

# Sustainable Economies Due diLigence: good EXamples and the role of social dialogue

## EROSKI Spain

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CASE STUDY  
WHOLESALE AND RETAIL TRADE

PROJECT NO. 101126464

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**Author:** Samuel Barco Serrano

**Scientific editor:** Anne Guisset

**Project manager:** Melinda Kelemen

**Design and layout:** Christian Deligia

**Proofreading:** Toby Johnson

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Boulevard Charlemagne 74

1000 Brussels, Belgium

Tel: +32 2 543 1043 [diesis@diesis.coop](mailto:diesis@diesis.coop)

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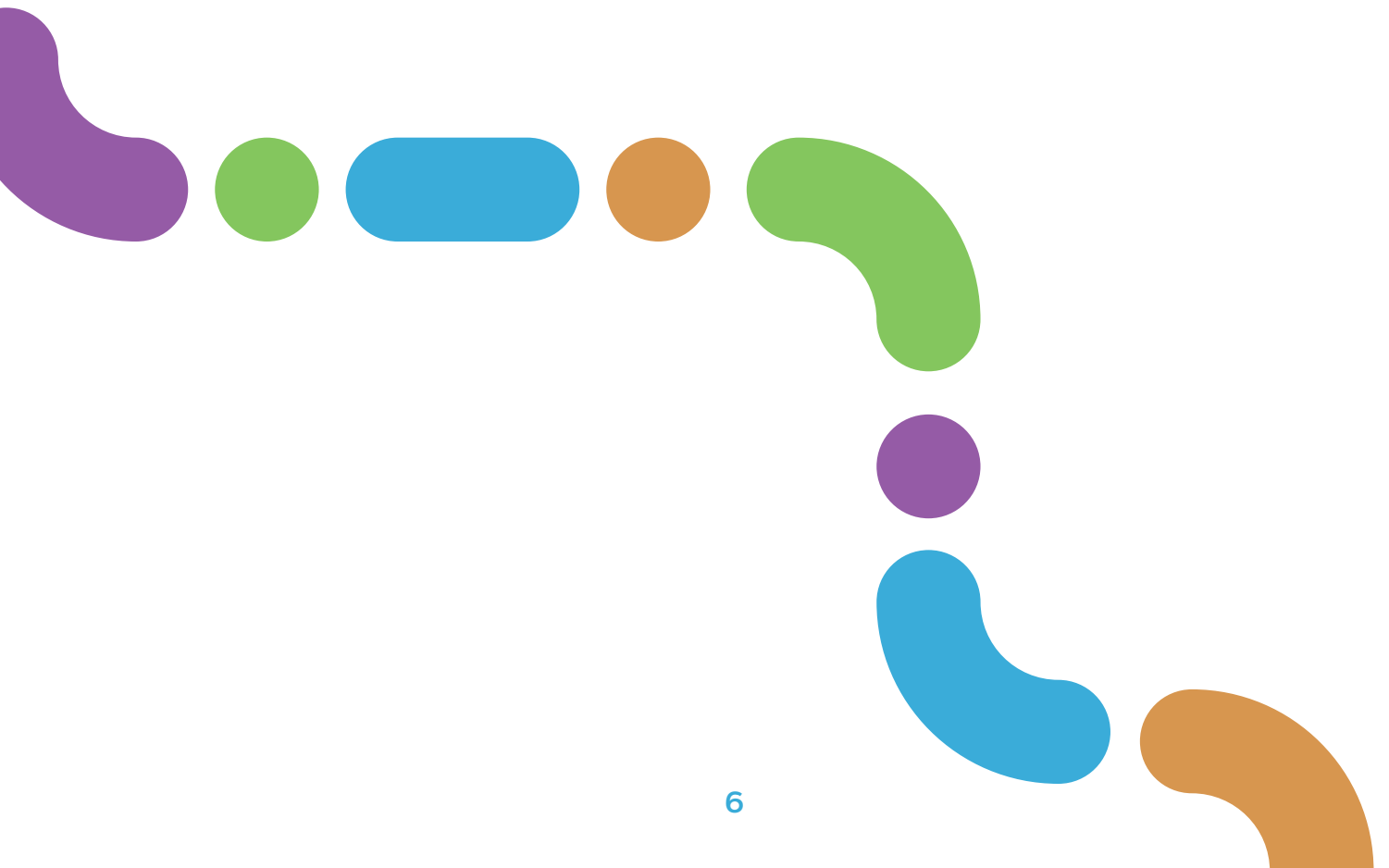
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01

# Organisational model and legal status



## Case study: EROSKI – SPAIN

Eroski is a retail distribution group mainly active in food. It has adopted a distinctive hybrid structure based on a consumer-worker cooperative (Eroski S. Coop.), with a unique governance model that balances worker and consumer interests. At its core, the organisation embodies a dual participation structure where worker members contribute through capital investment and labour, while consumer members participate in governance without capital investment. This unusual arrangement fundamentally differs from traditional corporate structures, particularly in giving significant decision-making power to stakeholders who have invested no capital.

The organisation's expansion beyond its historical territory of the Basque Country and Navarre has led to a sophisticated adaptation of its operational model. The cooperative formula came up against certain limitations in new territories due to the cultural, legislative and investment context, so alternative approaches were developed. This has resulted in a strategic mix of corporate subsidiaries, joint ventures (such as the 50% partnership with Vegalsa in Galicia), and an extensive franchise network in other regions. Each expansion model is carefully chosen to balance cooperative principles with local market realities.

The governance structure is hierarchical, consisting of the general assembly, the governing council, and the executive management. The first two have a balanced representation with worker and consumer members each having equal 50% representation. The group also has specialised bodies like the social council, which focuses on labour matters. The organisation also maintains a sustainability committee and various

oversight committees for audit, compliance and risk management, ensuring comprehensive governance coverage.

Eroski's relationship with the Mondragon Corporation is another distinctive aspect of its organisational model. As one senior official put it, "Mondragon is a club of independent cooperatives that unite to share some common services." This highlights the autonomous nature of Eroski's participation in this larger cooperative network. This relationship allows Eroski to maintain its independence while benefiting from shared resources, branding and mutual support.

The integration of core values into the organisation's structure goes beyond formal mechanisms. Through democratic governance structures, ten formal commitments covering social, environmental and governance aspects, and dedicated oversight committees, Eroski ensures that its cooperative principles actively guide decision-making. The organisation's commitment to sustainability is embedded in its strategic planning and operational practices.

From a regulatory perspective, Eroski operates under a complex framework that includes Spanish cooperative law, regional regulations, sector-specific requirements, and EU directives. The organisation has demonstrated proactive compliance, implementing practices like a certain degree of supply chain due diligence since 2003, well ahead of regulatory requirements. This forward-thinking approach to compliance reflects Eroski's commitment to responsible business practices.

