

Without a clean sweep and a return to core principles t...

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If [Lord Myners is to be believed](#) then the Coop Group was and is in a profound mess due to serious faults in its corporate governance.

Let me start with an important caveat: I am sure Lord Myners is telling what he believes to be the truth. Equally there is always room for more than one view on such issues and it is wise to remember that. It's also true that there can be advantage to the new broom to, if not overstating the problem, at least being blunt about it to create the shock effect necessary to create acceptance of change.

That being said, Paul Myners' description of what failed resonates with me. As he has put it:

"I have observed the bad governance of the banks, but this is on an altogether worse level."

"The rate of deterioration has increased over the last half dozen years because of the recklessness of the strategy being pursued and supported by the board."

And according to the Guardian:

He added that the entire retail, funeral home, pharmacy and farming conglomerate would deteriorate further unless it was radically reformed.

Having been called into, albeit smaller, companies in my time where this was undoubtedly true I have little doubt that he is right.

From my own experience I am also quite sure he is right to say that this problem started at the top. I have rarely seen major corporate mess without concluding the bosses were to blame. In this case the Guardian says:

He said the company's most senior managers were left to waste billions of pounds on disastrous corporate transactions because the directors drawn from the Co-op movement were not qualified to keep them in check. "Few of them have any serious

business experience and many are drawing material financial benefits from their positions."

This appear to be a blow to the Co-op movement but as Myners has said:

"What I think I have exposed is that the Co-op is not a democratic organisation and has a deeply flawed governance structure, and if it doesn't address these issues the pace of decline will simply increase. The reality is that the Co-op has been in decline for 60 years."

And:

He said that the group, led by £1.2m-a-year chief executive Peter Marks until last year, had been obsessed with making large acquisitions instead of competing in the cut-throat world of grocery retailing, which is its main business.

It is at this juncture that what Myners is saying really resonated with me. I have always had a fairly straightforward philosophy on business. The first is that a business needs to know what it is doing and why, and to then do it very well. The second is that if you're buying a business you never know what you're going to get, but the surprises will always be on the down side. The third is that growth is of value, but most certainly not if it compromises existing success.

The Co-op clearly breached all these, I think, common sense principles.

But, again, if Myners is right, there is something more profoundly worrying at play here and it is, pretty importantly, at the philosophical level that things have gone wrong.

Myners has pointed out two things. First, management was out of control. I think there is little doubt that the management team of the Co-op had fully embraced the neoliberal logic that competing is the sole goal of all organisations. They evidenced this through a desire to compete on the basis of the group's size and breadth even though that both clearly compromised viability and, at least as importantly, defied the supposed ethos of the group, which was and should be to supply value to its members. Yt has very clearly failed to do that. This was the fundamental malaise at the heart of this issue. The management, possibly motivated by self interest (which appears to have been well rewarded), had very clearly forgotten all that this group was supposed to be about and what they were good at.

As worryingly, the board that were supposed to remind them of this appear not to have done so. They take some significant blame for what happened if that is true: it looks like they succumbed to the same neoliberal logic, not that this is surprising: the whole neoliberal game of the last thirty years has been to make its logic of competition in all things all pervasive. It would appear to have succeeded here, at great cost.

What was needed were board members who had the courage to ask awkward questions

and stick to asking them time, after time, after time, even if that created an uncomfortable atmosphere at board meetings and strained relations on occasions between executive and non-executive members of the board. I will tell you that many boards thoroughly resent those who make such scenes (you need not ask how I know: I think you can guess) and yet they are essential on occasion.

What Myners seems to be saying is that the non-execs at the Co-op were drawn from a relatively small cohort of activists who themselves probably shared a broadly similar mindset amongst whom inclusive behaviour was probably quite highly valued and that this group were in turn not especially qualified to then stand up against the executives of the group. That is a recipe for disaster in this situation, albeit it is, of course, a long way from being unusual. Much of the boardroom elite of the UK behaves in much the same way, even if the group from which board members is drawn is different.

In that case what Myners is proposing is appropriate. The Co-ops' currently ignored wider membership does need to be involved in the process of accountability and people with business experience need to be in charge of commercial decisions, albeit they also need to very firmly understand just what the Co-op is about and what it is for.

In that case I have little doubt that the boardroom does very largely need to be swept clean with a new National Membership Council to hold the board to account to the group's values and principles also being elected. That Council be wise to recall the three basic business principles I laid about above: they would have served the Co-op well.

Achieving this will take courage. Myners has made a start. I hope he succeeds. The Co-op movement requires that he does so.