

REVISITING GLOBALIZATION CHALLENGES AND OPPORTUNITIES IN THE DEVELOPMENT OF COOPERATIVES

by

Ignacio BRETOS* and Carmen MARCUELLO

University of Zaragoza, Spain

ABSTRACT: *Cooperatives have gained prominent attention in recent years as strategic elements to achieve sustainable economic development and greater social cohesion in the context of neoliberal globalization. This article explores, theoretically, the current challenges and opportunities for cooperatives to develop successfully in the globalizing economy. To this end, we provide an analytical, critical review of the key bibliography concerning some fundamental aspects that shape the relationship between economic globalization and cooperatives, an issue that has been generally neglected by previous literature. Three key fields are addressed: 1) the viability of cooperatives, based on their strengths and possible weaknesses, under current globalization; 2) the role of these organizations in promoting the local development and stability of local communities; and 3) the tensions and potentialities that internationalization entails for cooperatives. Based on the analytical review and the organization of the literature, we propose an agenda for further research. This includes some hypotheses and strategies for testing them that would be essential to assess the role of cooperatives in economic globalization, and sheds light on key areas for future research that could provide a better understanding of the complexity surrounding the relationship between globalization and cooperatives.*

Keywords: Economic globalization, internationalization, cooperatives, local development

JEL classification: P13, J54, L30, F23, F61, I30

1 Introduction

The negative effects that economic globalization poses for the stability of local communities and the welfare of people, coupled with the inability of traditional

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structures (State/market) to deal with this situation, have highlighted the important role of cooperatives as strategic elements to promote sustainable and inclusive growth in the context of globalization (Monzon 2013; United Nations General Assembly 2013; European Council 2015). Strangely, despite the growing interest in the topic (Radrigán 2011), the literature has barely focused explicitly and comprehensively on the complex relationship between globalization and cooperatives. In fact, some authors point out that cooperatives are not viable in the current globalized economy, and are unavoidably destined to fail or degenerate into capitalist forms (Dow 2003). Some advocates, on the other hand, argue that cooperatives are capable of succeeding in a capitalist context, as well as having advantages over conventional firms (Novkovic 2008) and the ability to change the social and economic relations of globalization (Reed and Reed 2009). On both sides, we find myopic studies that fail to take into account the range of conflicts and possibilities for cooperatives to succeed or fail in capitalist globalization. Nonetheless, previous literature has addressed various aspects related to the development of cooperatives under globalization, such as their ability to promote local development, the advantages and disadvantages they face in order to survive in a capitalist context and the challenges and possibilities posed by the adoption of internationalization strategies.

This article aims to critically review and examine that academic work in order to better understand and advance further research on the role of cooperatives in the current globalized economy. To guide this research we analyze how historical claims about the viability of cooperatives work in the current globalized scenario; that is, we discuss the key advantages and disadvantages of the cooperative form under current globalization. We also study the role of cooperatives, based on said advantages and disadvantages, to promote local development facing the current challenges of neoliberal globalization. This issue is addressed from a wide-ranging approach structured in three large dimensions: the potentialities of cooperatives to counteract the negative effects that globalization poses for the economic, socio-labor and democratic stability of local communities. A discussion of the challenges and opportunities that international expansion poses for cooperatives completes the analytical review.

We then put forward, based on this analytical review, a research agenda. This identifies some key areas in which further investigation is necessary, proposes some hypotheses for a better understanding of the challenges and opportunities that globalization poses for the development of cooperatives, and also assesses the role of cooperatives in promoting sustainable growth in the context of current globalization. We provide several strategies and avenues for future research, both to fill the gaps identified and to test said hypotheses. We also discuss some useful tools for practitioners to evaluate the role of both local and internationalized cooperatives in the current globalized economy.

The article is organized as follows: the next section is devoted to studying the main dynamics of current neoliberal globalization. The third section is focused on the strengths and potential disadvantages of cooperatives to succeed in economic globalization. The fourth section studies the role of cooperatives to counteract the negative effects of globalization through the local development of areas. The fifth section delves into one of the major challenges posed by current globalization for cooperatives: the adoption of internationalization strategies. The sixth section provides the agenda for further research by proposing some key hypothesis and strategies for testing them. The article concludes with final remarks drawn from our findings.

2 The economic dimension of neoliberal globalization

Economic globalization, understood as a process of openness and mobility of capital associated with multiple processes of regional economic integration that exposes the national productive fabric to increasing foreign competition (Dicken 2011), has experienced an extraordinary escalation in recent decades, driven by a paradigm known as neoliberalism (Harvey 2005). The economic scenario that has emerged since then is characterized by an economy dominated by the financial system and investment on a global scale, multi-local and flexible production processes, cheap energy, a revolution in information and communication technologies, the deregulation of national economies, the pre-eminence of multilateral financial agencies, and the accumulation of global wealth in specific areas (Sousa Santos 2003:171). These processes are boosted by transnational corporations, which play a key role in the economic, social and political changes of globalization (Dicken 2011). In a similar way to Williamson et al. (2003), the effects of neoliberal globalization on local economies can be studied from three perspectives.

2.1 The economic instability of local areas

The premise that economic liberalization has brought about the equal development of countries has not been fulfilled in many cases (Rodrik 1999; Harvey 2005). In fact, neoliberal globalization has accentuated inequalities in economic development between different countries (Stiglitz 2002; Dicken 2011). As Castells (2005) points out, under a new dominant logic of neoliberal globalization, the areas without value from the perspective of capitalism and without political interest for countries with greater power are avoided by flows of wealth and completely excluded and isolated. In addition, the financialization process undergone by the economy in recent decades, characterized by the growing importance of financial capital – i.e., the increase in gross profits (retained earnings, dividends and interests) and the parallel decline in labor incomes (Palley 2007) – has undermined and strongly destabilized the productive economy (Duman 2014). Ultimately, this process has led to the emergence of increasingly recurrent cyclical economic crises and has facilitated their contagion (Kotarski and Brkic 2016). As we have seen in the current crisis, the collapse of financial markets spread globally and immediately to the productive economies of countries, generating dramatic consequences for the economies of local areas and extraordinary gains for transnational financial capital.

