Creating the Foundation for a Functioning Internal Platform

Mikko Hänninen, Olli Rusanen, and Lauri Paavola

Abstract This chapter provides an empirical example of how platform theory can be used to study organizational networks. Platform theories have recently received increased attention from academics, as digitalization has fueled the implementation of digital platforms and platform-based business models across a wide range of industrial settings. However, despite the increased interest toward platforms, most of the research is still confined to the economics and engineering schools of thought. In this chapter, we address this theoretical and empirical gap by providing an empirical example of a retail cooperative that can be characterized and analyzed as an internal platform. We study how this type of organization is managed, focusing on the change process through which the organization shifted from a crisis organization in the early 1980s to an efficient platform-like organization by the mid-1990s. By comparing the organization before and after changes in its organizational structures and practices, we identify the steps taken to make the most use of a platform-like organizational structure. We identify three building blocks created by the central organization that provided the foundation for the cooperative's future success: the divestment of value-destroying and non-valuable resources, preventing exploitative use of resources, and enabling participants to identify and create new activities. Through our case study, we provide future research avenues to the internal platform stream of platform literature and invite empirical research that applies platform literature to different contexts, for example, to looking at platforms also as an organizing and organizational form.

Keywords Platform · Internal platform · Decentralized organization · Retail · Strategic management

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Introduction

During the past few years, platform theories have received notable attention and expansion from academics as digitalization has spawned the creation of multisided platform-based business models across a wide range of industries (e.g., Gawer 2014; van Alstyne et al. 2016; McIntyre and Srinivasan 2017). At the heart of platform thinking is a collaborative network where a platform provides an interface that is open for external complementors to create applications to (e.g., Adner and Kapoor 2010; Autio and Thomas 2014). Firms such as Apple, Facebook, and Google are often used as examples of firms that orchestrate a platform ecosystem that allows for value creation and innovation within a network of firms or complementors (e.g., van Alstyne et al. 2016). However, due to strong influence of the economics and engineering schools of thought, platform research has so far studied extensively price setting and network externalities as well as technological infrastructures (e.g., Gawer 2014; Gawer and Cusumano 2014; Tiwana 2014), leaving the intraorganizational, internal platform context with less theoretical and empirical advances. Despite Gawer's (2014) definition of an internal platform, empirical studies in the internal platform context are still largely missing, especially in terms of using the platform theory and the internal platform stream of platform literature, to analyze the functioning of decentralized and network organizations.

Regardless of the type of platform, value creation in platform ecosystems takes place in the interaction of platform participants. A platform ecosystem is a network of participants consisting of the platform owner, complementors, and users (e.g., McIntyre and Srinivasan 2017) with a platform's role defined as facilitating the interaction between these different user groups. Thomas et al. (2014) describe platforms through architectural leverage where platforms are designed to achieve high impact with little input from the platform owner in order to generate high profits for platform owners. The question of management of an internal platform is particularly interesting and not fully addressed in the existing platform literature outside the product development and supply chain contexts (e.g., Gawer and Cusumano 2014; Thomas et al. 2014). In this chapter, we show that organizational networks can be analyzed as internal platforms, as these types of organizations share several characteristics to platforms. For example, the headquarters orchestrates value in organizations, by providing the modules on top of which the organizations' other stakeholders can create value added to.

This chapter contributes to strategic management and platform literature by showing that organizational networks function according to the logic of internal platforms. By studying an organization as an internal platform, we take the first step in providing empirical examples of internal platforms outside the product development context with the internal platform structure relevant for other types of organizations as well, such as organizational networks and other decentralized organizational forms. We take a non-digital perspective to platforms such as other internal platform papers have done in the past (e.g., Simpson 2004) and use the Gawer (2014) framework to analyze our single case study organization, retail

cooperative S Group, as an internal platform. In our case study, we focus specifically on the management of such a network organization that functions as a platform and answer the question of how the management can make the most use of such a platform structure. The coordination and management of network organizations, like cooperatives, have traditionally posed several questions for academics (Provan and Kenis 2008), and this paper is the first to use the internal platform framework to study the functioning of an organizational network. Based on the case study, we identify three building blocks that in our single case example allowed the cooperative to maximize the benefit of a platform-like organizational structure and find efficiency throughout the organization.

We proceed by providing a short overview of recent advances in platform literature, followed by a review focusing on the internal platform stream of literature. We then justify the methodological choices applied in our single case study, followed by the case study of a retail cooperative from the retail sector which we define to function as an internal platform. Finally, we discuss the key findings from our case study and provide future research avenues to help expand the internal platform stream to topics such as organizational and strategic management.

Theoretical Background

In this section, we justify why platforms and specifically internal platforms are an interesting research area, focusing on identifying the key characteristics of platforms that can be applied to organizational networks. We shortly review the recent developments in platform literature and then focus specifically on the internal platform stream which we seek to expand through our single case study where we study a retail cooperative as an internal platform.

