

## THE COOPERATIVE MOVEMENT, SELF-MANAGEMENT, AND COMPETITIVENESS: THE CASE OF MONDRAGÓN CORPORACIÓN COOPERATIVA

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*Based on field research in 2005 in the Basque area of Spain, this article discusses the experience of the Mondragón Corporación Cooperativa—MCC. This network of cooperatives began 50 years ago in the Basque area and has been based on self-managed cooperatives, education, and technological innovation. Both internal and external solidarity and the daily practice of democracy have been essential for this experience, and demonstrate the potential of self-management to put limits to economic activity through social, ethical, and ecological commitments in contradistinction to capitalist entrepreneurship oriented by the quest for profit per se. The present day challenges of the Corporación are related to the phenomenon of globalization, which obliged MCC to develop new organizational, technological, and social strategies. Since 1991, when the Corporación was created, technological innovation has been considered an explicit value. A reflection of that is the fact that 12 technological centers are now part of MCC. Furthermore, the Science and Technology Plan of the group has been elaborated since 2001. Internationalization has brought about new challenges as far as the orientating principles of the cooperative movement are concerned.*

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Is it possible to join high technology, competitiveness, technological innovation to the cooperative movement and self-management? This article concerns the journey of the Mondragón Corporación Cooperativa—MCC, a Basque group that for 50 years has been developing network strategies characterized by inter-cooperative self-management, technological innovation, and solidarity. In 2008, this network had 106 cooperatives, with 92,773 workers and a total invoice of 15.6 billion euros. The question that oriented this article was how can one understand on the one hand its continuity (50 years of history) and on the other what it was that had it transformed from what was in the beginning one cooperative to a network of cooperatives that was the first entrepreneurial group in the Basque Country and the seventh in all of Spain in 2006. The contrasts between self-managed entrepreneurship and capitalist entrepreneurship and MCC's potential to determine limits to economic activity through the commitment of those experiences to their local community and through the fact that an ethical, social, and ecological commitment are part of its values are considered.

The concept of self-management used in this article is based on the definitions and practices of the actors and institutions studied. The Instituto de Estudios Cooperativos de Mondragón Unibertsitatea—LANKI (Institute of Cooperative Studies of Mondragón University),<sup>1</sup> in the book *Autogestión y Globalidad* presents self-management as a construction and functioning of institutions or communities that are based on autonomy and on people's capacity to make decisions. Beginning with this concept, self-management is seen as "a paradigm which covers everything from its organizational form to its role as a social project" (Sarasua and Udaondo 2004, 4–5).

To discuss economic self-management, the authors identify themselves as belonging to the sphere of social economics, which is "on the one hand a way of acting or a way of being in the market and in society." In this atmosphere, self-management can occur with different degrees of intensity related to workers' decision-making capacity in three dimensions: "participation in property, participation in surpluses and participation in management" (Sarasua and Udaondo 2004, 6). Discussing the potentials and limits of self-management in the more demanding experiences, that is, with a more transformational social project, the authors point out most pertinently what they call eight concrete potentials for economic self-management in a context of globalization (Sarasua and Udaondo 2004, 22–533).

1. The potential to articulate the balance between the community and the individual or experiences of harmonization of individual and collective interests where cooperative property is something that goes beyond the dichotomy of private individual property or state property. It is the group of workers or "*comunidad laboral*" that controls property, and in this atmosphere, personal autonomy has its space and can build from this autonomy a collective project. Thus, a self-managed community is supposed to be "architecture built from personal decision making capacity and consequently it is a fear of feeling and undoing tensions produced by interaction between autonomous but associated persons" that through their personal decision-making capacity conciliate interests for collective development. The inter-cooperation networks are introduced as an attempt to "make compatible the autonomy of an organization with the engagements and support supposed by more ample inter-cooperation networks."
2. The potential as an instrument of personal and community development. Personal because a self-managed enterprise has the characteristic of giving special attention to people, which is demonstrated through various forms of action: by decision-making capacity, which is in the hands of people who work, by using democratic procedures of management, by guaranteeing transparency of management and of information, by paying special attention to the preparation and education of the workers. This is community development because economic self-management tends to respond to the needs of communities and is capable of creating connections with other (social and cultural) experiences, getting connected to other spheres of social develop-

ment, and the opportunity to be open to the potential of social movements and of assimilating their motivations (the environment, gender, development models).

3. Potential to assimilate things for self-management experiences are usually tied to the communities of their surroundings, and their workers are active participants of the themes of local interest, which makes possible their participation in local development projects, whereas the global enterprise model has capital's nonassimilated character.
4. Potential to create and maintain jobs, since self-managed enterprises have strong social engagements with this objective. The vocation to create stable work posts and defend them has been fundamental for economic self-management.
5. Potential to get close to integral participation, since in self-management experiences, workers' participation occurs in the institutional sphere through democratic organs and also in the daily life of the cooperative. The authors emphasize that participation in the daily life of the enterprise nowadays is a characteristic that is aimed at by modern forms of management in any type of enterprise. However, what makes those forms of worker participation in self-managed enterprises is that in this case, the workers' autonomy is at the service of a heteronomous power, that is, there is the possibility of participating in what concerns their work, but the results will be at the service of projects defined outside of the decision-making sphere. Self-management has the possibility of articulating the two participation spaces and of developing a complete and coherent model of participation.
6. The potential to set limits to economic activity through social engagement since there is a commitment of those experiences to their surroundings, and ethical, social, and ecological engagements are part of its values. Economic self-management supposes "a whole global way of being in the economy and of doing a business," which makes it different from an exclusively economy considering logic and has its own potential to develop a social commitment. That commitment can be reflected in the determination of the economic strategies of the enterprise, in the determination of products and processes, by giving priority to the making of products, which respond to social needs and processes of production, which bear in mind the environment, in offering worthy working conditions and concerned with people's development, since the power of decision making is in the hands of people who live in the community.
7. Potential for inter-cooperation, since association and mutual help is one of the characteristics of self-managed enterprises. Inter-cooperation can be considered a strategy for facing the challenges from the market, which offers many future possibilities. "What is fundamental about inter-cooperation is the establishment of links which respect the autonomy and the identity of

each organization: it is a question of cooperation at another level between cooperators. The network structure is the natural mode of association of self-managed enterprises, a decentralized model based on basic sovereign nuclei for decision making. The effort to articulate small circles around larger circles is constant in economic self-management” (Sarasua and Udaondo 2004, 30).

8. Finally, economic self-management has the potential to activate mechanism for global solidarity by establishing flows of cooperation between self-managing experiences in the North and in the South, which would function as an incubator for possible answers to the challenges imposed by globalization.

According to Sarasua and Udaondo (2004, 32), the limits are established by the potentialities themselves, and the greatest danger is a limited and exclusively economic view of the functioning of the market, which entrepreneurs may have when they look for competitiveness at any price. Self-management in those cases may be restricted to a mere internal organizational formula, as they forget the more ample project of social and local development transformation, which is what awards it a horizon and a direction.

Another risk is that the experience get closed back into itself without establishing links with other self-management experiences. And last, the authors point out the “democratic cooling off,” that is, in view of the complexity of entrepreneurial decisions, the institutional is converted into something formal, and it is the technical direction that really takes over the enterprise as a risk coming from the constant tension between technocracy and democracy inside self-managed enterprises. Therefore, the stimulus to the participation of the worker in all spheres of the life of the cooperative is fundamental for self-management.