The resilience of this organisational model has been proven through significant market challenges, particularly during the 2008 financial crisis. The organisation's cooperative structure enabled it to find collective solutions, including salary adjustments and capital contributions, demonstrating the model's adaptability and strength.

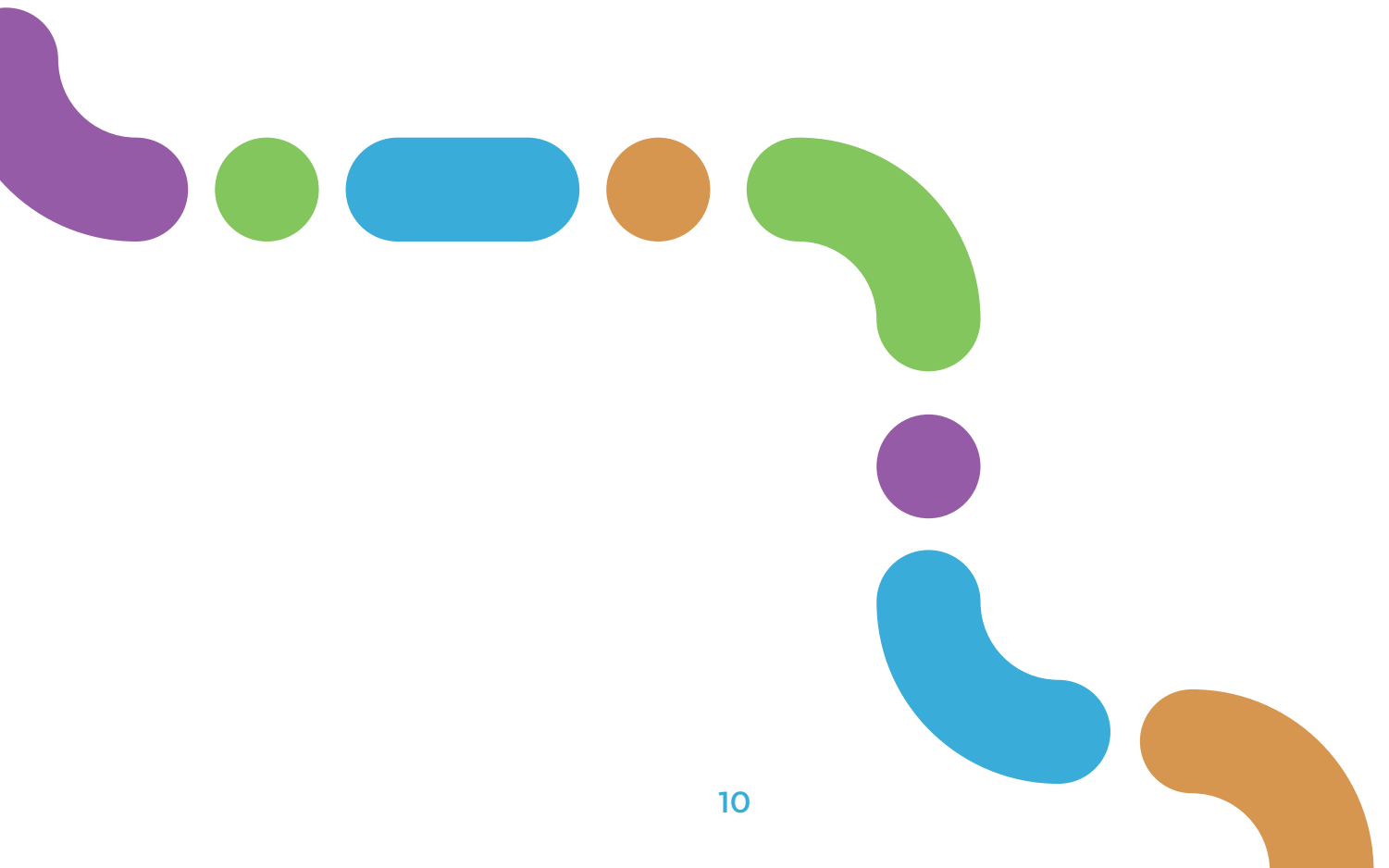


Case study: EROSKI - SPAIN



# 02

## **Background of the company**



## Case study: EROSKI – SPAIN

Eroski operates as Spain's fourth-largest retail distribution group, and primarily focuses on food. The company serves diverse consumer segments through multiple store formats, operating 1,533 establishments across Spain (2023). Its annual turnover reached €5.73 billion in 2023, representing 7.4% growth from the previous year, and it had a workforce of 27,426 employees.

Beyond its traditional supermarket and hypermarket formats, Eroski has diversified its operations through various retail formats including convenience stores, franchises and specialised outlets like petrol stations and sports equipment stores. Its Caprabo brand has a strong presence in Catalonia, while its partnership with a Czech investor through Supratuc has strengthened its position in both Catalonia and the Balearic Islands.

Eroski's development reflects the way it has adapted strategically to different market contexts while maintaining its cooperative principles. A pivotal expansion period began in the late 1990s when the organisation moved beyond its historical territory. This growth required innovative approaches to address varying regional contexts, leading to the creation of different corporate structures and strategic partnerships.

Eroski's business model combines several distinctive elements that set it apart in the retail sector. The company stresses strong local supplier relationships and upholds a commitment to making quality food accessible to all consumers – what it calls “the democratisation of good food.” This approach is reinforced by its early adoption of health and sustainability practices, exemplified by its 1997

decision to become the first Spanish retailer to eliminate trans fats from own-label products. Its pioneering role in the sector also includes early adoption of traffic-light nutritional labelling and the removal of CFC propellants before this was required. This forward-thinking approach is continued today through its supplier support initiative.

A distinctive feature of Eroski's operations is its commitment to local economic development. Recently, it launched a Local Supplier Support Programme, initially in the Basque Country and now expanded to Navarre, Galicia and Aragón, with plans for extension to Catalonia and the Balearic Islands. This programme helps small local producers improve their technical capabilities and standards in areas like food safety and sustainability.

The 2008 financial crisis marked a significant turning point in Eroski's development, leading to strategic restructuring while maintaining its core business model. The organisation's successful navigation of this period demonstrated its adaptive capacity and laid the groundwork for its current market position.

