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RESEARCH ARTICLE

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# Cooperative resilience: Toward a heuristic model of collective action in a crisis

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## Abstract

This paper examines financial cooperatives (credit unions) in Ireland and their response to COVID-19. The paper offers two contributions. The first is the *Cooperative Resilience Framework*, which highlights the importance of iterative, heuristic responses in building capabilities that enable routine-based responses. These responses, in turn, avoid and absorb the effects of disruption in subsequent similar crises. The second contribution is empirical, demonstrating the *how* of resilience by offering a better understanding of how the credit unions' collective actions created dynamic, agile responses that helped them to "bounce forward" after the crisis. Key themes identified include agility, strong social relationships, and decentralized decision-making (empowerment).

KEYWORDS

collective action, *Cooperative Resilience Framework*, credit unions, crisis, heuristic response, third-sector resilience

## 1 | INTRODUCTION

There is a growing academic interest in third-sector resilience, specifically the ability to "bounce back" (Kober & Thambar, 2021; Plaisance, 2022) from a crisis. Studies examining the fallout of the financial crisis suggest that the cooperative model[1] responds well to crises (Birchall, 2013; Birchall & Hammond Ketilson, 2009), with examples of cooperative resilience offered from around the globe (Borda-Rodriguez et al., 2016; Mayo, 2015; Murray, 2011; Storey et al., 2014). What is less clear from the literature is *how* resilience is developed in cooperatives. To address this gap, the paper explores the *how* of cooperative resilience, asking what specific actions, structures, or processes enable these organizations to survive in the face of adversity. This is important for two reasons. First, it helps to identify specific features of cooperatives that enable resilient responses, rather than discussing resilience in generic terms. Second, the cooperative model could have useful lessons to teach about resilience to other third-sector organizations and the broader business world.

Organizational resilience is defined in a heterogeneous manner (Conz & Magnani, 2020) but can be broadly understood as the capacity to respond successfully (Linnenluecke, 2017) or "bounce back/forward" from a crisis (Manfield & Newey, 2018). The literature typically focuses on for-profit organizations (Kober & Thambar, 2021; Plaisance, 2022), with discussions of dynamic abilities, attributes, and outcomes (Acquaah et al., 2011; Ambulkar et al., 2015; McPhee, 2014). It is suggested that successful organizational responses are agile, based on employee empowerment, decentralized structures, and a collaborative environment (Barton & Kahn, 2019; Gover & Duxbury, 2018; van den Berg et al., 2022; van der Vegt et al., 2015). What is striking about these features is their similarity with aspects of the cooperative model (including democratic control, shared social goals, and strong local networks), again suggesting that the cooperative model is useful for understanding the concrete actions and structures that promote organizational resilience.

To explore this issue, and to answer the call for qualitative insights into resilience capabilities (Conz & Magnani, 2020), this paper examines resilience in financial cooperatives (credit unions) in Ireland, specifically their responses to COVID-19. Data were collected using semi-structured interviews. There are both benefits and disadvantages to using qualitative research methods to investigate this issue. A quantitative approach would allow for a large-scale survey of credit unions, testing responses against existing findings in the literature (Bell et al., 2022). Qualitative research, although smaller in scale, allows researchers to examine the participants' understanding of events and to learn wider contextual details about reactions, decision-making, and outcomes (Silverman, 2011). Key to this approach is foregrounding the participants' expertise; hence, a semi-structured approach was adopted, whereby participants could prioritize topics that they deemed important. Although this approach did not produce a large volume of responses, it fostered a detailed understanding of specific actions, structures, and processes: the *how* of organizational resilience.

Credit unions are a specific form of financial cooperative. As nonprofit financial intermediaries, owned and run by the members (Ward, Forker et al., 2021), credit unions are examples of sustained collective activity (Mangan, 2009). Volunteer governing boards adopt a stakeholder approach and have a fiduciary duty to their members (Forker et al., 2014). Historically, they were established in response to community need, and they continue to offer localized services to members when for-profit financial institutions are closing branches, often to the detriment of older or less affluent populations (van Rijn, 2022; WOCCU, 2022). Credit unions are often the last financial service left in communities (Mangan, 2009), meaning that their ability to respond to disruptive shocks is vital for the social, as well as economic, well-being of members. Therefore, understanding how cooperative resilience is achieved is important.

The empirical material is drawn from a study of credit unions in Ireland and their responses to COVID-19. Semi-structured interviews were conducted with credit union managers and trade association representatives representing a range of old and new model credit unions (Forker et al., 2014). Participants were asked to reflect on their credit union's experience of the COVID-19 pandemic and to discuss the challenges, (unexpected) benefits, and learning that they encountered. The findings suggest that very small, traditional credit unions did not have the resources required to enable them to alter their business model. As a consequence, they remained dormant during the pandemic and were unable to meet their social or economic objectives. For most credit unions, initial responses were ad hoc, resulting in suboptimal decision-making. These were quickly replaced by collective actions that drew on strong social relationships, local empowerment, and informal communication channels to enable heuristic and agile responses to the crisis.

The paper offers two contributions. The first is the *Cooperative Resilience Framework*, which highlights the *how* of cooperative resilience, by identifying the specific actions, structures, and processes that enable organizations to respond in agile, innovative, and relational ways to crises. Central to a dynamic, heuristic response is agility, enabled by strong social relationships and decentralized decision-making. These are features that have been highlighted in the broader resilience literature (Barton & Kahn, 2019; Gover & Duxbury, 2018; van den Berg et al., 2022; van der Vegt et al., 2015) but have not been modeled before in the context of cooperatives (Kober & Thambar, 2021; Plaisance, 2022).

The second is empirical. Studies describe the functional actions taken by credit unions in response to COVID-19 (Al-Zyoud & Ordonez-Ponce, 2021; Jones et al., 2020; Money & Mooney, 2020); however, do not examine how credit unions were able to respond as they did. This gap is more widespread, as identified by the literature review undertaken by Conz and Magnani (2020), who called for qualitative studies to explore the specific mechanisms that build organizational resilience into business practices. In response to this call and the specific gap in the credit union literature, our paper demonstrates the "how" of credit union resilience, through establishing the specific actions, structures, and processes that helped credit unions in Ireland to respond in agile, innovative, and relational ways to the crisis. In light of the two connected contributions to the literature, we argue that the social relationships at the heart of the cooperative model offer useful lessons for how nonprofit organizations can respond in a robust manner to crisis, which caters both for the social and economic consequences of the crisis, and to its continuing effects.

