

Complex Cooperative Networks

Júlia Martins Rodrigues, Karen Miner, Sonja Novkovic¹

This material is a concise synthesis based on thorough research and analysis, intended to offer a clear and focused summary of ICCM's Complex Cooperative Networks framework.

Introduction

Cooperatives have long been celebrated as powerful vehicles for economic inclusion, social equity, and sustainable development. Central to their ethos is the principle of "Cooperation among Cooperatives," enshrined as the 6th Principle in the Statement on the Cooperative Identity (ICA 1995). This principle emphasizes that cooperatives thrive not in isolation but through inter-cooperation and mutual support, embodying the value of solidarity that transcends individual organizational boundaries. The International Centre for Co-operative Management developed a conceptual framework that expands on the traditional understanding of inter-cooperation by viewing Principle 6 through the lens of complex cooperative networks. Such networks are not merely functional alliances; they represent dynamic ecosystems where cooperatives coalesce around shared goals and values. By examining their means of organization, purpose, agents, and functions, we uncover how these networks operate as sophisticated systems capable of adapting to diverse economic, social, and ecological contexts.

Building on the ICA Statement of the Cooperative Identity, along with its guidance notes and supporting literature on cooperative networks, this conceptual framework has been designed as a set of mix-and-match building blocks. These blocks are intended to reflect the unique dynamics that cooperatives exhibit across various regions and cooperative economies worldwide. The framework is designed to serve as a tool for mapping and understanding the development of cooperative networks. It can be utilized by policymakers, cooperative professionals, scholars, and enthusiasts as a snapshot in time, capturing the elements that constitute a particular network. This approach provides valuable insights into potential shortcomings and opportunities for growth.

ICA's Statement on the Cooperative Identity

<i>Definition</i>	A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.
<i>Values</i>	Cooperative values: Self-help, Self-responsibility, Democracy, Equality, Equity, and Solidarity . Founders' ethical values: Honesty, Openness, Social Responsibility, and Caring for Others.
<i>Principles</i>	(P1) Voluntary and Open Membership; (P2) Democratic Member Control; (P3) Member Economic Participation; (P4) Autonomy and Independence; (P5) Education, Training, and Information; (P6) Cooperation among Cooperatives ; (P7) Concern for Community.

Retrieved from the International Cooperative Alliance, 1995.

Inter-cooperation expresses that 'cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures' (ICA, 1995). However, aside from the role of

conventional second-tier cooperative associations and federations, which usually unite and represent organizations with similar membership bases or productive sectors, one can identify multiple other structures of inter-cooperation that compose the phenomenon of complex cooperative networks.

The 6th Principle shows two dimensions of the nature of cooperatives. The first dimension is that they are economic entities trading goods and services. The second is that they are social entities of members who relate positively to other cooperatives in the way they conduct business. In joining a cooperative, members are not only helping to build their own cooperatives but the wider cooperative movement. They cooperate with other cooperatives to create wealth for the many, not personal wealth for the few through unbridled market competition. Members benefit not only from the actions of their own cooperative but from the impact of its cooperative engagement and trade with other cooperatives (ICA, 2017, p. 71).

What are (cooperative) networks?

Beyond the boundaries of a single enterprise, organizations establish relationships with one another to achieve shared goals through personal bonds and various contractual frameworks. Forming a network combines collective interests to achieve outcomes that individual organizational participants could not normally accomplish on their own (Provan & Kenis, 2008). In the context of cooperatives, each one is, by design, a network among members. When individual cooperatives connect with other cooperatives and value-aligned partners, they amplify their collective approach into broader networks of mutual support.

Networks are structured in various ways depending on the participants' aspirations. They range from "co-op only" networks to those that extend "beyond co-ops" by introducing relationships with other agents. These networks can encompass informal relationships or formal multi-partner arrangements. The infrastructure of each network adapts to the

emerging needs of its members and tends to evolve over time, encompassing various network configurations.

Ultimately, we aim to create a cooperative economy—an economic system where enterprises are owned and operated by the people who use their services or by the workers themselves. This cooperative economy is part of the broader social solidarity economy, as it primarily relates to the economic activities developed by cooperatives:

The social and solidarity economy encompasses enterprises, organizations and other entities that are engaged in economic, social and environmental activities to serve the collective and/or general interest, which are based on the principles of voluntary cooperation and mutual aid, democratic and/or participatory governance, autonomy and independence and the primacy of people and social purpose over capital in the distribution and use of surpluses and/or profits, as well as assets, that social and solidarity economy entities aspire to long-term viability and sustainability and to the transition from the informal to the formal economy and operate in all sectors of the economy, that they put into practice a set of values which are intrinsic to their functioning and consistent with care for people and planet, equality and fairness, interdependence, self-governance, transparency and accountability and the attainment of decent work and livelihoods and that, according to national circumstances, the social and solidarity economy includes cooperatives, associations, mutual societies, foundations, social enterprises, self-help groups and other entities operating in accordance with the values and principles of the social and solidarity economy (International Labour Organization, 2022).