Regarding its current strategic focus, today, Eroski balances multiple strategic priorities:

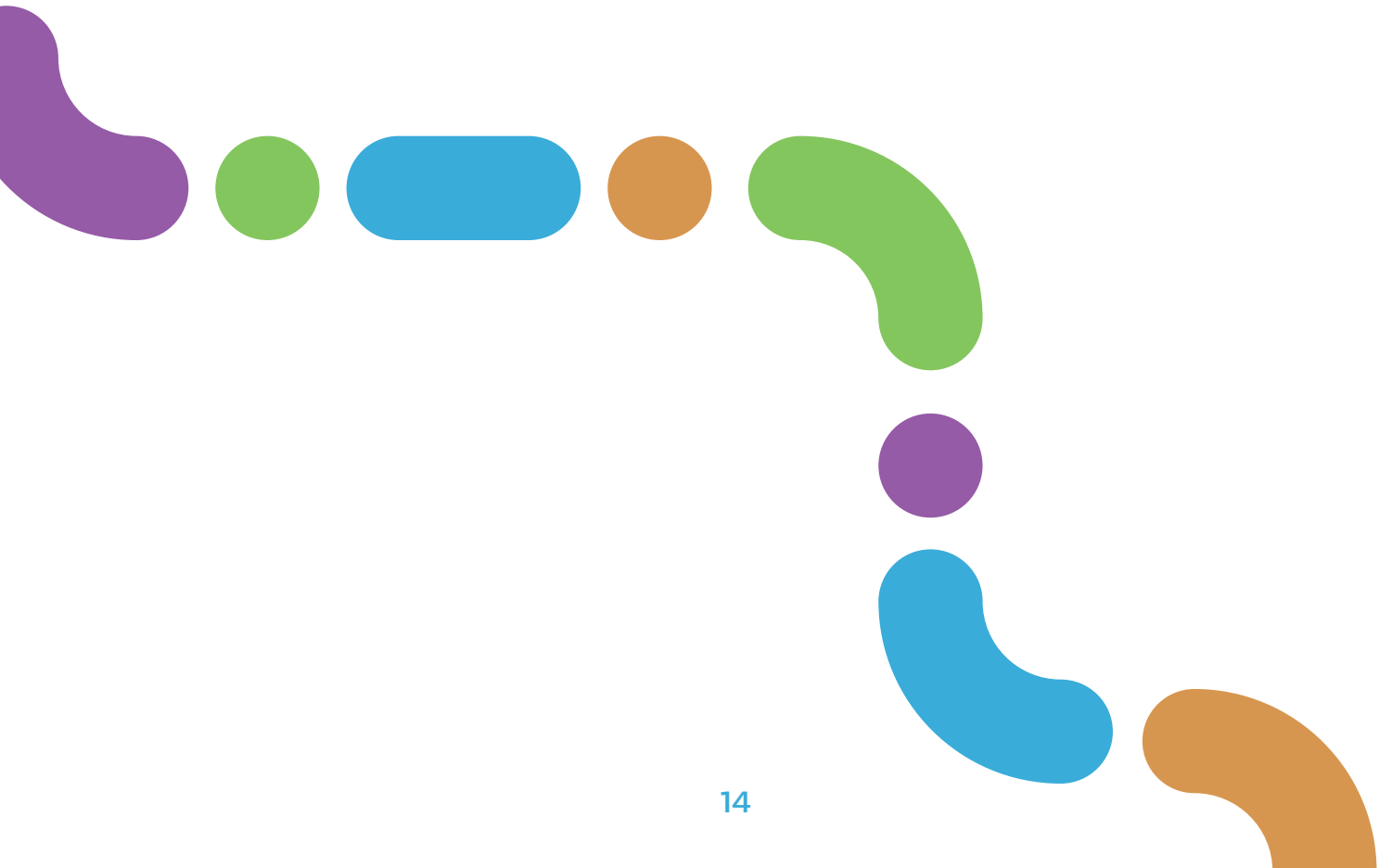
- ➔ Strengthening regional market positions through tailored approaches
- ➔ Enhancing sustainability across operations
- ➔ Supporting local supplier development
- ➔ Maintaining price competitiveness while upholding quality standards
- ➔ Developing innovative health and nutrition initiatives

The organisation continues to adapt its business model to changing market conditions while maintaining its distinctive approach to retail distribution, characterised by strong local connections and commitment to social responsibility.



03

# Corporate sustainability due diligence



## Case study: EROSKI – SPAIN

Eroski's approach to corporate sustainability due diligence reflects its distinctive position as a consumer-worker cooperative operating in the retail sector. The organisation has developed a comprehensive framework that predates current regulatory requirements, demonstrating proactive rather than reactive compliance.

Regarding its early development and evolution, Eroski compiled its first ethical management manual in 2003, focusing initially on supply chain risks, particularly in textile sourcing from Asia. This early initiative included specific protocols for issues like child labour remediation, showing foresight in addressing potential risks before they became regulatory requirements. The framework has evolved continuously, and now encompasses ten formal sustainability commitments that guide its due diligence processes across environmental, social and governance dimensions.

In terms of risk assessment and management, the organisation employs a sophisticated risk mapping approach that adapts to emerging challenges while trying to maintain commercial viability. An interesting example is its current initiative examining environmental sustainability in Huelva's berry production sector, particularly focusing on water management issues around Doñana. Rather than simply avoiding risk through procurement decisions, Eroski seeks to engage with suppliers and third-party experts to find sustainable solutions that balance environmental responsibility with commercial viability. Its risk assessment methodology focuses particularly on supply chain social conditions, environmental impacts, local economic development, food safety

and quality, and corporate governance.

Regarding implementation and monitoring, Eroski's implementation strategy combines formal compliance mechanisms with practical support initiatives. All suppliers must annually sign and comply with the organisation's code of ethics. Besides this, the approach goes beyond mere documentation: Eroski actively supports suppliers in meeting standards through capacity building and technical assistance. A distinctive feature is the above-mentioned Local Supplier Support Programme. This programme epitomises Eroski's integrated approach to due diligence, combining risk management with supplier development. It specifically addresses challenges faced by small local producers who may lack resources for technical compliance in areas like food safety and sustainability.

Monitoring systems include:

- ➔ Regular supplier audits
- ➔ Direct field visits
- ➔ Stakeholder feedback mechanisms
- ➔ Performance metrics tracking
- ➔ Third-party verification

Concerning adaptation to different business models, Eroski's due diligence framework adapts to its various operational structures while maintaining consistent standards. In its core cooperative region, worker-owner involvement in governance provides additional oversight. For joint ventures, like its partnership with Vegalsa in Galicia, specific protocols ensure alignment with Eroski's sustainability standards. Its international

supply chains, particularly for non-food items, incorporate specialised due diligence measures developed through decades of experience in global sourcing. The framework particularly demonstrates flexibility in balancing local market conditions with corporate standards. For example, while procurement practices may vary between regions, core sustainability requirements remain consistent across all operations.

Looking towards future development and regulatory alignment, Eroski is actively preparing to implement the EU Corporate Sustainability Due Diligence Directive. Its existing practices already largely comply with upcoming requirements, though it continues to enhance its framework. This includes updating its materiality analysis and strengthening documentation processes. A senior executive notes that while the directive will formalise many practices, the challenge lies in “finding an equilibrium between commercial viability and sustainability requirements.” Its cooperative structure aids this balance by enabling longer-term perspectives to be taken on investment in sustainable practices.