The paper is organized as follows. The next section outlines the credit union structure and governance, arguing that although existing studies have demonstrated credit union responses to crisis, they do not show how they develop resilience. This is followed by an overview of the organizational resilience literature and the gaps in its treatment of non-profit resilience. The methodology explains the site study, research design, and data analysis. The findings are presented in three phases: immediate responses to the crisis, ongoing responses and reflections on the future. The *Cooperative Resilience Framework* is developed in Section 6. Finally, Section 7 explains the theoretical and empirical contributions.

## 2 | CREDIT UNIONS AND RESILIENCE

As noted in the introduction, the cooperative model is considered to be resilient in a crisis (Birchall, 2013; Birchall & Hammond Ketilson, 2009). In this section, we consider literature on the resilience of financial cooperatives (credit unions), which are nonprofit organizations that provide personal financial services to their membership (Ward, Forker et al., 2021). By examining literature on the management models, credit unions and crisis, and comparisons with banks, we argue that although the literature demonstrates credit union responses to crisis, it does not demonstrate *how* they develop resilience. This is a gap that this study addresses.

Credit unions are a global phenomenon, with 86,451 credit unions and 375 million members across 118 countries (WOCCU, 2021). Their membership is restricted to people that have a common interest with each other, called a "common bond" (Forker & Ward, 2012). This feature reduces moral hazard and enables credit unions to provide finance to individuals based on reputation and a member guarantee, as opposed to a formal credit rating score (McKillop et al., 2007).

Credit unions pursue different management models that range on a continuum from "old model" to "new model" (Forker et al., 2014), though all provide face-to-face service. Empirical analysis using clustering identifies three distinct groupings reflecting product sophistication and size (Ayadi et al., 2017; McKillop & Quinn, 2017). Credit unions pursuing "old model" management rely on strong social networks to substitute for formal credit checks. They are small, use volunteers, and have tight common bonds. "New model" management credit unions are commercially focused and rely on qualified staff, product diversification, and formal credit checks as opposed to social checks (Forker et al., 2014). WOCCU supports new model development in countries where the sector has advanced in sophistication. In these countries, for example, the United States, Canada, and the Republic of Ireland (ROI), credit unions are regarded as legitimate alternatives to retail financial institutions (Hyndman & McKillop, 2018). Credit unions are typically governed by a volunteer board, recruited from within their membership (Ward & McKillop, 2010), though director fees are becoming the norm in large, sophisticated credit unions in some countries (Unda & Ranasinghe, 2021).

A small number of studies have examined the performance of cooperatives when faced with economic crises, and the common view is that the cooperative business model is resilient (Birchall & Hammond Ketilson, 2009; Cristancho & Loukakis, 2018). Studies on financial cooperatives report that they reduced lending activity during the financial crisis, though not to the same extent as commercial banks (Migliorelli, 2018). Indicative of their social objective, credit unions also required lower collateral levels and issued loans with longer maturities, relative to banks (Aghabarari et al., 2021). In contrast, no difference in behavior to banks was reported for home equity lines of credit in locations experiencing house price declines or to lower income households (Maskara & Neymotin, 2019).

In terms of resilience, credit unions fared better than banks during the financial crisis, increasing their market share relative to banks in the period after the crisis (Chatterji et al., 2015). In a similar vein to banks (Köhler, 2014), smaller, less sophisticated credit unions also fared better than larger, more sophisticated credit unions (Ayadi et al., 2017). As credit unions were less negatively impacted on by the financial crisis than banks, it strengthened their reputation. Similarly, empirical studies reported that, in response to COVID-19, cooperatives changed their business activities to service gaps left by other organizational forms (Cooperatives Europe, 2020; Tortia & Troisi, 2021). A small number of empirical studies have examined the responses of credit unions to COVID-19 in Canada (Al-Zyoud & Ordonez-Ponce, 2021), in Britain (Jones et al., 2020), and in Ireland (Money & Mooney, 2020) finding that they altered their modus operandi in timely manner; however, these studies do not examine *how* credit unions responded as they did. Neither do they provide a comprehensive investigation of the capabilities enabling resilience in cooperatives.

## 3 | THEORIZING ORGANISATIONAL RESILIENCE

When examining responses to crisis, studies typically focus on for-profit organizations and define resilience as a proactive attribute that captures organizational readiness to respond successfully in times of crisis (Ambulkar et al., 2015). Definitions also consider reactive attributes, such as speed of response (Ambulkar et al., 2015), ability to absorb the impact of the disruption (Acquaah et al., 2011), outcomes, such as survival (McPhee, 2014), and how resilience is a process in time that involves being proactive before a crisis, absorptive and adaptive during a crisis, and reactive after the crisis (Conz & Magnani, 2020). What is missing from this literature is an awareness of the mechanisms that enable an organization to translate these capabilities into agile responses. Thus, there is a call for qualitative, processual, case study–based research designs to provide insights to this process (Conz & Magnani, 2020).

A theme highlighted in a review of the literature is that resilience is a dynamic organizational capability (Linnenluecke, 2017), developed in response to specific threats to an organization's finances, strategy, or operations, which ensures appropriate responses to the crisis (Manfield & Newey, 2018). Moreover, resilience is multidimensional, providing organizations with a portfolio of possible capability responses, which if judiciously applied, are likely to result in a positive outcome. Some of these capabilities include a set of cognitions, behaviors, skills, and processes that lead to different resilience outcomes such as bounce-back or bounce-forward (Manfield & Newey, 2018) and which reflect an organization's ability to quickly anticipate, avoid, and adjust to disruptive shocks to their environment (Waerder et al., 2022).