The Engineering and Economics Perspective to Platforms

Platform theory originates in the engineering and economics theoretical schools of thought. This stream of literature defines platforms as dynamic and purposive internal or external networks (e.g., Adner and Kapoor 2010; Autio and Thomas 2014). In these types of networks, the success of a platform depends on the ability for platform participants to create value through their interactions with other participants (e.g., Tiwana 2014). In the more traditional definition of platforms, for example, in the context of new product development, the role of the external or internal platform participants is to develop complementary products, services, or technologies on top of the platforms' standardized modules (e.g., Jacobides et al. 2006; Gawer and Cusumano 2014). Platform owners such as the technology providers simply orchestrate these interactions between the internal or external complementors and the platforms' own digital or physical infrastructure. In the context of internal platforms,

platforms are built around modules on top of which supply chain members can create their own offering, while in digital platforms, modules are replaced by technology interfaces.

Most research on platforms has focused on the so-called industry platforms. In an industry platform, the platform owner has given up control of the platform's components to independent complementors in order to allow the creation of complementary components and assets (Thomas et al. 2014). Examples of industry platforms include the Apple iTunes Store, where the iTunes platform serves as the interface to which external complementors (app developers) can built their own content (applications) according to the rules and guidelines set by the platform owner which in the iTunes Store example is Apple (Tiwana 2014). Overall, the recent academic literature around these types of industry platforms has moved from studying topics such as pricing (Armstrong 2006) to covering broader areas related to platform management such as governance and competitive strategy (Tiwana 2014).

The recent interest on platforms has emerged through the advent of digitalization. In the context of digital services, academics often talk about multisided markets (e.g., Hagiu and Wright 2015) with companies like Uber and Airbnb as the face of this digital platform revolution as it is popularly referred to as (e.g., van Alstyne et al. 2016). A multisided market means that a platform enables the interaction between two or more sides of participant groups. Thus, in an external two-sided platform, the main purpose of the platform owner is to maximize the network effects (Eisenmann 2006; Haucap and Heimeshoff 2014) and minimize entry barriers, for example, through the platform design and architecture (Eisenmann et al. 2011). The platform's value is based on the number of users, and the core assets of the platform owner are the platform's participants such as the customers and service providers. The platform owners thus face a chicken-and-egg problem in these types of two-sided markets; it must attract a large base of service producers and customers simultaneously, and the value for this user base is based on their mutual interaction (e.g., Gawer and Cusumano 2002; Rochet and Tirole 2003). This creates a dilemma as the switching costs for platform participants are low and there may only be loose contractual relationships toward other participants of the platform.

The Internal Perspective to Platforms

Compared to industry platforms, internal platforms are a literature stream of their own (e.g., Thomas et al. 2014). Thus far, this internal perspective to platforms has received only limited empirical interest from scholars across disciplines. For example, the internal platform framework by Gawer (2014) has received less support than her other works, for example, on industry platforms. So far, literature on internal platforms has primarily focused on the context of new product development and engineering as we outline in this section.

In the product development context, a product platform is defined as the set of common components, elements, or assets that can be shared across the organization (e.g., McGrath 1995; Meyer and Lehnerd 1997; Robertson and Ulrich 1998). Simpson (2004), for example, introduces two types of product platforms, module- and scale-based product families. Popular examples of successful product platforms include Sony Walkman and Black & Decker (e.g., Gawer 2014) in the consumer electronics and machine tools industries, respectively. The Sony Walkman product portfolio, for example, was built around key modules that allowed Sony to utilize the modular design and flexible manufacturing processes to introduce a large product portfolio, spanning over 250+ models in the 1980s (e.g., Sanderson and Uzumeri 1996). On the other hand, Black & Decker is often used as an example of a successful scale-based product platform, developing in the 1970s a family of universal motors for power tools that varied only with regard to stack length and in the amount of copper wrapped around the motor, allowing it to scale the standardized motor for the different Black & Decker product divisions.

In this chapter, instead of talking about internal platforms as product platforms in the product development and engineering context, we study how internal platform literature can be incorporated to study organizations, for example, utilizing the frameworks by Gawer (2014) and Thomas et al. (2014). Furthermore, we focus on understanding the functioning of such an internal platform that consists of one focal organization and its ecosystem of network members. Although research has looked at the internal structure of platforms (e.g., Cusumano and Gawer 2002), only a few definitions for internal platforms exist. The key commonality between the different types of platforms is that all platform participants contribute to the total value of the platform and co-create value with other participants regardless of whether the platform operates only inside one focal organization such as a product development platform or is open for external complementors such as an industry platform.

