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Consumer Co-operation Around the World: ‘Strategic Renewal’ Since 1980?

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This short article reports on an international project that investigates Strategic Renewal in consumer co-operatives. Strategic Renewal refers to the ways an organisation attempts to change itself radically and rapidly, usually in response to an external crisis. The project explores how consumer co-operatives around the world have adapted to changes in the business environment over the last forty years and investigates whether those changes can be described as Strategic Renewal. A book based on the project published by Routledge (in press) includes case studies from consumer co-operatives in the UK, Finland, Sweden, Norway, Italy, France, Canada, Australia, South Korea, and Japan. The academic findings suggest that iterative, piecemeal, adaptive change is more appropriate for co-operatives than completely overhauling the business, leading the authors to conclude that co-operative Strategic Renewal is a slower and messier process than the literature suggests. In practical terms, awareness of initiatives in other countries can help consumer co-operatives to investigate initiatives which might be adapted to local conditions.

Consumer Co-operatives in Crisis

Any observer of the global performance of consumer co-operatives since the mid-twentieth century cannot avoid a deep sense of dismay and anxiety. This model of co-operation, based upon individual members owning stores and receiving dividends based on the custom they do with the co-operative, is seen as the legacy of the iconic Rochdale Pioneers Society established in 1844, spawning a movement which successfully grew into a leviathan of British retail by 1950. It was a model which was copied elsewhere, in France, Germany, Italy, the Scandinavian countries and further afield in Australia, Canada, Japan, and South Korea; indeed, it became a global phenomenon. But since the middle of the twentieth century, major problems have beset consumer co-operation in many parts of the world. The rise of wealthy consumer societies and well resourced, investor-led chain stores covering a vast array of commodities (especially food), proved formidable competition for many national consumer co-operatives. At one extreme, this ultimately resulted in the failures of Co-op AG in Germany in 1989 and Konsum Österreich in Austria in 1995 (Brazda et al., 2017; Ekberg 2012, p. 1009). On the other hand, consumer co-operatives in the Scandinavian countries and Italy have largely held their own — as an exception in one direction, the Finnish E Group (disappearing completely from the picture) and in the other, S Group (realising a brilliant Strategic Renewal and comeback) — but elsewhere loss of market share and crises have been common. In Britain, market share fell from about 25 per cent in 1950 to less than 10 per cent by the 1990s (Wilson et al., 2013, p. 301). This market retreat was accompanied by the rise of a neo-liberal economic philosophy, which saw little validity in co-operative models, and by a wave of demutualisations, which all but eliminated the Building Society sector in the UK (Martin & Turner, 2000).

As a result, since the 1980s consumer co-operative everywhere have had to reassess and modernise their business models — as in fact have many non-co-operative businesses in retail and other sectors. Accelerating technological change, competition from emerging economic such as India, Japan, and Brazil, together with the severe crises of the early twenty-first century (including the 2007-2008 financial crash, the COVID-19 pandemic, the Russia-Ukraine war and ensuing inflation, as well as looming pressure for change arising from climate change) have forced many organisations to change their business models quickly and extremely radically — a phenomenon which has attracted the interest of business historians, and has been described by them as ‘Strategic Renewal’.

Strategic Renewal and Consumer Co-operation: A Project

In the literature, the concept of Strategic Renewal describes usually how an organisation seeks to change itself fundamentally and quickly (Tuncdogan et al., 2019). It means that it changes its managerial and organisational structure, its work culture, possibly its line of business, and the skills and work undertaken by employees. It might involve radical changes in the management and workforce, including redundancies or retraining, it might involve shifting into previously untapped markets. A key aspect is that change is implemented at high speed, generally to meet the pressing demands of an increasingly competitive environment; speed may also imply a certain spirit of urgency in the face of an existential threat to the survival of the business. Strategic Renewal therefore usually implies 'top to bottom' change, implemented at pace. It suggests determined and ambitious leadership, and a clear perception of where leaders want the organisation to go. Interest in the concept has been driven by the increasingly turbulent global environment in which businesses have to operate, and by the ever-constant interest in what makes for good business leadership.