### **The Origin of the Mondragón Experience**

What we know today as the MCC had its origin in the town of Mondragón, which is located inside the Spanish Basque Country (Euskadi) in the province of Guipúzcoa<sup>2</sup> in the Valley of Lens (also known as the Valley of Upper Deba) in the center of the Basque Country. With a strong tradition of metallurgy,<sup>3</sup> the economy in the region in the early twentieth century was characterized by agricultural production based on family properties (*caserios*) and on small metallurgy enterprises. The first experiences with cooperatives in the region were begun in 1848 at that period the agricultural cooperatives were linked to the Catholic social movements and the industrial ones to the socialist movements.

During the Civil War (1936–1939), the Basque Country was intensely bombarded, and Franco’s dictatorship, once it was installed in the region, destroyed those experiences. The postwar period was characterized by a climate of fear and the poverty of the population. The Baskes were forbidden to speak their Euskera language, and control in the schools and ration cards were introduced. During

this period, the local economy was very dependent on two large enterprises: the Unión Cerrajera, with two thousand workers (1,200 in Mondragón and 800 in Bergara), which was the largest in the region, and Elma, with a thousand workers (Ormaetxea 1998, 39).

In 1941, a 26-year old priest named José María Arizmendiarieta,<sup>4</sup> then charged with the activities of the recently constituted Catholic Action, arrived in the town of Mondragón. He will also teach at the School of Apprentices of Unión Cerrajera, destined to children of the company's workers. The priest was dedicated to the preparation of youth to organize and administrate social projects and to propagate ideas on democracy, solidarity, and self-management. To him, education was fundamental, and he therefore encouraged his students not to stop studying and to try to improve their knowledge more and more. That stimulated many of those youths, including those who would later form the cooperative, to be promoted from mere apprentices to *maestros industriales* (high school level), and later on to take *peritos industriales* courses, which nowadays is the equivalent to technical engineering.

Arizmendiarieta believed that the association between Christian education and technical knowledge was the road to the liberation of that population from material poverty and their spiritual wounds.<sup>5</sup> So he created in 1949 with the help of the community a professional school to orient youths who were children of workers at Unión Cerrajera (Ormaetxea 1998, 36). He prepared and convinced the teachers at the School of Apprentices to give classes free of charge. Today, that school is called the Polytechnic School and is part of the University of Mondragón.

It is worth noting that the leadership of Padre Arizmendiarieta was fundamental in the history of the cooperative movement in Mondragón, and that even today, his ideas orient strategic and managerial decisions at MCC. Through his labor, he recruited people from the parochial community, youths, and even some businesspeople around the idea of constructing a more just society. One of his important ideas was the need to create enterprises where people are more important than capital, and their results are to be directed to improve the quality of life of the community, an idea inconceivable those days for the local entrepreneurs, who did not credit it the slightest importance, believing as they did that it was destined to failure.

In 1955, 15 years after the foundation of the professional school, there was born what would be the first cooperative, Ulgor, started by a group of his former students who worked at Unión Cerrajera and decided to give up their jobs and bet for the development of a project of their own. Ulgor was born with the proposal to be transformed into a new model of social, humane, and democratic organization, and which would contribute to the social and economic welfare not only of the cooperative workers and their families, but also of the population at large.

Since it was very difficult to create a company (which would demand that a license be obtained from the government in Madrid), they decided to buy an enterprise already installed and which had a permit to produce in the town of

Vitoria (Basque Country). That is how there came about the embryo of the first cooperative, created initially as a limited company.<sup>6</sup> The first important decision was what to produce. The criteria used were, in the first place, to find products adequate for the professional education of the founders (related to foundry activities, electronics, and electricity), and which were not made by enterprises already existent in the region (Mondragón, Aretxabaleta, Eskoriatza, and Oñati), so as not to cause unemployment. *Thus, the concern to increase and not reduce employment in accordance with the principle of solidarity has been present as of the very creation of what would come to be the first cooperative.* That strategy was favored by the context of a growing demand in a protected market. In 1956, the enterprise moves to Mondragón, and in 1959, its statutes are approved, and it is a *sociedad cooperativa industrial* (industrial cooperative society) called Talleres Ulgor SCI.

It is worth noting that Arizmendiarieta, although he was not a member of the cooperative, was always present in all the phases of the experience until his death in 1976. His presence at all moments molded what is today known as the “Arizmendian method of management,”<sup>7</sup> which implied innovation, introducing practices which sought for transparency, democracy, and participation of the worker associated to research and technological training. During this initial phase, the school will have an important role for the adaptation and development of Ulgor’s products (Ormaetxea 1998).

The history of the MCC is usually divided into three phases: the first one is from 1955 to 1970 when there begin the first cooperatives and auxiliary institutions; the second is during the 1970s and 1980s, when cooperatives are organized in groups according to geographic proximity and when a process of productive restructuring is begun, and a third phase which begins in the 1990s, with the internationalization, the forming of the corporation, and departmental reorganization.

### **The Appearance of the Inter-Cooperative Network (1955–1970)**

Between 1955 and 1970, the experience expands and at the end of the period it includes 41 cooperatives and three auxiliary institutions which functioned as the basis of the synergy among them. Altogether, the cooperatives created 8,743 work posts with an invoice of 7.059 billion pesetas,<sup>8</sup> 11 percent of which were exports. In that first phase, all the workers were members of the cooperatives (Arregui 2002, 173).

It is worth pointing out that the auxiliary institutions that were created during this period to work together as a network arise as solutions for the problems found, namely: (1) the lack of credit for financing them, (2) the loss of labor rights, and (3) the need to pay royalties and the restrictions on exporting to certain countries, all imposed by those who controlled the permits/licenses for products made by the cooperatives.

To furnish credit, the Caja Laboral Popular (working people’s savings bank), often called simply Caja Laboral, was created in 1959 with the objective of getting people’s savings and channeling those resources toward cooperative

development. All the cooperatives and their members had to deposit their resources in the Caja Laboral, and it was decided that all the financial business of the cooperatives would be filtered through the Caja Laboral. This institution played a fundamental role, for it got not only to encourage the creation of new cooperatives through its business division, but it also made possible the growth of each cooperative, which would be impossible with their internal resources alone.

A new measure taken by the Spanish government as of 1959 was the suspension of medical and retirement care, as it alleged that the cooperatives' members were the owners of enterprises and not workers. In order to face this problem, the Servicio de Provisión Social was created (social security service) inside the Caja Laboral, which in 1967 was transformed into an independent cooperative called Lagun-Aro (Ormaetxea 2003, 52)

To avoid paying royalties and obtain technological autonomy, the strategy was on the one hand to create cooperatives to furnish parts of the products of Fagor Electrodomésticos (former Ulgor), and on the other hand, research and development departments were created in the cooperatives with the objective of developing internal training and offer the market their own products. That strategy aimed at the consolidation of the cooperative movement in the region and technological independence on their production chain. The Professional School created in 1949 came to be called in 1962 the Polytechnic School and was transformed into a teaching and educational cooperative that gave the technical aid necessary for the learning of the technologies permitted and the development of their own technology. In 1968, the Polytechnic School began to offer higher education courses.

