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Systembolaget: What does good look like?¹

Ann Carlsson Meyer had just left the meeting at Skarpö. She had a lot on her mind on her way back from three days with her management team, listening to stories from the organizational community. “I have learned so much”, she thought to herself. “We have so much going for us. And still, it is clear that we are facing a changing world where we need to do things differently to keep up, to be relevant and to take responsibility”. Five months into her tenure, she was becoming acquainted with the idiosyncrasies of Systembolaget, Sweden’s state-owned alcohol retail chain – and was starting to build a roadmap for the future with her team.

She had taken over the rudder of a ship in seemingly excellent condition – award-winning and successful - the most trusted company in Sweden, with customer satisfaction numbers through the roof and very good scores in public opinion. In addition, the company received accolades for its handling of the covid-19 crisis. Systembolaget was known as a well-oiled machinery, with strategies, processes and structures in order.

Founded as a means to restrict public access to alcohol, Systembolaget was now one of Sweden’s most cherished companies. The company was assigned to sell alcohol responsibly with respect for public health. The company enjoyed special rules (see Figure 2), which meant that it held a retail monopoly on alcohol. No other actor in Sweden except licensed restaurants was allowed to sell alcohol. The rules also meant that the company could not use its monopoly to maximise profits. Nor should it try to sell more alcohol.

Repeatedly since Sweden’s entrance in the EU in the mid-1990s, Swedish politicians had fought off attempts from the EU and fractions of the Swedish public to dismantle the monopoly. It had been maintained with reference to its role in improving public health. Employees knew that the company was reliant on public support to exist and took pride in its social mission. A core of the company was to engage all employees in constantly getting better, under the umbrella term “The Power of the 5000.” Systembolaget was known for its customer service and for the staff’s deep knowledge of products.

¹ The case is intended to function as an illustration of managerial dilemmas and represents neither a historical archive, nor a judgment on good or bad management. The case was prepared based on data, primarily from collaboration with Anna Rosenberg and Jonas Grönstedt of Systembolaget.

The service-based strategy had proven effective to secure public support for the monopoly. In 2021, 75,2% of the Swedish population was in favor of keeping the monopoly in a measure Systembolaget called OPI – Opinion Index. The year after Systembolaget was Sweden’s most reputable company¹. Also in 2022, Systembolaget was the most trusted Swedish company by the Swedish public, even ahead of the legal court system (only the health care system, the police force, and universities were more trusted).

Until the covid-19 pandemic their efforts seemed to be more than enough. Changing conditions, put new demands on the ability to innovate, change and keep up. Although Systembolaget had offered home delivery since 2012, the pandemic had supercharged it, with online orders increasing sevenfold from 2019 to 2020. This put pressure on the business model, logistics, the service-based operating model and ultimately the way Systembolaget served its mission – to enable people to enjoy alcohol without harm being caused to consumers or people around them. Digitalization provided opportunities for new digital entrants to establish on the Swedish market, using a legal grey zone that enabled them to sell alcohol from outside the country. The development further gained speed during the pandemic, where many consumers were forced, or chose, to use digital means. Internally at Systembolaget, requests had long been made for the company to do more for sustainability. For example, the transportation of bottles and cans across the world meant that the environmental footprint of the company was quite large. The internal movement was both founded in the company’s idea of taking responsibility, and in the potential to cut cost. Sustainability had recently become a top item on the board’s agenda, which further sharpened the focus on related issues.

Carlsson Meyer and her management team was left with a series of questions that needed to be handled. It was clear that the new situation was different than what they had encountered before. They needed to take responsibility in a new world and at the same time use the possibilities given to them through new technology and the new market situation. It seemed that the organization was moving into a new era. “I need to honour the past”, she thought, “but I also need to be clearheaded” She started off by listening to the organization. “What had happened over the years? What do we need to build on? And what do we need to change”?

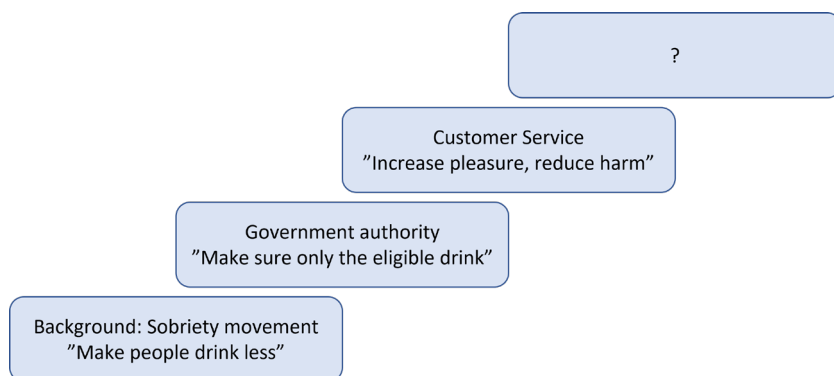


Figure 1 Systembolaget’s eras



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 exceeds the intended profit margin, it should be considered if the excess profit should be returned to the company to secure maximum possible benefit for society given the company's mission. 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%).

The customer satisfaction index (Nöjd-kund-index) should over time not go below 80. The Swedish population's attitude towards alcohol should over time point to a responsible attitude, as measured through an "Alcohol index". The company should be able to show the company's share of the total volume of alcohol consumed in Sweden. The company should further measure its cost efficiency, but since it neither should be profit driven, nor actively try to sell, it should not try to increase its volume, quantity or financial turnover.

