

## EXPANDED ABSTRACT

# Cooperatives and internationalization: An analysis of the 300 largest cooperatives in the world

### Objectives

Cooperatives are usually portrayed as small-sized enterprises that operate exclusively at the domestic level. What is more, the literature highlights several inefficiencies of organizational and financial nature that suggest that these organizations should be unable to expand internationally. Among other aspects, it is pointed out that cooperatives are marginal organizations in most countries and industries (Podivinsky and Stewart, 2007), and tend to stay in a small size due to their democratic nature, community orientation, and social purposes, which may become more complex to promote as these organizations grow and scale up their operations (Rothschild-Whitt, 1986). It is also suggested that cooperatives suffer from various disadvantages, including the lack of funding and investment capacity in these organizations (Van der Krogt et al., 2007), the difficulties in establishing efficient decision-making mechanisms (Österberg and Nilsson 2009), and the limitations to attract and retain competent and valuable managers (Morales 2004).

In view of this, the article aims to test if there are internationalized cooperatives in the current globalized world, as well as to analyse their degree of internationalization (based on the foreign market entry strategy), their size in terms of turnover and employment, their home countries, and the sectors in which they operate.

### Methodology

To address our research questions, we provide an exploratory analysis about the internationalization of the 300 largest cooperatives in the world between 2010 and 2013. The study draws on various sources. The classification of the 300 largest cooperatives in the world has been obtained from the "World Cooperative Monitor" reports published by the International Cooperative Alliance and Euricse (<https://monitor.coop/>). These reports also provide information about the country of origin of the cooperatives, the main sector of activity in which they operate, and their turnover figures (expressed in US dollars). The following sectors are differentiated: Agriculture and food; Industry and utilities; Wholesale and retail trade; Insurance; Banking and financial services; Health, education and social care; and Other services. Meanwhile, the data on employment and internationalization have been chiefly obtained from the information disclosed by each of the cooperatives (annual reports, sustainability reports, and financial reports).

Following the literature on foreign market entry mode (e.g., Brouthers and Hennart, 2007), we analyse the degree of internationalization of the cooperatives by identifying the strategy used to access foreign markets. Four main modes are distinguished, on a scale from lower to higher degree of internationalization in terms of control, return, risk, and resources (Johanson and Vahlne, 2009):

- Domestic: the cooperative operates exclusively at the domestic level, that is to say, it does not carry out any type of transaction in a foreign market.
- Export entry mode: the cooperative only carries out exports to foreign countries (minimum degree of internationalization).
- Contractual agreement entry modes: the cooperative operates in foreign markets through licenses or franchises (medium degree of internationalization).
- Equity entry modes: the cooperative operates at a global scale through joint ventures or wholly owned subsidiaries (maximum degree of internationalization).

### **Results/Limitations/Implications**

Our extensive review of the literature about business internationalization and the cooperative's economic and organizational characteristics identified five key aspects that should constrain the ability of these organizations to expand across national borders: (1) the limited creation of cooperatives and the marginal dimension of the cooperative sector in most countries and industries; (2) the inability and reluctance of cooperatives to grow; (3) the difficulties of cooperatives in attracting and retaining trained and experienced managers; (4) the inefficient decision-making mechanisms of cooperatives; and (5) the limited financial and investment capacity of cooperatives.

However, our empirical findings challenge these theoretical predictions drawn from the previous literature, suggesting that the international expansion of cooperatives is a far from marginal phenomenon. Roughly 85% of the 300 largest cooperatives in the world operate across borders. Moreover, the high degree of internationalization of these cooperatives is evident. About 55% of them are present in foreign markets through equity agreements. 20% of the cooperatives operate globally through contractual agreements, whereas 10% only carries out exports.

In addition, our findings illustrate the positive behaviour of cooperatives in situations of recession (Bretos and Morandeira 2016). The 300 largest cooperatives in the world have increased their turnover and employment levels between 2010 and 2013; a period characterized by a severe global economic crisis. It is also observed that the internationalized cooperatives perform better in terms of employment and turnover during this period than the domestic cooperatives. In particular, the internationalized cooperatives as a whole reached in 2010 a turnover close to USD 1,500 million and employed more than 2 million workers. In 2013, these figures increased to USD 1,900 million and 2.3 million jobs. These results appear to be consistent with those of previous studies demonstrating that global companies have better capacities and greater flexibility to withstand situations of economic crisis (Varum and Rocha, 2011).

The exploratory nature of this study involves some limitations while, at the same time, opens new avenues for further research. Firstly, the small size of the sample prevents us from providing a more precise and detailed image about the scale of the phenomenon of internationalization in cooperatives. In addition, the fact that the database is made up of the largest cooperatives in the world surely implies an oversizing of the proportion of internationalized cooperatives. Secondly, our study demonstrates that there are internationalized cooperatives, but there is still a long way to advance our knowledge about how cooperatives internationalize. For example, how internationalized cooperatives faced their limitations to attract and retain valuable managers or to have investment capacity? Future studies could test the five hypotheses proposed in our theoretical framework in order to better understand the internationalization of cooperatives. Another key issue is to refine our knowledge about the internationalization strategies deployed by cooperatives. The way we have had to collect the data has not allowed us to distinguish between greenfield investment and joint venture, although there are important differences between these strategies in terms of control, return, risk, and resources commitment. Therefore, moving forward in this direction may enrich our understanding about the degree of internationalization of cooperatives.

### **Conclusions/originality**

This article addresses a key debate in the Social Economy field about which previous research is extremely limited: the internationalization of cooperatives. Our findings question several assumptions of the extant theory on cooperatives, which suggest that these organizations are inefficient in organizational and economic terms and unable to survive and grow in a global context. The evidence gathered from the analysis demonstrates that there are large cooperatives operating beyond their national boundaries, and that they compete effectively in the main worldwide economies and industries. Accordingly, in line with some previous studies (Bretos and Marcuello, 2017; Pérotin, 2015), we argue for revising and reconsidering our view about the role and impact of cooperatives in the context of globalization.

**KEYWORDS:** Cooperatives, economic crisis, Social economy, employment, multinational company, globalization, internationalization, foreign market entry mode.