Summary. This study highlights an organization widely recognized as the most successful cooperative in history, Mondragón Corporación Cooperativa (MCC) located in Basque Country. Using MCC as the primary case this research focuses on three central concerns: 1) MCC as representative of an innovative model of work organization hallmarkented by democracy both in principle and practice and one that also simultaneously enjoins business and social good, specifically what I have named a socio-business innovation (SBI); 2) seven characteristics that define a SBI and 3) understanding how organizing at the intersection of business and society is actualized to create a new way of work and to developing communities; one with high adaptive potential. This research offers the concept of an SBI as a way to challenge existing frameworks for how we think about and enact business and social good through an alternative paradigm for work organization co-constructed and embedded in community.

Keywords: Sustainability, Innovation, Mondragón, Cooperatives, Workplace democracy

Streszczenie. Niniejszy artykuł dotyczy organizacji powszechnie uważanej za najbardziej skuteczną w kwestii współpracy w historii, Mondragón Corporación Cooperativa (MCC) położonej w Kraju Basków. Wykorzystując MCC jako pierwszorzędny przypadek, autorka skupia się na trzech głównych kwestiach: 1) MCC jako przykładzie innowacyjnego modelu organizacji pracy charakteryzującego się demokracją zarówno w teorii, jak i w praktyce oraz łączącego jednocześnie biznes i społeczne dobro, co nazwano w niniejszym opracowaniu innowacją społeczno-biznesową (SBI); 2) siedmiu cechach charakterystycznych, które określają SBI oraz
3) rozumieniu tego, w jaki sposób organizowanie na styku biznesu i społeczeństwa jest aktualizowane, by kreować nowe sposoby pracy i rozwoju społeczności wykorzystując potencjał adaptacyjny. Zaprezentowane badania proponują SBI jako drogę, mogąca stanowić wyzwanie dla istniejących ram dzisiejszego rozumienia biznesu i społecznego dobra przez alternatywny paradygmat dla organizacji pracy współtworzonej i zakorzenionej w społeczności.

Słowa kluczowe: zrównoważony rozwój, innowacja, Mondragón, spółdzielnie, demokracja miejsca pracy

“We think that management should be a noble profession, that it should have some higher aspiration. In law, the value aspiration is justice. In medicine, it is the absence of disease. In management, it is to help enlarge humanity’s cooperative capacity.”

David Cooperrider,
Founder, Center for Business as an Agent of World Benefit

1. Introduction

A world-level view recognizes economic disparity as perhaps the greatest epidemic threatening human life in the 21st century to both industrialized and non-industrialized countries. The remedy to this disease however, will not be found by actualizing novel ways to generate more money through lending practices that entrap impoverished countries in cycles of debt, or even by focusing on increasing educational efforts. What is needed is the discovery of innovations that will level the playing field by creating work systems that are democratic in principle and practice and that focus on a dual mission of simultaneously generating both social and business good. Failure to disregard the need for such practices would be perilous as reflected in the UNMD Report 2005:

Focusing exclusively on economic growth and income generation as a development strategy is ineffective, as it leads to the accumulation of wealth by a few and deepens the poverty of many...a broader approach to poverty reduction includes social, economic and political dimensions...although economic growth is necessary, it is not a sufficient condition to reduce poverty. Reforms are required in a number of different areas to increase the opportunities for and
capabilities of the poor and other marginalized groups in order to spur inclusive growth and development and thereby reduce inequality.\(^1\)

As class distinctions, poverty, and joblessness continue to rise, our attention turns to an increasing sense of injustice at a global level. At this juncture in time we need new ways to help us to foster democratic systems to obviate the competing and ever growing drive for unbounded economic growth for a privileged few. In response to this call scholars and practitioners around the world are joining together to solve the world’s greatest economic and social problems. From this global movement a critical view is emerging; an ever-sharpening focus that has honed in on the relevancy of context or specifically, community. We know that what works for one locale may not work in another. The challenge is, however, not simply to reject what has failed but to push our collective imaginations further to take our rigid forms of how work and social good is manifested and kneed them until they are pliable; shape them into emergent forms that give way to multiple purposes.