2.2 The socio-labor instability of local areas

Globalization has brought about the socio-labor destabilization of local areas, since unemployment has increased (Campbell and Pedersen 2001) and labor conditions have worsened (Kalleberg 2009), exponentially generating social exclusion (Castells 2005) in an environment marked by the inability of the welfare state to meet the growing demand for social assistance (Teeples 2000). One of the key dynamics involved in this context has been the generalization of business internationalization and productive delocalization (Lamb and Liesch 2002). The increased international mobility of capital

allows companies to move their production to foreign countries, which, together with the increase of imports in domestic markets, has generated unemployment in domestic labor markets (Kletzer 2000) and a deterioration of workers' conditions (Rodrik 1999). This labor context, together with other cultural and social dynamics, has led to the individualization of social relationships and the lessening of social cohesion (Beck and Beck 2002). As Standing (1999) concludes, since the end of the 1970s, both developed and emerging countries have embraced labor market flexibility, promoting beneficial and competitive conditions to attract investment, and facilitating the location of companies by reducing taxes or relaxing socio-labor and environmental regulations. This scenario is clearly reflected in the recent process of the TTIP (Transatlantic Trade and Investment Partnership) negotiations. As several civic organizations claim, the TTIP is the result of lobbying by multinational corporations, and its implementation will lead, among others aspects, to an impoverishment of rights and labor conditions, the privatization of public services and a reduction in environmental regulations (WDM 2014).

2.3 The weakening of democratic sovereignty in local areas

In the current neoliberal context, regions and local areas are losing their ability to control the impact of the dynamics of globalization with a consequent weakening of their political and territorial power (Rodrik 2011; Beck 2005). The dynamics of neoliberal globalization undermine standards and norms established democratically at a local level, especially those concerning social, labor and environmental policies. The institutional structures of power, such as multilateral organizations (e.g. IMF), establish joint policies aimed at economic, trade and financial liberalization in local economies, and pressure them to not deviate from this line. These rules are systematically imposed internationally while they can also undo innovations at a local level aimed at stimulating local independence or achieving a reduced reliance on external economic forces (Williamson et al. 2003). Therefore, neoliberal globalization represents a rift between the extent of democratic participation by people and its impact in the economic and social shaping of their communities, thereby undermining the ability of local actors to influence the democratic construction of their areas (Cox 1997). In macro terms, the case of Greece illustrates some of these dynamics. The anti-austerity policies democratically elected by the Greek nation were immediately stopped by multilateral organizations that demanded more structural adjustments and took several economic measures to exert pressure.

3 Efficiency of cooperatives under current globalization

Before current globalization, several studies had already discussed the viability of cooperatives in a capitalist setting. At the beginning of the 20th century, when examining the tensions between economic pressures and democratic values in cooperatives, Webb and Webb (1920) observed a reduced degree of survival in these enterprises, and pointed out that the few organizations that had achieved it, had quickly degenerated into 'democracies of producers', whose operation was similar to capitalist firms. This statement was developed in the following years. Several authors supported the high rate of failure in cooperatives attributing it to the various inefficiencies of

DIFFICULTIES	STRENGTHS
Economic and financial structure of cooperatives	
<ul style="list-style-type: none"> - Under-investment - Risk aversion - Lack of external funding - Productive inefficiency 	<ul style="list-style-type: none"> - Worker participation in decision-making, ownership and profits - Cooperation with other cooperatives and organizations
Size of cooperatives	
<ul style="list-style-type: none"> - Small size and weak position in markets - Slower growth than capitalist firms 	<ul style="list-style-type: none"> - Inter-cooperation between cooperatives, creation of co-operative groups, cooperation with other local agents - Education in democratic values to achieve sustainable growth
Management in cooperatives	
<ul style="list-style-type: none"> - Recruiting and retaining of valuable managers - Managers' lack of specialization in cooperatives values and culture 	<ul style="list-style-type: none"> - Management training and promotion policies. Retention by means other than monetary incentives. - Education and training for managers in cooperative values and culture
Democratic decision-making in cooperatives	
<ul style="list-style-type: none"> - Slowness to make key decisions - Inefficient collective decision-making 	<ul style="list-style-type: none"> - Horizontal organizational structures. Decentralization of decision-making power - Training and education in democratic decision-making.

Figure 1 – Difficulties of cooperatives and strengths to overcome them.

Source: Own elaboration.

these organizations to compete with conventional firms in a capitalist setting (see Bellas 1972 for a historical review). Based on the comparative inefficiency of cooperatives, other authors argued that these organizations were unavoidably destined to degenerate from democratic to capitalist forms in order to survive, under the so-called ‘degeneration thesis’ (e.g. Meister 1984; Ben-ner 1984). Nonetheless, several authors quickly challenged this pessimistic view on cooperatives. Some studies demonstrated that cooperatives were more efficient than capitalist firms (e.g. Jones and Svejnar 1985; Estrin et al. 1987). Moreover, other authors showed the ability of cooperatives to maintain their democratic nature in the long term (Rothschild-Whitt 1986; Bernstein 1976) and pointed out that degeneration in cooperatives could be a temporary stage followed by processes of democratic regeneration capable of restoring their natural democratic sense (Batstone 1983; Cornforth et al. 1988). Next, based on the pre-globalization literature on cooperatives’ viability, we analyze how the historical advantages and disadvantages of cooperatives operate under the new dynamics of economic globalization.

Advantages and disadvantages of cooperatives revisited under current globalization

Through a detailed review of the literature, we can distinguish four main issues that traditional studies concerning the viability of cooperatives have focused on, and that could be especially critical under current economic globalization. Figure 1 summarizes the difficulties and strengths of cooperatives to survive in the current globalized context.

Economic and financial structure of cooperatives

Traditional literature has focused on the problems posed by the particular property rights in cooperatives, stating that this produces a meager amount of capital and a weak financial structure that could lead to inefficient decision making on employment and investment (Furubotn 1976). Several authors have pointed out that the ‘horizon problem’

could lead to under-investment in cooperatives. According to these studies, cooperative members, as they are unable to obtain future returns on investments once they leave the cooperative, will only evaluate investment projects within the expected time horizon to be employed. That is, members may prefer to distribute income in the short term instead of using it to finance future investments (Vanek 1977). Similarly, literature claims that the risk aversion of members, which stems from the fact that they put all or a large part of their assets and human capital into a single company (the cooperative), may mean that members are only willing to make short-term investments that are unlikely to fail (Jensen and Meckling 1979). Another element related to under-investment highlighted in traditional literature is the difficulty for cooperatives to access external funding. For example, Bonin et al. (1993) claim that if external lenders cannot take part in the control of the cooperative, they will not be willing to provide funding or will do so in harsher conditions. To sum up, these studies emphasize the lower productivity and economic efficiency of cooperatives in comparison with capitalist firms (Furubotn and Pejovich 1970).