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 December 11, 2019



Figure 2 Systembolaget's Purpose and Limitations

Doing good and doing well

Earlier generations of management had acted on Systembolaget's mission by restricting access to alcohol through limited opening hours and over-the-counter sales, resulting in often long waiting lines in stores (see Appendix 2 for a description of Systembolaget's history). Magdalena Gerger, Carlsson Meyer's predecessor, had during her time at the helm focused on turning Systembolaget from a rather disliked state administration (especially resulting from a corruption scandal in the beginning of the 2000's) to one of Sweden's most respected and liked companies.

The development had started already with Anitra Steen, the CEO before Gerger. The organization had moved forward on its positions in several different areas of capability:

1. Strategy, vision, mindset and business model
2. Assortment, logistics, warehouse, customer service and technology
3. People and competence development
4. Change capability and method, performance measurement and follow up
5. Leadership, decision making and organizing

Strategy, vision, mindset and business model

The problem seemed like a paradox – how can you create a successful retailer that wants to sell less? The clue had been to focus on quality. By assuming that customers had a fixed budget for alcohol purchases, and by encouraging staff to educate themselves and advising customers on the products, they found that customers typically would buy less volume of wine, beer, spirits, but to a higher price. They found that proactivity in when meeting customers was key. A customer that felt welcome not only liked the service better – even the parking lot outside the store was more appreciated. The high service level in stores was loved by customers, with the result that Systembolaget from 2013 and onwards won prizes year after year for the best service organization – ahead of hotels, spas, restaurants and other professional service providers. Gerger and her colleagues had recognized that in order to enable proper customer focus, the enjoyment of alcohol needed to be appreciated, not denied. The service orientation allowed Systembolaget to reduce the volume of alcohol sold, while keeping revenues up. The company's vision had been changed to “a society in which everyone can enjoy alcoholic drinks with consideration about health and without harming either themselves or others”. The focus on knowledge and service demanded expertise. Systembolaget invested heavily in education of their staff, with employees spending more days in competence development than any other company in Sweden. Over the years, Systembolaget also employed several of the less than 417 (2022) “Masters of Wine”² that exist in the world, engaged expert sommeliers in their purchasing organization and had more employees in training to become experts. At the same time, the company was adamant on not suggesting customers to consume more. For example, Systembolaget made the decision not to offer chilled beverages in stores or advertise products. With the growth in online, user based, wine review services such as Vivino and Cellartracker, the question was asked internally if Systembolaget could link to reviews being made on such sites/apps. As a publicly owned institution, and as a part of Sweden's agreement with the EU, the company had to abide by the principle of brand neutrality, meaning that it was restricted from favoring any specific brand. The problem turned out to be that the sites/apps either linked to commercial vendors or sold alcohol themselves, which could question brand neutrality. The company had an outspoken low risk policy, which had been established to avoid being questioned by politicians and the general public.

A key in the internal initiative “The Power of the 5000” was to engage staff not only in improvements internally, but also to engage with the broader society in line with the company's vision. When asked about the long-term direction for the company in 2019, many of the executive team members pointed out the multistakeholder perspective. In a workshop (Feb 2019) on the most critical tasks for the organization, the executive team members voted that continued relevance for the company and its mission in a changing society was the most important issue. In the same workshop, the team members pointed out that the company needed to focus its strategy and not take on too much; it needed to prioritize more heavily on what projects they took on or not. The company continuously tried to weigh off the will to do more and never be satisfied with the overload that such high ambitions caused in the organization. A key factor was to calculate the time available for the physical stores to take on

more change projects, to create a scarce resource that the rest of the organization needed to take into consideration. One recurring issue, however, was that projects could be approved in different ways. Projects over a certain budget needed to be approved by a special development council. But each division also had a development budget for the continued development of the organization. A third possibility of funding was to have local managers agree to projects being set up. The encouragement to employees to continuously develop the company spurred initiative taking, which led to overload. When, in 2021, the top team demanded the organization to prioritize projects on A, B and C levels, depending on the level of urgency and importance, a majority of the projects were put on the A-level. The problem of prioritization haunted the organization, especially since a major idea was to decentralize decision making.

Assortment, logistics, warehouse, customer service and technology

Systembolaget was one of the largest purchasers of wine in the world. The company used a special purchasing process in which they made calls for producers to sell a kind of wine meeting a set of criteria and an approximate price level to get into the standard assortment of the company. The sheer size of the purchases increased the attractiveness of the company to suppliers who in exchange for volume often were willing to lower the price of the products. For cheaper wines, the alcohol tax in Sweden made the price comparably higher than in countries with less alcohol restrictions (for example Germany or France), but beyond a certain price point, wines in Systembolaget's standard assortment were typically more affordable in Sweden than in many other countries (see Figure 2).

Beyond the standard assortment of 3500 products, Systembolaget offered a special-order assortment ("Beställningssortimentet") of 18500 products that could be ordered in stores or online. but picked up in store or at designated service points (e.g. in communities in the countryside). These products were typically ordered from other importing companies in Sweden. In addition, the company offered a time limited assortment ("Tillfälligt sortiment"-TS), often with (but not restricted to) very expensive wines, addressed to connoisseurs and wine collectors. About 2200 products were offered in this assortment.

A liberalization movement in Sweden had long argued for a laxing of monopoly rules, which would allow local farmer shops to be set up and sell alcohol. Being dependent on the political majority in the Swedish parliament, Systembolaget addressed this issue by offering also a local assortment in its shops of around 4200 products/year. However, with the expanded assortment came additional challenges. Also here, the principle of brand neutrality was important, since no brand should have better conditions than the other. This in turn meant that a product available in one shop should be accessible in another. Someone in Sweden's most southern city Ystad interested in a locally produced beer from Haparanda on the Swedish Finnish border in the northern part of Sweden should hence be able to order that beer on the same conditions as if it had been bought in the city hosting the brewery. This had two immediate effects. First, the cost of sending bottles across the country without being able to

charge for transport became very high, leading to an unsustainable financial situation. The other, more positive effect was that the market for microbreweries blossomed³ as they suddenly had a potential nationwide distribution network that they did not have to pay for.