In relation to specific regulatory compliance, Eroski abides by the following norms:

- ➔ Law 11/2018 requirements: Eroski ensures transparency and compliance through extensive reporting on sustainability;
- ➔ Preparation for the EU CSDD directive: Eroski is monitoring the development of the directive and preparing for its implementation. While many of its existing practices comply with expected

requirements, it is waiting for the directive’s transposition to determine what additional adjustments may be needed to its current framework;

- ➔ Sector-specific regulations: compliance with food safety, labelling and supply chain traceability standards remains a key focus;
- ➔ Voluntary standards: adherence to the United Nations Global Compact demonstrates a commitment to exceeding regulatory expectations;
- ➔ Reporting and disclosure practices: non-financial reports detail ESG progress, verified by third-party audits for accuracy and credibility.

Regarding effectiveness and impact, Eroski’s due diligence framework is evident in several areas:

- ➔ Long-term supplier relationships maintained through multiple economic cycles
- ➔ Successful navigation of complex international supply chains
- ➔ Recognition for sustainability practices beyond what its market share would suggest
- ➔ Ability to implement standards across diverse business models
- ➔ Proactive identification and management of emerging risks

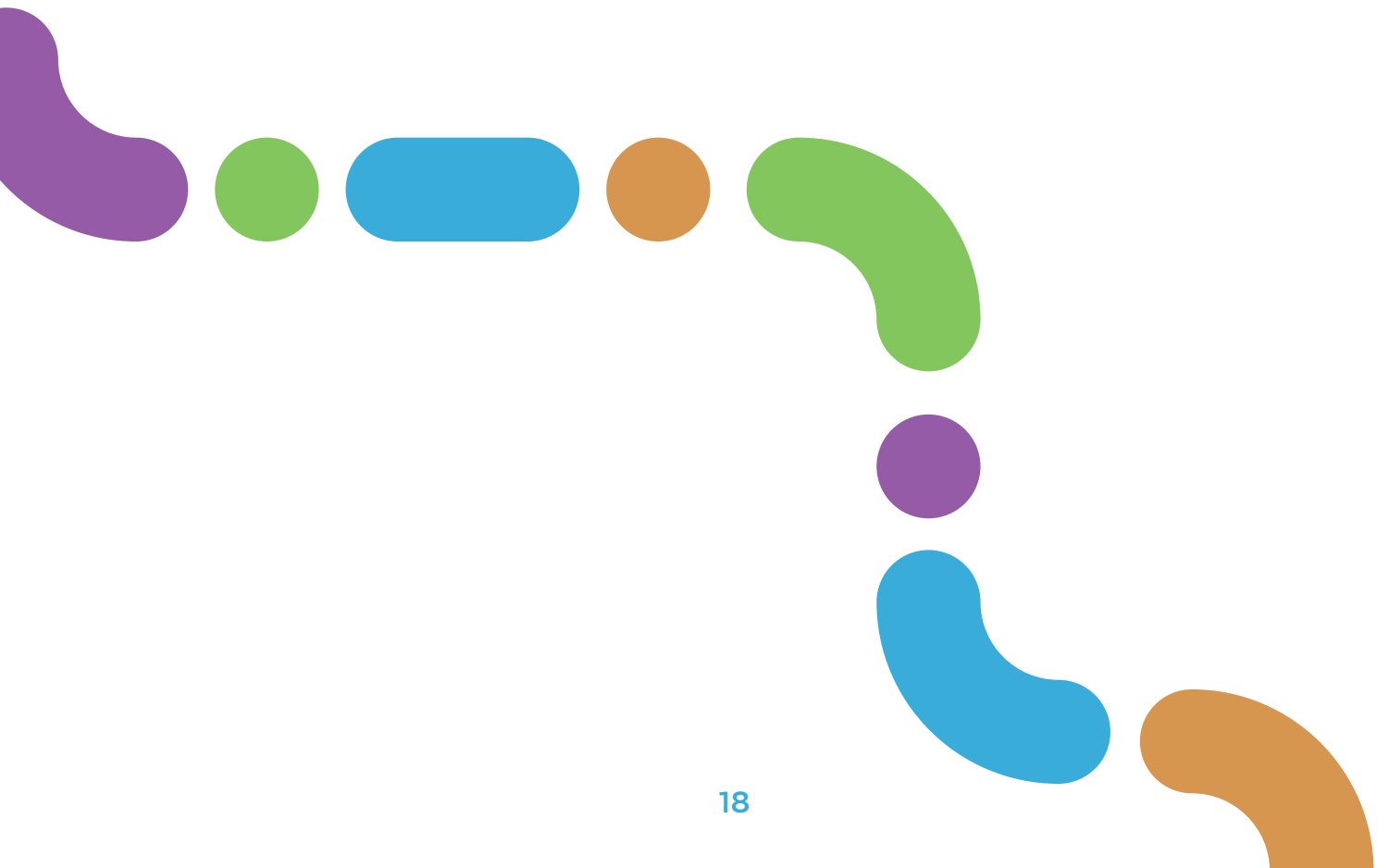
This comprehensive approach to due diligence, rooted in cooperative principles but adapted to modern retail challenges, positions Eroski well in addressing emerging regulatory requirements while supporting its broader sustainability goals.





# 04

## **Social dialogue**



## Case study: EROSKI – SPAIN

Eroski has developed a distinctive dual model of social dialogue that reflects its unique structure as both a cooperative and a retail business operator. This model demonstrates how large social economy organisations can maintain effective stakeholder engagement while operating at scale.

Regarding the dual model structure and organisation, as outlined above, Eroski operates through a cooperative governance structure with established democratic participation mechanisms. In the cooperative core, traditional union-based social dialogue is replaced by more direct forms of worker participation, as workers are both owners and employees. This includes a social council that advises the governing council on labour matters, democratic processes for key decisions like salary policies and working conditions, and direct worker participation in both ownership and results. An example of direct worker involvement in operational changes is the implementation of hybrid work arrangements explained below. This enhancement of the basic cooperative structure helps translate formal governance mechanisms into active, daily stakeholder involvement.

For conventional operations (like Caprabo), Eroski maintains traditional labour relations:

- ➔ Standard union representation and collective bargaining
- ➔ Works councils and employee representatives
- ➔ Regular negotiations on working conditions
- ➔ Lower reported conflict levels compared to sector averages

In terms of participation mechanisms and decision-making, Eroski's participative approach is particularly evident in how salary and working conditions decisions are made. Worker representatives initiate proposals which are then reviewed and advised upon by the social council before moving through a democratic approval process. This approach differs significantly from conventional corporate structures, as workers do not receive performance bonuses but instead directly share in results as owners. This system creates a more collaborative approach to compensation decisions, linking individual success to collective performance.