We conducted a project on Strategic Renewal in co-operatives. The project was stimulated by the fact that none of the existing case studies focus on co-operatives. Moreover, given the difficulties faced by consumer co-operatives outlined above, it was decided to explore (1) international examples of how consumer co-operatives have adapted to the fierce environment in which they have operated over the last forty years, and (2) whether these efforts can be described as 'Strategic Renewal'. The project has involved the writing and publication (by Routledge) of an edited book, consisting of different chapters, each one an example of strategic change policies in different countries, by authors most familiar with those national consumer movements. Countries covered include the UK, Finland, Sweden, Norway, Italy, France, Canada, Australia, South Korea, and Japan. The book/project is being led by John F. Wilson, Tony Webster, Espen Ekberg (Norway) and Samuli Skurnik (Finland), and the conclusions reached are theirs and based upon careful scrutiny of the different case studies (Wilson & al., in press). While the book aims at the very highest academic standards, the editorial team are intent upon having a real and positive impact upon the global consumer co-operative movement, by raising awareness of initiatives in other countries which might be adapted to local conditions, and to help start an international dialogue on the subject. Already the editors have been in discussion with some national organisations, among whom there is real interest. We hope that this will escalate once the book is published, either in late 2023 or early 2024, and the team is open to ideas of how to take the project forward to achieve material impact on the global consumer co-operative movement.

Strategic Renewal and Consumer Co-operatives: Some Key Issues

The concept of Strategic Renewal, of rapid and complete change in an organisation's structure, culture, and even stock-in-trade, is one that most easily lends itself to the large, public limited company, owned by a wide range of investors, and which above all, seeks to maximise profits for those investors. Such organisations are characterised by a high degree of managerial dominance, approximating to 'command and control', and have access to the massive resources needed to effect rapid and fundamental change. While all levels of the business and its personnel are affected, ultimately the drive for change comes from a leadership vested by the owners with the power and authority to make it happen. In this sense change is essentially 'top down' in origin and direction, even where wider participation in the development of ideas is opened to a wider diversity of interests and employees.

For co-operatives of all kinds, however, such drastic, rapid, and fundamental change is arguably more problematic. Ultimately co-operatives are democratic and egalitarian organisations, in which members are — in theory at least — sovereign. Because of the special features of the co-operative corporate governance, this means that potentially, a managerial leadership in a consumer co-operative should literally consult with all members to ensure that the suggested

Strategic Renewal plan is acceptable to them. In the project, membership reaction to change strategies were quite varied for many reasons, but it remains the case that in theory, the membership must be consulted. In some cases, most notably the Finnish S Group, members participate alongside managers in governance of the co-operative. The consequences of membership involvement and/or consultation might be negligible, given a consensus for change, or even indifference, among the membership; but it might also elicit fierce resistance if members object to the direction of change, or some aspect of it. Thus, a process of discussion and persuasion might be needed, potentially slowing the process of change. Reform might therefore be incremental rather than the 'big bang' implied in the Strategic Renewal literature and indeed might be the result of compromise with membership views rather than a management-determined policy. As will be seen, this has meant that member engagement has often been an integral part and, in some cases, one of the key objects of change, effectively another dimension to Strategic Renewal which is not commonly seen in the mainstream literature.

A second unique aspect of co-operative Strategic Renewal planning is that changes are constrained by the need to ensure compatibility with co-operative values and principles. As these include commitments to community wellbeing, education, and other social objectives, this might impose significant limits upon the kinds of activities a consumer co-operative might move into, if those planned lines of commerce might be deemed incompatible with a co-operative business model. In practice, this means that any consumer co-operative must be mindful of co-operative principles and values in devising a Strategic Renewal strategy, a process which may take time.

A third distinctive aspect of consumer co-operative Strategic Renewal is the potential role of the wider movement. Many consumer co-operative movements are federations of co-operative societies, or started off as such. In addition, in many countries there are national co-operative bodies which seek to represent the movement politically, or indeed to provide other services such as commercial advice. As will be seen, in some cases federal bodies or national organisations have provided essential assistance (and sometimes resources) to consumer co-operatives seeking to effect change and reform quickly.

What Have We Found?

