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What's so special about Systembolaget?

2016: Magdalena Gerger looked at the Swedish landscape passing outside the train window on her way back to Stockholm from yet another dialogue meeting with store managers. As always, she had learned a lot. And as always, she was proud to be a part of the organization.

During the years in which Gerger and her predecessor Anitra Steen had led 'Systembolaget', a government owned chain of liquor stores with exclusive rights to sell alcohol, it had recouped from a major corruption scandal and massive criticism towards its very existence, to emerge as one of Sweden's most trusted and appreciated organizations. Three of four Swedes now argued that the alcohol monopoly should be kept. Moreover, as icing on the cake, Systembolaget had, for the fourth-year running received an award for best customer service in the nation.

The 5400 employees seemed to enjoy working at Systembolaget. The organization was financially sound. Most importantly, national alcohol consumption had decreased since the corruption scandal. However, this was no time for leaning back. Unresolved issues like online marketing and the threat of commercial sales of alcohol online from abroad, might in the long run threaten the possibility for Systembolaget to deliver upon their social mission to limit the negative effects of alcohol in society. There had in fact for some time been a growing number of internet retailers that operated from outside Sweden and used grey zone between EU regulation and Swedish law to have individuals import alcohol.

Lingering in Gerger's head were three questions. She knew that others saw Systembolaget as a special case because they were state owned and guarded by alcohol regulations. At the same time, with a long career in other consumer goods organizations, she noticed that the pressure on other business organizations to create more social value alongside with making money was increasing. Why would Systembolaget's journey be so unique? Her second question was less philosophical. She was worried that the successes of the organization in later years would breed complacency. "How can I motivate my co-workers and employees", Gerger thought. "How do I help them to keep reinventing themselves? And how do I balance innovation and engagement with leveraging routines already in place?" If we become content with the status quo, we risk losing everything. It must not happen! Thirdly, she thought about

the damages created by alcohol in society and the sharp increase in aggressive marketing depicting alcohol as just another product. To make a difference, she thought, Systembolaget needs to focus even more efforts in this area. At the same time, she recognized that a clear majority of customers thought they knew everything they needed to know about the negative effects alcohol and that very few would admit they ever had had any issues with consumption. So how do we mobilize ourselves to find the right approach to increase our efforts in our social mission while at the same time delivering excellent service and create good results across the board?

The Scandal

On January 10th, 2003, Mikael Wallteg, the Sales Director of Systembolaget, received an anonymous letter containing information and documents accusing a store manager at one of the company's outlets in Farsta, south of Stockholm, of accepting compensations and benefits from two suppliers.

“It turned out that people had been accepting product samples, golf bags and more, and this person was afraid that Systembolaget would be eradicated if this unsound culture was allowed to continue”, says Wallteg.

In return the manager had favored the suppliers' products by placing their products on more attractive shelves and similar ‘favors’. Rumors that suppliers tried to get privileges from purchasers or store managers at Systembolaget, among the five largest purchasers of alcohol in the world, were not new, but no proof had ever been presented. The more Wallteg and Anitra Steen started discussing the issue internally, the silence that they met suggested that the problem was larger than expected.

Systembolaget's HQ immediately responded to the allegations put forth by the anonymous sender and launched an internal investigation comprising an extensive overlook of Systembolaget's outlets. Sales data were analyzed and meetings with store managers and sales staff were conducted at the company's stores. The acceptance of compensations and benefits from suppliers was not a phenomenon that could be isolated to the one store manager in Farsta. It seemed to have widespread occurrence among several outlets. Additionally, Systembolaget's internal investigators found that some stores were offering beverages that were not part of the regular assortment, and that some stores pushed sales of certain brands. In the end, Systembolaget's internal investigation concluded that tens of store managers had systematically violated the company's internal policies and that they had broken Swedish law by accepting various types of bribes and kickbacks. 20 store managers lost their jobs immediately following the investigation. Systembolaget made offers to accused store managers not to push charges against them if they admitted their wrongdoing and left their positions.

On May 14th in 2003, Systembolaget filed a report on corruption charges, thereby handing the matter over to the Swedish police. "The hardest decision I ever took was to file charges against our own people", says Steen. During the summer, the prosecutor in charge of the case disclosed that the corruption could be even more widespread than Systembolaget first thought. The prosecutor had found that as many as 100 people within the organization could be involved in irregularities connected to corruption. At this time, the news had reached the Swedish press. It quickly became top news among TV stations and newspapers all over the country (see Appendix 3). Journalists occupied the sidewalk outside the company's headquarters and outlets, seeking interviews and comments from employees.

The widespread corruption and the attention from the media and from the public shook the organization to its core. Public opinion of Systembolaget had plummeted to record low numbers and uncertainty and discomfort permeated the company. Internal trust was down the drain. Everyone was under immense pressure. Top management stood before an ominous challenge. Not only must trust and stability be rebuilt within the organization, but public opinion must also be won back. Without the support of the Swedish people, Systembolaget as a monopoly would be eliminated. It was not the first time that the company's existence was questioned (Appendix 8). Following Sweden's entry in the EU in the mid-1990s, the European commission was close to shutting down the company. The EU allowed it as a tool to promote public health, but with one major demand: the company had to be non-discriminatory and brand neutral. In the case of the corruption scandal, it was evident that they had not been. Now, the existence of the organization was once again put in question.



Systembolaget's purpose and limitations

Through the alcohol law in Sweden, Systembolaget has the sole right for retail of liquor, wine and beer with more than 3,5% alcohol. This sole right has a socio-political purpose by limiting the access to alcohol. The agreement with the government means that the government has control over store establishment, and opening hours. It is also meant to ensure that people under 20 years of age, people who are already notably intoxicated, or people who are assumed to illegally pass the beverage on to somebody else, do not come in possession of the good.

The company's profit margin, calculated as the return on equity, is intended to equal the average interest rate on a ten year government bond + seven percentage points. If the return on equity durably exceeds the intended profit margin, this should benefit customers through decreased product margins. The owner should receive 80-100% of the company's after tax profits, as long as the company's solidity target allows it (the target, calculated as the equity to assets ratio, is 20-30%).

Systembolaget should be run in an economically effective and efficient manner. When determining product margins, the company should take into consideration possible operative improvements, so that the company covers its costs and that the owner receives its return on equity.

Systembolaget AB's owners' directive, from shareholder's meeting April 24, 2014



Steen had learnt to know the organization well since, somewhat reluctantly, taking office in September 1999 after a successful career as for example State Secretary in the Ministry of

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Finance, as well as director general of the Swedish Tax Agency (Appendix 10). Systembolaget was not in good shape. The organizational effectiveness and customer service was lacking. Employees had long lists of what they were not allowed to do in relation to customers. The general public was increasingly discontented with being told what to drink and how to drink it, not to mention when and where to buy alcohol. Since the company was a governmental institution, its *raison d'être* would vanish if public support to become too weak.