Calls had been made internally for the necessity to introduce initiatives that would expand the company's normal way of doing business to test new ways of working. Such an example was the opening of the store the Beer Studio (Ölstudion) in Gothenburg, which was not driven according to the regular ways of developing new initiatives. The Beer Studio took the interest in microbreweries one step further to create a meeting space for beer enthusiasts. The store offered not only a larger assortment of beers, but also offering beer tastings for paying customers. The idea of using the stores for the Systembolaget staff host tastings of wine and beer had continuously increased in popularity from 2002 when it was first offered. This became an alternative way to use the competence of the staff to further boost the service concept.

Systembolaget made its first attempts with home delivery in 2012. Following a parliament decision in May 2019 that demanded the company to offer it in all Sweden, the company gradually built out its capability. In October 2021, they were able to offer it in all parts of Sweden. In 2011, the company launched the app "Sök & hitta" (Seek and find) and continuously increased the searchable beverages to included more and more of its assortment. The new sales outlet had a slow start but experienced a sevenfold increase during the covid 19 pandemic of 2020 and 2021. With the expansion (both in volume and geography), challenges developed. Systembolaget had always engaged courier firms to handle its home deliveries. All chauffeurs needed to be educated to make sure that they at delivery made the same checks as in a store, i.e. that people receiving the alcohol were not underage, intoxicated, or could be assumed to pass the alcohol on to others underage or intoxicated. IT systems support was built up to make sure the routines were followed. A new online store was launched, and the systems underlying it had to be almost completely rebuilt. The vision was to create a seamless experience for the customer. In the same period, Systembolaget reorganized its logistic network to build two large depots/warehouses to increase its efficiency. Still, an analysis of supply chain efficiency made by an outside consultancy suggested that the company could improve in multiple aspects of its work. An important issue internally was how the high service level and the customer meetings that the company took pride in could be transferred, or translated, to digital channels. The company chose to use its in-store staff for an open advisory chat service and a telephone service channel. In 2021, Systembolaget made just under 100 000 home deliveries. However, also wine importing services grew in the same period. Starting in the summer of 2021, the largest vendor Vinoteket even surpassed Systembolaget in home deliveries in some months.

People and competence development

The groundwork for the service orientation was laid through two important organizational development initiatives. The first was called 'the good customer meeting' (Det Goda Kundmötet - DGK) and was launched around 2006. Early on, a 'customer promise' was developed, in which the company declared 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

Except for changing the second line of the customer promise to "You should always be able to explore something new together with us", the customer promise was kept stable. Over time, it became established that the customer promise should "be a part of everything we do". The service orientation and the connected business model was further spurred by a steady increase in internal competence development of the staff in both alcoholic, and non-alcoholic, beverages.

A few years after the launch of DGK, the management team introduced a new initiative called 'the good leadership' (Det Goda Ledarskapet - DGL). Starting in 2010 and rolled out in the organization in the two years following. The initiatives urged all leaders to focus on dialogue (about what is being done), reflection (regarding whether it is working), and feedback (about what can be improved). 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. DGL was followed by DGL 2.0 (in 2016), designed to further emphasize the role of the leader to release each co-worker's potential in the customer meeting. The two initiatives had, together with a process for engaging employees in the development of the firm called "Aquariums" created a basis for developing the company to the level of service performance that company now was performing at. The spirit of dialogues, constant learning and a feeling of things never being good enough drove Systembolaget forward.

Around the same time, the organization took one further step in its ambition to decentralize decision making and launched a program called "The Power of the 5000" (Kraften i 5000), referring to the approximate number of employees at the time. The intention of the program was to highlight the possibility, and necessity, of everyone in the organization to contribute with improving the organization. An important step was taken a few years after, when the motto was expanded to "The Power of the 5000 - together and with others" (Kraften i 5000 - tillsammans med varandra och andra), marking a step from what was internally perceived as a rather insular culture, to something that needed to become more open to collaboration with outside partners. The customer satisfaction index rose steadily along with the opinion index, which measures the attitude of Swedes toward Systembolaget (Appendix 6).

Change capability and method, performance measurement and follow up

When Linda Bornvik started as a project manager for ecommerce projects within Systembolaget, it was almost impossible for her to get her budgets approved. The reason was simple – the company demanded that all budgets should be planned for a rolling 18-month period. Similarly, other routines resulting from the stable administrative machinery created challenges for new types of initiatives. In parallel, Systembolaget’s internal culture grew stronger with success. There was a constant drive to become better in multiple aspects.

It took some time, but step by step, roadblocks such as the ones Linda Bornvik experienced were removed to enable faster and better development, for example within IT development and ecommerce. The company’s vision - “a society in which everyone can enjoy alcoholic drinks with consideration about health and without harming themselves or others” was constantly present. The organization was vigilant to any questioning from government or the public and followed its OPI closely (Appendix 5). A multitude of analyses were made over the years to understand how OPI and the service-related metric NKI (satisfied customer index) were related to behaviors inside and outside stores (Appendix 5). Apart from working with societal stakeholder relationships directly, Systembolaget also owned a company called IQ (<https://www.iq.se/>) with the purpose to inform the public of the possible negative effects of alcohol. From 2010 and onwards, IQ put together an index of attitudes to alcohol in society which also was closely monitored, together with the volume of alcohol sold (Appendix 7).

