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Mondragon Cooperative Corporation: Harnessing the Potential of a Human-Based Approach to Business through a Co-Operative Model in the Basque Region of Spain

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ABSTRACT

In a world full of conflict, uncertainty, and struggle, the business community is searching for alternative models to address the needs of society and remedy the damage inflicted by irresponsible corporate activity. Offering a source of hope, the co-operative model is resurging as a traditional form of business with great potential for fulfilling these needs. The Mondragon Co-operative Corporation (MCC) is located in Spain's Basque region and is regarded as a world-class example of the co-operative model, with a human-based approach as its defining characteristic. This paper utilizes a three-tiered framework, focusing on co-operation, democracy, and community, to analyze the human-based business approach of the MCC. This exploration is expanded by a SWOT (*Strengths, Weaknesses, Opportunities, Threats*) analysis, through which the impacts of internal and external factors on sustaining the future of the approach in a globalizing world are analyzed. From the factors identified in the SWOT analysis, observations are made on the implications, benefits, and shortcomings of a human-based co-operative approach, including strategic planning recommendations for sustaining the model and optimizing its application and value. Through the SWOT analysis, the Mondragon example highlights the value of alternative business models, and provides guidelines for embracing the potential of co-operation into the future. Managers across the globe can optimize the adoption of components of the Mondragon model and make significant strides towards addressing today's complex business environment through the re-humanizing of both their perspective and practice.

INTRODUCTION

Hand in hand, of one mind, renewed, united in work through work, in our small land we shall create a more human environment for everyone and we shall improve this land. We shall include villages and towns in our new equality; the people and everything else: Ever forward. Nobody shall be slave or master of anyone, everyone shall simply work for the benefit of everyone else, and we shall have to behave differently in the way we work. This shall be our human and progressive union - a union which can be created by the people.

Don José María Arizmendiarieta (cited in CCCBE, 2007)

Throughout history, business models have experienced transformations and adaptations to respond to pressures and maintain alignment with the social, political, and economic contexts of the age. With these structural and theoretical changes in the business world, lessons have been learned and great accomplishments achieved. Notably, the capitalist and profit-oriented approach has gained significant power in the modern world and defined the pattern of development in a business, market, and societal sense. As the interconnectivity and pace of society has continued to heighten in recent decades, changes are occurring at previously unimaginable frequencies and continuous transformation is now a requirement for survival.

In this environment of constant change and conflicting ideas, a return to more traditional concepts of organizing society is beginning to emerge. As if closing the loop of society's process of transformation, innovative and brave individuals are taking a leap and promoting traditional frameworks of the past in an attempt to remedy the damage that modern day trends have inflicted on the world. A prime example of this circular trend is the resurgence of the co-operative model as a source of hope for the future, a model that nurtures and harnesses the potential that is found within the delicate relationship between business and society.

1. CO-OPERATIVE MODEL

The origins of the co-operative model are linked to the concept of "co-operation" itself, which dates back as far as human beings have been organizing for mutual benefit (Wikipedia, 2010). Tribes were organized as co-operative structures and throughout the ages people in many parts of the world developed a wide array of co-operatives to meet a variety of economic and social needs (CCCBE; Wikipedia, 2010). Post-industrial Europe is home to the first co-operatives in an industrial context. In particular, the Rochdale Pioneers are regarded as the model of the modern co-operative enterprise and the founders of the co-operative movement. Today, the principles that lay the foundation for the Rochdale Pioneers' business are still accepted as the basis upon which all co-operatives operate (ICA, 2005; CCCBE).

According to the International Co-operative Alliance, a co-operative is defined as:

"...an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise" (ICA, 2010).

At the heart of the co-operative movement, democracy, values, and a balancing of business, member, and community interests resides. Co-operatives are important primarily because they are a way in which people can more fully achieve their potential as human beings (CCCBE). Ultimately, the co-operative movement has proven to be a significant economic and social actor that has had positive effects on national economies and the wellbeing of their populations (ICA, 2010).

Today, as unemployment surges, job security is influenced by demanding market pressures, and the struggle for personal success overpowers in the corporate world, innovative thinkers are venturing out to find answers to the dilemmas, problems, and catastrophes created by 20th and 21st century corporate models. As demonstrated through various cases throughout the world, the application of the co-operative model, or elements of it, in modern day business can serve as an answer to the increasing pressures and challenges faced today, such as unemployment, worker exploitation, and societal degradation (CCCBE). Essentially, "[c]o-operativism is set within the need for alternative, diverse, creative responses that the current socio-economic situation needs" (Sarasua, 2008: 4). The co-operative model, above all, provides a mechanism to remedy the fear, limited perspective, and lack of social responsibility that has defined corporate activities and can be used as a means to empower workers to drive change through collective efforts.