Internal organization was also a concern. The Ulgor cooperative was a pioneer in many regards and sought during its daily routing to experiment and adapt various organizational models to the principles of the cooperative movement as they looked for democratic forms of management.

All modalities of organizing, regulating, planning, systems of evaluating work posts, compensation of factors of production, management models for the search for business opportunities, compensation scales, and the organizational procedures for putting in practice cooperative democracy were experimented "live" (Ormaetxea 2003, 89).

All the Mondragón cooperatives that began after Ulgor used its experience and the same statutes.

The creation of new cooperatives was possible thanks to an investment fund created for that purpose, beginning with Arizmendiarieta's influence. His view on the applying of annual surpluses of the cooperatives is most peculiar and interesting. When in 1959 the Ulgor and Arrasate cooperatives had their first surpluses, the priest did away with the idea of distributing those surpluses among the cooperatives' members, for he had the conviction that it was necessary to reinvest in the cooperatives and promote the creation of other cooperatives.

Arizmendiarieta "felt that the success of twelve months did not mean that was a good situation and it could depend on a transitory influence of external

agents on the action of our own management”; it was a question of “seeing success in relative terms due to circumstantial factors, of taming the desires of personal enrichment and directing attitudes towards moral commitments which, to him, we had with society” (Ormaetxea 1998, 538). Based on this prospect, it was established that from 70 to 80 percent of the surpluses would be destined to the so called “indivisible funds” generated by the Caja Laboral, with the objective of creating more jobs and new cooperatives.

It is worth pointing out that the Caja Laboral, besides financing the cooperatives, offered an array of complementary auxiliary services to the management through the entrepreneurial division. In some cases, when the cooperatives had negative results, Caja Laboral would cover the negative balances and pardon the debt to make possible the maintenance of jobs, thus acting against the traditional logic of banking. As for the management, the cooperatives every year had to send in their financial planning and the annual results to be followed by that division (Cruz and Cardoso 2004).

In the 1960s, the intercooperation fund was created. It allowed for a combination of aspects of solidarity combined with long-period planning. It had the logic whereby those who get more help if they are in difficulty today get it because tomorrow it may be that the roles are inverted: those who got help yesterday will be able to give it tomorrow to those who for the first time need it.

That logic will later bring about the forming of *grupos comarcales* (district groups).<sup>9</sup> The objective of that kind of grouping was to establish the relation between cooperatives and between the latter and the market. The first group to be formed by the Ulgor, Arrasate, Ederlan, and Copreci cooperatives in 1964 was Ularco.<sup>10</sup> This group will be a useful reference for other cooperatives (MCC, *Historia de una Experiencia*, 2001, 9). The group acted by formulating multilateral contracts based on a regime of mutual engagement and community solidarity. Ularco’s mission was to make the cooperatives competitive without missing the commitment to the principles of the cooperative movement (Arregui 2002).

The idea that oriented the formation of groups was the creation of an industrial complex that would be technically harmonious, which would consider not only the production of consumer good, but also that of capital goods and components. Ulgor would be the head cell of this complex. The challenge was to create a superstructure that would make possible the competitiveness of the cooperative movement, in a panorama of the opening up of markets and competition by price and in which the value of labor and raw materials would be lesser in other countries. And all that was about to happen in a context in which cooperatives had deep-rooted concepts of the sovereignty and autonomy of their enterprises, which led to the formulation of the idea of “multilateral pact”<sup>11</sup> to establish the frontiers of power (Ormaetxea 1998, 96–5337).

In 1970, the basic structures of the experience of Mondragón had been created, which will later be transformed into the financial group (Caja Laboral, Lagun-Aro), into the distribution group (Eroski), scientific and technological training (the Polytechnic School), into the industrial group (industrial cooperatives articulated with one another, engaged in research and development



activities, and facing collectively the challenges relative to the increasing of the cooperative movement associated with the competitiveness of its enterprises). The idea of inter-cooperation to make possible the sustainability not only of business but also of the cooperative movement itself is present (1) in the creation of cooperatives that furnish parts and components, (2) in the inter-cooperation funds, (3) in the creation of Ularco, (4) in the close relationship between the basic cooperatives and the Polytechnic School, and (5) in planning on the long run where internal and external solidarity always orientes their action.

### **Consolidation, Crisis and Production Restructuring (1970–1990)**

This period was marked by the continuity of the growth of the number of cooperatives, sales, and the number of jobs besides the creation of various research and development centers. An effort was made during the 1970s and 1980s to strengthen synergies in the cooperative movement by the creation of common spaces and organisms to guarantee the independence and both the economic and technological stability of the cooperatives.

This phase begins with the facing of the economic crisis, which between 1975 and 1985 will bring about in all Spain an enormous fall in industrial employment. In Euskadi, industrial employment moves from 366,000 jobs in 1975 to 228,000 in 1985, thus registering a loss of 138,000 jobs (38 percent of the labor force). In that context, the challenge was to keep up employment, which depended on competitiveness (Ormaetxea 1998, 551).

*In spite of the difficulties, the cooperatives associated to Caja Laboral jumped from 13,808 jobs in 1975 to 19,161 in 1985, thus managing to preserve one of the aims of the movement, which was the sustaining and increasing of employment.* However, if from 1965–1975, the profitability of the cooperatives was kept to around 8 percent on the sales, between 1975 and 1985, it fell to 3.7 percent. During the next five years, with the fall in the demand and the growth of the GDP, the profitability of the group reached –0.5 percent, meaning the loss of 263 million pesetas. Between 1985 and 1990,<sup>12</sup> when the economy was recuperating (at a median 5.2 percent annual growth of the G.D.P), the profitability of the group goes up to 4.5 percent (Ormaetxea 1998, 551).

The 1985–1990 period was the most difficult one, thanks to the drastic reduction in the market demand, which raised the idle capacity of the cooperatives and obliged them to use, besides the reserves from the reconversion of results,<sup>13</sup> other solutions to keep up the work posts. *It is worth observing that the decisions on restructuring and the search for solutions to face the crisis were always made in assemblies, thus preserving transparency and democracy.*

Among them, it is worth noting the measures taken to avoid unemployment:

1. The flexibilization of the calendar, a mechanism which allows for the adjustment of the calendar of activities to the volume of work all along each year.
2. The transference of members between cooperatives. In that case, the cooperatives most affected by the crisis transfer their members with their

respective quotas to less affected cooperatives. That transfer can be transitory or definite.

3. The offering of professional upgrading courses to adapt the members' knowledge to new technological demands and to avoid unemployment by professional obsolescence.
4. When people eventually tend toward being permanently unemployed, a quota is established in each cooperative for a fund, administered by Lagun-Aro, which finances the unemployed.

Furthermore, it is worth pointing out an array of economic measures to face the fall in profitability and the threat of decapitalization of those cooperatives that were facing losses. Some measures set up through solidarity and inter-cooperation were made:

1. Financial contributions by the members of the cooperatives for recomposing capital. In those cases where members had no resources of their own, Caja Laboral granted individual loans at low interest or without interest. Furthermore, some cooperatives reduced the value of the withdrawals and the average man hour occupation to increase productivity and recuperate positive surpluses.
2. Caja Laboral had a fundamental role for the recuperation of the group through the reduction of the interest rate for loans, in some cases making itself responsible for the debts of cooperatives.
3. The reconversion of results was a strategic tool because besides partly compensating the negative results, it helped restore financial balance and worked as a tool for solidarity, which collaborated with the consolidation of the whole project of the group and the development of new cooperatives.
4. The permanent capitalization of surpluses was another instrument that contributed to the restoration of the financial balance of the cooperatives.