Systembolaget did not use a regular employee satisfaction-, or engagement index, but instead a measurement of how well employees experienced the possibility to perform in their local context. This had risen steadily since the company started to use it in 2013. There was, however, a broadly shared feeling at headquarters that the organization was not working optimally. People spoke about how they experienced “chafing” between different divisions, processes and teams. Also, they thought that things were moving slower than they should. To deal with the issues, several internal initiatives were started to understand how to make the organization function better. “Better Together” focused on collaboration between units, “Adaptable organization” on the need to create flexible organizational structures and processes, “Sustainable Staffing” was a major implementation of work planning and staffing in stores to exchange part time work for full time employment contracts, “How Systembolaget works!” was an advanced introduction to the inner workings of Systembolaget, designed to create alignment around operational issues, and “Business Acumen” was a drive to create more cost efficiency. There were also initiatives gradually put in place in different parts of the organization (e.g. IT, e-commerce and HR) to develop more agile ways of working that would combine the need for plannability with flexible organizing principles. Each department started off with its own initiative, which seemed to ease development locally, but caused issues down the line as the initiatives were not aligned in terms of method and language.

Leadership, decision making and organizing

After the VP for Purchasing and Supply Chain Marie Nygren left the organization in the spring of 2019 to become CEO of another large retailer, the organization restructured (Appendix 14). The strategy process had been rebuilt in 2016 to focus on the functions, with the strategy process largely focusing on steps that could be taken within each function. The local focus created silos. The top team debated whether to remove the functional focus but instead decided to push the functions to take broader responsibility and make sure that the overall strategic goals were mirrored in the functional strategies created. Work with the yearly operative plan had already been central to the organization. The work with it intensified, with long planning periods and agendas that were filled up almost a year in advance as a result. With the speed of development of technology and society, with changing customer behaviors as a result, there was a nagging feeling within the organization that it needed to become fast. Starting in 2020, the company launched an internal project - "Fast and effective development" – to create an overview of the decision-making processes within the organization, with the purpose to clarify and improve the "playbook" (Sw: spelsystemet). The latter also included an analysis of cultural root causes in the organization. Based on interviews with executives and key actors, and on workshops with development team members in different parts of the organization, the analysis boiled down to eight underlying behaviors or factors that had grown in importance as the organization progressed:

1. Everyone tends to join in everywhere
 - We believe in the power of the 5000, and we like to share ownership, but it also slows things down
2. Our basic wish to be considerate has double effects
 - We have a very considerate culture. The downside is that we do not like to say "no" or have constructive conflicts. It is only seldom that someone puts down their foot to make a decision
3. We are strong on our purpose and mission. We are less good at prioritization and governance
 - Our purpose and mission create an enormous engagement among our coworkers. There is great potential in improving our governance to create maximum effect from the things we do
4. Anxiety/fear
 - We are constantly vigilant that we are going to lose our special status. This drives an overly perfection driven attitude where we make sure that we have "both belt and suspenders" in everything we do.
5. Lack of concrete targets and objectives and monitoring of goal achievement.
 - We become too plan- and activity focused rather than effect focused. We also do not follow up whether we have achieved what we set out to do.
6. Care for what we have at the expense of what we want to become
 - We have a long period of success behind us. We are so ambitious in how we set our KPIs that it feels safer to do what we always did, rather than to risk failure.
7. Deficiencies in our playbook for development

- We have clear bottlenecks in development, not least in the handover to operations (which we seldom have time for)
8. Deep down, we are not cross-functional
- We say that we want to be cross-functional, but the functional organization is strong. It becomes difficult to act in new ways when we still have processes and structures that specifically support the functions-

The general sentiment was that the behaviors/factors were supporting the established way of working, and that they many times would have been good if the company did not need to change. With the desire to be more innovative and fast moving, however, the eight factors created problems for the organization. Scratching their heads, the management team decided to personally take on the challenges. They agreed to take part in a bootcamp, where they individually, and with their teams, would train behaviors that would counteract the negative effects of the eight factors.

In June of 2021, Gerger announced that she would be stepping down as CEO in the beginning of 2022, leading the board to seek a replacement, which it found in Ann Carlsson Meyer, CEO of the government owned pharmacy chain Apoteket.

System change – in hindsight

As a final exercise, before handing over to Carlsson Meyer, Gerger initiated an exercise where the extended management team was invited to reflect on what they all had been a part of creating the past decade, and what they found to be critical for success in the coming years. For Systembolaget, with a culture of never being satisfied and rarely stopping to reflect also on victories – this was a tricky task. It started off hesitantly. After a while, however, an increasing chatter filled the room, and the participants in the exercise started to fill a whole wall with accomplishments, changes, decisions, and distinct events in the market context. They were asked to put up the most important achievements in the organization per year.

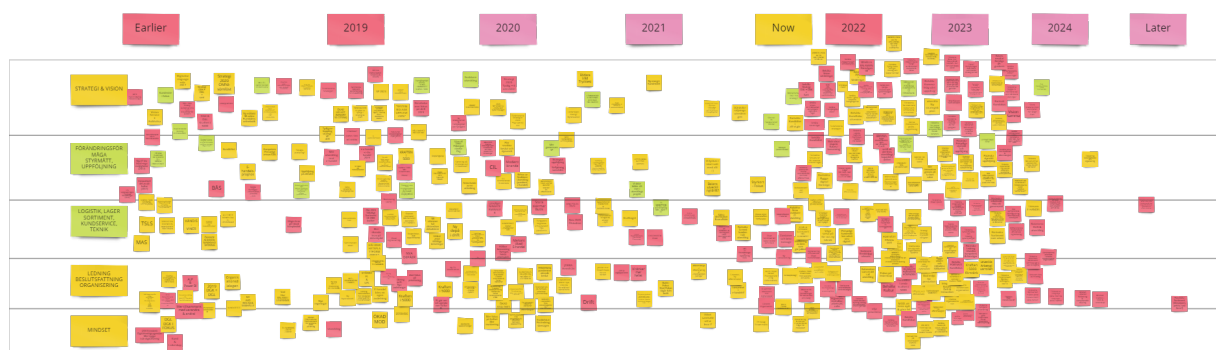


Figure 3 The Wall of Achievements

The participants looked at the wall. Some were in awe, arguing that the organization had achieved so much. Some were more sceptical. Many of the post-its were of the same character.

