United We Stand, Divided We Fall: Historical Trajectory of Strategic Renewal Activities at SAS, 1946-2012

Dr. Joseph Amankwah-Amoah*
Bristol University
School of Economics, Finance & Management,
Social Sciences Complex, 8 Woodland Road
Clifton, Bristol, BS8 1TN
E-mail: **Joseph.amankwah-amoah@bristol.ac.uk**
Tel: 0044 (0) 117 3317936

Professor Jan Ottosson
Department of Economic History, Uppsala University
Box 513, 751 20 Uppsala, Sweden
E-mail: **Jan.Ottosson@ekhist.uu.se**
Tel: 018-471 1226, 070-6584922

Professor Hans Sjögren
Department of Management and Engineering
Linköping University, SE-590 47 Linköping
Sweden
&
Institute for Economic and Business History
Stockholm School of Economics
E-mail: hans.sjogren@liu.se
Tel: +46 13 28 40 74

Acknowledgments

The preliminary version of this article was presented at the Annual Conference of the British Academy of Management. The suggestions and comments of the participants have helped enormously in developing this paper. We are also very grateful to Erik Benson for his comments.

***Corresponding author**

Please cite as:

Amankwah-Amoah, J. Ottosson, J., & Sjögren, H. (2017). United We Stand, Divided We Fall: Historical Trajectory of Strategic Renewal Activities at Scandinavian Airlines System, 1946-2012. **Business History [in press]. ABS 3***

Abstract

Although the second half of the twentieth century saw the rise and fall of 'multi-flag companies' in the civil aviation industry, our understanding of how some managed to buck the trend and achieve longevity remains limited. This paper advances business history and strategic management research by examining the strategic renewal activities of Scandinavian Airlines (formerly Scandinavian Airlines System) during the period 1946-2012. The study sheds light on the key roles of private and state owners, rivals as well as banks, in critical financial phases are discussed in terms of longevity in the company. The longevity of the business stems from the leaders' ability to develop as anticipated and respond to change in their competitive arena in close interaction with the owners. Thus, incumbent firms that strategically renew themselves prior to or during market reform, such as deregulation, enhance their chances of developing the size of their networks and revenue streams. Our main contribution to business history and strategic management literatures is the development of context-specific stages, which shed light on the evolution of strategic renewal activities and shifts from older processes and routines towards customer service and efficiency.

Keywords: Business longevity; strategy renewal; Scandinavian Airlines Systems; airline.

Introduction

According to the development models of the civil aviation industry from a historical perspective, the most common feature of the industry was the manifestation of 'flying the flag'.[1] This is where countries designated airlines to operate on its behalf and represent that nation. This often means the nation plays a pivotal role in building and development of the airline. One of the less well-known characteristics of the second half of the twentieth century was the rise and fall of 'multi-flag companies' (MFCs) among civil aviation airlines.[2] MFCs are firms that are 'jointly owned and operated' by two or more nations.[3] The emergence of such firms over the course of the century exemplifies the making of the global civil aviation industry, which was heavily influenced by state subsidies, regulations, management and then the joint ownership of airlines.[4]

Nevertheless, by the end of the first decade of the twenty-first century, the most well-known MFCs such as Air Afrique and West African Airways Corporation have either collapsed or disintegrated.[5] Despite the departures of such firms, very few of such MFCs have survived in the face of turbulence in the business environment. Today, Scandinavian Airlines (formerly Scandinavian Airlines System, SAS) remains the only long-time surviving and important multi-flag airline in the civil aviation industry. The issue of how SAS has been able to renew itself over time and across events is important in enriching our understanding of international business history and strategic renewal literature.

Although strategic renewal has been identified as an essential ingredient for sustained organisational success, past studies have largely overlooked how organisations renew themselves and develop new business model to achieve longevity.[6] Indeed, the business history and strategic management scholars that could provide further insight on the roles and effects of organisational decision-makers in influencing the strategic directions and renewal of their organisations over time, have largely overlooked the subject within the field of civil aviation history. Although some studies have examined some airlines with a long history e.g. Singapore Airlines[7], the issue of strategic renewal over time remains largely overlooked in the literature. Our primary purpose in this article is to examine the historical trajectory of such firms' strategic renewal actions and how they are able to achieve longevity in the face of environmental turbulence. Specifically, we focus on the case of Scandinavian Airlines to examine how the firm has been able to achieve longevity from 1946 to 2012. Although the SAS Group includes other activities, our analysis focuses mainly on the airline business.

Our choice of SAS as an exemplar case firm for the study is made on a number of grounds. First of all, since its formation in 1946, the firm has been owned by three Scandinavian states (i.e. Denmark, Norway and Sweden). It remains one of the extremely few cases of MFCs that have survived whilst concurrently addressing the conflicting interests of more than one nation. Indeed, the European airline sector in which this firm partly operates has seen fundamental changes such as liberalisation and privatisation of state-owned airlines (SOAs) from the 1980s which have altered the firm's landscape and triggered a range of strategic renewal actions. Despite the increasing assertion that such state-owned firms are unlikely to achieve success and therefore government should redirect their investments elsewhere[8], SAS has bucked the trend and achieved longevity. Therefore, there is a need to examine the strategic renewal activities of the firm to enhance our understanding of the concept. The focus is on its adaptation in the period following the re-regulation of the market in the 1980s.

This paper offers key contributions to business history and strategic management literature. First, the study integrates insights of the organisational adaptation and environmental selection perspectives of strategic renewal to develop an evolutional stage model of how strategic renewal initiatives evolved. Thus, this deepens our understanding of how decision-makers shape the direction of their organisations. In addition, notwithstanding the growing body of scholarly works on strategic renewal[9], our understanding of how firms renew and respond to environmental upheavals remains limited. Our study enriches the resource-based view[10] and strategic renewal[11] literatures on how firms renew their resource base in the face of environmental upheavals.

The rest of this paper is organised as follows. In the next section, we present a review of the literature on strategic renewal and business longevity. We then illustrate our analysis using the case of SAS. We conclude by outlining the implications for business history, strategic renewal and business longevity literature.

Strategic renewal and business longevity: an integrated review

Business longevity can be viewed as a firm's ability to renew in the face of environmental upheavals to prolong its existence.[12] Strategic renewal refers to any activities or actions that a firm undertakes which modify its path dependence.[13] In other words, strategic renewal encompasses actions and decisions taken by a firm to achieve business longevity. Prior research has shown that strategic renewal entails a shift from the 'old ways of doing things' and replacing obsolete routines, processes and procedures to eliminate waste and allow efficiency to flourish across the whole organisation.[14] Strategic renewal has an inherent notion that strategic directions of firms are evolutionary in nature, which is accomplished over time.[15] It has been suggested that business longevity partly stems from effective adoption and implementation of strategic renewal initiatives in a timely manner.[16]

Research on strategic renewal has been shaped by two schools of thought: organisational adaptation and environmental selection.[17] These theories have been adopted to shed light on the interactions between firm-level and external factors in influencing strategic renewal activities. The adaptation school of thought argues that organisations have inherent abilities and possess key assets to be able to craft an effective strategy and chart a new course to respond to threats and opportunities in their environment.[18] The perspective focuses on the fit between a firm and its environment over time.[19] There is mounting evidence that an ability to identify and respond to changes in the business environment is an essential element for business longevity.[20] Organisations that proactively scan their environments stand a better chance of mitigating the risk of failure and achieving longevity.

Another theory under this umbrella is the resource-based view of business longevity[21] which argues that it is the development, accumulation and utilisation of unique resources and capabilities which underpin a firm's ability to achieve profitability and longevity. Stemming from this is the suggestion that firm's resources can be considered as part of the strategic renewal literature. In a similar vein, the dynamic capability perspective[22] suggests that organisations' ability to develop, renew and upgrade their resources and capabilities in a timely manner is essential in achieving a sustainable competitive edge and prolonging their existence.[23] Indeed, the ability to innovate has been uncovered as essential in ensuring the long-term survival of a business.[24] For instance, the Shinise (long-lived Japanese companies) have been found to 'focus on a central belief or credo that is not tied solely to making a profit' and pursue a strategy that circumvents mergers and acquisitions in sharp contrast to their counterparts in other advanced economies and therefore avoid being absorbed or dissolved by larger rivals.[25]

On the other hand, the selection perspective contends that organisations' ability to achieve renewal in the face of changes in their business environment is constrained by environmental factors such as market forces.[26] This view contends that managers play little or no role in shaping the survival of their organisations. This strand of research suggests that market forces such as deregulation, technological breakthroughs and liberalisation may alter the competitive environment leading to the emergence of new firms and disappearance of those that are unable to adapt in a timely manner.[27] In a related but distinct area, the concept of state owned companies is relevant in this context. Historically, state-owned enterprises were designed to cater for the public interest at the expense of profitability[28]. Recent studies have demonstrated that multi-state owned companies are often established to allow nations to pool together their limited financial and human resources[29]. However, the general focus on serving the public interest often constrain decision-makers and managers' ability to make necessary changes to respond to external environmental factors[30].

Another relevant stream of research anchored in the upper echelons' perspective[31] contends that strategic renewal activities stem from the characteristics of top-management teams. Top-management team characteristics such as functional and educational background, willingness to take risk and initiate change, decisiveness and level of expertise play a critical role in shaping the renewal activities of their firms.[32] One line of research has suggested that firms that are unable to meet the expectations of many of their stakeholders such as governments, owners and customers are more likely to lose their support and patronage which then threatens their ability to survive.[33] There is a hint at the possibility that organisations that are able to gain support of owners or stakeholders to overcome short-term loss-making operations have a better chance of ensuring their long-term survival. Some studies have shown that the longevity of firms to a certain extent is determined by the existence of a symbiotic relationship to banks and owners, including rescue credits, bank account deposits, interlocking directorates, capital injections, expertise and individual trust.[34] It also follows that organisations that rely on the state for funding have historically found help to overcome the pressures to make profit and reverse loss-making operations.[35]

It is contended that strategic renewal entails both the adaptation and selection features.[36] Strategic renewal is seen as a process with 'an ongoing journey instead of a discrete shift from one state to another'.[37] This process entails the interactions both firm-level and external factors in influencing the decisions and strategic direction. In this direction, strategic renewal entails two key processes/components: discontinuous strategic transformations and incremental renewal.[38] The incremental strategic renewal suggests that strategic renewal is a small step-by-step approach in which a firm initiates and implements ideas and actions over time. The minor changes often take place in a timely manner which mitigates the need to engage in larger and more difficult change subsequently.[39] On the other hand, the discontinuous transformations entail a major attempt at discarding and replacing key aspects of the firm's strategy in an attempt to enhance long-term prospects.[40] One of the motives for employing this approach is to help understand how some firms overcome declining growth or maturity in an industry by seeking to exploit new market opportunities. As firms develop and renew, they exhibit elements of both types of strategic renewal.

To sum up, our review of these theoretical strands show the importance of deepening our knowledge by combining these theoretical contributions and discuss them in a historical business history perspective. Having set out the current state of knowledge, we now turn to the data collection method.

Method and data

Given that how 'multi-flag companies' undertake strategic renewal activities and achieve longevity remains largely overlooked, we rely on a single case study approach to provide a more in-depth analysis and robust explanations of the subject.[41] In addition, the lifespan and scope of the analysis led us to adopt multiple approaches to data collection. These include archival annual reports and interviews. We consulted the annual reports and SAS archives over the period to glean useful information. One of the authors had total access to the SAS archives until the year 2000, while another author had access to the SILA archives in the Wallenberg family archives, SAS archives as well as the ABA archives (National Archives of Sweden), although there should not be a bias towards the Swedish stake in SAS. Indeed, such archival records are 'particularly suited to generating developmental explanations … explaining processes of change and evolution'.[42]

Regarding access to these archival materials, they were obtained through methods such as networking and snowballing approach. Indeed, some studies have demonstrated that these approaches are particularly effective when using corporate elites as informants.[43] In addition, other secondary sources such as academic journals, trade and industry journals, business magazines and books on the company were also consulted, which led to the identification of key events in the evolution of the company. In addition to the archival data, one of the authors conducted interviews with 17 persons representing the board, management and the labour unions within SAS, as part of a large project on SAS and the transformation of the Nordic airlines. The interviews paved the way for us to gain better understanding and clearer picture of the decision-making process and various strategies adopted over the years.

