

Producer and Marketing Co-operatives: Institutional Contexts and Strategies

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Institutional theories of organisations have generated valuable insights when analyzing the interplay between the organisation and its environment. Especially the strategic role of organisational actors and their part in responding to institutional pressures and altering institutions have received attention among academics in recent years. However, organisations outside the mainstream, such as co-operatives, have drawn only little scholarly interest. In this article, we aim at understanding the institutional environment of Finnish producer and marketing co-operatives, emerging pressures, and managers' role in affecting and altering institutions.

Introduction

Institutional theories of organisation (eg, Scott, 2001) have generated valuable insights into the field of management within the past decade especially through the emphasised role of organisational actors maintaining and altering institutions (eg, Lawrence & Suddaby, 2006; Oliver, 1991). The central intent of institutional theory is to illustrate the interplay between the organisation and its environment (Vit, 1996). This interplay has been seen as a process where organisations are striving to legitimate themselves; fitting their structures and ways of actions to the organisation field.

Research on institutions has mainly revolved around mainstream economic organisations, such as corporations (cf Fox-Wolfgramm, Boal & Hunt, 1998). Co-operatives that offer a current and relevant empirical context for studying institutional pressures and strategies, have received little scholarly attention (eg, Kalmi, 2006). Institutional pressures have been discussed, to some extent, in the context of consumer co-operation (eg, Jussila, Saksa, & Tienari, 2006). However, producer and marketing co-operatives, which are widely affected by globalisation and the increased competition as well as new regulations in the European Union, have rarely been investigated from the management perspective.

In this article, we aim to understand the nature and variety of institutional pressures faced by Finnish producer and marketing co-operatives in the shifting sands of globalisation. First, we briefly introduce the reader to various dimensions of institutional pressures that organisations face and discuss the strategies that managers may employ in affecting and altering institutions. Second, we analyse the pressures in a co-operative context and demonstrate the strategies that co-operative

managers employ in order to improve the position of their organisations within organisational fields. Our qualitative analysis is based on data collected in co-operatives operating in production and marketing. The data consists of 15 in-depth interviews with co-operative executives, chairs of governing boards, and co-operative experts along with extensive archive materials.

Institutional Pressures and Strategies

The concept of institutionalisation has achieved a major role in social sciences (Barley & Tolbert, 1997, Selznick, 1957). A variety of institutional perspectives help to understand the interconnectedness of organisations, institutional contexts and strategies. That is, the central idea of institutional theory is to provide insights into the interplay between the organisation and its environment (Vit, 1996), which has been understood as a process where organisations are striving to legitimate themselves. This legitimacy is achieved by adapting structures and ways of actions to the particular organisational field.

All institutional action takes place in diverse, dynamic, and changing institutional contexts (eg, Jepperson, 1991; Tolbert & Zucker, 1983), including multiple stakeholders (eg, public organisations, competitors, suppliers, customers, owners; Scott, 2001). The context of institutional and competitive strategies is composed of institutional rules and standards (cf Grant, 2005; Porter, 1998, 1990, 1985). They create coercive, normative and mimetic institutional pressures (stemming from regulative, normative, and cultural-cognitive dimensions of institutions) that unfold as the organisation's isomorphic processes (eg, Lawrence, 1999; DiMaggio & Powell, 1983).

The **regulative dimension** of institutions is

composed of governance systems exterior to organisations (eg, North, 1990), and coercive pressures consist of, for example, laws, regulations, and sanctions mainly conducted by governments. The regulative dimension constitutes the ability to set rules and supervise actors' activities following the rules, as well as the ability to enforce sanctions. According to the regulative view, actors have interests, which they want to achieve without sanctions (Scott, 2001, 53). Coercive isomorphism stems from formal and informal pressures caused by governments, political processes, other organisations in the organisational field, and the society's cultural expectations (eg, Tolbert & Zucker, 1983; Meyer & Rowan, 1977).

The **normative dimension** of institutions consists of norms: the relatively stable procedures of accepted behavior within a group (eg, rules of activities and routines at work; cf Warren, 2003; Bettenhausen & Murnighan, 1991). Normative rules affect the choices of organisations by guiding and judging, as well as, by coercing them to obey the norms of an organisational field. In other words, normative systems govern goals and appropriate methods for achieving goals (Scott, 2001). The mechanism for normative pressures can also be found from focal social actors; for example the media and public opinion (eg, Riviera, 2004).