In cooperative economies, the exchange system among cooperatives is grounded in the principle of inter-cooperation, facilitated by complex networks that connect them. These networks act as the architecture and infrastructure of the cooperative economy. Networking is a powerful strategy for strengthening regional cooperative economies, creating an enabling ecosystem that supports the formation of new cooperatives and enhances the sustainability of existing ones. While these networks are often tied to specific geographic regions, they can transcend spatial boundaries, operating across borders or in

cyberspace. As a result, complex networks and cooperative economies function on scales ranging from the local to the global.

The elements that constitute cooperative networks vary from region to region, adapting to their purpose and contextual specificities. To deepen our understanding of this ever-evolving dynamic, we identified and organized the elements of complex cooperative networks into a comprehensive framework, comprised of building blocks that can be mixed and matched for real-world applications. While not every network will feature all these elements, incorporating a wider variety typically leads to a stronger network. The complete framework on the next page offers a detailed overview of complex cooperative networks, along with key parameters for evaluating their real-world applications.

THE FRAMEWORK

Building Blocks Explained

WHAT: MEANS OF ORGANIZATION

The "What", meaning what network infrastructures can be identified in a case; the conventional ways co-ops coordinate their activities and create bonds.

- **Informal Collaborations:** Small-scale collaborative activities developed in a less structured way for the dissemination of information and resources, not constrained by a formal contractual institutional framework (i.e., peer exchange, informal sharing, advice).
- **Co-op to Co-op Business:** Partner enterprises with shared values engage in purchasing, supplying, financing, and procurement.

- **Second-tier Co-ops:** Primary cooperatives compose second-tier cooperatives (e.g., associations, federations, consortia) to combine their interests, minimize costs, share risks and rewards, and pool resources under a centralized coordination system.
- **Co-op Groups:** Integration of the activities of a co-operative into a single economic entity. Groups are typically formed over the lifecycle of a co-operative, as it grows in size and complexity.
- **Multi-stakeholder Networks:** Cooperatives with varied stakeholder compositions and business models gather to mutually strengthen their presence in the market and achieve economies of scale through values-driven and polycentric governance.

WHY: PURPOSE

The "Why," meaning why networks are created, reflecting the needs and aspirations behind intercooperation.

- **To leverage resources:** Access to a broader range of assets, which may otherwise be unavailable or expensive to develop independently, such as intellectual property, physical, technological, information, financial, legal, and human resources.
- **To reduce costs:** Enhance cost-effectiveness through negotiated bulk supply agreements, shared facilities to reduce real estate expenses, and subcontracting or outsourcing services that are expensive to operate independently (e.g., payroll administration and maintenance services).
- **To align strategically:** Prioritize collaboration over competition to achieve a common strategic direction, expanding market reach and fostering mutually beneficial synergies aligned with co-op goals. Develop advocacy strategies for aligned policies.

- **To provide public goods:** Deliver goods or services enjoyed by the community at large. Address social needs by ensuring equitable access to affordable essential social, health and educational services to community members.
- **To achieve economies of scale:** Multifaceted growth: Expand geographically, broaden membership, foster innovation, and enhance net worth. Utilize networking for new markets, bolster democratic infrastructure, and drive institutional and cultural transformation.
- **To spread awareness:** Debunk misconceptions surrounding co-op governance, structure, viability and growth opportunities, disseminate their benefits and advantages, and present them as a viable alternative for new enterprises and conversions.

WHO: AGENTS

The "Who," meaning who are the enablers of complex networks.

- **Co-ops (networks themselves):** The driving force behind network formation and sustainability.
- **Co-op developers, consultants, and leaders:** Co-op expert professionals from many fields assisting co-ops' entire lifecycle, envisioning new avenues for cooperation, fostering capacity building, and continuously convening.
- **Regulators, policymakers:** Bridge to the public sector: state representatives who understand the model and are willing to stand up for it within government bodies, building and sustaining coop-friendly entrepreneurial policies and regulations.