They listed things that had been present in the organization for a very long time. DGK and DGL turned up as rather new achievements. The Power of the 5000 was all over the map, as was the “Customer promise in everything we do”, clearly signifying what the members of the extended management team saw as key components of the transformation.

Moreover, it became obvious that the activities, events and changes were really interconnected. Things had not happened by chance or in a vacuum. Rather, in retrospect, a change of an organizational system seemed to unfold. It seemed like the organization had been able to transform as system with interrelated activities that taken together responded to new conditions and events in the external environment. “This is good”, one of the management team members said, “but it is not enough. To succeed in the future, we need to be in much better sync, we need to find a common pace”. Tobias Frohm (then VP of e-commerce) agreed: “to run things in silos and align mainly at the top is not going to do the trick”.

Gerger looked at the wall and her team. Many of them had been there for a long time. Proud, but very much aware that more of the same would not be enough for Systembolaget to take the next step, she said “We have done so much, and so much have turned out great. We have a good foundation. You can stand on that foundation when you aim even higher”.

Taking a step back from the cluttered wall, Tobias Frohm concluded “We have done a lot, but I don’t think we ever thought of this as really a transformation of the organization. Looking back though, I can see that these different activities and changes are interrelated”. One of his colleagues continued: “Maybe we do know how to transform after all. Now the question is how to build this map for the future”.

Hearing the sound of the organization - What is next for Systembolaget?

Ann Carlsson Meyer – though tasked to adjust and change the organization to fit a new era - was determined not to make any major changes until she really felt she started to understand the organizations – with its strengths and weaknesses. She spent her first months meeting people in different roles and from different parts of Sweden and soon developed a sense that there were important learnings in the organization that potentially not fully had reached the top management team. Together with CHRO Chatarina Eriksson, she decided to conduct an “organizational dialogue”², The process is designed to help honest conversations about the things that really matter, bring the organizational reality far out in an organization to the attention to management and thereby help both ideas to surface and remove obstacles for strategy execution.

Ten trusted leaders served as reporters, doing in total 115 interviews in the organization about the strategic direction that was crafted by the management team, ideas for the future as well

² a process developed by Harvard professors Michael Beer and Russell Eisenstat under the name “Strategic Fitness Process” see “How to have an honest conversation about your business strategy”, HBR 2004.

as strengths to build on and barriers to remove to make Systembolaget fit for the future. They brought back the result through a fishbowl-exercise – telling stories from the organization. Many strengths were brought up, but also clear indications were given that things needed to change. “What brought us here will not take us into the future”, was reported in the fishbowl.

- Lack of business acumen
- Lack of prioritization and focus
- Development vs. operations
- Divide between HQ and stores
- The management team led on the activity level, not through strategy and prioritization
- Management by cc
- Top team not perceived as “one team with one vision/purpose”

Carlsson Meyer started to aggregate what she had learned – in interviews, in the “organizational dialogue” and on the job. She was ready to make changes. And the way she saw it – the changes needed to be systemwide – including structural as well as cultural elements. “What can we do to be faster and more adaptable? How can we make sure we balance development and operations? How can we make sure that we really utilize the potential in “the 5000”? What needs to change in the way we lead? What steps do we need to take and in what order?”

After the fishbowl the management team had time to reflect. “It hurts a bit, that we sort of knew that we had to run this organization differently in this new reality but did not manage to change”, said Tobias Frohm.

Internally, voices had long been raised that Systembolaget could and should do more about its sustainability profile. Importing beer cans and often very heavy bottles to Sweden from across the planet resulted in a substantial environmental footprint of the company which was at odds with the ambition of the company to take broad responsibility. In addition, the production of glass bottles was very energy intensive. The board had also signaled that Systembolaget needed to become a frontrunner in sustainability work and asked for the company’s vision to include also environmental responsibility. Indeed, to the right on the Wall of Achievements, many notes expressed calls for more sustainability work. Systembolaget had long identified the challenge of glass production and the heavy transports involved in moving bottles and cans across continents and had in 2016 run a project of trying to have wine producers shift to lighter bottles (with limited success). With the introduction of science-based targets and the GHG protocol (<https://ghgprotocol.org/>), the company had started thinking more seriously about the issues. The GHG protocol divides emissions into three types. Scope 1 emissions are greenhouse gas emissions that occur from sources that are controlled or owned by an organization. Scope 2 emissions come from the purchase of for example electricity or heat. For Systembolaget, these two types of emissions were of reasonable size, and although it was not always easy to determine how much emissions could be cut (the light and heat still

needed to be on in a store), they were definable and to a high degree controllable⁴. The large challenge came with Scope 3 – all other emissions that the organization indirectly impacts in its value chain, and which may come from assets not owned or controlled by organization. In Systembolaget's case, this would involve all emissions included in producing wine, beer, spirits, and all emissions involved in transporting the goods, both as they came into Systembolaget's depots/stores, as they were home delivered, or as customers transported them from the stores. "If we extrapolate that thought", Jonas Grönstedt (head of strategy) said, "then we have to make very large changes in our offering. It may not be defensible to sell goods which affect the climate too much." Calculating the climate impact of their goods, Systembolaget concluded that the weight of the packaging was a large problem together with farming and production practices of producers. To be able to reach targets for lowering emissions, Systembolaget would with some likelihood need to make large changes to its offering. Going too far, however, may challenge the brand neutrality of some producers, or a whole region would not comply.