The **cultural-cognitive dimension** comprises the collective conceptions of social reality and acceptance of shared procedures, which provide legitimacy (cf Berger & Luckmann, 1966). From this perspective,

institutions can be conceptualised as governance structures based on values and systems of cultural meaning. Mimetic pressures, then, are about individuals and organisations imitating successful others (ie, "benchmarking"). Imitation can be based on generality and outcomes of certain practices, as well as the traits of successful organisations (Haunschild & Miner, 1997).

Organisations may use **institutional strategies** (eg, Lawrence, 1999), which refer to organisations' attempts to affect and alter institutionalised structures. They are patterns of organisational action directed toward the formation and transformation of institutions themselves, institutional fields, rules, and standards that control existing structures. Institutional strategies may be implemented via standardisation and membership strategies (Lawrence, 1999). Institutional strategies are closely related to competitive strategies as they are employed to improve organisations' competitive positions within their organisational fields. **Competitive strategies** are mainly focused on how an organisation competes within a particular market (eg, Grant, 2005; Porter, 1985). These strategies guide organisations to create competitive advantage through existing structures by reacting to political, economic, social and technological changes in their business environment.

Standardisation strategies are about affecting and altering legitimated practices, products and services (ie, standards) in the institutional context. Organisations may

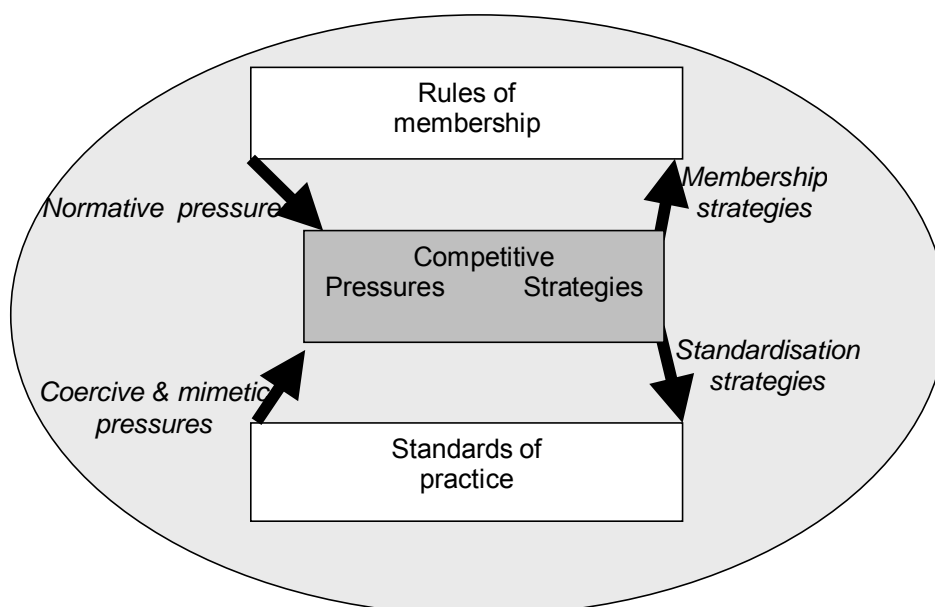


Figure 1: The context of institutional strategies (modified from Lawrence, 1999: 168)

implement standardisation strategies by participating in regulation activities and in the (social) construction of norms. When organisations affect and alter institutional processes and standards of practice (eg, patents, safety regulations and environmental impact assessments), the technical, juridical, and political, as well as marketing expertise of organisations become emphasised – the greater the expertise and the more significant the organisations' position in the organisational field, the greater the possibility to affect the standards. (Lawrence, 1999)

Membership strategies include the definition of rules (ie, boundaries) of membership. Organisations may attempt to affect and alter the rules, for example, via interest groups of the particular industry the organisation is a member of. The ability to affect is greater when the organisation is able to control relevant institutional information. This refers to the possibility to influence professional bodies, trade associations, regulators and consumers' interest groups. Organisations may also achieve such a position by becoming the leader of a particular field (ie, from stakeholders' perspective). (Lawrence, 1999)

In sum, besides the competitive pressures, organisations face regulative, normative, and mimetic pressures in their organisational fields. Organisations may, however, employ institutional strategies in order to affect and alter institutions (ie, the sources of pressures) in a way that gives them a better competitive position within those fields. In the following sections we analyse the institutional strategies of Finnish producer and marketing co-operatives.