Gawer (2014) categorizes the key differences between industry platforms and internal platforms as structure and control. Internal platforms are inside the boundaries of a firm rather than organized as an ecosystem and are closed rather than open to external complementors (e.g., Gawer 2014). Organizations can adopt such an internal platform structure to respond to a rapidly changing external environment where the organization needs to efficiently generate new combinations of resources, routines, and structures (Ciborra 1996). Although literature defines industry platforms and internal platforms as two separate types of platforms, Gawer (2014) argues that it is possible for an internal platform to evolve to an industry platform as is evident through the case of IBM where an ecosystem of PC manufacturers emerged from IBM's supply chain which resulted in the eventual demise of IBM's, at the time, market-leading PC division. In the case of IBM, members of IBM's supply chain like Intel and Microsoft began to embrace the platform structure shifting from only operating in a closed one-firm supply chain of IBM to an industry platform which by the late 1980s already included an abundance of PC manufacturers.

Platforms are an interesting way to organize business from the intra-firm internal platform perspective as well, as platforms can be both fixed or able to change over time. These types of organizational networks require a strong role from management.

Cusumano and Gawer (2002), for example, state that platform owners need to manage constantly both external and internal conflicts taking place in the platform ecosystem. In the case of an internal platform, by management we refer to the headquarters. A platform is generally linked to an organization's headquarters that is in charge of orchestrating the value generated across the organization (Baldwin and Woodard 2008). The modules in such platforms can consist of, for example, standardized processes created by the headquarters such as standardized accounting practices and brand concepts. Overall, there is thus a direct link to strategic management literature, where the value generated by the headquarters is generally named as one of the four core problems in strategic management (Rumelt et al. 1994). The use of an internal platform framework can thus help create new theoretical advances also in strategic management literature.

Methodology

In this paper, we move away from product platforms that have traditionally been at the heart of internal platform research (e.g., Sanderson and Uzumeri 1995; Simpson 2004) to study S Group, a Finnish cooperative retailer, as an internal platform. As studies incorporating platform theory to study organizations are nonexistent (for an exception, see Ciborra 1996), we follow the inductive methodology of Burgelman (2011) and construct a conceptualization of organizations as internal platforms that applies to decentralized and network organizations.

Research Design

This chapter is built upon a single case analysis (e.g., Yin 1994) with the qualitative analysis using coding to analyze the plentitude of data sources (e.g., Gioia et al. 2013). Gioia analysis is used as the coding technique for creating theory that emerges from the data and showing the results visually. In such an analysis, the researchers aggregate data to first-order concepts, which are then grouped to second-order themes. Finally, the second-order themes are combined as theoretically relevant, aggregate dimensions (Gioia et al. 2013). As Burgelman (2011) argues, theory generation requires avoidance of theoretical preconceptions and constant comparison, coding, and analysis between theory and data. A Gioia analysis is helpful for achieving these ends since it aggregates raw data into theoretically relevant findings.

A Gioia analysis generally includes data tables (Corley and Gioia 2004) which show how first-order categories were created from the data. We have selected to show these data tables in narrative form, as a single case narrative increases the accuracy of the results while not being simple nor general (e.g., Langley 1999). This enables us to bypass the pitfall of Gioia analysis where the process that generates

the aggregate dimensions is lost. The strength of Gioia analysis is that it presents findings in a simple table, so these two approaches are in fact complementary.

In this chapter, we aim to understand the management of a retail cooperative, S Group, between 1983 and 1996 and the steps taken by the organization's management to maximize the efficiency of the organization that we characterize as an internal platform. We focus on this period when significant changes happened in the organization that helped S Group maximize the benefit of its cooperative business model and allow the headquarters, central organization SOK, to take a more active role in the management of the organization as a primarily support function for the independent cooperatives across Finland. In terms of generalizability (e.g., Eriksson and Kovalainen 2008), the purpose of this chapter is to provide a better understanding for practitioners and academics of the possibilities provided by incorporating platform theory to organizational and strategic management studies, raising important theoretical questions in the process that should be addressed by further studies, especially about how organizations can make the most use of such a complex platform-like organizational structure.

Data Collection and Case Selection

We collected data through a longitudinal case study about the management of the S Group between 1983 and 1996. Collecting data from a single case is suitable to the topic as it allows us to gain an in-depth understanding of the phenomena and develop new constructs (e.g., Suddaby 2010). S Group was chosen as the case as it is a decentralized organization, a unique organizing form, and thus gives us the opportunity to study the applicability of platform theory to studying organizational networks through an extreme case example (e.g., Flyvjberg 2006; Siggelkow 2007). We analyzed a large amount of data and interviewed key figures in the organization in order to gain an in-depth understanding for the status quo at S Group in 1983 and the transformations that took place between 1983 and 1996. Over the course of the entire research process, we actively studied publicly available material on S Group in order to come up with a list of potential interviewees and an understanding of the context the cooperative was in at the time. We were also granted access to the cooperatives central organization (SOK) archives with our focus on all the past top management meeting minutes, quantitative graphs, and numerical figures describing strategic plans or the state of the company as well as a plentitude of documents, memorandums, transcripts of meetings, copies of old contracts, photographs, and other notes.

