

The challenge for Mondragon: Searching for the cooperative values in times of internationalization

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Abstract

Competitiveness today requires being able to operate at a global scale. The financial crisis invigorated this requirement, posing new challenges to the economic viability of conventional companies and demanding alternative organizational forms of production. Although a wealth of research has focused on capitalist companies, little attention has been paid to the way these challenges affected worker cooperatives. Drawing from a qualitative case study of the Mondragon Cooperative Group, this article discusses the obstacles to internationalization faced by worker cooperatives, as well as the specific conditions and implications involved. In particular, the article analyzes Mondragon's contradiction between being forced to expand and trying to keep cooperative values during this expansion. Two main actions aimed at responding to this contradiction are analyzed: the creation of mixed cooperatives and the extension of the corporate management model. The analysis of this process will shed light on actions for the global expansion of worker cooperatives.

Keywords

Cooperative values, expansion, internationalization, worker cooperatives

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Introduction

Competitiveness requires companies to expand globally. Even entrepreneurial groups that had not considered internationalization as a business option have now acceded to this increasingly pressing demand, particularly in response to the rapid development of emerging economies (Ciochetto, 2013). The financial crisis has increased the importance of internationalization by posing new challenges to the economic viability of conventional companies and by demanding alternative forms by which to organize production. Worker cooperatives have not remained untouched by the phenomenon of internationalization: they, too, face its challenges head-on. If they want to remain competitive in a globalizing market, worker cooperatives are forced to expand domestically and internationally. However, that requirement is only one side of the coin. On the other side, worker cooperatives are also expected to maintain cooperative values and not to negatively affect employment conditions in their newly created subsidiaries; consequently, they are urged to explore alternative forms of organization that can respond to society's economic, social, and democratic needs. Amid this dilemma, worker cooperatives have been forced to search for the most suitable path to address the tensions that emerge from balancing competitiveness with cooperative values, such as economic democracy and solidarity. Although much attention has been given to internationalization's implications for capitalist companies, there is little knowledge of how worker cooperatives are affected by and respond to the challenges of internationalization. This article is intended to fill this gap in the literature by exploring the case of the Mondragon Cooperative Group.¹

The Mondragon Cooperative Group, which is the 10th-largest entrepreneurial group in Spain, is one of the most outstanding examples of worker cooperatives in history (Mondragon Corporation, 2013). The Mondragon Cooperative Group has engaged in a domestic expansion process since the early 1960s and internationally since the 1990s. This expansion has not only enabled the cooperatives to maintain their competitiveness, thereby creating cooperative employment in the Basque Country, but also non-cooperative employment in subsidiaries in other parts of Spain and abroad. However, the Mondragon case is illustrative of how to tackle the emerging contradictions by renewing its organization of managerial structures. Our research presents a closer examination of the actions developed by the Mondragon cooperatives in their domestic and international expansion efforts that are oriented toward achieving economic success while maintaining their social commitment. The evidence collected shows that the Mondragon group has remained devoted to cooperative values while following global economic trends to stay competitive in the international market.

The article is divided into five sections. First, the scientific literature on the processes of international expansion in both conventional and cooperative companies is reviewed, with emphasis on what is already known about the Mondragon case. Second, the Mondragon Cooperative Group is contextualized. Third, the methodology followed is presented in detail. Fourth, the main findings of the study are presented in two main sections: on one hand, we critically analyze the core contradiction faced by Mondragon by identifying the different barriers that prevent the group from expanding along the lines of the cooperative core model; on the other hand, we analyze the main actions developed to mitigate the effects of this contradiction. Highlighted among these actions are the development of mixed cooperatives and the expansion of the *corporate management model* (CMM) into Mondragon's subsidiaries. The article concludes with final remarks drawn from our findings, along with critical reflections for further research.

State of the art: internationalization as a competitiveness strategy

There is a wealth of studies about internationalization strategies that companies worldwide have been forced to adopt to become more competitive. This trend has influenced not only multinational

companies in strong economic markets but also small and medium-sized companies in less-developed domestic markets. This latter group of companies must either follow the trend or remain excluded from the market.

Research highlights four main aspects about companies' international expansion. First, some studies have identified 'survival' as the main reason to decide to expand internationally, particularly visible in companies located in countries with small domestic markets (Sapienza et al., 2006). These companies need to expand their activities to either foreign markets or new sectors to maintain competitiveness and survive. Second, some research has instead focused on the advantages of the internationalization strategy. For instance, some have emphasized increasing efficiency, which may lead to organizational and financial advantages (Leibenstein, 1966; Shelton, 1967). Others have also pointed directly at the organizational learning enhanced by internationalization because it widens knowledge in specific areas, cultures, and mindsets and thus increases innovation (Hitt et al., 2006; Zahra et al., 2000). However, Johanson and Wiedersheim-Paul (2007) have emphasized that internationalization is neither easy nor always beneficial insofar as it requires a strategy for expansion based on knowledge of the foreign market and its existing resources. Third, studies have also examined different pathways toward internationalization, which vary by company, sector, and area, among others. The international scientific literature highlights offshoring and offshored outsourcing as the main internationalization strategies (Contractor et al., 2010). Whereas offshoring refers to the relocation of a particular business, outsourcing refers to the subcontracting of another company for some specific business process in the domestic or international market. In both cases, these strategies are adopted to reduce production costs, obtain access to knowledge of other markets, enjoy greater legitimacy in foreign markets, and access new markets (Barba Navaretti et al., 2009; Contractor et al., 2010). Nonetheless, beyond economic decisions, moral arguments and social influences can also pressure both managers and firms in deciding about offshoring and outsourcing suitability (Schröder, 2012). Diverse organizational approaches to internationalization may also imply foreign direct investment, such as acquisitions and mergers, with their related implications (Lu and Xu, 2006; Tong et al., 2008). Finally, some research has also emphasized the consequences of internationalization for both the origin and destination countries. Critical theories of internationalization have highlighted that offshoring and offshored outsourcing are usually detrimental to local jobs and typically increase employment in the host country, albeit under worse labor conditions (Levy, 2005).