Scandinavian Airlines System: The making of a multi-flag airline

SAS remains one of the relatively few surviving MFCs in the 21st century global civil aviation industry. The development of the airline in the 20th century civil aviation in Scandinavia can be largely attributed to the entrepreneurial skills of private enterprises in the mid-1920s.[44] The airline emerged from a joint arrangement of the operations of Aktiebolaget Aerotransport (ABA) of Sweden, Det Danske Luftartselskab (DDL) of Denmark and Det Norske Luftfartselskap (DNL) of Norway.[45] In the 1930s, the plan for collaborative transatlantic air services by the three independent Scandinavian companies – ABA, DDL and DNL – was disrupted by the Nazi invasion of Denmark and Norway.[46] The co-operation between these firms was partly precipitated by the need to pool their limited resources to help make the introduction of inter-country flights financially viable.[47] Although World War II stifled progress in the sector following the occupation of Norway and Denmark, minimal developments continued in Sweden given the country's neutral position.[48]

In Sweden, the privately owned firm SILA was founded in 1943, owned and controlled by the Wallenberg financial family. The establishment of the firm was the result of a political process, where the Swedish government needed a new instrument in order to negotiate with the Americans during the war in order to prepare intercontinental airlines after the war. Thus, Sweden had established the state-owned ABA as well as the privately owned SILA. The companies operating in the Scandinavian countries ‘secretly’ took minor steps towards the consortium, which was fully resurrected after the war. After the war, it was clear that future development in the industry would require collaboration between nations and visionary industrialists to provide the level of resources needed to sustain operations in the global industry. On 27 June 1945, a few weeks after the collapse of the Nazi regime in Germany, ABA and SILA inaugurated their transatlantic service to New York from Stockholm.[49] Consequently, the collaborative efforts and pooling of resources together led to the formation of SAS in 1946 as a tri-national flag airline. The negotiations between the Scandinavian countries were dramatic and Mr Marcus Wallenberg is considered to have played an important role in the negotiations.[50] The pan-Scandinavian airline was owned by the three national airlines controlled by the nations of Denmark, Norway and Sweden, respectively.[51] Thus, both private interests and the states were represented in the new company SAS. Sweden had 3/7, Denmark 2/7 and Norway 2/7 in terms of ownership shares in SAS. It emerged as the airline representing the three Scandinavian countries.

Embryonic phase and late stage development

During the embryonic stage of the firm in the 1940s and 1950s, most activities focused on the acquisition of aeroplanes to help launch new routes. For instance, in 1945 seven Douglas DC-4 Skymaster aeroplanes were acquired prior to the official announcement of the SAS Consortium, which paved the way for one to be used on the official inaugural flight to New York a few weeks after its formation.[52] In addition, they also converted American B-17 bombers to civil versions. At this stage, the ‘majority of managers were engineers and experts on various technological matters related to air travel, often with a background from the air force industry or the national air traffic authorities’.[53] A year after the airline was founded in

1946, it carried over 18,000 passengers over the Atlantic which was ahead of the projected 3,675 passengers for the period, 10,000 passengers projected for 1952 and 16,200 projected to achieve by 1955.[54] The first financial statement for the period 1 August 1 1946 to 31 December 1947 demonstrated that the firm made an operating profit of $1.6 million and sales of $7.4 million.[55] One of the defining moments in the making of SAS's modern history was the negotiation during the late 1940s and the signing of the agreement between the three Scandinavian countries in early 1950 (Consortium Agreement). Indeed, the distribution and nationality of employees, job opportunities, top management positions, and investments had to follow the mutual owner condition, i.e. 2-2-3 stakes of ownership for Denmark, Norway and Sweden[56]. This agreement was sometimes taken advantage of for national (political) interests, rather than providing a basis for cost-effectiveness. Since the organisation opted to hold on to this key of distribution even when the market was fully exposed to competition in the 1990s, SAS had many drawbacks and cost disadvantages compared to other airlines, without historical anchors deeply rooted in the monopoly days. Sjögren argues that this agreement was important in terms of path dependence since this document was constraining the flexibility of SAS, even after the market became deregulated. For example, ministers had an impact on decisions taken even in the late 1990s, as part of a continuous struggle to protect domestic interests and keep up employment figures nationally.[57] From the 1960s, the airline expanded its geographical scope and reach.

Another important and critical moment was the introduction of the jet engine. Due to the large sums needed for investments, negotiations between the private owners as well as the Scandinavian governments were intensive. SAS, like other large companies, adopted a mainly organic growth strategy in the 1970s. In 1965, SAS became one of the pioneering airlines with the introduction of electronic reservation systems. This was an incremental shift from the traditional system at the time which focused mainly on paperwork, towards greater involvement of electronics in not only reservations but also revenue management and bookings in the subsequent decades. As SAS grew and its operations expanded across national borders, there was a shift from the over-reliance on managers who were engineers towards professional managers to help revitalise the airline. From 1946–2001, the firm had 12 presidents, although some of them were only acting temporarily during the process of recruiting the next CEO (see Appendix 1).

Another factor that threatened the profitability of the firm has been the recurring negotiations with the trade unions in the three Scandinavian countries (up to 40 separate unions). Despite a long history of industrial disputes, in 2006 and May 2007 by striking Swedish flight attendants, the firm moved towards a new arrangement which emphasised decentralisation and processes which allowed negotiations between the parties to move quickly.[58] The stable revenue streams prior to deregulation and liberalisation meant that employees were party to generous benefits schemes and conditions. As more competition emerged, the model became increasingly difficult and costly to sustain. Appendix 2 summarises key events in the evolution of the firm and strategic actions. The long tenure helped to improve the competitiveness of the airline relative to rivals. By the early 1980s it was well established that more strategic renewal actions were needed to infuse new spirit into the organisation. The business conditions provided the necessary incentives for the top-management team to develop and implement long-term plans for the business.

Our analysis led to the identification of other major and minor distinct strategic renewal initiatives from 1946–2012 (see Figure 1). Our analysis provides insights into the role of governments, the private owners (especially the Wallenberg family), top-management teams' initiatives and line managers as the organisation transitioned from one phase to the next in its quest to ensure longevity and strategic renewal concurrently. Below, we explicate a number of other strategic renewal actions that were undertaken.

Insert Figure 1 about here

Overview of the airline industry in Europe

The global airline industry has experienced a range of reforms including those stemming from the Chicago Convention on International Civil Aviation in 1944[59]. However, it was not until the 1980s when the passing of the Single European Act in 1986 ushered in one of the most fundamental changes in Europe. The reform was introduced in three packages aimed at liberalising air transport markets and helping European Community airlines overcome the bureaucratic and costly process of obtaining bilateral agreements between nations. This was a major step towards establishing the Single European Aviation Market.[60] The introduction of the packages started in 1987 with the First Package which paved the way for airlines to be able to increase their capacities on the routes between two European Union (EU) countries.

In July 1990, the Second Package was adopted.[61] A key premise of this reform was to ease airport constraints and allow multiple designations of airlines on routes above certain traffic density. The Third Package in 1992 provided airlines with equal access to licences in different member states. One of the main pillars of the reform was to allow cross-border majority ownership of airlines within the EU and remove ownership restrictions to takeovers within the EU. This was accompanied by a wave of cross-border acquisition and alliance as firms strived to gain new sources of competitive advantage. The incremental approach to liberalisation provided the much needed triggers for the firms to initiate reforms and respond to the hostility stemming from the external environment. One of the unique features of the reform was the compliance of Norway to the EU rules even though the country was not an EU member at the time.[62] The prime motive was partly to allow SAS to be able to obtain status as an EU airline which could then be utilised as a springboard for further expansion across the European market.

The pre-liberalisation environment provided SAS with some kind of comfort zone in the Scandinavian countries to grow its business as well as enjoy a monopoly power over key routes. Although SAS lost its preferential status in the intra-Scandinavian routes connecting the capital cities[63], the opportunities of being part of a much larger market far outweighed the benefits inherent in being situated in mainly the Scandinavian region.[64] In 1992, a visionary strategy was formulated and announced 'SAS to be one of five airlines in 1995' in which it was projected to become amongst a handful of surviving European airlines operating in the industry by the mid-1990s.[65] Interestingly enough, at the time, the firm was confident that it would become one of the only five airlines capable of surviving the effects of the liberalisation reforms in the air-transport industry. However, what emerged from the liberalisation reforms were intense competition and the emergence of new airlines. The last wave of reforms was accompanied by privatisation of SOAs paving the way for new sources of competition to emerge. As a direct outcome of the reforms, the industry became dominated by privately owned airlines.

Although many of Europe's legacy airlines have been fully privatised, SAS remains one of the very few state-controlled flag carriers which have survived in an environment characterised by liberalisation and a shift towards privately owned firms. Further, we would like to emphasise that SAS is characterised by the special ownership structure, with both private and state ownership (50/50). Notably, the Wallenberg family has been an active long-term owner with board representation since the foundation.[66] Accompanying liberalisation in Europe were reforms in the Scandinavian markets. Norway followed suit by easing restrictions on the domestic markets in 1994, then Denmark also deregulated in 1995, thereby ushering in a new competitive landscape in the three countries.[67] As the deregulation took root in the mid-1990s, it became apparent that the conditions that had sustained SAS's operations in the previous regime were no longer sustainable for the era. The deregulation and liberalisation reforms forced the firm to respond by altering the generous terms and conditions enjoyed by employees. However, the resistance from pilots and cabin attendants to agree on less favourable labour contracts was massive, and this manifested itself in many strikes.

Since there was less possibility of reducing employee costs, management turned the focus to organisational and strategy manoeuvres instead, such as divestment and nationalisation of activities (business divisions), where the later turned out to be a costly blind alley.[68] The institutional reforms altered the competitive dynamics by paving the way for more low-cost entrants to enter the market and begin to take market share away from traditional airlines such as SAS and British Airways. Budget and other traditional airlines started to poach an increasing number of their customers. The late 1990s saw the emergence of low-cost airlines such as Ryanair and EasyJet in Europe.

By 1996, the SAS predictions had failed to materialise and other multiple airlines had emerged. SAS, like many other legacy airlines, responded to the threat. In the UK, British Airways responded by establishing low-cost subsidiary, Go in 1997, KLM established Buzz and Lufthansa acquired a minority stake in Eurowings.[69] As part of this changing trend and response, SAS announced its plans to establish Snowflake as its low-cost unit. These external forces provided the much-needed incentives for the firm to renew. By the early 1980s and early 1990s, deregulation and liberalisation had taken root, thereby triggering a range of strategic options.

The 'moment-of-truth' philosophy, 1981–1993

Prior to the arrival of Jan Carlzon as the CEO in 1981, the airline had become a bureaucratic, centralised and 'functionally specialised organization' which was no longer suitable for the new environment.[70] In addition, it was facing headwinds such as poor customer services, loss-making operations, delays, low morale of employees and declining market share on its core Nordic routes which accounted for the precarious financial position. Furthermore, the ‘old managers were trapped by their success and could not change … they were technical, control-oriented managers focusing on profitability, productivity and efficiency’.[71] Accordingly, the airline was losing around $17 million per annum and had established track-record delays. As the competitive environment changed, the old ways of competing and gaining competitive advantage became unsustainable. As the firm grew in size, it was no longer well positioned to identify and respond to customers’ demands in a timely manner. Indeed, multiple manuals had been produced to guide and shape employees’ behaviour but these eventually came to be seen as ‘restrictions’ and constraints on front-line staff’s ability to respond to customers’ demands.[72] This was surprising given that the rules affected around 50% of the employees who constituted the ‘front-line staff’. Jan Carlzon made the following observations:

> ‘We weren't making money at SAS when I came here. We were in a desperate situation, and that's the worst time to focus on preventing mistakes and controlling costs. First, we had to increase revenues. We had to decide what business we were going to do and go to work on the revenue side. Then we could think about cutting costs, because only then would we know which costs could be cut without losing competitiveness.’[73]

The change at the top team propelled a fundamental re-thinking of the way the airline conducted its operations towards innovation, simplicity and customer services. Service quality was seen as a major factor in achieving long-term success. Perhaps the most distinctive feature of the reform was Carlzon’s ‘moment-of-truth’ philosophy.[74] His philosophy focused on delivering better encounters between the customer and firm which provided an opportunity for an impression to be formed about the business. This philosophy sought to make necessary changes in employees’ attitudes and structures to create a new culture tailored to deliver improved customer satisfaction.[75] The strategy entailed improving customer service and delivery of services such as reducing delays and queues to help attract travellers.

Under his leadership, the firm shifted from prior exclusive focus on the so-called mundane aspects of air travel towards improving the overall customer experience. It became clear to the corporate leaders that 'the battle for the air will have to be fought on the ground'.[76] This recognised that quality service was essential in turning the fortunes of the airline around. This represented a shift from the system ideology and its focus on production-based quality towards a service ideology which focused on customer-based quality. Below, we explicate the strategic renewal initiatives.