2. SPAIN AND THE MONDRAGON CO-OPERATIVE EXPERIENCE

In the context of Spain, the co-operative movement has played a significant role in the economic and social history of certain regions. One prominent example is that of the Basque region, nestled in the northeastern corner of Spain. The Basque Country is home to a proud people, vibrant culture, and rich history of industrial activity and hard work (Sarasua, 2008; Irizar, 2010). Losing against Franco in the Spanish Civil War in 1939, the Basques experienced great despair and were left to make the most of all that they had left: the hope in the strength of their values and the wealth of their human resources (MacLeod, 1997). With this, the Basque people dedicated themselves to working for the common good of their society and relied, above all, on the good to be found in all people (MacLeod, 1997). The collective of Basque cooperative enterprises, eventually known as the Mondragon Co-operative Corporation (MCC), emerged in this environment of recovery from the economic and social crisis caused by the Spanish Civil War (CCCBE, 2007) and was set against the backdrop of a changing world.

Over the years, this unique co-operative model has grown into a significant economic player regionally, nationally, and on a global scale. Today, Mondragon is considered a world-class example of the potential of the co-operative model for enterprises of the 21st century (Sarasua, 2008) and is viewed as one of the largest and most successful examples of worker co-operation (CCCBE, 2007), the leading Basque business group, and the seventh largest in Spain (Mondragon Corporation, *Who we are*).

3. DEFINING CHARACTERISTICS OF MONDRAGON

Upon visiting the Mondragon Co-operative Corporation, it becomes clear that the single thread connecting all aspects of this collective of co-operative enterprises is the concept of humanity: the humanity of the workers, the human nature of the relationships within the organizational body, and the human connection to the communities in which the cooperatives are present. This observation is supported and clearly articulated through the corporation's slogan: "Humanity at work", which is the guiding vision and motto by which the organization lives, representing the social identity of the co-operative model in a single phrase (Diariovasco.com, 4 Jan 2008, Economía).

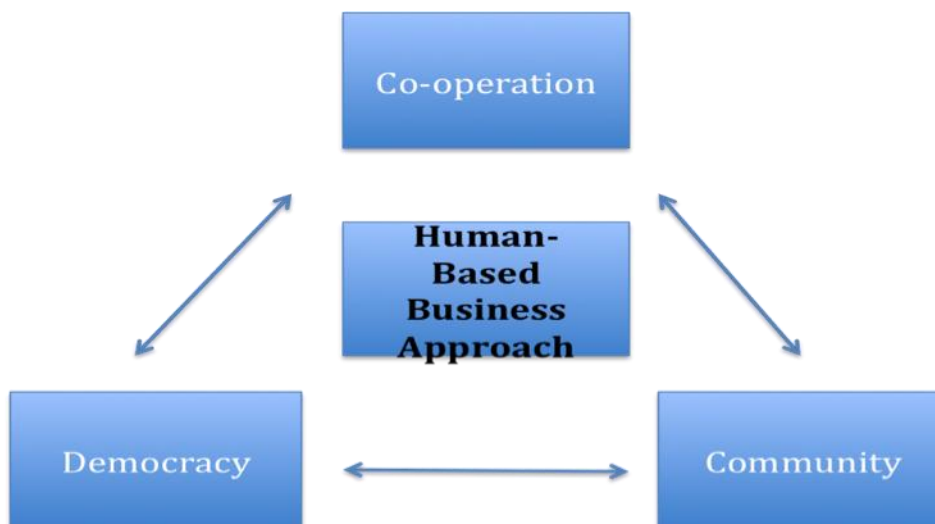
The extant research on Mondragon in the last half-century has focused significantly on a vast assortment of components of the Mondragon experience - from organizational structure, to human resource management, to economic viability and competitiveness, naming a few (Molina, 2008). However the literature has not closely analyzed the fundamental essence of the Mondragon experience and the overriding characteristics that differentiate it from other co-operative models. It is Mondragon's recognition of humanity in its structures, activities, and aspirations that can define the soul of this co-operative corporation and set it apart as the leader and example it has become today.

4. THE THREE PILLARS OF MONDRAGON'S HUMAN-BASED APPROACH: AN ANSWER FOR THE FUTURE?

Mondragon's human-based approach to business is characterized by three pillars: co-operation, democracy, and community (see Figure 1 below). Utilizing these pillars as an analytical framework, an exploration into the depth of the organization can be conducted to further examine the elements comprising the Mondragon business model. This exploration is expanded through a SWOT (*Strengths, Weaknesses, Opportunities, Threats*) analysis. Under the SWOT framework the external and internal factors and their impacts on sustaining the future of the human-based co-operative approach are analyzed. From the factors identified in the SWOT analysis of the three Mondragon pillars, observations can be brought forth to demonstrate the implications of a human-based co-operative model, the

benefits and shortcomings of such an approach, and the strategic planning necessary for assuring achievement of its objectives and overall success. Ultimately, the analysis shaped by the three-tiered framework and SWOT analysis will provide a basis from which to address the future of this business approach and identify areas for development that will influence both its application and value.

Figure 1: Three Pillars of Mondragon’s Human-Based Approach



With careful consideration of these findings, managers across the globe might be able to optimize the adoption of components of the Mondragon model and make significant strides towards addressing today’s complex business environment through the re-humanizing of both their perspective and practice in the corporate world. What follows is a discussion of elements of the three tiered framework of human-based business approach.