"To be trustworthy in the future, we need to act upon this now", said Grönstedt. "We cannot with a good conscience say that our current offering is sustainable from an environmental point of view. "Our customers are very much satisfied with our offering, but according to science-based targets for 2030, they are satisfied with something we know is unsustainable."

At the same time, the company's *raison d'être* was tied to its societal mission, and new actors were entering their market, albeit on a very small scale. Systembolaget needed to balance profitability with its social mission, with sustainability and with customer satisfaction and public opinion. The playing field was being set, but what would Systembolaget play with, and what playbook would it use?

Appendices

Appendix 1 Systembolaget in short (2021)

- 6 238 employees
- 450 stores and around 475 distribution agents
- Around 900 active suppliers of beverages
- Around 28 000 stock keeping units, 3 500 in the regular assortment, and 18 500 in the special-order assortment
- 126,7 million customer visits in stores
- 67,8 million visits in digital channels
- Turn over SEK 38,12 billion (including alcohol tax)
- Profit, SEK 376 million
- Return on Equity, 21,5%
- Solidity, 22,1%

<https://www.omsystembolaget.se/globalassets/pdf/om-systembolaget/systembolagets-responsibility-report-2021.pdf>, Accessed Nov 15, 2022

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 tried on different occasions 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.⁵

Therefore, in the 1850's, answering 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 people 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%.⁶

Alcohol remained 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.⁷

The merge in 1955 signified a new time with a new mentality, both for the 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.⁸

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.⁹

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. 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.¹⁰



During the subsequent decades, Systembolaget maintained an authoritative and disciplinary attitude towards its customers¹¹. It did, however, also become more service oriented. ‘The taste watch’ was introduced in the 80’s to facilitate matching 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.¹²

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 sales¹³



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 monopoly? National support for Systembolaget's so called 'Soviet bureaucracy' had decreased by this time.¹⁴ 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 imports), 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.¹⁵ 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 in suppliers, the culture of 'scratching one another's backs' ballooned, creating a hotbed for favors and return favors.



The corruption scandal

A scandal erupted after Mikael Wallteg, the Sales Director of Systembolaget, received an anonymous letter on January 10th, 2003. The letter contained 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. In return the manager had favored the suppliers' products by placing their products on more attractive shelves and similar 'favors'.¹⁶ 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.

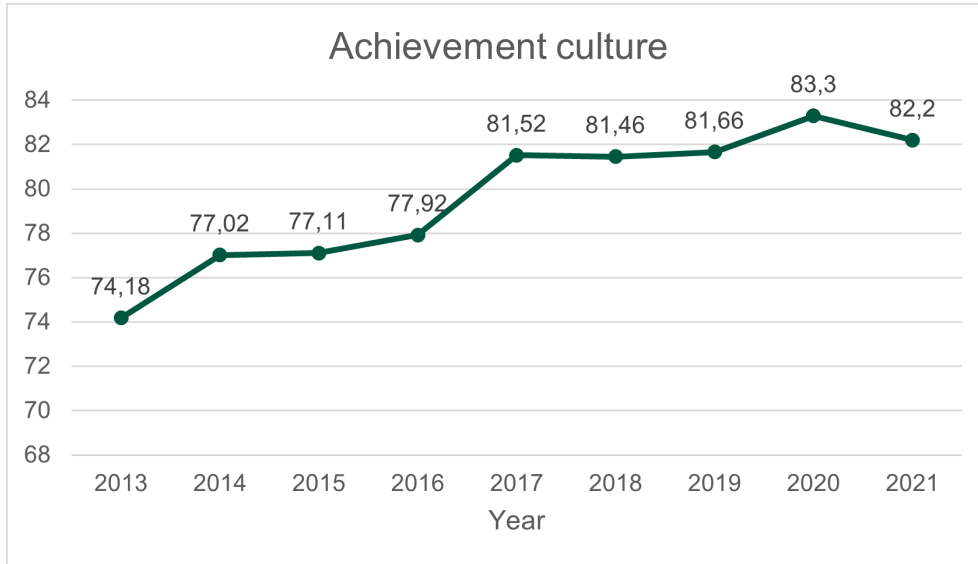
Systembolaget's HQ directly launched an internal investigation comprising an extensive overview of Systembolaget's outlets. Sales data were analyzed and meetings with store managers and sales staff were conducted at the company's stores.¹⁷ The acceptance of compensations and benefits from suppliers was 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.¹⁸ Systembolaget made offers to accuse store managers not to push charges against them if they admitted their wrongdoing and left their positions.¹⁹

On May 14th in 2003, Systembolaget filed a report on corruption charges, thereby handing the matter over to the Swedish police. During the following summer, the prosecutor in charge of the case disclosed that the corruption could be even more widespread than Systembolaget first thought. The prosecutor found that as many as 100 people within the organization could be involved in irregularities connected to corruption²⁰. At this time, the news had reached the Swedish press. It quickly became top news among TV stations and newspapers all over the country. Journalists occupied the sidewalk outside the company's headquarters in Kungsträdgården in Stockholm, seeking interviews and comments from employees.

The widespread corruption and the attention from the media and from the public shook the organization to its core²¹. Public opinion of Systembolaget plummeted to record low numbers and uncertainty and discomfort permeated the company. Internal trust was down the drain. Without the support of the Swedish people, Systembolaget as a monopoly would be eliminated.