The shift to become a 'debureaucratised' airline

In addition to the above initiatives, Carlzon also identified the middle management structure as one of the main barriers to information flow from the customer to the top-management team.[77] The front-line employees were not empowered enough to deal with and respond to key customers' complaints. At the time, the company culture had traditionally 'kept out of the way of employee creativity and innovation in customer service'.[78] In light of this evidence, there was a need to realign the firm to its core activities of providing quality air services. This meant that a new structure had to be created to help address the issue. He decided to by-pass the middle managers by creating direct lines of communication with the front-line personnel.[79] This paved the way for a new culture that fosters innovation and problem-solving by front-line personnel.

One of the rationales for the shift of decisions to the front-line staff was the increasing reality that middle managers were at times not in tune with sudden changes in consumers' behaviour. The firm also offered staff development courses to 2,000 key personnel within the upper and middle management and a two-day 'personal service through personal development' course to all its 10,000 front-line staff.[80] At the outset of the reforms, there was a rally call to gather around the slogan: 'Let's get in there and fight' with the central goals and philosophy directly communicated to the employees through videotapes, in-house magazines and in a brochure.[81] In order to implement his plan effectively, Carlzon also developed a cartoon book which was referred to as ‘The Little Red Book’ to help channel his message and vision for the company to the employees. The new routines and beliefs systems were communicated through directives and the mission statements of the firm. In order to achieve the change needed, the process was supported by clear and simple information. In order to accomplish this ambition, the airline invested around $45 million to upgrade its resources and capabilities for global competition which included training employees and re-deploying them into new roles to help improve customer service.[82]

In addition, the firm trained and moved some employees ‘from the back office to more needed functions closer to the customer/passenger, to provide peripheral services (booking, checking, waiting, comfort, attentiveness, etc.) in the front-line delivery-system’, where their expertise could be further utilised to bring about organisational success.[83] The training helped to equip staff and upgrade their expertise for their new roles within the organisation. The firm also decided to establish a corporate college in Copenhagen to train individuals within the company in the right sets of skills and expertise needed for success in the industry at the time. By the late 1980s, the firm had paved the way for front-line employees to ‘make decisions so that the customer’s needs were satisfied immediately’.[84] This was a shift from the traditional approach where the normal procedure for dealing with such matters would have been to refer it to a ‘superior’ with such responsibilities.

As part of this strategic initiative, the resources and capabilities of the firm were marshalled towards helping the ‘front-line’ improve customer satisfaction. This strategy focused mainly on the interactions between line workers, cabin attendants, ticket agents and middle management. ‘No longer were middle managers to spend their time making sure instructions were followed’.[85] One of the outcomes of the changes was a more empowered front-line employee with flexibility to deal with numerous customer-related issues and a clear line of responsibilities and authority. As a result of these changes, the airline eventually abolished ‘the old military’ organisational structure which often disrupted the flow of information from the front-line to the upper echelons of the company.[86] The creation of a flatter organisational structure paved the way for the firm to become more responsive to the needs of its customers as well as reducing customer dissatisfaction. It introduced the concept of ‘Putting People First’. These changes meant the company then became ‘debureaucratised’ which allowed effective communication and flow of information to occur.[87] The firm made a dramatic shift from largely outmoded methods of dealing with customers towards making customer focus a cornerstone of its operations. As a result of the reforms initiated and implemented under Carlzon’s leadership, the airline returned to profitability in 1982, a year after his term of office started. In 1983, the improving customer service helped the airline to win Air Transport World’s Airline of the Year award and other awards followed.[88]

A shift to become the businessman’s airline and a global service company

One of the key factors in triggering strategy renewal was visionary leadership displayed by Jan Carlzon. The firm was also confronted with the looming effects of global liberalisation in the industry and shrinking response lag, i.e. ‘the time it takes competitors to respond aggressively enough to erode the competitive advantage’.[89] SAS was forced to introduce new services and expand its portfolio of activities as a means of mitigating these threats. The strategy was bold and in sharp contrast to the industry trend at the time. This entailed diversification into hotels and other services at a time when international rivals such as United Airlines and British Airways were rather divesting from hotel and car-rental subsidiaries to focus on their core airline business operations.[90] This was seen as deviating from the status quo to improve its competitiveness. During the early 1980s, as the force of liberalisation and competitiveness accelerated, Jan Carlzon launched a new strategy to make SAS ‘the businessman’s airline … the best airline in the world for the frequent business traveller’. The company introduced a new class in the cabin, EuroClass, which turned out to be an effective way of achieving service and price differentiation for increasing the total revenues.[91]

Up until 1987, the firm operated mainly as an airline which then shifted towards becoming a travel company. Carlzon quickly turned his attention to eliminating inefficiencies and improving the operations of the business. The goal was also to help attract travellers in this niche segment to make it the 'the businessman's airline'. At the time, 'conventional wisdom called for productivity drives in low market share, high-capacity utilisation companies'.[92] In addition to owning hotels and limousine services, the firm expanded the scope of these activities under the 'total travel service' strategy by 'offering business travellers not just a plane ride but also hotel accommodation, ground transportation and speedier check-in services for hotels and flights'.[93] Under his leadership, the airline established the world's first separate cabin for business class whilst discontinuing first class on its European routes. The new strategy emphasised the business class segment as a route to future success. The firm's shift to become known as the Scandinavian business traveller's airline in the 1980s was followed by a shift towards developing a new corporate identity and image.[94] The strategy pursued helped to bring customers to the airline at the time when competition was surging. The revenue accompanying the increasing customer numbers helped to conserve cash. One of the most notable changes was the increasing concentration on the niche business traveller market by providing quality services to attract and retain this segment of the market.

During late 1993 and early 1994 it became apparent that the past strategic renewal efforts had run their course. By late 1989 and after eight years in office, Carlzon had turned the airline from a loss-making operation to become one of the world's most profitable airlines.[95] By the end of his tenure, the airline's culture had been fundamentally transformed to make the company more efficient and responsive to customers' needs. The firm has been transformed to become a more customer-focused organisation. To the wider industry, Carlzon was regarded as one of the leading thinkers of the industry in bringing about major transformations. Although Carlzon's plan to make SAS one of the big five airlines by 1995[96] was not achieved, he transformed the routines and processes of the airline, thereby laying foundations towards future success. On the other hand, the wish to be the Airline of the Year and then the businessman's airline implied a flush of generosity towards claims from the labour unions, especially pilots and cabin attendants. As long as the market was regulated, increasing employee costs could be covered by higher prices for tickets, thanks to the not-so-price-sensitive business people. However, in the deregulated market with airlines competing on prices, this kind of compensatory strategy was not any longer an option. Thus, in the long run costs piled up during the era of Carlzon, strongly jeopardising the chances of being a cost-efficient and competitive player in the new deregulated market.[97] Table 1 summarises the fundamental shifts of philosophy and new activities that came to replace them.

Insert Table 1 about here

A shift from organic growth to alliance formation, 1980–1999

One highlight of the renewal agendas was the extensive growth strategy through strategic alliances and collaborative arrangements as a means of sharing risk and obtaining synergistic benefits. Prior to this period, the protections and restrictions of new entrants to its key markets meant that for SAS, the market grew 'automatically' as the economy grew and more consumers travelled.[98] As the increasing global and regional competitions eroded the key sources of competitive advantage in the 1980s, there was a major shift towards alliances as a means of staying competitive and in touch with the leading European airlines.[99] In 1988, the airline forged links with Continental Airlines and Airlines of Britain Holdings. These alliances included joint operating agreements in areas such as marketing, check-in and baggage handling to help reduce costs as well as ensuring efficient running of the business at a time when the outlook for the industry was bleak. The alliances also offered an opportunity for the firm to increase its global reach by expanding beyond the Scandinavian region.[100] Since then, in 1989, following the global shift trend, the airline formed cross-border new alliances with airlines such as All Nippon Airways, Swissair, Linea Aerea Nacional de Chile, Finnair and Canadian Airlines International.[101] Indeed, it was believed that such alliances would help SAS to become the so-called ‘fourth force’ alongside Air France, Lufthansa and British Airways.[102] Consequently, in May 1995 the firm forged links with Lufthansa to become one of the largest in the airline industry in Europe at the time. One of the unique contributions of SAS to the global airline industry has been its role in pioneering the concept of global airline alliance groupings.

On 14 May 1997 following a period of consultation, SAS alongside Lufthansa, Air Canada, Thai Airways International and United Airlines became the founding members of the Star Alliance network, thereby providing opportunities for members to collaborate and share some facilities across airports.[103] Indeed, the cooperation between SAS and Thai Airways which helped to lay the foundation for the emergence of Star Alliance, goes as far back as 1958 when SAS became one of the founding members of Thai Airways.[104] The formation of Star Alliance was seen as a mechanism to allow the firm to expand in geographical routes by tapping into the experience of rivals to improve route networks and customer services. Immediately after its formation, the tri-national airline started code-sharing with Air Canada on key routes. The multiple alliances and code-share agreements were forged under Jan Stenberg’s leadership to overcome some of the size advantages of airlines such as British Airways and Air France. At this stage in the firm’s evolution, it became clear that inter-firm alliances had become a means through which the firm could tap into new expertise as well as to strengthen and renew its market expansion efforts. In fact, the strategy was more or less the norm among the former full carriers, as a response to increased costs (not least fuel costs) and the entrance of low-cost airlines. As part of the renewal efforts, SAS forged more alliances in order to save costs, upgrade its market expertise and obtain new capabilities.

'SAS 2000' strategy

Prior to the arrival of Jan Stenberg as CEO in April 1994, the firm was suffering from the post-Gulf War downturn effects which had contributed to the pre-tax losses of around SEK3.35 billion from 1990 to 1993.[105] The first Gulf War had fundamentally altered the business environment leading to weak consumer demand, high oil prices and a surge in booking cancellations. Indeed, sales declined by around 12% in the first month of the war as many major legacy airlines had lurched further towards bankruptcy and collapse.[106] Coming into office in the wake of the war was a major challenge given that at least seven US carriers had filed for bankruptcy and four liquidated. One of the fundamental cases for reform at the outset of his leadership was the need to revitalise the outdated routines and processes to become more responsive to changes that accompanied the liberalisation reforms. The new CEO saw strategic renewal as the sole and inescapable path to ensure the firm's long-term survival. Jan Stenberg recalled the following conditions upon his arrival:

> 'This company had an awful debt-equity ratio. We were losing money to a degree [that] had eroded the equity of the company. For a long time people had been too deeply involved in what was called Alcazar, neglecting day-to-day business and the development of the company. While they were talking strategic things, tactics were left behind.'[107]

At the time, the executives sought means to help revitalise the firm and alter the declining fortunes of the business. Consequently, in 1996 the firm started intensive market research to better understand its passengers' requirements and behaviour. The effort was recognised as the 'most comprehensive database of customer observations in the airline industry'.[108] Stemming from the survey was the conclusion that the airline needed to enhance the customer experience and improve customer satisfaction. The analysis of the experiences helped to improve its services in areas such as check-in, on-board services and baggage-claim transactions. The market research culminated in the formulation of a new strategy.

In 1998, 'SAS 2000' strategy was launched, geared towards delivering improved customer interactions and facilities. A key premise of this strategy was to position the airline for the 21st century. This renewal strategy also entailed re-branding. In September 1998, the delivery of a new Boeing 737 was followed by remaking of the company image which include uniforms for workers, new cabin interiors, menus and airport lounges all carefully created to position the airline and offering an improved customer experience.[109] These changes did not emerge from a vacuum but rather they stemmed from customer surveys, multiple interviews, observations and videotapes of more than 1,500 hours of passengers' dealings with the firm.[110] The acquisition of knowledge on promising areas for cost savings helped in shaping the business for the subsequent years.

Returning to the Scandinavian heritage

Prior to the 1990s, there was a sense that the airline had lost its unique identity. Therefore, there was a need to remake the firm and position it for the 21st century. The new strategy emphasised strongly its 'proud Scandinavian heritage' which was unique to this particular firm and had been the only 'truly' Scandinavian airline and representative of the three countries.[111] In this direction, the airport lounges were redesigned to help create a homely environment which welcomed customers. The new uniforms introduced also represented a shift from the Calvin Klein-designed livery launched in the early 1980s to be replaced by Scandinavian designers.[112] Consequently, resources were marshalled towards informing employees of the need for change in personnel and structure to help bring about future success and survival. As part of a number of operations changes were made which included painting the fleet and ground equipment.