To build resilience capabilities, some studies argue that decision-making power needs to be centralized (Sherf et al., 2019) with control exercised by management over employees (van den Berg et al., 2022). Others argue that traditional, hierarchical approaches are ineffective when organizations face complex, dynamic environments (Lee & Edmondson, 2017), as they inhibit employees' ability to respond immediately. Instead, they emphasize the importance of employee empowerment and decentralized structures in building relational resilience that, in turn, contributes to organizational resilience (van den Berg et al., 2022; van der Vegt et al., 2015).

Relational resilience is an important capability within organizations when faced with a crisis, as it enables a quick collective response (Gover & Duxbury, 2018; van der Vegt et al., 2015) through a shared understanding of the challenges facing the organization (Roth et al., 2006) and an ability to act as a cohesive unit (Kahn, 2005). This type of "power to" relationship can be effective in building resilience as it enables an agile, heuristic response to a dynamic environment (Barton & Kahn, 2019; van den Berg et al., 2022). Moreover, Employees can take responsibility for their own work as well as contribute to shared decision-making and collective understanding (van den Berg et al., 2022). This collective approach facilitates a dynamic, heuristic process that views disruption as a catalyst for change. In these instances, the decision-makers are likely to aim for "bounce-forward" outcomes, wherein employee involvement creates shared situation awareness and diverse thinking leading to innovation and greater stability in business performance (Lampel et al., 2014; Roth et al., 2006), with the result that the organization is in a stronger position after the crisis (Teece, 2012).

Studies also examine resilience from the perspective of organization response, which can be static or dynamic (Manfield & Newey, 2018). Static-based capability responses use predetermined, normal-type actions (Winter, 2003). In contrast, dynamic-based capability responses are ad hoc or heuristic and evolve through learning from current and prior experience (Manfield & Newey, 2018; Winter, 2003). Both types of capability are required for organizational resilience and may result in a variety of outcomes ranging from extinction, bounce back to the status quo, or bounce forward by integration with a new strategy (Manfield & Newey, 2018) and higher levels of resilience (Teece, 2012).

To summarize, the literature on resilience suggests that it is a dynamic organizational capability (Linnenluecke, 2017), with a range of possible actions, structures, and processes that create positive outcomes (Manfield & Newey, 2018). Employee empowerment and decentralized structures build relational resilience (van den Berg et al., 2022; van der Vegt et al., 2015), which enables a quick collective response (Gover & Duxbury, 2018; van der Vegt et al., 2015). Empowerment enables an agile, heuristic response (Barton & Kahn, 2019; van den Berg et al., 2022) as employees can work in a collaborative environment that respects input from employee groups, irrespective of level (van den Berg et al., 2022).

Although the literature on resilience predominantly focuses on crisis responses by for-profit organizations (Kober & Thambar, 2021; Plaisance, 2022) or nonprofit organizations that operate to deal with crises (Curnin & O'Hara, 2019; Waerder et al., 2022), these key findings suggest that the cooperative features of democratic control, member-ownership, shared social goals, and strong local networks have resilience capabilities. For example, empowerment and decentralized structures (Barton & Kahn, 2019) are embedded in groups, such as committees, branches, departments, or managers' forums. Similarly, informal networks and collective governance skills are an inherent part of the cooperative model (Borda-Rodriguez et al., 2016).

However, as noted in the section on credit unions and resilience, although credit unions have responded positively to crisis situations by altering their modus operandi (Al-Zyoud & Ordonez-Ponce, 2021; Jones et al., 2020), little is known about *how* credit unions responded as they did. Moreover, the literature lacks qualitative insights into how resilience capabilities can be translated into agile responses (Conz & Magnani, 2020). To address these gaps, the paper studies a selection of credit unions in Ireland, examining their responses to COVID-19 to determine what enabled or curtailed their reactions. In the next section, we outline the study site, research design, and data analysis.

## 4 | STUDY SITE AND METHODS

The study site is the credit union sector in Ireland (ROI and Northern Ireland) during the COVID-19 pandemic. The sector is regionally important, with a penetration rate of 113.87% in ROI (WOCCU, 2021) and 67.78% in Northern Ireland (Bank of England, 2021; NOMIS, 2021).[2] The timeframe discussed during data collection was March 2020 to July 2021, during which time, both ROI and Northern Ireland had periods of lockdown, easing of restrictions and reintroduction of lockdown imposed by their respective governments. This period is selected as the aim of the study is to compare and contrast credit union responses in the immediate aftermath of the crisis and during the crisis. Credit unions were first contacted in March 2021, with most of the interviews scheduled for and completed by the end of July 2021.[3] The main service provided by credit unions in Ireland is the provision of personal credit to its members, though it also promotes savings, budgeting, and some offer additional financial services such as insurance or foreign exchange services. A small number offer mortgages. During the period of the study, 375 credit unions were operating in Ireland (237 in the ROI [Central Bank of Ireland, 2021] and 138 in Northern Ireland [Bank of England, 2021]). Three trade associations exist to provide training, guidance, support, business development, and central services to the sector (Forker et al., 2014). The largest one, the Irish League of Credit Unions (ILCU), is an all-Ireland body. Two smaller trade associations exist: Credit Union Development Association (CUDA) in the ROI and the Ulster Federation of Credit Unions (UFCU) in Northern Ireland.

## 4.1 | Research design

Our research aims to investigate the characteristics of credit unions that enabled or curtailed resilient responses to COVID-19. Life-threatening crises are different to economic crisis and as such, much is unknown about what drives management decision-making in credit unions in these circumstances. Therefore, following the call for qualitative insights into resilience capabilities (Conz & Magnani, 2020), an abductive approach using semi-structured interviews was deemed most appropriate as this enables the collection of open-ended data and deeper investigation of "how" particular responses occurred (Bell et al., 2022). An abductive approach is appropriate as we sought to validify explanations for empirical findings about cooperative characteristics considered to provide comparative advantage, for example, shared decision-making, employee involvement, and ease of adapting operations (Tortia & Troisi, 2021), while also being open to other explanations from stakeholders with personal experiences of managing the credit union through the crisis (Bell et al., 2022; van den Berg et al., 2022). The aim is to create a conceptual model of cooperative resilience and thereby extend the literature on cooperatives.