Steen had interviewed employees at all levels of the organization, asking them to describe their expectations on her as CEO as well as their opinions on the current state of the company. She also spent a couple of days working in one of Systembolaget's stores. Steen developed a good overview of the state of the organization. It was clear that many employees had a positive outlook, despite the challenges and external pressure the company faced. Many had shared positive beliefs about where they thought Systembolaget was heading, as well as exciting ideas about what could be done to develop the business. However, not everyone trusted the new CEO and the new approach. Some employees had conversely expressed negative attitudes towards the future; some of them even believed that Steen kept a hidden agenda, commissioned by the owners to simply dismantle the monopoly.

She had quickly determined that Systembolaget should be turned into a business like any other retailer, only better and more customer focused, and with the additional task of reducing the harm created by alcohol in society. As a result, she had initiated the work of developing a new strategic plan aimed at transforming Systembolaget into a modern and service-oriented retail chain that could revamp the company's image among the general public. Steen:

"In order to keep the monopoly, you need to be able to defend it. You must be able to show the customers that they get something in return despite the restrictions. Therefore, we said that we have to develop Systembolaget in a way so that even the 'monopoly haters' can say that Systembolaget is a professional retailer with good service and assortment."

To help pursue the new strategic plan, Steen had started recruiting new people with good experience in retail, something that the previous management had been lacking. For instance, Steen managed to recruit a new sales director, Mikael Wallteg, who at the time was working at one of Sweden's largest retailers, Coop. Wallteg agreed with Steen: "As a monopoly you'd think we could afford to be lazy, but it is the other way around. To stay alive, we had to be better than everyone else."

Steen had formed an analytical team of about 40 people. These were people that she had identified as innovative cultural carriers during her tour of the organization, as well as people from the management team, from regional management, and prominent representatives from the union. Steen and her new team had analyzed every aspect of Systembolaget. The directives from the company owner (the Swedish government) were dissected, the alcohol law was

examined, and a thorough investigation of what the alcohol monopoly actually comprised was carried out.

During their investigation, they realized that the new strategy absolutely must consider dual perspectives. It must be heavily oriented around Systembolaget's alcohol political mission aimed at both controlling the accessibility of alcoholic beverages and at maintaining good customer service. The strategy therefore must form a platform that could balance both aspects; the goal of becoming a modern retailer with excellent service could not be allowed to compromise Systembolaget's political mission and vice versa. Promotions were already made to convey that the Swedish alcohol policy as being better than a free market (in line with the purpose which is set from the owner's side – see fact box and Appendix).

The corruption scandal was no doubt a major setback for the hard work that the team had put in. Of course, Systembolaget was heavily criticized, in media and in the general public. Moreover, political voices were raised, asking the EU commission to investigate whether the scandal might affect the monopoly.

At this point, the public opinion for keeping Systembolaget (see Appendix 6) was fairly low. To gain back the trust internally and publicly, Systembolaget decided to be overly transparent about what had happened and what was going on within the company. CEO Anitra Steen made several appearances on Swedish suppliers were deemed guilty and convicted. It became clear that the people who had taken bribes could not continue their employment. 75 prosecuted employees were convicted on corruption charges, the last ones in 2008. All 77 left their jobs. Most received payment packages from the company to settle matters without further negotiations.

Starting over

In the aftermath of the corruption scandal, but with the judicial processes still ongoing, many employees felt uneasy. Apart from colleagues disappearing, employees at all levels were affected by a general sense of frustration and the pride in working for Systembolaget was not as natural as before.

“Nothing really happened to me since I had had nothing to do with the corruption. But I still felt affected by the whole thing. Colleagues disappeared and we all felt frustrated and insecure. But nothing else really changed, I guess.” Lena Forsberg, store manager

Systembolaget wanted to heal the internal organizational wounds that the scandal had caused but also refocus on the development of the business. Systembolaget initiated a dialogue process where people were given the opportunity to talk about what had happened. The process was intended to help people ease their hearts, leave the scandal behind and start over from a clean slate. Systembolaget also turned its transparency efforts towards the public and posted an ad in Swedish newspapers on February 20, 2004, stating: ‘You have not forgotten

the great corruption scandal?'. In the ad Systembolaget informed the public of what actions the company had taken to handle the event.

Steen also wanted to ensure that the negative and destructive culture that the scandal had exposed was eliminated. However, the goal was not to find scapegoats. Instead, communication everyone got to discuss ethical dilemmas through a tool called 'the ethical dialogue'. Through the ethical dialogue, Systembolaget wanted to establish common values among the employees. By letting an "ethical council" review and revise Systembolaget's policies regarding the relationships between staff and suppliers, the company made sure that the culture began spreading to its external partners as well.

Furthermore, the introduction of new store managers and sales staff proved positive from a cultural perspective. With them came much needed enthusiasm, new ideas, and a will to be part of something good and something that contributed to society: There was power in recruiting new people with new and different experiences, who had knowledge of retail, an interest for Systembolaget and an understanding for its mission.

Several changes were made within the organization as a consequence of the scandal. Systembolaget wanted to make sure to prevent similar cases of bribery in the future and established a procurement process that covered the products' complete journey from supplier to the shelves. Also, the assortment management was centralized and moved from the stores to the company headquarters. This was meant to limit the risk of having suppliers influencing the stores' procurement decisions and assortment. Moreover, this was a way of including suppliers in Systembolaget's high standards. "It was not easy, of course", says Marie Nygren, vice president and director of purchasing & supply chain. "Systembolaget put quite hard demands on our suppliers and not every supplier was happy at the time, but it forced everyone into a new and better way of working".

When looking at customer experience, the management team came to the insight that customer perception was most affected by proactivity among store staff. Wallteg describes: "In the work with making the processes more efficient we took the efficiency wins and invested them in being proactive in the customer meeting". Overall, the new organizational design and the store concept that Wallteg had been developing since before the scandal was aimed at directing the organization outwards.

The company had realized that its stores were far from being up to date. The existing over-the-counter layouts provided little or no possibility for customers to stroll around in the stores. Luckily, as a response to the New Year chaos in 1991, Systembolaget had experimented with a self-service concept in a small number of stores. The experiment had stagnated in 1992 but could now be resurrected and serve as an evaluation point when all stores were to be transformed in 2001. A pilot project to increase service by extending opening hours to Saturdays in six counties had also been well received and valuable insights were drawn with

regards to the development of alcohol-related crimes (e.g. physical abuse, drunk driving). As a result, Systembolaget could introduce new opening hours to all stores in Sweden in 2001.

The company's had earlier had five regions, each led by a regional director with an average of 80 stores in each. Wallteg replaced the regions with 28 smaller branches. By having managers in charge of fewer stores, Systembolaget hoped to encourage better and increased communication between individual stores and HQ, as well as increased control and coordination of development activities at the stores.

Wallteg's new design was rolled out in the midst of the ongoing crisis, starting to come alive around 2004/2005. The general idea was to flatten the organization to release more energy among employees at all levels, an undertaking that has been ongoing since. The new structure with smaller branches helped establish a more intimate leadership. This had the additional effect that Systembolaget obtained better insight and gained more control over what was going on in the stores. Before, regional managers had only had time for stores that experienced trouble. Stores that had not been visited by managers before now could be visited more frequently. Before, the relationship between the stores and the suppliers was perceived as stronger than that between the stores and the regional offices.