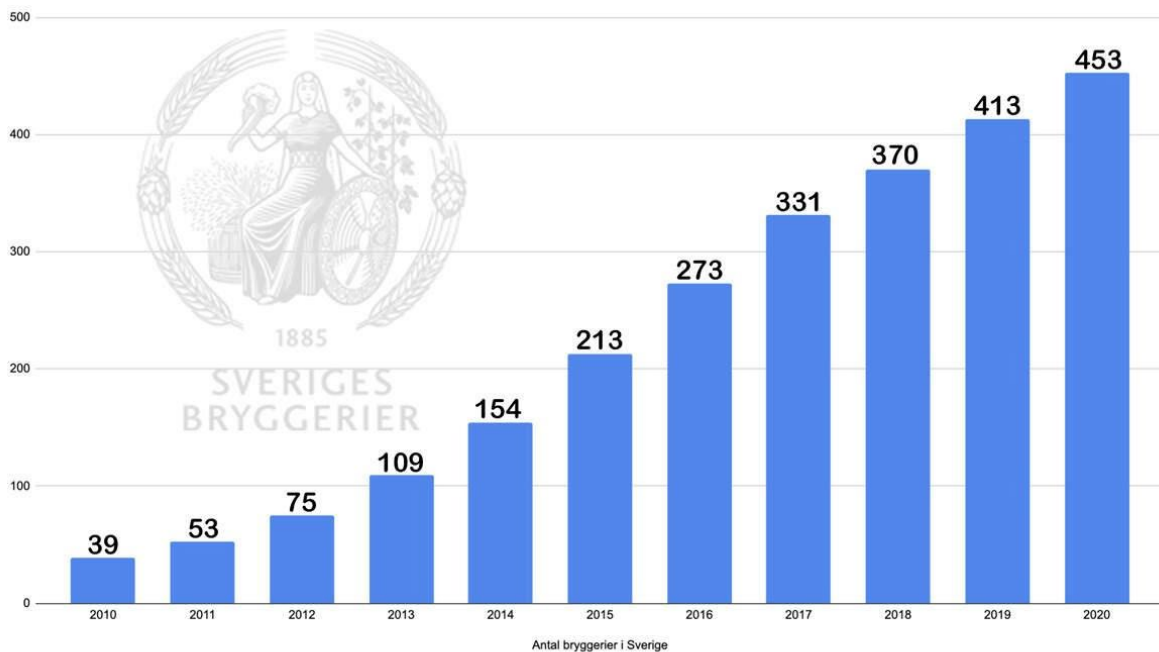
Appendix 3 Systembolaget's "Achievement Culture" ("Prestationskultur")

as measured by firm Agerus (www.agerus.se). Source: Systembolaget

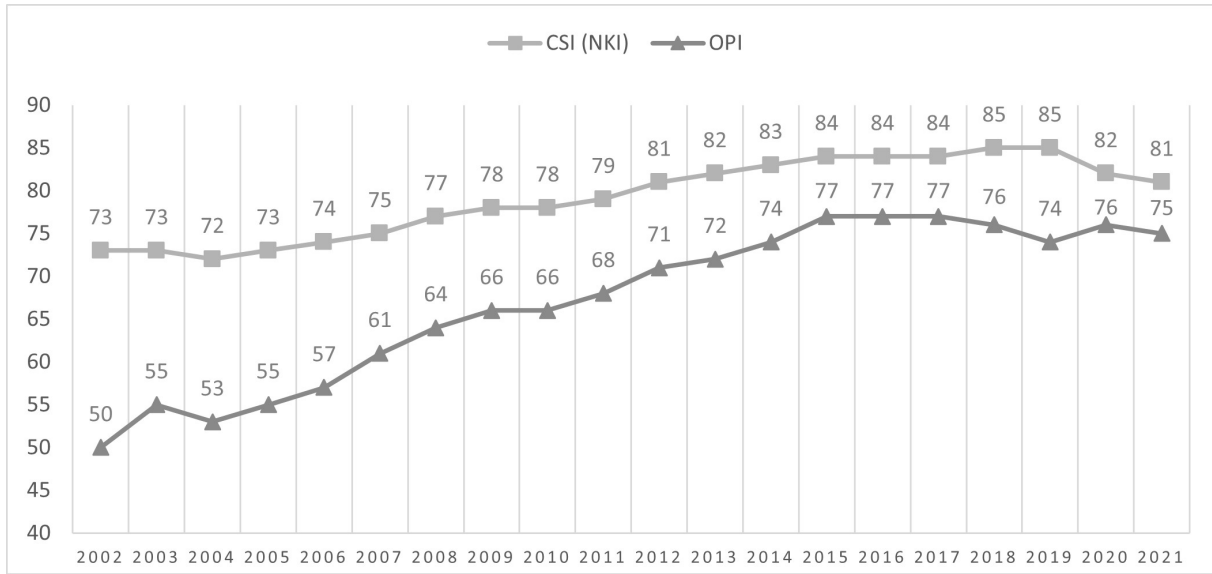


Appendix 4 Number of breweries in Sweden, 2010-2020

Antal bryggerier i Sverige 2010 - 2020



Appendix 5 Opinion index (OPI) and customer satisfaction index CSI (NKI) 2002-2021.