As a primary data source, we used semi-structured interviews. Interviews were organized with top management, middle management, and cooperative management. The informants included all the six SOK CEOs since 1983 and other individuals who had taken part in strategic decision-making between 1983 and 1996. Although we relied on the interviews to give us an inside view into the organization, we also used archival data during the research process in order to achieve maximum

Table 1 Description of primary and secondary data sources

Data	Type of data	Amount and description of data sources	Public/ confidential
Company archives	Archival data	Board minutes, contracts, personal memos 1980–1996	Confidential
In-depth interviews	Informants	6 CEOs of SOK	Confidential
		Top and middle management of SOK and cooperative management	
CEO archives	Archival data	Private notes, memos, photographs, presentations, newspaper clips 1983–2002	Confidential
Annual reports	Public data	Annual reports 1970–1996	Public
Books	Public data	10+ books or biographies on case company	Public

accuracy and legitimacy. The selection of interviewees was iterative, as informants also provided further information about key decision-makers throughout the interview process. The interviews were semi-structured, with a duration of 60–250 min. All interviews were taped, transcribed verbatim, and thoroughly analyzed by the researchers. The interviews were conducted and transcribed in Finnish, the native language of the informants. The data used in the study is described in more detail in Table 1.

This broad data set allowed us to compare the top and middle management views. We triangulated all main events from multiple sources, for example, all interviews were triangulated with archival data and vice versa. The interviews were conducted until saturation was reached.

Based on the empirical material, we created an event database to cover the period between 1983 and 1996 using both qualitative and quantitative data. These databases form the basis for the data analysis as they allow us to pinpoint key managerial decisions taken as well as their direct and indirect effects on the organization. These events correspond to what Gioia et al. (2011) describe as first-order categories. We also have temporally orchestrated data prior to the period of intensive analysis (pre-1983) in order to understand the research context also during the period before the change process in the organization was initiated. We also collected data covering after the period of intensive analysis (post 1996) in order to understand the position that the company was in after this process. This corresponds to the notion that in process studies, the end is the starting point in a continuous process (Langley et al. 2013; Tsoukas and Chia 2002).

Overview of the Single Case: S Group

S Group is a Finnish customer cooperative, which has since mid-2000s been the market leader in the Finnish grocery retail market with an over 40% market share. The organization consists of the central organization (SOK), independent cooperatives, and subsidiary operations which together form the S Group. Our analysis focuses on the transformation of S Group in the 1980s and the actions taken by the central organization SOK to create change toward more efficiency. While in 1983 S Group was a diversified company with operations in several industries from retail to agriculture, since the mid-1980s the grocery retail business has been the flagship industry, and other businesses have been divested, or their role in the business portfolio has been greatly diminished.

Coming into the 1980s, S Group was in deep crisis, and our data shows that the organization was in the brink of bankruptcy if immediate reforms were not initiated. We identified several causes for the crisis, but the most important one was a structure that enabled suboptimization as each cooperative tried to maximize their own position at the expense of group-level performance. Our data shows that the position of S Group in the 1980s had become severe due to a lack of systematic group-level internal accounting practices and diversification of S Group's business portfolio. Thus, as a result of these issues, little information about the financial situation or business performance flowed from the central organization to the cooperatives and vice versa. In 1983 S Group eventually turned to an external CEO, the first in their history, with a mandate to initiate reforms to turn around the company.

Today, largely due to the reforms done in the 1980s, the central organization SOK is only a support function for the regional cooperatives in Finland. Customer orientation is built through interaction and shared activities such as national retail chain across the S Group. In our empirical study, we focus specifically on identifying the steps taken by S Group to maximize the efficiency of its platform-like organizational structure. Through the restructuring in the 1980s, SOK and its regional cooperatives developed several customer-oriented initiatives that formed the competencies where S Group rose to become the market leader of the Finnish grocery retail market. In 1996, the major part of these key initiatives had been put in place, which is also the end of our study.

Case Study: S Group

S Group is a retail cooperative consisting of a central organization, SOK, and independent cooperatives that together form the S Group. Like the rules of organizational networks (e.g., Provan and Kenis 2008), S Group is not a legal entity as each member of the cooperative is autonomous and decentralized in their decision-making. In this paper, we characterize S Group as an internal platform, where the internal platform participants, the independent cooperatives, can share and use a

common activity base consisting of, for example, chain and brand concepts, thus resembling an internal platform-like structure. Based on Gawer (2014), the S Group platform consists of an ecosystem of subunits, the regional cooperatives. The coordination of the platform happens through the central organization SOK, which has managerial authority according to the rules of the cooperative.