Management studies offers a vantage point to from which we can reconsider organizational models that are less conventional than traditional capitalistic forms including those that may even be regarded as idealistic or obsolete. One such model is cooperatives or worker-owned organizations. Cooperatives are widely regarded as having both a business and social mission with an emphasis on the human side of enterprise. Rarely, however, are they considered to be representative of an efficient and savvy business model. Contrary to these assumptions, Mondragon Corporacion Cooperativa (MCC) represents the positive possibilities at the intersection of business and society by demonstrating how a for-profit business can generate both financial and social good through a cooperative structure.

“MCC is a principle-based, worker-owned and managed cooperative organization. It promotes broad participation in management while distributing decision-making power throughout the organization. Mondragón is a unique example of an integrated economic and social system that has thrived in profitability and accelerated growth.” \(^2\) Since its inception MCC has functioned as a for-profit business guided by its unique social vision based on social and economic justice, the dignity of human persons and their work and solidarity, values derived from Catholic Social Thought (CST).\(^3\)

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\(^3\) Ibidem, p. 57.
This study turns the spotlight on co-ops and their capacity to promote work-place democracy and economic justice while simultaneously rebuilding communities and illuminates a new sort of innovation at the intersection of business and social good. In the Kuhnian sense the cooperative model is a very real alternative that can be paradigm breaking. William Greider contends that the possibility of merging economic and social good is “not a utopian society here on earth but the conviction that the arrangements within capitalism can be changed, little by little, to make more space for life, through innovations that eventually become common practice…[people can then] move to confront the centers of power only after the ideas have passed the reality test and won broader followings”.4

2. Mondragon Cooperacion Cooperativa (MCC)

*The Mondragon case is a great confirmation for those who believe that the only rational goal for business and technology is worker as well as community improvement.*

Father Gregory MacLeod

In *From Mondragon to America: Experiments in Community Economic Development* (1997)

MCC, located in the local Basque country of Spain is a for-profit organization created in 1956 with a “dual imperative to be economically competitive and socially responsive”.5 MCC was born out of a need to rebuild and to restore the Basque country left devastated by the Spanish civil war. Job creation was a way to ensure economic solvency and to address unemployment. What began as an experiment with only a handful of people is today an international corporation; Spain’s seventh largest, with a total workforce of 83,601.6 MCC is comprised of 264 enterprises including MCC Worldwide with 6 corporate offices and 65 plants and reflected a profit of €677m for 2006.7 The corporation is comprised of three major business groups: Financial, Industrial and Distribution. All groups function autonomously but within a shared strategic plan. The Financial Group consists of two businesses: 1) Caja Laboral – the bank; and Lagun Aro – the Social Assurance Institution. The Industrial Group encompasses goods and services, the Distribution Group includes “various commercial

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6 80% of members are worker-owners with 41.9% of worker-owners being women (MCC 2006 Annual Report).
distribution and agricultural-food enterprises...[and] there are also a number of Research, Vocational Training and Teaching centres, including a University”.8

Since 1986 MCC’s total employment has increased by 63,932 and is distributed across three major sectors and various corporate activities (i.e., industrial, financial, and distribution groups). “MCC was ranked in 2003 by the magazine Fortune one of the ten best firms to work for in Europe, based on aspects such as equality, personal decision-making capacity, the absence of a hierarchical atmosphere, participation in profits, honesty, time flexibility, professional opportunities within the firm, working conditions, commitment to quality and internationalization”.9

Education is a central tenet of MCC’s cooperative practices and in 2006 it is reported that “90% of the total workforce carried out some kind of training activity”.10 In 2006 the University of Mondragón’s “total number of students enrolled on degree courses for academic year 2006/07 was 3,339, whereas post-graduate enrolments totalled 428”.11 “During 2006 €10.8 m from Caja Laboral’s Education and Promotion Fund...were mainly earmarked for co-operative training and promotion, research, and cultural and welfare activities”.12 The university is funded and operated by MCC but is a community resource for everyone. Substantiating this point, Inaki Dorronsoro, Presidente and Manager of Technological Development in the Quality Department and Research Center explains that, “Our responsibility is to open the doors of our university to everybody and for that reason we put money from our cooperatives [into] the university.”