As soon as the new organization was in place, Systembolaget began further developing its outlets and its operations. Steen and her team wanted to ensure that customers would recognize and have the same feeling in every store, whether they visited Systembolaget's outlet in Ystad in the south or in Haparanda in the north. This required an increased level of standardization in how the stores were operated. Furthermore, Systembolaget's strategic priorities, such as its 'satisfied customer index' (SCI) and 'satisfied employee index' (SEI) were broken down all the way down to store level. This allowed staff and store managers to receive weekly updates on their individual index scores as well as on the scores for the whole company and all its levels. In this way, employees could connect the company scores back to their own work efforts and to the progress of their own store.

The Competence Library

In 2007, Systembolaget's management team decided that it was time to review staff competencies. After the corruption scandal, the company had let off a large number of managers and new ones needed recruiting. This time, the ambition of the company was to recruit people that could support and drive the new strategy and not fall into old habits. Additionally, existing staff needed to be educated and offered development possibilities in order for Systembolaget to excel at customer service and organizational efficiency as planned. Marie Nygren experienced the period after the "purification process" as being full of positive energy. Top management wanted to make sure that it came to good use. "The whole work organization was redesigned, and responsibilities was not only clarified but also expanded. In the new way of working influencing decisions and handling more qualified tasks was not only for store managers and assistant store managers.

Soon, a competence development program was connected to this new development effort, called 'the competence library'. A large number of capable co-workers and managers were asked to describe what made a good co-worker and a good manager respectively. Numerous characteristics were put forth such as 'being open' and 'being good at meeting the customer'. Together with HR, the management team then clustered all characteristics, ending up with about 30 different competencies, including descriptions of what they entailed, how they could be developed, as well as descriptions of what they were not. Sonia Undin, Systembolaget's HR manager at the time, describes:

"The competence library became the foundation for how we worked. We created profiles for the different roles and jobs that exist at Systembolaget. These 'role profiles' are different from work descriptions in that they are more oriented around the goal of your role, rather than describing what you are supposed to do. It became very clear what was required of a store manager or of a staff member."

New staff were soon recruited according to the role profiles, and during the subsequent years' performance reviews, the competence library was used as an evaluation tool. It helped people understand what they did well and what they could develop more. Additionally, the library was used to support the matching of salaries to performance.

Regional managers visited each individual store at least once every third week. There they held a continuous dialogue with the store managers regarding how the store manager felt that their store and its staff were progressing and developing. The company made sure that everyone felt visible and got the feedback they needed to continue their various efforts in pursuit of the strategy. In 2010, Systembolaget became 'Competence Company of the Year' thanks to the thorough and efficient structures and tools the company had developed in the area. The following year, the competence library was refined further, going from 30 universal competencies to 18 leadership competencies and 14 co-worker competencies. For example, a higher-level manager for instance needs more strategic skill than a group manager and would be assessed accordingly.

The Good Customer Meeting

Around 2006, Systembolaget began defining a new concept called 'the good customer meeting' (Det Goda Kundmötet (DGK)). Several years of inquiry had led them to weigh in numerous aspects into what the concept comprised. For instance, they came to the conclusion that customers can essentially play two roles when they visit a store; they are 'citizens' when walking around in the shop, and they are 'beverage buyers' when they are paying at the register. Staff needed to be able to treat both roles in appropriate ways, answering the customers' needs without compromising Systembolaget's purpose to minimize the negative effects of alcohol. The theory became much oriented around communication in particular and helped define both the roles of customers and the roles of Systembolaget's employees when in contact with customers.

Anitra Steen left the organization in 2009, and was succeeded by Magdalena Gerger, (Appendix 8). Although she found the organization to be well functioning, she also found that it was in need of change and direction. Says Gerger:

“At this point in time, the organization felt that it had lost a couple of years when recovering from the corruption scandal and was eager to change for the better. Top management and HR decided to make use of the momentum and energy and thus began performing many changes.”

By interviewing people at every level in the company, Gerger came to the conclusion that customer service could always be in line with the overall mission, as long as it did not actually increase the consumption of alcohol. Gerger also, somewhat revolutionary, recognized that in order to enable proper customer focus, the enjoyment of alcohol must not be denied and worked against, but instead be appreciated and worked with. Hence, Gerger started by tweaking the vision –from balancing customer service and the social responsibility to saying that the two actually come together like a hand in a glove. At this time the customer was also redefined – from someone who came in buy alcohol to everyone in the society, off course affecting how to think about a customer. This was in line with the ideas that had already been researched for a long time under the DGL umbrella. Now they were made operational and applicable to the whole organization. With her a background in the food and consumer goods industries, Gerger brought a stronger focus on developing and understanding of ‘the good customer meeting’ (DGK). Early on, the ‘customer promise’ was further developed and clearly stated, saying that as a customer:

- You should always feel welcome.
- You should always be able to learn something from us.
- You should always be able to trust that we sell responsibly

Through surveys, it had been found that customers entertained a much more negative view of Systembolaget's services than its employees did. In 2011, this led the organization to open up for improvement experiments out in the stores in order to fulfill the customer promise. The experiments were called ‘aquariums’, signifying a transparent way of testing new ideas that could be seen and evaluated by everyone. During these initiatives, employees were strongly encouraged to, in a structured and controlled manner, come up with, try out, and evaluate different ways of improving customer meetings without needing to fear any repercussions for failure.

The aquariums were intensively ongoing during 2012 and produced a number of ideas. A few examples of ideas that were tested in stores were: treating customers to alcohol-free samples; singing at the register; and having fresh flowers in the stores. Each effort was jointly evaluated by the employees and managers; ideas that did not turn out well were scrapped, and good ideas were piloted in 30 stores before potentially being rolled out to the rest of the organization.

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Many of the first ideas coming out from the “aquarium” were of a more technical character of how to embrace the customer promise. After a while people realized that delivering upon the customer promise was more of a personal journey, encompassing challenging attitudes, perceptions and ways of working. This was also true for HQ and various support functions, who suddenly realized that The Good Customer Meeting was also about them.

One specific idea that had major impact on the whole organization was that it could not be considered a good customer meeting to greet customers when unpacking new products. When discussing how to make a customer feel welcome, they realized that they could not do that while turning their back to the store while unpacking their products. Consequently, the whole supply chain was affected when it was decided that unpacking must happen before or after opening hours. Many employees thought that there were manuals for everything, and some expressed that the sheer number of instructions impeded their sense of autonomy.

The aquarium initiative was an attempt for management to show trust and to empower the organization. The intention was to standardize regular duties and free up time for employees to find new ways to continuously improve and change the organization, e.g. through the aquariums.

The change did, however, not go down without some difficulty. Though many appreciated the new way of working, not everyone liked the new value-based organization. Some employees questioned why they must do more things than before. Some were also afraid of meeting customers in the way prescribed, and of being seen and held accountable in new ways. In addition, Systembolaget’s top leadership had had up until this point assumed that middle managers were positive to the changes, but after a check-in it turned out that they were not necessarily onboard. Many were confused or even suspicious about the changes.