Recent organisational changes demonstrate this participative decision-making in action. In 2024, Eroski implemented new hybrid work arrangements for the workers at its headquarters, expanding remote work to two days per week and adjusting Friday working hours to enhance work-life balance. These changes emerged through collective discussion and democratic processes rather than top-down implementation. This approach to change management builds on Eroski's history of collaborative decision-making, as demonstrated during its response to the 2008 financial crisis, where collective solutions helped navigate significant market challenges.

Concerning stakeholder engagement and communication, Eroski has developed a comprehensive approach that operates across multiple levels of the organisation. Management and worker representatives meet regularly, while dedicated positions like the Workers' Delegate ensure continuous bi-directional communication.

These formal channels are complemented by direct department-to-department communications, supported by digital platforms and internal communications systems. Consumer members also participate actively through various mechanisms, ensuring that their views inform organisational decisions.

The effectiveness of these engagement efforts is reflected in significant participation metrics. Over 1.3 million consumer members play an active role in governance and decision-making processes. Investment in engagement is also evident in the extensive training programmes, with over 239,000 hours dedicated to staff development in 2023. This commitment to stakeholder engagement extends beyond formal participation numbers to include regular consultations on sustainability initiatives and active supplier engagement programmes. These various engagement channels work together to create a comprehensive dialogue system that supports both operational effectiveness and stakeholder inclusion.

Looking at the integration and effectiveness of values, Eroski's cooperative values significantly influence its social dialogue through an emphasis on transparency and democratic control, balance between business efficiency and social values, integration of sustainability into governance decisions, and focus on long-term relationships over short-term gains.

The effectiveness of this approach is evidenced by:

- Successful navigation of market challenges
- Long-term partnership stability (e.g. 25+ years with Vegalsa)

- Lower conflict levels in labour relations
- Strong stakeholder relationships
- Positive sustainability performance

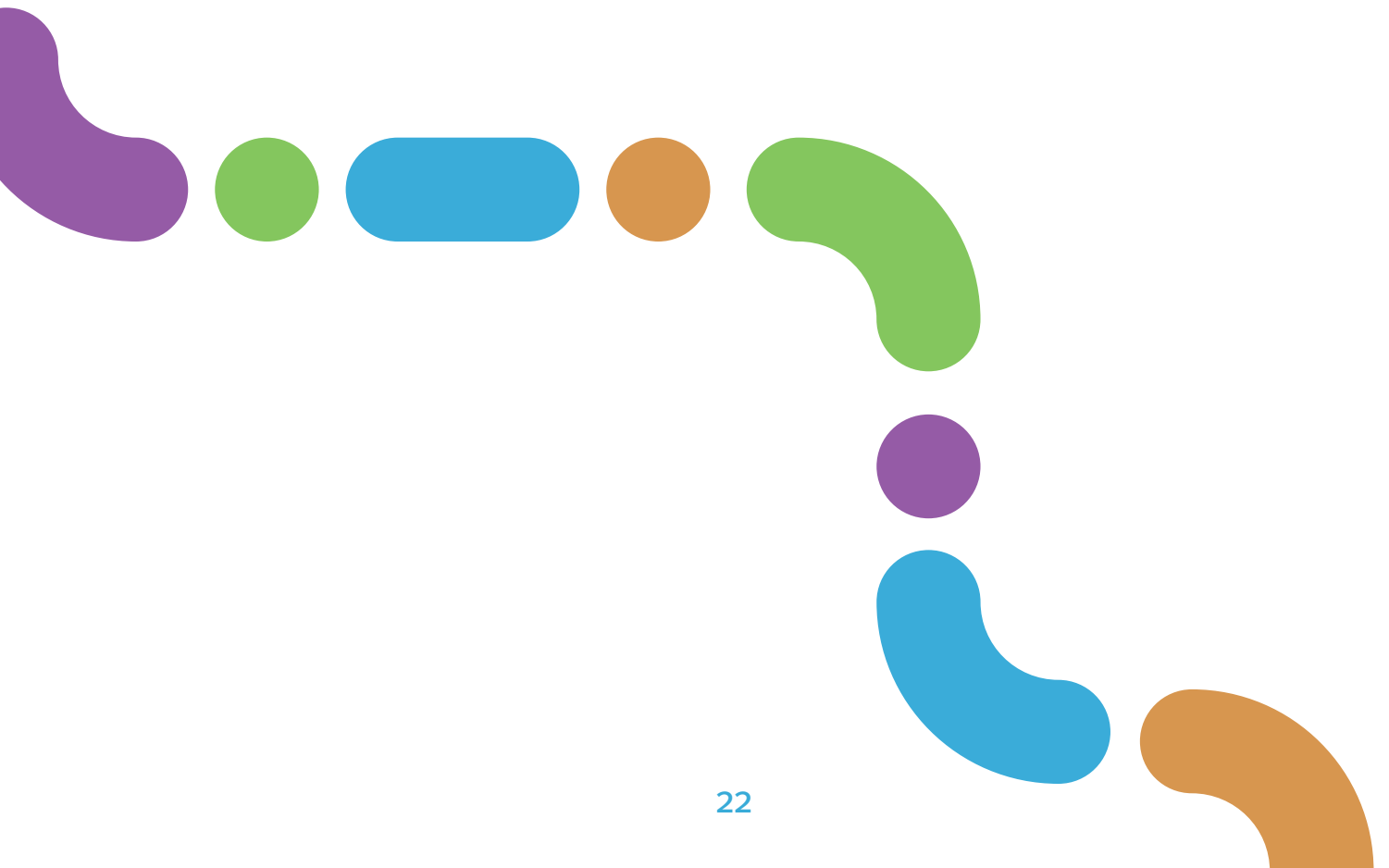
On the sustainability and social dialogue front, Eroski deals with issues through oversight by the sustainability committee, regular stakeholder consultation on environmental initiatives, integration of social and environmental metrics in decision-making, and joint monitoring of sustainability goals. Key challenges and adaptations include balancing cooperative and conventional operations, maintaining engagement across a large organisation, explaining the cooperative model to external stakeholders, and adapting to different regional contexts.

This system demonstrates how social dialogue can function effectively in a large social economy organisation while supporting both business success and social impact. Eroski's experience demonstrates that cooperative principles can contribute to business resilience when properly managed, though maintaining such systems demands significant effort, ongoing attention and constant adaptation to market conditions. The model particularly succeeds in integrating worker and consumer interests, maintaining effective communication across structures, supporting long-term sustainability goals, building stakeholder trust, and preventing and managing conflicts. This approach to social dialogue has proven resilient to market challenges while supporting Eroski's broader sustainability and social impact objectives.