The internal platform-like structure was created at S Group in the early 1900s to ease the coordination between regionally diversified cooperatives that, without the platform, the central organization as a mediator would not be able to achieve economies of scale and thus be profitable. The platform structure was thus needed to create collaboration between Finnish regional cooperatives which in the late 1900s each ran only a small portfolio of stores in their region. This platform-type organization structure had existed throughout the history of the cooperative, but over the years it had become inefficient. Rather than a change of organizational structure, SOK management adopted several new practices between 1983 and 1996 that drastically increased the efficiency of the organization. Figure 1 shows the S Group

Fig. 1 S Group ecosystem

ecosystem as of today, after the transformation and structural change in the 1980s and 1990s, with 20 regional cooperatives and a large business portfolio run by the cooperatives.

Our analysis shows that S Group went through four crucial phases that allowed the cooperative to function more efficiently. We identified four phases in our event data, (1) status quo and (2) resource divestment, (3) platform orchestration, and (4) resource discovery and expansion, that allowed the organization to transform as shown through the Gioia analysis results in Fig. 2. It is noteworthy that typically Gioia analysis does not contain an internal structure between aggregate dimensions; as the time-coding of major strategic events shows, the aggregate dimensions of our analysis have a flow from 1 to 4. The following narrative describes how S Group shifted from a crisis organization in 1983 to finding efficiency through a few key strategic initiatives, opening up the key results from the Gioia analysis.

Status Quo at S Group (1983)

Coming into the early 1980s, S Group was a stagnant and complex organization that had poor resource allocation and information asymmetries due to a lack of standardized group-level practices. Customers perceived S Group's grocery stores as expensive and old-fashioned compared to competing retailers such as then market leader K Group. Inefficiencies were caused primarily by diversified decision-making in the S Group, as each individual cooperative oversaw running and planning the business of its own cooperative, in a certain geographical area. Due to the decision-making inefficiencies, each unit of S Group had a large workforce working for it, for example, each had their own human resources and marketing departments.

Due to numerous exploitative financial practices, the financial position at S Group was also weak in the early 1980s. S Group supported weak cooperatives financially, and there was a so-called internal monopoly in place where each subunit at S Group aimed to maximize their own unit's profits rather than the total value of S Group. Each unit in the cooperative, including the central organization SOK, was allowed to make a profit, meaning that there was a lot of suboptimization in place. As a result of an unrealized strategic plan that had proposed a restructuring of S Group already in 1969, there was also a lack of strategic direction that continued throughout the 1970s. All of this meant that several value-destroying and non-valuable resources existed in the S Group at the time, and the entire organization was at the brink of bankruptcy.

In order to turn around the company, SOK brought in their first external CEO in 1983. The new CEO started a period of divestment of noncore businesses once the SOK management realized the true financial state of the organization. Through a strategic plan, S83, SOK established a regional cooperative structure at S Group, in which the previous network of 170+ local cooperatives was consolidated into a network of 36 regional cooperatives, by, in practice, forcing the mergers of smaller