These elements play a prominent role in the current globalized context. Productive and economic efficiency, innovation and investment, particularly in manufacturing sectors, are essential for firms to remain competitive (Bobillo et al. 2006). In fact, some recent studies have revived interest in these issues by providing new evidence about economic inefficiencies, especially in agricultural and industrial cooperatives (e.g. Van der Krogt et al. 2007). However, as Cornforth and Thomas (1990) suggest, such difficulties highlighted by traditional literature are the same as many SMEs suffer nowadays. Furthermore, recent studies have shown that cooperatives are more efficient and productive than capitalist firms, since worker participation in decision making, ownership and profit-sharing may affect productive efficiency by altering the productive skills of the labor force, workers' motivation and intensity of work, and the firm's organizational efficiency (Pencavel 2013). Moreover, other studies emphasize the advantages of cooperation between cooperatives and collaboration with other local agents to address the challenges of global competition and overcome potential disadvantages through, for example: an increase in efficiency through the generation and transfer of technological and organizational innovations (Halary 2006; Novkovic and Holm 2012); access to external funding or the strengthening of cooperatives' financial structures; and the reduction of members' risk aversion (Smith 2001). In fact, several studies demonstrate (e.g. Burdin 2014) that the risk of going out of business is lower for cooperatives than for capitalist firms due to the efficient decision making of the former concerning employment and investment (Burdin and Dean 2009).

Size of cooperatives

Historically, literature has also pointed out that cooperatives tend to remain small-sized, which leads to weak positions in markets (Meade 1972). Among other elements, one of the more recurrent in traditional literature is that cooperatives may be reluctant to grow due to different beliefs and social reasons, such as maintaining their democratic nature and community-oriented proposals (Rothschild-Whitt 1986). Similarly, emphasis has also been placed on cooperatives' slower growth compared to capitalist firms (Atkinson 1973) due, among other reasons, to restrictions on expanding through acquisitions or takeovers compared with conventional companies and the scarce number of cooperatives and their marginal positions in most sectors and countries, which

hamper the establishment of alliances between cooperatives (Cornforth and Thomas, 1990).

Under current globalization, size matters. In several economic sectors, firm size is a prerequisite for competitiveness, since it is necessary to be present in the key global markets. Similarly, inter-firm networks stand as important sources for the growth and competitiveness of firms (Lechner and Dowling 2003). Some studies (e.g. Podivinsky and Stewart 2007) have revived interest in the marginal position, size and entry of cooperative firms into market economies. Nonetheless, as Perotin (2015) claims, most conventional firms are very small: around 90 per cent of the firms have less than 20 employees in the UK (93.7 per cent), the US (89.6 per cent) and France (90.4 per cent), and less than 10 employees in Spain. Furthermore, some studies show that cooperatives are comparatively larger than conventional firms in several countries and sectors (e.g. Pencavel et al. 2006). Likewise, as recent reports by the International cooperative Alliance suggest, there are large cooperatives in most business sectors and countries that compete in global markets with some of the most powerful multinational companies (ICA 2015a). Also, cooperatives have unique advantages to solve the size problem. Particularly, the creation of cooperative groups, as well as cooperation with other cooperatives and local organizations, may allow cooperatives to gain bargaining power and overcome other problems arising from small size (Cornforth and Thomas 1990; Smith 2001). Moreover, the sustainable growth of cooperatives can be achieved through education and training in cooperative values, which stand as a key element for ensuring that growing cooperatives remain democratic (Basterretxea and Albizu 2011).

Management in cooperatives

Traditional literature has also focused on factors related to the management of cooperatives as a source of inefficiencies. For example, literature has pointed to difficulties in recruiting and retaining valuable managers due to continuous internal control by cooperative members (Eccles 1981) and to limitations in salary differences between workers and managers in these organizations (Alchian and Demsetz 1972). Similarly, literature has highlighted problems arising from managers' lack of specialization in cooperative values and culture (Abell 1983) and difficulties for them to adapt to the cooperative model due to a possible divergence with members' objectives (Meek and Woodworth 1990).

In the current globalized context, the figure of the manager has been seen as crucial for firms to obtain unique competitive advantages, since the changing environment demands from managers the precise analysis of the environment, the effective allocation of resources and the correct choice of markets in which the firm will compete (Acquaah 2003). Some authors suggest that cooperatives, in order to meet the complex demands of the globalized economy, hire professional managers more committed to economic efficiency, which could trigger degenerative tendencies and consequently lessen the democratic and participatory praxis that characterizes cooperatives (Spear 2004a; Ng and Ng 2009). However, several studies stress the potential of management training and promotion policies in cooperatives to retain managers who are specialized in cooperative culture and values, as well as to generate sustainable competitive advantages in the form of better management than in conventional companies (Basterretxea and Albizu 2011). In fact, Moye (1993) demonstrates that the higher the skills acquired

by managers through training, the lower the propensity to leave the cooperatives in comparison with capitalist firms.

Democratic decision making in cooperatives

Another source of comparative inefficiency in cooperatives pointed out by traditional literature has been the difficulties arising from collective decision making in these organizations, suggesting that it entails higher costs than in capitalist firms (Rothschild-Whitt 1986; Jensen and Meckling 1979). One of the main elements determining the cost of collective decision making is the heterogeneity in members' preferences and objectives. Appropriate collective decision making means that members have to invest significant time and effort in knowing the firm and other members' preferences and in attending the meetings required to reach and implement effective collective decisions (Hansmann 1988). Traditional literature has highlighted other related aspects: for example, the excessive egalitarianism in decision making, which could lead to a lack of members' motivation; natural leaders being deprived of leadership opportunities and roles; and the poor solutions to internal conflicts due to a possible lack of monitoring (Hansmann 1990).

In a globalized economic context characterized by volatile environments, fast decision making and quick adaptation is required for effective performance (Barkema et al. 2002). As Hansmann (1996) suggests, one of the most dangerous outcomes related to collective, democratic decision making is the slowness of cooperatives to make key decisions. However, as several authors note, cooperatives play with some advantages in this scenario. The minor asymmetry of information between members, the horizontal organizational structures and the decentralization of decision making allow cooperatives to respond and adapt in a more agile and flexible way to the shifts and needs required (Kalmi and Klinedinst 2006). In fact, in recent decades, conventional firms have started to implement policies of employee involvement and participation in decision making, a field in which the track record of cooperatives may represent an advantage (Davis 1999). Furthermore, cooperative training and education to members promote efficient democratic decision making (Cornforth and Thomas 1990) and facilitate the retaining of democratic values in cooperatives (Basterretxea and Albizu 2011).

