

## Context

Iceland has a long history of co-operatives, though in the last few decades the co-operative model has fallen on hard times. Throughout the 19<sup>th</sup> century some farmers joined hands in purchasing supplies, and with foreign trade being made free in the middle of the century, after a Danish monopoly for over 2 centuries, there was finally a basis for Icelanders to establish businesses themselves. After a few tries, where lack of experience resulted in extensive debt, the first purchasing co-operative was founded in 1882. More followed, and eventually the purchasing co-operatives mostly became all-around co-operatives – handling most everything the inhabitants of the relative region needed (Sigurðsson, 1978).

Starting from around 1990, following heavy inflation in the 1980's and social changes, most of these co-operatives folded or reduced their activities heavily. In 1990, there were 152 co-operatives in Iceland and they were down to 96 in the year 2000 (Jónsson, 2006). Currently there are around 30 co-operatives in Iceland.

Many of the interviewees mentioned that the image of the co-operative model in Iceland is stained. For example, any reference to cooperatives outside some co-operative stores were removed in the 1990's as it was bad for business, and the Cooperative University (former college) in Bifröst distanced itself from the cooperative model by changing its name in 1997 and removing co-operative references from the premises or disguising them.

Despite this, there are still about 45,000 members in Icelandic co-operatives, which is equivalent to the number in 1985 when it was at its highest, though that is still not as high a percentage of the total population as it was then. According to our interviewees, these members currently mostly receive discounts in stores run by a limited company, owned by cooperatives, so there is a distance to the co-operative model despite the high number of members.

As co-operative business has almost gone extinct in Iceland, there is not much current knowledge in Iceland about co-operatives, and no formal education available.

## Process

As a result of the downfall of the cooperative model in Iceland, it proved challenging to find educators currently teaching the co-operative model. Additionally, as it has been decades since the downfall, it proved hard to find educators at all.

In the end, the interviews were all conducted with either individuals who have experience and knowledge on teaching the co-operative business model, or high-ranking individuals (i.e. CEOs) who have experience and knowledge in working in the few co-operatives left in Iceland.

Some of the interviews were conducted face-to-face, while others were conducted through either Zoom or Microsoft Teams due to Covid-19. The researcher took extensive notes during the interviews, as they were not recorded.

From a total of ten interviewees, five represented cooperatives, two of which were CEOs and the other three were chairmen of the boards of their Cooperatives. Four of the remaining interviewees were instructors or academics, from the vocational or higher education sector and one interviewee is a specialist at a public regional development institute. Nine interviewees were male and one female.

## Qualitative analysis

### 1. For how long have you been an instructor promoting entrepreneurship education? How did you accumulate the knowledge you currently have?

Some interviewees were educated at the Cooperative College in Bifröst, and as such received cooperative education. All of those then worked extensively in co-operatives, and acquired practical knowledge in addition to their education. Other interviewees gathered their knowledge through experience. Two interviewees have been involved in Entrepreneurship training of various forms for approximately 10 year each.

### 2. How do you and your organisation work in the promotion of the cooperative entrepreneurship with adults? (i.e., working individually or with groups)

One interviewee, who is now retired, was an instructor in the Cooperative College in Bifröst, and mentioned that from 1977-1986, they regularly toured the country to promote the co-operative model. One current academic and educator is regularly involved in entrepreneurship training of groups of students through courses (both university level and vocational) but this is not focused on cooperative models.

One non-instructor interviewee mentioned that the co-operative they work for introduce the co-operative model externally, as that is a part of their regulations.

Another non-instructor interviewee mentioned that those involved in co-operatives focus too much on the history of the co-operative model in Iceland, rather than trying to engage new people and look to the future.

### 3. How do you reach your target group?

One non-instructor interviewee, who works for a co-operative whose regulations state that they should introduce the co-operative model externally, mentions that this work is done through subsidiaries.

One interviewee, who was an instructor in the Cooperative College as mentioned before, said that when they were touring all those years ago they did so in co-operation with the “purchasing co-operatives” (traditional name, though in practice they were all-around co-operatives) around the country.

#### 4. Which groups or sectors have reached out to you as an instructor? Where is the strongest demand for the cooperative model?

One interviewee mentioned that the Directorate of Labour had a course for people who lost their work following the 2008 financial crisis, and that some of the students there showed interest in the co-operative model to get themselves back on their feet through co-operative entrepreneurship, but nothing came of it as the law framework around co-operatives proved hostile.

Another interviewee also mentioned that, through their co-operative, they introduced co-operatives to unemployed people in the region. The same interviewee did state that the legal framework in Iceland was not favourable to co-operative entrepreneurship, and in fact, all interviewees who mentioned the legal framework did so in reference to how ill-suited it is to the promotion of the co-operative model.

#### 5. Did you organise mentoring activities for groups in pre-start-up phase?

As mentioned by many interviewees, the legal framework in Iceland is not favourable for co-operative entrepreneurship, and as such aspiring co-operatives most often stumble in the pre-start-up phase because of legal difficulties. Specifically, the biggest hurdle is that 15 people are needed to establish a co-operative. One interviewee mentored a group as they were trying to establish a co-operative, but in the end they didn't have enough people to be able to move on from the pre-start-up phase.

One interviewee did mentor a student in making a business plan for a co-operative, but once the instructor got involved the co-operative was already 4 years old.

Otherwise, educators regularly mentor students as part of their work as educators.