Gerger, Wallteg and others in the management team concluded that the only way forward was to keep the dialogue going at all levels in the organization. Starting in 2007, 6800 one-to-one meetings between store managers and their area manager takes place every year. Every store manager meets top management in dialogue meetings every year.

DGL - The Good Leadership

Systembolaget’s board of directors decided that ‘the good customer meetings’ must be delivered on via ‘the good leadership’ (Det Goda Ledarskapet, DGL). Systembolaget began working with both in parallel. Gerger made the year of 2010 ‘the year of the leaders’. Necessary leadership competencies were discussed and evaluated amongst all managers, and, after aggregation, several competencies were formulated as the cornerstones of DGL. All leaders in Systembolaget should, for example, act in the following way (see Appendix 4 for a fuller list):

- “be monitoring the external environment”
- “act strategically”

- “be curious and willing to change”
- “create happiness in the workplace”
- “develop people”
- “develop the organization”
- “perform and deliver”

The new required competencies were communicated to all leaders in the organization in easily understandable formats and terminology. In 2011, the new leadership profile was officially implemented. New staff were recruited and existing competencies updated. The competence bar was set much higher than before. Moreover, 2011 was named “the year of the employees” and put emphasis on increased cooperation between functions, implementation of lean methodology, and the trying out of new business models such as e-commerce and home delivery.

Accelerating

Up until 2012, DGL had mainly been implemented on the higher levels of the company, and business management had been sponsors to the regional managers. In 2012, DGL was also rolled out to the store managers, who were assigned with arranging and coordinating a companywide mass meeting over live streaming media. With a minimum of instruction, the store managers had to create new communication channels and new ways of working with support from HR.

The effort was costly and difficult but resulted in all 27 sites all around Sweden uniting in a streamed meeting with Gerger in the town of Umeå addressing the whole organization. Tobias Frohm, (new HR Director from 2011), describes:

“During the day, many different sites had the opportunity to, in real-time, describe the work that was carried out in their particular stores. Knowledge was exchanged between the sites, and a feeling of momentum and common mission came about the whole organization. Systembolaget was visibly moving forward, and the employees longed for Monday and for taking on their joint challenge. And from now on store managers could not be ‘kings’ in their own stores but knew that they could and were expected to communicate and exchange ideas, knowledge and solutions with other store managers.”

According to Sonia Undin, people started feeling a great sense of accomplishment and community. During the mass meeting, the motto ‘DGL + DGK = TRUE’ was launched in order to demonstrate that a good customer meeting can only be developed through good leaders together with their employees. Work was adapted to this motto by being divided into three parts: dialogue (about what is being done), reflection (regarding whether it is working), and feedback (about what can be improved). Following the mass meeting, an internal blog was set up, allowing everyone to share ideas and progress at their respective sites. The blog had

thousands of posts during the course of the next couple of years. Despite being virtually ungoverned, inappropriate posts were extremely rare.

“Each individual can bring something to the table. It is an easy thing to say, but at Systembolaget, we walk the talk: we decide what to do and we are given resources to do it. All goals on the higher levels are cascaded down. For real. 5000 co-workers are running around with their own goals! It has been decided where we are headed and what the goal is, and we make sure that we get there. And everyone gets to contribute in their own unique ways. [...] For instance, I have a co-worker who loves to do the cleaning so now I let her order the cleaning supplies herself. She is over the moon for the autonomy it lends to her, and I need no longer to do a task that did not really interest me. We should never think that we know how people will react, then we will only risk not doing something that might delight someone else!” - Lisa Bylund, store manager

The changes that had been tried before 2012 began to take hold. Store managers were starting to more wholeheartedly buy into the ideas, which meant that they more engaged could lead their co-workers towards the new goals. Perhaps most significantly, previously micromanaging store managers were taught to delegate and become more trusting of their employees; to tell employees what to do and let the employees figure out how to do it themselves.

After a couple of years, several store managers felt that their stores effectively managed themselves via their employees' engagement. They could, and did, therefore start focusing more on long term improvement, on developing their co-workers, and on making good use of their respective skill sets. In 2013, Systembolaget began receiving awards for their service mindedness. People were asking for more joint initiatives beyond the blog, for more events like the mass meeting. The management team made the judgment that such enormous enterprises could not be undertaken every year. Instead, HR Director Tobias Frohm and the management team launched the 'development and enjoyment' initiative which was an alternative way of celebrating the progress and awards. Every region was allowed a budget, which they were expected to use for initiatives with the combined outcome of enhanced performance, enhanced learning and a great deal of team building and fun. The overarching goals and structures were provided and freedom to experiment and explore new ideas was encouraged. The task was clearly communicated but responsibility for planning and execution was once again delegated to the employees. Some chose to collaborate with head office, whereas others combined their budgets between regions in order to enable larger efforts.

Slowly, Gerger and her team tried to wash away Systembolaget's mentality of being a special case and an exception to regular rules. The dual mission of social responsibility and customer service materialized in various ways; in the governance models, on the shop floor level, and in assortment.

The previous silo mentality at HQ was opened up when new communication channels were introduced. Employees were encouraged to become less fearful of thinking and communicating in performance-oriented terms, enabling them to better contribute to continuous improvement of more cost-efficient processes. Many fora for dialogue have been introduced and a communicative, visionary and helping culture grew stronger and stronger. According to Sonia Undin

“Systembolaget put in an incredible amount of time and energy in our vision and on launching the customer promises. And out of all the different places I have worked in before, I can't name one where so many can, if not rattle the whole vision, then at least explain why we exist. There is no doubt about that. If you talk to people that do not work at Systembolaget, they usually comment on our broad assortment of products, but that is not why we are here; that is the only way for us to assure that we can stay here. No, we are an alcohol political instrument and we know it!”

In 2015, a system for whistle-blowing was implemented in order to help employees maintain the company's zero-tolerance policy and to make everyone feel secure that the corruption scandal cannot be repeated. This happened alongside initiatives to delegate responsibilities and mandates downwards and outwards through a flat organizational design, where the area managers were in constant contact with the stores.

Several other initiatives to professionalize the organization have been experimented with, tested and evaluated, for example 360° evaluation and measurement tool of leadership development; 'the organizer' which collects all 436 stores' ways of working in order to clarify roles and responsibilities and facilitate effective scheduling, organization, flow of goods, and follow-up; and a new tool for measuring and improving the possibilities for co-workers to perform well.

Governance structures have intentionally been made less dependent on rules and more on networks, delegation and values. Holistic outlooks, integration and continuous improvement have been encouraged as well as the opportunity for anyone to highlight any issue.

In 2015, internal measurements showed a strong performance culture. Employee engagement and customer satisfaction had steadily increased for a long time (see Appendix 5). The organization was characterized by engagement, sense of duty, the importance of personal contributions, and pride of being part of the company and its goals. The one area where the organization's performance culture still seemed lacking in this sense was in the area of 'being allowed' to do things. Maria Nilsson, union representative in the board, described: “In some areas it works better, in others worse because many people are not used to stepping forward and taking their own initiatives.”