We conducted semi-structured interviews with 18 credit union managers and directors from 7 ILCU-affiliated credit unions from the ROI, 4 ILCU-affiliated credit unions from Northern Ireland, and 6 UFCU-affiliated credit unions from Northern Ireland (see Table 1). These were chosen to represent a range of old and new model credit unions (Forker et al., 2014) and had slightly more credit unions from Northern Ireland, as the ROI credit unions are generally new model (large) with fairly uniform responses.

Two credit unions were closed during the research period (CU17 and CU18), whereas a third had no spare capacity to participate fully in the study (CU19). Thus, to get a broader understanding of the credit union sector's response to COVID-19, we also conducted interviews with four credit union trade association representatives from two trade associations. Interviews were undertaken with three representatives from the ILCU (ROI and Northern Ireland, respectively) and one from the UFCU (Northern Ireland). In the weeks following the lockdown, the trade association representatives had been in contact with 365 of the 375 credit unions in Ireland. This enabled us to gain general insights into how COVID-19 affected the sector as a whole. It also served to triangulate the data obtained from the directors and managers of individual credit unions.

To enable an insightful discussion, interviewees were provided with a list of possible questions in advance. The interviews were conducted using either Zoom or on-site at the credit union premises. Interviews lasted between 10 and 71 min and provided a total of 138,529 words of interview data for analysis.[4]

## 4.2 | Data analysis

Interviewees typically structured their account of the pandemic using a time-based approach, recounting early actions (*when this all kicked off* ...), comparing them with later responses (*second time around* ... *they were much more prepared*) and thinking about the future (*we've built a more resilient business*). This encouraged us to organize the transcript data using a narrative approach that involved constructing a detailed chronological story from the raw data (Bell et al., 2022). This helped clarify sequences across credit union responses over time and enabled the identification of distinct "time-related" patterns.

We analyzed the narratives using an abductive approach that involved iteratively moving between our data and theory (Ward, Brennan et al., 2021). Initially, each author did a close reading of every narrative, highlighting recurring topics by time-related phase. Next, the lists were compared and merged to create an overall set of themes and

**TABLE 1** Interviewee details.

| Interview code | Interviewee type | Trade association | Size classification | Management model | Common bond type | Country |
|---|---|---|---|---|---|---|
| CU1 | Director | ILCU | Medium | New | Res | NI |
| CU2 | Manager | UFCU | Small | Old | Ass | NI |
| CU3 | Trade association[a] | | | | | |
| CU4 | Trade association[a] | | | | | |
| CU5 | Director manager | ILCU | Small | New | Res | NI |
| CU6 | Manager | UFCU | Small | Old | Emp | NI |
| CU7 | Manager | ILCU | Large | New | Res | NI |
| CU8 | Trade association[a] | | | | | |
| CU9 | Two directors | ILCU | Small | New | Res | NI |
| CU10 | Manager | ILCU | Large | New | Res | ROI |
| CU11 | Manager | UFCU | Small | Old | Ass | NI |
| CU12 | Manager | UFCU | Small | Old | Ass | NI |
| CU13 | Manager | ILCU | Large | New | Res | ROI |
| CU14 | Manager | ILCU | Large | New | Res | ROI |
| CU15 | Manager | ILCU | Large | New | Res | ROI |
| CU16 | Trade association[a] | | | | | |
| CU17 | Director manager | UFCU | Small | Old | Ass | NI |
| CU18 | Director manager | UFCU | Small | Old | Ass | NI |
| CU19 | Manager | ILCU | Large | New | Res | ROI |
| CU20 | Manager | ILCU | Large | New | Res | ROI |
| CU21 | Manager | ILCU | Large | New | Emp | ROI |

Abbreviations: Ass, associational common bond; Emp, employment-based common bond; ILCU, Irish League of Credit Unions; large, total assets >£18 million; medium, total assets <£18 million; NI, Northern Ireland; Res, residential common bond; ROI, Republic of Ireland; small, total assets <£5.1 million; UFCU, Ulster Federation of Credit Unions.
[a]Trade association type and country have been removed to protect anonymity.

patterns. These included: crisis management over time, concern for members and staff, communication networks, governance, technology, changes to savings and loan demand, regulation, and new products and processes. We collected representative quotes for each theme, which also reflected management model, geographic spread, and organization size. This resulted in a document of approximately 11,000 words. Although the narrative process was striving to make sense of the data and provide evidence using quotes, we mapped analytical themes identified (Bell et al., 2022), such as the link between dynamic heuristic responses and collective action, in a diagram to illustrate the iterative and interconnectedness of the process of capability building for resilience (see Figure 1). This figure presents the key themes identified from the data, informed by the literature, over the time-related phases and demonstrates the role of collective action in moving from ad hoc to routine responses to the crisis. As a result, theoretical insights have extended the current literature on capability building for organizational resilience (Dubois & Gadde, 2002), specifically in relation to cooperative organizations.

## 5 | CREDIT UNIONS IN IRELAND: COLLECTIVE RESPONSES TO THE CRISIS

The empirical material is presented in three phases: immediate responses to the crisis, ongoing responses, and reflections on how COVID-19 has changed the credit unions, reflecting the ways that interviewees presented their narratives to us.

### 5.1 | The immediate response to COVID-19

When the first lockdown began, some credit unions in Northern Ireland and the ROI had already started to respond to the news about COVID-19. Two large credit unions (CU7 and CU21) had contingency plans in place since the 2011 SARS outbreak ("We got all these additional screens and everything made in 2011 for the counters .... So, in March [the day a lockdown was announced], we just went up in the attic and brought all the stuff down." [CU7]). In general, credit unions were taken by surprise, with many adopting ad hoc responses when deciding how to keep their staff and members safe ("the initial step was close the doors and don't let anybody in because we were all going to get infected and die" [CU1]).

Some of the very small, old model credit unions in Northern Ireland closed their doors to members in March 2020 and had not reopened by the time of data collection (CU17 and CU18). Most, however, used the short period of closure to respond to the crisis ("We had to work quickly to alter the way we worked, to alter our openings, to alter our staff, health and safety, all sorts of things." [CU5]). During the initial period of closure, individual credit unions put in barriers, screens, floor markings, and sanitation equipment so that they could open the premises again. They also developed staff rotas, working from home arrangements, reduced working hours and staff bubbles, so that they could protect vulnerable staff and keep the credit union open if a staff member got ill or had to isolate ("teams were split and worked from different locations" [CU13]).

