# XXL ASA

**Time to rethink the "Reset & Rethink" plan – Development of a new corporate theory**

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# Executive summary

This paper addresses XXL's core strategic problem of remaining optimized for a discount-driven and volume-based model in a market where consumers increasingly value quality, experience and sustainability. Recent efforts such as the *Reset & Rethink* plan have improved efficiency but failed to restore profitability or brand appeal, largely due to weak differentiation and eroding willingness to pay.

To resolve this, the paper proposes strategic shifts outlined in the New Corporate Theory, centered on three interconnected hypotheses. These hypotheses are built from external, internal, and relational analysis, where respective frameworks from the curriculum are applied. First, XXL must transition from pure cost leadership toward differentiation through enhanced customer experience, quality, and sustainability to rebuild brand loyalty and increase willingness to pay. Second, the company should narrow its assortment and redesign stores to reflect curated, experience-driven concepts that strengthen brand perception while reducing excess inventory and costs. Third, XXL should reduce dependency on dominant global suppliers by developing stronger private labels, with the help of the new majority shareholder Frasers Group, capturing more value internally and improving margin control.

However, the organizational analysis reveals barriers to implementing this shift. XXL's culture and incentive systems remain anchored in a market logic, reinforcing the old price-driven identity. Fragmented coordination between stores, e-commerce and purchasing limits the execution of assortment and store redesign initiatives, while insufficient in-house capabilities constrain private label development.

The Revised and Extended Corporate Theory therefore introduces organizational mechanisms to make the New Corporate Theory viable. These include leadership-driven sensemaking to align employee understanding with the new strategy, hybrid KPI systems balancing profitability and experience, cross-functional category teams for integrated decision making, and a dedicated private label governance supported by Frasers Group's expertise.

Together, these measures aim to realign XXL's strategy, structure, and culture. Shifting the firm from discount optimization toward accessible quality, ensuring sustainable profitability and field legitimacy.

# New corporate theory:

## Analysis of XXL's current corporate theory

XXL is a Norwegian sports retail established in 2000. At its peak XXL operated stores in Norway, Sweden, Finland, Denmark and Austria (XXL, 2020). At that point, XXL had a total of 90 stores (XXL, 2020). Since 2020, XXL has been through multiple turbulent years with revenues as high as NOK 9,9 billion in 2020 (XXL ASA, 2024), since then, revenues have decreased to NOK 7,2 billion in 2024, down approximately 37%. It is worth mentioning that the Nordic sporting goods market has seen a weak consumer demand (XXL ASA, 2024), but compared to competitors, XXL has performed the worst. Competitors such as Anton Sport, Intersport, Sport 1 and Jesting Sport have reported an increase in revenue, although they have also seen a decline in net income. The main difference is that XXL is the only actor with a negative profit margin (XXL ASA, 2024), making it a non-industry-related problem, but rather a business problem.

As revenues have plummeted, the costs have continued to be a problem for XXL. The culmination of these problems and how they display the strategic problems of XXL, are further supported by XXL being delisted from the Oslo Stock Exchange in 2024. At that point they were bought up by Frasers Group, with the group underlining XXL´s turbulent waters: "Frasers is acquiring a business which is in significant distress. As such, all stakeholders, including but not limited to, brand partners, landlords, suppliers and partners, will need to work collaboratively with Frasers in its efforts to save the XXL business in its current form" (Reuters, 2025).

The core problem of XXL can be identified as the business model, based on cost-leadership and broad assortment, no longer aligns with the preferences and expectations of Nordic consumers, and increasing costs. Consumers turn to their competitors, leaving XXL with a reduced top line. Furthermore, if they keep losing consumers, XXL faces the risk of worsening other stakeholder relationships, giving their competitors an advantage in the years to come. To better understand how the core problem of XXL presents itself, the text is divided into subproblems connected to external, internal, and relational factors.

## External

To get a better understanding of XXL's strategy, it is essential to analyze the external factors of the market XXL operates in. The analysis of the external subproblems will be built upon Porter's five forces model (Porter, The five competitive forces that shape strategy, 2008). The full extensive model will be added in appendix 1, and the external analysis will mainly highlight the most important factors identified.

The power of buyers is high across the Nordic retail landscape. This is despite the rising costs of living, and inflation that have heightened price sensitivity for Nordic consumers (Becker, Duran, & Agarwal, 2024). This change should initially have benefited XXL, however, we simultaneously see that these consumers increasingly consider quality, design, and sustainability as supplementing important factors (Ryu et. al, 2024). The consumer demand shift could be explained by the fact that, in 2024, the Norwegian sporting goods market contracted by 4%, with XXL´s top line declining by 10% (Solgård, 2025). Furthermore, XXL´s competitors, such as Sport Holding, who owns Sport1, Intersport and Anton Sport, only reported a 1,9% decline in revenue. This divergence suggests that consumers increasingly reward perceived quality, expertise, and brand authenticity over pure price competitiveness, as these competitors are known for higher quality and focused assortment (Appendix)

This reflects a shift from a purely cost-based logic towards a logic that values experience and purpose. Evolving consumer mindset weakens the foundation of XXL's cost-leadership model. Customers still seek affordability but no longer perceive price alone as a measure of value. In addition, online shopping has increased, which can be linked to Covid-19 (Postnord, 2025). With this change, online pricing visibility and shopping possibilities increase. This transparency enables consumers to compare prices and switch retailers easily. As a consequence, the model of XXL's broad assortment and big box stores became outdated, decreasing the revenue.

Suppliers hold moderate to high bargaining power. The profitability of a firm is not based on revenue alone but is simultaneously affected by the costs within the firm. For a retailer like XXL, the costs are connected to their inventory, which in turn is dependent on suppliers. XXL depends heavily on global brands such as Nike, Adidas, and The North Face (XXL ASA, 2024), which can dictate pricing and supply terms due to their strong brand equity. However, XXL's owners, the Frasers Group, has improved

its purchasing leverage and opened avenues for own-brand development, but the suppliers' leverage remains a structural barrier to profitability. The growing emphasis on environmental sustainability also strengthens the position of suppliers that meet rising regulatory and consumer expectations. Suppliers align with sustainability and brand protection strategies (Becker, Duran, & Agarwal, 2024). XXL's transactional relationships risk further weakening its access to premium assortments.