In the third place, measures were taken to improve the management of the cooperatives, making them more competitive.

1. The restructuring and the planting of modern management techniques.
2. The introduction of strategic planning as a complement for the annual management plans.

Despite that array of measures, some cooperatives closed down, and others reduced their personnel. The ones that suffered least were the ones that had developed policies concentrating on exports.

The financial, technological, and organizational restructuring that cooperatives went through in the first half of the 1980s because of the crisis is going to show results as of the second half of the 1980s. In the 1990s, there were already 109 cooperatives, which together invoiced 303,363 million pesetas (the exports

represented 16 percent generating 23,130 jobs; Arregui 2002, 180; Ormaetxea 2003, 38).

The crisis demonstrated that the continuity of the experience depended on the effort to develop a cooperative movement based on mechanisms of intercooperation and solidarity, which climaxed with the establishment of the Grupo Cooperativo Mondragón (Mongelos 2003, 81).

During the second half of the 1980s, with the entrance of Spain in the European Union, new strategies for making the growth and competitiveness of the cooperatives viable become necessary. The political changes elicit norms of the Bank of Spain for dispersing the risks, which oblige the cooperatives to get related to other finance entities and not only with Caja Laboral, which is also open to the market and increases its activities. The combined action of the group of cooperatives then becomes even more relevant for the guaranteeing of solvency vis-à-vis the financial system (Mongelos 2003, 81).

The incorporation into the European Union brought about new challenges and opportunities, which began to be discussed in 1984 when the Cooperative Congress and the General Council were created to discuss a unitary vision that would take into account both the ideological and the entrepreneurial factors. It was a question of organizing a permanent debate forum to elaborate new strategies.

The reduction of commercial barriers and the level of protection of the Spanish economy demanded the cooperatives create strategies that would guarantee their competitiveness on the European and international panorama. For that purpose, strategies for expansion and internationalization are adopted (Mongelos 2003, 79–86).

1. New cooperatives are created to respond to market demands identified by the Entrepreneurial Division.
2. There begins the buying of enterprises belonging to sectors where the cooperatives were present (white line<sup>14</sup> and automobile parts) both in Spain and elsewhere with the purpose of strengthening their presence in the market and facing the great multinational enterprises.<sup>15</sup>
3. There was an increase in exports and the founding of commercial delegations in countries like Singapore, Hong Kong, Taiwan, China, Korea, and also Latin America.<sup>16</sup>
4. The founding of factories abroad, first in Mexico and Thailand, which accompanied some of their clients. Those plants are limited companies owing their origin to the buying of existent enterprises or to the creation of enterprises to get into the market. The justification presented for not setting up enterprises under the juridical form of cooperatives was the urgency to begin and the long period that would be necessary to mold a cooperative culture according to the norms of MCC.<sup>17</sup>

5. Societies were created with European companies like the one created by Fagor Electrodomésticos with Thompson and General Electric.
6. The intensification of stimuli for research and development to acquire technological autonomy, it being understood that innovation and the training of collaborators were key factors for competitiveness. Since 1974, cooperatives had been created to give technological and organizational aid to the other cooperatives<sup>18</sup> when there were created the Research Center—Ikerlan,<sup>19</sup> the Lea-Artibai Polytechnic School, the Irakasie Eskola, The Txoriem Polytechnic School, the Center for Training for Administration and Directing of Enterprises—Eteo,<sup>20</sup> and the Otalora Training Center.<sup>21</sup> In 1984, Ideko is created and many cooperatives create their own research and development centers.

In 1981, there were ten district groups that had taken on commitment to help each other on technical, financial, and mercantile questions. The Congress will discuss this form of organization again. *As a basis for the discussion, the results of the project were utilized. The project was called “Desde un modelo sociológico hacia un grupo empresarial” (From a Sociological Model toward an Entrepreneurial Group), and published in 1982. It pointed out the need for a corporative organization, which kept the values of the cooperative movement but which molded the demands of the times.*

The cooperatives were represented at the Congress they had created depending on the number of members each one had. The deliberations adopted at the Congress would come back to the cooperatives as suggestions, as there was no obligation to put them in practice. However, the cooperatives that did not intend to follow the strategies established by the Congress would leave it spontaneously.

In 1984, new structures were created: the Permanent Committee (an organ that functions between congresses and elected by candidates coming from the ruling councils of the cooperatives) and the Council of Groups (which functions as a collectively elected organ and is composed of the directors of cooperative groups and presided by the General Director of Caja Laboral). A team of professionals is in charge of doing studies for giving subsidies to the deliberations of the Congress, the Technical Secretariat, and the Entrepreneurial Services (organs to assist the presidency). That structure worked until 1989 as a debate forum, when it was decided to discuss a new form of organization, and in 1991, the MCC is created (Mongelos 2003, 83).

During the transition phase (1984–1991), the production and service cooperatives are grouped together in an industrial and service area, the educational and technology cooperatives in another area denominated technological and educational superstructure, and the cooperatives linked to the field of finances and social security were grouped together into the so-called financial superstructure. The form of grouping cooperatives moved from the district to the sector type with the aim to stimulate greater synergies. Some cooperatives decided to keep their former district groups, choosing to be part of two groups (district and sector ones).

The confrontation of the crisis and of the new challenges and opportunities brought about the MCC and systematic group action. One should point out the difficulties making possible the ensemble of key ideas in the movement: the creation and maintenance of jobs, solidarity, inter-cooperation, and democratic forms of decision. *All the transformations and changes of strategy implied intense discussion processes whether in the realm of internal assemblies or in negotiations between cooperatives.* The decision to create the Corporation took nine years. Indeed, the increase in the activities and internationalization will bring new problems.

### **Sector Reorganization and Internationalization (1990–2008)**

The principal characteristics of the third phase, which begins with the forming of the Corporación after nine years of debate, were the process of internationalization and the intensification of the incorporation of innovation as a key factor for competitiveness. The market in which the cooperatives before the crisis of the mid-70s were born was local and protected, and later becomes continental, and as of the 1990s gets globalized. Its principal competitors are transnational enterprises, and the principal industrial activities of the group are in other sectors, which suffer an intense process of concentration and internationalization of automobiles parts as of the 1980s and white line during the 1990s.<sup>22</sup>

In that sense, the difficulties increase: how is it possible to be competitive in a panorama of an ever more intense competition and still keep the orientation principles of the experience of solidarity, inter-cooperation, creation and maintenance of jobs, self-management, and democracy? A key factor for facing the challenges of this phase was the structure of training, research, and development, which during this phase is consolidated and increased. Another one was the quest for organizational forms that would permit combined action while respecting the autonomy of the cooperatives.