In parallel, decision-makers sought ways to continue their service to members. Some reduced trading hours and controlled the number of people in the building to protect staff and also to provide an essential service to members . Others were proud that they did not close at all ("We've managed pretty well to keep things going and to keep the office open, to keep our members served." [CU5]). They also responded innovatively to members' needs, often drawing on informal processes and long-standing relationships of trust within their communities. For example, access to cash was a significant issue in the early stages of the lockdown. Some credit unions made arrangements with local supermarkets, others left money on windowsills or doorsteps at pre-arranged times, and in one case, the local police helped deliver money ("the Guards arranged to deliver cash from the credit unions to members" [CU3]). These types of responses could be described as ad hoc and were more prevalent in old model and smaller new model organizations.

Several credit unions formed fast-action decision-making committees with a focus on keeping member services active. After setting up these lines of communication, most of the interviewees mentioned early contact with their trade association. This was confirmed by one of the trade association participants ("We kind of took it upon ourselves to make contact with all … in those first few weeks when the whole thing went crazy." [CU16]). The trade associations also confirmed that informal communication occurred between peer credit union managers on a regular basis in the immediate aftermath of the lockdown ("Certainly the managers had regular manager meetings … to say, how they were dealing with staff?… were they still open? … had they reduced their hours?" [CU8]). Informal meetings also occurred between credit unions that belonged to different trade associations but were located within the same geographical area. One credit union manager commented that they had meetings with the competitor credit union *off radar* and that "relations in the town here between us and [competitor] are very good and we do keep in contact with each other" (CU12). In the first couple of weeks, strong relations with IT providers enabled credit unions to resume an online service for members ("It was all done quite quickly…our IT people [consultant]… set up two private networks so they [staff] could work from home." [CU5]). The second focus of attention for IT providers was to enable credit unions to move monthly board meetings online.

## 5.2 | COVID-19 as an ongoing crisis

Once the initial lockdowns were lifted, credit unions in both jurisdictions had to continue adjusting their processes and products as public health guidelines were updated. When operations stabilized, credit unions diverted attention toward the financial implications of COVID-19. The most serious financial issue for credit unions was that the loan book shrank, whereas savings increased dramatically. This issue echoed across all the interviews ("We had a massive influx of savings." [CU1]; "Loans out just dried up" [CU9]; "People didn't need money, because they had nowhere to spend it." [CU11]). The dramatic increase in savings was linked to the severity of the first lockdown: People were working from home, most businesses were closed, and travel was restricted, so people were not spending money. Most credit unions had to implement monthly caps on savings, whereas those that already had savings caps had to reduce them further or risk breaching minimum capital adequacy ratios ("We had a £1,000 cap as of last May and then just in April of this year, we dropped that to £500 because the savings were still going up and up." [CU1]). The increased savings were partly driven by members' reduced monthly spending as well as members' belief that they were helping the credit unions by saving more during the crisis:

> Members were coming in and putting in £1,000 per month, in spite of the fact our dividend was only 0.25% last year. But members, it's what they do. They like their credit union. They like saving with the credit union. (CU5)

This points to the strong relationship between individual credit unions and their members.

The types of loans on offer also changed as the pandemic continued. For example, holiday loans fell away because members could not travel. Irrespective of management model, credit unions responded by developing new loan products such as home office improvement ("We introduced home improvement loans at a reduced rate" [CU5]), garden landscaping ("People are saying, well, I can't go away. I'm going to do my garden" [CU9]), and *staycation loans* (CU21). These were agile, innovative responses, based on a shared understanding of the specific challenges that the pandemic posed for their members.

As the pandemic continued, a challenge for the credit unions, particularly those identified as old model, was coming to terms with ongoing business. In most cases, this meant delays caused by shifting decision-making online ("You spend a lot of time on the phone on catch-ups." [CU14]) or developing new technology-driven procedures and processes to cope with the changes:

> A lot of our committee members, or some of them, are very old, they're maybe nearly 80, so the chance of them doing Zoom is nil … So, I send out a monthly update. (CU2)

Indeed, some of the larger, new model credit unions had to take uncomfortable decisions as the pandemic continued:

> So, two things that we had to do in the last 12 months that are totally at odds with our operating principles and with our culture, is that we decided that we can't sustain all nine branches and we made the very difficult decision to close two of them. … and we brought in a voluntary redundancy scheme to lower our headcount. They were very painful, difficult decisions and did not sit well with anybody on the board. It was gut-wrenching. (CU11)

This demonstrates both the negative social consequences of COVID-19 and the actions necessary to ensure that individual credit unions survived the crisis.

As the pandemic lengthened, a strong theme from the interviews was a realization that credit unions needed to get member services online, particularly loan applications and payments. Although many of the larger, new model credit unions already had online services, these were not as common in the small, old model credit unions. Credit unions sought solutions from their IT providers alongside advice from peer credit unions and trade associations. This collective approach overrode historic internal, more traditional, approaches to decision-making, as noted by one credit union manager:

> I think we did about three years' worth of change in about three weeks. Now some of it was throwing caution to the wind and taking in digital solutions without the usual cautionary user acceptance testing because we just needed the stuff in overnight. (CU10)

Innovations were frequently driven by the credit union managers and employees rather than the board of directors ("… the direction always comes up from us on the ground and it always has" [CU2]). Such empowerment allowed individual credit unions to adopt an agile response to the pandemic, one that was necessary because there is little "slack" in credit union operations, particularly in the smaller, old model credit unions.

## 5.3 | Reflections on the future

Overall, except for the two old model credit unions that elected to close until the environment normalized, participants were confident that the credit union model of service to members and cooperative principles empowered them during the crisis. The general consensus was that the credit unions were adapting well to the diverse, ongoing challenges ("We feel that we have done well. We're steady as she goes, we didn't do anything mad, we provided uninterrupted service." [CU7]). Underlying this assessment was the credit unions' relationship with their members ("the real point … to maintain a service to our members as best we could" [CU5]). They also reflected on some unexpected developments created by the COVID-19 crisis ("One of the positives of COVID is that it did expedite some of the technology stuff." [CU10]). As well as digital services, credit unions realized that they need to be more innovative, to develop a wider range of products ("prior to COVID they [credit unions] would have been quite conservative … quite risk averse" [CU8]).