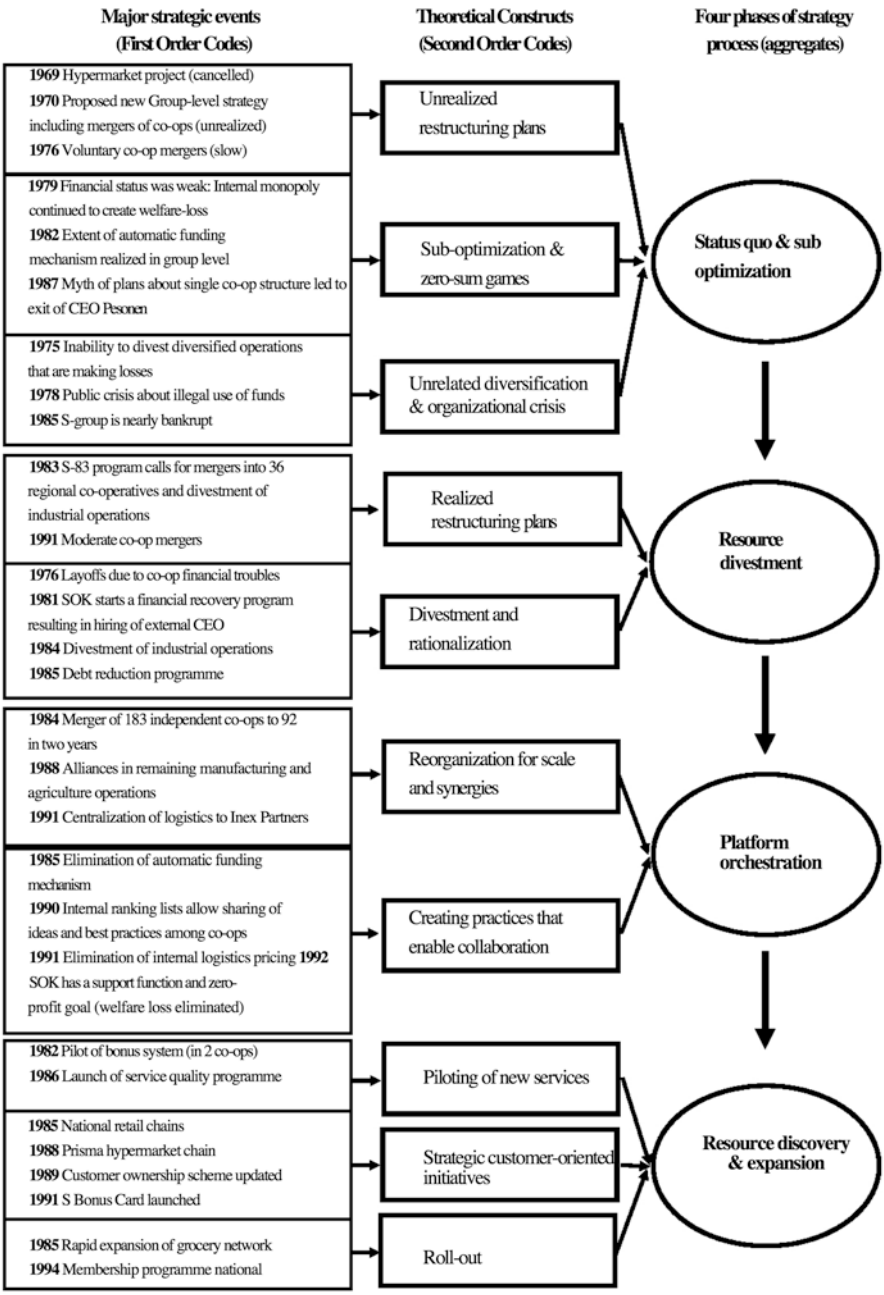

Fig. 2 Results of the Gioia analysis

cooperatives with their regional neighbors. Within S Group, cooperative mergers are voluntary and require acceptance of each cooperative, as they are independent businesses also with their own independent decision-making bodies. A crucial way to pressure the cooperatives to merge was to cut the central organization's financial support from the cooperatives. This shifted the crisis toward cooperatives who received advice and support only on the condition of mergers and divestment of unprofitable businesses. The restructuring also allowed SOK to open the balance sheets of struggling cooperatives in order to realize fully the catastrophic financial state of S Group. Significant losses were made until the late 1980s as the financial condition of several cooperatives was extremely poor due to, for example, a lack of amortizations on property and machinery.

Through the restructuring launched by the new CEO in 1983, S Group began to focus on the grocery retail business where the market share of S Group had been steadily falling over the past decade. The decision to focus on grocery retail resulted in the divestment of diversified businesses such as the agriculture and industry businesses throughout the 1980s and early 1990s. This led to layoffs and the gradual replacement of cooperative CEOs and SOK top management with recent business school graduates, who had more expertise in strategy work and were not guided by any existing ways of thinking. The majority of S Group top management in 1996 had come into the organization during the worst crisis years in the early and mid-1980s.

Transformation of S Group to a Functioning Internal Platform

The transformation started from the internal reorganization at S Group that was initiated from 1983 onward. The previous structure with hundreds of cooperatives had resulted in the lack of group-level thinking as instead of all stakeholders trying to maximize the value of the total S Group, each S Group unit and subsidiary tried to maximize their own unit's profits or their personal benefit. This gradually changed through the late 1980s with the introduction of regional cooperative structure and the elimination of past practices that had resulted in suboptimization.

The divestment of noncore businesses and the restructuring of purchasing functions were important for increasing internal efficiency. By 1992, S Group had reorganized its purchasing functions by centralizing its purchasing to its newly established subsidiary Inex Partners and divested its agricultural and industrial businesses to joint ventures such as Meira Oy. This divestment of diversified businesses shifted more roles for the planning of concepts to SOK, with the cooperatives now responsible for only operating their businesses according to the shared common vision and strategic goals. For example, until the mid-1980s S Group did not have a national retail chain network or standardized store concepts across the country.

The establishment of Inex Partners Oy and the changes in organization practices throughout the 1980s were important because they defined the cooperatives as profit centers and SOK now as simply a support unit. In the case of S Group, the

"standardized modules" found in internal platform literature consisted of, for example, standardized accounting practices, standardized store concepts, and managerial guidelines. By 1991, internal logistics pricing was eliminated, and the cooperatives could source products directly from Inex Partners without shuffling products through internal middlemen in the S Group. All profits made by Inex Partners were channeled back to the cooperatives at the end of each year, according to the ratio of purchases made by each cooperative. This ensured that S Group remained competitive and that each cooperative was treated equally without the internal monopoly structure that had existed before.