4.1 CO-OPERATION

The potential of co-operation and a co-operative approach to business holds significant relevance for the future of business and its relationship to society. According to Jon Sarasua (2008), Mondragon scholar and co-founder of the LANKI co-operative studies institute, the co-operative approach is very much in line with the efforts to realign a global focus on human dignity and make way for the humanization process that is required to address the current inhumanity defining the socio-economic condition of the world.

Co-operation as a model for business and society is being recognized as “...an idea for the future...accompanied by important elements of human dignity” (Sarasua, 2008: 4). Sarasua (2008) also illustrates that the co-operative model itself has the potential to contribute towards the socio-economic understanding of humanity by creating interconnection between the individual and community, harmonizing interests, creating development, connecting to the deep-rootedness of a human geography, and fostering commitments to employment, participation, society, global solidarity, and inter-cooperation.

4.1.1 Co-operative Culture

The significance of Mondragon's co-operative culture in the cultivation of its human-based business approach dates back to the founding years of the co-operative experiment. The co-operative culture has served to support and nurture the focus on humanity that has characterized Mondragon's growth and evolution, ensuring that the founding principles and values are carried into the future.

The flexible nature of the co-operative culture has contributed towards the survival of the human-based approach throughout the decades, as the evolution of the culture has been influenced by societal changes. In his reflection on the co-operative experience of Mondragon, Jose Maria Ormaechea (part of the original Mondragon core group) comments that in fifty years, the Mondragon world has gone through very different phases. From Franco's dictatorship, to a democracy, to today's globalized world, the original idea behind the Mondragon movement has been molded and modified by its environment. Without that ability to evolve and adapt its culture and approach to co-operation, the original Mondragon experience of the 1950s would have disappeared (Ormaechea, 2003).

The history of the Basque society has been characterized by a tradition of various economic activities within the realm of co-operation (Molina, 2008), impacting the development of the Mondragon experience. For example, the term "Hauzo Lan" in the Basque language refers to the carrying out of neighbourhood or community tasks, which were often linked to agricultural work. Some of these community activities developed into official institutions and played important roles in the Basque economy. In the Industrial Revolution, new co-operative activities emerged, including the rise of consumer co-operatives and industrial production co-operatives (Mondragon Corporation, *Historic Background*), which eventually formed the backbone of the Mondragon co-operative experience.

The process of laying ground for these co-operatives and inspiring the Mondragon co-operative experience is directly attributed to the arrival of the young priest José María Arizmendiarieta to the town of Mondragon in 1941. Regarded for his pragmatic and hard-working nature, Arizmendiarieta was the driving force behind the Mondragon co-operatives, as he set out "...to try out a local experience that would work by developing human dignity, by combining freedom and equality through ties of solidarity and by conferring sovereignty on labour" (Sarasua, 2008: 7).

One researcher has noted that part of Mondragon's initial success comes from the founder's ability to allow for the assimilation of peasant principles, based on communitarian orientation in rural work, into the industrial sphere (Molina, 2008). The cultural sensitivity employed and the ability to embrace co-operative qualities already defining the local community demonstrates Arizmendiarieta's efforts to harness the existing human potential, allowing the model to flourish by fitting in "...with the cultural seal of a society and...generation" (Sarasua, 2008: 7).

The subsequent significant step in the development of Mondragon was the establishment of the ULGOR co-operative (now Fagor Electrodomésticos) in 1956 by five young students from the Polytechnic School, founded by Arizmendiarieta. 1956 is regarded as the founding year of what would one day be known as the Mondragon Co-operative Corporation. As was the case with the founding of ULGOR, it has been highlighted that part of Mondragon's unique nature stems from the fact that enterprises were founded with practically no initial investment and, thus, relied solely on the support of the locals to realize the creation of this new, human-based social order:

This is important in the context of Spain where individuals who started most new businesses had access to capital accumulated over several generations. By contrast, the founders of ULGOR

were working class people without great inherited wealth. Their only possibility of raising capital was to go to the people. The unusual result is that we now have a world class, high tech cooperative corporation depending upon the local community for capitalization. It is an international monument to the power of community moral support when it is expressed in the form of financial backing. (MacLeod, 1997: 21)

Throughout the first twenty years of the Mondragon experience, several new cooperatives emerged and support structures such as the Caja Laboral co-operative bank and the Ikerlan Centre for Technologic Research were created, which ultimately served to ensure the sustained livelihood of the co-operative system and its development through sound financial structures and a commitment to innovation. It was the connection between worker, work, and community that was fostered by the creation of these structures and that continued to define the human-based co-operative approach throughout the decades.