There was also evidence of developing resilience through heuristic responses:

> I think that we've built a more resilient business and certainly we're far more aware of our capacity to deliver in scenarios where individual branches might go down. We've built in so much more redundancy

into our system to create the resilience that we now have, in our IT infrastructure and in our physical [operations]. (CU11)

This theme was confirmed by a trade association representative who noted that "second time around, yes, … they were much more prepared in terms of managing the physical entry into the credit union." (CU3). Several of the credit unions interviewed closed for a period of time in March 2020 to enable them to adapt to the "new COVID norm" environment, but none of them had to close during any subsequent lockdown.

## 6 | DISCUSSION

We develop a *Cooperative Resilience Framework* to help make sense of our findings and relate the credit unions' actions to the broader literature, specifically the calls to examine how organizational resilience can be built into business practices (Conz & Magnani, 2020). As illustrated in Figure 1, the framework identifies three cooperative responses to an immediate threat to their organization: closure; ad hoc and routine-based action. Response type depended on slack resource availability, including cash, manpower, technical expertise, and preparedness for the specific threat. Whether classified as taking an ad hoc or routine-based action response to the crisis in the first few weeks, all credit unions engaged with other salient stakeholders and evolved their responses in a dynamic heuristic manner. As time progressed, the focus of this iterative process moved from short-term actions to strategic actions with investment into structures that enhanced resilience, enabling credit unions to recover with sustainable solutions and respond with routine-based actions to further lockdowns.

Although the data are presented using time-based themes, the discussion focuses on three key themes central to the framework, which underpin the ability to respond in a dynamic heuristic way: agility to build improved and resilient structures (Ambulkar et al., 2015; Conz & Magnani, 2020; Waerder et al., 2022), strong social relationships facilitating

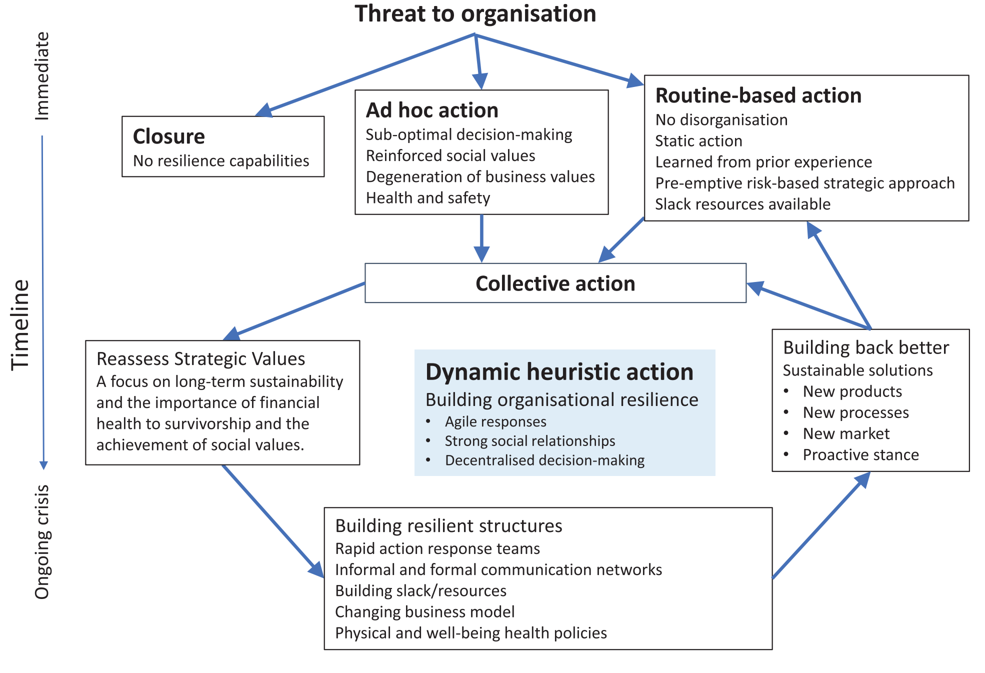


**FIGURE 1** Cooperative Resilience Framework [Colour figure can be viewed at wileyonlinelibrary.com]

collective action (Gover & Duxbury, 2018; Roth et al., 2006; van der Vegt et al., 2015), and decentralized decision-making driven by "power to" relationships (Lampel et al., 2014; Lee & Edmondson, 2017; Roth et al., 2006). These are now discussed in turn.

## 6.1 | Agility

At the start of the crisis, two large, new model credit unions adopted a static, routine-based response (Manfield & Newey, 2018; Winter, 2003). Having previously planned for the 2011 SARS outbreak, the volunteer board of directors and manager of CU7 considered that human viruses were a risk that had to be managed, and hence, they maintained the capability for an agile response to avoid disruption in the future. This suggests inherent resilient capabilities (van den Berg et al., 2022; van der Vegt et al., 2015) outlined in the literature, including learning from experience (heuristics) (Manfield & Newey, 2018; Winter, 2003), building slack resources, empowerment enabled by decentralized agile decision-making structures ("sub-committee of three people," CU7) (Ambulkar et al., 2015) and considering future consequences ("we just went up in the attic and brought all the stuff down" [CU7]) (Conz & Magnani, 2020). Though this credit union experienced some internal disorganization, they did not close and maintained normal trading hours and essential services to members (Figure 1, routine-based action).

In contrast, some of the smaller, old model credit unions did not have the capabilities, skills, or resources to deal with the move to nonphysical service provision and either closed or adopted ad hoc actions (Figure 1, closure). For example, two very small credit unions (CU17 and CU18) elected to remain closed until the environment normalized, due to concerns about the safety of board members, all of whom were elderly, highlighting that they did not have the resilience capabilities in place to enable an appropriate response. This reflects findings that larger credit unions are more likely to survive a crisis (Goddard et al., 2016). A majority of credit unions studied closed for a short time due to serious disorganization, which affected strategy, operations, resources, and relations. In many instances, the knee-jerk reaction was motivated by staff safety ("close the doors … we were all going to get infected and die" [CU1]) (Figure 1, ad hoc action).