Furthermore, XXL´s main suppliers as Nike and Adidas have their own D2C channels giving them control over where and how their goods are sold. In 2020, Nike closed several wholesale accounts and stepped back from multiple online platforms, to focus on their owned stores (Salpini, 2020). This dependency means that the suppliers of XXL in large part control an important resource for XXL in inventory access and pricing.

The external analysis demonstrates that Nordic consumers increasingly value sustainability, quality and a more curated shopping experience. This is supported by comparing top lines from the industry competitors, where XXL being the worst performer. Customers moving to a more quality focused product segment supports the conclusion that a discount driven and wide assortment strategy is failing to capture value. In addition, the suppliers hold a reasonably high bargaining power, resulting in cost pressures for inventory management and supplier dependence.

## Internal

### Strategic position and Porters Generic Strategies

Internally, XXL's competitive approach reflects a cost-leadership strategy as defined by (Porter, 1985). The company has historically sought to achieve advantage through scale efficiencies, centralized procurement, and aggressive pricing, positioning itself as the leading low-cost retailer of branded sporting goods in the Nordic region. This model is deeply embedded in XXL's organizational routines, which emphasize sales volume, market share, and inventory turnover. The firm's large-format stores, high promotional intensity and focus on operational control illustrate a classic cost-leadership configuration (Porter, 1985). The current corporate theory assumes that consumers remain price sensitive, and that sustained growth can be achieved through volume rather than differentiation.

However, Porter argued that the viability of cost-leadership strategy depends on stable industry conditions and price sensitive buyers, assumptions that no longer hold in the Nordic sporting goods market (Porter, 1985). As the external analysis revealed, the basis of competition has shifted toward quality, sustainability, and experience, with consumers demonstrating a higher WTP for trusted and value driven brands (Kim, Chiu, Ryu, & Lee, 2024). Within this new environment, XXL's scale-based cost advantage has lost much of its strategic relevance. The company faces the risk of becoming stuck in the middle, unable to match the price efficiency of pure discounters or the differentiation of quality-oriented competitors such as Sport Holding. The internal configuration that once created value through low cost and accessibility now constrains their ability to capture value.

From a resource-based view, XXL's internal environment shows that they historically have focused on scale and cost efficiency. According to Barney (1991) and the resource-based view, sustained competitive advantage happens when resources and capabilities are valuable, rare, costly to imitate and non-substitutable (Appendix 2). This framework shows both internal strengths and weaknesses that illustrate XXL's internal difficulties.

XXL's primary resources includes their centralized and automated warehouse system, located in both Norway (Gardermoen) and Sweden (Örebro). This enables efficient inventory control and rapid product distribution across the Nordics (XXL ASA, 2024). XXL also currently has 85 big box stores, that ensure accessibility and brand viability. The combination of scale and integration is the basis for XXL's low-cost model. In addition, XXL has a wide product assortment, which includes nearly all major sport categories. The idea behind the assortment is to make XXL the place to go, regardless of what you are looking for in the sport category (XXL ASA, 2024).

XXL's key capabilities lie in procurement coordination and in-store service operations. They have a centralized purchasing structure for the whole company, that makes it possible to leverage scale and secure product availability across markets (XXL ASA, 2024). This capability has been central in their logic of cost leadership (Porter, 1985). Furthermore, the in-store repair operations and service offer customer experience beyond sales, which supports customer retention.

Through the VRIN analysis (Appendix 2) we see that the centralized and automated warehouse system is considered XXL's only sustained competitive advantage. Their broad assortment and in-store service

operations are only considered competitive parity. This does not give XXL substantial competitive advantages and illustrates that XXL current internal focus is weak. XXL's faces an internal misalignment, where their resources and capabilities are no longer aligned with market expectations. Which weakens their brand appeal, providing an explanation for their recent weak financial performance.

## Relational

Leiblein et. al (2018) emphasizes the importance of looking at the effect of strategy over time in addition to looking at the internal and external level as above. In the following part, we will analyze boundaries and governance to restrict the possibility of strategy creation in XXL.

The relational analysis reveals that XXL's current configuration of interorganizational relationships constrains its ability to capture value. The company's vertically integrated model depends on long-term, transactional ties with a few dominant branded suppliers such as Nike and Adidas. While these relationships once supported economies of scale, they now yield limited relational rents, as coordination remains largely transactional rather than collaborative (Dyer & Silverman, 1998).

From a governance perspective, XXL's boundary choices reflect a structure optimized for a stable wholesale environment. As the sporting goods industry shifts toward supplier-owned D2C channels, this configuration has developed into a governance misfit, a misalignment between transaction characteristics and governance form (Nickerson & Silverman, 2003). When asset specificity and uncertainty increase, market-based arrangements become inefficient and expose firms to hold-up risks.

XXL's high site and physical asset specificity are shown by the large-format stores and product assortments and increases these inefficiencies. Such transaction-specific investments raise adjustment costs and reduce the firm's capacity to adapt when supplier strategies or distribution models change (Nickerson & Silverman, 2003). Consequently, the current governance structure limits flexibility, reinforces economic dependence on key suppliers, and prevents the firm from capturing potential interorganizational value.

An analysis of XXL on the relational level displays XXL's strategy of vertical integration to utilize economies of scale to capture value. This model, however, unveils multiple subproblems in the XXL model. The vertical integration and focus on the big box stores have led to large sunk costs creating

increased adjustment costs. Simultaneously, XXL is dependent on a smaller group of large suppliers that holds key resources for the firm in its assortment and inventory, leading to decreased margins when the suppliers exercise their powers.

# Current Corporate Theory and Assumptions

## Value Creation and Capture

According to Felin and Zenger (2017), a firm's corporate theory rests on the underlying assumptions of how it creates and captures value. For XXL, this theory is based on the belief that value is generated through scale, assortment breadth, and low prices, assuming that a broad selection attracts customers and that promotions increase sales volume. This cost-leadership logic aligns with Porter's (1985) view that efficiency and price competitiveness can form a basis for advantage. Historically, this approach allowed XXL to achieve economies of scale and market reach across the Nordics.

However, as consumer preferences evolve toward quality, sustainability, and experience, the foundation for this strategy has weakened. What once created value through accessibility and low prices now erodes customer perception and brand equity. From a resource-based perspective (Barney, 1991), XXL's key capabilities, scale efficiencies, logistics systems, and cost control, are no longer valuable in the same way, as they fail to meet the new sources of customer value.

The result is that XXL's current corporate theory continues to generate sales volume but captures less value from each transaction. Increased promotional activity has lowered perceived differentiation, reducing customers' willingness to pay and compressing margins. The company's existing configuration thus produces activity without sustainable advantage, forming the foundation for developing a new corporate theory better aligned with emerging market expectations.