Although these studies serve as a general framework, scientific examination of the internationalization strategies of worker cooperatives has been scarce and very limited. This might be because only a few cooperative companies have expanded their economic activities to other countries and widened their scope to international markets. The Mondragon Cooperative Group is one of the most prominent cases to be studied in the scientific literature, and different aspects of the group have been already analyzed. According to these studies, Mondragon's international expansion is an attempt to remain competitive and, therefore, to preserve locally rooted cooperatives (Arando et al., 2010; Luzarraga et al., 2007). Luzarraga (2008) has emphasized the fact that, different from traditional capitalist companies, the Mondragon cooperatives have not offshored their business but rather they have followed a multi-location strategy. In other words, the Mondragon cooperatives have not closed their local production plants in the Basque Country. Instead, they have followed internationalization trends and their clients' requests to open establishments in diverse international markets. Thus, they have pursued some strategies implemented by capitalist companies while simultaneously maintaining and creating employment in the local community as well as in foreign locations, where they have tried to recreate some of their cooperative values (Redondo et al., 2011).

Extant research has already addressed several aspects of this contradiction. Clamp (2000) argued that the international expansion of Mondragon's cooperatives follows capitalist strategies by generating, for instance, an increase in non-cooperative employment, which is contrary to cooperative values. However, while recognizing this contradiction, Arando et al. (2010) have also analyzed Mondragon efforts to overcome it. They emphasized that, despite the legal, financial, and cultural difficulties of opening membership to subsidiary companies, both participatory mechanisms and the possibility of shared ownership developed in non-cooperative subsidiaries are real steps forward.

Research that has analyzed venues for overcoming the contradiction is scarce, but it is necessary to advance knowledge about the possible global expansion of worker cooperatives. This article reports on an in-depth analysis of not only the barriers but also the particular actions taken by five cooperatives in the Mondragon region (namely, Eroski, Maier, Alecop, Ulma Construction, and RPK) in reversing the contradiction.

The Mondragon case study

The Mondragon Cooperative Group is composed of 289 institutions, of which 110 are cooperatives, 147 are subsidiary companies, and the rest are foundations, benefit societies, umbrella organizations, and international services. Most of the cooperatives are located in the Basque Country and Navarra, whereas the subsidiaries are located in the Basque Country, in Spain, and abroad. In total, the Mondragon Cooperative Group employs 80,321 people, 70,000 of whom live in Spain, with the rest employed all over the world (Mondragon Corporation, 2012a).

The Mondragon domestic and international expansion process must be further described. The objective has always been twofold. On one hand, Mondragon companies must be competitive in the markets in which they are located. And on the other hand, they must create jobs and wealth in the Basque Country and, particularly, for the cooperative's members. This strategy was developed through acquiring and creating capitalist companies beyond the borders of the Basque Country, initially at the domestic level (in the 1960s) and later at the international level (Errasti et al., 2003, 2012). Currently, the group's expansion has resulted in the establishment of corporate offices in 40 countries and exports to more than 150 countries.

The history of internationalization can be reconstructed through strategic decisions that were made in Mondragon's Congresses. Although some international activities had already been implemented, it was in 1993, during the Fourth Congress, that internationalization was consistently discussed for the first time. In fact, this Congress approved a strategic plan within Mondragon's entrepreneurial policy that included internationalization as a basic goal (Cancelo, 1999). Subsequently, the first Strategic Corporate Plan for Internationalization (PECI) was approved for the period of 1994–1996. This plan defined the international actions, the main countries of action, the functions developed by the cooperative groups and the cooperative center as well as quantitative aims regarding international sales over the total, the number of new production plants abroad, the investment to be made, and the necessary human resources (Urdangarin, 1999).

Later, in 2003, during the Eighth Congress, Mondragon's workers approved a 'social expansion' strategy (Irizar, 2005) through which they aimed to combine their cooperative values with the expansion necessary to continue to be competitive at an economic level. Their goal of social expansion refers to gradually spreading cooperative values across all of their subsidiaries by developing participation mechanisms similar to those available to their cooperatives' members. The final aim of this policy was to extend Mondragon's management model to its subsidiary companies, including worker training and education (Irizar, 2005). Additionally, the strategic lines for this period included 24 new foreign industrial plants and the prioritization of markets in the European Union (EU), the United States, China, and Eastern Europe.