However, in most credit unions, the initial knee-jerk reaction was quickly followed by a realization that members could suffer without access to their funds, and the focus quickly turned to how to provide services. Some of the socially targeted ad hoc responses, such as leaving monies on doorsteps, were clear breaches of professional conduct and good governance. These had the potential to have damaging consequences for the credit union's financial status, and reputation had the monies being stolen by a third party (Winter, 2003). However, the actions emphasize the agility of credit unions. This means that in a crisis, they were able to respond quickly and imaginatively to the needs of their members by altering their modus operandi (Al-Zyoud & Ordonez-Ponce, 2021; Jones et al., 2020).

Once the initial ad hoc protocols were in place, a more heuristic process ensued that considered both financial and social values. Consistent with Cristancho and Loukakis' (2018) finding that resilience in response to a crisis was more evident in social action organizations that were resourced and experienced, we found that larger credit unions were able to respond quicker. Prior literature noted the importance of social relationships (Roth et al., 2006: Kahn, 2005), and this was of particular note in smaller credit unions, as interviewees referred to strong existing informal and formal relationships with their peers, members, trade association, IT supplier, and regulator as being influential on their ability to respond quickly ("our IT people [consultant] set up two private networks so [staff] could work from home" [CU5]) (Figure 1—collective action). Most credit unions had financial slack, perhaps because they do not have the burden of having to pay interest or dividends to capital providers (Birchall, 2013) or due to prudential capital reserve requirements (Forker & Ward, 2012). A size difference (Goddard et al., 2016) and the style of model (Forker et al., 2014) affected the response rate, as initial structural costs associated with making workspaces safe were typically fixed in nature and the slack available in larger credit unions was greater. Hence, they were better able to absorb one-off costs quickly. These findings suggest that slack and existing relational resilience (Gover & Duxbury, 2018; van der Vegt et al., 2015) fostered heuristic, agile capabilities (Figure 1, building resilient structures).

## 6.2 | Strong social relationships

The heuristic response was informed by strong social relationships (Barton & Kahn, 2019; Roth et al., 2006). There is a strong relationship between individual members and their credit union ("They like their credit union." [CU5]), many of whom treat the credit union as a social outlet as well as a financial institution. This close relationship is because credit unions adopt a stakeholder perspective (Forker et al., 2014), members have a common bond (McKillop et al., 2007), and decision-making focuses on maximizing member benefits (stewardship role). In addition, the majority of Irish credit unions are embedded in local communities: credit union staff live in the same community as the members and understand their specific needs (Ward & McKillop, 2005); hence, have shared situation awareness, which enables organizations to build resilience (Roth et al., 2006).

Relational resilience enables the collective to have a shared understanding of the crisis, which can prompt a quick collective response (Gover & Duxbury, 2018; van der Vegt et al., 2015). This, in turn, facilitates organizational resilience because it enables agile, heuristic responses (Barton & Kahn, 2019; van den Berg et al., 2022). Therefore, as noted in Figure 1 (collective action), we argue that relational resilience was the bridge between the initial ad hoc response and building a heuristic strategic response to the crisis. It was evident that, early on, the sector assumed that COVID-19 was not a short-term problem and several "resilient capability building" themes emerged from the data ("We've built in so much more redundancy into our system to create the resilience that we now have," CU11), including a focus on change for a future that included working in an environment with COVID-19; a need to realign strategy to the "new COVID-19 norm," which typically included a need for digital transformation, ensuring the financial sustainability of the credit union, while also catering for member needs (Figure 1, reassess strategic values, building resilient structures).

## 6.3 | Decentralized decision-making

There was clear evidence of "power to" relationships (van den Berg et al., 2022) in credit unions. Each credit union is independent, owned and run by a volunteer board of member directors and a full-time paid manager (Ward & McKillop, 2010). In many instances, the volunteer board had delegated responsibility for operational issues to managers, and consistent with Roth et al. (2006), manager acumen and situational awareness were crucial to the responsiveness of the credit union. In contrast to the claim that decision-making should be centralized (Sherf et al., 2019), this decentralized approach meant that decisions were taken quickly, without having to wait for approval from a central head office that did not understand the local context or conditions (Lee & Edmondson, 2017). Thus, they were able to react to issues quickly and imaginatively, though the lack of oversight sometimes led to suboptimal practices in the short term. ("some of it was throwing caution to the wind … because we just needed the stuff" CU10). In most credit unions, rapid response teams emerged, made up of a small group of directors and the manager (Figure 1, building resilient structures). These teams established other rapid response committees to deal with loan applications, health and safety, and innovative bounce-forward initiatives. The inclusion of staff in decision-making roles is more likely to build resilience as they are situationally aware (Lampel et al., 2014; Roth et al., 2006).

There was overwhelming evidence of lean, agile, and innovative decision-making as evidenced by the fact that most of the participating credit unions had resumed services to their members quickly and were providing both face-to-face and online services. In smaller credit unions, many of the responses were frugal, due to resource rationing, sometimes unprofessional, but effective, particularly in the area of loan applications ("What do we need to do here to get a service to our members?" [CU5]). Most of those interviewed had reduced their loan application time from a week to a day or hours when the process was digitized. Operational processes became leaner and credit unions learned from doing and from others. Therefore, our empirical findings support studies that argue that traditional, hierarchical management approaches are ineffective when organizations face complex, dynamic environments (Lee & Edmondson, 2017) and also support the view that "power to" structures are a feature of relational resilience (Barton & Kahn, 2019).