4 Cooperatives and the local development of areas

As noted above, several neoliberal globalization dynamics have negatively impacted the stability of local communities. Given this scenario, local development has been widely considered as the cornerstone to counteract the negative effects of globalization and promote the well-being of local communities (Cox 1997). As Sassen (2007) states, problems that neoliberal globalization represent for the development of local areas and the well-being of people are not faced from a global perspective, thus giving rise to the growing importance of other actors to foster this development mainly from a local perspective. cooperatives and other locally-rooted, community-oriented organizations have attracted both academic and institutional interest because of the important role they can play in this context. The paradox is that neoliberal globalization might also undermine the ability of these organizations to promote local development. Dynamics of economic instability and consequences of economic crises may be harsher

on locally-rooted, community-oriented organizations, which are usually small and depend on the resources and activities of their local areas (Williamson et al. 2003). Moreover, the entry of large multinational companies into domestic markets may oust these organizations from their traditional sectors and areas, since they might not have sufficient means to grow and compete. Finally, the process of individualization triggered by neoliberal globalization, which is reflected in more individualistic behavior in the social, labor and civic spheres of community life, has undermined the configuration of democratic organizations and the involvement of people in collective decision making (Beck and Beck 2002). Ultimately, this may adversely affect the role of democratic member-based organizations in their local areas.

Nonetheless, historically, cooperatives have emerged as collective organizations established to address economic and social problems posed by capitalism (Monzón 2003). In recent decades, they have managed to innovatively adapt to the new challenges of neoliberal globalization by adopting new organizational forms and cooperation structures. For example, multi-stakeholder cooperatives, as a distinct form of cooperative grounded in an inclusive governance that can include beneficiaries, employees, volunteers, public authorities and donors, among other stakeholders, are growing in Europe and elsewhere (Roelants 2009). In a neoliberal context in which the model of the welfare state has declined and social exclusion has increased, social cooperatives in Italy (Thomas 2004; Borzaga and Sforzi 2014) or 'general interest cooperatives' in France (Lindsay and Hems 2004) are providing basic social welfare services and integrating the disadvantaged into society using a multi-stakeholder strategy. In a similar way, given the negative effects of the international markets' liberalization on local and community-based economies, cooperatives are forming new networks that seek to promote the economic development of local areas. For example, fair trade producer networks in Latin America, where cooperatives play a prominent role, are improving the cultural, social and economic assets of local areas (Moore 2004). Likewise, 'social markets' are gaining prominence in countries such as Spain or Mexico. These are networks for exchanging goods and services between organizations belonging to the solidarity economy, responsible consumers, and ethical investors/savers, which manage to cover, from a local environment, a significant part of their needs through these exchanges (Díaz-Foncela and Marcuello 2012).

In short, cooperatives have unique advantages grounded in their principles and values to promote the economic, socio-labor and democratic stability of local areas, which are the three essential pillars that define the ability of communities to foster the local development of their areas (Williamson et al. 2003). Figure 2 summarizes the main strengths of cooperatives to foster local development.

Cooperatives and the economic stability of local communities

cooperatives are organizations that are democratically controlled by their members, who frequently reside in the area where the cooperative is based (Gertler 2004). cooperatives are deeply rooted in and aligned with their local environments, and strongly connected to local customers and suppliers (Bauer et al. 2012). They reinvest profits in their local areas, mobilize resources and investments and generate local accumulation processes (Chaves and Monzon 2012), which minimize incentives to leave their areas (Williamson et al. 2003). In addition, cooperatives stimulate new economic activities and maintain traditional activities in rural or depleted areas that

NEOLIBERAL GLOBALIZATION	COOPERATIVES
Economic stability of local communities	
<ul style="list-style-type: none"> - Accumulation of resources, investment capacity and wealth flows. - Unstable and uneven economic growth. Emergence of recurrent economic crises. - Financialization of the economy and lessening of the productive economy. International mobility of capital and territorial imbalances. 	<ul style="list-style-type: none"> - Mobilization and redistribution of resources, investments and wealth. - Stable and sustainable economic growth. Resistance to situations of economic crisis. - Deeply rooted in local areas. Reinvest profits in their communities and anchor productive economy to local areas.
Socio-labor stability of local communities	
<ul style="list-style-type: none"> - Increased unemployment and worsening of working conditions. - Growing social exclusion and weakening of the welfare-state model. - Weakening of social cohesion. 	<ul style="list-style-type: none"> - Ability to maintain and create quality and stable employment. - Promotion of social inclusion. Provision of public goods and services. - Strengthening of social capital and social cohesion.
Democratic stability of local communities	
<ul style="list-style-type: none"> - Lessening of standards and norms established democratically at the local level. - Individualization patterns and lessening of democratic and participatory values. - Lessening of the communities' ability to influence the democratic construction of their local areas. 	<ul style="list-style-type: none"> - Creation of strong democratic networks with local institutions and organizations. - Strengthening and dissemination of democratic and civic values in the community. - Democratic spaces for the empowerment of local communities. Members participate democratically.

Figure 2 – Ability of cooperatives to foster the local development of areas.

Source: Own elaboration.

are not profitable for transnational capitalism (Johnstone and Lionais 2004). Moreover, cooperative financial institutions provide loans to community-oriented projects and serve low-income populations, thereby promoting financial inclusion (Goglio and Alexopoulos 2013). In short, cooperatives are run by the work of their members, connect the productive economy to local areas and promote sustainable economic growth (Birchall 2010; Stiglitz 2009), thereby counteracting economic instability and financialization.

These elements are particularly clear in times of economic downturns, such as the last financial crisis. While public and private capitalist sectors are experiencing serious difficulties in many countries, cooperatives are showing greater stability (Stiglitz 2009) and are responding better than other conventional firms (Birchall and Ketilson 2009; Roelants 2012). This is due, among other reasons, to the lower dependence of these organizations on the financial markets and the socialized nature of their capital, which has allowed them to experience less pressure in the financial crisis (Birchall and Ketilson 2009). In addition, in economic situations of this type, the number of cooperatives increases (Perotin 2006) and they also generate employment (Fakhfakh et al. 2012), therefore showing distinctly anti-cyclical behavior (Westerdahl and Westlund 1998).

