulutusosuustoiminnan vaiheet vuoteen 2017. [Phases of Finland's consumer cooperatives until 2017] KK. Helsinki.

PUUSA, Anu, HOKKILA, Kirsi & VARIS, Antti (2016). Individuality vs. Communality - A new dual role of co-operatives? Journal of Co-operative Organization and Management, 4/2016. pp. 22-30.

PUUSA, A., MÖNKKÖNEN, K. & VARIS, A. (2013). Mission lost? Dilemmatic dual nature of co-operatives. Journal of Co-operative Organization and Management, 1(1): 6-14.

PUUSA, A. & SAASTAMOINEN, S. (2021). Novel ideology, but business first? Journal of Co-operative Organization and Management. 9:1, 100135. https://doi.org/10.1016/j.jcom.2021.100135.

PUUSA, Anu & SAASTAMOINEN, Sanna (2023). Democratic Cooperative Governance: Role Ambiguity, Pseudo-Democracy and Tacit Acceptance? In Novković, S., Miner, K., McMahon, C. (eds) Humanistic Governance in Democratic Organizations. Humanism in Business Series. Palgrave Macmillan, Cham. https://doi.org/10.1007/978-3-031-17403-2_6 pp. 145-175.

SIMONEN, Seppo (1949). Pellervolaisen osuustoiminnan historia [History of Pellervo cooperative moment]. Helsinki 1949.

TAMMITIE, Kristiina (2010). Myrskyä ja myötäistä: S-ryhmän väylä kriisistä menestykseen. [Storm and calm: S Group's path from crisis to success.] Osuuskaupparyhmän Muistelmayhdistys ry 2010.

World Co-operative monitor, Exploring the co-operative economy. Euricse. Report 2015.

Web pages

www.ica.coop

https://pko.fi/raati/

https://www.ted.com/talks/anu_puusa_the_case_for_co_ops_the_invisible_giant_of_the_economy

www.s-kanava.fi

Deusto Estudios Cooperativos
ISSN: 2255-3444 • ISSN-e: 2255-3452, Núm. 23 (2023), Bilbao, pp. 75-106
doi: https://doi.org/10.18543/dec.2886 • https://dec.revistas.deusto.es