Gerger and her team had a sense that there lay more potential in the employees' engagement than the company was achieving. The company therefore decided to keep working with

continuous dialogue regarding what amount of initiative and freedom the given mandates and responsibilities allowed and required of its employees. Rebecca Tallmark, Director of strategy and Business Development (from 2011), sided with Gerger in this effort: “The next step for us is to really unleash the potential in all our employees, in all 5000” And at the same time, they knew that they must be careful when increasing mandates and delegation. Some employee groups within Systembolaget seemed to be too engaged and under too much pressure already, so much so that they risked burnouts and long-term consequences for recruitment. Tallmark describes “Both from the stores and from headquarters there are signs of people working long hours, pushing themselves very hard. “

To encompass the changes that top management thought necessary, “DGL 2.0 “, designed to further emphasize the role of the leader to release each co-worker’s potential in the customer meeting, was rolled out to the organization in 2016. DGL 2.0 was yet another change among many that had already taken place, and among the many that the company hinted would be introduced in the future. A sense of anxiety regarding whether the organization would be able to keep up its motivation and energy to continuously perform and evaluate small and large changes had, however, for some time been on the minds of higher management.

The employees still seemed eager to try new things and to take on new challenges. But despite the positive signs, the fear of losing momentum did not go away. How would Systembolaget respond to the increasing service demands, for example through digital services? Should Systembolaget try to expand the existing but currently limited customer service like ordering and customer advice online? It would be against Systembolaget’s mission to actively work to increase alcohol sales, but it would not be if Systembolaget developed the online presence and the ability to perform home delivery and give customer advice online. Would digitalization lead citizens to forget why Systembolaget exists? If so, will they demand the monopoly to be abolished?

Self-reinventing for the future

The train approached Stockholm Central Station. Gerger got up and walked back towards her office in Kungsträdgården. They had come a long way, she knew, from the corruption scandal to the ServiceScore awards. Had the journey even been possible, had the scandal not taken place?

And yet, the future held many uncertainties that could disrupt Systembolaget’s seemingly stable advancement as Sweden’s most service-oriented company according to the awards. As long as public opinion stayed positive, Systembolaget would probably stay safe, but for how long could they keep up this winning streak? And what would happen to the employee engagement if they did, if the status quo continued? What could she and her team do to make Systembolaget keep reinventing itself?

Appendices

Appendix 1

Systembolaget in short

- 5 360 employees
- 436 stores and around 500 distribution agents
- 650 active suppliers of beverages
- Around 16 000 stock keeping units, 2 400 in the regular assortment, and 13 600 in the special-order assortment
- Around 121 million customer visits in stores
- 37 million visits in digital channels
- 30 million visits on systembolaget.se
- The app "Sök & hitta" (Seek & Find) was used 7,5 million times
- The app "Promillekoll" (Blood Alcohol Content Check) was downloaded 152 000 times (in total 1,1 million times since the start)
- Customer service answered 41 000 emails, 79 000 telephone calls and 2 000 chat answers (new channel in Q4 of 2015)
- Turn over SEK 27,6 billion
- Profit, SEK 198 million
- Return on Equity, 11,6%
- Solidity, 28,3%

Translated from <http://ansvarsredovisning2015.systembolaget.se/mer-om-vart-ansvar/vd-ord/>, accessed Sep 28, 2016

Appendix 2

Systembolaget's history

How Systembolaget came to be: ~1400 - 1955

Sweden has had a long history of home-distilling going back as far as the 15th century. The crown and later the state has on different occasions tried to control the making and drinking of alcohol, but in vain. With the industrialization in the 19th century however, drinking among the working classes both increased as well as becoming an even larger societal liability than before. Alcoholism was rampant among workers in the cities, causing workplace injuries while tearing families apart. Simultaneously, industrially produced alcohol caught on, and workers felt that merchants made too large profits on their liquor sales.¹

Therefore, in the 1850's, answering to demands from both workers and employers, a number of different directives began taking shape, regulating age limits and purchasable amounts of liquor. The regulations had visible and tangible effects, and alcohol abuse decreased. During the course of the next hundred years, the distribution and selling of alcohol became more and more controlled and nationalized; it became *systematized*. This resulted in different 'systems' (nationalized alcohol retailers) being founded in regions all over Sweden where profits were collected by the state. In 1919, all alcohol commerce became nationalized, meaning that Sweden got its governmental alcohol monopoly that still exists today. At the same time, the country's first popular movement, 'the sobriety movement', had grown immensely in strength, proposing a prohibition (similar to the USA). This resulted in Sweden's very first referendum in 1922, in which the prohibitionists lost with a narrow 49% against 51%.²

Alcohol stayed legal. But the strong divergence between different fractions of society resulted in 1955 in the merging of all 41 regional systems (with 247 stores in 147 different areas) into one; Systembolaget ('the System Company'). This new national system was to become the foundation and driver for a slow and deliberate change of alcohol culture and habits in Sweden. Soon, it would be deemed irresponsible to show up drunk to work or to make alcohol available to youngsters.³

The merge in 1955 signified a new time with a new mentality, both for the general public and for the government's alcohol politics, and Systembolaget had started its journey towards becoming one of the country's most service oriented and trusted organizations. And it had a mission: responsibly selling alcohol without interest in profits.⁴

Systembolaget as a governmental tool for change: 1955-1990

In close cooperation with the state, Systembolaget began trying new ways of influencing the alcohol culture in Sweden. To market the company without selling more products, the company started marketing public health and more sound attitudes towards drinking. Consequently, Systembolaget began continuously executing large and nationwide campaigns aimed at developing a 'mealtime culture' in Sweden.⁵ The company distributed cookbooks, gave advice and ran campaigns such as 'Operation Wine' and 'Spola kröken' ('Flush the booze'), often involving celebrities framing alcohol less as a means to become inebriated and more as a way to complement food in social settings (see Appendix 1). In combination with large price increases on hard liquor (due to government ruled tax increases), and new availability and accessibility of wine and alcohol free alternatives, the campaigns became very successful. Swedes soon began drinking substantially less liquor and instead drank more wine and other alternatives with less alcohol strength.⁶

During the subsequent decades, Systembolaget maintained an authoritative and disciplinary attitude towards its customers⁷. It did however also become more service oriented. 'The taste watch' was introduced in the 80's to facilitate matching of beverages to specific foods, and later, descriptive symbols and standardized descriptions of wines made it easier for regular people to apply expert knowledge to their own choices. The public's appreciation for Systembolaget grew. But in the 90's and early 00's, the company hit a number of turning points.⁸

Winter is coming: 1990-1999

In December 1991, due to an uncommonly low number of bridge days during the Swedish Christmas holidays, Systembolaget's stores were completely overrun. Despite fine work efforts, the staff could not cater to the needs of their customers. The media was in an uproar and Systembolaget hesitantly started experimenting with increased opening hours and self-service instead of over-the-counter sales (see Appendix 2).⁹

In 1993, Sweden was negotiating the conditions for entering the European Union (EU) and a massive national and international debate was raging: should Sweden (and the other Nordic countries) be allowed to keep their alcohol

What's so special about Systembolaget?

monopoly? National support for Systembolaget's so called 'Soviet bureaucracy' had decreased by this time.¹⁰ The EU commission visited Sweden and evaluated the neutrality and assortment of the brands provided, and found it satisfactory. Providing that Systembolaget fulfilled certain conditions (e.g. increased customer orientation and information, and allowing private import), it could keep its sales monopoly. However, its import monopoly was to cease since it did not have as large an effect on public health. Thus overnight, Systembolaget went from having one close supplier to having 115, and the number increased rapidly. The company spent the next 5 years trying to fulfill the EU directives, and the monopoly model gained reluctant acceptance in Swedish society.¹¹ But everything was not right with the firm, something was brewing under the surface. There had existed a culture of managers receiving benefits from breweries for a long time and with a sudden increase of suppliers, the culture of 'scratching one another's backs' ballooned, creating a hotbed for favors and return favors.