Context, Data and Methods

The roots of Finnish co-operation go back to the end of the nineteenth century, when Finland was one of the poorest countries in the world. Like in many other contexts, co-operatives were established in turbulent times to answer a variety of pragmatic and ideological questions. There was ample ground for the co-operative movement in Finnish provinces, where people found co-operatives as an appropriate way to enhance their economic and social conditions. While co-operation developed in the twentieth century, producer and marketing co-operatives became significant actors in the Finnish economy and society. Today, Finland is one of the world's most 'co-operative' countries. While the population is around 5.2 million, there are

altogether over 6 million members in Finnish co-operatives. The 3 600 co-operatives provide a turnover of around 30 billion euros (www.pellervo.fi, accessed 10.11.2006).

Our qualitative analysis (eg, Denzin & Lincoln, 2003) is based on fifteen (15) in-depth interviews and non-academic co-operative publications starting from the beginning of the year 2000. The interviewed executives, chairs of governing boards, and other co-operative experts represent the Pellervo Confederation of Finnish Co-operatives, as well as producer and marketing co-operatives operating in the dairy industry, egg packing, food production, and the forest industry. The interviewees were selected based on their experience and understanding of co-operatives, co-operative businesses, and the institutional and competitive pressures that co-operatives face, as well as their active role in the Finnish society.

The data was gathered during the years 2005 and 2006. All the interviews were recorded and transcribed. The data was studied systematically to gain an understanding of the research context and to form a preliminary perception of institutional pressures, as well as the co-operative managers' role in affecting and altering institutions. Then the data was organised by themes, and analysed in detail by two of the authors.

Institutional Interplay of Finnish Co-operatives

In this chapter we aim to understand the variety of institutional and competitive pressures faced by Finnish co-operatives. More importantly, in our analysis we emphasise the role of executives and other organisational agents, especially when it comes to their role as active participants in affecting and altering institutions.

Institutional environment and pressures

The institutional environment is characterised by certain rules and requirements, which organisations have to conform to in order to gain legitimacy and survive (cf Scott, 2001). According to our data, the majority of rules and requirements, faced by the producer and marketing co-operatives studied, are constructed by the regulative or authoritative organisations operating on global and national levels. Consistently with Scott (2001), the pressures constructed can be distinguished on a variety of dimensions according to their type.

Regulative dimension

According to our data, coercive (ie, regulative) pressures are caused by organisations, such as the World Trade Organisation (WTO) and European Union (EU). The political processes of these organisations are also sources of coercive pressures. On the national level, governments and other policy-making organisations, such as the Ministry of Agriculture and Forestry, and other governmental organisations create pressures for producer and marketing co-operatives. For example, various contractual parties (eg, other organisations within the value chain, as well as banks and insurance companies) may cause a range of regulative pressures (cf Scott, 2001; North, 1990).

Co-operatives have to follow the agreements of the WTO, which negotiates international rules for exporting and importing various goods and services. It was put forward in our data that these rules have a considerable impact on how producers conduct their international businesses. Also, the EU has a major impact on producers through its supranational legislation and agricultural policies. Especially the political regulations related to export refunding and the expansion of the single market in the EU are considered to have a rather direct influence. In addition, many of the changes (eg, changes in agricultural subsidies) in the international institutional environment were considered to have an indirect effect on co-operation through the members of producer and marketing co-operatives. When turning their focus on the regulative pressures created by contractual parties, our interviewees emphasised the role of massive retailers. As one of the managers put it:

A growing problem in production and marketing co-operatives is the too powerful role of retailers. They seem to forget that it is the producers of food who keep us alive when the hard times ... like catastrophes come and we cannot import groceries. At this moment somebody should take care of the owners of the production co-operatives so that they will survive.

Interestingly, it was noted that the group of massive retailers includes also other co-operatives. That is, successful customer-owned co-operatives have gained a powerful position within the value chain and, thus, they are able to negotiate lower prices just like many large investor-owned retailers (cf Porter, 1998).