In 1999 Mondragón formed the Mundukide Foundation. Mundukide’s mission is to demonstrate solidarity with international co-operation initiatives. The foundation focuses on “two principal areas: 1) Comprehensive Regional Development; and 2) Inter-Cooperation with Popular Economy Co-operatives”.13 Mundukide’s work manifests as actual onsite assistance, manuals about how to enact co-operative principles in practice, setting up co-operatives, training, and providing continuous sharing of information to support their development. Mondragón seeks to demonstrate solidarity with others seeking to learn or to enhance co-operative efforts in alignment with democratic principles and practices and self-management. While this work is also done through Otalora the education center at Mondragón, Mundukide’s work is carried out with academics and businesses in developing

8 Ibidem.
11 Ibidem.
12 Ibidem.
13 Ibidem.
countries while linking directly with others immediately involved with the co-operatives in situ to “pave the way for endogenous, sustainable and fair development”.14 “It’s not just about people giving money, but building on local knowledge – helping them flourish” Inaki Dorronsoro15.

MCC’s management model is founded on Catholic Social Thought (CST) specifically social justice, economic justice, and the dignity of human persons and their work and solidarity.16 The philosophy and ideology of CST is expressed through MCC’s business structure comprised of its corporate mission, values and its 10 Basic Principles as follows:

1) Open Admission
2) Democratic Organization
3) Sovereignty of Employee’s Work Over Capital
4) Subordinate Character of Capital
5) Participatory Management
6) Payment Solidarity
7) Intercooperation
8) Social Transformation
9) Universal Nature
10) Education

Together these key elements form the foundation that “balance[s] individual, organizational and community needs” 17 through a socio-business approach to the MCC’s organization and its governance18. MCC’s adherence to its core values and principles cannot be overstated. All work is enacted and coordinated to be in alignment with their guiding philosophy.

MCC is structured on a participative and democratic basis with the majority of ownership held by worker-owners. The management model consists of three dominant areas: Enablers, Strategy and Results. The Enablers represent the guiding forces for management practices, the Strategy determines what is essential to reach MCC’s targets, and the Results indicate measures for success toward established goals including that a balance is achieved in each key area: Customer Satisfaction, Profitability, Internationalization, Development, Social Involvement and Innovation.19

14 Ibidem.
15 Personal interview.
16 Herrera D.: op.cit., p. 57.
17 Ibidem.
19 www.mondragon.mcc.es.
“The goal of cooperative entrepreneurship is not simply economic success but social success” as expressed through a shared distribution of power among worker-members (i.e., owners of the company). The principle of payment solidarity further ensures economic justice. “The Wage Policy provides for salary scales that avoid a major disparity between higher and lower salaries, with remuneration on a par with salaries paid to those employed within the sectors and regions in which the co-operatives operate”. Ratios vary among the cooperatives but “it is worker-owners within that cooperative who decide through a democratic vote what these ratios should be”.

As the cooperative structure grew in scope and number it was incorporated with the intent to leverage “synergies” among the members. The corporation does not own the cooperatives but provides a management structure (see Figure 1) to serve and enable the functioning among the various cooperatives while adhering to the guiding ideology. Both critics and supporters of MCC seem to agree on one thing: the actual structure and internal processes of the cooperative is one of its most unique features and seems to be a fluid dynamic involving a paradox of stability and change, tradition and innovation. The unusual nature, and subsequent success, of the system are what many refer to as the “mystery” of Mondragón.

3. Defining a Socio-business Innovation

I was inspired to define an SBI after encountering MCC firsthand. I used MCC as a framework to build the definition of an SBI by holding their model as an exemplar while broadening the concept by integrating and adopting related knowledge from the field of management studies. The result is a working definition of an SBI that guides this research. I define an SBI as having seven characteristics:

1. A hybrid form of work organization focused on social and business good and designed to simultaneously build human and financial capacity;
2. Actualizes tangible and intangible benefits to the individual, organization and greater society;
3. A shared value system that is democratic in principle and practice;
4. Places people, not capital, at its core and does not place a primacy on economic gain as the driver of value.

22 Herrera D.: op.cit., p. 62.
5. Adopts the central principle of agency according to Polanyi24 whereas “individuals are...agents of social change; they are not passive actors constrained by their institutional settings”.25

6. Advocates a pluralistic philosophy of life whereby the actualization and determination of social and economic good is best defined and developed within the embedded culture of each community.

7. Serves as a point of reference, a source of information and inspires others through their innovations to enable future work at the intersection of business and society.