# 05

## **Challenges and opportunities**



## Case study: EROSKI – SPAIN

Eroski's position as a major retail cooperative implementing sustainable business practices presents distinct challenges and opportunities that reflect both its unique organisational model and its market position.

The fundamental challenge lies in balancing economic viability with sustainability investments. As explicitly stated by senior management, "sustainability and competitiveness are like parallel lines that meet at infinity." This tension manifests particularly in areas like sustainable energy procurement, where green alternatives typically carry higher costs. Internal dynamics reflect this challenge, with sustainability teams often needing to negotiate with commercial teams over initiatives that may impact short-term profitability but offer long-term sustainability benefits. The challenge intensifies in retail, where thin margins and price competition limit the business's ability to absorb additional costs. However, this perceived dichotomy between sustainability and competitiveness may actually signal a more fundamental insight: not a flaw in sustainability initiatives, but evidence that our current economic frameworks are structurally misaligned with ecological imperatives. The recent political backlash against ESG investing, or the CSR directive itself, further exposes this systemic vulnerability, as market-based sustainability efforts become increasingly fragile without policy support.

Supply chain complexity presents another significant challenge. Eroski's analysis shows that scope 3 emissions (from commercialised products) represent approximately 95% of its total carbon footprint, making it heavily dependent on supplier actions

for significant sustainability improvements. With thousands of suppliers across different sectors and countries, ensuring comprehensive sustainability compliance becomes increasingly complex. This challenge intensifies as some financial sector stakeholders demand more rigorous verification of sustainability performance.

A third challenge is that the organisation faces substantial regulatory complexity. Multiple upcoming regulations – including due diligence requirements, CSR directive implementation, and new packaging standards – create overlapping compliance demands requiring significant resource investment. This is further complicated by the need to coordinate responses across European, national and regional jurisdictions while maintaining operational efficiency.

Eroski's cooperative structure provides distinctive opportunities for sustainability leadership. Its democratic governance model enables a longer-term view to be taken on sustainability investments than conventional corporate structures might allow. This advantage has been demonstrated by its history of early adoption of sustainable practices (as mentioned in previous sections).

Its established position in sustainability creates market differentiation opportunities. Current performance in sustainability rankings exceeds its market share position, suggesting strong potential for leveraging sustainability leadership for competitive advantage. This is particularly relevant as consumer awareness of sustainability issues increases and stakeholders demand greater corporate responsibility.

The organisation's experience in stakeholder engagement opens opportunities for deeper sustainability integration. The above-mentioned Local Supplier Support Programme demonstrates how Eroski's cooperative model can drive practical sustainability improvements through stakeholder collaboration.

International cooperation presents another significant opportunity area. Eroski's experience in building long-term partnerships and participation in international cooperative networks puts it in a good position to expand sustainable business practices through strategic alliances.

Finally, its capacity to use conventional structures to produce a hybrid model in its structure while keeping the cooperative governance of the whole group offers unique opportunities for facing the challenges in sustainability implementation and competition.

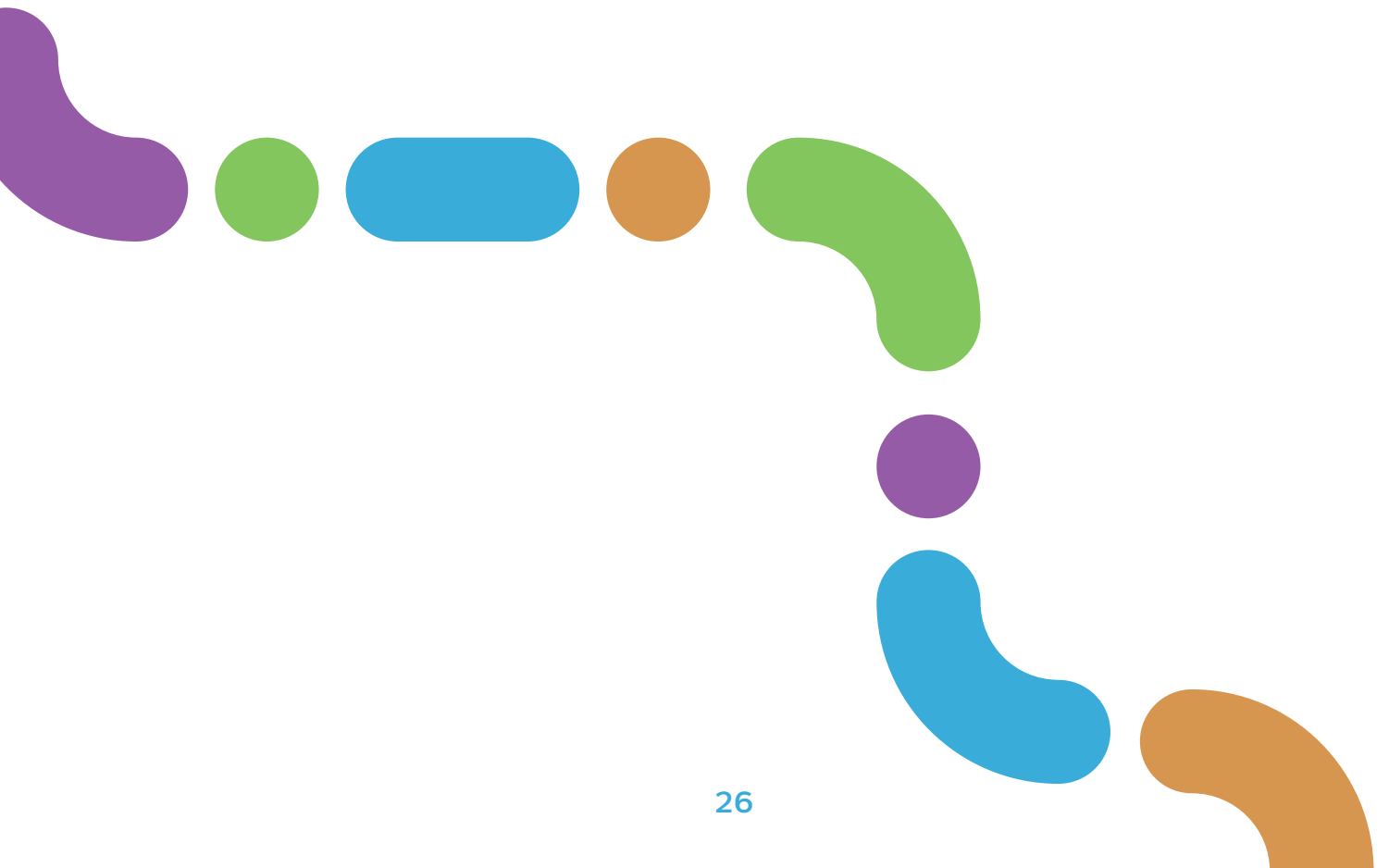
These challenges and opportunities shape Eroski's approach to sustainable business practices, requiring careful balance between immediate market pressures and long-term sustainability goals. Its experience demonstrates how social economy organisations can leverage their distinctive characteristics while addressing practical implementation challenges in competitive markets.