In addition, ‘personnel were attired with new uniforms, and a new logo was designed for the office and air carriers ... The whole staff went through a service management programme focusing on how the service expectations of the customers should be their service experiences in the daily moments of truth’.[113] As part of the strategic renewal actions, a decision was made to gradually retire the word ‘system’ from the official name of the airline. It was concluded that the airline represented Scandinavian characteristics such as ‘simplicity, functionality, informal elegance and respect for materials and resources, befitting the region’s legacy’.[114] Indeed, as far back as 1994, ‘simplicity, choice and care’ became the bywords for the airline’s relationship with its customers.[115]

As part of this new strategy, the food offered by the company was changed to incorporate more ‘Scandinavian world cooking’ with mainly Scandinavian dishes on the menus. This was a major step towards turning the fortunes of the airline and making it more competitive. The approach emphasised its roots and was in sharp contrast to the approaches adopted by other European airlines. For instance, in 1997 British Airways undertook major strategic change which de-emphasised BA’s ‘Britishness’ in favour of demonstrating a more diverse ethnic and racial make-up of people in its key markets around the world in Africa, Asia, Europe and North America.[116] Although the strategy deviated from philosophies pursued by other airlines, it is worth noting that, at the time, SAS sold around two-thirds of all tickets inside the Scandinavia region.[117] The new approach also emphasised a clear adoption of new ‘business philosophy’ which entailed greater employee involvement and commitment to help deliver future success. Consequently, the airline was able to ‘operate in a global market without having a global presence’ by tapping into the expertise and facilities of its partners including its Star Alliance members around the world.[118]

Post-9/11 strategic renewal

In the years after the liberalisation reforms and the implementation of a total service strategy, the firm entered the 1990s in a position of being able to compete more effectively against other global airlines. At the dawn of the 21st century, SAS was in a stable financial position (see figure 2). Prior to 2001, SAS had made an operating profit every year since 1992. Yet this would turn suddenly in 2001 when the airline would report a loss of SEK 1.1 billion.[119] During early 2001, the executives projected 'the dawn of a new era'[120] which would lead to further successes and increased capacity. However, the events of 9/11 later in the year altered the calculations of the firm. An indication of the precarious position of the airline shown in the final quarter 2001 when it posted losses of SEK 2 billion ($214 million) further exerted pressure on the business and the need to generate a quick turnaround of the fortunes of the business.[121] This forced Jørgen Lindegaard, who at the time had just been in the office as CEO of the SAS Group for a short period, to announce a renewal strategy which encompassed expanding to new markets and eliminating inefficient lines of businesses and operations.

Prior to 9/11, SAS's cost base was rising at an unsustainable rate, however, this 'was disguised by its growth during the economic boom of the late 1990s.[122] Although the firm remained the leading player in the Scandinavian region, its dominance had continuously been challenged by low-cost new entrants. Indeed, it had begun to lose more market share to them and such a renewed effort was required to respond. Following the global economic crisis, security concerns and sharp decline of air travel following 9/11, the hidden problems of the airline became more obvious which triggered a major renewal strategic initiative to make the organisation more responsive to the challenges. The airline responded to the crisis with staff reductions, and freezes on recruitment and pay raises. The underlying assumption was that co-operation was essential to cost reduction and any efficiency drive. Under the leadership of Lindegaard, the firm seized on opportunities to obtain further synergies by acquiring financially troubled airline, Braathens for $124 million.[123] In tandem with the expansion and retrenchment strategy, the firm also raised its stake in low-cost carrier, Spanair to 74%, costing it $112 million.[124] The expertise acquired from its partners and alliance partners helped to lay the foundations towards the implementation of the strategy. This was a fundamental shift from the previous strategy. As Lindegaard acknowledged:

> ‘It is not that we don't want to be the *businessman's* airline anymore, but we have to change according to what the businessman wants ... I *don't* see Scandinavian Airlines as anything but a full service airline, with cheap products within that concept.’[125]

As the effects of 9/11 became more apparent, the need to reform became more pronounced. In an attempt to respond to the 9/11 events, the firm announced a range of responses to the crisis to help ensure the survival of the business. The restructuring plans included staff reductions of up to 3,600 from 25,200 in tandem with a 15–17% reduction in operational capacity of the business and the grounding of 21 planes.[126]

As part of Lindegaard's strategy, in June 2002 the firm launched Scandinavian Direct with the aim of simplifying its fare structure leading to reductions on some domestic and intra-Scandinavian routes.[127] In 2002, the airline was affected by the downturn in the telecommunications sector and Scandinavian economy. This affected business traffic which fell by around 15%.[128] One of the major challenges facing the business in the early 1990s was the need to find ways to improve efficiency by lowering coordination costs and become more responsive to the needs of its customers. In an attempt to respond to the downturn, the firm responded with its product ‘Scandinavian Direct’, targeting the domestic market with the hope of expanding it to the other key European routes.[129] In mid-2001, the SAS/Maersk Air price-fixing scandal emerged which affected the reputation of the firm and its ability to attract customers. Also, stemming from the scandal was the fine imposed on the firm by the European Union.

According to the illegal agreement between SAS and Danish carrier Maersk Air, Maersk withdrew from the Copenhagen–Stockholm route, while SAS discontinued its services on Copenhagen–Venice, Billund–Frankfurt and Copenhagen–Athens and in so doing provided a lack of competitive conditions for each of the airlines to artificially charge consumers higher prices.[130] Both companies were fined by the EU Commission and SAS was ordered to pay 39.4 million euros ($36 million).[131] One of the key reforms was the 2002 restructuring of its activities into four new business divisions in an attempt to improve efficiency, become more customer-oriented (nationally) and reduce waste.[132] This strategy was also partly an attempt to respond to the intense competition from low-fare carriers such as Ryanair at the time, and SAS tried to ensure effective links between the parent and the offspring. During his time in office, Jørgen Lindegaard articulated a coherent vision aimed at turning the fortunes of the firm around by eliminating loss-making operations.

In August 2006, Lindegaard left; Gunnar Reitan then temporarily held the office and Mats Jansson took leadership of SAS from 2007 to 2010. There was a need for the business to shift towards ‘a new customer-oriented business culture’ to help improve the competitiveness of the business and its ability to attract and retain customers.[133] The major shift from Jan Carlzon to Jan Stenberg and then Jørgen Lindegaard was the shift from being the ‘the businessman’s airline’ to a ‘cost-oriented airline’ as key to a sustainable competitive advantage. The firm was to pursue a hybrid strategy which included low cost and low service alongside the quality services used to attract the business travellers. This was not solely a low-cost company but rather it represented diversification of the firm’s portfolio of companies and their strategies in their key markets. The firm sought to make it indispensable by offering multiple ranges of products and delivering to meet the needs of business and leisure travellers.

Divestment as a route to strategic renewal, 2008–2009

At this stage, SAS decided to reverse its earlier strategy of diversification and spin off some activities to focus more on its core business. The root of the matter was that it had overextended itself into multiple activities which needed to be pruned. Divestment was seen as a means of re-deploying the firm's resources and expertise towards its airline operations and route network. Divestment was a major part of the wider strategy called 'Strategy 2011' and 'Core SAS' in 2008 which sought to eliminate loss-making routes, businesses and to focus on new growth markets in Europe and elsewhere.[134] At the core of these strategies was the achievement of cost savings of SEK 2.7bn in the three years to 2011.[135] One of the distinctive cases was Spanair. It was formed by SAS in 1986 as a charter airline offering air services via mainland Spain to the Balearic Islands.[136] Although Spanair expanded its route network in the 1990s to include trans-Atlantic services to countries such the United States and Mexico, the underlying performance was weak and the operations remained largely unprofitable.[137] In 2008, the disposal of Spanair was estimated to cost SAS around SEK 4.9bn ($585m) in restructuring costs and write-downs.[138] In 2009, the firm sold its 80.1% stake in the beleaguered Spanair to Catalan investors for a nominal €1, signalling an end to its major involvement in the operations of the loss-making airline. The offloading of Spanair was unsurprising given that in 2008 the firm attempted to sell its stake. However, it was unable to find a suitable buyer to meet the estimated value of $600m.[139]

Despite the sale of the majority of its stake, the firm retained 19.9% and assisted in implementing a new strategic plan.[140] Due to worsening business conditions such as high oil prices and inability to generate an effective turnaround, Spanair collapsed in January 2012 with 3,161 employees losing their jobs. Around 8,600 employees were affected under the 'Core SAS' strategy with around 3,000 job losses linked to offload stakes in entities such as Spanair. In less than 20 years, the number of employees in the SAS Group was reduced from 40,000 in the early 1990s to 14,000 persons in 2012. The sale of Spanair was immediately followed by the sale of its 47.2% stake in its Latvian affiliate, AirBaltic to the airline's management for SEK 220m.[141]

In late 2009, the firm also announced the sale of its 20% stake in British Midland/BMI to Lufthansa for a £38 million ($61 million) upfront payment, with further installments to follow.[142] The decision to offload the stake in BMI goes as far back as 1989 and paved the way for the firm to redeploy its attention and resources away from the struggling British airline towards strengthening its operations in the Nordic region. In 2009, the airline also announced divestment from companies such as Estonian Air which followed the earlier decision to offload the stakes in Spanair and Air Baltic. SAS had sought to reduce capacity to focus on profitable business routes by axing 16 aircraft from its main fleet – two long hauls and 14 short hauls. This was part of a wider strategy to re-orient the company towards the opportunities inherent in the Scandinavian market whilst concurrently reducing losses stemming from under-capacity on some routes. In all, it sought to reduce the number of routes by 40% and capacity by a fifth.[143] These actions were a reversal of the expansion strategy of the two decades preceding 2008, where the firm expanded to Spain, the UK and the Baltic States as a means of gaining market share. They were also in sharp contrast to the wave of consolidation that was occurring in the industry as airlines sought to forge new alliances and mergers to help overcome the effects of the global economic crisis in 2008. The renewal strategy at this point recognised the need to terminate loss-making operations and concentrate on core markets and business passengers.[144]

By 2009, the capital situation was critical and the board had to come up with a solution in order to avoid bankruptcy. If the company had been following common practices of accounting, it would have been insolvent long before 2009, according to Fritz Schur, chairman of Scandinavian Airlines.[145] After an issue of preferred shares of SEK 6 billion, the firm was able to avoid going bankrupt. Also, the new strategy programme launched in 2009, the Core SAS, included savings of SEK 4.5 billion. But the reports continued to show red figures and in early 2010 there was a need for further cuts. At one point CEO Mats Jansson declared: ‘In a month, we have no money to pay any salaries’. The situation was solved with another issuing of shares equating to SEK 5 billion.[146] In addition to the above reforms, the firm also decided to abandon its attempt to decentralise the management structure. This was surprising given that five years earlier, the airline had split the operations into autonomous Norwegian, Swedish and Danish airlines – each with responsibility for their country.[147] This recognised that the previous ‘experiment’ was unsuitable and a return to the previous centralised management system was required.[148] These strategic renewals were geared towards ensuring efficient allocation of the firm’s existing resources whilst reducing waste and tapping into opportunities in new markets.

In November 2012, Scandinavian Airlines experienced another severe liquidity crisis. The company had to convince their creditors that they could achieve positive results in the future, in order to be able to re-new their loans. After ultimatums and threats of bankruptcy by the management, the pilot and cabin crew unions finally signed contracts with historically significant concessions regarding wages, hours of work and pensions. The financial stress also called for forced sell-offs, e.g. of the profitable airline Widerøe, and outsourcing of parts of the ground service. Figure 2 illustrates the downward trend in profits and an increasing problem with low profitability.

Insert Figure 2 about here

Based on the above analysis, we uncovered that strategic renewal attempts by the firm are manifest through broadly four distinct stages (see Figure 3). Stage 1 includes identifying problems regarding internal and external factors, such as performance decline, misallocation of resources and waste. Stage 2 entails mobilising support of key stakeholders for the strategic initiative. The stage also involves identifying key individuals such as employees and trade unions. Stage 3 includes devising and introducing new ways of revitalising and/or replacing past routines and processes seen to have constrained the firm's actions or perpetuated bad behaviours. Stage 4 entails taking steps to embed the new routines and processes within the fabric or cultures of the organisations. Successful strategic renewal efforts would lead to business longevity. Figure 3 demonstrates the complex processes and stages involved in strategic renewal initiation and implementation.

Insert Figure 3 about here

Conclusion and discussion

In this paper, we sought to examine the strategic renewal initiatives of SAS from 1946 to 2012. The history of SAS is a good illustration of a distinctive feature of the Scandinavian business environment, i.e. it is deeply rooted in the cooperation between the state and market giving rise to a hybrid organisation.[149] The study revealed that when SAS encountered a hostile environment stemming from liberalisation, deregulation and financial pressures, it discarded past unproductive and unprofitable behaviours and actions to make way for a customer-oriented organisation to emerge. The revitalisation efforts during the 1980s helped to transform the airline to become more customer focused and attract business customers. The old model of the firm was eventually superseded by a 'service logic model' and routines to revitalise the business. The 'revitalisation efforts' are rather an illustration of episodic change[150] and quantum change[151] well-developed in the literature. This is highly relevant given that episodic changes are infrequent, discontinuous and intentional. [152] As our case demonstrate, the changes were precipitated by both internal and external factors including changes in the top management team ('prime mover'), poor customer services and market competition. Thus, our analysis further contribute to the behavioural theory of the firm[153] by deepening our understanding how firms adapt and respond to environmental changes through the actions of its leaders.

