

## EXPANDED ABSTRACT

### **Regeneration dynamics in Mondragon's multinational-cooperatives: the reproduction of the co-operative model at capitalist subsidiaries**

In the past few decades globalization, as a process that stimulates capitalism, has taken off at an unprecedented rate. One of the key dynamics defining this new globalization in the field of business organization is the spread of international expansion to almost all kinds of economic activity. It can be observed that many small and medium-sized enterprises have been forced to adopt global strategies in order to be competitive. Worker cooperatives have not remained untouched by this phenomenon, as evidenced by the emergence of numerous cooperative corporate groups that operate on an international scale with subsidiaries abroad. This globalized scenario has accentuated the degenerative tensions that cooperatives have always had to face in their efforts to uphold their traditional principles and values as they grow in a capitalist setting. This is in fact one of the great challenges facing cooperatives today: the conflict entailed by developing processes of internationalisation that are consistent with their nature. In this vein, as several authors note, currently a key line of research is to investigate how multinational cooperatives can replicate their policies and practices in their capitalist subsidiaries.

The Mondragon Group is a stand-out example of the way in which cooperatives have had to grow internationally to remain competitive. It is made up of about 250 cooperatives, and is the 10th biggest corporate group in Spain, with 74,060 employees all over the world. Since the 1990's several of its industrial cooperatives have undertaken internationalization processes that have entailed major increases in their output and in the volume of business that they do on international markets. In 2012 Mondragon's Industrial Division comprised 28 multinational cooperatives and 105 foreign subsidiaries, employing a total of 36,963 people (nearly 14,000 of them abroad). The total sales of the industrial division amounted to €5.812 million and €4.004 million corresponded to international sales, thus resulting in a ratio of international sales of 68.9%.

This strategy has increased the competitiveness of these cooperatives and their ability to generate wealth and employment both in the Basque Country and abroad. It has also helped them to weather the current crisis. However, this model of growth based on setting up capitalist subsidiaries abroad calls into question their cooperative nature, as evidenced for instance by the fall in the ratio of cooperative employment. In recent years Mondragon has been promoting a discourse of regeneration based on the importance of encouraging worker participation at its capitalist subsidiaries. In fact, the 8th

Mondragon Cooperative Congress (2003) approved a strategy of expansion based on the dissemination of cooperative values at subsidiaries by means of mechanisms for participation similar to those in place at the core cooperatives. In recent years some cooperatives have adopted a discourse based on the need for democratic regeneration at their organisations and on fostering the participation of the workers employed by their capitalist subsidiaries. However, to date few such initiatives have been implemented and results have been limited, especially among foreign subsidiaries. Strangely, the specialized literature has paid little attention to this issue.

This article aims to fill that gap. It sets out to investigate the tensions and opportunities entailed in setting up regeneration schemes at multinational cooperatives, focusing on the problems parent cooperatives face in reproducing democratic structures in their capitalist subsidiaries and on potential solutions for those problems. To this end, we conduct a case study of Fagor Ederlan. Founded in 1963, this organization is currently one of the biggest, most important multinational cooperatives at Mondragon, and one of the group's pioneers in expanding into international markets. Its model of internationalization is just like those used by the other large industrial cooperatives in the group: it has grown by acquiring and starting up capitalist firms, first in the domestic market and subsequently abroad. It has plants in strategic regions such as Eastern Europe, America and Asia. Moreover, it is at the cutting edge of development in regeneration processes consisting of implementing the cooperative model at its capitalist subsidiaries. Our analysis goes into greater depth than any that we have found in earlier papers, and focuses on a specific case of democratic regeneration: the transformation of the capitalist subsidiary Fagor Ederlan Tafalla – with over 900 employees – into a mixed cooperative, which is the biggest pioneering initiative of its kind taken to date by a Mondragon industrial cooperative.

The method used to investigate Fagor Ederlan is that of “contemporary case studies”, and it is based on various techniques and drawn on various sources. 11 in-depth face-to-face interviews were held with staff from different areas of Fagor Ederlan. We also consulted a range of documentation provided by the company (sustainability reports, strategy plans, company articles, internal regulations, etc). Furthermore, we also contacted core organisations at Mondragon involved in regeneration processes at the group's cooperatives, such as the LANKI Institute at the University of Mondragon and the MIK (Mondragon Innovation & Knowledge) research centre. Finally, we consulted external publications concerned with Fagor Ederlan and the Mondragon group, press releases and material from their own websites.

The limitations of the research reside in drawing broader conclusions for multinational cooperatives based on the analysis of a single case. Nonetheless, the findings obtained are significant both for academics and practitioners. Our findings suggest that regeneration is feasible at multinational cooperatives, either through the conversion of the capitalist subsidiaries into cooperatives or via the promotion of worker participation in such subsidiaries. Moreover, our investigation sheds new light by pointing out possible solutions that may be extrapolated to the democratic regeneration of foreign subsidiaries based on an analysis of the cooperativization of the domestic subsidiary Fagor Ederlan Tafalla.

In this vein, the democratization of foreign subsidiaries can be tackled by turning them into “mixed cooperatives”, in which the degree of control by the parent company is gradually decreased as worker members acquire experience in managing the subsidiary democratically and efficiently. To that end, preliminary processes of information, training and education in cooperative values for workers seem to be essential to establish the basis for future cooperativization schemes.

On the other hand, we have also found evidence of external obstacles and internal reluctance along the regeneration process. There are certainly major challenges and tensions involved in fostering such regeneration practices, especially at foreign subsidiaries. Evidence of external barriers has been found at Fagor Ederlan: they include several economic, legal and cultural barriers that hamper the implementation of the cooperative model at subsidiaries. Furthermore, our research goes further and suggests that there may well be internal reluctance and obstacles at parent companies which are even more important, such as the concentration of decision-making power and the wish to retain strategic activities and resources so as to maintain job stability of cooperative members at Basque plants.

In short, this paper makes further progress along the path laid out by previous works that analyze the contradictions in the internationalization of Mondragon and the regeneration schemes undertaken to tackle them. The data and assessments set out here may serve to encourage alternative management models and actions to enable firms that compete globally to grow sustainably on the basis of democratic, social values and principles. In this vein, our research provides helpful tools for practitioners to overcome the degenerative tensions that cooperatives face in the current globalized scenario. Finally, it also encourages taking actions at the institutional level in order to facilitate and adapt the legislations on cooperatives to these new realities and cooperativization initiatives.

**KEY WORDS:** Cooperative, Internationalisation, Mondragon, Regeneration, Democracy.