The concept of an SBI challenges the dominant construct for how we think about and simultaneously enact business and social good by presenting an alternative paradigm for work organization. The emerging notion of an SBI is important because it demonstrates how individuals can work together toward a collective good with a minimal level of hierarchy and a more fair distribution of financial gain through a cooperative structure.

In a cooperative, employees become worker-owners empowered through democratic work practices designed to ensure maximum participation while fostering social good at the community level. Unlike most technical innovations that rely on a high level of replication, SBIs are extremely mutable toward meeting the needs of a specific context thus ensuring a positive fit within the locale. A focus on communities provides a compelling argument against the standard notion that globalization is an unstoppable force.

4. Adapting the MCC Model

This study lifts up MCC an organizational role model for those wanting to learn how to enjoin social and economic good, or specifically an SBI. Most research suggests however that the MCC model is not replicable for the very reason it is successful, because of the unique solidarity among the Basque culture. Yet data exists that challenges this notion. To highlight the extent of MCC’s influence, “In 2003, over 1,200 people (globally) visited MCC’s education and training center, Otalora, to find out about the Mondragon Co-operative movement in situ”.26 A good question arises from even this quick bit of data, what are people

around the world learning from a unique organizational model with a distinct business structure and social vision?

This research suggests two important findings: 1) the MCC model is highly adaptable and has been successfully transferred to a wide variety of contexts and 2) SBIs are not merely adopted in their entirety but may more likely be adapted to fit within a specific context and to meet particular needs. This adaptation process is the key factor in creating innovations that are sustainable because they are grounded in the resources and in the needs of each environment.

Studying the impact of MCC as an SBI reveals that it has inspired and served as a change impetus for those wanting to enjoin business and social good. Three cases are offered to demonstrate the actualization of an SBI in different locales beyond Basque country. Each adaptation reflects a shared mission of creating economic wealth and social good through democratic principles within an organizational context but designed to benefit the individual and localities where these entities reside.

Adaptation one: Organizational transformation. South Mountain Company (SMC) is a privately-held architectural firm located in West Tisbury, MA, North America. SMC was transformed from a sole-ownership structure into a cooperative model where today more than half of the 30 members are worker owners. South Mountain’s story captured my attention because it is unique in that the change it experienced came about for no other reason than the sole proprietor at the time, John Abrams, wanted to make it a better place for all of the people who worked at SMC, not just for him.

Around 1986 SMC began to grow in a significant way which created a shift in the culture of the company, “No longer did the company have the feeling of a small extended family; it had grown too much. No longer could it run solely on intuition and gut; it had become too complex. We needed a system that would allow existing cherished qualities to be maintained in a new and different context”. As a result of their search for an alternative way to run the company Abrams was introduced to MCC through the Industrial Cooperative Association (ICA).

Abrams recalled his reaction to learning about MCC, “It was very compelling, it grabbed our attention. We said, ‘there it is, there is the model.’ It was the first idea that I had come across that had structure and yet was fully democratic, participatory, and had been tremendously successful. So it had all those pieces and I had not come across another such

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model.” He succinctly describes his process of adaptation, “So that was the exposure [MCC] and...we thought, ‘well, a lot of that seems to work but some of that doesn’t seem like it works for us. We went through the exploration...of what are the parts that work for us and where do we have to invent our own way...and before it was too long we had a set of bylaws and a set of actions that we needed to take to create this real organization.”

Beyond designing and building beautiful homes, and creating an economically successful company, their approach to work is one that is also socially and environmentally integrated. The organization is actively involved in development at the community level. SMC has been recognized for its commitment to affordable housing and its approach to building which uses salvaged lumber also known as reclaimed wood as one way to ensure both top quality material and reduce the waste of trees.

Adaptation two: Community transformation. The second adaptation demonstrates the utility of the MCC model in community development through the experience of Jim Robertson, a faculty member at the University of Northumbria at Newcastle, Northumbria, United Kingdom, European Union where he is a Senior Lecturer in Community Work and Social Work Studies. He is also involved in the North East Employment Forum (NEEF), an organization dedicated to regional employment issues. Jim’s broad efforts include community work in education and training. He is also an industrial chaplain representing church community work interests. His work has taken him throughout the UK as well as the Scandinavian counties. He is very familiar with Mondragon and published an article in the Scottish Left Review suggesting that the MCC model is ideal for replication in Scotland and the UK.