Normative dimension

In our data, the International Co-operative Alliance (ICA) was considered as a significant international actor as far as the ways of action of the case co-operatives are concerned. Organisations such as the Central Union of Agricultural Producers and Forest Owners as well as the Pellervo Confederation of Finnish Co-operatives are important national level institutional actors participating in the construction of normative pressures. Moreover, institutions such as environmental organisations, consumer associations, and other stakeholders participating in the construction of public opinion (as well as public opinion itself) are major sources of normative pressures from the interviewees' perspective (cf Riviera, 2004; Scott, 2001). Professionalisation (eg, managerial education and practices), in particular, leads to isomorphism between various organisation types (cf DiMaggio & Powell, 1983).

According to our interviewees, the ICA and Pellervo Confederation of Finnish Co-operatives create normative pressures, for example, in the form of the principles co-operatives are expected to follow. While the Central Union of Agricultural Producers and Forest Owners promotes the social and economic well-being of its members, it also produces various normative pressures for the producer and marketing co-operatives. That is, the organisation sets non-regulative requirements concerning the quality of products (ie, the safety of the food), maintenance of the landscape, and environmental issues (ie, sustainable development).

Public opinion may also impose strong normative pressures on co-operatives. According to our data there is demand for some sort of "national responsibility". Especially recent foreign divestments of Finnish companies in the field of food industry have generated discussions that highlight national self-sufficiency, in which locally and regionally owned co-operatives are considered to have a central role. As put forward in our data, competitors may also expect emerging problems in the industry to be solved by producer and marketing co-operatives, because they represent the producers.

Our interviewees pointed out that management theories and economic instruments are generally designed for corporations. That is, as the pursuit of creating shareholder value has become evermore central, co-operatives have been forgotten by academics (cf Kalmi, 2006). While co-operation

has not been popular in the recent literature on business management, it has also been neglected by practitioners. In addition, co-operatives have not always been looked at too favorably by politicians, who participate in maintaining and altering the institutional environment in which co-operatives and other forms of economic organisation operate. Therefore, co-operatives face normative (and partly regulative) pressures to act like corporations.

Cultural-cognitive dimension

The actors of the case organisations face mimetic pressures in the form of practices within their fields. Our data showed that the imitation of certified and best practices is important. The mimetic pressures faced by producer co-operatives emerge, for example, in the form of practices of multinational food companies, the enterprises that are also the main competitors of the case co-operatives. As an account in our data stated:

The changes in the industry force large companies to internationalise. This pressure is also felt in co-operative organisations, which have adopted various models for crossing borders.

The ability of multinationals to transfer their manufacturing to one place, leave owners to another, buy raw materials from somewhere else, and have their customers at yet another place is the basis for success. This is a challenge for co-operatives that are originally locally embedded.

Interestingly, our interviewees hailed the practices of North American producer co-operatives in arranging seminars and education for their executives and managers. Our data showed that Finnish co-operatives should imitate these practices and arrange high quality seminars on co-operative management.

Competitive dimension

In addition to a mixture of institutional pressures, the producer and marketing co-operatives face multiple competitive pressures (cf Porter, 1998, 1990). According to our data globalisation is an enormous source of various pressures that emerge through multiple institutions. As was stated by an interviewee:

The transformation from a regulated economy towards a normal competitive economy has most certainly had very much influence on

co-operatives ... profitability has become a necessity ... it does not mean that the co-operative ideology does not matter, but nowadays co-operation is more about business than about the social movement.

In sum, producer and marketing co-operatives operate in the cross-fire of the pressures created by global competition and the normative pressures produced by the co-operative movement.

Co-operative actors affecting and altering institutions

In addition to simply conforming to institutional pressures, it was maintained in our data that co-operatives may resist them. Consistently with previous literature (eg, Lawrence, 1999), co-operatives may also be proactive in terms of affecting and altering institutions. The activities aiming at a more favorable competitive position in the organisational field can be outlined in terms of standardisation and membership strategies.