# 06

## **Strategies and actions**



## Case study: EROSKI – SPAIN

Eroski's approach to promoting and protecting social, environmental and governance values demonstrates how a large cooperative can effectively integrate sustainability into its operations while maintaining market competitiveness. Its strategies combine proactive initiatives with systematic implementation, supported by relevant monitoring and verification systems.

At the core of Eroski's social value protection is its distinctive cooperative governance model, which ensures equal representation of workers and consumers in decision-making processes. This democratic structure extends beyond formal governance into daily operations through active participation mechanisms. As highlighted in leadership interviews, this participatory approach was useful in challenging circumstances, demonstrated during its response to the 2008 financial crisis where collective solutions emerged through democratic processes.

The organisation's commitment to social value is evidenced through concrete actions, particularly its Local Supplier Support Programme. This programme exemplifies its approach to combining business development with social impact. The programme provides technical assistance and capacity building for small local producers, helping them to improve their standards while maintaining their market position. Besides this it makes a €23 million annual social investment benefiting over 300,000 individuals.

Worker protection and development remain central to Eroski's strategy, with significant investment in training (239,349 hours in 2023) and strong gender

equality practices (77% female workforce with 74% in leadership positions). Recent developments, such as expanded hybrid work arrangements and adjusted schedules, demonstrate a continuing evolution in response to worker needs.

Eroski's environmental strategy combines long-term commitments with practical implementation. Its approach is characterised by early adoption of sustainable practices, often ahead of regulatory requirements. As mentioned above, Eroski was the first Spanish retailer to eliminate trans fats in 1997 and proactively removed CFCs before regulations required it.

Current environmental initiatives focus on practical impact. The organisation has achieved a 40% reduction in greenhouse gas emissions since 2017 and maintains a 99% waste recycling rate. Its approach to environmental challenges emphasises finding workable solutions rather than simply avoiding risk. This is exemplified in its current initiative examining water sustainability in Huelva's berry sector, where it is working with suppliers and third-party experts to develop sustainable solutions rather than simply changing suppliers.

Governance at Eroski protects values by systematically implementing democratic principles. Its approach balances cooperative ideals with practical business needs through specialised bodies like the social council and the sustainability committee. This structure ensures that sustainability and social responsibility remain central to decision-making while maintaining operational efficiency.

The organisation implements robust verification systems, including regular audits and stakeholder consultations. Its supplier engagement programme requires annual renewal of ethics commitments and includes active monitoring of compliance. This systematic approach extends to its partnerships, demonstrated by its successful 25-year alliance with Vegalsa, which it attributes to its cooperative approach to relationship management.

Eroski's effectiveness in protecting and promoting values is demonstrated through both quantitative achievements and qualitative outcomes. Its market position in sustainability rankings exceeds its market share position, suggesting successful value integration. It has maintained this performance while operating in highly competitive markets, demonstrating that value protection can coexist with business success.

The organisation acknowledges the challenges in balancing sustainability investments with market competitiveness. As mentioned above, a senior official notes that "sustainability and competitiveness are like parallel lines that meet at infinity." However, Eroski's experience shows that systematic implementation of value protection strategies can support rather than hinder business performance when properly integrated into operations.

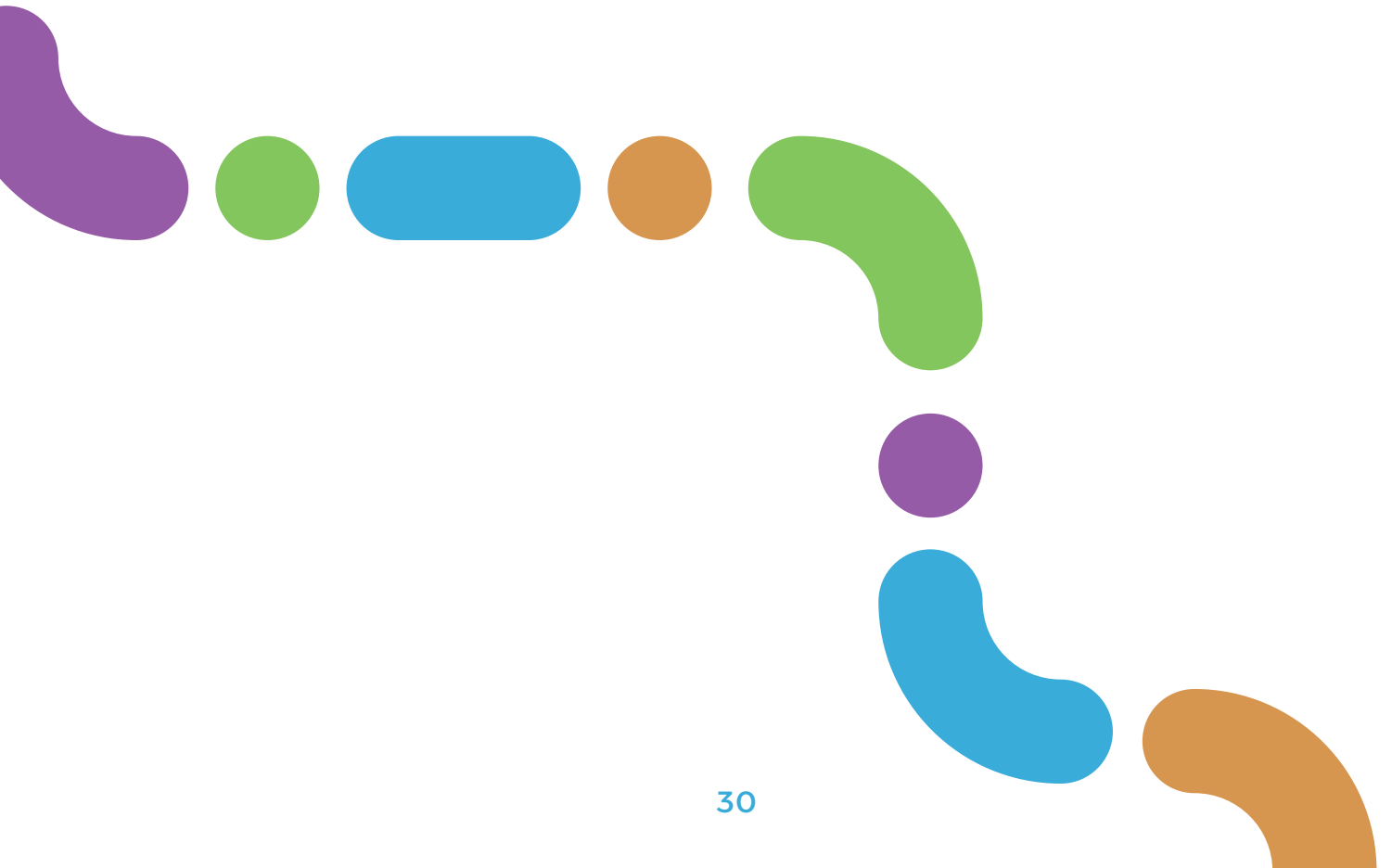
Eroski's commitment to value protection is validated through comprehensive third-party verification systems. Its sustainability performance is regularly assessed through independent audits and benchmarking, with its position in the Merco sustainability rankings consistently exceeding its market share position. The organisation participates