#### 6. How do you plan and implement training courses on cooperative entrepreneurship? Are you following training modules?

Instructor interviewees have not had many recent chances to implement training courses on co-operative entrepreneurship.

Curricula from within a university are developed within faculties/departments and confirmed by a university committee. Some of the curricula are developed in cooperation with other institutions, e.g., through funded work akin to the COPE project.

#### 7. What are the training topics?

Instructor interviewees would, given the chance, mostly follow the same pathway they do in normal entrepreneurship training and emphasize the business model. PEST analysis and SWOT analysis, as well as market analysis and sustainability. Soft skill training is given more weight now days, as learners need

to acquire skills in communication, negotiation, and management. Digital skills are also important, for instance when it comes to marketing and communication.

## 8. In your training courses how did you present the financial aspects and the business planning?

All interviewees emphasized that no operation is sustainable if it's run at a loss. As such, business planning is essential to making any sort of business sustainable in the long run. While all interviewees agreed that there is an additional social benefit to cooperatives that enables cooperatives to think long-term, instead of only in short-term profits, there wouldn't be any long-term if the business folded prematurely due to debt. As such, the financial aspects and the business planning would be integral to the process, and consequently presented in-depth.

## 9. In your training courses how do you present the cooperative principles and the cooperative governance model?

One interviewee, retired instructor, mostly presented it through class discussion, after a short lecture on the model. By having a class discussion, the instructor felt that the principles of the model would be better absorbed, as it is a model of democratic principles.

## 10. How do you present, in your training courses, the topics of sustainability and innovation?

The topics would be introduced through lectures and discussion. These are core themes in many cases, and one interviewee mentioned cases and success stories to introduce these topics.

## 11. How did you introduce the topics of entrepreneurial marketing and scaling in business?

No clear conclusion here from the interviews, but marketing and operations are part of the curricula as mentioned above.

## 12. Which training methods do you use to improve learning development? (Case study, Games-based training, lecture, Role-Play, simulation,...) which methods do you think are more suitable?

One interviewee focused on discussion, after short lectures. In general, there would be a focus on a mixture of lectures and practical assignments (that is, assignments that reflect the expected future work environment of the student).

## 13. According to your experience, as instructor, what is missing or what should be more developed in a training on cooperative entrepreneurship?

One interviewee stated that there is no education on legal forms until people start studying at some sort of business school. When legal forms are presented, there needs to be more focus on the co-operative model. The interviewee thought it unlikely that the co-operative model is even mentioned, aside from maybe the fact that it exists. His opinion is that it should be taught in comparison to the limited company form, to properly teach students about the pros and cons of each legal form.

The interviewees in general agreed that, effectively, everything is missing, as there is no education to be sought in these matters.

## 14. According to your experience, what makes a training successful? Present a good practice from your experience.

The training needs to pique students' interest and motivate them so that their interest in the subject is genuine and for the sake of the subject itself. The training needs to be practical, so that students are not like fish out of water once they are on their own. Bringing students closer to industrial activity (by making contacts etc.).

## 15. What are the biggest challenges in your work, and how do you try to overcome these challenges?

The biggest challenge in co-operative entrepreneurship in Iceland is the inaccessibility to establish a business in the co-operative model. The legal framework is outdated and hostile to entrepreneurship. Thus, it does not effectively serve a purpose to give start-up courses on co-operative entrepreneurship, as the legal hurdles are too big to make people think about using the co-operative model. By contrast, it's relatively easy to establish a limited company.

The main problem with the legal framework mentioned is the amount of people needed to establish a co-operative, as a minimum of 15 people are needed.

Additionally, the negative political connotations the co-operative model has in Iceland present a big hurdle.



Purchasing co-operatives were a relatively big part of the Icelandic economy and for example the purchasing co-operative KEA was the third biggest company in Iceland in 1980. The purchasing co-operatives operated across sectors, but now they limit themselves to the consumer sector. Traditionally, there were purchasing co-operatives for almost every community, with their growth potential limited by the size of the community. After a period of recession in the 1980's, where the purchasing co-operatives along with the Federation of Icelandic Cooperatives went under due to debt, the co-operative model has never recovered.

The co-operative model in Iceland has political connotations that hinder co-operative progress, as the co-operative image is stained. The co-operatives became an institution, rather than an association, in people's mind, and the co-operative model is still linked with the agrarian political party. The problem with teaching the cooperative model lies in the negative political connotations. They need to be eradicated so the emphasis can be on the co-operative model as a form of operation. There have been talks about starting to use the CO-OP name, instead of the Icelandic traditional translation, to lose the stigma associated with the co-operative model.

The biggest challenges are thus not necessarily educational in nature, though the interviewees agree that educating people on the co-operative model is needed so that the model can recover as a legal form in Iceland.

## Conclusion

There is no formal education available in Iceland in the co-operative model, nor training of any kind outside of the still functioning co-operatives who need to educate their new staff on what a co-operative is. There is next to no awareness of the co-operative principles outside of the co-operatives themselves.

The co-operative model in Iceland suffers from historical negative political connotations and a hostile legal framework, hindering entrepreneurship. The model survives mostly through long-established co-operatives, such as producer co-operatives and purchasing co-operatives, though those mostly use limited companies for the actual operations.

The co-operative model declined, starting 30-35 years ago, and the process had not yet been reversed. Extensive work is needed to reverse the process.





## References

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