Cooperatives and the socio-labor stability of local communities

cooperatives are organizations that sustain the socio-labor stability of local communities, since they generate the productive and social fabric in their local areas (Williamson et al. 2003). On the one hand, worker cooperatives create quality jobs with usually higher socio-labor standards (Roelants et al. 2014) and deal with inequality in incomes, since they frequently pay higher wages than other conventional firms in their environments (Holtmann and Idson 1993) and wage inequality is lower within

them (Ben-ner et al. 2011). Furthermore, these organizations are able to maintain employment in better conditions than capitalist firms. Worker cooperatives are collectively owned by their members, who internalize the risk of becoming unemployed if lay-offs are decided through fair procedures or if expelled members are compensated. Therefore, the predicted result 'is that a worker cooperative would not alter its employment level, resulting in an inelastic short-run supply response' (Burdin and Dean 2009: 518). Similarly, faced with changes in economic conditions, unlike capitalist firms, worker cooperatives tend to maintain their employment levels by adjusting wage levels (Pencavel et al. 2006; Craig and Pencavel 1992).

In addition, together with this, their social orientation and inclusive governance have a positive impact in terms of social cohesion (Birchall 2010). As noted above, in a context of growing social exclusion and crisis in the welfare state model, cooperatives integrate these collectives into society through employment (Lindsay and Hems 2004; Thomas 2004) and they also provide public goods and services such as education, healthcare or social services (Erdal 2011; Mikami 2016). Furthermore, cooperatives strengthen the social capital in their communities, since trust and cooperation are cornerstones in these organizations (Majee and Hoyt 2010). Their people-oriented nature, their open and plural organizational structures and their shared principles and values encourage members to build bonds and bridges with other social networks inside the community (Borzaga and Sforzi 2014; Bauer et al. 2012). This context generates social cohesion and creates social stability in local areas.

Cooperatives and the democratic strengthening of local communities

cooperatives have been considered as vehicles for the empowerment (Rothschild 2009) and democratization of local communities, since they are spaces in which the practice of democracy is carried out (Birchall 2014). In this vein, members participate democratically in the capital, profits/losses, governance structures and day-to-day management of their cooperatives, which integrate advanced participatory policies such as transparency, communication and training (Cheney et al. 2014). Therefore, cooperatives allow their members to learn to participate and make decisions democratically, and instill civic and relational skills, as well as solidarity and democratic values, in them (Sabatini et al. 2014). These values acquired by members influence their attitudes and behavior outside the cooperative too, thereby promoting the extension of these values to their local communities through social and political participation (Majee and Hoyt 2010). This happens because citizens that have developed attitudes of cooperation and skills of democratic participation in their workplace are more likely to behave in the same way in their communities. In addition, these citizens will have a greater ability to represent common interests in public life, thereby improving the quality of democratic governance (Sabatini et al. 2014).

Furthermore, cooperatives tend to form extensive networks based on reciprocity and cooperation with other local institutions and actors such as local governments, associations, trade unions and NGOs (Borzaga y Sforzi 2014; Bauer et al. 2012). This fosters the broad participation of the wide range of people belonging to local communities in the democratic construction of their areas. The democratic capacity of local communities is a key element that allows them to generate socio-labor and economic stability (Williamson et al. 2003).

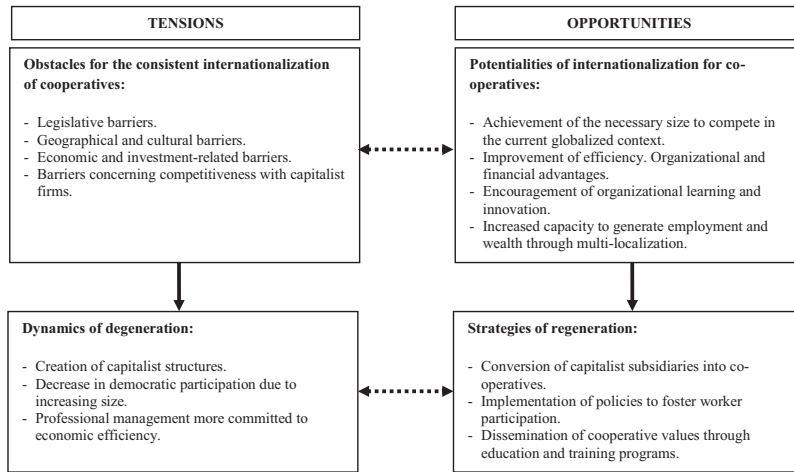


Figure 3 – Tensions and opportunities of internationalization for cooperatives.

Source: Own elaboration.

5 Cooperatives and the current paradigm of internationalization

As noted above, one of the key dynamics that characterizes globalization is the increased adoption of business internationalization and productive delocalization strategies, even by small and medium-sized enterprises (Lamb and Liesch 2002). cooperatives have not escaped this phenomenon, as evidenced by the emergence of cooperative groups that operate internationally (Côté 2001; Errasti et al. 2003). In recent years, the entry of multinational corporations into the traditional markets of cooperatives have pushed them to follow strategies of international growth, locating activities and subsidiaries abroad in order to remain competitive (Flecha and Ngai 2014; McMurtry and Reed 2009). This scenario entails several risks and opportunities for cooperatives. On the one hand, internationalization may increase the competitiveness of cooperatives and their ability to generate wealth and employment (Luzarraga and Irizar 2012). On the other hand, cooperatives usually become multinational through the establishment of capitalist subsidiaries abroad (Cheney et al. 2014), which calls into question their original democratic nature (Bretos and Errasti 2016). Figure 3 summarizes the main tensions and opportunities of internationalization for cooperatives.