What is so special about Systembolaget?

Appendix 3

'Spola kröken' (Flush the booze) and "Operation Wine"



EN GOD JUL UTAN BRÄNNVIN...
Ja, om vi vill lägga tonvikten på god. Den erfarna husmodern vet att vällagad god mat och alkoholstarka drycker inte passar särskilt bra ihop. Smaknerven dövas och bordets läckerheter kommer inte alls till sin rätt. Men varför bjuda på starksprit när det finns så många utmärkta viner att välja bland i systembutikerna. Och till så mycket billigare priser!

GODA VINER TILL LÅGA PRISER

Montrouge (MANGRO/SCH) röd	3.25
Castello del Monte	
CASTELLA DALL (MARE) röd	4.00
Beaujolais (MARCHAL) röd	6.50
Villafranca (VILLAFRANCA) halvöst, vit	3.25
Soave (SAAVE) torr, vit	4.25
Milcom Blanc (MILCOM BLANG) torr, vit	6.25
Rotlök (ROTLOK) röd, alkoholfri	3.75
Weislack (VAJSLACK) vit, alkoholfri	3.75

SYSTEMBOLAGET

BJUD GOTT - BJUD PÅ VIN I STALLET

Appendix 4

Over-the-counter vs. self-service stores



Appendix 5

News bills in Swedish media during the corruption scandal. Source: Systembolaget's homepage - <http://www.systembolagethistoria.se/teman/handelser/mutharvan-en-chans-att-rannsaka-sig-sjalv/>



"Systembolaget fires managers for corruption"



"The corruption scandal at Systembolaget continues to grow; 70 managers listed with numbers for



"High manager at Systembolaget admits bribe trip"



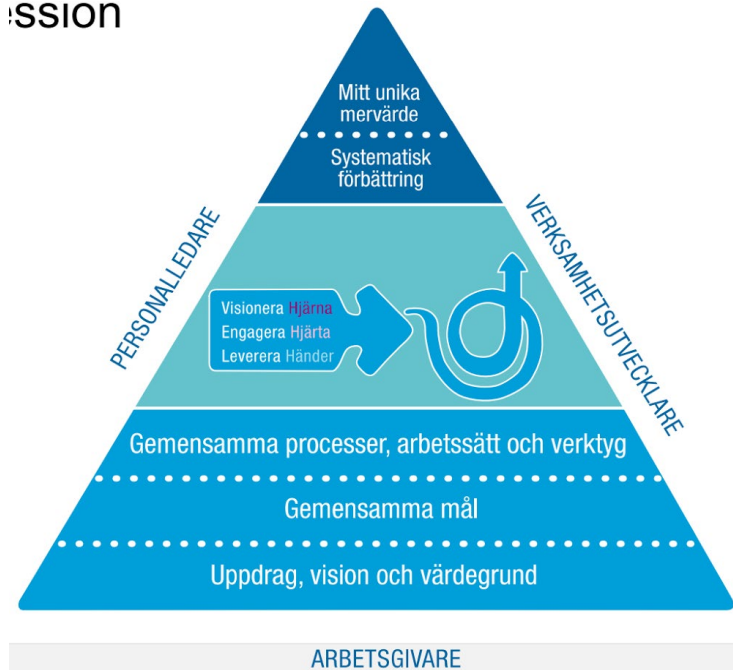
"Systembolaget's CEO Anitra Steen writes herself regarding the corruption scandal: 'One becomes disturbed disease in 614'"

Appendix 6

The Leadership Triangle. Source:

<http://www.sverigeshrforening.se/Global/Events/HR%20Dagarna/HR%20Dagarna%202013/Presentationer/Systembolaget2.pdf>

MISSION



The leadership was formulated as a pyramid with comprising 10 inherently dependent steps towards a common platform - 'good leadership as a profession':

Bottom third of the pyramid

1. A common mission: delivering on a customer meeting that impresses and that molds the team together
2. A common direction: maintaining a common vision and goal for the customer meeting
3. Goals that drive results: having goals that drive towards an impressive customer meeting
4. Common ways of working: paving the way for a good customer experience through common ways of working

Middle third of the pyramid

5. Leadership as a tool: developing the customer meeting through leadership
6. Building for performance: building good conditions for co-workers to perform
7. Communication as a tool: having common tools for good leadership and communication in everyday work

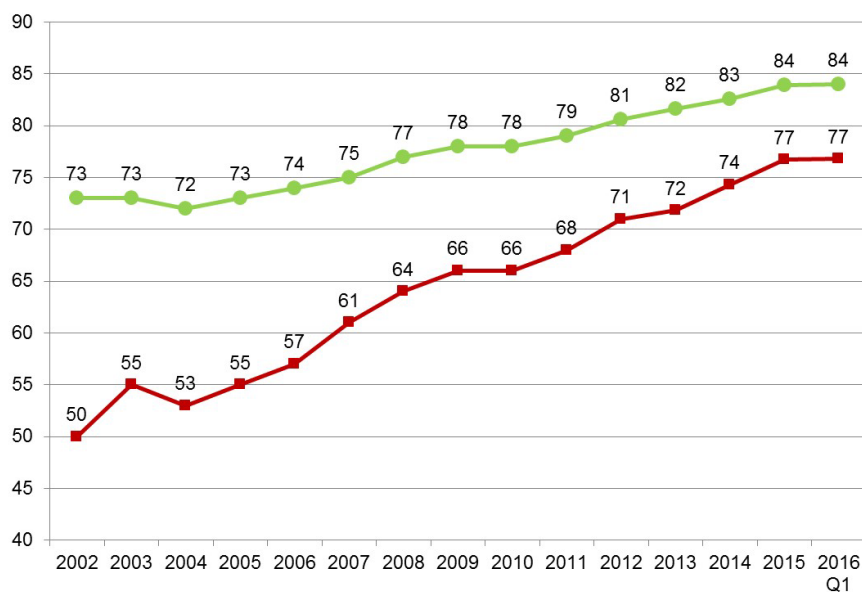
Top third of the pyramid

8. Working systematically every day: having a systematic way of working and handling several issues in parallel
9. Better and better: following up, improving on and solving customers' problem in better and better ways
10. As good as I can(!): being as good as we possible can in order to become better and better for the customer

What is so special about Systembolaget?