In 1991, the Mondragón cooperatives group is transformed into MCC.<sup>23</sup> The word *corporation* was used in order to express the idea of solidity and size so that the market would accept it as a group even though in practice the structure utilized is that of a network. Nowadays, the group is a legal entity, of which the group is configured as a nonlucrative society foreseen in the general law of cooperatives of Euskadi.<sup>24</sup>

The structure of MCC today is quite complex. The corporation is divided into three groups: industry, finance, and distribution. The finance and the distribution groups are each composed by one division. The industrial group however, joins seven divisions: tool machines, capital goods, automobile parts, white line components, industrial equipment, metal components for civil construction, and household appliances. Each division is formed by cooperatives in accordance with its market. The training cooperatives and the research and development centers are grouped horizontally, thus contributing for the whole corporation.<sup>25</sup>

As was stated above, the congress is formed by all the cooperatives (for every 30 working members, a cooperative has the right to one representative to the Congress) and by the members of the Permanent Commission of the MCC, all of which reaches the figure of 650 representatives.

The planning and the strategic managing are done with the participation of all the organs of the Corporation and approved in the General Congress. The principles that orient the Corporation are visible in the dynamics of the management of MCC. The deliberations are widely debated on various levels, which allows a great number of members to participate in the debates. Besides strengthening the principles of democracy and self-management, that strategy also makes a contribution as the establishing of resolutions is quicker and enjoys a high degree of commitment.

The logic that orients the management of the corporation is the inverted pyramid, whereby the cooperatives are at the top and the corporation with its departments is at the vertex. That structure makes viable a form that is more democratic and more given to solidarity so as to be devoted to the common interests of the group. It should be pointed out that the cooperatives are independent regarding the management of their units and adherence or not to the decisions of the Congress of the Corporation. However, they will gain the necessary support insofar as they are informed of the strategies defined collectively. In this sense, one can assert that the decisions are executed thanks to conviction or also by stimulation measures.

The articulation between the principles of the cooperative movement, entrepreneurial policy, and the strategic plans of each division is materialized through the strategic plans of the cooperatives and the strategic plan of the MCC. To face the complexity of the size and of the philosophy of participative management technological aid, structures were created to stimulate participation and propagate information among cooperatives.

Another strategy that has been used since the beginning of the experience has been the funds that were of fundamental importance to the itinerary of the cooperatives. Besides the legally obligatory funds, the corporation has various other ones whose objective is to better distribute wealth, stimulate the creation of new businesses and training, aid cooperatives during critical moments, and so on. Among all the funds, the Fondo de Reconversión (reconversion fund), created by the industrial group, has shown the materialization of solidarity in the financial sphere. A cooperative that has obtained yearly positive results makes 25 percent of its surplus available, and cooperatives where the results were negative can count on support for 50 percent of their losses. If there are no negative results, the same rule is also applied, thus making it possible that the gains be more harmonious, which contribute to external solidarity, that is, a more egalitarian distribution of income. The cooperatives that participate in district groups also participate in the distribution process in their groups, thus making it possible for cooperatives to cover 100 percent of their losses when necessary.

Regarding remuneration inside cooperatives, a withdrawal by a worker on the factory floor is greater than correspondent wages for the same task as

remunerated on the labor market, and a withdrawal by a person doing managerial labor is 20 percent lower than what the market pays, and thus inequalities inside the cooperatives are reduced. During Alessandra Azevedo's field project in 2005 and corresponding to a large part of the subject of her 2007 doctoral thesis,<sup>26</sup> it was observed that at Copreci, the greatest withdrawal was six times as much as the smallest. At Fagor Ederlan, there was a difference of 6.9 times, and at Itizar, it was three times. There was no difference between the value of a withdrawal by one member and a wage laborer hired for the same job. The difference between members and nonmembers occurred with the distribution of the annual surplus. The members of the Consejo Rector (ruling council) and the Social Council got no remuneration for their positions and just keep on doing their jobs.

During this phase, the inter-cooperative funds were increased and strengthened. Two structures, the MCC Inversiones and the Fundación MCC, were created with the purpose of administering/administrating the FCI (Spanish initials for Inter-Cooperation Fund Center), the FSC (Corporative Solidarity Fund) and FEPI (Fund for Education and Inter-Cooperative Promotion), and the Fund for Aid to Employment. In 2007, MCC had five inter-cooperative funds (Azevedo 2007).

FSC was approved at the MCC's Eighth General Congress as an instrument for inter-cooperative support to cover the losses of the cooperatives of the industrial group. It is a fund specifically for that group and aims to cover up to 50 percent of the cooperatives' losses (30 percent coming from FSC itself and 20 percent from FCI).

The Fundación MCC SPE S.Cooperativa was created in 1994 to channel the corporative operations of the FCI and FEPI funds. Since its foundation in 1994 until 2003, it contributed one hundred million euros to diverse projects. The foundation is financed the following way: (1) from the FCI fund Caja Laboral destines approximately 4 percent of its annual results to entrepreneurial projects, and (2) to activities involving education and social promotion, Caja Laboral furnishes annually 43 percent of its FEPI fund, and the rest of the cooperatives furnish 20 percent of theirs. It is also possible to verify that there are also resources for internationalization and for financial losses. Each project is analyzed individually (Ansoategi 2003, 26–27).

MCC Inversiones SPES Coop (MCC Investments Cooperative) was created in 2003 to strengthen the financial capacity of the cooperatives vis-à-vis new development and internationalization initiatives or to overcome specific financial difficulties. Those contributions, principally the ones by Caja Laboral, allow MCC Inversiones to invest in high-risk projects together with the cooperatives.

MCC Inversiones is fed through the contribution of resources that is regulated by the basic norm of the FCI fund. The cooperatives make two kinds of contribution: (1) an initial one of capital equivalent to 756 euros per working member (which gives him/her the right to vote at the general assembly of MCC Inversiones) and (2) an annual one of 10 percent of the results, a recourse that is classified as an investment. The contribution by Caja Laboral is annual and is a

donation. Since its founding in 2003, MCC Inversiones has administered a total sum of 267 millions euros (Ansoategi 2003, 24–25).

The inter-cooperative funds are supportive answers of the MCC cooperatives, which are pro the collective development of all the participant cooperatives (Centro Corporativo de MCC 2003, *Memorial de Sostenibilidad*). In 2001, the contribution to those funds was forty-six million euros, in 2002, forty million euros, and in 2003, thirty-six million euros (Azpiazu 2003, 22–23). In 2006, there were contributions of fifty-nine million euros, in 2007, sixty-seven million, and in 2008, seventy-two million (Centro Corporativo de MCC 2008, *Informe anual*, 48). One can observe this last increase despite the financial crisis that came to the surface in 2008.

Aiming at making the strategic goal of competing viable on the basis of technological innovation, MCC has undertaken partnerships with public and private institutions for the creation of institutions, which gather resources for investments in enterprises that do innovations and research and development, such as (1) MSS Desarrollo (MCC Development), a society that promotes new enterprises and has a capital of forty-eight million euros and is an associate of the Basque government and holds 30 percent of the capital, 21 percent being held by MCC Inversiones, and Basque banks with 49 percent; (2) MCC Navarra, a society for promoting enterprises, which is constituted by a capital of six million euros, which is distributed thus: the Navarra government holds 25 percent, MCC Inversiones holds 25 percent, Navarra banks hold 50 percent; (3) MCC Innovación: it is constituted by a society for promoting enterprises with a capital of twelve million euros, of which 50 percent is held by the Basque government, and 50 percent by MCC Inversiones; (4) collaboration agreements with the Elkargi and Oinarri financial institutions: MCC Inversiones establishes with these institutions reciprocal guarantees aiming at strengthening the increase of their limits of guarantees for MCC's cooperatives.