- **Educational institutions:** Post-secondary schools and research centers focused on cooperative education, talent development, and research.
- **Social Economy Enterprises:** Enterprises that prioritize social impact, engaging with all stakeholders (community) affected by their operations.
- **Common Interest Groups and Civil Society Organizations:** Individuals and organizations mobilized by shared objectives and concerns focused on advocacy strategies and politically relevant actions, organized as voluntary and democratic collectives or autonomous grassroots movements.
- **Communities of Practice:** Regular interaction between co-op developers, consultants, and leaders, sharing best practices to advance the network aspirations.
- **International Bodies:** Organizations responsible for promoting cooperatives globally, shaping policies, providing technical support, launching vast advocacy campaigns, and continuously fostering international networking.

HOW: FUNCTIONS

The "How", meaning how agents foster cooperative networks to consolidate and fortify a cooperative economy.

- **Providing technical support and building capacity:** Cooperatives may support of the "co-op way of doing business" per se (i.e., member engagement tools, leadership development, voting systems, compliance reporting) and/or provide business operations support (i.e., market knowledge).
- **Implementing co-op-friendly laws and policies:** Establish a supportive legal framework. While regulators and policymakers primarily bear this role, all agents,

including foundations and other civil economy organizations can influence this process.

- **Representing and advocating:** Amplify co-op principles, strategies, and awareness, ensuring their needs are addressed beyond the scope of individual enterprises.
- **Supporting education and research:** Education: challenge the profit-centric business education celebrating unsustainable perpetual growth. Research: gather data and develop analysis to support cooperative strategies and awareness; provide evidence about the impact of the cooperative business mode.
- **Incubating new co-ops and accelerating growth:** Help expedite different stages of co-op development. Incubators are nurseries for the next generation of co-op enterprises, while accelerators usually work with market-ready enterprises to speed up their growth.
- **Convening and building relationships:** Integral function within the network as networks thrive on relationships. Deliberate efforts in establishing and maintaining a community tied to a shared culture and mission
- **Financing:** Agents can act as unconventional financial suppliers to sister organizations, even if their primary function lies outside finance. Those enjoying surplus cash reserves or considerable access to capital can extend financial support to strategic partners.

CONTEXT VARIABLES

The unique characteristics of the environment in which the network unfolds.

- **History and path dependence:** The role of historical factors and past events (e.g. colonization, wars, labor movements) in determining a region's current socio-economic atmosphere.
- **Embeddedness and social cohesion:** Depth of integration and cultural cohesion among cooperatives and their partners, indicating the potential for lasting relationships and institutionalization.
- **Co-op density:** The level of cooperative economic activity in a region (i.e., number of cooperatives across multiple sectors, number of cooperative members and employees working in cooperatives).
- **Macro-culture:** Community's social fabric and broader cultural patterns (i.e., traditions, socio-political climate, economic policies, and history of a country)—aptitude (or lack thereof) to cooperative values.

OUTCOMES

The broader outcomes and positive externalities of network formation.

- **Sustainable development:** Sustenance and improvement of people's living standards within planetary boundaries without compromising the ecosystem's continuous capacity to provide for humankind and other species—sustainable development as social justice.
- **Social and economic resilience:** Increased resilience to withstand and recover from economic downturns, adapt to changing circumstances, and minimize the adverse effects on workers and supporting communities.

- **Creation and sustainability of new co-ops:** Propagation of cooperatives and aligned organizations, increasing co-op density.
- **Intergenerational structure:** Foundational support for future cooperative and aligned organization activities for intergenerational wealth transfer and well-being creation.

ASSESSMENT ROADMAP

Using the Framework to identify the building blocks of complex networks is essential for understanding their current state and pinpointing gaps on a case-by-case basis. Viewing the network through the lens of the Framework is a valuable tool for identifying functions needing development, highlighting potential agents for increased involvement, and uncovering opportunities for strengthening the network. However, since ecosystems can vary significantly from region to region, the building blocks alone may not fully reveal a network's sustainability* and resilience**. While some complex networks may defy general predictions due to their unique attributes, certain fundamental parameters remain consistent in most cases. Therefore, five *Principles for Sustainable and Resilient Networks (PSRN)* are used to evaluate the robustness and maturity of complex networks:

1. **Institutionalization:** Institutionalization happens when partner organizations achieve a stage of consistent flow of resources (e.g., financial, technological, personnel) and mutual support, ensuring that network connections endure, even if certain individuals who initially catalyzed the cooperation are no longer part of the equation. Degrees: Informal, Emerging, Developing, Established.
2. **Diversity:** The greater the number and nature of coordinating agents that support the network and the more knots of articulation it possesses, the less vulnerable the whole network becomes to the failure of some of them during economic downturns (or other

crises) and the larger its capacity to continuously branch out and access resources.