Today, the internationalization process is a reality. As an overview, by 2012, Mondragon's industry-sector cooperatives had 105 subsidiaries abroad: 59 in Europe, 20 in the Americas, 23 in Asia, 2 in Africa, and 1 in Australia (Mondragon Corporation, 2012a). In this regard, research on both global (internationalized) and local (non-internationalized) cooperatives has shown that the former have fared better than the latter with respect to sales and employment. For instance, global cooperatives' sales between the periods of 2005–2010 and 1990–1995 increased threefold, which doubled the sales of local cooperatives. Furthermore, employment between these periods increased by 170% in global cooperatives (both in worker members and non-members), whereas it decreased by 11% in local cooperatives (Mondragon Corporation, 2012b). Therefore, the multi-location strategy is able to maintain and create cooperative employment while also increasing non-cooperative employment abroad.

Methods and data

The results presented here build on the research "The Contribution of Competitive Cooperativism to Overcoming Current Economic Problems" (Cooperativismo Competitivo: Aportaciones a la sostenibilidad y calidad del empleo en el momento económico actual) (CREA, 2012–2014), which is funded by the Spanish Ministry of Science and Innovation through the National R&D Program. In particular, this article is based on a case study conducted on the Mondragon Cooperative Group. We present findings that meet our objective of analyzing Mondragon's expansion process and, more particularly, identifying both the main barriers to expanding the group's worker cooperative model while analyzing the actions deployed by the group to mitigate the identified barriers.

The research used the communicative methodology, which aims not only to describe social reality but also to provide scientific knowledge of how this social reality can be changed (Flecha and Soler, 2014). This methodology is based on the intersubjective dialogue between the researchers and the 'researched', involving the latter throughout the research process from the design of the research to the interpretation of the results. The communicative methodology has been implemented in diverse EU Framework Program research projects² and recommended by the European Commission.³

Data collection consisted of different techniques. First, we thoroughly analyzed documents from 2003 onward that reported on the cooperatives, both from regional press and from the Mondragon Cooperative Group's internal archives. Second, we conducted 28 in-depth interviews of workers holding diverse positions in five worker cooperatives in the Basque Country: Alecop, Eroski, Maier Group, RPK,⁴ and Ulma Construction.

Maier Group, RPK and Ulma Construction operate in the industrial sector and compete in the global market with the most important international companies in their field. RPK is a spring manufacturer for leading companies in diverse industries, such as the automobile, electric, medical, and general industrial sectors. Its parent company is based in the Basque Country, and its subsidiaries are located in India, Mexico, and Spain. Maier Group is a cooperative group formed by several cooperative and non-cooperative subsidiaries. Maier produces components for the automobile sector and for electrical appliances. Some of its clients are prestigious automobile companies in Europe, the United States, and Asia. Ulma Construction is an affiliated cooperative company of Ulma Group, which itself is composed of several cooperative and non-cooperative companies. Ulma Construction designs and produces formwork and scaffolding systems. All three companies place special emphasis on innovation and are customer oriented. Their products are all certified and comply with international standards. Alecop provides business services and solutions to companies in the industrial sector. Eroski operates in the retail sector and is managed by both worker-owners and consumer members.

The workers interviewed had diverse profiles: 21 of the 28 workers interviewed were worker-owners and occupied positions that varied from managerial posts (13) to lower positions (8); 4 of the 28 workers were temporary worker-owners, 2 were conventional employees and 1 was a retired worker-owner. The distribution of the interviews was as follows: Alecop (9), Eroski (1), Maier (6), RPK (10), and Ulma Construction (2).⁵

Based on the communicative methodology approach, the data analysis was organized according to elements that reproduce barriers (an exclusionary dimension) and elements that reduce them (a transformative dimension).

Barriers that hindered the Mondragon expansion as a worker cooperative

The expansion of the Mondragon Cooperative Group has mainly been characterized by the creation and acquisition of capitalist companies. This has been noted by some scholars as a contradiction. The contradiction relies on the fact that this expansion may be inconsistent with core cooperative values, such as worker participation in ownership, capital, and management (Altuna, 2008; Arando et al., 2010; Errasti et al., 2003; Hermel, 1990). Based on a thorough literature review, documentary analysis, and our qualitative fieldwork, we identified four main barriers—economic, legal, cultural, and investment-related—that hindered Mondragon from overcoming the contradiction and deterred the expansion of the Mondragon model.

The first barrier is related to economic aspects. There is certain agreement in the literature and from our fieldwork that, to open up the possibility for workers to become members, a company must be profitable. It is difficult (but not impossible) to identify a group of people in the host country to invest capital and trust the economic viability of a project at its initial phase. A worker-owner from Maier expressed these economic limitations. She argued that the cooperative must first do well economically, and only then does it make sense to extrapolate the worker cooperative model to external partners:

If you open a production plant in the Czech Republic, you never know exactly what kind of success it will have, especially in the beginning. If the project will be of long duration, then the fact that the plant is not a cooperative makes it more flexible, I think, and if it goes poorly, you can make changes more easily (...) For example, Ferroplast is a very solid company that has worked for quite a long time; in that case, the decision that the employees could become worker-owners was taken. (115; female worker-owner of Maier with no responsibilities in the management body of the cooperative)

In the case of the industrial cooperatives, the small number of these types of cooperatives around the world was an additional barrier to expanding as a worker cooperative. It is difficult to find partners that want to establish cooperative alliances within the industrial sector at an international level (Hindmoor, 1999); therefore, it becomes a quite unrealistic alternative due to the high cost involved.