Our work suggests that the strategic initiatives adopted and advocated by the top-management team such as the ‘total travel service’ and ‘SAS 2000’ helped to ensure its longevity. Our analysis suggests that the environmental conditions at the start of each CEO’s tenure had profound effects on the nature and extent of the strategic renewal initiative. We interpret this as a response from the owners towards the perceived current market situation at that particular time. The response from the owners thus came from hiring a new CEO with managerial skills required for each new market situation. However, it is important to emphasise that without substantial capital injections from the three Scandinavian governments and the major private owner (the Wallenberg Group), as well as further credits from the banks, the company would not exist today. Thus, our work demonstrates that mixed ownership was a strategic asset in helping to gain legitimacy and ensuring the longevity of the organisation.

Notwithstanding the 50% stake of the three nations, the strategic renewal efforts have largely been undertaken in close interaction between the governments’ involvement and interventions. The Consortium Agreement was important in several aspects and can be seen as an illustration of initial strategic decisions, which influenced paths for a long period of time, although the mixed ownership between the three countries was also a source of problems, as demonstrated. The initiated and implemented strategic renewal processes had a long-lasting legacy of altering the firm behaviour and approaches to customer service and marketing. Thus, these finding highlights the steps and approaches adopted by the firm as it sought to create and capture value for the owners. These also emphasised on the ‘discovery’ of a new business model in SAS as basis for developing and strengthening of the firm’s competitiveness advantage in the marketplace. Indeed, the renewal led to the development of new capability to overcome erosion of traditional sources of competitive advantage. Our findings closely mirror the 'business model innovation' concept - innovative means to create and capture value for the stakeholders of the business. [154]

Contributions to theory

The study makes several contributions to the literature on business history and strategic management. First, although the questions on how and why some companies survive over time have remained at the cornerstone of contemporary strategic management research[155], the historical trajectory in this process has been largely overlooked.[156] By examining SAS's strategic renewal activities, we provide the specification of the role of the state in aiding or hindering the progress of such firms. The study also provide unique insights into how decision-makers' characteristics such as visionary leadership and innovativeness displayed by Jan Carlzon and Jørgen Lindegaard, influence strategic renewal activities. In so doing, we shed light on the effects of resourced-based factors and the upper echelons' perspective. [157] Our findings also lend support to the theoretical contention that longevity stems from firms' ability to develop and respond to change in their competitive arenas[158].

Although strategic renewal has been advocated as essential for organisational success[159], our understanding of the underlying drivers and processes remain limited. Our study offers a phase model which delineates the strategic renewal process and consequently business longevity, as shown in Figure 3. Thus, we also demonstrated the influence of the organisational adaptation and environmental selection factors on the strategic renewal activities. The study also reinforces the findings by past study[160] that incumbent firms that strategically renewed themselves prior to or during market reform such as deregulation enhance their chances of developing the size of their networks and revenue streams. Furthermore, we contribute to the literature on 'state-owned enterprises' by examining the close interplay between private and state owners, the management of SAS and the creditors.

Another important contribution in this respect is the important interaction between owners, creditors, and management in terms of strategic renewal. Our case study illustrates the importance of bringing in the historical complexity in a case with three states, private interests, and banks interacting with various managements of SAS in the three Scandinavian countries. The case of SAS contributes to our knowledge of a strategic renewal initiatives and how they unfold in the civil aviation industry by suggesting the importance of discussing both the actions of management as well as actions by the owners.[161]

Another contribution stems from our delineation of the influence and role of state ownership and managerial initiatives such as 'SAS 2000' and 'total travel service' in contributing to business longevity. Thus, our study contributes to the strategic management literature on public sector organisation[162] by deepening our understanding of how the minimal involvement of the states (owners) created space for the various chief executives to pursue commercial goals. Thus, according to our view, this enhanced the survival chances of the business.

Regarding practical implications, since the network of flight routes is usually not perceived as a natural monopoly in the same way as the rail network, where initial costs (with the exception of airports) are significantly lower, there is no theoretical support for keeping SAS in state ownership, after the deregulation. However, the Scandinavian countries have a long tradition of a symbiotic relationship between the state and private business, and SAS is not the only state-owned company that has outlasted the wave of privatisation of firms with more or less monopoly power. Since SAS is embedded in Scandinavian welfare institutions, its utility will be assessed against national and regional policies, aside from its contingent commercial benefits to the economy and the taxpayers. The case of Finnair is interesting in relation to SAS, especially in terms of state-private interests (majority of Finnair is state-owned), and the specific history of Finnair in relation to SAS.)

Notwithstanding the contributions and implications, there are certain limitations which must be noted. First, it is worth noting that there is no single path of strategic renewal. Such crude generalisation is more likely to obscure complexities inherent in how organisations enrich their routines, processes and systems of organising to achieve sustainable competitive advantage. Our analysis recognises that organisations are likely to chart their own unique strategic renewal paths to achieve longevity. Future research should seek a sample of firms across multiple industries to develop a more comprehensive model of strategic renewal that has been achieved in this study. Future research could also examine how airlines can learn further from renewal strategies of MFCs. Such analysis has potential to inform scholarly discourse on how organisations can learn from their and others' experiences.[163]

References

Afuah, Allan. Business model innovation: Concepts, analysis, and cases. New York, NY: Routledge (2014).

Agarwal, Rajshree, and Constance E. Helfat. "Strategic renewal of organizations." Organization Science 20, no. 2 (2009): 281-293.

Albert, Daniel, Markus Kreutzer and Christoph Lechner. "Resolving the paradox of interdependency and strategic renewal in activity systems." Academy of Management Review 40 (2015): 210-234.

Alstrup, Jens, Sven-Eric Andersson, Søren Boas, Oli BG Madsen, and René Victor V. Vidal. "Booking control increases profit at Scandinavian Airlines." Interfaces 19, no. 4 (1989): 10-19.

Amankwah-Amoah, Joseph. "Against all odds! A strategic analysis of the failures of three state-owned firms." In Konara, P., Ha, Y. J., Wei, Y. & McDonald, F. (Eds.) Achieving a new balance? The rise of multinationals from emerging economies and the prospects for established multinationals. Basingstoke: Palgrave (2015).

Amankwah-Amoah, Joseph, and Yaw A. Debrah. "The protracted collapse of Ghana Airways: Lessons in organizational failure." Group & Organization Management 35, no. 5 (2010): 636-665.

Amankwah-Amoah, Joseph, and Yaw A. Debrah. "Air Afrique: the demise of a continental icon." Business History 56, no. 4 (2014): 517-546.

Amankwah-Amoah, Joseph, and Yaw A. Debrah. "Toward a construct of liability of origin." Industrial and Corporate Change doi: 10.1093/icc/dtw021 (2016): 1–21.

Amatori, Franco, and Geoffrey Jones, eds. Business history around the world. Cambridge: Cambridge University Press (2003).

Amatori, Franco, and Pier Angelo Toninelli. “Does a Model of Italian State-Owned Enterprise Really Exist?” edited by F. Amatori, R. Millward and P. A. Toninelli. Reappraising State-Owned Enterprise: A Comparison of the UK and Italy 21 (2011): 31.

Anderson, Robert. “SAS admits defeat on Spanair spin-off.” June 19, 2008. http://www.ft.com/cms/s/0/6c63152a-3e1a-11dd-b16d-0000779fd2ac.html#axzz35dZ759Dv.

Baden-Fuller, Charles, and Henk W. Volberda. "Strategic renewal: How large complex organizations prepare for the future." International Studies of Management & Organization (1997): 95-120.

Baker, Colin. “Budget options.” Airline Business 19, (2003): 2.

Baker, Colin. “SAS faces payout for using rival's data.” Airline Business 22 no. 7 (2006): 19.

Baker, Colin. “SAS lines up as Scandinavian survivor.” Airline Business 18 no.1 (2002a):19.

Baker, Colin. “SAS restructures to tackle high costs.” Airline Business 18 no. 6 (2002b): 22.

Bamber, Greg J., Jody Hoffer Gittell, Thomas A. Kochan, and Andrew Von Nordenflycht. "Contrasting management and employment-relations strategies in European airlines." Journal of Industrial Relations 51, no. 5 (2009): 635-652.

Barney, Jay. “Firm resources and sustained competitive advantage.” Journal of Management 17, no. 1 (1991): 99-120.

Barr, Pamela S., John L. Stimpert, and Anne S. Huff. "Cognitive change, strategic action, and organizational renewal." Strategic Management Journal 13, no. S1 (1992): 15-36.

Barrett, Donald M. "Multi-flag airlines: A new breed in world business." Columbia Journal of World Business 4, no. 2 (1969): 7-14.

BBC. SAS cuts deal with unions to avoid bankruptcy. 19 November, 2012, http://www.bbc.co.uk/news/business-20389271.

Belobaba, Peter, Amedeo Odoni, and Cynthia Barnhart, eds. The global airline industry. Vol. 23. John Wiley & Sons, 2009.

Ben-Menahem, M. G. M., Zenlin Kwee, H. W. Volberda, and F. A. J. Van Den Bosch. "Strategic Renewal over Time: The Enabling Role of Potential Absorptive Capacity in Aligning Internal and External Rates of Change." Long Range Planning (2012): 1-20.

Bennis, Warren G. "Managing the dream: Leadership in the 21st century." The Antioch Review 49, no. 1 (1991): 22-28.

Bruton, Garry D., Mike W. Peng, David Ahlstrom, Ciprian Stan and Kehan Xu. “State-owned enterprises around the world as hybrid organizations”. Academy of Management Perspectives 29 (2015): 92–114.

Butcher, Louise. "Aviation: European Liberalisation, 1986-2002." House of Commons Library (2010): 1-16.

Button, Kenneth, “The impact of US–EU ‘Open Skies’ agreement on airline market structures and airline networks”, Journal of Air Transport Management 15, no. 2 (2009): 59–71.

Campbell-Kelly, Martin. "From airline reservations to sonic the hedgehog." A History of the Software Industry. Cambridge MA, 2003.

Carlsson, R., “Swedish corporate governance and value creation: owners still in the driver’s seat.” Corporate Governance: An International Review 15 (2007): 1038–1055.

Carlzon, Jan. "Putting the customer first: the key to service strategy." The McKinsey Quarterly (1987a): 38-51.

Carlzon, Jan. “We Used to Fly Airplanes; Now We Fly People”. Business Forum 14 no. 3 (1989): 6.

Carlzon, Jan. Moments of truth. MA: Ballinger Publishing Co, 1987.

Casadesus-Masanell, Ramon and Feng Zhu. “Business model innovation and competitive imitation: the case of sponsor-based business models.” Strategic Management Journal 34 (2013): 464–482.

Child, John. "Organizational structure, environment and performance: the role of strategic choice." Sociology 6, no. 1 (1972): 1-22.

Civil Aviation Authority, London (United Kingdom); The single European aviation market The first five years, CAP 685. 1998.

Crossan, Mary M., and Iris Berdrow. "Organizational learning and strategic renewal." Strategic Management Journal 24, no. 11 (2003): 1087-1105.

Crossan, Mary M., Henry W. Lane, and Roderick E. White. "An organizational learning framework: from intuition to institution." Academy of Management Review 24, no. 3 (1999): 522-537.

Cumming, Duncan. "Aviation in Africa." African Affairs 61, no. 242 (1962): 29-39.

Cyert, Richard M., and James G. March. Behavioral theory of the firm. Englewood Cliffs, NJ: Prentice-Hall, Inc, 1963.

Doganis, Rigas. The airline business. Routledge, 2006.

Done, Kevin. “SAS launches sweeping turnaround plan.” February 3, 2009a, http://www.ft.com/cms/s/0/050e8524-f1d1-11dd-9678-0000779fd2ac.html#axzz35dZ759Dv.

Done, Kevin. SAS seals Spanair sale, January 30, 2009b, http://www.ft.com/cms/s/0/b00dd814-ef18-11dd-bbb5-0000779fd2ac.html#axzz35dZ759Dv.

Eesley, Charles, and Michael J. Lenox. "Firm responses to secondary stakeholder action." Strategic Management Journal 27, no. 8 (2006): 765-781.