## Assumptions

The previous chapters and analysis of XXL from an external, internal, and relational view show the problems apparent in XXL today. Combined with the understanding of XXL's belief of how they create and capture value can be used to formulate the assumptions of the firm, which are listed below.

**Assumption 1**: *XXL's customers considers price the most important factor.*

XXL assumes that consumer demand is driven by affordability rather than differentiation. The firm's emphasis on extensive discounting and promotional campaigns indicates a belief that lower prices directly translate into better performance.

**Assumption 2**: *With economies of scale through a broad assortment and big-box stores, XXL can attract more customers, increase sales and decrease unit costs.*

XXL's vertically integrated, big-box model and broad assortment are believed to generate economies of scale, reduce unit costs, and enhance accessibility. This is supported by XXL, where they in the 2024 annual report underline that "We have a scalable retail model that drives efficiency and cost leadership. This model is a result of a large unit store format, controlled value chain, efficient logistics, and centralized purchasing" (XXL ASA, 2024). Lastly, the assumption is further consistent with classical economic theories of scale and scope for cost-leadership (Porter, 1985).

**Assumption 3***: XXL´s current relationship with major suppliers ensures access to high quality products and strengthens their market position through strong brand association.*

XXL's focus on offering well-known brands at low prices shows how they believe that suppliers are willing to support their business model due to the high sales volume. XXL states in their annual report that the company focuses on well-known brands such as Nike and Adidas (XXL ASA, 2024).

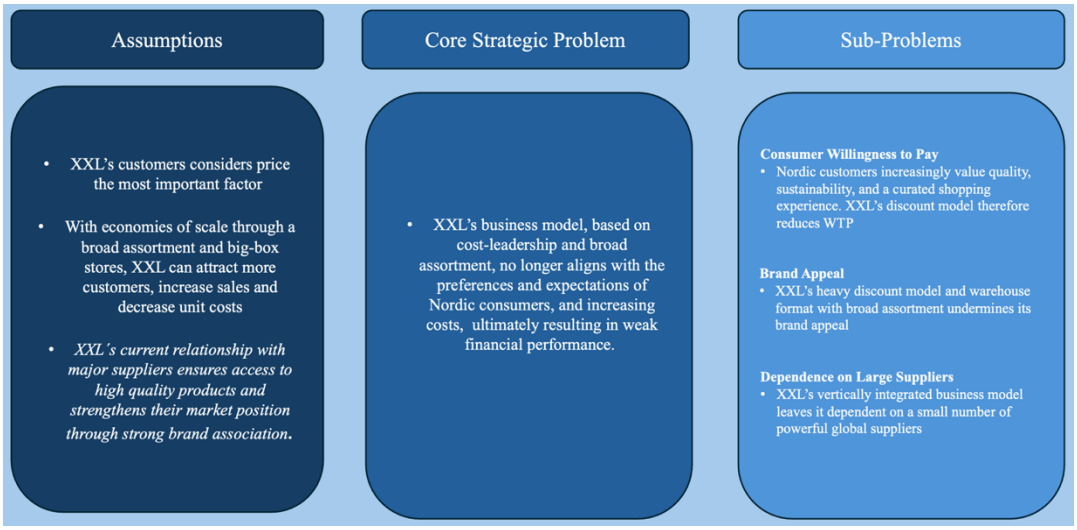



*Figure 1: Assumptions, Core Strategic Problem, Sub-Problems*

## Formulation of new corporate theory

New strategic insights emerge when existing assumptions are challenged through contrarian beliefs that expose alternative mechanisms of value creation and capture (Felin & Zenger, 2017). Three central contrarian beliefs will be presented, each leading to a corresponding hypothesis.

**Contrarian belief 1**: Including quality and sustainability in XXL's products creates more WTP than pure cost-leadership.

This contrarian belief works on the mechanism shown in the external analysis where customers care more about quality and sustainability than price, because it signals value and personal identity alignment. By using this contrarian belief and mechanism, we can create a testable and generative hypothesis (Felin & Zenger, 2017).

**Hypothesis 1**: By focusing on quality and sustainability rather than price, XXL can increase the WTP of customers because it will increase brand image through value and trust signaling and personal identity alignment.

**Contrarian belief 2**: Narrowing the assortment and changing the current store format into more curated smaller stores, will increase XXL's brand appeal, while at the same time reducing excess inventory and fixed costs.

This contrarian belief rests on the internal analysis and the understanding that decreasing the assortment will showcase the quality and increase brand awareness, while simultaneously decreasing coordination and inventory costs.

**Hypothesis 2**: If XXL narrows their assortment and creates smaller curated stores, their brand appeal will increase and cost basis will decrease.

**Contrarian belief 3**: Dependencies on large suppliers reduce XXL's ability to capture value, creating power imbalance.

This contrarian belief hinges on the mechanism mentioned in the relational part. Interdependencies between XXL and key suppliers, as Nike and Adidas, impose a power imbalance, thereby reducing XXL´s inventory management and pricing. In short, XXL is more dependent on suppliers than the suppliers are dependent on XXL.

**Hypothesis 3**: If XXL reduces dependency on large global suppliers by developing stronger private label brands, they will capture more value internally instead of transferring it to powerful suppliers because it will increase their control over pricing and inventory.

In response to the defined core strategic problem and sub-problems, XXL must redefine how they create and capture value. In the new corporate theory, XXL's logic of value creation will be to develop a more selective and sustainable product portfolio. XXL should still offer some global brands but also expand their private label products. The private label products must meet the Nordic consumers' quality expectations. The current cost leadership and high-volume model built on discounting and broad assortment has a negative impact on customers' willingness to pay. Under the new corporate theory, XXL will leave the discount model behind and try to build on quality, experience and sustainability. This makes it possible for XXL to change the logic of the value creation. Instead of only competing on price, XXL should narrow their range and focus on fewer brands with higher margins. These changes will reconfigure existing resources such as the centralized and automated warehouse system, which now becomes a platform for data driven assortment management, rather than only focusing on volume optimization.

