Introduction

Globalization has many features, but three in particular have important implications for co-operatives in the way in which they respond to the challenge of globalization. Firstly, the globalization of financial markets, which gives a competitive advantage to large multi-national corporations compared to co-operatives, due to the latter’s more restricted access to such markets. Secondly, the internationalization of corporations through merger and acquisition activity, and the comparative disadvantage of co-operatives in this market for corporate control, partly due to their financial and governance structures and partly to their national orientation. Thirdly, the liberalization of national regulatory and institutional frameworks which have often supported or protected co-operatives’ activities.

In this chapter, conventional business globalization strategies are examined, drawing on business theorists such as Porter (1998; 2008), who argued that five factors shape the strategy game: the threats of: substitute products, established rivals and new market entrants; as well as the bargaining power of suppliers and of customers. As a result, he argued that it is ‘advanced factors’ of production that now give competitive advantage, such as:

- human resources – especially managerial and technological skills;
- physical resources – environmental quality, its natural resources or location;
- knowledge resources – educational and research infrastructure;
- capital resources – financial infrastructure, for example, for start-up and other risk capital;
- infrastructure – transport system, communications, quality of life, and its health care facilities; technology can also radically improve infrastructure, for example, satellite telecommunications or mobile phones.

These factors are extremely varied but they can all give companies comparative advantages in some countries rather than in others. But the structural
ways in which these advantages are exploited typically involve organic growth, mergers and acquisitions, or strategic alliances. However, the extent to which co-operatives can engage in global strategies may be limited due to factors inherent in their form, such as access to capital, their governance structures and their role in national/regional economies. These factors limit the strategic possibilities of co-operatives, leading to adaptations of the co-operative form and separation of economic and social aspects, as ways around the difficulties. However, it is also possible to explore the development of alternatives which are compatible with the co-operative form and values. These alternative options include: federal structures, developing congruent business and membership activities, and exploiting the co-operative advantage. These strategic options are examined with reference to some historical cases in the co-operative sector.

Globalization

The push towards globalization is based on the view that there are comparative advantages of operating in different countries, and so international trade will benefit globalized companies because of a more efficient system of production and exchange (better vertical and horizontal integration capabilities to address customer diversity in demand; greater technological capabilities, and so on); the implication is also that barriers to trade and regulatory protectionism will reduce efficiency and overall welfare. The globalization process operates at many different levels:

- the business unit, where ownership and trading relations are becoming more international;
- the nation state, where the regulatory powers are diminishing, and domestic policies are under pressure and do not overtly favour domestic companies, either in terms of contracted out state services or in terms of subsidies and developmental support;
- media, where global spread facilitates international branding and influences national cultures, with greater (global) impact on individuals and their consumption choices;
- culture and ideology, where the demise of the Soviet Bloc has led to similar economic and business ideas having increasing hegemony (privatization of state assets and public services, business strategy – for example restructuring, delayering, and contracting out – and so on);
- international trade, where free trade policies and trading agreements force national deregulation and market liberalization, weakening national institutions that support domestic business; this is likely to lead to new forms of institutional and regulatory organization which may be more international in nature (Bager 1997);
- technology, where telecommunications and information systems facilitate the global integration of business and economic systems; and access