Flier, Bert, Frans AJ Van Den Bosch, and Henk W. Volberda. "Co-evolution in strategic renewal behaviour of British, Dutch and French financial incumbents: Interaction of environmental selection, institutional effects and managerial intentionality." Journal of Management Studies 40, no. 8 (2003): 2163-2187.

Flight International (2008). “Environment special: Scandinavian Airlines takes a greener approach.” 16 (2008): 11.

Flightglobal. “SAS aims for 20% emissions cut by 2020.” 2008. http://www.flightglobal.com/news/articles/sas-aims-for-20-emissions-cut-by-2020-222090/.

Flint, Perry. “Scandinavian and proud.” Air Transport World 35, no. 11 (1998): 79.

Flottau, Jens. SAS at Crisis Juncture Repeals Growth Plan. Aviation Week & Space Technology 155, no.14 (2001): 75

Freeman, R. Edward. Strategic management: A stakeholder approach. Cambridge University Press, 2010.

Gendron, George, and Stephen D. Solomon. "The Art of Loving." interview with Jan Carlzon, Inc. magazine 1 May (1989): 35-46.

Gittleson, K. Can a company live forever? 19 January, 2012. BBC News, http://www.bbc.co.uk/news/business-16611040.

Glaser, Lotte, Sebastian P. L. Fourne´ and Tom Elfring. “Achieving strategic renewal: the multi-level influences of top and middle managers’ boundary-spanning.” Small Business Economics, (2015): 1-23.

Gustafsson, Anders, Fredrik Ekdahl, and Bo Edvardsson. "Customer focused service development in practice–a case study at Scandinavian Airlines System (SAS)." International Journal of Service Industry Management 10, no. 4 (1999): 344-358.

Hambrick, Donald C. “Upper echelons theory: An update.” Academy of Management Review 32 (2007): 334-343.

Hambrick, Donald C. and Phyllis A. Mason. “Upper echelons: The organization as a reflection of its top managers.” Academy of Management Review 9 no. 2 (1984): 193–206.

Hambrick, Donald C., Theresa Seung Cho, and Ming-Jer Chen. “The influence of top management team heterogeneity on firms’ competitive moves.” Administrative Science Quarterly 41, (1996): 659–84.

Hanlon, Patrick. Global airlines: competition in a transnational industry. Routledge, 2007.

Hannan, Michael T., and John Freeman. "Structural inertia and organizational change." American Sociological Review (1984): 149-164.

Heracleous, L., Jochen Wirtz, and Robert Johnston. Cost effective service excellence: Lessons from Singapore Airlines. Business Strategy Review, 15, no. 1 (2004): 33–38.

Hill, Leonard. 'Bosses shouldn't be forever.' Air Transport World 38, no. 4 (2001): 46.

Hollow, Matthew. "Strategic inertia, financial fragility and organisational failure: The case of the Birkbeck Bank, 1870–1911." Business History (2013): 1-19.

Huff, Anne Sigismund, James Oran Huff, and Pamela S. Barr. When firms change direction. Oxford University Press, 2000.

Huff, James O., Anne S. Huff, and Howard Thomas. "Strategic renewal and the interaction of cumulative stress and inertia." Strategic Management Journal 13, no. S1 (1992): 55-75.

International Directory of Company Histories (IDCH) (2000). The SAS Group History. Vol. 34. St. James Press. http://www.referenceforbusiness.com/history2/49/The-SAS-Group.html

Jackson, David, and John Humble. "Middle managers: new purpose, new directions." Journal of Management Development 13, no. 3 (1994): 15-21.

Jönsson, Christer. "Sphere of flying: the politics of international aviation." International Organization 35, no. 02 (1981): 273-302.

Journal of Marketing. “Back Matter.” 55, No. 4 (1991): 130

Kaminski-Morrow, David. “SAS embarks on major overhaul.” Airline Business 25 no. 3 (2009): 23.

Ketelhöhn, Werner, JoséCarlos Jarillo, and Z. Jan Kübes. "Turnaround management is not Rambo management." European Management Journal 9, no. 2 (1991): 117-120.

Kiggundu, Moses N. "Integrating strategic management tasks into implementing agencies: From firefighting to prevention." World Development 24 no. 9 (1996): 1417-1430.

Kwee, Zenlin, Frans AJ Van Den Bosch, and Henk W. Volberda. "The influence of top management team's corporate governance orientation on strategic renewal trajectories: a longitudinal analysis of Royal Dutch Shell plc, 1907–2004." Journal of Management Studies 48, no. 5 (2011): 984-1014.

Liang, Hao. Bing Ren, and Sunny Li Sun. “An anatomy of state control in the globalization of state-owned enterprises.” Journal of International Business Studies 45 (2014): 919–942.

Lynes, Jennifer K., and Dianne Dredge. "Going green: Motivations for environmental commitment in the airline industry. A case study of Scandinavian Airlines." Journal of Sustainable Tourism 14, no. 2 (2006): 116-138.

Lynes, Jennifer K., and Mark Andrachuk. "Motivations for corporate social and environmental responsibility: A case study of Scandinavian Airlines." Journal of International Management 14, no. 4 (2008): 377-390.

Lyth, Peter J. “Experiencing Turbulence. Regulation and Deregulation in the International Air Transport Industry 1930–1990. In: McConville, James (ed.), Transport Regulation Matters”, Pinter, London, (1997):154–174.

Lyth, Peter J. “Multiplicity of Instruments: The 1946 Decision to Create a Separate British European Airline and its Effects on Airline Productivity.” Journal of Transportat History 11 no.2: (1990): 1-17.

MacMillan, Ian C. "How long can you sustain a competitive advantage." in Fahey (Ed.), The Strategy Planning Management Reader Prentice-Hall: Engelwood Cliffs, NJ (1989): 23-27.

Madsen, Tammy L., and Gordon Walker. "Incumbent and entrant rivalry in a deregulated industry." Organization Science 18, no. 4 (2007): 667-687.

Magnusson, Lars and Ottosson, Jan (eds) “The evolution of path dependence”, Edward Elgar Publ. 2009.

Miller, Danny, and Peter H. Friesen. Organizations: A quantum view. Englewood Cliffs, NJ: Prentice-Hall, 1984.

Millward, Robert. Private and public enterprise in Europe: energy, telecommunications and transport, 1830-1990. Cambridge University Press, 2005.

Minder, Raphael and Nicola Clark. “Spain Threatens Fine After Airline's Quick Close.” The International Herald Tribune, January (2012): 30.

Montuori, L. A. "Organizational longevity-Integrating systems thinking, learning and conceptual complexity." Journal of Organizational Change Management 13, no. 1 (2000): 61-73.

Nadkarni, Sucheta, and V. K. Narayanan. "Strategic schemas, strategic flexibility, and firm performance: the moderating role of industry clockspeed."Strategic Management Journal 28, no. 3 (2007): 243-270.

Nicholson, Chris. V. “SAS Sells Remaining Stake in BMI to Lufthansa.” October 1, 2009. http://dealbook.nytimes.com/2009/10/01/sas-sells-remaining-stake-in-bmi-to-lufthansa/?_php=true&_type=blogs&_r=0.

Norman, Victor D., and Siri Strandenes. "Deregulation of Scandinavian Airlines: a case study of the Oslo-Stockholm route." In P. Krugman and A. Smith, eds., Empirical studies of strategic trade policy, pp. 85-100. University of Chicago Press, 1994.

Olaisen, Johan, and Øivind Revang. "Information management as the main component in the strategy for the 1990s in Scandinavian airline system (SAS)." International Journal of Information Management 11, no. 3 (1991): 185-202.

Ottosson, Jan. "The Making of a Scandinavian Airline Company: Private actors and public interests", in Krantz, O., & Andersson-Skog, L. (eds.), Institutions in the Transport and Communications Industries. State and Private Actors in the Making of Institutional Patterns, 1850-1990, Canton, Mass., Science History Publications, Watson Publishing International, (1999): 267-279.

Ottosson, Jan. "The State and Regulatory Orders in Early European Civil Aviation", Magnusson, L., & Ottosson, J., The State, Regulation and the Economy. An Historical Perspective, Cheltenham, Edward Elgar Publishers, Ltd, (2001): 148-166.

Ottosson, Jan. “Stabilitet och förändring i personliga nätverk gemensamma styrelseledamöter i bank och näringsliv 1903-1939”, (Dissertation), Department of Economic History, Uppsala University 1993.

Ottosson, Jan. “Svensk luftfart 1900-1951: civilflyget, privata aktörer och offentliga intressen”, Gidlunds Förlag (2014).

Pilling, Mark. “Getting a grip.” Airline Business 18 no. 10 (2002): 34.

Pisano, Gary, Amy Shuen, and D. Teece. "Dynamic capabilities and strategic management." Strategic Management Journal 18, no. 7 (1997): 509-533.

Prokesch, Steven. “S.A.S. Builds on Global Alliances.” The New York Times November 20 (1989): N4.

Randøy, Trond, and Siri Pettersen Strandenes. "The effect of public ownership and deregulation in the Scandinavian airline industry." Journal of Air Transport Management 3, no. 4 (1997): 211-215.

Saebia, Tina, and Nicolai J. Foss. "Business models for open innovation: Matching heterogeneous open innovation strategies with business model dimensions." European Management Journal 33 (2015): 201–213

Sandstrom, G. and Gustafsson, K. "Scandinavian Airline SAS Sets Restructuring." Nov. 12, 2012. http://online.wsj.com/news/articles/SB10001424127887323894704578114381287246520.

SAS (2014). SAS in history Pioneering aviation since 1946. https://www.flysas.com/upload/International/SKI/Media-center/Mediakit/Oct08/SAS%20in%20history.pdf.

SAS (Scandinavian Airlines) Environmental Report 1995. Stockholm: SAS, 1996.

SAS (Scandinavian Airlines) Environmental Report 1998. Stockholm: SAS, 1999.

SAS (Scandinavian Airlines) Environmental Report 1999. Stockholm: SAS, 2000.

SAS (Scandinavian Airlines) Environmental Report 2000. Stockholm: SAS, 2001.

SAS (Scandinavian Airlines) Welcome Onboard to a Healthy Inflight Environment. SAS Products and Services. Stockholm: SAS Group, 1998.

SAS (Scandinavian Airlines), SAS Group's Annual and Sustainability Report, 2004. SAS Group, Stockholm, 2005.

SAS (Scandinavian Airlines). SAS Group Financial/Sustainability Report 2002. SAS Group, Stockholm, 2003.

SAS (Scandinavian Airlines).The SAS Group Annual Report 2001 and Summary of Environmental Report. Stockholm: SAS Group, 2002.

SAS Group. Annual Report 1992. Stockholm: The SAS Group, 1992.

SAS Group. Annual Report 1993. Stockholm: The SAS Group, 1993.

SAS Group. Annual Report 1994. Stockholm: The SAS Group, 1994.

SAS Group. Annual Report 1995. Stockholm: The SAS Group, 1995.

SAS Group. Annual Report 1996. Stockholm: The SAS Group, 1996.

SAS Group. Annual Report 1997. Stockholm: The SAS Group, 1997.

SAS Group. Annual Report 1998. Stockholm: The SAS Group, 1998.

SAS Group. Annual Report 1999. Stockholm: The SAS Group, 1999.

SAS Group. Annual Report 2000. Stockholm: The SAS Group, 2000.

SAS Group. Annual Report 2001. Stockholm: The SAS Group, 2001.

SAS Group. Annual Report 2002. Stockholm: The SAS Group, 2002.

SAS Group. Annual Report 2003. Stockholm: The SAS Group, 2003.

SAS Group. Annual Report 2004. Stockholm: The SAS Group, 2004.

SAS Group. Annual Report 2005. Stockholm: The SAS Group, 2005.

SAS Group. Annual Report 2006. Stockholm: The SAS Group, 2006.

SAS Group. Annual Report 2007. Stockholm: The SAS Group, 2007.

SAS Group. Annual Report 2008. Stockholm: The SAS Group, 2008.

SAS Group. Annual Report 2009. Stockholm: The SAS Group, 2009.

SAS Group. Annual Report 2010. Stockholm: The SAS Group, 2010.

SAS Group. Annual Report 2011. Stockholm: The SAS Group, 2011.

SAS Group. Annual Report 2012. Stockholm: The SAS Group, 2012a.

SAS Group. Annual Report with sustainability overview 2013. Stockholm: The SAS Group, 2013.

SAS Group. Code of Conduct: Ethical rules and guidelines for the SAS Group. Stockholm: The SAS Group, 2012b.

SAS Group. Milestones. Retrieved from http://www.sasgroup.net/SASGroup/default.asp 05 June 2014.