In the 1980s, the Mondragon Co-operative Corporation (MCC) was created as a solution to the obstacles stemming from the establishment of the European Economic Community and the general globalization of the economy. With the creation of the MCC, the co-operatives were no longer grouped according to their region but rather by their sectors and production activities (Mondragon Corporation, *Historic Background*). The establishment of the MCC also served to unite Mondragon worker co-operatives, promote the development of more co-operatives, and ensure worker-members were benefiting from co-operation (CCCBE, 2007). This significant development in the Mondragon co-operative experience clearly demonstrates the high degree of value that the group placed on maintaining a human-based approach. In order to compete in modern markets and succeed in a globalizing world, the group was able to re-structure their co-operative model in a way that allowed for competitive activity in the marketplace, while at the same time continuing to nurture the original values that defined the Mondragon experience.

The 1990s were marked by the establishment of the University of Mondragon. Created to help meet the needs of companies in the area, this development demonstrated a genuine concern for the wellbeing of the local community and the potential that lies within its human capital. Today, the MCC is comprised of over one hundred worker co-operatives, in addition to co-operative banking, housing, and social institutions (CCCBE, 2007) and is a significant player in the Basque and Spanish economies (Mondragon Corporation, *Historic Background*).

4.1.2 Solidarity

The concept of solidarity has an essential tie with the recognition of the quality of “humanness”: recognition of the connections that exist between human beings, of the responsibility that one has to foster these connections through relationships, and the potential that lies within collective efforts and community action. Solidarity has been a central component of the Mondragon approach to co-operation since the creation of the first co-operative, and has defined the development of the enterprises throughout the decades.

In his analysis of the Mondragon co-operative model, community economic development scholar Greg MacLeod (1997) states that while conflict is unavoidable when capital is the source of relationships, co-operative relations arise from a different source. MacLeod explains the three dogmas of co-operativism that flow from the concept of ‘person’ and ‘inter-personal relationships’ as: “1) solidarity, 2) priority of the person over the instruments, and 3) the principle of distribution of results” (1997: 82).

In the Mondragon context, solidarity exists on two levels: internally, between the workers in the co-operative corporation, and externally, between the corporation and society. Examples of solidarity are present throughout the structure of the MCC, functioning as an integrated unit of many parts that must generate synergies in order to succeed. With a strong commitment to co-operation and a culture of solidarity, Mondragon has embraced the potential of collaboration and found success in the strength that stems from nurturing the 'whole', rather than the many individual components that make up this collective of co-operatives, a testament to the truth that "...the capacity of the totality is greater than the capacity of the sum of the parts" (MacLeod, 1997: 89).

4.2 DEMOCRACY

The democratic nature of the MCC that has defined the organization since its inception has served the function of 'stabilizer' throughout the decades and is often regarded as the internal differentiating factor of the Mondragon enterprises (Sarasua, 2008). Mondragon scholar Jon Sarasua defines the basic tenet of the MCC co-operative experience as "...an experience in corporate democracy with a social commitment", with "...the sovereignty of individuals forming the bedrock of its organisations" (2008: 2). In his view,

[t]he basis of the co-operative approach goes beyond the very co-operative itself as a corporate formula...the basic idea is about setting up organizations based on the sovereignty of the individual: that the protagonists in any sphere...should be the sovereign agents who...should determine the directions to take when setting up democratically-based organizations (2008: 2).

In 1972, British economist Robert Oakeshott defined Mondragon as an "'oasis of democracy' within General Franco's dictatorship...inspired by a priest and a group of young businessmen 'engaged in an exciting attempt to reconcile modern industry with social justice and democracy'" (Cited in Molina, 2008: 284). What impressed Oakeshott were the principles of founder Arizmendiarieta, including "...his agenda of democratic corporate self-management" (Cited in Molina, 2008: 284).

In his article "Democracy, Cooperation and Business Success: The Case of Mondragon Corporación Cooperativa", Forcadell (2005) discusses how the MCC has made democracy and success compatible in a business organization. Forcadell (2005) highlights that the MCC is also one of the few modern organizations that can be regarded as a true democracy, largely due to its unique application of democratic and participatory methods in management. A publication by the Nova Scotia Co-operative Council (2001) also highlights how Mondragon's success story demonstrates that business management can be efficient within a democratic setting and that the co-operative model as a whole allows for the resolutions of many of the dilemmas of democracy, enabling motivation and efficiency to emerge.

Essentially, Mondragon's co-operative model can be understood as "...a school of democracy oriented towards the transformation of the broad democratic paradigm" (Sarasua, 2008: 5), whose manifestations of democracy are a testament to the concern and respect for the human quality of the organization and its people.

4.2.1 Management Model

One can see that the basis of Mondragon's organizational structure is the democratic nature of its management. The Mondragon reality exemplifies Cloke and Goldsmith's observation that democratic management fosters long term value creation and creates compatibility between economic, social, environmental, and individual objectives (Cloke and Goldsmith, cited in Forcadell, 2005). In fostering synergies and collaboration between these objectives, Mondragon is allowing the true human nature of

its people and its co-operatives to survive. In addressing economic, social, environmental, and individual concerns, the organization as a whole is nurtured.

The MCC Corporate Management Model (Figure 2) below was developed based on its co-operative principles, on modern management practices, and on the experiences of the world’s leading companies. The creation of this model was also focused around elements such as corporate culture, organizational structure, and human resources, with the ultimate goal of implementing a democratic and participatory management (Forcadell, 2005).