Appendix 7

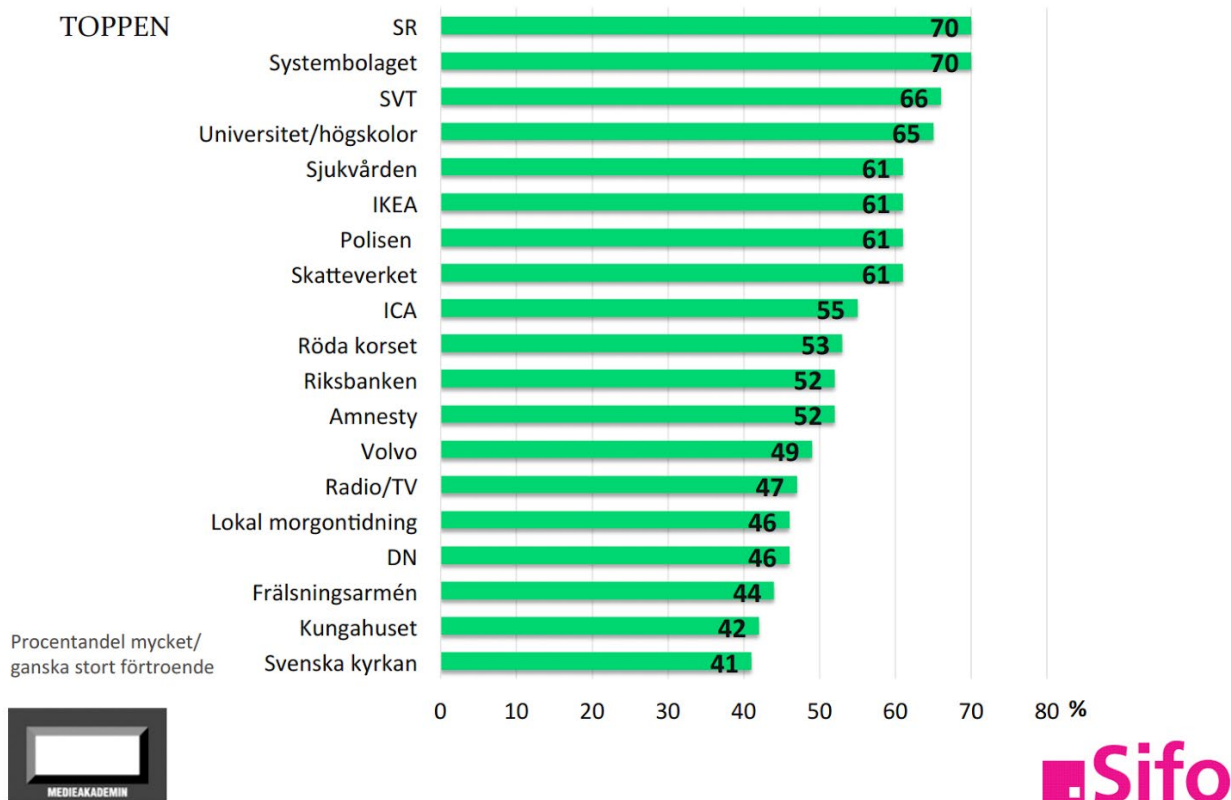
Opinion index (OPI) (red line) and satisfied customer index (SCI) (green line) 2002-2016. Source: Systembolaget's internal material (from SIFO)



Appendix 8

Confidence survey for Swedish companies 2016. Source: Sifo - http://www.tns-sifo.se/media/591387/fo_rtoendebarmetern_2016.pdf

Placering	2010	2011	2012	2013	2014	2015	2016
1 (1) Systembolaget	-	-	-	63	59	65	70
2 (2) IKEA	78	62	64	56	59	59	61
3 (3) ICA	-	-	-	48	48	54	55
4 (4) Volvo	66	58	60	55	53	47	49
5 (6) SAS	38	32	31	23	33	38	39
6 (7) Coop	-	-	-	35	38	36	37
6 (5) PostNord*	-	-	-	39	44	46	37
7 (10) H&M	48	36	35	23	33	29	30
8 (11) Astra Zeneca	36	29	23	26	29	27	29
9 (9) Ericsson	59	46	45	40	42	30	28
10 (12) HSB	-	-	-	25	25	24	26
11 (11) Telia Sonera	33	25	28	17	26	27	25
12 (13) SJ	21	12	14	14	16	20	21
13 (13) Vattenfall	26	15	15	20	21	20	20
14 (14) Coca Cola	22	21	19	19	21	19	18
14 (14) Skandia	21	18	16	19	20	19	18
15 (8) Volkswagen	-	-	-	31	32	31	17



Appendix 9

Alcohol

consumption.

Source:

http://www.can.se/contentassets/0de1245b13be47eb99cfc61c4311e081/monitor_pm_160602.pdf

Tabell 1. Alkoholkonsumtionens olika delmängder i Sverige i antal liter ren alkohol per invånare 15 år och äldre under perioden 2001–2015. Preliminära uppgifter för 2015.

Delmängd	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*	2014*	2015
Total konsumtion	8,82	9,53	10,02	10,56	10,26	10,10	9,85	9,83	9,58	9,41	9,50	9,08	9,74	9,28	9,2
Registrerad del	6,50	6,88	6,88	6,51	6,53	6,81	6,98	7,02	7,34	7,31	7,35	7,21	7,32	7,20	7,2
Systembolaget	4,63	4,97	5,07	4,79	4,87	5,08	5,31	5,40	5,76	5,80	5,78	5,75	5,80	5,74	5,7
Restauranger	1,03	1,08	1,00	0,99	0,96	0,99	1,00	0,99	0,96	0,94	0,97	0,93	1,01	0,97	1,0
Folköl i livsmedelsbutiker	0,84	0,83	0,81	0,72	0,71	0,73	0,68	0,63	0,62	0,57	0,60	0,53	0,51	0,49	0,5
Oregistrerad del	2,32	2,65	3,14	4,05	3,73	3,29	2,87	2,82	2,24	2,10	2,16	1,87	2,43	2,08	2,0
Resandeförsel	1,64	1,74	2,08	2,70	2,30	1,92	1,86	1,92	1,38	1,38	1,41	1,26	1,51	1,31	1,2
Smuggling	0,38	0,51	0,71	1,01	1,16	1,11	0,82	0,71	0,68	0,55	0,46	0,43	0,57	0,47	0,5
Hemtillverkning	0,31	0,41	0,35	0,34	0,26	0,21	0,17	0,17	0,13	0,15	0,91	0,13	0,17	0,17	0,2
Internet	..	..	..	..	..	0,04	0,02	0,02	0,05	0,02	0,10	0,05	0,17	0,13	0,1

Källor: Monitormätningarna, Systembolaget, Folkhälsomyndigheten och Delfi. Pga. avrundning är summan av delmängderna inte alltid identisk med totalsumman.

*Enligt CAN:s bedömning kan nivån på den registrerade konsumtionen och den totala konsumtionen vara för hög år 2013. För 2014 har värdena reviderats för resandeförsel och total konsumtion.

(OM BILDEN SKA VARA MED – ÖVERSÄTT!)