Siggelkow, Nicolaj. Persuasion with case studies. Academy of Management Journal 50 no. 1, (2007): 20–24.

Sjögren, Hans. "Long-term Financial Contracts in the Bank-Orientated Financial System", Scandinavian Journal of Management 10, no 3 (1994): 16.

Sjögren, Hans. Högrtryck. SAS och omvandlingen [High Pressure. SAS and the Transformation]. Stockholm: Dialogos, 2015.

Sobie, Brendan. The great SAS sell off. Airline Business 23 no. 7 (2007): 16.

Sörhammar, David, and Anna Bengtson. "SAS 'new' business model." In 22nd Industrial Marketing and Purchasing Group Conference: Opening the network. New perspectives in industrial marketing and purchasing, 15. 2006.

Staralliance. "Staralliance: A Chronological History." 2012, http://www.staralliance.com/assets/doc/en/about/member-airlines/pdf/Star_Alliance_Chronological_May2012.pdf.

Stiwenius, O. "Planning for a rapidly changing environment in SAS." Long Range Planning 18 no.2 (1985): 22-29.

The Economist "A talent for longevity." 359 no. 8217 (2001): 59-60.

The Economist "The darkest hour." 366 no. 8316 (2003): 53-54.

The Economist. "Fancy formations". 327 no. 7815 (1993):18-20.

The Economist. “The new model.” 405 no. 8806 (2012): 20-21.

The Economist. “Unions, Inc.” 407 no. 8830 (2013): 68-69.

Thornton, Robert L. "Governments and Airlines." International Organization 25, no. 03 (1971): 541-553.

Toninelli, Pier Angelo, ed. The rise and fall of state-owned enterprise in the Western world. Vol. 1. Cambridge University Press, 2000.

van Driel, Hugo., Henk W. Volberda, Sjoerd Eikelboom, and Eline Kamerbeek. “A co-evolutionary analysis of longevity: Pakhoed and its predecessors.” Business History (2015): 1-29.

Van Vleck, Jenifer. Empire of the Air: Aviation and the American Ascendancy, Harvard University Press, 2013.

Venkatraman, Nenkat, and John E. Prescott. "Environment-strategy coalignment: An empirical test of its performance implications." Strategic Management Journal 11, no. 1 (1990): 1-23.

Vera, Dusya, and Mary Crossan. “Strategic leadership and organizational learning.” Academy Of Management Review 29 no. 2 (2004): 22-240.

Volberda, Henk W., Charles Baden-Fuller, and Frans AJ van den Bosch. "Mastering strategic renewal: Mobilising renewal journeys in multi-unit firms." Long Range Planning 34, no. 2 (2001): 159-178.

Weick, K. E., and R. E. Quinn. “Organisational Change and Development.” Annual Review of Psychology 50, no. 1 (1999): 361–386.

Welch, Catherine. “The archaeology of business networks: The use of archival records in case study research.” Journal of Strategic Marketing no. 8 (2000): 197–208.

Welch, Catherine., Rebecca Marschan-Piekkari, Heli Penttinen, and Marja Tahvanainen. Corporate elites as informants in qualitative international business research. International Business Review, 11, no. 5 (2002): 611-628.

Wild, Andrew M. “Learning the wrong lessons from history: Underestimating strategic change in business turnarounds.” Business History 52, no. 4 (2010): 617–650.

Yin, Robert K. Case study research: Design and methods. 4th Eds., London: SAGE Publications, 2009.

Yin, Robert. K. Qualitative Research from Start to Finish. New York: The Guilford Press, 2011.

Figure 1: The evolution of strategic renewal activities in SAS

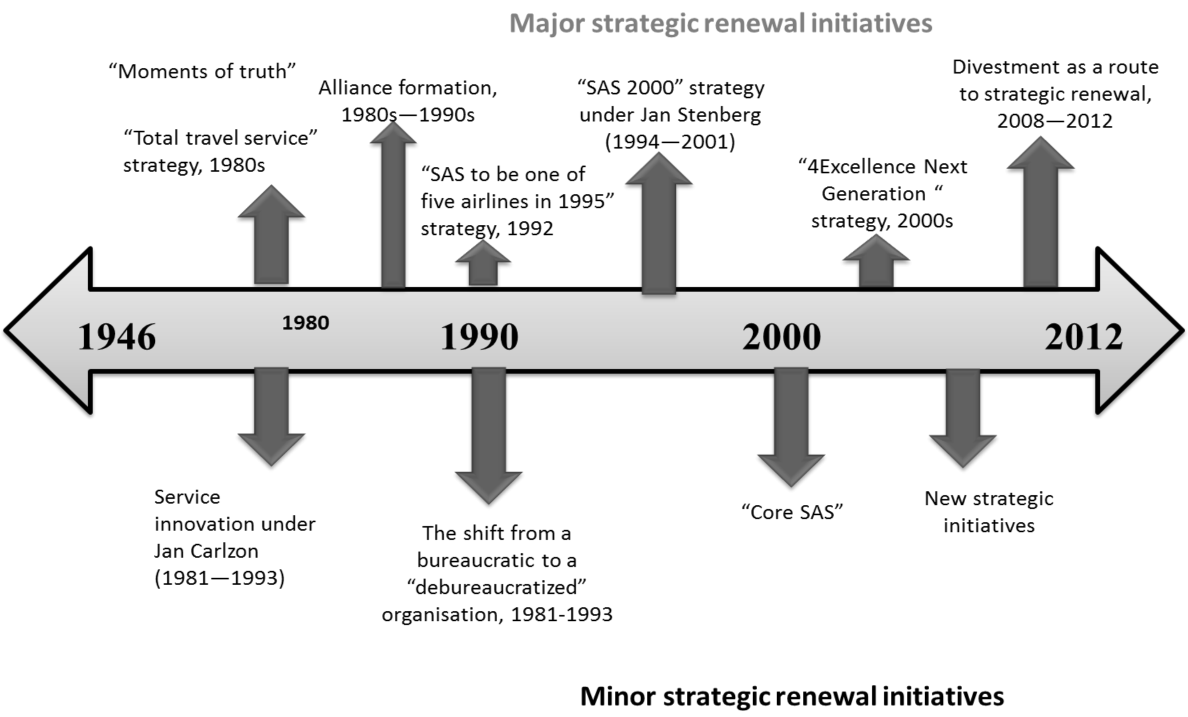
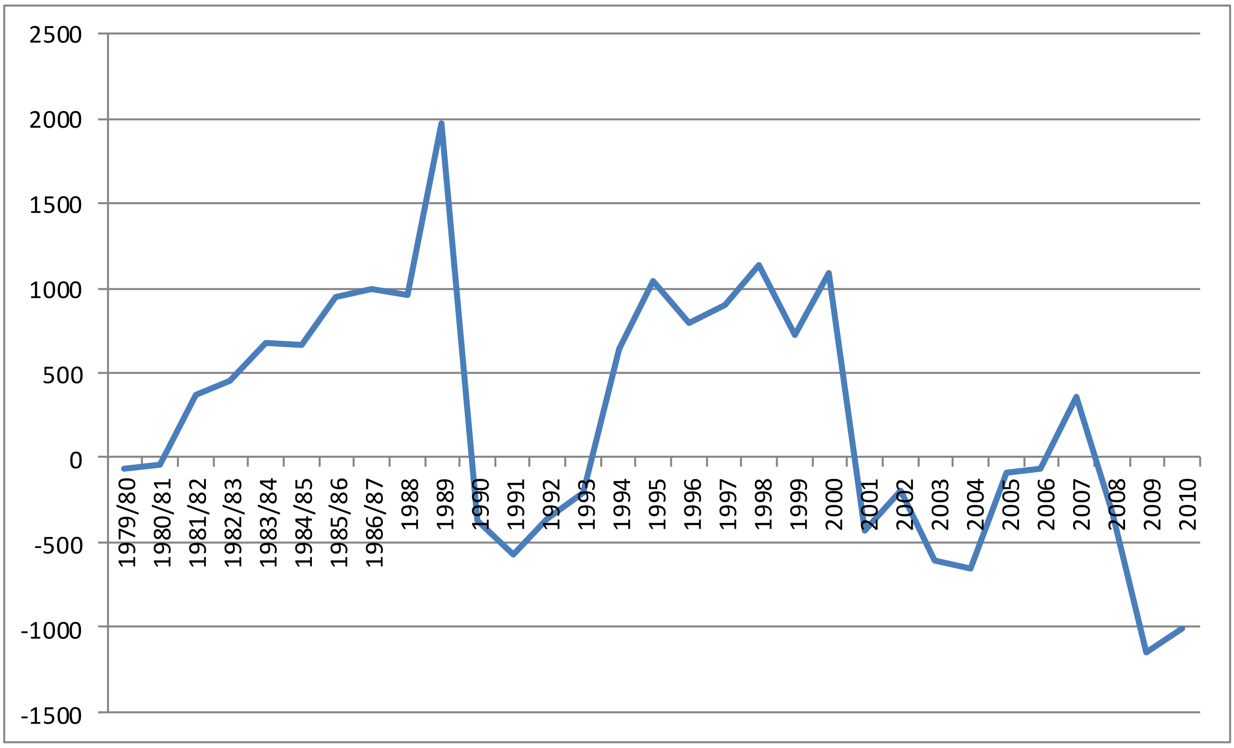


Figure 2: Operating profit before appropriations and taxes in SAS Group 1980–2010. Fixed prices.
MSEK



Source: Sjögren, "Högtryck". Statistical compilation built on SAS annual reports.