The second type of barrier refers to legal difficulties in the destination countries. In most countries, cooperative legislation is not as developed as it is in the Basque Country, and these countries often define labor cooperatives in different legal terms. For this reason, a labor cooperative as defined by the Basque Cooperative Law (1993) cannot be constituted as such in other countries if no legal definition for such a corporation exists. Schwettman and Chavez (quoted in Henry, 2005) highlight that the differences in national cooperative legislation hinder international cooperative endeavors. This issue was emphasized as being highly relevant by many of the interviewees, who argued that legal gaps represent a real impediment. Another worker from Maier points at

legislation, together with a lack of cooperative culture, as the reason why Maier did not replicate the Mondragon model:

[In order to bring the cooperative model to the subsidiaries,] it is necessary to take diverse elements into account—including legislative elements, the legal framework of the region where you wish to establish a plant, and whether a legal concept of cooperatives or a type of cooperative exists. This is one part; on the other hand, one must account for the kind of maturity of the people there—whether they are willing [to become a cooperative] and whether the region is receptive to a cooperative. (I12; male worker-owner and member of the Governing Council of Maier)

The lack of a cooperative culture is the third type of barrier that hinders the expansion of the model. The cooperative culture in the Basque Country has existed for more than a century. The 1884 constitution of the *Sociedad Cooperativa de Obreros de Barakaldo* (Labor Cooperative Society of Barakaldo) was the beginning of modern Basque cooperativism (Altuna, 2008); beginning that year, the emergence of many other industrial cooperatives provided the basis for very vibrant cooperativism in the area. Fieldwork performed in Mondragon evidenced that cooperativism is assumed to be a cultural feature of the Basque Country and that it is something worthy of pride. The cultural explanation assumes that it may be very difficult to transfer the model to other parts of the world, thus creating a barrier to expanding a cooperative at the international level. This was well argued by the majority of interviewees:

It is very complex, in the sense that cooperativism is deeply rooted here, and when I talk about here, I mean the Basque Country; cooperativism has not even had a great impact in the industrial cooperative arena in Spain. (I11; male worker-owner and member of the management council of RPK.)

Finally, the fourth barrier is related to the control over investments. We identified resistance to internationalization among members of the cooperative as stemming from a desire to protect their investments (Altuna, 2008; Enciso, 2011). Interviewees questioned whether, if total self-government was granted to a newly created cooperative, the existing cooperative members might lose control over the capital that they had invested. Their reluctance was often connected to members' cultural perspectives insofar as they did not expect workers from other regions to be as committed as they were to the company in the Basque Country. Another element commented by a worker-owner and member of the Governing Council of Ulma Construction for this to happen was the impact of a period of high economic growth on undermining commitment to cooperativism, as it may weaken solidarity ties among workers. For this reason, he argued that, in cooperatives as large as Ulma Construction, it could be difficult to trust workers to have the same commitment in a non-local context:

The general capitalist environment where we live does not help (...) I believe that, yes, [this environment hurts]; I'm very convinced about that (...) The other thing is that the market is not in our hands. But what it is in our hands is the involvement, the dedication, the idea that this is yours and therefore you have to go ahead with it, put effort in it, and not waste time complaining ... but this is not easy [outside the Basque environment]. (I18; male worker-owner and member of the Governing Council of Ulma Construction)

These four barriers to Mondragon's expansion as a worker cooperative describe in detail a phenomenon that is not new. Jose María Ormaechea (2006), the former president of the General Council of the Mondragon Corporation, who is also one of the promoters of the Mondragon Corporation and who worked with the founder Arizmendiarieta, noted that 'the main difference between a people's partnership and a limited company lies in the difficulty of turning this "people's

partnership” into a transferable model that maintains its intrinsic values’ (p. 101). The expansion of the cooperative into international markets while still adhering to cooperative values has been a concern for years, and it is a challenge that the Mondragon Corporation faces. Examples of actions oriented to address this challenge are presented below.

Managerial actions for the global expansion of worker-owned cooperatives

Based on our data analysis, we identified two actions the Mondragon cooperatives have developed to replicate the Mondragon model. These are the creation of *mixed cooperatives* and the implementation of the *CMM*. The Maier and Eroski domestic expansion reveals a striking process of cooperativization of their subsidiaries through establishing mixed cooperatives; Maier, Ulma Construction, and RPK cases exemplify the implementation of a common management model in international subsidiaries.

Mixed cooperatives

The Basque Cooperative Law (1993) defines mixed cooperatives as cooperatives whose members have voting rights in the General Assembly, one part of them depending on the amount of capital that they have provided.

The organization of mixed cooperatives mirrors the organizational structure of a worker-owned company. Mixed cooperatives have a General Assembly and a Governing Council. Furthermore, mixed cooperatives can decide to establish a Social Council, a Monitoring Commission, and a Resources Commission. Workers in mixed cooperatives, similar to those in worker cooperatives, can make decisions and actively participate in management. Because mixed cooperatives emerged from economic difficulties arising out of the cooperatives’ expansion endeavors, this model targeted diverse capital providers, such as the workers, other cooperatives (such as the parent cooperative), or members of other cooperatives, along with third parties. Thus, workers or parent cooperatives that could not provide the necessary capital to own the entire company, or did not want to take the risk, had the possibility of sharing their cooperative endeavor with other capital holders. The mixed cooperative model can be either temporary or permanent. Thus, it can be regarded as a first step in the cooperativization of subsidiaries by a parent cooperative.