Standardisation strategies

The standardisation strategies of co-operatives consist of attempts to affect and alter, for example, legal, technical, and marketing standards within their organisational fields. Our data revealed that the producer and marketing co-operatives are traditionally major players in their organisational fields, and thus they typically are in a good position to affect or alter institutions via their networks. Co-operatives have a voice towards interest groups (eg, the Pellervo Confederation of Finnish Co-operatives) that are influential institutional players. Through these, co-operative actors may resist regulative pressures (cf Oliver, 1991). Through legislative processes and various committees they may also attempt to alter wider institutional contexts.

Producer co-operatives may also alter technical standards through developed producing techniques (eg, patented innovations). An example of an attempt to affect or alter marketing standards is the operation of a major marketing co-operative, which introduced a new labeling practice for their products that covers the whole value chain. Consistently with the accounts in previous literature (eg, Grant, 2005), the co-operatives have been able to position themselves favorably and, thus, enhanced their ability to compete.

It was stated in our data, for example, that a

Finnish producer co-operative is one of the forerunners in corporate social responsibility. The co-operative has imitated the best practices from other actors of that particular organisational field. However, it has not only employed those practices, but developed them further in order to gain competitive advantage in its North European market. This can be interpreted as part of the standardisation strategies of the co-operative (cf Lawrence, 1999).

Many of the major organisational changes can be seen as attempts to adapt to globalisation-related institutional and competitive pressures (cf Scott, 2001; Porter, 1998; 1990). That is, in the form of outcome-based imitation (cf Haunschild & Miner, 1997) co-operatives in the field of meat producing try to imitate multinationals in their ability to cross borders, gather capital for investments, and search for the cheapest raw materials. For example, many Finnish producer and marketing co-operatives have transferred their businesses and operations (eg, manufacturing, marketing, and logistics) to their corporate form subsidiaries.

In response to the earlier developments in North America, Finnish producer and marketing co-operatives have – together with other co-operatives and the Pellervo Confederation of Finnish Co-operatives – initiated programs on co-operative governance and business management, organised seminars, and established funding for research on co-operative management. This has been implemented through a particular co-operative committee:

The committee fulfills its purpose by operating as a common trustee and a forum for discussion, as well as by coordinating or carrying out projects that will improve operational preconditions of co-operative organisations.

The above account reflects a multitude of representations in our data according to which the co-operatives' role as institutional actors is not limited to the organisational field in which they operate, but also applies to a wider institutional context (eg, universities). The development of co-operative management theory can also be a way of responding to normative pressures created by professionalisation (cf DiMaggio & Powell, 1983) and, thus, it may also be seen as part of co-operatives membership strategies.

Membership strategies

Producer and marketing co-operatives may also use membership strategies in order to position themselves more favorably within their organisational field (cf Lawrence, 1999). Membership strategies can be considered as attempts to affect or alter those institutions that are sources of normative pressures. According to our data, co-operatives may respond to normative pressures caused by public opinion by reporting their operations actively and openly. Also, by affecting media and public opinion, the risk of negative publicity and rumors can be diminished (cf Riviera, 2004). As was presented in our data:

Today, reporting is important and essential ... we are able to prevent negative rumors. When people know us, rumors will not emerge so easily and especially if there are positive things to tell ... for example various environmental organisations are important to work with. Then we are able to affect them ...

Due to their structure and operations (ie, local, regional and national levels), co-operatives have numerous possibilities to control significant institutional information in many contexts. Furthermore, as producer and marketing co-operatives are seen as major actors in their organisational fields, they have abilities to affect the rules of membership (cf Lawrence, 1999) through interest groups, such as the Central Union of Agricultural Producers and Forest Owners. The interest groups are namely considered as sources of various normative pressures, but they can also be considered as channels for implementing membership strategies.

Discussion

Previous research on institutions has mainly revolved around mainstream economic organisations, such as corporations (cf Fox-Wolfgramm, Boal & Hunt, 1998) while co-operatives have received little scholarly attention (eg, Kalmi, 2006). In this article, we have discussed the institutional environment of Finnish producer and marketing co-operatives, as well as a variety of institutional and competitive pressures they face. We have also illustrated the standardisation and membership strategies through which the co-operatives affect and alter institutions in their own favor (cf Lawrence, 1999).

Institutional environment and pressures

Institutional contexts are characterised by certain rules and requirements, which organisations have to conform to in order to gain legitimacy and survive (cf Scott, 2001). According to our qualitative data, the Finnish producer and marketing co-operatives operating on global and national levels face institutional pressures in all theoretical categories: regulative, normative and cultural-cognitive.