Figure 3 Source: Mondragon Corporation

the application of the Management Model (Mondragon Corporation, *Mondragon Corporate Management Model*). The Model recognizes the human-based view that economic results alone are not sufficient when it comes to judging management performance, ensuring that other indicators, such as customer satisfaction, environmental commitment, and people satisfaction, are included within the balance sheet (Forcadell, 2005).

Brought to life through the application of the Basic Co-operative Principles, the MCC values centre the corporation’s ultimate goal around the idea of human dignity. Jesus Larranga, one of the five original founders of ULGOR, accurately synthesizes this point as he quotes Arizmendiarieta:

There are some values that we have promoted too much: efficiency in work with no limits, viability, development, growth, but now is the time for us to put other values in their place and give primacy to friendship, conviviality, and communication. This is to see in the other person something that is above all material values. (cited in MacLeod, 1997: 88)

The Management Model is represented in the form of a circle, illustrating the interrelated nature of the various concepts and the dynamic approach that is required both for its implementation and continuous adaptation (Mondragon Corporation, *Mondragon Corporate Management Model*). The *Basic Co-operative Principles* (Figure 3) form the nucleus of the Management Model and provide the *People in Co-operation* with the necessary guidelines for implementing the MCC values. Together, these people making up the MCC build a *Joint Project* through the process of *Participative Organization*. This project is undertaken along with consideration for the business environment and co-operative format to, ultimately, become an *Excellent Company*. Ultimately, the measurement of *Socio-Entrepreneurial Results* is the fundamental objective of



Figure 2 Source: Mondragon Corporation

While the first set of values should not be disregarded, Arizmendiarieta's aim (reflected in the Management Model) was to instill awareness that by focusing on the human quality of the business organization, valuable achievements beyond those of a purely economic nature can be realized.

4.2.2 Participation

In the co-operative model, participation is a key characteristic that is reflected in the structure of the business approach. The value of participation in democratic workplaces has been supported by a growing body of evidence that proves its key contribution to success in a rapidly changing world (Nova Scotia Co-operative Council, 2001). Sarasua comments:

Co-operativism has the potential to develop coherent and integral participation in the enterprise as it is one of the only corporate forms in which...the enterprise actually belongs to the workers legally; it is their sovereignty that supports it, and it can bring corporate participation and organizational participation together (2008: 6).

In a Mondragon context, the issue of participation has been at the forefront of management discussions over the years. While the Management Model formed by the MCC is a significant step in enhancing a structure for participation, it has also been noted that there is a potential for so much more – that "...the co-operative reality is bound to have within it sufficient elements in order to be more proactive in thinking, designing, experimenting and applying forms of participation with its own seal" (Sarasua, 2008: 12).

4.2.3 Self-management and sovereignty

A core objective of the Mondragon experience has been described as "...the development of a community basing itself...on the cooperating and self-managing capacity of the individual...[and] as a proposal that endeavours to provide a self-managed response to a range of social spheres" (Sarasua, 2008: 7-8). Because of the MCC's strong democratic base, the concept of self-management has gained great ground and contributed towards the enhancement of the organization's intrinsic connection to the humanity within its organizational walls.

At the base of the Mondragon pillar of democracy is the recognition that "[t]he democratic paradigm means organizing people's lives from the sovereignty of the individual" (Sarasua, 2008: 5). The clear commitment to considering the sovereignty of individuals has even been viewed as one of the main tenets of Mondragon's singularity (Sarasua, 2008). Generating significant synergies with the MCC human-based approach, individual sovereignty within the enterprises opens up a space for celebrating the value that each member contributes and supporting this contribution through organizational structures and democratic practices.

4.3 COMMUNITY

The characteristics of a community encompass what it is, essentially, to be human. In a healthy community, collaboration, cohesion, and interaction abound. The co-operative model is an attempt to create community in the corporate environment that, in today's world, seems to work against community principles. For example, the 'typical' 21st century corporation often thrives on conflict, generates fear to impede awareness, isolates individuals and their ties to the greater purpose of the organization, and creates internal discord through inequality, competition, and an overriding focus on personal success, as opposed to the celebration of collective accomplishments. All of these qualities work against community and create an environment where the concept of humanity is non-existent. As

a shining example of a human-based business, the MCC has used the co-operative model to empower its people and fully realize the potential of the power of a community.

4.3.1 Relationships

Relationships are what shape a community. The relationships fostered through the MCC co-operative model represent a focus on human nature that embraces connectivity between social and economic functions. The MCC has structured itself around the idea that together, the Basque community can make significant strides in addressing job creation, social issues, and improving their own livelihood. Without the community aspect and awareness of the reciprocal nature of relationships in this collective of co-operatives, the collaboration and cohesion that takes place would not survive into the long term, and the results and impact of the MCC efforts (both in an industrial and social sense) would not reach such great heights.

In his reflection on the community element of Mondragon and the value of relationships, MacLeod (1997) comments that “[t]he new corporation is a “community” and communal relationships are taken in the sense of a common will. This unity of wills, rather than a juridical act, is what unites” (pp. 82-83).

