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RESEARCH PROCEEDINGS

World Co-operative Monitor. Key Findings from the 2017 Edition

ABSTRACT

This short report, included in the JEOD “Research Proceedings” Section, illustrates the World Co-operative Monitor (WCM), an initiative promoted by the International Co-operative Alliance (Alliance) and Euricse aimed at collecting economic, organizational, and social data about co-operatives and mutuals worldwide. The report briefly illustrates the project’s aims and methodology, and the main findings of the 2017 edition. Work on the next edition is underway, and the new report will be released in the fall of 2018. All of the past reports, the full methodology, and the 2018 questionnaire are accessible at the World Co-operative Monitor website*.

* <http://www.monitor.coop>

KEY-WORDS

CO-OPERATIVE ENTERPRISES; MUTUAL ENTERPRISES; ECONOMIC IMPACT; STATISTICS

1. Introduction

The World Co-operative Monitor (WCM), an initiative of the International Co-operative Alliance (Alliance) with the scientific and technical support of the European Research Institute on Cooperative and Social Enterprises (Euricse), collects economic, organizational, and social data about co-operatives, mutual organizations and non-co-operative organizations controlled by co-operatives worldwide. Since 2012, the project has collected quantitative data on the global co-operative movement published in an annual research report.

The WCM methodology was developed with the aim to refine and expand upon the Global 300 ranking of the world's largest co-operative organizations previously produced by the Alliance. The overall objective of the research is to develop quantitative knowledge based on indicators measuring both the economic and social impact of co-operative enterprises, giving a sense of the role these organizations play both internationally and in their local communities. The data and analysis presented in the annual research report has served to raise awareness of the size and impact of the co-operative movement worldwide and the report has proven to be a useful tool for advocates, practitioners, and researchers alike.

While the focus is on the world's largest co-operative organizations, over the course of the six years of the project, the research team has made efforts to expand the data collected and enrich the analysis to explore specific sectors of activities or themes. Since 2016, in particular, a chapter on co-operative capital has been included in the report. In addition to this capital structure research, past editions have highlighted data and research on agricultural co-operatives, consumer co-operatives, and have showcased stories that share the impact of co-operative businesses in their communities.

The 2017 edition of the WCM (Alliance and Euricse, 2017) provides rankings of the Top 300 largest co-operative and mutual enterprises based on 2015 financial data as well as sectorial rankings and analysis based on data from 2011-2015. The chapter on co-operative capital analyses the capital structure of the Top 300 as well as a sample of smaller co-operatives and mutuals, allowing for comparison between different types of co-operative firms. The following Section provides some summary data and discussion of the results; the full report is available online.

2. Methodology¹

The nature of the project objectives and the diversity of the co-operative movement pose interesting methodological challenges. First of all, when defining the target population, the research must take into account the various definitions utilized across countries and sectors. Second, developing a single cross-sector international ranking of the Top 300 requires a set of indicators that can be applied transversally. The limited data sources available and the diverse methodologies applied present a

¹ The current research methodology is briefly described here; the complete methodology is available at www.monitor.coop.

third major challenge. To address these challenges and create a robust methodology, the research team, along with the scientific committee, have defined the population and indicators explained below. Over the course of the project, some adaptations have been made to the methodology in order to continuously improve the validity and accuracy of the data and rankings.

The organizations studied for this research are co-operatives, mutuals, co-operative of co-operatives/mutual, co-operative groups, co-operative networks, and non-co-operative enterprises in which co-operatives have a controlling interest. The data sources include existing databases and rankings of target organizations by country or sector, a questionnaire administered directly to the target organizations, and online research and consultation of financial statements and annual reports (Table 1).

Table 1. Data sources, 2017 World Co-operative Monitor database

Data sources	%
Existing rankings	77
WCM questionnaire	2
Orbis - Bureau van Dijk database (Orbis) ¹	17
Eikon – Thomson Reuters (Eikon) ²	1
Euricse – online research and consultation of financial statements and annual reports	3
Total	100

The data collected is primarily financial in nature, though the WCM questionnaire aims to collect general, economic, and social data. The rankings and analysis contained in the 2017 WCM pertain exclusively to economic indicators. The organizations studied are divided into seven sectors, based on primary activity of the organization: agriculture and food industries; wholesale and retail trade; industry and utilities; banking and financial services; insurance co-operatives and mutuals; health, education and social care; and other services.