The first point to make is that there are huge differences in terms of implementing change between the national consumer movements under scrutiny. The reasons for this are straightforward; social conditions vary enormously between countries, as do population sizes, availability of land, legal codes, culture, and co-operative traditions and development. While this does not prevent the transfer of successful initiatives, it does mean that adaptation to local conditions is likely to be vital. What, then, were our main findings?

In many cases explored in the book, member engagement did form an important part of renewal strategies. In Italy, for example, reforms in the 1980s created neighbourhood councils of local co-operative society members, assisted by 90 employees of Co-op Consumatori. These councils are the cutting edge of the movement's social and ethical commitment. Similarly, in South Korea, iCOOP introduced three major initiatives between the mid-1990s and 2007, to deal with a financial crisis, product standards, and developing integrated ecologically sustainable local hubs. Dealing with the first involved introducing member subscription fees, which had the effect of generating more resources for membership community activities. Members played a very important role in developing the second and third initiatives, namely, the revised product standard processes and sustainable hubs. In Japan, Co-op Sapporo's renewal initiatives also involved enhanced membership in its own version of 'eco hubs' and in helping remote communities on the island of Hokkaido. In the UK, the Co-operative Group's post-2013 revival strategy has also involved strengthening membership activity, both at the local level through an army of 100 'Member Pioneer' organisers, funded through own brand sales to

members, and at the national level, where member letters and petitions have been instrumental in prompting government action on issues such as modern slavery, loneliness, and the apprenticeship levy. Even where mainstream consumer co-operatives have not been especially responsive to member activism, members have taken matters into their own hands. In France, the twenty-first century has seen the emergence of a new generation of small, local consumer co-operatives, concerned with ecologically sustainable production and consumption rather than financial rewards, created by strongly activist members.

Interestingly, in Norway, Sweden, and Finland, while member participation has played a role in plans to renew co-operative organisations, the emphasis has been on development of the commercial aspects of the co-operative business model. In the case of S Group in Finland, which has been exceptional when compared with other international examples, strategic revival happened around the turn of the century. Key elements for winning back customers included: substantially improving member rewards and turning them into real incentives; activating the ownership and co-operative governance; and, streamlining the value chain. While the emphasis here seems to be on membership reward and improving the business model, this does not necessarily imply a lack of wider social commitment among members. That community and social objectives may not have been major drivers of reform may reflect the fact that the Scandinavian countries score much more highly than countries like the UK in terms of per capita income, social equality, and social spending (Headey & Muffels, 2021).

Of course, important components of consumer co-operative Strategic Renewal are very similar to those employed in the mainstream; changes that are focused strictly upon commercial factors. For example, there is a general trend towards convenience stores in many of the case studies examined. Store improvements, and better-quality produce to be sold as 'own brand' are another important general aspect of consumer co-operative Strategic Renewal plans. The recruitment of specialist managers and experts from outside the co-operative movement is also found in many of them, while improvements in supply chain management and in marketing are also key factors. In Italy, for example, there is 'hybridisation', where co-operatives become joint owners (often alongside mainstream private organisations) of new, specially created companies, able to draw more easily on loan finance and monies from the private sector. This has enabled consumer co-operatives to more easily raise money to move into new areas, such as bookselling. In addition, of course, social aspects of changes may have a commercial objective too. By making co-operative stores hubs of social and community activity, the aim is also to encourage local consumer loyalty.

'Umbrella' and federal organisations have also played key roles in supporting Strategic Renewal in several notable cases. In Japan, for example, Co-op Sapporo was rescued in the mid-1990s, both financially and in terms of managerial direction, by the national Japanese co-operative organisation, JCCU (Japanese Consumer Co-operative Union). Federal bodies have also played a key role, with Coop Norge (Coop Norway) having notable success by adapting its plans to improve business efficiency to meet varying local circumstances. iCOOP, itself a federal body, led the three main initiatives in South Korea between 1996 and 2012, which formed what was effectively a process of Strategic Renewal. That said, neither the federal nor umbrella organisations always offer reliable solutions. In Canada, for example, Federated Co-operatives Limited (FCL) certainly played a leading role in strengthening and modernising the Canadian consumer co-operative movement in the late twentieth century, especially through wholesaling and production. Its ability to firmly dictate developments has recently been challenged, however, most notably by Calgary Co-op which has started to look elsewhere to source its stock. Federalism, after all, implies a certain amount of local autonomy, and this can prove to be an obstacle for Strategic Renewal plans.