4.3.2 Social Commitment

Since its foundation, the MCC has exercised a commitment to the wellbeing of its workers on all fronts. This social commitment has often been identified as the external differentiating factor of the Mondragon experience (Sarasua, 2008). Over time, the MCC has even been referred to as a “social movement enterprise” (Molina, 2008: 298).

Social commitment is carried out in the MCC through the democratically elected social council in each co-operative. The primary purpose of this council is to counterbalance the economic concerns of the governing council and management team with a social vision (Cheney, 2001), illustrating the MCC practice of using democratic and co-operative principles to make social and profitability objectives compatible on the basis of value creation (Forcadell, 2005). However, as indicated by several Mondragon scholars, the social commitment is not limited to the structure of the co-operatives themselves:

This social commitment emanates from the very conception of the cooperative experience as something that goes beyond a corporate formula and which forms part of a community development project rooted in a call for the integral development of the individual (Sarasua, 2008: 8).

Much like the commentary that exists on the MCC pillars of co-operation and democracy, the social commitment embodied in the Mondragon core and the approach to fostering relationships with the community is also reflected in Arizmendiarieta’s words,

“Cooperatives have a community dimension which obliges them not only to give satisfaction to their own membership, but also to fulfill a social function through its structures...” and...individuals within co-operatives have the responsibility to work in collaboration “...to fulfill more perfectly the mission that society has confided to [them].” (MacLeod, 1997: 90).

5. SUSTAINING CO-OPERATION, DEMOCRACY, AND COMMUNITY IN A GLOBALIZING WORLD

Analyzing the current business environment and taking into consideration projections of future trends, it becomes clear that the significant factor in the Mondragon business reality will be the influence of globalization in the subsequent months, years, and decades. In an increasingly globalized world, a vast array of pressures abound and players in the market must undergo adaptations to capitalize on their existing strengths and invest in developing improvements to ensure sustained success into the future. The MCC is not isolated from this reality. Although possessing a unique business model and co-operative approach, adaptations to the globalizing world are critical elements of current MCC management discourse.

It has been suggested that three primary pillars support the MCC's human-based approach to business. In converting these pillars to a business objective (i.e. objective: to achieve co-operation, democracy, and community) in the context of a globalizing business environment a SWOT analysis has been conducted (Table 1). With this analysis, factors that are either supportive or unfavorable in the quest to achieve the three pillars can be outlined.

Table 1: SWOT Analysis of the Three Pillars of the MCC Human-Based Business Approach

<p>Strengths</p> <ul style="list-style-type: none"> • Focus & respect for human dignity • Management Model • Relationships & solidarity 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Crisis in meaning & direction of co-operativism • A need to rebuild co-operative identity • A need to fine-tune participation
<p>Opportunities</p> <ul style="list-style-type: none"> • Job creation • Inter-cooperation • Social transformation 	<p>Threats</p> <ul style="list-style-type: none"> • Expansion pressures • Social - economic tensions • Cultural & ideological diversity

Specifically, the SWOT analysis provides a framework to examine MCC strengths, weaknesses, opportunities, and threats and their implications for sustaining co-operation, democracy, and community in a globalizing world. A detailed discussion on each component of the analysis follows.

5.1 STRENGTHS

Internally, several strengths of the MCC create an environment favorable to the continued fostering of co-operation, democracy, and community in an increasingly globalized world. Primarily, the respect for human dignity possessed by workers and management ensures that decisions and modifications made in business structures or approaches remain focused on the human impact, with sensitivity towards balancing economic and social considerations. The existence of the MCC Management Model (with the Basic Co-operative Principles at its core) provides a structure so that the values and mission of the MCC can always be taken into account.

This ensures that the original essence of the human-based co-operative model is not lost, but rather adapted and enhanced. The MCC's recognition of the value of solidarity and the relationships that exist between worker, management, and community will aid the future development of the organization. The fact that these strengths have emerged from a rich cultural history enhances the commitment of co-

operative members in the Basque region to keep them alive by extracting the potential from these strengths as sources of competitive advantage in an environment of globalization.

5.2 WEAKNESSES

While internal strengths of the MCC ensure that the co-operative corporation and its primary pillars will surely be able to adapt and survive going into the future, an ability to address the existing internal weaknesses determines the *degree of success* that the MCC experiences. A significant weakness in the internal MCC environment is the current crisis in the meaning and direction of co-operativism. As the original founders leave management positions and new generations address the Mondragon of the future, there is an increasing lack of connection to the founding values and driving inspirations of Mondragon co-operativism. This weakening of the co-operative core (Sarasua, 2008) must be addressed with re-education on co-operativism across the corporation (Sarasua, 2010; Cheney 2001) to reignite co-operative motivation and vision. In other words, the key factors of the co-operative fabric should be adapted through education, so that in their application they maintain their original brilliance (Cheney, 2001).