The big box warehouse format stores with broad assortment have weakened XXL's brand appeal, positioning the company as a discounter rather than a trusted sports retailer. The new corporate theory proposes a repositioning of XXL's brand appeal, which requires XXL to narrow down their assortment as well as reconsidering the current store format. In-store design should reflect quality and sustainability, rather than scale and discounts. Transforming stores into experiential environments, rather than a warehouse or inventory hall. Internal shifts in XXL will reallocate resources from large-scale warehouses with constant price promotions, to customer engagement and quality in assortment curations. The competitive advantage here lies in brand differentiation. XXL has the potential to become a large-scale Nordic retailer associated with quality and sustainability. Over time, differentiation will increase

customer loyalty as well as brand trust and stabilize price sensitivity. This will ensure that customers associate XXL with value through quality and experience rather than through discounts.

XXL's vertically integrated business model has created a strong dependency on a small number of powerful global suppliers, which has limited the company's flexibility and margin control. The new corporate theory must reduce XXL's vulnerability by rebalancing the procurement strategy. Frasers Group will be an essential part of the development of private labels, as they have valuable experience in the field. This approach can strengthen XXL's assortment decisions, improve margins, and support brand differentiation. By developing more of its own private labels, XXL can stay in control of pricing, integrate sustainability standards and meet the requirements of the Nordic consumer. The reconfiguration will transform XXL's supplier dependence from a constraint to strategic flexibility, strengthening both differentiation and profitability.

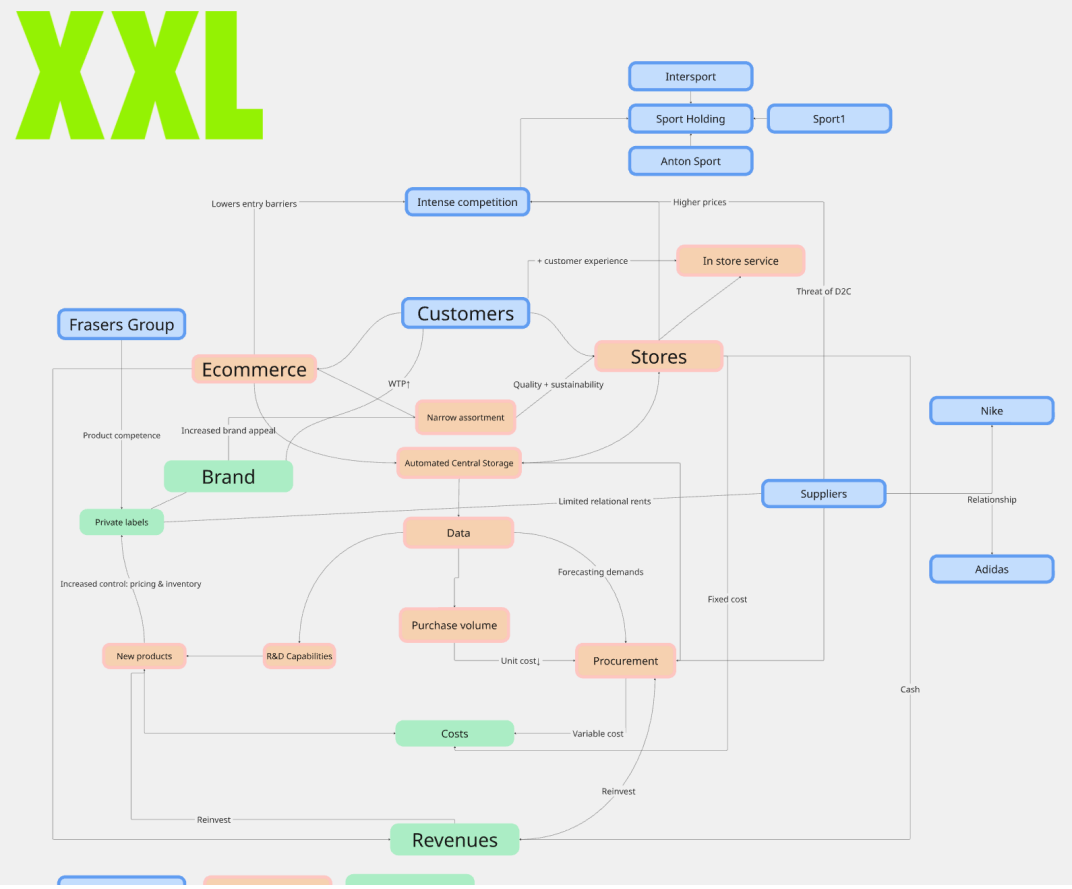



*Figure 2: New Corporate Theory*

### Boundary conditions

After presenting the NCT, the boundary conditions for the strategy will be set. In other words, what must be true for the NCT to hold. The boundary conditions will be grouped by relevance to the hypotheses by external, internal, and relational factors.

1. Nordic consumers continue to increase preference for quality, sustainability, and experience.
2. XXL must maintain financial stability to invest in assortment curation, store redesign, and private label development.
3. Frasers Group will continue as strategic owners of XXL.

Should these conditions change, the premises of the NCT would need to be reconsidered.

# Revised and extended corporate theory

## External

A firm and its strategic decisions do not exist in a vacuum, they are affected by the actors around them (Zietsma et. al, 2017). To understand the actual effect of, and possibility to carry out, the NCT, the field XXL operates in needs to be analyzed. Fields are communities of organizations partaking in common meaning systems, interacting more often with one another than the actors outside of the field.

To understand the type of field XXL operates within it is important to understand which actors XXL interact with. XXL interacts with a multitude of different actors, from suppliers like Nike and Adidas, to consumers and competitors like Intersport and Anton sport. The mix of actors makes it clear that XXL operates within an exchange field, which is further established by looking at the logic that is present within the field (Zietsma et. al, 2017). As seen in the strategic part, the actors within the field are mainly focused on profits, margins and efficiency, displaying a market logic consistent with an exchange field (Zietsma et. al, 2017).

Traditionally, the Nordic sports retail field XXL operates within has been dominated by a market logic, where profitability, efficiency and scalability. Market logic has been dominating the interactions between

suppliers, customers, and competitors, structuring what has been seen as legitimate, ultimately showing how the field has been an established field (Zietsma et. al, 2017). The rise of competitors like Anton Sport, and suppliers like Nike changing over to D2C to control the perception of their products (Salpini, 2020), combined with consumers valuing sustainable goods, show how secondary logics have emerged, reflecting professional and community dimensions. Professional logic, because XXL must follow the field´s best practices to sustain access to strong brands and maintain legitimacy. Community logic, because XXL has to communicate values and meaning, not just low prices. Here, suppliers embody professional logic, and consumers embody community logic. These changes do not remove the traditional market logic, but rather layer it (Zietsma et. al, 2017). While the institutional infrastructure in the field is strong, the current dominant logic is uncertain, suggesting a move towards a contested field, where multiple logics coexist and compete for dominance (Zietsma et. al, 2017).