5.1 Risks of internationalization for cooperatives

The core of the problems that internationalization poses for cooperatives arises from the difficulties and barriers to grow internationally in a way that is consistent with their principles and values. As noted by several authors (Flecha and Ngai 2014; Cheney et al. 2014), one of the major current challenges for cooperatives lies in the conflict within these organizations regarding the development of internationalization processes in a way that is consistent with their nature, in other words, based on integrating the cooperative model into international expansion and transferring worker-centric policies and practices to subsidiaries. We can arrange the difficulties for multinational

cooperatives to integrate their democratic model into the internationalization process and to reproduce it in their subsidiaries into four main groups:

- *Legislative barriers.* Differences in the legislation, nature and conceptualization of cooperatives among different countries, and even the lack of any regulation in some of them (Julia et al. 2012), make it difficult for internationalized cooperatives to extend the cooperative model to their subsidiaries in other countries, since it may be complex to implement one country's cooperative model in another (Henry 2012).
- *Geographical and cultural barriers.* The geographical and cultural distance between workers from different countries (Errasti 2015), reflected especially in a possible lack of cooperative tradition and culture in the region of a particular subsidiary (Altuna 2008), make it difficult for an internationalized cooperative to replicate its cooperative model in such a region. The process of instilling a cooperative spirit in workers in a region without a cooperative tradition can be long and expensive, since deeply-rooted psychological processes of the work culture in individuals need to be changed (Luzarraga 2008).
- *Economic and investment-related barriers.* Internationalized cooperatives may have difficulties finding other cooperative partners to establish alliances in the country of entry (Hindmoor 1999) due to a shortage in the number of such enterprises in certain countries and sectors (Cornforth and Thomas 1990). Another fundamental issue is that the implementation of the cooperative model in a subsidiary involves a much higher economic cost than acquiring an already operating capitalist subsidiary (Heras et al. 2002). Finally, another related aspect could be the reluctance of members of parent companies to extend the cooperative model to subsidiaries due to a possible desire to control the capital and protect their investment in the cooperative (Flecha and Ngai 2014),
- *Barriers concerning competitiveness with capitalist firms.* cooperatives have to develop a far more complex internationalization model than capitalist firms, which may cause situations of disadvantage in terms of competitiveness (McMurtry and Reed 2009). cooperatives must integrate complex elements, such as democratic decision making and people participation, into the internationalization process, and these are issues that conventional multinationals do not need to incorporate (Errasti 2004).

Ultimately, these barriers may lead cooperatives to develop internationalization models based on the setting up of capitalist subsidiaries and the creation of non-cooperative jobs without the same membership rights or the socio-labor conditions as those enjoyed by members of parent cooperatives (Defourny 1999). cooperatives could be transformed into hybrids or, in the terminology of Errasti (2015), into 'coopitalist' enterprises in which the parent cooperative exercises control and decision-making power over its capitalist subsidiaries. This multinational structure breaks with the traditional cooperative model, which is closer to community-based enterprises (Peredo and Chrisman 2006) and is expected to be based on self-management and the direct control of activities and processes by the people involved in them. Therefore, the dual model of a "cooperative nucleus/capitalist periphery" represents several tensions for cooperatives to comply with the principles of cooperation in local and global fields at the same time (Carruthers et al. 2009).

Moreover, the increasing size of the organization may generate higher costs in the democratic decision-making process (Osterberg and Nilsson 2009), decrease the degree of participation of members and hamper the involvement of other stakeholders in the definition of cooperatives' policies and objectives (Spear 2004b; Spear et al. 2009). As a result of growth and pressure for greater efficiency, cooperatives may develop new management structures and concentrate excessive power in managers' hands in order to make more efficient organizational and decision-making processes (Heras 2014; Spear 2004a). Ultimately, the hiring of salaried workers at the expense of members (Ben-ner 1984), the adoption of capitalist organizational forms, the accumulation of decision-making power in the hands of a managerial elite (Cornforth et al. 1988) or the prioritization of growth and profit-seeking (Luzarraga et al. 2007) have been seen as clear symptoms of degeneration in cooperatives. To sum up, internationalization could undermine the democratic nature of cooperatives and eventually result in processes of degeneration or hybridization into capitalist organizational forms.

5.2 Potentialities of internationalization for cooperatives

International growth, by expanding activities to either foreign markets or new sectors, has become in recent decades a prerequisite for firms to remain competitive and survive (Sapienza et al. 2006). Internationalization strategies may increase the efficiency of firms and facilitate the achievement of organizational and financial advantages (Lu and Beamish 2001). Furthermore, this strategy may enhance organizational learning and innovation (Hitt et al. 2006). In the case of cooperatives, several authors argue that internationalization represents an important opportunity for these organizations to grow and achieve the necessary size to compete in the current globalized context, as well as to improve their efficiency and competitive positions in global markets (Flecha and Ngai 2014; Luzarraga 2008). As Spear (2004b) argues, internationalization can encourage the growth and efficiency of cooperatives in global markets, by improving access to funding, by facilitating the separation of the economic and social dimension of the company, and by using corporate group structures to achieve the necessary growth and size to compete successfully with conventional firms.

Recent literature suggests that cooperatives usually adopt internationalization as a defensive strategy to maintain members' jobs in domestic markets (Luzarraga and Irizar 2012). While the internationalization of capitalist multinational companies is usually based on aggressive strategies such as offshoring (Contractor et al. 2010), whose substitute nature leads to job losses (Kletzer 2000), the internationalization model of cooperatives is usually based on 'multi-localization', that is, an expansionist and creative strategy rather than destructive, given that the new activity established abroad does not imply the closing of any pre-existing activity in the domestic market (Luzarraga and Irizar 2012; Luzarraga 2008). In this way, internationalization enables cooperatives to attain solid competitive advantages and implement powerful processes of innovation and improvement in productive efficiency (Smith 2001). Ultimately, this 'multi-localization' strategy allows cooperatives to maintain members' jobs in domestic markets faced with the arrival of strong foreign competitors, while employment and wealth is created both locally and abroad (Luzarraga 2008). In fact, taking the Mondragon Group as a reference, some authors demonstrate that internationalized cooperatives create more jobs than local cooperatives (those without subsidiaries abroad) both in parent cooperatives, local

environments and internationally (Luzarraga et al. 2007; Luzarraga and Irizar 2012). Furthermore, the flexibility achieved through internationalization has been considered as a key element in Mondragon cooperatives withstanding economic crises (Elortza et al. 2012).

Moreover, in recent years, several large internationalized cooperatives have been developing strategies of democratic regeneration to deal with degeneration (Storey et al. 2014). For example, internationalized cooperatives of the Mondragon Group are addressing the decrease in the degree of democratic participation in parent cooperatives through the reinforcement of democratic structures and training in cooperative values for managers and members (Basterretxea and Albizu 2011). Furthermore, these cooperatives are transforming their capitalist subsidiaries into cooperatives (Bretos and Errasti 2016) and are also implementing policies of worker participation and disseminating democratic values through education and training programs in their foreign capitalist subsidiaries (Luzarraga 2008; Luzarraga and Irizar 2012; Flecha and Ngai 2014).