Degrees: Minimal, Moderate, Diverse, Abundant.

3. **Intergenerational infrastructure:** Far-sighted approaches to functions including finance, policy, regulations, and partnerships to guarantee a lasting intergenerational impact. Complex cooperative networks should implement forward-thinking initiatives that establish the foundation for sustainable progress across generations, extending beyond current needs and relationships. Degrees: Deficient, Fragile, Progressing, Concrete.
4. **Self-reliance:** Just as cooperatives are self-help organizations, complex networks in cooperative economies derive similar value from self-reliance. The most resilient and thriving networks demonstrate the highest degree of self-sufficiency, enabling them to produce and exchange the resources the ecosystem requires while diminishing their reliance on other incongruent ecosystems. Degrees: Vulnerable, Dependent, Resourceful, Autonomous.
5. **Embeddedness:** Complex networks progress toward greater levels of integration within the wider social, economic, and environmental framework in which they function, generating interdependencies with their stakeholders and surrounding ecosystem. The tighter the knots and the thicker the linkages between them, the more mature and tenacious the network. Degrees: Isolated, Reciprocal support, Core linkages, Positive co-dependency.

*Sustainability: Networks' long-term viability, sustaining positive social, economic, and environmental impact.

**Resilience: The capacity to withstand disruptions, maintain critical functions, and restore operations to a stable state after a crisis. Resilient networks can prevent a single failure point from jeopardizing the entire infrastructure.

IN BRIEF: EXAMPLES OF FRAMEWORK UTILIZATION

CASE 1 – EMILIA ROMAGNA

All Roads Lead to Bologna: Italian Co-operative Networks

The Emilia Romagna region is known as the homeland of Italian cooperation, with networks dating back to the nineteenth century. One of the densest cooperative economies worldwide, with the sector accounting for a third of the region's Gross Domestic Product (GDP), reached its prominence through a vast interwoven fabric of mutual support and a well-established network of networks. There, small and medium-sized cooperatives operate independently or engage in local, flexible networks. Italy maintains a supportive legal framework for cooperatives, which includes the constitutional recognition of their social function. This framework also encompasses legislation that ensures fair treatment and promotes cooperative-friendly policies for long-term sustainability. Key measures include a requirement for cooperatives to allocate a minimum of 30% of their earnings to a tax-exempt legal reserve and to direct 3% of their earnings to mutualistic funds. Cooperatives are integrated into the membership of consolidated second-tier cooperatives that, at a national level, form the Alliance of Italian Cooperatives.

- The networks are **well-established**, with formal membership and contractual agreements—yet each cooperative operates **autonomously**.
- High level of institutionalization and embeddedness has created a **positive co-dependence** among all cooperative and non-cooperative participants, nurturing a shared commitment to the movement.
- A comprehensive grid of inter-cooperation highlights the diversity and **abundance** of Italian institutional anchors, such as LegaCoop, AGCI, and Confcooperative, serving as central nodes of network activity nationwide.
- Overarching associations and federations have effectively established and upheld a **concrete** support system for their members and future generations of cooperatives.

CASE 2 – QUEBEC

Drawing Connections: Lessons and Insights from Quebec's Networking Journey

Quebec has gained recognition as a laboratory of social innovation, hosting 3,052 active cooperative entities—over half of all cooperatives in Canada—making it the region with the highest concentration of cooperative activity in the country. Among them, Mouvement Desjardins, Sollio Cooperative Group (formerly La Coop fédérée), and Agropur Coopérative are Québécoises co-ops ranked among the top 300 largest cooperatives and mutual organizations in the world by turnover (WCM, 2023).

There, cooperatives operate under the of the social economy, benefiting from congruent policies, and the broad and multi-layered availability of development capacity, and access to solidarity finance networks. By networking under consolidated sectoral umbrella organizations and strengthening relationships with social movements and other partners, Québécoises cooperatives have bolstered their presence in the region.

- Networks have **established** a significant degree of institutionalization, characterized by their ability to maintain systematic connections through **abundant** and resourceful participants.
- Local policies and governmental backing have facilitated the development of a **concrete** inter-generational infrastructure designed to perpetuate its provincial framework beyond present challenges and opportunities.
- Cohesive social economy framework that effectively bridges the gap between cooperatives and traditional nonprofit organizations. Such an approach has strengthened **core linkages** among these entities, bolstering the cooperative network's overall strength, coherence, and **autonomy**.