As argued by Greenwood et. al, a firm within a field faces institutional complexity when they encounter: "(...) incompatible prescriptions from multiple institutional logics" (Greenwood et. al, 2011). Existing in a contested field where multiple logics compete, leads to a lack of agreement about what constitutes legitimate behavior. This ties to whether XXL is seen as legitimate if they sell their goods at low prices, or if they serve high quality. When organizational complexity exists within the contested field, the viability of a strategy is decreased as the access to resources or perception of legitimacy may change (Greenwood et. al, 2011). The viability of the NCT depends on XXL's ability to hybridize logics.

## Internal- sensemaking and ambiguity

The internal challenges facing XXL can be analyzed through sensemaking and ambiguity, based on Maitlis & Christianson (2014) and Weick (1995) as theoretical foundations.

Sensemaking explores how members of an organization understand, construct, and act upon ambiguous situations. These are situations where it's not clear what's happening or what should be done, which can force members of the organization to build new shared understandings based on reflection and communication (Maitlis & Christianson, 2014).

The internal logic of XXL has previously been based on cost leadership and scale. Managers and employees have been guided to sell large volumes at discounts and low prices, which has shaped XXL's identity and culture. The result has been that the organization's understanding of who they are has been built around being the biggest and cheapest sport retailer in the Nordic market. The new corporate theory challenges this understanding, where the overall goal is to move XXL toward differentiation, sustainability, and quality. This shift creates ambiguity in XXL´s organization. It requires employees to rethink what the company stands for. Employees can experience uncertainty regarding what the change really means for their work, targets, and customer interactions. In this way, the organization's identity and strategy no longer fit, and sensemaking is triggered.

Weick (1995) states that people in the organization interpret change based on signals given by their leaders, routines, and systems. While management tries to communicate the new strategy, the rest of the company might struggle to adapt. Especially if operations and incentive systems still reward discount driven behavior, which potentially sends conflicting signals to employees. This is described as "restricted" sensemaking, where top managers define the new strategies, although the employees are not involved in the process (Maitlis & Christianson, 2014). Resulting in the organization continuing to behave in the old logic, even though the strategy has changed.

The problem can often be seen in communication. Looking at XXL's current *Reset and Rethink* program, it is highly communicated in managerial terms like improving margins and optimizing stores, but they don't appeal that much to a normal employee (XXL ASA, 2024). This can create a gap between leadership intentions and the employees' understanding.

Maitlis & Christianson (2014) point out that sensemaking is not only about understanding change, but also about creating a shared meaning of change. If this does not happen, employees and different departments inside the company create their own interpretations.

Leadership plays a significant role in succeeding. Goia & Chittipeddi (1991) state that leaders should act as sense givers, which means to shape and communicate new meaning in a way that employees are able to relate to. The process can not only happen from a top-down perspective, but should be guided by sensemaking (Maitlis & Christianson, 2014). Meaning that leaders and employees work towards a common understanding.

To succeed, XXL must integrate sensemaking as an organizational capability, where they facilitate dialogue, so employees are included in discussions and interpretations of the new direction. In summary, the ambiguity regarding XXL's transformation is not only a challenge in regards of communication, but also the company's identity and shared meaning. It is only possible to succeed with the new corporate theory if the management can align what the employees believe, say and do.

## Relational – Resource Dependence Theory

XXL's relationships with global suppliers such as Nike and Adidas illustrate the structural interdependencies shaping the firm's current strategic constraints. From the perspective of Resource Dependence Theory, organizations depend on external actors for access to critical resources, creating patterns of power and control. Casciaro and Piskorski (2005) refine this logic by distinguishing between power imbalance and mutual dependence as two dimensions governing interorganizational relations. While mutual dependence reflects the total degree of interdependence between two firms, power imbalance captures asymmetry in that dependence (Casciaro & Piskorski, 2005).

XXL's situation can be understood as one of high mutual dependence but strong power imbalance. The company relies on suppliers like Nike and Adidas for branded products that support its market legitimacy and customer appeal. However, these suppliers possess alternative distribution channels such as direct-to-consumer operations, which reduce their dependence on XXL. This asymmetry grants suppliers considerable power to influence prices, assortment, and supply priorities, constraining XXL's strategic flexibility and bargaining position. As Casciaro and Piskorski (2005) explain, such imbalances increase behavioral constraints on the dependent organization, as the more powerful actor can dictate terms of cooperation or withhold critical inputs.

The persistence of this dependency limits XXL's ability to capture value from its own value chain. According to Casciaro and Piskorski (2005), firms can respond to constraints through constraint absorption, by internalizing or controlling the source of dependence to reduce external vulnerability. For XXL, this implies a need to reconfigure its resource dependencies by investing in private-label brands or developing exclusive supplier partnerships. Such actions would allow the firm to absorb part of the external constraint and regain autonomy over pricing, quality, and product availability.

However, Casciaro and Piskorski's framework alone do not fully account for the dynamic nature of resource relations. Wijen (2025) complements this view by emphasizing that firms operate within configurations of interdependent resources that must be continuously coordinated and realigned. He identifies three mechanisms: empathic mobilizing, integrative structuring, and resource reshuffling, through which organizations can overcome barriers such as inaccessibility, dispersion, and instability of resources (Wijen, 2025). In XXL's case, the company's dependence on a few powerful suppliers reflects a failure to engage in such adaptive coordination. The resource inaccessibility caused by the power imbalance, coupled with the instability of global supply terms, leaves XXL unable to maintain a balanced configuration of inputs.

The entry of Frasers Group as a strategic owner may alter XXL's relational configuration. Frasers' extensive experience in vertically integrated retail and private label development provides access to capabilities that could reduce XXL's dependence on branded suppliers. Through shared procurement systems, design expertise and supplier networks, XXL could accelerate the capability-building required to make private labels credible and profitable. Frasers' involvement will therefore act as a form of constraint absorption, shifting the power imbalance to a more mutual dependence.

## Limitations on the viability of the NCT

The NCT proposes a change from a strategy of cost-leadership and volume-based model to a quality, sustainability, and assortment management model as a profitable strategy. The strategic changes do, however, need to simultaneously be viable for XXL.