Table 2¹

Name	Interaction
Amigos de Arizmendiarieta Meeting "Friends of Arizmendiarieta"	<ul style="list-style-type: none"> • Attended a meeting with the Amigos de Arizmendiarieta (a group of founding Mondragon members and managers) and students from Mondragon University's Team Academy program. • Purpose of the meeting: to promote dialogue between generations • Outcome: creation of mutual, reciprocal inspiration, serving as a testament to the power of personal connection in fostering a common purpose and rebuilding co-operative identity.
Iñazio Irizar Professor of Organizational Strategy & Entrepreneurship, Mondragon University	<ul style="list-style-type: none"> • Interview* • Focus area: Entrepreneurship, inter-cooperation, recent book published
Jon Sarasua Director, LANIKI Institute for Co- operative Studies; Professor, Mondragon University	<ul style="list-style-type: none"> • Interview* • Focus area: co-operative studies, Mundokide organization, co-operative culture, future of co-operativism
Jose Mari Luzarraga PhD Lecturer, Mondragon University; Mondragon Team Academy coach	<ul style="list-style-type: none"> • Host throughout Mondragon visit.* • Provided extensive background information on Mondragon and assisted with arrangement of visits and interviews. • "Globalization as a trigger of cooperatives competitiveness": Lecture for Masters in Co-operative Management program (attended lecture as a guest)
Mondragon Team Academy Training Session	<ul style="list-style-type: none"> • Attended a training session for the Mondragon Team Academy entrepreneurship program

A unique example of this co-operative re-education was witnessed in a recent encounter between Mondragon generations at a Friends of Arizmendiarieta meeting. As part of the primary research for this paper, a site visit was conducted to the Basque region of Spain in early November 2010. Four days were spent at the Mondragon Co-operative Corporation and Mondragon University to interview contacts and generate an enhanced understanding of the Mondragon Corporation. Table 2 above summarizes the contacts and experiences from the enriching, informative visit to Mondragon.

An additional weakness that must be addressed is the current state of participation. Existing as a fundamental tenet of the co-operative model, the importance of participation must not be overshadowed by the pressures of the modern business environment. It has been noted that there are

¹ Written permission obtained to record and quote interview

disparities in social council participation across the co-operatives (Cheney, 2001) and that perhaps the centralization of decision-making has come at some cost to full democratic participation on the ground (CCCBE, 2009).

Specifically, there is a need to fine-tune participation within the MCC by creating an environment that is more conducive to the dual nature of participation: corporate and operational participation. In order to reap the potential of participation in the co-operative model, MCC can experiment with participatory techniques, continually foster both political and institutional participation, and develop the two sides of participation through Research and Development (R&D), all while developing, updating and visualizing a shared social sense and co-operative identity (Sarasua, 2008).

It is interesting to note that within the aforementioned weaknesses in the internal MCC environment, there is in fact an opportunity to explore. The crisis in the meaning and direction of co-operativism and the issue of participation can offer "...an opportunity to orient oneself with a vision that links [the co-operative soul] with the aspirations of the social base" (Sarasua, 2008: 8), by re-examining the driving forces behind the model and applying them in a modern context. These weaknesses, therefore, can in themselves serve as a wake up call and source of motivation to look after the deep aspects and driving forces of the co-operative experience, adapting and preparing them for a globalizing future.

5.3 OPPORTUNITIES

The external environment in which MCC finds itself has also created opportunities. If the MCC were to invest in these opportunities, the core of the human-based approach to business would be strengthened and appropriately modified for the future. Since its inception, job creation has been at the forefront of Mondragon objectives in a proactive sense, as it is part of the corporation's social aim. In today's turbulent economy, an MCC commitment to job creation could be employed on a broader scale, including an enhanced focus on international competitiveness via job creation and diffusion of the co-operative spirit.

The MCC could develop a competitive advantage through the combination of one of its strengths (respect for human dignity) and an opportunity (international job creation) to make a name for Mondragon across the globe as a leading, human-focused business that is here to stay. Since the definition of the Mondragon community is expanding beyond the Basque region with each international expansion, merger, or acquisition, the MCC should invest in the human capital of this global community to remain true to its human-based approach to business. In the words of Greg MacLeod, "[t]he Mondragon leaders would say that each cooperative has a duty to expand and create jobs as long as there are unemployed people in the community" (MacLeod, 1997: 160) – thus, a broader definition of community signifies a broader responsibility to care for this community.

Inter-cooperation and social transformation are also significant opportunities on the horizon for the MCC (Irizar, 2010; Luzarraga, 2010; Sarasua, 2010). By embracing inter-cooperation or co-operation between co-operatives, the MCC can greatly enrich its commitment to co-operation and solidarity not only within its collective of enterprises, but across the world.

With the establishment of a focus on global solidarity, the MCC also has the potential to nurture relationships and connections that, with time, could result in very positive implications in a business sense. As noted in a personal interview with Jon Sarasua, co-operativism is not a framework, but in fact a culture that needs to grow and develop (2010). By reaching out to the global community in an age where international communication and interaction is no longer a difficult task, the seeds for a wider co-operative community can be planted and great strides made towards social transformation in a global,

inclusive sense. While the transferability of the Mondragon model may not be possible in its entirety (Molina, 2008; Irizar, 2010), the diffusion of the co-operative spirit through inter-cooperation, as a vehicle for harmonizing individual and collective interests and realizing social transformation, presents itself as a very worthwhile opportunity for the MCC.