As S Group began to maximize the benefit of its decentralized structure, it could create new activities especially guided by the middle management and the regional cooperatives. While previously some cooperatives had run a lot of independent pilots since the 1970s, such as hypermarkets and the purchase refund system (which later became the S Bonus Card), now because of the steps taken by the management during the 1980s, information was more actively shared across S Group, and several concepts were quickly rolled out nationally after local pilots. For example, in 1988 S Group launched the Prisma hypermarket chain nationally and in 1991 the S Bonus Card, both of which had originated from the cooperatives and later became ventures managed by SOK. Once the middle management participation in decision-making was secured, the rollout of new concepts such as national grocery store concepts was relatively fast.

While already in the 1970s S Group had skilled employees both in SOK and the cooperatives, there had previously been little intrinsic motivation for an individual employee or business unit to develop or turn around the business. This changed in the mid-1980s through the start of a culture of piloting new concepts and by giving middle management a stronger role in strategy planning and implementation. For example, in the mid-1980s initiatives such as the creation of national retail chains was led and implemented by middle management. The national retail chains were important for the restructuring of the grocery store network and in order to make sure that regardless of the location of the store in Finland, the store concept would be almost identical for the end-customer. The new middle managers that had come into the organization in the early 1980s were also responsible for introducing new practices such as the internal ranking lists of cooperatives, which ranked the regional cooperatives from best to worst and helped create healthy internal competition. This meant that there was also internal pressure from the other cooperatives to develop their business in order to make sure that their ranking was higher and that all cooperatives did everything they could to maximize the total value of the organization. While in the 1970s, the cooperatives were playing a zero-sum game due to financial support from the central organization, through the adoption of internal ranking lists, the cooperatives had means to identify best-performing operations and transfer and expand the processes that were valuable. In short, the internal ranking lists enabled internal imitation of processes across the organization.

The most successful initiative that came with the reforms was the renewed focus on the customer owners in the late 1980s and the subsequent launch of the membership card, S Bonus Card, in 1991. Our data shows that over the years, S Group had

neglected to develop customer schemes and operations that would differentiate it from its competitors and deliver value for customers – which resulted in a continuously declining customer owner base. The focus on customers was restored through a strategic initiative launched in 1986, in which S Group redefined its mission to be about delivering superior advantages and benefits to customer owners as a customer cooperative such as S Group should exist only for its customers. The main action taken to implement this strategy was the launch of the bonus system and membership card in 1991 which had throughout the 1980s been independently piloted in a few regional cooperatives. Through the S Bonus Card, customers received purchase refunds based on their purchases in a system that increased progressively, i.e., rewarding the best customers the most for their purchases, up to 5% per month. After several pilots the membership card and bonus system were rolled out nationally in 1996 across all S Group businesses also outside grocery retail.

Discussion

Through the single case study, we provide an empirical example of an organization that can be defined as an internal platform and how such an organization can be managed to make the most use of such a platform structure. As there is no fixed definition for platforms (e.g., Gawer 2014), platform logic can be applied to organizations from several different contexts and industries. This chapter is one step toward extending the internal platform stream of literature to also cover platforms outside of the product development and engineering contexts and using the frameworks to study the functioning of organizational networks. We also generate new understanding and further research opportunities on internal platforms especially from the managerial point of view. Through a single case study of an internal platform, S Group, we show how the management of the cooperative was able to create the building blocks through an organizational transformation that served as the foundation for an efficient internal platform. By 1996, S Group was a platform where participants actively cooperated with each other, and after decades of suboptimization, it was able to find efficiency through its platform structure and eventually become the market leader in the Finnish grocery retail market by the mid-2000s. Overall, the S Group internal platform is not a specific organizational structure similar to the definition by Ciborra (1996) but more a virtual organizing structure embedded across the organization. This virtual structure enabled decentralized parts to experiment and share new initiatives with each other and the headquarters to expand successful initiatives often leading to unconventional results similar to the case of Olivetti (e.g., Ciborra 1996). There are also repercussions for management. For example, in an internal platform like S Group, the central organization had to constantly shuffle between the group-level interests and the interests of each individual cooperative. This makes managing such an organization difficult.

Through the change process that took place between 1983 and 1996, the management of the cooperative was able to make the most use of the platform-like

structure by creating three building blocks, (1) the divestment of value-destroying and non-valuable resources, (2) preventing exploitative resource usage, and (3) enabling participants to identify and create new activities, which created the foundation for efficiency and enabled the future success of the organization.