On the regulative dimension, we found that coercive pressures are internationally created by the WTO and EU, as well as by various political processes of these organisations. On the national level, governments and policy-making organisations, such as the Ministry of Agriculture and Forestry, and other governmental organisations are considered as significant actors in creating pressures for producer and marketing co-operatives. Also, various contractual parties cause a range of pressures (cf Scott, 2001; Meyer & Rowan, 1977). Interestingly, just like massive investor-owned retailers, also co-operative retailers are a source of regulative pressures.

On the normative dimension, the ICA and organisations such as the Central Union of Agricultural Producers and Forest Owners, as well as the Pellervo Confederation of Finnish Co-operatives are important national level actors participating in the construction of institutional pressures. Institutions such as environmental

organisations, consumer associations, and other stakeholders seem to participate in the construction of public opinion (a source of normative pressures) and, thus, are also included in the set of organisations that create institutional pressures for the case co-operatives (cf Riviera, 2004). According to our data, institutions such as management theories and economic instruments (that are designed for corporations, cf Kalmi, 2006) also induce pressures on co-operatives in terms of professionalisation. In addition, because politicians (who participate in constructing the institutional environment) often prefer investor-owned corporations, co-operative organisations face pressures to act like them (cf DiMaggio & Powell, 1983).

On the cultural-cognitive dimension, we found that Finnish producer and marketing co-operatives face mimetic pressures in the form of certain practices within their fields (cf Scott, 2001). These practices include transferring manufacturing to one place, leaving owners to another, buying raw materials from somewhere else, and having customers at yet another place. In addition, co-operatives face pressures to imitate certain practices of North American co-operatives, for example, in arranging seminars and education for executives, managers and the members of governing bodies.

Consistently with previous literature (eg, Grant, 2005), competitive pressures were discussed in relation to institutional pressures.