The rankings presented in the report are based on turnover data. As described in the WCM methodology, turnover is defined as “the income generated by the business activities conducted by a company, usually the sales of goods and services to customers. In the case of the Insurance Co-operatives and Mutuals sector, this is premium income. For the Banking and Financial Services sector, this is the sum of net interest income, net premiums and other operating income, such as deposit and payment service charges, lending fees and credit card service revenues, income from brokerage and investment fund services, management and custodial service fees, foreign exchange income as well as other income. However, this value was used solely for the banking and financial services ranking. In the Top 300 ranking, to achieve a more homogeneous comparison, the sum of interest income, non-interest income (income from banking services and sources other than interest-bearing assets) and premium income (if the organization also provides insurance services) was utilized for banking and financial services organisations”.

In addition to the rankings based on US dollars (USD) present in each edition of the report, the 2017 World Co-operative Monitor introduces a new ranking based on the International dollar as calculated by the World Bank. The rankings using this measure aim to give a sense of the purchasing power parity of the organizations ranked and remove possible distortions caused by currency conversion rates. As defined by the World Bank, “an international dollar would buy in the cited country a comparable amount of goods and services a US dollar would buy in the United States”².

In the 2016 and 2017 edition of the report, a chapter on co-operative capital is included analysing sources and structures of capital for the Top 300 organizations as ranked by the WCM. The data for the capital chapter is derived from balance sheet and financial statement data. For the purpose of this analysis, some of the sectors present in the WCM are grouped together: “Industry”, “Health, education and social care”, and “Other services” sectors are merged into the new sector “Other”, while the remaining sectors are unchanged. In 2017, a sample of small co-operatives and mutual enterprises is also analysed. These are defined as firms with total asset value of less than 10 million US dollars and total workers below 50 units³. To obtain the sample of the “small” 300, the data was ordered based on turnover in US dollars and the largest 300 were chosen for the sample. To analyse the capital structure decision, the composition of the liabilities side of the balance sheet is utilized⁴.

3. Main results and findings 2017

The 2017 World Co-operative Monitor collected data from the year 2015 for 2,379 organizations from 61 countries, distributed across eight sectors of activity. Of these, 1,436 report a turnover of more than 100 million USD. Similarly to the results of the prior edition, agriculture and food industries make up the largest percentage of the total database at 28 per cent followed by the insurance sector at 23 per cent. Banking and financial services organizations comprise 18 per cent, wholesale and retail trade 12 per cent, other services eight per cent, industry five per cent, health, education and social care five per cent, and other one per cent.

The Top 300 co-operatives and mutuals report a total turnover of 2.16 trillion USD. The sector with the largest representation in the Top 300 is insurance at 41 per cent, followed by agriculture (30 per cent), wholesale and retail trade (19 per cent). The remaining sectors follow, with percentages from six to one per cent. The Top 300 are distributed among 27 countries (Table 2).

² <http://data.worldbank.org/indicator/PA.NUS.PPP>

³ The EU definition of Small and medium-sized enterprises (SMEs) has been used for this study. For more information please refer to the EU Commission recommendation 2003/361/EC (<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32003H0361>).

⁴ Total liabilities is computed as the difference between Total assets and Total equity; Net equity is the difference between Total equity and Net income.

Table 2. Top300 2017 based on 2015 turnover in US Dollars

Sector	Number of organizations and % of total	Number of countries	Turnover (billion USD)
Agriculture and food industries	91 (30%)	20	456.84
Wholesale and retail trade	58 (19%)	17	393.49
Insurance	124 (41%)	22	951.93
Banking and financial services	17 (6%)	12	312.31
Industry and utilities	4 (1%)	2	18.17
Health, education and social care	4 (1%)	3	27.17
Other services	2 (1%)	2	4.31
Total	300 (100%)	27	2,164.23

This year's largest five organizations based on turnover in USD are Groupe Cr dit Agricole (France) at 70.89 billion USD, Kaiser Permanente (USA) at 67.44 billion USD, State Farm (USA) at 64.82 billion USD, BVR (Germany) at 56.26 billion USD, and Zenkyoren (Japan) at 49.17 billion USD.

The Top 300 ranking based on International Dollars varies slightly from the USD ranking. The sectoral distribution is very similar and the organizations are distributed across 28 countries with a total turnover of nearly 2.4 trillion International Dollars (Table 3). Two agriculture co-operatives from Poland enter into the ranking, a country not represented in the Top 300 based on USD.

Table 3. Top300 2017 based on 2015 turnover in International Dollars

Sector	Number of organizations and % of total	Number of countries	Turnover (billion Intl. dollars)
Agriculture and food industries	92 (31%)	22	529.28
Wholesale and retail trade	59 (20%)	17	415.32
Insurance	122 (41%)	24	1029.86
Banking and financial services	18 (6%)	13	357.16
Industry and utilities	4 (1%)	2	22.96
Health, education and social care	4 (1%)	3	40.84
Other services	1 (0%)	1	3.25
Total	300 (100%)	28	2,398.68

In addition to the Top 300 rankings, the 2017 World Co-operative Monitor reports on the turnover of the largest organizations per sector over the five-year period from 2011 to 2015. The analysis demonstrates overall stability and growth, even throughout the global economic crisis in those years. In fact, 77 per cent of the nearly 100 businesses studied report an increase in turnover over the five year period, some as high as over 100 per cent.