The mixed cooperative model provide three spheres of participation—capital, profit, and management—for the cooperative’s members. However, this participation is shared with the other members of the mixed cooperative. In the case of the mixed cooperative Maier Ferroplast,⁶ the Maier Group has a prominent role being the main ‘holder of social parts with votes’⁷ (in that it only provides capital). A worker-owner of Maier who is also a member of the Governing Council argued that ‘Maier is like a silent partner that contributes the majority of the capital needed and provides the opportunity to expand the business outside the Basque Country’. He also explained that the Governing Council of the subsidiary is composed of nine members, five representing Maier, and four representing Maier Ferroplast. According to Maier workers, this is a necessary arrangement to reassure their investment in the mixed cooperative and prevent losses. Another interviewee from Maier, however, added that the subsidiary’s employees might not be interested in becoming worker-owners of a mixed cooperative if they cannot have complete control over their company:

But if it is a mixed cooperative, why would they be interested in it? If, at the end, 51% belongs to us, to Maier, and they only have 49%, what decision-making power will they have? (I5; female worker-owner and member of the Governing Council of Maier)

Nevertheless, the mixed cooperatives are established to implement a policy of social expansion. Hence, its implementation process and the cooperative model are based on cooperative values. Thus, the unbalanced distribution of control over the cooperative is not necessarily a problem. The same interviewee then said,

Well, in theory, it will work as it does here, with consensus; the fact of having 51% does not mean that decisions are taken without consulting—it's not like that. (I5; female worker-owner and member of the Governing Council of Maier)

Thus, the creation of mixed cooperatives brings the Mondragon cooperatives closer to their aim of not only expanding their economic activities but also their cooperativist values and culture.

Maier and Eroski are in different economic sectors. However, our fieldwork evidenced that the expansion process through mixed cooperatives has a common underlying guiding principle in both cases: a motivation to maintain cooperativist values. In both cases, the initiative to transform capitalist subsidiaries is taken by the worker-owners of the parent cooperatives, contrary to the common expectation that it would be the subsidiary employees who would initiate this process by claiming for greater participation. This is what happened in the case of Eroski: the Eroski Group was concerned about worker participation in the subsidiaries and decided at the General Assembly in 2009, by a vote of 77.5%, to offer all workers at its related capitalist companies the opportunity to become worker-owners in mixed cooperatives. The same occurred in Maier, as explained by a worker-owner and member of the Governing Council of the cooperative: 'It was an internal decision that we voted on in our General Assembly: whether to cooperativize or not. And the decision was yes'. A different interviewee from Maier explained the cooperative values that motivated this vote and the transformation:

We understand our mission and our values, such as promoting cooperative employment. We do that here in Guernica, and we cannot renounce to doing so abroad. So, with regard to this international trend, there are places where cooperative employment is viable and places where it is not. The first place we thought that it would be viable was Galicia, and after a lot of work, we have achieved it, and we are very proud of it. (I12; male worker-owner and member of the Governing Council of Maier)

However, as the worker interviewee says here, cooperativism is not always viable, and great effort may be required to finalize the implementation of a mixed cooperative abroad. The worker-owners are well aware of these difficulties, and for this reason, they have developed many strategies to comply with their mission and values: for instance, to convince the initially reluctant employees of the subsidiary companies by providing them with training in cooperative values, or to involve the subsidiary employees in the process of cooperativization. The final decision is then taken by the future worker-owners, who individually decide whether to invest capital or not. Regarding the economic aspects of cooperativization, most of the interviewed worker-owners highlighted that the economic situation of the cooperative must be stable and positive. An interviewee from Maier explained,

[You can say ...] you want to be a cooperative, that you can do it, it's better for you (...) but in Navarra, we had losses, losses, and losses, so how are we going to tell these guys to become owners of the company or to be coherent within the system? (...) They don't want to hear anything about it! (...) And then, taking this to the foreign plants is even more complicated. I think that, in the future, this will be done with the participation of the company. (I3; male worker-owner of Maier)

Because of diverging legal conditions, not all countries and regions allow for a model of mixed cooperatives. The Law of Cooperatives of Galicia (1998), for instance, originally did not include

this model. However, after negotiations with representatives of Maier, Galician policy-makers and cooperative associations from the territory, an additional provision on mixed cooperatives was added to the new Galician Law (2011). With the approval of the 2011 Cooperatives Law, which actually regulated the legal entity of mixed cooperatives, Maier representatives started to discuss the transformation with the Ferroplast workers, and in 2012, 80% of the workers approved transforming Maier Ferroplast into a mixed cooperative.

The model of the mixed cooperative has been implemented thus far at a domestic level, but it is a clear example of the possibilities that exist for addressing the ‘expansion contradiction’. Additionally, it provides evidence that, by creating affiliate production plants, parent cooperatives extend not only their business but also their cooperative nature, while at the same time they are forced to rethink their democratic mechanisms with new parties. As shown in the following statements, Maier workers see the need for expanding to maintain home employment and the necessary readjustments that go along with it:

A: Maier’s national presence also helps to attract customers and orders for the plant in Guernica. (...) In the end, Maier is growing, and the orders are growing for both the plants abroad and the plants that are here. (I15; female worker-owner of Maier)

I: Of course you have to make a great effort, but it’s true—expanding helps to maintain [employment in the home location] for a simple reason: the market grows and you work for it ... (I3; male worker-owner of Maier)