Figure 3: An integrated framework of co-evolutionary perspective

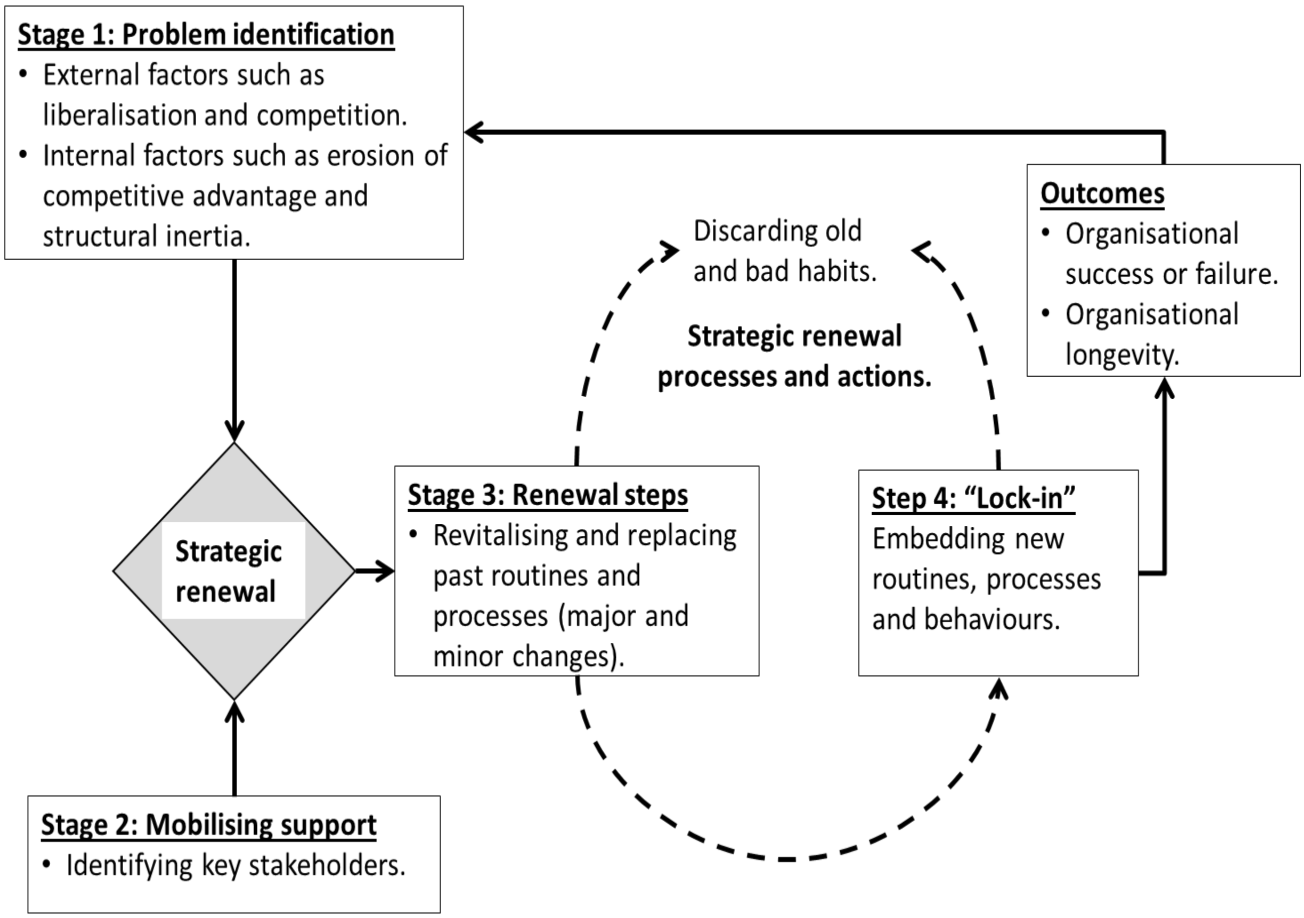


Table 1: Key features of strategic renewal actions and service activities

Nature of problem	Old SAS and old habits prior to Carlzon	Strategic renewal: New activities/re-orientation during and after Carlzon
Communication channels	• Lack of effective and limited line of communication between frontline officers and top-management team. • Organisational cultural barriers to effective flow of information.	• Created new channels of communication by by-passing the middle managers to create direct lines of communication. • Effective information sharing among employees. • Emphasis on quality services, responsibility and authority to front-line staff to solve problems.
Perception of the business	• The firm had a reputation for poor-quality service, delays and bureaucratic organisation. • Inferior services offered by the business.	• The firm launched new strategic vision around services. • Became structured small egalitarian groups with more widespread delegation. • SAS became Europe's most punctual airline shortly after the changes were implemented.
Organisational decline	• Lack of clear strategic direction.	• Galvanising the firm's resources and capability to help bring about renewal. • Generosity towards claims from the labour unions.
Strategic focus	• "Stuck in the middle"– lack of clear direction.	• Focused more on business traveller. • Renewed expertise of managers. • Executive commitment to changing the corporate culture towards a more quality service provider.
Market orientation	• The airline was largely regarded as a production-oriented airline. • Multiple specialist functions were created to manage assets, but rather encourage strategic persistence across the organisation.	• SAS was renewed and became a market-oriented service firm. • Developed and maintained a customer service culture. These actions became routinized within the firm. • Building a stronger brand through aesthetic innovations, 1983 and 1998.
Environment and scanning activities	• Largely reactive organisation. • Volatile environments and increasing competitive pressures from rival airlines.	• Proactive organisation with an upgraded ability to scan and identify key sources of opportunities and threats. • Ability to detect future changes. • Changing status quo and revitalise the firm's strategy.

Data sources: synthesised by the authors from: Bennis, 1991; Ketelhohn et al., 1991; SAS, 2014; Carlzon, 1987a, b; Stiwenius, 1985; Sjögren, 2015.

Notes

[1] Lyth, “Multiplicity of Instruments”; Van Vleck, “Empire of the Air”.
[2] Barrett, “Multi-Flag Airlines”.
[3] Barrett, “Multi-Flag Airlines”; Jönsson, “Sphere of flying.”
[4] Ottosson, “The Making of a Scandinavian”. See also Ottosson, “
[5] Amankwah-Amoah and Debrah, “Air Afrique”; Hanlon, “Global airlines”.
[6] Agarwal and Helfat, “Strategic renewal”; Afuah, “Business model innovation”.
[7] For example, Heracleous et al. “Cost effective service excellence”.
[8] Toninelli, “Does a Model”; Millward, “Private and public enterprise”.
[9] Huff, Huff and Thomas, “Strategic renewal”.
[10] Barney, “Firm resources”.
[11] Agarwal and Helfat, “Strategic renewal”.
[12] van Driel et al., “A co-evolutionary analysis”.
[13] Volberda et al., “Mastering strategic renewal” ; van Driel et al., “A co-evolutionary analysis”; Kwee et al., ”The influence of top management team's” .
[14] Crossan and Berdrow, “Organizational learning”; Huff and Huff, “When firms change”.
[15] Huff and Huff, “When firms change”
[16] Ibid.
[17] Volberda et al., “Mastering strategic renewal”; van Driel et al., “A co-evolutionary analysis”; Glaser et al. “Achieving strategic renewal”.
[18] Venkatraman and Prescott, “Environment-strategy”.
[19] Huff, Huff and Thomas, “Strategic renewal”.
[20] Agarwal and Helfat, “Strategic renewal”.
[21] Barney, “Firm resources”.
[22] Teece, Pisano and Shuen, “Dynamic capabilities”.
[23] Child, “Organizational structure”.
[24] Eesley and Lenox, “Firm responses”.
[25] Gittleson, “Can a company”.
[26] Hannan and Freeman, “Structural inertia”.
[27] Volberda et al., “Mastering strategic renewal”. Path dependence, see further Magnusson and Ottosson “The evolution of Path Dependence”.
[28] Bruton et al. “State-owned enterprises”; Liang et al. “An anatomy of state control”.
[29] Bruton et al. “State-owned enterprises”; Amankwah-Amoah, “Against all odds”.
[30] Bruton et al. “State-owned enterprises”.
[31] Hambrick and Mason, “Upper echelons”; Hambrick, “Upper echelons theory”.
[32] Hambrick, “Upper echelons theory”; Hambrick et al. “The influence of top management”; Albert et al. “Resolving the paradox”.
[33] Freeman, “Strategic management”.
[34] Sjögren, “Long-term”. Ottosson, “Stabilitet”.
[35] Doganis, “The airline business”.
[36] Flier et al., “Co-evolution in Strategic”.
[37] Volberda et al., “Mastering strategic renewal”, 160–161.
[38] Agarwal and Helfat, “Strategic renewal”.
[39] Ibid.
[40] Ben-Menahem et al., “Strategic Renewal”.
[41] Yin, “Case study research”; Yin, “Qualitative Research”; Siggelkow, “Persuasion with case studies”.
[42] Welch, “The Archaeology Of Business Networks”.
[43] See Welch et al. “Corporate elites as informants”.
[44] See Lyth “Experiencing”.
[45] SAS Group, “Milestones”; Ottosson, “The Making of a Scandinavian”.
[46] IDCH, “The SAS Group History”. Finland (Aero O/Y) also participated in the interwar planning of collaborative transatlantic air services, but Finland was not involved in the collaboration after the war.
[47] Ottosson, “The Making of a Scandinavian”.
[48] Belobaba et al., “The global airline”.
[49] IDCH, “The SAS Group History”.
[50] Ottosson, “Svensk luftfart”
[51] Ottosson, “The State and Regulatory”.
[52] Sörhammar and Bengtson, “SAS “new” business model”.
[53] Ibid, 3.
[54] SAS Group, “Milestones”.
[55] Ibid.

[56] Sjögren, "Högtryck".
[57] Sjögren, "Högtryck".
[58] Bamber et al., "Contrasting management", 647.
[59] Amankwah-Amoah and Debrah, "Toward a construct"; Doganis, "The airline business".
[60] Civil Aviation Authority, "*The single European aviation".*
[61] Butcher, "Aviation".
[62] Randøy and Strandenes, "The effect of public ownership".
[63] Ibid.
[64] Doganis, "The airline business".
[65] SAS, "Annual Report 1992", 8.
[66] Sjögren, "Högtryck".
[67] Randøy and Strandenes, "The effect of public ownership".
[68] Sjögren, "Högtryck".
[69] Baker, "Budget options".
[70] Olaisen and Revang, "Information management".
[71] Olaisen and Revang, "Information management", 189.
[72] Stiwenius, "Planning for a rapidly".
[73] Quoted in Gendron and Solomon, "The Art of Loving", 34.
[74] Carlzon, "Putting the customer first", Carlzon, "Moments of truth".
[75] Carlzon, "Moments of truth".
[76] Stiwenius, "Planning for a rapidly", 22.
[77] Carlzon, "Putting the customer first".
[78] Ketelhöhn, Jarillo and Kubes, "Turnaround management", 118.
[79] Jackson and Humble, "Middle managers".
[80] Stiwenius, "Planning for a rapidly".
[81] Ibid, 27.
[82] Gendron and Solomon, "The Art of Loving".
[83] Stiwenius, "Planning for a rapidly", 24.
[84] Ibid, 26.
[85] Gendron and Solomon, "The Art of Loving", 34.
[86] Stiwenius, "Planning for a rapidly".
[87] Bennis, "Managing the dream".
[88] Gendron and Solomon, "The Art of Loving".
[89] MacMillan, "How long can you sustain", 24.
[90] Prokesch, "S.A.S. Builds on Global Alliances", N4.
[91] SAS, "SAS Group, "Milestones", nd.
[92] Ketelhöhn, Jarillo and Kubes, "Turnaround management", 118.
[93] Prokesch, "S.A.S. Builds on Global Alliances", N4.
[94] Olaisen and Revang, "Information management".
[95] Prokesch, "S.A.S. Builds on Global Alliances".
[96] The Economist, "The darkest hour".
[97] Sjögren, "Högtryck".
[98] Stiwenius, "Planning for a rapidly".
[99] See e.g. Button "The impact of US–EU".
[100] Prokesch, "S.A.S. Builds on Global Alliances".
[101] Ibid.
[102] The Economist, "Fancy formations".
[103] Staralliance, "Staralliance: A chronological".
[104] Sörhammar and Bengtson, "SAS "new" business model".
[105] Hill, "Bosses shouldn't be forever", 46.
[106] The Economist, "The darkest hour".
[107] Quoted in Hill, "Bosses shouldn't be forever", 46. Alcazar was a proposed alliance between carriers the airlines Scandinavian Airlines, Austrian, KLM and Swissair. Serious talks were held in 1993 and the alliance was nearly to happened.
[108] Hill, "Bosses shouldn't be forever", 46.
[109] Flint, "Scandinavian and proud".
[110] Ibid.
[111] Flint, "Scandinavian and proud".
[112] Ibid.
[113] Olaisen and Revang, "Information management", 189.
[114] Flint, "Scandinavian and proud", 79.

[115] SAS Group, “Annual Report 1994”.
[116] Flint, “Scandinavian and proud”.
[117] Ibid.
[118] Hill, “Bosses shouldn't be forever”, 46.
[119] Pilling, “Getting a grip”.
[120] Hill, “Bosses shouldn't be forever”
[121] Pilling, “Getting a grip”.
[122] Bamber et al., “Contrasting management”, 646.
[123] Ibid.
[124] Baker, “SAS restructures to tackle high costs”; Pilling, “Getting a grip”.
[125] Quoted in Pilling, “Getting a grip”, 34
[126] Pilling, “Getting a grip”.
[127] Pilling, “Getting a grip”.
[128] Baker, “SAS restructures to tackle high costs”.
[129] Ibid.
[130] Flottau, “SAS at Crisis Juncture”.
[131] Ibid.
[132] Baker, “SAS restructures to tackle high costs”; Sjögren, “Högtryck”.
[133] Sobie, “The great SAS sell off”.
[134] Anderson, “SAS admits defeat on Spanair spin-off”.
[135] Done, “SAS launches sweeping turnaround plan”; Done, “SAS seals Spanair sale”.
[136] Minder and Clark, “Spain Threatens Fine”.
[137] Ibid.
[138] Done, “SAS seals Spanair sale”
[139] Anderson, “SAS admits defeat on Spanair spin-off”.
[140] Done, “SAS seals Spanair sale”.
[141] Ibid.
[142] Nicholson, “SAS Sells Remaining Stake”.
[143] Kaminski-Morrow, “SAS embarks on major overhaul”.
[144] Done, “SAS launches sweeping turnaround plan”.
[145] Sjögren, ”Högtryck”.
[146] Sjögren, “Högtryck”.
[147] Kaminski-Morrow, “SAS embarks on major overhaul”.
[148] Done, “SAS launches sweeping turnaround plan”.
[149] Sjögren, “Högtryck”.
[150] Weick and Quinn, “Organisational Change and Development.”
[151] Miller and Friesen, “Organizations.”
[152] Weick and Quinn, “Organisational Change and Development.”
[153] Cyert and March, “Behavioral theory of the firm”.
[154] Afuah, “Business model innovation”; Saebi and Foss, “Business models”; Casadesus-Masanell and Zhu, “Business model innovation”.
[155] Venkatraman and Prescott, “Environment-strategy”.
[156] Ben-Menahem et al., “Strategic Renewal”.
[157] Hambrick and Mason, “Upper echelons”; Hambrick, “Upper echelons theory”.
[158] Crossan and Berdrow, “Organizational learning”.
[159] Agarwal and Helfat, “Strategic renewal”.
[160] Madsen and Walker, “Incumbent and entrant rivalry”.
[161] Amatori and Toninelli, “Does a Model of Italian State-Owned”.
[162] Kiggundu, “Integrating strategic”.
[163] Wild, “Learning the Wrong Lessons”.