Anitra Steen



(PostNord press photo)

Career

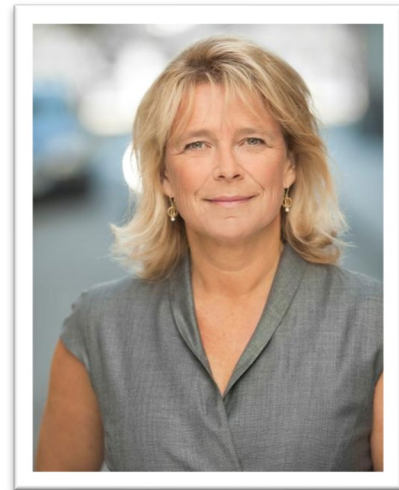
-1981	Social worker, Nacka municipality; various positions, Swedish Social Insurance Agency
1981-1989	Ministry of finance (Permanent secretary 1985-1989)
1989-1991	Secretary of state, Ministry of Education
1992-1994	Director general, Swedish Agency for Higher Education Services
1994-1995	Secretary of state, Ministry of Finance
1996-1999	Director general, Swedish Tax Agency
1999-2009	CEO, Systembolaget
2009-	Various board positions, e.g. Svenska Spel (state owned gambling company), PostNord (former Swedish Post Office), AFA Insurance

Anitra Steen held politically assigned (social democrat) positions in the ministries of Finance and Education. She is married to former Swedish Prime Minister Göran Persson (social democrat) since 2003.

Appendix 11

Magdalena Gerger

Systembolaget



Magdalena Gerger is a Swedish citizen and was born in 1964. Magdalena Gerger is President and Chief Executive Officer of Systembolaget AB, Member of the Board of Directors of Investor AB, Husqvarna AB, and Member of the Research Institute of Industrial Economics (IFN), and Save the Children, Stockholm department.

Magdalena Gerger has a broad international experience of inter alia industry and supply chain, brand management and marketing, trademark strategy, communications and consumer/retail market.

Magdalena Gerger assumed her position as President and Chief Executive Officer of Systembolaget AB 2009. She was Vice President and responsible for Fresh Dairy, Marketing and Innovation in Arla Foods 2005–2009, Management consultant in Futoria AB 2004, Category Director in Nestlé U.K Ltd 2000–2003, Marketing Director in ICI Paints 1998–2000 and in within a division at Procter & Gamble 1996–1997.

Appendix 12

Translated advertisement by Forsman & Bodenfors for Systembolaget. From Cheng, H, Kotler, P, Lee, N (2009) Social marketing for public health: Global Trends and Success Stories, Subury, MA, Jones & Bartlett, p. 180

Sweden is dead last in the EU. That's what happens when you don't adapt.

Land	Alkohol konsumtion per capita	Alkohol konsumtion per capita
Frankrike	12,2	12,2
Litauen	12,1	7
Litauen	11,9	11,9
Polen	11,8	11,8
Spanien	11,2	11,2
Spanien	10,9	10,9
Spanien	9,8	9,8
Spanien	8,4	8,4
Spanien	8,4	8,4
Spanien	8,2	8,2
Spanien	8,2	8,2
Spanien	7,2	7,2
Spanien	6,2	6,2
Spanien	5,2	5,2
Spanien	4,2	4,2
Spanien	3,2	3,2
Spanien	2,2	2,2
Spanien	1,2	1,2
Spanien	0,2	0,2

An honourable 11th place.

It may be hard to believe, especially at 11pm this evening, but we Swedes actually drink less than other EU citizens.

And because we drink less alcohol, we have fewer alcohol-related problems. Cirrhosis of the liver, for example, is three times more prevalent in our neighbour, Denmark, than it is in Sweden.

The most important reason is a Swedish invention called "alcohol monopoly".

The idea is based on alcohol being sold without the private profit motive. Because if you have no incentive for financial gain, you do not need to maximise sales.

And, of course, there are other factors that influence the amount we drink. Recently, such things as lower tax on wine and more continental drinking habits have caused Swedish consumption to increase considerably.

But we would drink much more if there were no monopoly.

Nevertheless, that is not self evident any longer.

The EU does not like monopolies in principle. And the trend in our world is, of course, that the private profit motive is getting increasingly dominant.

The monopoly (and Systembolaget) will only exist as long as a majority of Swedes want it.

Therefore, we at Systembolaget will do everything we can to ensure that those who visit us will be more and more satisfied.

And therefore we have put together a series of advertisements in which we tell you things you perhaps did not know about the alcohol monopoly.

The next advertisement will appear on Wednesday.



FIGURE 8-1 Advertisement from the 2002 Campaign, Translated into English. The Picture Shows a List of Alcohol Consumption in the EU Countries. Sweden Ranks Last, with the Lowest Consumption.

Courtesy of Forsman & Bodenfors and Systembolaget

Translated advertisement by Forsman & Bodenfors for Systembolaget. From Cheng, H, Kotler, P, Lee, N (2009) Social marketing for public health: Global Trends and Success Stories, Subury, MA, Jones & Bartlett, p. 181

Do you like Systembolaget without really knowing why? Here are some good reasons:



One day you may have to explain yourself.

* "It's a Swedish invention. And an export commodity! The idea, which was born 152 years ago, has decreased the consumption of alcohol and alcohol-related problems in Sweden, Norway, Finland, Canada and several states of the USA, among other places."

* "During the early 1800s, that is before Systembolaget had been invented, we Swedes

drank roughly four times as much as we do now, and Swedish consumption was one of the highest in Europe. Today, it is the lowest in the EU."

* "Systembolaget has perhaps the world's largest range of beer, wine and spirits, with about 2,500 brands. And everyone in Sweden has access to it, not only people who live in Stockholm. Small stores, such as the one in Vansbro, have perhaps 600 in stock, but the other 1,900 can be ordered and be in the store the next day."

* "If Systembolaget happens to make a profit (in excess of the required yield of 9%, this money goes to causes such as alcohol research), margins come down. What other chain of stores does this?"

* "The advice that Systembolaget gives can be relied upon. They do not try to force more on you than you want. And they have no sales bonuses."

* "Because the monopoly will only exist as long as people support it, Systembolaget does its utmost to ensure that its customers are satisfied."

If those who disagree with you are still sceptical, ask them to visit www.systembolaget.se



FIGURE 8-2 Advertisement from the 2002 Campaign, Translated into English. Courtesy of Forsman & Bodenfors and Systembolaget

List of references

¹ <http://systembolagethistoria.se/Teman/Ursprunget/>

² <http://systembolagethistoria.se/Teman/Ursprunget/>

³ <http://systembolagethistoria.se/Teman/Ursprunget/>

⁴ <http://systembolagethistoria.se/Teman/Ursprunget/>

⁵ <http://systembolagethistoria.se/Teman/Ursprunget/>

⁶ <http://systembolagethistoria.se/Teman/Ursprunget/>

⁷ Interview with Maria Nilsson, June 15th, 2016

⁸ <http://systembolagethistoria.se/Teman/Ursprunget/>

⁹ <http://systembolagethistoria.se/Teman/Handelser/>

¹⁰ <http://systembolagethistoria.se/Teman/Handelser/>

¹¹ <http://systembolagethistoria.se/Teman/Handelser/>