In this case, the relationship between Maier Ferroplast’s workers and Maier worker-owners is not always free of tensions and requires an ongoing effort to negotiate. The participation in the company’s management of a greater number of workers with diverse interests implies certain dynamics that are inherent to democratic organizations. Yet, this represents no difficulty to the worker-owners because these differences are addressed according to cooperativist values—that is, by searching for consensus:

Ferroplast and Maier are assimilating these forms of working, with small councils and so on; they are still in the process of adaptation because this is a very important cultural issue. (...) The Annual Management Plan that must be approved at the General Assembly wasn’t approved at the Ferroplast General Assembly because there were some points that the people disagreed upon (...) It shocked us [the Maier workers], but it’s normal. So, we continue[d] working until consensus was reached (...) So, fine, there are differences; so let’s see what differences are there, and what is your point, and what are your concerns, is it like this or is it not, and at the end, you might reach consensus—not in all cases, obviously, but the way of working it out is investing in communication. (I1; female worker-owner of Maier and member of the Management Council)

This is just one example of the disagreements that may arise among workers from the subsidiary and workers from the parent cooperative. However, this example also shows the participatory democracy that is sought in these organizations, where plurality and respect are core values. According to Maier workers, in a capitalist company, this would be impossible:

The good thing about a cooperative is that no one ever doubts that, above all, we will all go in the same direction and ... well, I think this is more complicated in capitalist companies in moments of tensions. (I1; female worker-owner of Maier and member of the Management Council)

Eroski and Maier have been successful in achieving domestic expansion through mixed cooperatives. Their experience sheds some light on how a subsidiary in a different region or country can

approach the cooperative reality. In fact, mixed cooperative organizations are a clear action to overcome barriers to expanding the cooperativist culture, through combining the three levels of participation—namely, capital, profit, and management.

Corporate Management Model (CMM)

A second action to overcome the contradictions derived from domestic and international expansion using non-cooperative business models has been to implement the CMM at the subsidiary companies, which is the concrete management model of the cooperatives of the Mondragon group (Mondragon Corporation, 2012c). Maier, Ulma Construction, and RPK have developed mechanisms to expand their cooperativist values to their subsidiaries through a CMM. However, although RPK has its own management model, it shares very similar experiences and approaches to the Mondragon group cooperatives when implementing the management model to its subsidiaries. In this article, we will refer to CMM when we allude to the strategies of the three cooperatives here studied.

The CMM is the general tool that was created to unify the management of all of the cooperatives of the group and their subsidiaries. Created in 1996, the CMM has evolved throughout the years according to the priorities of the Mondragon Corporation. Thus, it is neither a detailed congressional norm (i.e. not a normative model) nor a detailed action plan. The CMM provides general guidelines that each cooperative has to adapt to its concrete contexts and peculiarities, including the context of the subsidiaries—in short, it requires departing *from* and at the same time *looking for ways* of implementing the Basic Cooperative Principles of the Corporation. Thus, it aims to achieve a system of self-management for the subsidiaries, excluding participation in the decision-making of strategic lines of the parent cooperatives, which belongs only to the parent's worker-owners. To achieve a participative organization in all cooperatives of the Mondragon Group, the CMM fosters three elements: the first is specific for subsidiaries, the 'Corporate Development', and the other two are common to both parent cooperatives and subsidiaries, 'Self-Management' and 'Communication' (Mondragon Corporation, 2012: 40).

Regarding Corporate Development, the Mondragon Group raises the general principles expected to be developed to export the cooperativist model to the subsidiaries. They are the promotion of assemblies as a meeting point at which to debate the collective project, the exercise of delegated responsibilities in the social bodies of the cooperative (such as the Social Council or the Governing Council), and the importance of the parent cooperative's developing and implementing the CMM in the subsidiaries, which could be adaptable to any reality or any legal form. This last aspect is crucial because it involves sharing information and promoting a good atmosphere beyond meetings and assemblies. But mostly, it makes it possible for everyone to participate in the management of the company, encouraging new forms that enable the corporate participation of workers in the subsidiaries. With respect to the Self-Management of cooperatives and subsidiaries, the Corporation emphasizes the importance of defining horizontal structures with few hierarchical levels, promoting team work, and pursuing other important features, such as the capacity for defining objectives, making decisions or assuming responsibilities at all levels. Finally, the third key aspect for a participatory organization within the cooperatives of the Mondragon Group is Communication, understood in a broad sense—that is, implementing a policy of transparency, fostering interpersonal relationships, ensuring that the main information is made available to all people, and ensuring the existence of feedback channels.

The use of the CMM as a tool for harmonizing the management practices of the companies of the Mondragon Group was also evidenced in the 2003 Congress, this time to reinforce the participatory structure in the subsidiaries. This Congress approved the new policy of 'social expansion',

which made it possible for non-cooperative members of the subsidiary companies to participate in the management decisions of those companies. The 2003 Congress discussed and agreed to key aims such as achieving greater transparency in business decision making, implementing the same participatory management model as in the worker-owned cooperatives, reaching at least 30% worker ownership in the capitalist companies, and assigning between 1% and 5% of profits to local development (Burgués et al., 2013). As it can be observed, the social dimension has been decisive for the international expansion of the Mondragon cooperatives because it represents a will to generate a participatory organizational environment in the subsidiaries, which in turn can also stimulate the expansion of the Mondragon cooperativist culture to subsidiaries abroad. The CMM is indeed central to such international expansion.