While the strategy may be profitable, it is essential that the strategy also is viable for XXL, considering the external view. Analysis of the Nordic sports retail field, however, shows that the field is characterized by the coexistence of different competing logics (Zietsma et. al, 2017). The field has historically been dominated by market logic, emphasizing efficiency, scale, and profitability. This logic coexists with a professional logic emphasizing quality and expertise, and a community logic emphasizing sustainability. Operating within a field with competing logic creates institutional complexity and decreases the possibilities of creating strategic changes (Greenwood et. al, 2011).

Subsequently, our first hypothesis of shifting focus from cost-leadership to a model of quality and sustainability appears only partially viable. To maintain legitimacy, XXL must continue to appeal to the market logic, focused on profitability and cost-leadership. The RECT therefore needs to include elements of hybridization, where XXL balances the logics, offering the customers sustainability and quality while simultaneously maintaining profitability and low prices.

The internal sensemaking analysis of XXL shows that XXL will face an internal sensemaking gap between their old identity with cost-leadership focus, and the NCT focused on differentiation, quality, and sustainability. Ambiguity in communication and the old incentive model can cause employees to interpret change differently, which can prevent a shared understanding of the new direction. Mixed signals from daily routines also contribute to this misalignment. This misalignment between what employees mean and leadership intentions creates a threat to the implementation of the NCT.

The relational analysis indicated that XXL's dependence on large, branded suppliers creates power asymmetries that constrain value capture. Expanding private labels can help absorb these constraints and strengthen margins, yet it challenges the professional and community's logics in the field. Building credible private labels requires developing new capabilities in, for example product design, supplier governance and quality assurance. Given XXL's limited experience in these domains, the viability of this hypothesis hinges on its ability to establish hybrid relational mechanisms. But Fraser's involvement could enhance the viability, since they have private label expertise and scale in supplier relations providing an infrastructure for capability transferring. This support lowers the capability gap and makes the strategic shift more attainable.

## Revised and extended corporate theory

The New Corporate Theory provides a strategic foundation for the Revised and Extended Corporate Theory. The RECT specifies how the NCT can be made viable by translating the three hypotheses into concrete organizational mechanisms that address the barriers identified in the external, internal, and relational analyses.

External conditions show that the Nordic sports retail field remains institutionally pluralistic, historically dominated by a market logic of price and efficiency but increasingly influenced by professional and community logics. XXL must therefore develop hybrid mechanisms that balance efficiency with differentiation and legitimacy.

Internal conditions reveal that the transformation toward quality and sustainability can only succeed if sensemaking processes close the gap between managerial intent and employees' interpretations. The RECT assumes active leadership involvement in creating shared meaning and renewing organizational identity around the new direction.

Relational conditions highlight the need to gradually reduce supplier dependence and expand private labels, requiring integrative structures that enable adaptive coordination of critical resources.

To operationalize the NCT, the RECT introduces three organizational mechanisms corresponding to each hypothesis:

1. Overcoming internal inertia and reframing identity:

To realize the first hypothesis, shifting from price leadership to differentiation through customer experience, quality and sustainability, XXL must reframe how value creation is understood internally. The existing culture and incentive systems are anchored in a market logic, emphasizing campaigns and sales rather than margin and experience. The RECT introduces a sense giving and governance system that aligns identity, language and incentives. Leadership communication must consistently frame

accessible quality as XXL's core purpose, redefining low prices as an outcome of efficiency rather than identity. New hybrid KPIs will evaluate profitability, customer satisfaction, and sustainability performance alongside traditional sales metrics. These mechanisms reduce ambiguity, promote shared understanding, and anchor the new logic in daily routines.

2. Structuring for coordinated assortment and experience:

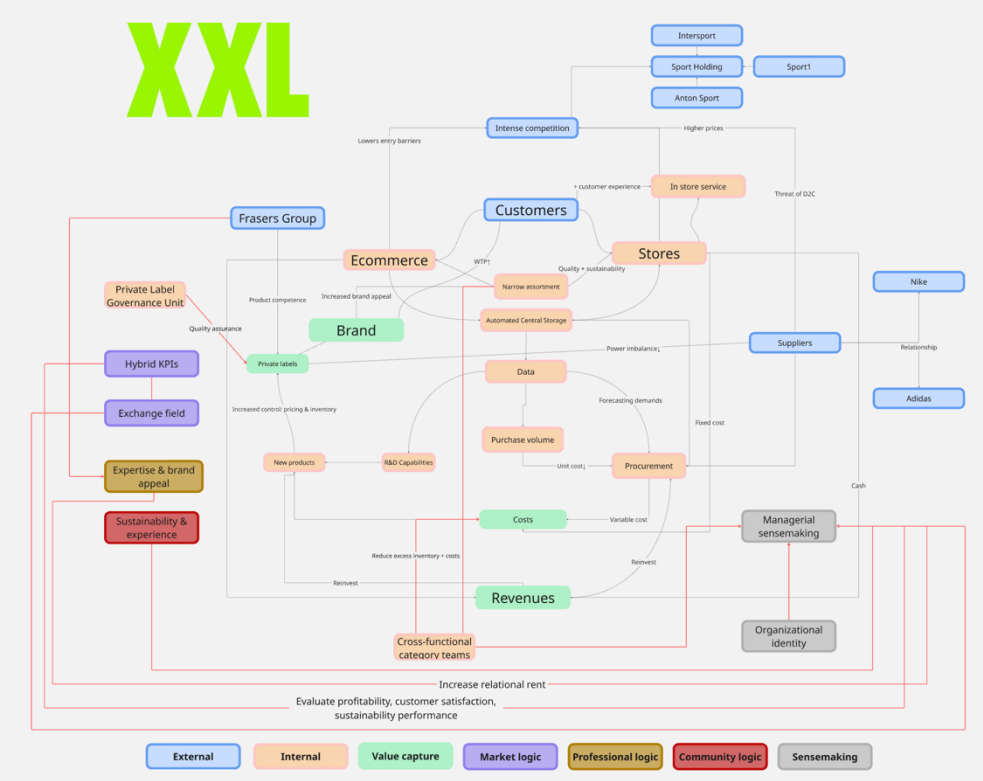
To implement the second hypothesis, narrowing the assortment and developing more experiential stores, XXL must integrate fragmented functions. The RECT establishes cross-functional category teams that combine purchasing, marketing, e-commerce, and retail operations under a unified Category Director with P&L responsibility. These teams decide the width of assortment, merchandising standards, and in-store experience. This will ensure consistency between brand communication, inventory management, and customer experience. Performance evaluation will shift from sales volume to contribution margin and conversion rate, reinforcing efficiency through focus rather than scale. This structural integration ensures that differentiation becomes operational rather than conceptual.