The various institutions dedicated to knowledge and technological projects at MCC are strategic for the competitiveness of the group, since the majority of the cooperatives are dedicated to industrial activities. The corporation at present has 12 technological centers and a technology pole—Garaia Pole—besides eight cooperatives dedicated to training workers. The proliferation of technological centers as of the 1990s is stimulated by resources destined to that activity in the Basque country. Some centers were created on the occasion of transformation of the research and development departments of the cooperatives<sup>27</sup> with the purpose of using public finances. Other centers have come from the union of various enterprises and cooperatives with other technological centers and universities. In 2005, MCC invested 38.13 million euros in its technological centers, which then had 615 professionals and 46 beneficiaries of scholarships. In 2008, notwithstanding the crisis, 133 euros were invested in centers that had 748 professionals (Centro Corporativo de MCC 2008, *Informe anual*, 15).

It is worth noting that one of the keys for understanding the innovative capacity at MCC is the synergy that exists among the technological centers, the enterprises, and the University. The closeness of those three actors in the



development of projects allows for greater celerity, and the implementation of technology as technicians from the enterprises, centers, and universities do teamwork together during the development of projects. The development of that technological culture was fundamental so that the cooperatives might have the means to compete on global markets.

The technological centers have synergy with the training cooperatives, principally with Mondragón Unibertsitatea (MU). MU's students have the chance to do their monographs at the MCC cooperatives. The close relationship with all the local industrial complex allows 40 percent of them to develop their monographs at noncooperative enterprises. That strategy of closeness to the productive sector has been efficacious, and the indicators registered show that 95 percent of the students, six months before ending their courses, are inserted in the labor market as trainees, and that 98 percent of the students are employed the year they graduate (<http://www.mondragon.edu>, accessed on 25 November 2007).

The great growth of the corporation and of the number of members during the 1990s also led to the discussion of the degree of involvement and effective participation of the working members and their commitment to the principles that oriented the Mondragón experience. That debate is part of the agenda of many cooperatives, and is part of the discourse of many of the executives of the corporation. There is the perception that the degree of commitment by the present-day worker member is different from the engagement of those who began the experience. The question that permeates the debate is: to what extent the fall in the worker members' commitment to the principles and values of the cooperative movement is harmful to the future of MCC. To face this problem in 1999, the Institute of Cooperative Studies Lanki of the University of Mondragón was created. It was born with the objective of being a critical voice inside the corporation and of investigating and reflecting upon the cooperative act and self-management, focusing in the first place in the social, educational, and juridical perspectives. The Institute acts inside the corporation through courses given at the university on training professionals and in the cooperatives with projects developed with the workers. The idea is to promote debate and reflection on maintaining the principles inspired in Arizmendiarieta in a context of global changes, which involve the cooperative act, and the reality lived by MCC.<sup>28</sup>

Errasti *et al.* (2002, 123), while discussing the development of cooperatives in the days of globalization, observe that global capitalism has profoundly effected both their development and their nature. For the authors, it is necessary to return to the historic debate on the limits and possibilities of the acting of worker cooperatives in a capitalist economy. For them, the fundamental debate is to discuss to what extent cooperatives can generate knowledge and innovation processes, transcend the limits of their original market, act in networks together with other enterprises and organizations at levels similar to those of capitalist enterprises, but always holding on to their principles and values of democratic organization. Before the phenomenon of internationalization, cooperatives must make a choice between two alternative strategies: either they are

internationalized or they specialize in their original markets. Those strategies are opposed and are not valid for just any cooperative. For cooperatives inserted in global networks, as is the case of the majority of the MCC cooperatives, only the first choice could be made, and internationalization became for them a great economic, financial, organizational, and social challenge.

The difficulties coming from those challenges are said to have delayed the process of internationalization of the cooperative groups. According to Errasti *et al.* (2002, 126), there are two possible forms: one is international inter-cooperation, and the other is the creation of capital branches [sic] abroad. The first one is said to have been mentioned by Arizmendiarieta in 1974 as a possibility that he called quite precariously *cooperativismo articulado* (an articulated cooperative movement), that is, a transnational cooperative would be the result of democratic agreements of all the cooperative organizations, localized in diverse countries.

The obstacles, which would be presented to that choice of internationalization, are said to be: the limitation of the industrial cooperative sector in different countries, distinct legislations, and the existence of divergent concepts of a cooperative. Furthermore, there are intrinsic problems to the cooperative movement which require agreements between worker members' communities with distinct collective and individual interests as there arise questions such as the organization of decision-making processes and the division of surpluses among members of different countries.

Due to that ensemble of factors, the cooperatives, which chose international expansion, utilized the same forms used by capitalist enterprises, that is, they created branches with limited companies or with incorporations with access to the stock market. The immediate consequence of this would be the creation of a capitalist periphery coming from direct capital investments or joint-venture experiences dependent on a cooperative center.

For Errasti *et al.* (2002), there is a basic contradiction between the multinational and cooperative enterprise models. They utilize Dunning's eclectic paradigm according to which a multinational enterprise's *raison d'être* lies in the internalization of the advantages of the enterprises by the control of it by the main branch, which is materialized through the control of the capital of the companies located in other countries. This principle of the control of the multinational company is contradicted by the principle of self-management or of the democratic management of cooperatives. The essence of the cooperative nature of an enterprise is supposed to lie in the supremacy of the worker over capital so that the sovereignty of the cooperative enterprise lies in labor according to the formula of one person—one vote. In that sense, it is not supposed to be capital that utilizes labor, but labor that utilizes and controls capital. Thus the creation of branches for production in other countries that are controlled financially and utilize wage laborers is supposed to be beyond the mark of the traditional principles of the cooperative movement.

Vis-à-vis the phenomenon of the growing presence of cooperative enterprises on the international market through production branches abroad, there is

a complex debate among both local and international cooperative associations in which there is no consensus. Some authors, for instance Böök (1992), understand that period as one of transition toward gradual initiatives looking for more cooperative forms inasmuch as the branches are further consolidated in the new markets. On the other hand, Errasti *et al.* (2002, 135) see that phenomenon as a breaking away from the traditional cooperative paradigm rooted in a concrete territoriality and focused on local markets, a breaking away that places on the agenda insecurity about its limits and potentialities.