### 6.4 | Cooperative resilience: innovative and relational responses to the crisis

There was evidence of long-term resilience building being mainstreamed into operational structures, as the credit unions were able to operate successfully through prospective lockdowns. In all instances, consistent Teece's (2012) view that dynamic capabilities promote entrepreneurial action, credit unions informed by peers, IT suppliers, members, and their trade association turned their attention to creating operational structures that would avoid disruption in the future should another lockdown occur. These included enhanced communication and digital services, building slack resources and having a strong health and safety policy in place. As the pandemic lengthened, there was evidence of a recognition of the "human" cost of the pandemic on members and staff. Conversations turned to how to enable human contact safely and a recognition that the credit union had a role to play in the mental well-being of staff and members (Figure 1: building resilient structures). There was a general sense that credit unions had responded heuristically and built back better, by working collectively to introduce new processes and generate new products for members. There was a general feeling that although the pandemic had caused disruptive change, particularly in terms of technology, the change would enable them to attract new members (Figure 1: build back better). At the time of the interviews, the collective action was ongoing, though the strategic conversations had turned to new concerns, including manager and board succession and digital data protection. This signals the strength of community collective action when faced with a crisis (Cristancho & Loukakis, 2018) and is consistent with dynamic, heuristic, forward-looking approaches to governance.

Finally, there was evidence that credit unions had built up resilience to COVID-19 as credit unions had a routine-based response to subsequent lockdowns. All the credit unions interviewed continued operations as normal. However, in the background, they continued with collective action toward a heuristic process of improving their capabilities and building back for the future (Figure 1: arrow from building back better to collective action). This is an iterative, ongoing process, and, as noted earlier, these are features that have been highlighted in the broader literature (Barton & Kahn, 2019; Gover & Duxbury, 2018; van den Berg et al., 2022; van der Vegt et al., 2015) but have not been modeled before in the cooperative literature (Kober & Thambar, 2021; Plaisance, 2022).

## 7 | CONCLUSIONS

By focusing on credit unions, we gain insights into how cooperative organizations deal with crises and develop resilience. We argue that the cooperative organizational model, which prioritizes collective decision-making and member control of the organization, results in inherent resilience capabilities that facilitate organizational resilience. Agility enabled by strong social relations, decentralized decision-making, and (in)formal communication networks allowed credit unions to respond in dynamic, flexible, imaginative, and proactive ways to the needs of the members and staff throughout different stages of the COVID-19 crisis. Although some of the innovative solutions were sometimes based on questionable business practices (e.g., using police to deliver cash), on the whole, the credit unions co-ordinated through informal communication networks and their trade association to adapt their business practices rapidly (e.g., moving services online, developing new loan products, and leaner services). These collective actions demonstrate the importance of adopting heuristic, dynamic approaches to dealing with a crisis. There are two contributions arising from this study.

The first contribution is the *Cooperative Resilience Framework*, a heuristic model of collective action in a crisis (Figure 1), which highlights the importance of dynamic, heuristic responses in building capabilities that enable routine-based responses, which in turn avoid and absorb the effects of disruption in subsequent similar crises. The *Cooperative Resilience Framework* identifies that agility, strong social relationships, and decentralized decision-making is at the heart of an iterative, dynamic, heuristic process and is made possible due to the (in)formal social relationships fostered by collective organizations. Although these relations are an inherent feature of collective organizations, we argue that all organizations could learn from the resilience of the cooperative model. The key lesson for organizations is that a stakeholder approach, including social relationships, is invaluable in creating the conditions for resilient responses to crisis. More specifically, practical issues, such as localized decision-making, situation awareness, agile problem-solving, and innovative responses, need a "power to," decentralized approach, supported by an industry's broader network of trade representative bodies, IT suppliers, and regulators.

The second contribution is empirical, demonstrating how ad hoc and heuristic approaches helped the credit unions to respond in agile, innovative, and relational ways to the crisis. Credit unions and cooperatives are collective by their very nature because their stakeholder-focused business model follows cooperative principles, such as mutual self-help, collective action, learning, and concern for the community (International Cooperative Alliance, 2021). We argue that the social relationships at the heart of the credit union model offer useful lessons for all businesses on how to respond in a robust manner to a crisis. In the main, COVID-19 caused disorganization at strategic, operational, resource, and relational levels. Despite this, a stakeholder approach was evident. The interviews suggested "power to" relations that empowered staff, particularly managers who typically created rapid action committees to make decisions. This enabled them to quickly adapt their daily operations, create new products, move services online, and keep their services available to members. The initial focus was on social goals with ad hoc actions. After these pressing issues were resolved, their focus quickly turned to long-term sustainability and governance. Consistent with Mansfield and Newey (2018) who argue that resilience responses depend on contextual factors, including the nature of the threat, we conclude that the response pattern is likely due to the life-threatening, unpredictable, and severe nature of the crisis.

None of the credit unions interviewed closed after the initial lockdown, and there was no evidence of further disruption to strategy, resources, operations, or relations. Although this might suggest that credit unions thrived because they are an unusual organizational type, this finding is not context-specific and has broader applicability: The reactions of the credit unions were in line with the existing literature on resilience, particularly in relation to slack resources, disorganization, and relational resilience (Barton & Kahn, 2019; Gover & Duxbury, 2018; van den Berg et al., 2022; van der Vegt et al., 2015). Therefore, there are broader lessons that can be learned by for-profit business and policy makers about how to build resilience into business practices by developing agility enabled by strong social relationships and decentralized decision-making. These are useful avenues for future research.

Finally, what the empirical example contributes is a better understanding of how collective action enabled dynamic agile responses and the organizations to "bounce forward" after a crisis. To conclude, the cooperative model offers useful lessons about third-sector resilience. Strong social relationships, based on a stakeholder approach, facilitate collective action that, in turn, enables an organization to move from ad hoc to heuristic responses that focus on long-term, resilient solutions to a crisis.

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## CONFLICT OF INTEREST STATEMENT

The authors declare no conflicts of interest.

## DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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## ENDNOTES

[1] The cooperative principles are voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training and information, cooperation among cooperatives, and concern for community (International Cooperative Alliance, 2021).

[2] The penetration rate is the total credit union members divided by the economically active population aged between 15- and 64-year olds (WOCCU, 2021). The ratio is high as the membership reported (numerator) includes the economically inactive and people over the age of 64. In addition, some members belong to more than one credit union.

[3] Two further interviews were undertaken in June 2023. No new themes emerged from these interviews.

[4] Three of the interviews were short as two credit unions elected to go dormant until the environment normalized and one manager was very busy and did not engage fully.

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