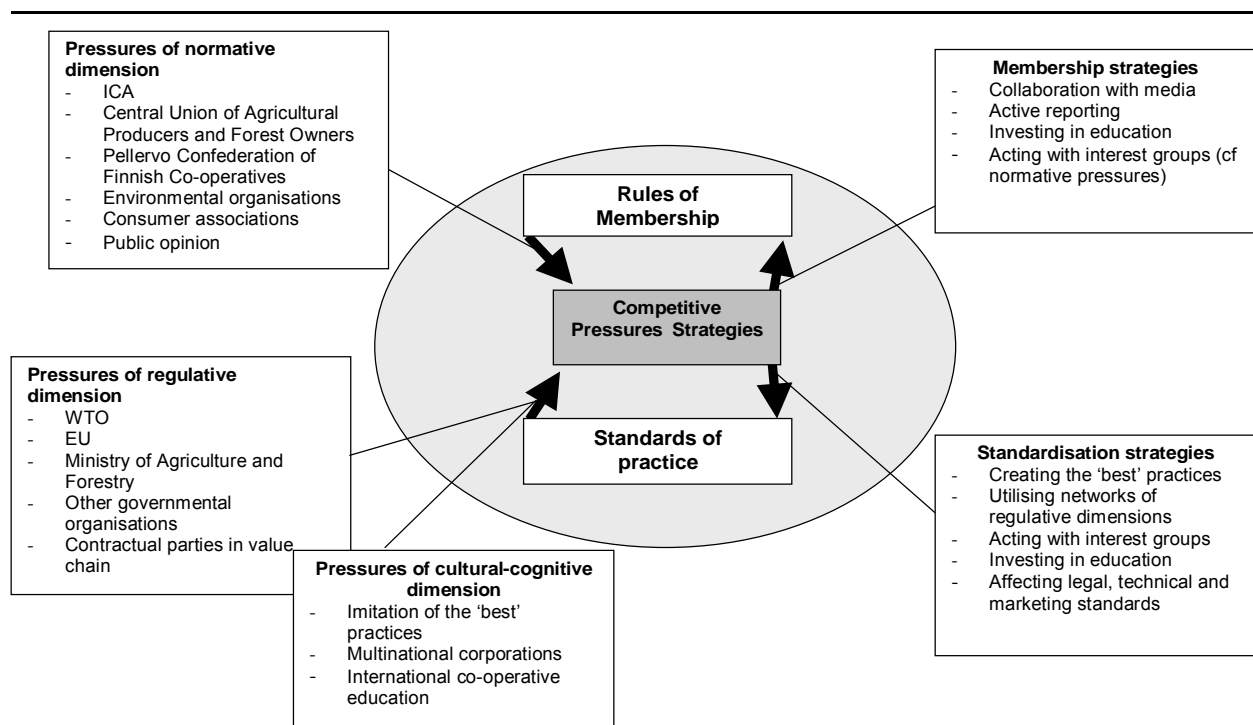


Figure 2: Institutional strategies of Finnish producer and marketing co-operatives (original picture adopted from Lawrence, 1999: 168)

In fact, our data indicated that competitive pressures can be considered to be interwoven into institutional pressures, and they seem to have emerged as a consequence of globalisation. As a response co-operatives have put their emphasis on international businesses, to some extent, at the expense of communality (ie, co-operation as a social movement).

In addition to simply conforming to or resisting various institutional pressures (cf Oliver, 1991), co-operatives also use a variety of ways to affect and alter institutions (see Figure 2). In this article, these ways have been outlined in terms of standardisation and membership strategies (cf Lawrence, 1999).

Standardisation and membership strategies

The standardisation strategies of co-operatives consist of activities that affect and/or alter institutions such as legislation and regulation (cf Lawrence, 1999). The strategies are implemented through interest groups, but also by setting new technical and marketing standards within their organisational fields through technical innovations and establishing new best practices (cf Lawrence, 1999). The co-operatives' strategic response to the institutional and competitive pressures caused by multinationals has been the adoption of a variety of business models to promote their flexibility to arrange their manufacturing, administration and raw material acquisitions in separate places (eg, by founding corporate form subsidiaries). Finally, through the experts participating in legislation processes and various committees, producer and marketing co-operatives are also able to alter wider institutional contexts.

Consistently with previous literature (eg, Lawrence, 1999), co-operatives have been able to position themselves favorably also by membership strategies and, thus, enhanced their ability to compete. Membership strategies can be considered as attempts to affect and/or alter those institutions that are sources of normative pressures. According to our data, producer and marketing co-operatives respond to normative pressures caused by public opinion by collaborating with the parties that are active in maintaining and constructing it. Open relations with, for example, the media provide co-operatives with possibilities to affect public opinion. In addition, the structure and operations of co-operatives offer them possibilities to

control significant institutional information in many contexts. As major actors in their organisational fields, co-operatives also have the ability to affect the rules of membership in their fields through their interest groups.

Suggestions for future research

As discussed in this article and to significant extent in our data, research on co-operatives has attracted only little attention in the field of management. The authors of this article would like to encourage extensive research on co-operative management in general and from the institutional theory perspective in particular.

An interesting theoretical question arose during the study. In our analysis we found that Lawrence's (1999) model for analysing institutional contexts and interplay between organisations and their environment can be applied to co-ops, but needs additional elements for analyses in co-operative contexts. As co-operatives are territorially embedded, we would expect their institutional contexts, including the rules of membership, to be defined partly by local and regional institutions. Thus, the additional elements should include local conditions in the model concerning both institutional pressures and strategies. In addition, when investigating co-operatives from the perspective of locality, the concept of membership might be understood as something that does not only relate to the organisational field but to the community in which the co-operative operates.

A limitation of this study that should be accounted for in future investigations on the topic is the exclusion of non-co-operative enterprises. If other companies operating in the same organisation field were included in the analysis, it would enable a fruitful comparison between the different types of organisations and provide us with a clearer understanding of the special features of co-operatives in terms of the institutional pressures they face and the strategies they employ when responding to them.

An interesting issue, briefly touched in our analysis, was the relations of producer and marketing co-operatives to consumer co-operative retailers. From the perspective taken in this study it seems that co-operative retailers are a source of institutional pressures just as any other retailers organised and functioning as joint stock companies or family enterprises. When we bear in mind that the

principles of international co-operative movement emphasise collaboration among co-operatives, we cannot but ask: how do co-operative managers run their businesses in

a way that is consistent with co-operative values and at the same time secures and promotes their competitive position under global competitive pressures?

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