MCC cooperatives also opened up branches overseas through limited enterprises by buying part of the capital of existent enterprises and through joint ventures with other enterprises or with MCC. According to Errasti *et al.* (2002, 135), 42 percent of the enterprises begun abroad are new enterprises, and the remaining 58 percent come from acquisitions. In 2005, MCC had 138 branch enterprises spread over Spain and elsewhere. Fifty-five of them were located abroad,<sup>29</sup> and in 2008, there were 129 branches, of which 75 were abroad.<sup>30</sup>

In 1994, some specific planning for the internationalization of cooperatives was developed. It bore in mind financial and technical support by MCC for those cooperatives interested in opening up in other countries. One of the keys to the expansion and adaptation keys was fundamentally based on the development of coordination systems originating from inter-cooperation. This planning and the (financial, technical and managerial) support gotten from MCC diminished the economic difficulties to the internationalization process. Another important factor was the fact that some plants were created as the clients followed that process (Errasti *et al.* 2002, 132). Despite those factors, some cooperatives had their difficulties and closed down factories that had already been installed.<sup>31</sup>

In the case of MCC, cooperatives that wanted to be internationalized were mostly concentrated in the white line, automobile parts, and industrial equipment sectors. Internationalization was motivated by the need to follow the trend of the market, getting installed close to their main clients, which were the great factories (white line and automobile part sectors). Initially, the larger cooperatives were the ones that most looked for outside markets for installing new plants (Fagor Electrodomésticos, Copreci, Irizar, Maier, Cikautxo, and Fagor Ederlan, etc.). However, more timidly, the small- and middle-sized cooperatives (Fagor Sistemas, Dikcar, MSI and LKS) did the same movement too (Errasti 2002, 131).

The internationalization process, from an economic viewpoint, had satisfactory results. In that third phase, MCC grew and was consolidated in its financial, organizational, and technological aspects. There was also growth regarding the number of cooperatives, as well as jobs generated. From the viewpoint of the principles of the cooperative movement, the choice adopted for branches abroad brought about new dilemmas for the group, since there was a significant increase of the hiring of workers, which makes the participants of the experience uncomfortable.

The justification for the model utilized in the branches that were included in the field research project done in 2005, which brought forth the doctoral thesis

of Alessandra Azevedo, are based on difficulties such as different national legislations found in the countries where the branches were established, the fact that different branches are joint ventures with capitalist enterprises, and the lack of a cooperative culture in the MCC style among hired laborers, there being an emphasis on the lack of an investment culture among the workers, which would make the acceptance of the cooperative shares difficult. Errasti and colleagues (Errasti *et al.* 2002, 138) introduce an important hypothesis, which does not appear in official discourse, which is the possibility of a loss of control of capital, the market, and technology.

This concern elicited many debates, and in the General Congress in 2003, some goals that involve the expansion of the society were established. In the first place, there would be the doing of studies to develop possible ways for hired workers in the branches to participate in the property and the management of the enterprises. The strategic planning for 2005–2008 established the goal of a gradual application in the principal branches of different ways of worker participation, which should by 2008 include at least 30 percent of the collective work force of those enterprises.

Internationalization and the arrival of MCC in developing countries brought about the challenge of establishing ways of international solidarity. To understand that self-management is capable of getting integrated in today's economic system and that experiences of self-management may mean important innovations toward increasing democracy in society, the Corporation through various projects has been trying to contribute to the social transformation of other regions by acting to stimulate the creation of cooperatives and the exchange of experiences with different social movements (Sarasua and Udaondo 2004, 6). For that purpose, Lanki began to act in Third World countries through cooperation programs<sup>32</sup> (<http://www.lanki/coop>, accessed on 25 November 2007).

## Conclusions

As the history of Mondagón is analyzed, it is important to emphasize the articulation between democratic ways of managing and solidarity, which are materialized several different ways, and the capacity to innovate utilized to face problems and find extremely creative solutions. The logic of the articulating of solidarity and competitiveness and the importance given to technological knowledge and the preparation of workers made possible the building of its own organizational characteristics and are important factors for understanding its success and continuity. Its solidarity since the first moment of the experience is materialized several ways, whether in the inter-cooperative funds, the distribution of the surplus, or the workers' withdrawals. Such solidarity continues to support the construction of organizational forms, which make it possible to act collectively while respecting the autonomy of the base cooperative.

The logic to working on the whole production chain, whether through the creation of cooperatives that would complement the links or through the cre-

ation of auxiliary institutions (a bank, a technical school, technological centers, and social security) managed over the years to prove to be a fundamental strategy for the economic and technological independence of the cooperatives, thus making it possible for them to avoid suffering so much from the economic crises all along its history.

The creation of an inter-cooperative organizational structure was important on the one hand for the survival and maintenance of competitiveness in a panorama of growingly acute competition, and on the other hand for the maintenance of values and principles which oriented the experience: solidarity, inter-cooperation, creating and maintaining jobs, self-management and democracy.

The present challenges to the Corporation are related to the phenomenon of globalization, which obliged MCC to develop new organizational, technological, and social strategies. Since 1991, when the Corporation was created, technological innovation has been considered an explicit value. A reflection of that fact is that there are 12 technological centers that are part of MCC, and that since 2001, there have been elaborated twelve technological centers, which are part of MCC; furthermore, since 2001 a Plan for Science and Technology has been elaborated. The 2005–2008 plan calculated that until 2008, the investment of 40.7 million euros would be invested in research focusing five areas, which were selected as strategic, and 90 percent of their goals were met. A plan for 2009–2012 is being elaborated.

Internationalization brought new challenges as far as principles of orientation of the cooperative movement are concerned. That occurred through the creation of branches, and there still persists as a possibility the creation of what Arizmendiarieta in 1974 called the articulated cooperative movement, that is, a transnational cooperative as the result of democratic agreements among cooperative organizations in diverse countries. It is a question of rethinking the values and principles that oriented the experience at a local level among cooperative organizations in diverse countries, that is, what Sarasua and Udaondo call global solidarity. It is worth stressing that these questions are present in the discussions of the MCC community and of those who study the cooperative movement. The terms for discussion found during the field work project done in 2005 by Azevedo were: (1) the possibility of establishing new property and management relations in the branches; (2) the development of new forms of managing technology and of the relationship between the main branch and the branches abroad, thus establishing some relationship for cooperation; (3) the deepening of the socioeconomic engagement with the surrounding areas of the overseas branches; (4) the development of an international socioeconomic policy but which follows the principles and values which orient the Corporation; (5) the creation of kinds of multinational managing adequate for the democratic and social values of the cooperative movement.

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## Notes

The *Autonomous Community* (*Comunidad Autónoma . . .*) is the first-level political division of Spain, in accordance with the Spanish Constitution. The second article of the constitution recognizes the rights of “regions and nationalities” to self-government and declares the “indissoluble unity of the Spanish nation.” Political power in Spain is channeled by a central government and 17 autonomous communities. These regional governments are responsible for schools, universities, health, social services, culture, urban, and rural development, and, in some places, policing” (Wikipedia, English language version, [http://en.wikipedia.org/wiki/Jos%C3%A9\\_Mar%C3%ADa\\_Arizmendiarieta](http://en.wikipedia.org/wiki/Jos%C3%A9_Mar%C3%ADa_Arizmendiarieta), accessed 21 November 2007). When there is a local language, it enjoys a legal status together with Spanish. Probably the two best-known autonomous regions are the Basque Country (also known as Euskadi) and Catalonia. Not surprisingly, the reader may be able to discern several non-Spanish (Basque) names throughout this article (translator’s note).