Australia is an example of the absence of a central federal authority holding back both consumer co-operation and co-operation in general. Indeed, in the early twentieth century major British co-operative bodies such as CWS, with its trading interests in Australia, were pivotal in supporting Australian co-operatives. But that picture is now changing with the recent

establishment of the Business Council of Co-operatives and Mutuals (BCCM). This has achieved progress in strengthening the legal framework within which Australian co-operatives operate, although it is too early to judge how effective BCCM will be in the longer term. This is not always the case. In France, the inability of the older consumer co-operatives to renew themselves effectively prompted dissatisfied co-operators to create new, smaller consumer co-operatives based on different organisational and ethical principles.

Effective leadership to persuade co-operative members to embrace change has also been very important, and this has meant offering incentives and a functioning structure that involves members in decision-making. The case studies reveal key figures in the various efforts to reform and renew consumer co-operatives: Scott Banda in Canada, Graham Melmoth and later Steve Murrells in the UK, Juhani Pesonen, Jere Lahti, and Kari Neilimo in Finland, M. Kawamura for Co-op Sapporo, and Melina Morrison for BCCM in Australia. While they all have proven themselves to be effective change-makers, the kind of leadership offered is also significant. In a co-operative, it is often essential to build consensus among members and employees, as these are ultimately democratic organisations. This has meant not only building an effective and like-minded leadership team, but also ensuring that the existing governance structure is effective, and that there is adequate membership support for change. Co-operative leaders tend to lead, at least to some extent, by persuasion rather than diktat, reflecting the essentially democratic nature of co-operative governance. In essence, there needs to be a willingness to be led among managers, employees, and members. In the end, people matter at least as much as structures in effecting change, and thus attitudinal and cultural change is often needed for effective Strategic Renewal in co-operatives.

Strategic Renewal Revisited

In conclusion, we return to the concept of Strategic Renewal itself, and the differences between iterative, piecemeal change and the image of an organisation essentially tearing up its structures, culture, and possibly even lines of business, in a very short time. While the latter may be more exciting and the stuff of entrepreneurial legend, our case-studies suggest that the former has been much more effective in achieving sustainable growth. Contributory to this tendency has been the turbulent nature of the last few decades, which have seen the financial crisis of 2007-2008, COVID-19, the invasion of Ukraine in 2022, not to mention issues specific to certain countries such as Brexit and rising tensions over Taiwan. Intensifying retail competition has compelled consumer co-operatives to adapt to patterns of behaviour rapidly and sometime in an *ad hoc* way. We contend, however, that this factor has affected the non-co-operative retailing sector just as much as it has affected consumer co-operatives.

In practice, we believe that in most cases, Strategic Renewal is probably less prescriptive, less planned, less sudden, and more iterative than the literature suggests. All commercial organisations must be light on their feet in responding to an increasingly complex and unpredictable world, and it is likely that transformation has to be staggered and subtly change direction, even as it is being implemented. This interpretation of Strategic Renewal certainly fits the experiences of the consumer co-operatives that we have examined. As one senior figure in the UK's Co-operative Group explained, the strategy had to be amended several times to meet a context in which 'uncertainty is the new normal'; Strategic Renewal planning was 'a compass not a roadmap'. Indeed, iterative change arguably creates a culture in which rapid change becomes easier to accommodate. For example, South Korea's iCOOP plainly learned much about implementing effective change through its three initiatives in the period between 1997 and 2012. Strategic Renewal, we suggest, is less dramatic, and a slower and messier process. Of course, business leaders frequently like to contend that they are the architects of sudden, revolutionary organisational change; but we think that in most cases, Strategic Renewal is slower, more *ad hoc* and reactive than its leaders and academic champions claim; as careful perusal of our forthcoming book will demonstrate.

We hope that our book will not only stimulate academic debate, but also interest consumer co-operative organisations around the world. While practices can be notoriously difficult to transplant from one national context to another, adaptation may be easier than is sometimes imagined. Co-operation prides itself on being a learning movement, and clearly there is much to be learned from fellow co-operators in other parts of the globe. Indeed the editors have already started to discuss the findings of the project with consumer co-operative leaderships!

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