In the case of Ulma Construction, the worker-owners who were interviewed referred to 'retaining the cooperative identity' as their motivation for implementing the CMM abroad. This was explained by one of the workers and member of the Governing Council of the cooperative:

We start from the fact that we have a common mission and the same values. We don't care if we are in India, China or Argentina: we want this to be a feature of our identity. (I23; male worker owner of Ulma Construction and member of the Governing Council)

Additionally, worker-owners at Ulma Construction argued that, despite the obstacles that hinder subsidiary employees from participation, the parent cooperative's deep interest in extending their cooperativist values spurs them to look for new paths and mechanisms to achieve such worker participation. For this reason, Ulma Construction has studied how some practices of the CMM that are implemented in the parent cooperative can also be implemented in the subsidiaries, especially the ones regarding the improvement of Communication mechanisms. An interviewee from Ulma explained,

Still, the information and communication that we have in the parent cooperative, where we all are worker-owners, is not the same they have in the subsidiaries (...), and this is a matter of concern. This is something we want to move forward (...) In our department, we want to reach all of the affiliates, and up to now, we are reaching the main ones, but also with that way of doing things characterizes us here, so that it is identical in the rest of the countries. (I8; male worker-owner and member of the Governing Council of Ulma Construction)

Similarly, a Maier worker-owner expressed the will of the cooperative to develop formulas for worker participation at the subsidiaries. He considered how implementing some elements of the management model contributes to harmonizing managerial practices between the parent cooperatives and the subsidiaries, which in turn facilitates the further adoption of cooperativist values. For instance, improving transparency, as emphasized in the CMM, is a good mechanism for improving workers' trust in the company and consequently achieving greater involvement in management:

We will need to look for forms of participation, that's clear (...) And indeed, it's important to tell them [the workers in the subsidiaries] these are the numbers, this is how the company works, if we win you get part of it ... The issue of knowing the real results of how things go, and how investments will be spent. Some sort of participation because it is important. (I3; male worker-owner of Maier)

In the case of RPK, we identify the efforts in transferring particular management practices from the parent cooperative to the subsidiaries. An RPK worker-owner emphasized two crucial aspects. On the one hand, he confirmed that the motive for implementing RPK's management model abroad

was to foster the cooperative culture; on the other hand, he emphasized that the management model was only the first step of a process of expanding the cooperative culture:

We do not suggest them to be cooperatives; but, indeed, in the management, it is remarkable (...) When we went there [Mexico], we did not establish two companies, one in order not to pay taxes and another one ... and the consultant said, 'Damn! Why didn't you do it?' No, no, we take the cooperative model abroad, and we want to pay taxes. By law in Mexico, 10% of the benefits are paid to the workers, which is a sort of cooperativization, and we have said, 'Well, I want to pay the workers because I want them to get involved and I want the workers to benefit from it, well, like it is here, if the company works out fine, the worker is benefitted, too. And in India, we still don't have benefits, and we won't do this; we haven't done it yet, but my intention for the future is to depart from this 10% of benefits to be dedicated to the workers there'. (I26; male worker-owner of RPK and member of the Management Council)

The Ulma Construction workers explained thoroughly the dilemmas they faced when implementing some of the CMM practices at the subsidiary companies. Because of the impossibility of the entire implementation of the CMM in these companies, the core issue becomes finding a balance between how to implement the parent cooperatives' core principles and adapt them to the local context:

And there are other things that need to be left to the flexibility of the place where you are because, otherwise, it's true that you might break with everything, and then nothing works. I believe that this is a dilemma of all the cooperatives here: to see how to do this internationalization (...) For the affiliated company there, introducing the methods for management that we have here, there, just like that, well, that's not possible. Then, well, with adaptations, or whatever, but the core issues, yes, need to be implemented there. (I8; male worker-owner and member of the Governing Council of Ulma Construction)

Overall, our fieldwork evidenced that Ulma Construction, Maier, and RPK were all looking for ways to expand their cooperative culture to their subsidiaries abroad, no matter their legal form. One of their strategies has been to implement mechanisms to enable worker participation as much as possible by adopting some elements of the CMM at their subsidiary companies. This action has offered the cooperatives a formula for overcoming the contradiction between expanding to international markets and the degeneration of the cooperative culture. The CMM, as a model of representative democracy within the company organization, is apparently very similar to other participatory schemes of capitalist firms. However, it presents some profound differences. For instance the Employee Stock Ownership Plan (ESOP),⁸ a model commonly used in capitalist companies in the Anglo-Saxon context, provides workers with stock ownership in the company; however, it does not imply worker's involvement in the management and organization of labor. Unlike ESOPs or other participatory models, the CMM in subsidiaries pursues harmonization with the cooperativist managerial practices and values of the parent cooperatives located in the Basque Country. It ultimately seeks to achieve the self-management of the company and to increase transparency, thereby giving all the business-related information to the subsidiary workers. The orientation to self-management is unique to the cooperatives and therefore to the conditions of the entire CMM model.

Concluding remarks

In this article, we have explored the expansion of worker cooperatives of the Mondragon Corporation by focusing on the experiences of four industrial and one retail cooperative. This expansion, initially to the domestic market and later to the global market, has become a strategy for

economic growth and survival, which was instituted to remain competitive and to maintain employment, while preserving their cooperativist values.