3. Reducing supplier dependence and capturing relational value:

To realize the third hypothesis, XXL must build new capabilities that allow them to reduce supplier dependence, thereby reducing the power imbalance (Casciaro & Piskorski, 2005). The RECT introduces Private Label Governance Unit, responsible for product design, sourcing, and quality assurance. This unit will internalize key capabilities needed to reduce reliance on external brands, following Cascario and Pirskorski's (2005) principle of constraint absorption. Cooperation with Frasers Group enhances this process. Their expertise in vertically integrated retailing enables capability transfer through shared supplier networks, joint sourcing, and design collaboration. This reconfiguration rebalances power toward mutual dependence, allowing XXL to capture more value internally while maintaining legitimacy with leading brands.

Collectively, these mechanisms establish a hybrid organizational foundation that integrates sensemaking, coordination, and relational restructuring. The RECT makes the NCT viable in practice, enhancing

customer loyalty and WTP, improving inventory efficiency and increasing value capture, while preserving legitimacy in a field characterized by multiple institutional logics.




*3: Revised and Extended Corporate Theory*

# Discussion and conclusion

The project demonstrates that the interaction between strategy and organization is essential for XXL's renewal. The proposed NCT sets a clear strategic direction, shifting from volume-based cost-leadership to differentiation through quality, sustainability, and focused assortment. But its success depends on the organization's ability to realign internal systems, culture, and relationships. The analysis shows that synergies emerge when strategy provides direction and meaning, while organizational mechanisms such as sensemaking, incentive alignment, and cross-functional coordination translate that direction into coherent action. Superior and sustainable performance arises from the integration of strategy defining what values to pursue, and organization defining how it is realized. For XXL, this synergy ensures that accessible quality becomes not just a goal, but a shared practice across the firm.

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# Appendices

## Appendix 1: Porter´s Five Forces

XXL ASA operates within a competitive and rapidly evolving Nordic sporting goods market, shaped by inflationary pressures, digital transformation, and shifting consumer preferences. An external analysis using Porter's Five Forces highlights the structural challenges and opportunities influencing XXL's strategic positioning.

**Rivalry Among Existing Competitors**

Industry rivalry in the Nordic sporting goods market is intense. XXL competes with established regional players such as Sport1, Intersport, and Anton Sport, as well as solely e- commerce platforms like Zalando. The *McKinsey & WFSGI Sporting Goods 2024 Report* describes a polarized market where only one-third of firms have achieved both revenue and margin growth since 2017. Overcapacity and excess inventories have led to widespread discounting, eroding margins across the industry. In 2024, the Norwegian sports retail market contracted by 4% as a whole, with XXL's revenues declining by 10%, while Sport Holding (Sport1, Intersport, Anton Sport) fell only by 1,9% (DN, 2025). This divergence suggests that consumers increasingly reward perceived quality, expertise and brand authenticity over pure price competitiveness, as competitors like Anton Sport are commonly known for high quality assortment. For a firm historically positioned around low prices and high volumes, intensified rivalry directly undermines XXL's ability to capture value, as price competition eliminates differentiation and compresses margins.

**Threat of New Entrants**

The threat of new entrants is moderate. While economies of scale, supplier relationships, and logistics infrastructure create barriers to entry, the digitalization of retail has enabled smaller, online-focused competitors to target specific niches with limited investment. Declining brand loyalty in Europe further lowers entry barriers, as consumers increasingly prioritize value and sustainability over established brands (McKinsey, 2024). Although XXL's strong Nordic brand recognition and distribution network

provide resilience to large-scale entrants, its discount-driven model offers limited defense against digitally native competitors.

**Bargaining Power of Suppliers**

Suppliers hold moderate to high bargaining power. XXL depends heavily on global brands such as Nike, Adidas, and The North Face, which can dictate pricing and supply terms due to their strong brand equity. However, XXL's partnership with the Frasers Group has improved its purchasing leverage and opened avenues for greater own-brand development, but the supplier leverage still remains a structural barrier to profitability. The growing emphasis on environmental sustainability also strengthens the position of suppliers that meet rising regulatory and consumer expectations. As suppliers align with sustainability and brand protection strategies (McKinsey, 2024), XXL's transactional relationships risk further weakening its access to premium assortments.

**Bargaining Power of Buyers**

Buyer power is high across the Nordic retail landscape. Rising living costs and inflation have heightened price sensitivity, and online transparency enables consumers to compare prices and switch retailers with ease. Nordic consumers increasingly consider quality, design, and sustainability alongside price, reflecting a shift from a purely cost-based logic toward one that values experience and purpose. This evolving consumer mindset erodes the foundation of XXL's cost-leadership model. Customers still seek affordability but no longer perceive price alone as a signal of value.

**Threat of substitutes**

Substitutes further intensify competition. D2C channels from global brands and resale platforms provide consumers with alternative ways to access products. These channels meet growing sustainability expectations and weaken traditional retailers' role as the primary gateway to branded goods.

The external environment surrounding XXL is characterized by high competitive intensity, strong buyer and supplier power, and shifting consumer preferences. The framework reveals an industry where scale and efficiency no longer guarantee success.

## Appendix 2: VRIN analysis

**Core resources:**

XXL's resources consist of both tangible and intangible assets, that create customer accessibility and efficiency across the Nordic market.

One of XXL's key resources is the centralized warehouse system. This consists of two automated logistics hubs, located in Norway (Gardermoen) and Sweden (Örebro). These two warehouses allow tight control over inventory, rapid product distribution, and lower transportation costs. Which supports XXL's low-cost model (XXL ASA, 2025, p. 25). Secondly XXL has an extremely diversified and broad assortment, with includes everything from hunting rifles to tennis or football equipment. This mix makes XXL one of the broadest sport retailers in the market, attracting a wide range of customer groups. Which also reinforces XXL's value proposition as a one-stop sports retailer (XXL ASA, 2025, p. 13-14)

Lastly it is worth mentioning XXL's extensive store network across Norway, Sweden and Finland with 85 locations (XXL ASA, 2025, p. 13). The stores are meant to function both as sales and marketing platforms, with strategic locations in high traffic retail areas, ensuring customer reach.

