

Expanded abstract

Challenges in the regeneration of large cooperative groups: a case study of Mondragon

Objectives

This research aims to understand the key issues and challenges involved in one of the most relevant regeneration processes that have been carried out in recent times in the cooperative world: the “Reflection Process on the Experience” (RPE) conducted in the well-known, highly influential Mondragon group. The article empirically examines issues that have only been theoretically addressed by previous studies, such as the effects of size or geographical dispersion on cooperative regeneration (Ng and Ng, 2009; Bretos et al., 2019).

Methodology

Due to the lack of theoretical and empirical research where regeneration in large cooperative groups is concerned (Bretos et al., 2019), we adopted a qualitative case study methodology (Yin, 2018). This method is particularly suitable for understanding complex issues addressed in the research, such as worker participation in cooperative management, autonomy at work or members’ sense of belonging (Gummesson, 2000).

Our fieldwork relied on a mix of primary and secondary data sources, with a view to building a rich, context-sensitive, historically-grounded case. Our primary data source consisted of 62 semi-structured interviews conducted between 2019 and 2022 with members of 6 cooperatives and the Mondragon headquarters. In addition, we collected archival data from a variety of sources.

Findings

After decades of growth and economic success, the Mondragon group notices a loss of values in its individual cooperatives. Consequently, it set up the RPE to identify the main shortcomings and the policies to be applied to reverse the degeneration process.

The approval of the formal policies developed through the RPE and the consideration of its recommendations as priority lines of action marked the beginning of a process to implement them.

The main line of action proposed in the area of education was the design and implementation of a new model of cooperative education. Several programs were initiated for members of each governing body and for new members. After the first three years, about 90% of the cooperatives sent all their social advisors, rectors and directors to take these courses. How-

ever, since the economic crisis of 2008, very few cooperatives have maintained these types of training courses.

In terms of social transformation, the RPE suggested that the most appropriate way to generate real social change in the territory was to pool efforts and resources, an issue that the size of the group greatly facilitated.

An example of the application of this new strategy was the creation of the Bagara Herigintzan association with the aim of promoting social change in the Alto Deba region (the region in which the cooperative group is based) by cooperativizing social initiatives and coordinating existing ones. However, the limitations of this strategy were also notable, since the organization only covers the Alto Deba region and barely twenty cooperatives participate in it.

In addition to the limitations described above, the hyper competitiveness to which most of the cooperatives are exposed and which forced them to grow in size has been one of the most limiting factors in the application of the formal policies approved. This is reflected above all in the area of participation and democratic governance.

One of the most prominent and urgent measures in this regard was the development of a new Corporate Governance Model, however, it would not last long, as it would soon fall into disuse.

The line of action of the RPE, which proposed to involve workers in decision-making beyond their membership of a representative body, also stands out for its lack of implementation. In fact, in some cases there has been a certain setback in the ability of workers to participate in decision-making.

With regard to the reduction of the high proportion of salaried workers contemplated in the RPE, the main action was the cooperativization of some national subsidiaries by individual cooperatives. However, the results of these processes were limited due to several reasons, the most important being the limited geographical extension of the strategy.

Limitations

The main limitations of the research are: the exclusive consideration of industrial worker cooperatives in the study, with the consequent difficulties to extrapolate our results to other types of cooperatives; the lack of consideration of other factors such as the ideology of the members in the regeneration process and the lack of deepening in the relationships between the different areas of regeneration addressed by the RPE (participation, cooperative education and social transformation).

Practical implications and original value

The study shows the different problems and challenges involved in regeneration processes in large and geographically dispersed cooperatives, which are different from those occurring in small and medium-sized cooperatives. The differences are mainly given by the exposure of the former to internal and external pressures that the latter do not have to face (Cornforth, 2014; Narvaiza et al. 2016, Jaumier, 2017).

Internal pressures: internal pressures arise from the large number of members and their geographical dispersion in the different plants of the cooperatives. These two circumstances are responsible for an increase in the cost of meeting and the difficulty in the transmission of information. This leads to the following consequences at the individual cooperative level and at the cooperative group level: in reference to the former, members of individual cooperatives develop a vague feeling of belonging with respect to their own cooperative which leads them to become less involved in regeneration processes (Ng and Ng, 2009; Bretos and Marcuello, 2017; Narvaiza et al., 2017).

Regarding the cooperative group level, only a small part of the members participated in the elaboration of the RPE itself, which produced the following paradox: the process which aims to restore, among other things, the participation of members in decision making, is developed in a not very participative way. In addition, the study finds a link between the geographical dispersion of the cooperatives and their insufficient alignment with the Mondragon group, which led to the dissociation of some of them from the RPE.

External pressures: external pressures refer to the ones related to the hyper-competitive international market in which cooperatives co-exist. Internationalized cooperatives require high levels of efficiency and agility in decision-making to resist to these commercial pressures, which translates into the generalized adoption of capitalist management systems incompatible with a substantial democratization of daily work (Arregi, Gago, Legarra, 2022). Successive economic crises shape this phenomenon, forcing cooperatives to withdraw from most of their regenerative projects in favor of more productivist policies that ensure their survival.

Despite the disadvantages of size and geographical dispersion in the development and implementation of the regeneration process, the study reveals the greatest advantage of these two circumstances: the scalability of the results. The RPE affected more than 30,000 people distributed over a wide geographical area.

Finally, it is concluded that the degeneration theory is insufficient for the analysis of coming similar cases. By positing the avocation of all cooperatives to failure or degeneration in such a deterministic manner (Webb and Webb 1914, 1921; Meister 1974, 1984; Rosa Luxemburg 2015) degeneration thesis clashes with the intricate reality of the analyzed cooperatives.

Similarly, the insufficiency of regeneration theory for the analysis of large regenerative processes is also raised. The diversity of geographical, cultural and economic circumstances of the cooperatives analyzed make up a sufficiently complex reality to prevent an absolute regeneration of all their organizational structures and practices (Bernstein, 1976; Batstone, 1983; Cornforth, 1995).

In this sense, the paradoxical view seems much more appropriate for understanding this type of phenomena, since it allows us to understand the coexistence of regenerative and degenerative processes in the same organization. Understanding this situation not as a contingency, but as an undefined phenomenon and even consubstantial to hybrid organizations such as Mondragon (Hernandez, 2006; Ng and Ng, 2009; Storey et al., 2014; Narvaiza et al., 2017; Bretos et al., 2019).