5.4 THREATS

Finally, it is necessary to consider the threats in the external environment that may hinder the MCC's efforts to maintain its human-based pillars of co-operation, democracy, and community. Primarily, the pressures to continue expanding and growing on a global scale are intensifying. In order to ensure the long-term health of the MCC as a co-operative corporation, measures must be taken to determine how the MCC will remain competitive in an environment of globalization without losing its defining values and co-operative core. As part of these measures, the MCC must begin to look inwardly in order to grow outwardly; to expand in a nature true to its principles, the organization must first be able to grow in depth (Sarasua, 2008).

In addition, the tensions between social and economic forces are heightening, as the globalized economy requires a more aggressive approach towards competition and leaves little room for social considerations. Therefore, it is of great importance that the MCC continues to strive to connect to the social base of the co-operative corporation. In successfully connecting to the social base, the MCC will demonstrate the strength of its alternative business model in order to influence the changes in corporate perspective that are critical to redefining the role of business in society.

Upon considering the expansion pressures faced by the MCC, an additional threat arises from the reality of cultural and ideological diversity that is present in the world. While this diversity is in no way something that should be suppressed, it must be taken into account when the MCC considers its plans and approaches for interacting on an international scale. Due to the varying cultural and political realities throughout the world, the MCC model will have to be adjusted and modified if it is to interact and thrive within a globalized community in a culturally sensitive, respectful manner. Just as adaptations must be made to successfully internationalize aspects of the Mondragon co-operative model, careful consideration must be given to the impact of a global MCC presence on the organization itself. From this consideration, appropriate measures must be derived to ensure that the defining sense of community, solidarity, and social commitment is translated to new geographic locations and not lost along the way.

CONCLUSIONS AND IMPLICATIONS FOR MANAGEMENT

An examination of the Mondragon Co-operative Corporation guided by the pillars of co-operation, democracy, and community highlights significant elements of the human-based approach that defines Mondragon as a business player and fellow citizen of the Basque region, Spain, and society at large. By combining this three-tiered framework with a SWOT analysis, the implications of the MCC approach are elaborated and put into a management context, creating awareness and future opportunities for adoption and adaptation of Mondragon elements in an environment of global business.

Over time, Mondragon's deep-rooted cultural values have sustained a strong sense of interconnection between corporation, individual, and community. The resulting culture of solidarity recognizes the value in reciprocal relationships and embraces human dignity as the driving force behind the business purpose and role in society, creating opportunities for inter-cooperation. By enhancing this commitment to co-operation, the MCC can strengthen the meaning and direction of co-operativism through proactive measures and enrich its co-operative identity. The historic progression of the MCC's co-operative nature

demonstrates the great potential that lies within co-operation, along with the sensitive nature of a co-operative core, a core that must be nurtured in order to flourish.

Democracy in the MCC has fortified the existence, growth, and future aspirations of the co-operative enterprises. Within a democratic frame, efficiency and opportunities for social transformation have flourished. The Management Model has reflected a democratic approach that creates harmony between economic, social, environmental, and individual objectives through the application of co-operative principles and promotion of participation. With self-management and sovereignty integrated into the approach, a respect for human nature emanates from the organizational core. Presently, the MCC must optimize participation corporation-wide to remain committed to its democratic principles. This caution reminds managers that a healthy democracy thrives off of an integrated, participatory culture and identity.

As a community-based business, the priority placed on fostering and maintaining relationships demonstrates the MCC's willingness to empower individuals and unite through collective efforts. The resulting cohesion allows for a social commitment to be exercised, ultimately functioning as the organization's external differentiating factor. This community focus allows the MCC's social commitment to go beyond a corporate formula and fulfill the group's obligation as a co-operative to create value through humanizing efforts. Today, the MCC should consider expanding on this obligation by refocusing on global solidarity and international job creation via the co-operative model, since fostering inter-cooperation in an environment of globalization is key to mitigating the threats of socio-economic tensions emerging from expansion pressures.

For managers, an analysis of the MCC can illustrate the potential of alternative business approaches and the capacity within these unique approaches to add value, address threats, and make the most of opportunities. The co-operative model is not the only option for the future of business, but significant lessons can be learned from the Mondragon cooperative experience and, in particular, the human-based approach to business that has defined the organization since its early years. Above all, Mondragon offers an example of an alternative business approach that is dedicated to humanizing the economy and harnessing the potential of its most valuable asset: its human capital. The overall aim of Mondragon, defined in the words of Arizmendiarieta as "...the economic, political, social and cultural improvement of the workers and society in general" (cited in MacLeod, 1997: 91), is an example and inspiration for the future of business in a world that is yearning for transformation and hope – a hope that can be fulfilled by embracing the potential of humanity through co-operation.

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