**Core capabilities:**

A key capability is XXL's in-store service and repair operations (studios), which are integrated into most XXL stores. Each studio offers services such as bicycle repair, ski waxing and boot fitting. This is a vital part of XXL's goal to be a full-service sports retailer, combining product sales within store product repairs and expertise (XXL ASA, 2025, p. 14). Another central capability is procurement coordination, which is central to XXL's cost-leadership strategy (Porter, 1985). The company operates with a centralized purchasing function for the whole enterprise. This allows XXL to leverage its scale for favorable supplier terms. Which ensures consistent product availability across both online and physical stores.

**Core Competencies**

| | Valuable | Rare | Costly to imitate | Non substitutable |
|---|---|---|---|---|
| Centralized warehouse system | X | X | X | X |
| Diversified and broad assortment | X | NO | | |
| In-store service and repair operations | X | NO | | |

The core competencies can provide us with insights into how XXL achieves competitive advantages. For competency to achieve a competitive advantage according to the VRIN framework, it must be valuable, rare, imperfectly imitable, and non-substitutable (Marchesini, 2025).

The Centralized warehouse system is considered valuable because it makes it possible for XXL to create a reliable inventory and deliver products to customers across the Nordics. It should also be considered rare, because few Nordic competitors currently have the same level of automation. Although XXL's competitor Intersport has recently begun investing in a new automated system, this is still in progress, and no other competitors are close (STG, 2024). The centralized warehouse should also be considered costly to imitate; it will require a large-scale investment and advanced IT integrations (XXL ASA, 2025, p. 15). Finally, no alternative system can deliver the same efficiency and control. Therefore, it should be considered non-substitutable.

Diversified and broad assortment should also be considered valuable. It makes XXL the place to go, they have products within nearly every major sport category. Competitors like Intersport and Sport Outlets also offer diversified and broad assortment within the Nordic market. Therefore, the variable can't be considered rare.

The in-store service and repair operations should be considered valuable. It makes it possible for customers to improve both products as well as repairs. It can be discussed if this is a rare variable or not. Niche retailers within each sport segment normally offer the same service. In addition to niche retailers, Anton Sport also offers some of the same services, although not in the same range as XXL (ANTONSPORT, 2025). In conclusion, XXL's in-store service and repair operations cannot be considered a rare variable in the Nordic sport market.

The VRIN framework gives XXL a sustained competitive advantage through their centralized warehouse system. Diversified and broad assortment on the other hand only gives XXL a competitive

parity; the same goes for in-store service and repair operations. This indicates that two of XX's most prioritized factors, the diversified product assortment and in-store service only place them on par with competitors. Which should be considered internal weaknesses, that can help explain why XXL`s is performing poorly in the market.

## Appendix 3: Current corporate theory map

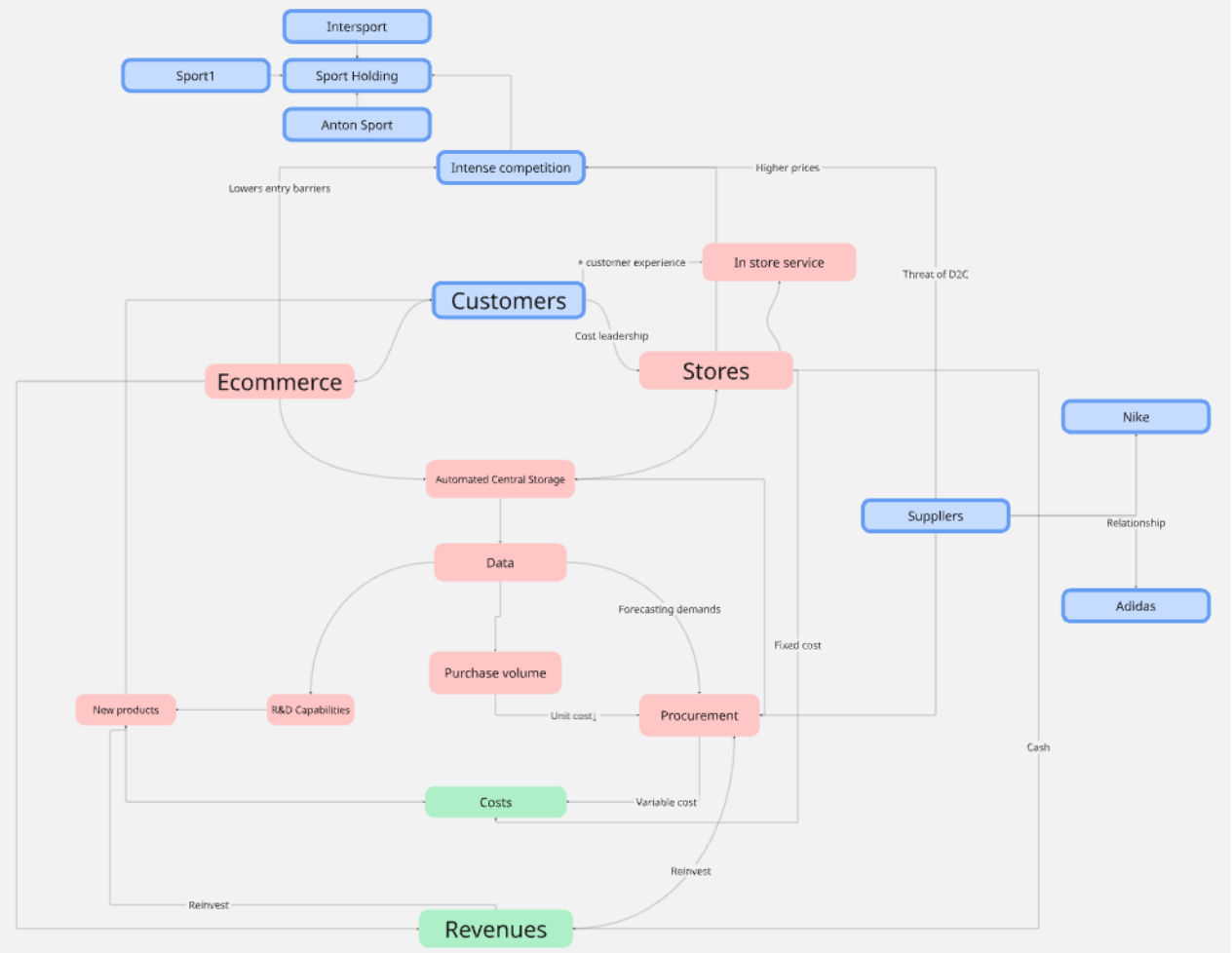



*Figure 4: Current Corporate Theory*