To facilitate their expansion, the cooperatives analyzed have pursued strategies that have also been used by capitalist companies when they create new companies or branches abroad, acquire foreign businesses, and establish joint ventures. However, our research reveals that due to the cooperative culture, there is a great difference between the expansion of worker cooperatives and the conventional internationalization processes of capitalist companies. Indeed, cooperativist expansion entails a contradiction with core cooperative values, such as worker participation in ownership, capital, and management, which have not been transferred to the subsidiaries. A number of elements explaining this contradiction have already been highlighted in the literature, but our study goes beyond. On the one hand, it systematizes the economic, legal, and cultural barriers that hinder Mondragon's expansion as a worker cooperative. On the other hand, it gathers evidence of Mondragon Corporation's concern about giving up cooperative values and organization structure, as well as how they are actually addressing this concern. The Corporation has thus developed actions to overcome the barriers; we have explored two of them here: the creation of *mixed cooperatives* and the implementation of a CMM at all companies. Overall, we have discussed how these actions serve to counteract Mondragon's contradiction insofar as they are attempts to ensure the presence of the cooperative's principles and features in the non-cooperative subsidiaries.

In the examples studied, Maier and Eroski have developed the model of a mixed cooperative on a national level that has made it possible to further approximate the cooperative values to the initially non-cooperative companies. Mixed cooperatives provide participation in ownership, profit, and management to the workers of the subsidiaries. The development of this entity has even led to changes in cooperative legislation in some Spanish regions. In addition, Maier, Ulma Construction, and RPK illustrate how to progressively initiate the implementation of a management model equivalent to that of their cooperatives to all their subsidiaries, albeit limited to one concrete dimension—namely, the management of work. For now, employee participation in management is the most viable option for subsidiaries abroad, and it is highlighted by worker-owners as the first step in introducing the cooperative culture. By using the CMM, the Mondragon subsidiaries have gradually assumed some of the parent cooperative's elements in advancing toward increased self-management while improving the mechanisms of information and communication with their workers. The adoption of the CMM allows the dissemination of essential principles such as democratic organization and participatory management, as well as it makes possible the declared intention of Mondragon's General Council President, Jesus Catania, in the 2003 Congress of the Corporation: 'Workers of subsidiary firms should be as similar in rights and duties to worker-owners as possible' (Irizar, 2006). In all, these are actually the cooperative organizational structures that separate Mondragon subsidiaries from other companies that have employed participative models of management, such as those existing in other capitalist business models.

In summary, the analysis performed here sheds light on important debates that open up directions for future research in the fields of cooperativism and internationalization. A very demanding line of research is to explore the analysis of the contradiction between the internationalization of cooperatives and how parent cooperatives address this internationalization from the perspective of workers in the subsidiary companies, focusing on issues such as the possibilities, the advantages, or the drawbacks of converting a company into a worker cooperative. Subsequently, investigating any contrast that exists between views at the parent cooperative and those of workers at the subsidiaries could enrich the analyses presented here. Additionally, the tensions that can emerge among worker-owners and the subsidiary employees due to the empowerment of the latter, especially in the case of mixed cooperatives, could be further researched. Finally, the data and reflections provided here, together with future research on this venue, will open up alternative managerial

models, strategies, and actions for companies that want to be competitive in international markets while strengthening workplace transparency, democracy, and solidarity.

Notes

1. In this article, we present data from five cooperatives that are located in the Basque Country and immersed in the cooperative culture of the Mondragon Cooperative Group. That said, one of the cooperatives, RPK, belonged to the Mondragon Cooperative Group in the past but no longer belongs to it. However, RPK has to face the same challenges as the cooperatives still belonging to this group. We use the term Mondragon Cooperative Group to refer to all of the cooperatives herein analyzed.
2. For instance, the FP5 research WORKALO (CREA, 2001–2004) studied labor opportunities for Roma in Europe. The results were unanimously approved at the European Parliament. The FP6 project INCLUD-ED (CREA, 2006–2011) analyzed the re-creation of successful cooperativist actions in poor neighborhoods. Both of these projects used the communicative methodology.
3. Conclusions of the ‘Science against Poverty Conference’, European Union (EU) Spanish Presidency, La Granja, 2010 (www.scienceagainstpoverity.es).
4. Although RPK became independent from the Mondragon Group in 1991, we decided to include this company in the fieldwork because it remains immersed in Mondragon’s corporate culture and cooperative values.
5. The narratives used throughout the article are identified putting the code of the interview (I[Number]) and specific information of the interviewee: gender; the status of membership (worker–owner or not), and in the case of worker–owner, the responsibility that is held by the interviewee in the management bodies of the cooperative.
6. Maier Ferroplast is a mixed cooperative which belongs to the Maier Group. It was founded in 1991 when Maier together with MGI Coutier bought Ferroplast, a capitalist company of the automobile thermoplastics sector located in Galicia (northwest of Spain). This new company was run as a subsidiary capitalist company. In 2008, Maier representatives started to discuss the transformation of the company from a capitalist company into a mixed cooperative with Maier Ferroplast workers, and the process was successfully completed in June 2012 when 80% of them approved the transformation into a mixed cooperative.
7. The Basque Cooperative Law (1993) defines the original concept in Spanish as ‘titular de partes sociales con votos’.
8. An ESOP (Employee Stock Ownership Plan) is created by one company that is interested in financial participation, and it is the ESOP itself that buys and maintains the shares of the company on behalf of its workers (Abad et al., 2013: 48).

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