1. Lanki is the Institute of Cooperative Studies of *Mondragon Unibertsitatea* (Mondragón University in Basque) and is located at the College of Humanities and Sciences of Education. The Institute is specialized in cooperatives and self-management.
2. In the province of Guipúzcoa, the principle towns are Gatzaga (Salinas de Leniz), Eskoriatza, Aretxabaleta, Mondragón, Oñati, Bergara, Anzuola, and Elgueta.
3. The history of the town of Mondragón is linked to a tradition of the industrial transformation of iron. Its deposits of iron oxide and hydraulic energy, which are abundant in the region, made the development of the steel, arms, and metalwork industries possible. During the second half of the nineteenth century, the metallurgy industries thrived, and products began to be exported (Itizar and Zigor 2005, 10).
4. “José María Arizmendiarieta Madariaga was born in Karkina, Vizcaya in a in Barinaga neighborhood on April 22, 1915. He died in Arrasate/Mondragón on November 29, 1976 at the age of 61. At 12, he entered the seminary. He studied at the seminaries in Castillo-Elexabeitia (humanities) and in Gasteiz/Vitoria (philosophy). He served as a journalist in the Basque army beside the Republicans. He finally returned to

the seminary at Gasteiz/Vitoria, where he was ordained as a priest on December 21, 1940, and a month and a half later, he arrived at Mondragón.” (Azurmendi 1984, 14–15). According to the Spanish language edition of Wikipedia ([http://es.wikipedia.org/wiki/Jos%C3%A9\\_Mar%C3%ADa\\_Arizmendiarieta](http://es.wikipedia.org/wiki/Jos%C3%A9_Mar%C3%ADa_Arizmendiarieta), accessed 16 November 2009), his association with the Republicans during the Civil War cost him some time in prison once the Basque country fell under the control of Franco’s partisans.

5. “Many times we say that we ought to struggle against injustices but have we understood that the first servitude is intellectual poverty?” (Arizmendiarieta 1984, 850).
6. The first enterprise is born in Vitoria in 1955 through the buying of a household appliance company. For three years, no answer was found to the question of what type of legal entity that enterprise should become because the statutes edited by José María Arizmendiarieta were so unique that they could not be registered (Ormaetxea 1998, 6).
7. According to Azurmendi (1984, 24) “[t]he strength and vigor of Arizmendiarieta’s thought are not to be found in his originality but in his capacity for synthesis and in his pragmatic sense without giving up to utopia. He knew how to construct his own system of solid and coherent thought. He produced a harmonic synthesis of personalism and cooperation, philosophy and the economy, study and work.”
8. One euro was equal to 166.386 pesetas in 2007, according to <http://www.bsmarkets.com/cas/doc/ume.htm>, accessed on January 24, 2007.
9. Notice that the logic of the *grupos comarcales* was territoriality, that is, cooperatives that were geographically close (up to 10 kilometers) were united independently of the characteristics of their products.
10. Nowadays the name Fagor is used for the group, and the cooperatives started to be called Fagor, Fagor Arrasate, Fagor Ederlan, and Copreci, respectively.
11. In January 1966, a document that reformulates the original one done in 1964 is signed.
12. Note that in 1986, the treaty of Spain’s adherence to the European Community becomes officially effective.
13. The reinversion of results was a tool for redistributing results. The cooperatives of each group distribute the positive results with each other and help those that got negative results (Mongelos 2003, 76).
14. The industry of household appliance can be divided into two segments: the segment of portable household appliances and the segment of nonportable ones (stoves, refrigerators, washing machines), better known as white line.
15. The companies acquired kept on being limited. In 1990, 20 percent of their workers were hired labor. That percentage of nonmembers refers to the workers of enterprises which were incorporated into the group and continued as limited enterprises or eventual laborers hired to work in the cooperatives.
16. Delegations are offices that MCC opens in certain countries to offer help to the activities of the cooperatives. This help can be juridical, logistical, commercial, etc.
17. At present, there is a project for “cooperatization” of the branches approved in 2005 at the General Congress of MCC.
18. Those initiatives intended to free the cooperatives from licenses and the payment of royalties (Ormaetxea 2003, 39).
19. Supported by Caja Laboral, by the faculty of the Escuela Politécnica, Ikerlan was created in 1974 as a center for research and development with the objective of prospecting technologies and included them in the cooperatives with the idea of always improving their competitiveness (Ormaetxea 2003, 40).
20. Nowadays, it is the College of Entrepreneurial Sciences and is linked to the University of Mondragón.
21. Otalora begins in 1974 to graduate professionals capable of articulating modern managerial techniques with the principles of the cooperative movement.
22. For a discussion of the transformations in the white line industry, see Araujo *et al.* 2006.
23. That name is justified thus: *Mondragón* identifies the origin of the experience and goes back to its international recognition as a paradigm of the cooperative movement. *Corporación* identifies an entity diversified in its components operating under a unity of direction and allows the utilization of the concept of group vis-à-vis the market, thus strengthening cooperative unity. *Cooperativa* incorporates the sociocultural identity and the principles that rule the group (*Compendio de normas en vigor del Congreso de MCC*, 1995, 5).

24. “The so called cooperative corporations will be those entrepreneurial groups which, constituted mainly [by the majority] by first, second or greater degree cooperatives, have the objective of the defining of entrepreneurial policies, their control, and strategic planning of the activities of their members as well as the management of their common resources and activities” (Bakaioka *et al.* 2000, 221).
25. For a detailed description of the activities, see <http://www.mcc.es/esp/magnitudes/memoria2008.pdf>.
26. For a detailed description of the results of the field research and the functioning of the funds and of the cooperatives see “Autogestão e Competitividade: Estudos de caso em cooperativas industriais brasileiras e basicas/espanholas” by Alessandra Bandeira Antunes de Azevedo, Campinas, Brazil, 2007, available in Portuguese at <http://libdigi.unicamp.br/document/?code=vtls000416619>.
27. Centers originating from that process are: Ahotec, which belongs to Fagor Automoción, Orona EIC, which belongs to the Orona group, and UPTC, which belongs to Ulma Packaging.
28. In 2007, the Lanki Institute got from the General Congress the challenge to reflect on and develop proposals on these themes: cooperative education, motivation within the cooperatives, internal communication for the MCC cooperatives, managing of changes in values at MCC, and it will be a reference with regard to cooperative training for the members. Those projects are a demonstration of the concern for themes that are related to their principles and values for the sake of stimulating the engagements of members and workers of the corporation.
29. U.S. (1), Mexico (6), Brazil (6), UK (4), Germany (3), France (5), Poland (5), Czekia (5), Slovenia (2), Italy (3), Romania (2), Turkey (2), Union od South Africa (1), China (8), Thailand (1), and India (1) (Centro Corporativo de MCC 2005, *Informe anual*, 29).
30. USA (1), Mexico (7), Brazil (5), UK (3), Germany (4), France (9), Poland (8), Czekia (7), Slovenia (2), Italy (4), Romania (3), Turkey (2), Union of South Africa (1), China (13), Thailand (1), India (1), Russia (1), Portugal (2), and Morocco (1) (Centro Corporativo de MCC 2008, *Informe anual*, 150).
31. In Brazil, for example, Maier was installed during the second half of the decade of 1990 and closed down the production plant in 2004. The motives alleged were an erroneous evaluation of the market and the nonconfirmation of the demand expected.
32. As an example of that we might cite the case of Brazil, where an agreement was signed with the Landless Peasants Movement for the exchange of knowledge and incubation of some cooperatives. The incubation project has been in effect for 10 years. During that period various teams of researchers from Lanki have come to Brazil, and various groups of workers that participate in the project get to know the experience of Mondragón in the Basque Country.

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