in various external assessment frameworks, though, notably, its approach emphasises practical verification of impacts over formal certifications. This is exemplified in its supplier assessment practices, where it combines standard audits with active engagement and support programmes. For instance, in its international supply chains, particularly for non-food items from Asia, it maintains long-term relationships with independent auditors who verify compliance with its social and environmental standards. This verification system has evolved since 2003, when Eroski established its first ethical management manual, and continues to adapt to emerging challenges and requirements.



07

# Good practices and lessons learned



## Case study: EROSKI – SPAIN

Eroski's experience as a major retail cooperative implementing sustainable business practices offers valuable insights for both social economy and conventional businesses. Its journey demonstrates how organisations can successfully balance commercial success with social responsibility through innovative approaches and systematic implementation.

### **Best practice spotlight: Eroski's Local Supplier Support Programme**

Eroski's Local Supplier Support Programme stands out as a pioneering initiative that strengthens regional economies while fostering sustainable supply chains. It offers valuable insights for conventional companies looking to enhance local collaboration.

#### **Key features and approach:**

**Comprehensive technical assistance:** The programme provides local producers with capacity-building support, including training in logistics, quality standards and financial management. This ensures small producers can meet the rigorous demands of large-scale retail;

**Sustainability integration:** Suppliers are encouraged to adopt environmentally and socially responsible practices, aligning their operations with Eroski's sustainability goals, including reducing carbon footprints and improving efficiency;

**Collaborative networks:** By fostering partnerships with regional agricultural cooperatives, public institutions, and certification bodies, Eroski facilitates a shared ecosystem that enables small producers to scale operations collectively;

**Systematic assessment and targeted development:** Through a six-dimensional quality assessment system, suppliers receive individualised diagnostics and targeted support to drive continuous improvement in their operations and sustainability practices.

#### **Results and impact:**

The programme has significantly contributed to Eroski's achievement of sourcing 95% of its products from national suppliers, with nearly 60% coming from local producers. This focus on local sourcing has strengthened regional economies and fostered consumer trust in local products. Producers engaged in the programme have reported sustained sales growth, professionalisation, and improved resilience to market fluctuations, showing how systematic collaboration creates value for both suppliers and retailers.

### **Lessons for transferability:**

Eroski's experience demonstrates the importance of tailoring supplier programmes to regional contexts, as seen in its successful expansion from the Basque Country to Navarre, Galicia, and Aragón. A holistic approach that combines technical support with relationship-building fosters long-term loyalty and mutual growth. Integrating sustainability into such programmes not only meets evolving consumer expectations but also positions companies to adapt to future regulatory and market demands.

Moreover, Eroski's success in international operations offers important insights into the role of intangible assets in cooperative internationalisation. Its experience in Asian supply chains since the late 1990s demonstrates how cooperatives can build valuable relationships and knowledge in international markets. As noted by senior management, it maintains decades-long relationships with suppliers in countries like Pakistan, reflecting the importance of personal connections and cultural understanding in international trade. Its early investment in developing international sourcing expertise, including language capabilities and understanding of different business cultures, has proven valuable for long-term success.

The relevance of the intangible assets is not reflected in financial reporting, maybe due to the mainstream economic approach in the retail sector (as compared with other industries).

The organisation has also benefited significantly from participation in international cooperative networks. Its active involvement in organisations like the International Cooperative Alliance and Eurocoop has facilitated knowledge exchange and partnership development with other consumer cooperatives. This network participation has been particularly valuable

in developing sustainable business practices, as it allows Eroski to learn from and share experiences with similar organisations across Europe.

Its hybrid organisational model, combining cooperative and conventional structures, provides insights for social economy organisations seeking to scale up their operations. Its approach to stakeholder engagement and sustainability implementation offers valuable lessons for conventional businesses, while its success in adapting to regional markets while maintaining consistent values demonstrates how organisations can balance standardisation with local responsiveness.

The case demonstrates that social and environmental responsibility can support rather than hinder business success when properly integrated into operations. The most significant insight from Eroski's experience is how it has stayed true to its cooperative principles while adapting to modern retail challenges. Its innovative governance and business models show that organisations can successfully balance commercial success with social responsibility, even in highly competitive markets.





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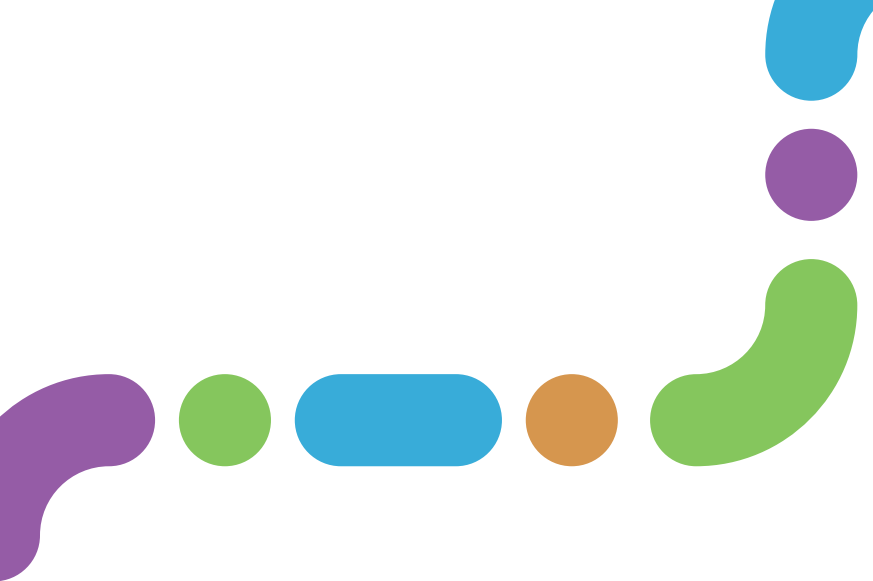
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One interview was held with the Head of Health and Sustainability of Eroski (January 2025), who also answered some questions in written form (June 2024).





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