First, the new management started the process of divesting value-destroying and non-valuable resources across the cooperative. We refer to resources as the firm resources, including all the assets, capabilities, organizational processes, firm attributes, information, and knowledge that improve its efficiency and effectiveness (e.g., Barney 1991). By choosing to focus on the grocery retail sector as the flagship industry for S Group, the organization was able to slowly get rid of the diversified businesses it owned in order to develop a clear strategic direction for the future. The layoffs and forced mergers of cooperatives in the 1980s helped streamline operations, and although the process was slow, it allowed change to concretely come to the organization. Coming into the 1990s, S Group had a clear business portfolio in grocery retail through its national retail chains. SOK created the chain concepts, and the cooperatives ran the chains according to standardized principles with some modification to adjust for regional customer preferences.

Secondly, SOK created and enforced new rules and practices to address the problem of suboptimization. The successful information gathering in the early 1980s had allowed SOK to finally understand the weak financial position of S Group, and the necessary changes were put in place fairly quickly by the new management. Both the launch of Inex Partners and the new rules that made the cooperatives profit centers in S Group resulted in a mind-set change. The increased power of the SOK board and the reshuffling of cooperative CEOs resulted in each regional cooperative following the agreed strategy. This was crucial as although each cooperative was autonomous, by the end of the 1980s, the exploitative resource usage had stopped and decisions were made on a group level.

Thirdly, SOK management started the process of identifying and creating new activities across the S Group. By activities we mean any action undertaken by S Group's employees/stakeholders for the purpose of generating profits or developing economic opportunities. Previously there had been little coordination between what was done at the central organization and in the cooperatives. By the late 1980s, S Group was finally systematically developing new concepts such as hypermarkets and the bonus system. Although both were not entirely new concepts as they had been piloted before, the previously dysfunctional structure meant that information about these trials had not flown across the organization and the potential benefits of these activities were thus not realized.

Through these three building blocks, S Group was able to find synergies and make the most use of the platform-like structure in the organization. S Group was able to find new competitive advantage through the stronger cooperation that now took place between the central organization and the independent cooperatives. Several new business initiatives were launched in the 1990s which paved way for the future success of the organization. For example, as a result of the synergies provided by a more efficient organization altogether, one significant part of S Group's

new competitive advantage in the 1990s was in logistics and purchasing where it had been the most behind its competitors only a decade earlier.

Conclusion

In this chapter, we contribute to platform literature by providing an empirical example of how organizational networks function as internal platforms. The single case study shows that the inability to effectively maximize the benefit of a platform-like organizational structure can cause significant problems and suboptimization for an organization. There is thus a lot that managers can learn from platform theory when trying to optimize the performance of decentralized organizations. Through the steps taken by the management throughout the 1980s and 1990s, our single case organization S Group was able to shift away from decades of suboptimization toward becoming a more functional organization that made the most use of its platform-like structure. Through this transformation, S Group was able to find new competitive advantage from several strategic initiatives launched at the time which helped pave way for the organization's future success as partly due to these changes by the end of the 2000s, it had become the market leader of the Finnish grocery retail industry.

So far, research on internal platforms has focused almost exclusively on product platforms and empirical examples from new product development. This chapter however is the first to expand this stream of platform literature outside the product development and engineering context, incorporating platform theory to study an organizational network. Based on our single case study, we suggest a few topics for further research in this domain. First, future research could examine how platform-like organizations in different contexts evolve over time. Our study provides one example of how an organizational transformation including the divestment of unprofitable businesses and structural change was needed in order to maximize the efficiency of the platform-like structure. Secondly, future research could focus on the relationships and dynamics of internal platform ecosystems such as our case study organization. Our study provides an example of how the cooperative became efficient once the headquarters had taken a more active role as only a support function for the independent cooperatives (or platform participants), for example, after it no longer was allowed to make a profit of its own. Finally, future studies could focus on better incorporating the logic of platforms to the management of decentralized organizations like organizational networks. We suggest that efficient organizational networks require a culture where each stakeholder including middle-management can propose, plan and initiate new strategic initiatives, similar to the logic of value creation in platform ecosystems that exist in platform literature. Our study provides an example of how the lack of this kind of culture had resulted in suboptimization as each independent cooperative aimed to maximize the value of their own business rather than contribute to maximizing the value of the whole organization.

Although as a single case study this chapter has its limitations in terms of generalizability, we draw some reasonable managerial implications from the study. A platform-like organization, such as the single case study we have introduced in this chapter, requires new capabilities from managers as they need to constantly juggle between the interests of the individual platform participants and the platform as a whole. In our single case study, a mind-set shift was required so that it was possible to make decisions that maximized the value of the total organization, even if one part may have suffered as a result. As by definition, a platform value is generated through the sum of interactions and exchanges taking place in the ecosystem, and the management needs to make sure that the platform's participants do not suboptimize or exploit other parts of the platform. In a decentralized organization such as in the single case study presented in this chapter, this is easier said than done.

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