CASE 3 – MONGRAGON (BASQUE COUNTRY)

The Mondragon Corporation is a cooperative group that has reached such a high level of complexity that it effectively operates as a multi-stakeholder network with sales in 150 countries. Mondragon spans the financial, industrial, retail and knowledge sectors,

employing over 70,000 people. The network comprises 240 entities, 81 of which are cooperatives. Sixty of these 81 are worker co-ops and the rest are multi-stakeholder.

Mondragon became the world's largest integrated network of worker and multi-stakeholder cooperatives by, early on, engaging in extensive community organizing, creating its own cooperative bank and, for years, successfully employing a spin-off growth strategy, as well as entering new business sectors. The idea was to cooperativize as many dimensions of the local economy as possible – manufacturing, retail food, finance, education, etc. and to build a cohesive, participatory and prosperous community. Through long-term, joint, institutional arrangements, Mondragon promotes job stability, inter-business synergies, mutual enterprise support and social services.

- Intercooperation has been a key focus of MONDRAGON since its inception, uniting ultimately autonomous cooperatives into an integrated network. This facilitates business projects with the scale and positioning needed to remain competitive and adaptable to future challenges... as well as providing collective support for co-ops and worker-members.

- Mondragon puts **intercooperation** into practice, primarily, via: (1) institutions and policies developed in common, in which all its co-ops participate (a co-op bank, a university, pooling of surplus, etc.), and (2) co-op-to-co-op collaboration, in which two or more co-ops join forces to seek business synergies in innovation and economies of scale.

- Mondragon's network includes **umbrella cooperatives** (i.e., a cooperative of cooperatives) like LagunAro, which provides health insurance and social security services or Ategi, which does joint purchasing and provides purchasing consultation.

CASE 4 - NFCA

The Neighboring Food Co-op Association (NFCA) is a regional, second-tier co-operative of retail grocery co-ops in the Northeast U.S. Founded by co-op leaders to provide opportunities for collaboration on a broad range of goals, the organization is organized around a shared vision of "a thriving co-operative economy, rooted in a healthy, just and sustainable food system and a vibrant community of co-operative enterprise."

The NFCA was incorporated in 2011 with 17 members, and today includes 44 food co-ops and start-up initiatives across New England and New York State, ranging in size from large, multiple storefront retailers with thousands of members to small rural markets. Together, these co-ops include more than 185,000 members, generate annual revenue of \$442.5 million, operate storefronts in 39 communities, and employ 2,545 people (60% of whom are also members).

With a mission of supporting growth, innovation, and shared success among its member food co-ops, the NFCA provides technical support, opportunities for peer collaboration, regional sourcing initiatives, marketing and policy advocacy, and educational and training resources.

- As a co-operative of food co-ops, the NFCA itself is an expression of interco-operation, prioritizing participation in co-operative associations as a tool for greater impact.
- While membership in the association is limited to retail food co-ops, a goal is contributing to a cross sector co-operative economy, promoting collaboration with producer co-ops, credit unions, worker co-ops, and other co-operative enterprises.
- Since its beginnings, the NFCA has emphasized partnership with likeminded organizations as a tool for increased impact and the advancement of shared objectives.
- In all its work, the association has focused on the Co-operative Identity as a tool for differentiation, business success, and impact.

CASE 5 – COLORADO

A multi-stakeholder cooperative network in the renewable energy sector

A multi-stakeholder network of single-stakeholder co-ops emerged in the Colorado solar energy industry through one set of co-operative entrepreneurs that created national impact through distinct yet interlocking entities: Namasté Solar (a worker co-op), Amicus Solar (a purchasing co-op), Amicus O&M (a shared-services co-op), Clean Energy Credit Union (a

consumer-owned financial institution), and Kachuwa Impact Fund (a co-op of investors). They were established over a relatively short period, from 2005 to 2017, and have since reached operations not only in Colorado but also achieved significant national and international impact, transforming the ecosystem for solar businesses across North America.

- Combination of "heavy" local entities (with larger numbers of employees and non-liquid capital) with "light", leaner entities that facilitate economies of **scale**.
- An **opportunistic** network: separate cooperatives created for respective challenges rather than aggregating solutions in a single business. Cooperatives are connected through membership and other relationships.
- A **shared culture** among participants compensates for the relatively weak structural ties that connect the businesses in the network.

Recommended Reading on Cooperative Networks

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