Regarding the chapter on co-operative capital, data was compiled for 237 of the 300 organisations in the 2017 World Co-operative Monitor Top 300 ranking and 300 small co-operatives as defined above. Tables 4 and 5 below show the sectoral and geographical distribution of the Top 300 and small samples.

Table 4. Geographical and sectorial distribution of the Capital chapter Top sample

Sector	Americas region	Asia and the Pacific	European region	Total
Agriculture and food industries	14	8	46	68
Banking and financial services	6	2	9	17
Insurance	49	11	44	104
Wholesale and retail trade	7	6	31	44
Other	4	0	0	4
Total	80	28	130	237

Table 5. Geographical and sectorial distribution of the Capital chapter Small sample

Sector	Americas region	Asia and the Pacific	European region	Total
Agriculture and food industries	2	4	154	160
Wholesale and retail trade	1	23	57	81
Other	0	19	40	59
Total	3	46	251	300

The results of the capital structure analysis show clear differences across sectors (Table 6), but not across different regions (Table 7).

Table 6. Capital structure by sectors

Sector	Total liabilities (%)	Net equity (%)	Net income (%)
Agriculture and food industries	64.2	32.2	3.6
Banking and financial services	91.5	7.8	0.7
Insurance	78.6	20.1	1.3
Wholesale and retail trade	64.9	31.9	3.1
Other*	76.5	21.4	2.1
Total	72.9	24.9	2.2

* The limited number of co-operatives in the "Other" sector does not allow for a comparison of that sector with the others.

Table 7. Capital structure by regions

Sector	Total liabilities (%)	Net equity (%)	Net income (%)
Americas region	70.8	26.5	2.7
Asia and the Pacific	69.4	28.4	2.2
European region	75.0	23.0	2.0
Total	72.9	24.8	2.2

The chapter further analyses the capital structure exploring each sector, region, and analysing additional indexes including return on equity and return on asset. Overall, the data reveals a sector with “good capitalization, in financial equilibrium and with sufficient profitability to support growth” (Alliance and Euricse, 2017: 59). This result, at least in the case of the Top 300, provides evidence to dispel the traditional theory of co-operative capital (that co-operatives are unable by their nature to raise capital).

The analysis of the small co-operatives, on the other hand, reveals a different situation. The small co-operatives demonstrate more difficulties raising internal capital (equity) to finance their business compared to the Top sample and have generally lower performance both for internal capital (net equity) and for assets (total assets). These results suggest the need for fiscal policies aimed at retaining net income.

4. Conclusions

The results of the World Co-operative Monitor provide interesting insights into the co-operative movement. Over the years, the results of the research, focused primarily on the world’s largest co-operative enterprises, have demonstrated the size and scope of these economic leaders of the co-operative movement. Contrary to the theory that co-operative businesses cannot sustain large dimensions, the highest-ranked organizations in the WCM database consistently have annual turnovers in excess of 60 billion US dollars. The analysis of the highest ranking businesses per sector in the WCM database proves not only that co-operatives can succeed even as large businesses, but that for the most part the economic leaders of the co-operative sector remained strong throughout the years of the global economic crisis.

These results, and the datasets that support them, have proven to be useful tools for both practitioners and academics. The WCM is the only research collecting annual quantitative data on the co-operative movement globally. The data bank developed is an important starting point for the study of the size and relevance of the co-operative business model. The data is available to researchers upon specific request and has been used over the years by both junior and senior researchers to further research on co-operatives locally and internationally. A recent example is the work undertaken by Johnston Birchall (Co-operatives UK, 2017) on co-operative governance in which the top 60 organizations from the WCM ranking have been analysed.

However, although it is a start, the challenges discussed above remain and the complexity of the global co-operative movement is such that new challenges present themselves as the work goes on. In particular, data collection is the primary challenge to address going forward. The questionnaire response rate remains quite low and few countries collect relevant data at the national level. The research team makes every effort to collaborate with national, sectoral, and regional federations and the International Co-operative Alliance stressed to its members the importance of data collection at the most recent Alliance Global Conference in November 2017. Though given the data sources available, the project has remained focused primarily on economic data. With increased access to data across all continents, the report could provide further analysis at the regional or sectoral level and explore areas of social impact related to membership and employment.

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