6 The relationship between globalization and cooperatives: an agenda for further research

cooperatives, as the most prominent example of alternative organizations, have always faced challenges to survive without forgoing their original nature in an adverse capitalist setting (Parker et al. 2014). Indeed, traditional literature has focused on the disadvantages and inefficiencies of cooperatives in comparison with capitalist firms. Recent literature highlights that the dynamics of current globalization intensify the historical challenges and difficulties for these organizations to survive in a capitalist setting (Zamagni and Zamagni 2010). It is evident that the relationship between cooperatives and globalization is particularly complex, full of paradoxes and tensions. However, our analytical review of the literature suggests that globalization also provides opportunities for cooperatives. As Novkovic and Sena (2007) claim, globalization, far from marginalizing cooperatives, makes them more competitive and efficient. In fact, the key element in this complex map seems to be the role of the unique principles and values that characterize cooperatives.

Our research suggests that cooperatives can only be efficient and successful, both in terms of integrity (that is, without forgoing their essential nature) and financially in the current globalized economy if they consistently ground their practices and policies (including their strategic planning) in the specific competitive advantages that they have, particularly those arising from their principles and values. In the second section, through the review of recent empirical evidence, we have pointed out some potentialities for cooperatives to strengthen their principles and values in order to deal with their possible disadvantages and to develop more efficiently within the context of current globalization. In a broader sense, some theoretical studies support the contention that the principles and values of cooperatives are sources of competitive advantages that facilitate their efficient functioning in a globalized context (Spear 2000; Novkovic 2008). For example, Davis (1999) claims that said principles and values are elements that position cooperatives favorably in order to tackle the challenges posed by the new global scenario, both from an economic and organizational, and a social and ethical point

of view. Carruthers et al. (2009) argue that these principles are differentiators that strengthen the development of cooperatives in the current globalization context.

Nonetheless, it seems necessary to move forward on an empirical basis to support this view. To this end, it is essential to evaluate the impact of the principles and values on the efficiency and competitiveness of cooperatives faced with the challenges of globalization. This issue could be addressed, first, by assessing the degree to which cooperatives fulfill their principles and values (ILO 2014). Then, in line with the paper by Smith (2001), the strategies cooperatives implement around each of their principles, and the innovations and results they obtain in their competitive environment could be analyzed. In this context, the 'social audit' could provide a practical tool for measuring these issues (Gibbon and Day 2011). This is a process that allows organizations to assess their social effectiveness and ethical behavior in relation to their principles and objectives, so that they can improve their social results and report them to all the people affected by their activity (Pearce and Kay 2005). For example, in Spain, the organizations in the social and solidarity economy clustered in the Network of Alternative and Solidarity Economy (REAS-Red de Economía Alternativa y Solidaria) use this tool to prepare various indicators for measuring and monitoring the level of compliance of its organizations with the principles of the Solidarity Economy¹ (REAS 2015). This is perfectly applicable to the case of cooperatives and their principles.

The fulfillment of these principles and values entails, among other things, inter-cooperation between growing or larger cooperatives seeking to internationalize and local cooperatives seeking to offset the negative impact of neoliberal globalization on the stability of their local areas and well-being of their surrounding communities. Two points are fundamental in this regard. First, as we have noted in the third section, neoliberal globalization may entail an adverse impact on the ability of locally-rooted, community-oriented organizations to promote local development. Nonetheless, through our analytical review of empirical research, we have identified several potentialities of cooperatives to promote local development in the current globalized economy by strengthening the economic, socio-labor and democratic stability of local communities. Ultimately, as some theoretical studies claim (e.g. Zeuli and Cropp 2004), this ability of cooperatives to foster local development seems to be grounded in the advantages stemming from their principles and values. Nonetheless, it is fundamental for future research to test these statements empirically. This could be addressed, first, by identifying the role and influence of the cooperative principles and values in the strategies, policies and practices established by cooperatives and, afterwards, by measuring the results and impact these strategies, policies and practices wield in their local contexts of action in terms of economic, social and democratic development (OCDC 2007). Once again, in more practical terms, the 'social audit' could provide a useful tool for cooperatives to assess their role in

1 The Solidarity Economy principles defined by REAS and the indicators employed for measuring the level of compliance with them are the following: 1) Principle of Equity (equal opportunity, transparency, participation); 2) Principle of Work (jobs created and working conditions, personal development); 3) Principle of Environmental Sustainability (behavior in environmental management, environmental impact of the activity); 4) Principle of Cooperation (cooperation in the external environment, exchanges with nonprofit organizations and development of the social market); 5) Principle of Nonprofit (autonomy and financial sustainability, reinvestment and redistribution); and 6) Principle of Commitment to Community (participation in social transformation initiatives and networks of the social and solidarity economy) (REAS 2015).

promoting local development in the areas where they operate. The clustered organizations in the Spanish Network of Alternative and Solidarity Economy evaluate the results provided by the strategies and practices implemented around each of their shared principles of the Solidarity Economy for the development of their local areas (REAS 2015: 11).

Second, in relation to the increasing adoption of internationalization strategies by cooperatives, which is already a reality in most sectors (ICA 2015a), the literature has mainly focused on the degenerative dynamics that these organizations suffer in doing so. Global market competition may engage cooperatives in a trend towards establishing capitalist subsidiaries and hiring non-member workers (Errasti 2015), accumulating the decision-making power into the hands of the parent cooperatives (Errasti et al. 2003), encouraging a weak worker participation culture (Heras 2014) or developing a professional management that is more committed to economic efficiency (Spear 2004a) in order to meet the complex demands of the international business arena. However, as we have stressed, internationalization also represents an important window of opportunity for the growth and expansion of cooperatives, as well as to strengthen their efficiency and competitiveness (it may also enable them to address some possible disadvantages such as their small size or weak financial structure). Furthermore, as some studies have recently showed (Flecha and Ngai 2014; Storey et al. 2014), in recent years, some internationalized cooperatives have been trying to manage degeneration through the strengthening of their principles and values (such as democratic participation) in the parent cooperatives, as well as by disseminating them to subsidiaries. It is essential to make further progress in the analysis of the strategies and actions that internationalized cooperatives adopt to tackle the degenerative tensions that arise along the path of international expansion, as well as the possibilities for cooperatives to replicate the cooperative model in their subsidiaries. For example, in practical terms, some internationalized cooperatives of the Mondragon Group are developing indicators to extrapolate and adapt various elements of the cooperative management model in their subsidiaries, particularly by means of mechanisms to foster the participation of workers in said subsidiaries (Bretos and Errasti 2016). Furthermore, it would be essential to assess and monitor the implementation of such principles and values: for example, Errasti (2004) proposes several outcome scales and indicators to measure the degree to which workers participate in the company's management, governance bodies, ownership and profits.