Source: Published material from Systembolaget and Kantar Sifo

Appendix 6 Confidence survey for Swedish companies 2022

Ranking	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1 (1) Systembolaget	-	63	59	65	70	70	71	78	76	73	71
2 (3) ICA	-	48	48	54	55	55	59	62	55	58	60
3 (2) IKEA	64	56	59	59	61	61	68	69	69	61	57
4 (4) Volvo	60	55	53	47	49	50	54	53	49	49	45
5 (5) Coop	-	35	38	36	37	39	42	42	39	42	43
5 (6) Astra Zeneca	23	26	29	27	29	26	30	31	34	41	43
6 (7) Vattenfall	15	20	21	20	20	21	25	22	32	33	32
7 (8) SJ	14	14	16	20	21	24	23	22	34	32	26
7 (9) Telia Company	28	17	26	27	25	26	24	27	30	31	26
7 (10) Volkswagen	-	31	32	31	17	19	21	22	27	28	26
8 (7) Ericsson	45	40	42	30	28	20	21	25	31	33	24
9 (13) PostNord	-	39	44	46	37	16	11	14	15	23	23
10 (11) SAS	31	23	33	38	39	34	40	40	34	27	21
11 (12) H&M	35	23	33	29	30	29	20	24	27	24	19
12 (14) Huawei	-	-	-	-	-	-	-	-	-	5	4

. Source: Medieakademin - https://medieakademin.se/wp-content/uploads/2022/03/Presentation_fortroendebarmetern_2022.pdf

Appendix 7 Alcohol consumption in Sweden in litres pure alcohol per citizen 15 years and older, by source 2011-2020

	2011	2012	2013	2014	2015	2016	2017	2018	2019a	2019b	2020
Total	9,47	9,12	9,75	9,27	9,13	9,00	8,97	8,81	8,66	8,98	8,46
Registered	7,32	7,21	7,32	7,20	7,12	7,15	7,03	7,20	7,14	7,14	7,46
Systembolaget	5,78	5,75	5,80	5,74	5,70	5,71	5,67	5,79	5,82	5,82	6,47
Restaurants	0,97	0,93	1,01	0,97	0,95	0,97	0,92	0,97	0,90	0,90	0,59
Low alcohol beer	0,57	0,53	0,51	0,49	0,47	0,47	0,44	0,43	0,42	0,42	0,41
Unregistered	2,16	1,91	2,44	2,08	2,01	1,85	1,94	1,62	1,52	1,84	1,00
Travel import	1,42	1,27	1,50	1,30	1,22	1,13	1,22	0,91	0,97	1,04	0,40
Purchase of smuggled goods	0,45	0,46	0,58	0,47	0,50	0,45	0,42	0,40	0,28	0,51	0,29
Internet	0,10	0,05	0,19	0,13	0,10	0,12	0,12	0,11	0,10	0,11	0,16
Moonshining	0,19	0,13	0,17	0,17	0,18	0,16	0,19	0,21	0,16	0,18	0,15

The calculation method changed in 2019

Source: <https://www.can.se/app/uploads/2021/09/can-rapport-202-alkoholkonsumtionen-i-sverige-2001-2020.pdf>

Appendix 8 Ann Carlsson Meyer



Career

1995-2010 Business Director, ICA

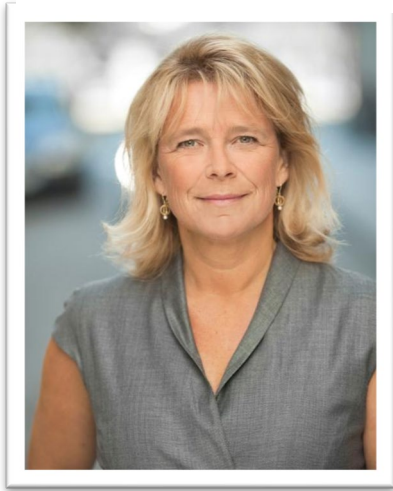
2010-2021 CEO Apoteket (government owned pharmacy chain)

2022- CEO Systembolaget

Various board positions, e.g. Svenska Spel (state owned gambling company), PostNord (former Swedish Post Office), AFA Insurance

Ann Carlsson Meyer is a member of the board of Vattenfall, a government owned energy company) and the SNS Centre for Business and Policy Studies. She holds an exam in HR management from Stockholm University

Appendix 9 Magdalena Gerger

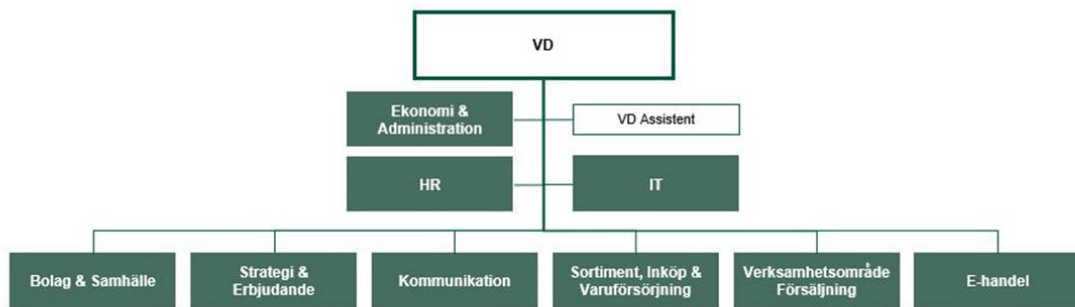


Magdalena Gerger was President and Chief Executive Officer of Systembolaget AB until Jan 2022.

Magdalena Gerger has 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 10 Systembolaget functional organization structure Sep 2022



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 - ¹¹ Interview with Maria Nilsson, June 15th, 2016
 - ¹² <http://systembolagethistoria.se/Teman/Ursprunget/>
 - ¹³ <http://systembolagethistoria.se/Teman/Handelser/>
 - ¹⁴ <http://systembolagethistoria.se/Teman/Handelser/>
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 - ¹⁸ Interview with Anitra Steen, May 3rd, 2016
 - ¹⁹ <http://sverigesradio.se/sida/artikel.aspx?programid=83&artikel=323532>, Accessed Sept 8, 2016
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