Finally, we may also hypothesize that such inter-cooperation between local cooperatives and growing or internationalized cooperatives could contribute to change the neoliberal form of current globalization and establish the foundations for an alternative kind of globalization that is more stable and fairer. As Stiglitz (2002) points out, globalization is not harmful per se, but its success or failure depends on how it is managed. However, several dynamics of the neoliberal nature of current globalization (Harvey 2005) have adversely affected the stability of local communities and the welfare of people (Williamson et al. 2003). In this context, several studies argue theoretically that cooperatives could promote an alternative type of globalization. For example, Radrigán (2011) states that globalization could be an opportunity for cooperatives to explore innovative ways of international inter-cooperation, to generate internationally democratic forms of governance and to establish worldwide strategic alliances with other local agents. Errasti (2004) suggests that cooperatives could develop a new model based on democratic inter-cooperation and people participation, which could

democratize the traditional architecture of multinational companies. He also stresses the contribution that internationalized cooperatives can make within the framework of international socio-economic relations. Reed and Reed (2009) reflect on the contribution made not only by multinational cooperatives and the cooperation between cooperatives, but also the entire cooperative movement for the construction of fairer globalization.

Nonetheless, these studies generally rely on idealistic frameworks with empirical bases that are not yet strong enough. A key issue to research in this context is how cooperatives can harmonize their local and international levels to promote an alternative kind of globalization. This involves researching how local and international cooperatives can contribute to the generation of local development dynamics in the areas where they are based. Although the theoretical literature has begun to move in this direction (Carruthers et al. 2009), a larger empirical base seems necessary. The generation of local development could be measured through the social impact of local and internationalized cooperatives and their effectiveness in driving inclusive growth (job level) and greater social cohesion in the areas where they are located (Monzon 2013). Measuring the socio-economic impact could be based on the human development approach, which integrates a triple dimension: organizational, the social contribution of economic activities and the evaluation of the development of this activity (Nachar 2013). Moreover, another related aspect is how cooperatives contribute to the transformation of international socio-economic relations, a field in which multinational companies play a key role (Dicken 2011). Among other elements, future research could explore the role of internationalized cooperatives in the cross-national dissemination of the cooperative model and its democratic, social values. Following Bretos and Errasti (2016), this could be addressed by analyzing how parent cooperatives transfer the cooperative policies and worker-centric practices to foreign subsidiaries and their environments, also taking into account that the transmission of the cooperative model to subsidiaries should recognize their own national, local and organizational-cultural contexts (Cheney et al. 2014).

7 Conclusions

In recent years, particularly since the last crisis (Cheney et al. 2014), cooperatives have gained particular academic and institutional attention as strategic organizations to achieve sustainable economic development and greater social cohesion, both at a local (Monzón 2013) and international level (McMurtry and Reed 2009), in a context dominated by neoliberal globalization. As our research has shown, the relationship between cooperatives and globalization is particularly complex, full of paradoxes, tensions and opportunities. Previous literature has generally neglected a comprehensive and explicit treatment of this relationship, although several studies have focused on various aspects related to the development of cooperatives in the face of the challenges and possibilities posed by globalization.

The research presented here represents one way to understand the tensions and opportunities that shape the relationship between globalization and cooperatives. Its main contribution lies in reviewing and organizing previous literature through the critical assessment of the most important points, and in providing an agenda for further research. This agenda contains some key hypotheses, based on our analytical review, that might be useful to fully evaluate the ability of cooperatives to counteract the

negative effects of neoliberal globalization, and identifies some lines for future research that could be decisive for a better understanding of the role of cooperatives in current globalization. The hypotheses suggested put cooperative principles and values at the center of the analysis, since they explain the different behavior of cooperatives compared to conventional organizations (Heras 2014). Therefore, the assessment and measurement of the integration of such principles and values in the strategies, policies and practices of cooperatives may be crucial to evaluate the outcomes generated by these organizations in the globalized scenarios where they are embedded. We have put forward several strategies and practical tools for continuing along the path defined for future research, as well as for testing the hypotheses proposed. Such strategies may serve as a basis for later research to further explore the assessment of the conflicts and opportunities cooperatives face in order to survive in the current context, and also provide practical tools for measuring the degree to which cooperatives contribute to generating dynamics of change in current globalization both locally and internationally.

Moreover, we can also hope that this research represents a first step to across-the-board understanding of the development of cooperatives in globalization. It provides the preliminary bases of a theoretical framework to account for how globalization has transformed cooperative organizations by pushing them to internationalize, while also generating a demand for locally-rooted cooperatives to foster the stability of local communities facing the negative effects of neoliberal globalization on local development. Future research could bring more international political economy theory into play, along with regional economic development theory, to provide a compelling account of a full range of the dynamics involved in the relationships between cooperatives and globalization. Furthermore, the integration of the ‘cooperative stakeholders’ concept from the humanistic governance approach could be useful to complete and complement this theoretical framework. Unlike Freeman’s stakeholder concept (Freeman 2010), which has been criticized in the context of solidarity cooperatives, since it assumes a trade-off and a conflicting relationship between independent purely self-interested parties, this approach integrates elements of trust and reciprocity and implies that cooperative stakeholders are bound by solidarity ties in the pursuit of shared objectives that they can realize through the cooperative (ICA 2015b). Through this framework, future research could assess not only the impact of cooperatives in the environments where they are rooted but also the kind of economic and social development that they are promoting in current globalization through the cooperation and alignment of the different stakeholders’ perspectives with the adherence to cooperative principles and values.

Ultimately, our work has important implications for academics, practitioners and even for policy makers. On the one hand, in line with Perotin (2015), our critical review of the literature supports the need of reconsidering the role and viability of cooperatives in current globalization. Recent empirical evidence – thanks to the availability of large, comparative datasets between cooperatives and conventional firms – has challenged some traditional assertions that characterize cooperatives as small, marginal and inefficient organizations. Nonetheless, several of these perceptions still remain as part of the conventional wisdom and mainstream literature. On the other hand, our research may serve to encourage alternative management models and actions to enable organizations that compete globally to grow sustainably on the basis of social values, as well as to enable locally-rooted and community-oriented organizations to devise strategies that strengthen the stability and development of the areas where they are based. Finally,

the assessments set out here, together with future research, may have significant implications for public policies that seek to foster local development through the promotion of cooperatives and other democratically-run organizations. It may also encourage the taking of measures to facilitate the international expansion of these organizations in a way that is consistent with their natures and social objectives.

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