Jim’s life began in Glasgow which served to inspire his life’s work in community development and he explains that while “Glasgow continues to be a fascinating and interesting city (it) has some of the worst poverty and some of the worst profiles of ill health even today as it had say 50 years ago.” He makes an important point, that Glasgow is representative of what is happening around the world:

And what we see...where I live now in Glasgow is the rich getting richer and the poor getting poorer. And as the knowledge-based society builds up and globalization has its impact then these systems are actually getting worse. It is exactly the same thing that is happening in America as I understand it.

In his twenties Jim became familiar with cooperatives as an alternative to existing forms of organizing. During the eighties he was introduced to Mondragon and he recalls that:

Many of the things I was hearing was that (Mondragon) was at least one example of an alternative way to see things and to do things that seemed to work…the important thing is that the ownership of the company has remained (with) people who live in disadvantaged areas themselves. That is absolutely clear and that to me is really very, very important in terms of…how the model can lead to empowerment of people who might normally find themselves marginalized or excluded.

Over the years Jim continued his interest in Mondragon and cooperatives as an alternative to remedy social and economic injustices. He explains that “we have always been trying to make the case for cooperatives and different ways of doing things…through lectures and teaching and broadly just kind of being a minor evangelist for the ideas.” He eventually traveled to Mondragon to continue to learn from them directly and returned home and organized an event to “raise people’s awareness of Mondragon and what it might do.” As Jim explains, “We put on three of these events in the northeast here, and a little bit later, some of the members from the Chamber of Commerce in Newcastle went to Mondragon just to see what it was about. That happened about three years ago and [since then] there has been an expansion of cooperatives here.

**Adaptation three: Regional transformation.** ACEnet, the Appalachian Center for Economic Networks, is located in Athens, Ohio, North America. In 1985 ACEnet was founded as a non-profit economic development and business support organization located in rural southeastern Ohio and a part of the Appalachian farmland geographic region. ACEnet has, as its sole purpose, a mission of replacing isolation with inclusion and alleviating poverty through entrepreneurship. It was conceived “by a small group of community members committed to building a healthy regional economy…through the growth of locally owned businesses… especially those operated by lower income residents.”

The history of ACEnet proper is one that began “as a conscious effort to import the Mondragon model of worker-owned businesses from Spain to Appalachian Ohio…its small staff worked one-on-one with workers at businesses in danger of closing, helping them

negotiate and establish worker owned businesses to take control of the business and keep it healthy”.

ACEnet is an innovative model of regional entrepreneurship and is a prime example of the adaptability of the MCC model in a non-profit structure. While the organization both provides and receives grants and accepts donations, it has developed a “new comprehensive approach to asset development for low-income communities...focus(ed) primarily on asset building that encourages the development and expansion of enterprises. The approach builds on a dense network of strong ties among the geographic region. ACEnet provides powerful testimony to the success of their approach:

- Each year, the ACEnet kitchen incubator produces over 250,000 unique units, generating approximately $700,000 in entrepreneurial sales.
- ACEnet's development of an e-commerce web site will offer regional entrepreneurs a world-wide vehicle through which to show case and sell their locally crafted products.
- Over 200 entrepreneurs, youth and adult, receive business entrepreneurship training annually through ACEnet training activities.
- Approximately 350 gallons and 445 pounds of fresh produce were preserved and distributed to five regional food pantries over the last two years by Appalachia Harvest, a volunteer group coordinated and lead by ACEnet.

5. Conclusion

This article serves three purposes: 1) highlights MCC as an innovative organizational structure enjoining business and social good (i.e., a socio-business innovation); 2) defines the characteristics of an SBI; and 3) demonstrates how MCC has been adapted in other locales to simultaneously enact a new way of work and community development. These adaptations demonstrate the transferability of the MCC model and its viability to aid in transformations designed to support workplace democracy (i.e., cooperative structure), employment, community development and wealth creation.

An SBI is a significant concept in management and in practice because it both challenges existing frameworks for how we think about and enact business and social and provides an

31 In 2007 ACEnet distributed over $30,000 in technology grants through the eBay Foundation Techquity Program.
alternative paradigm for work organization co-constructed and embedded in community. The examples offered here reflect the advantage of transporting the MCC model as a way to generate employment through democratic methods in the workplace. Additionally, community level-employment encourages people to live where they work, fosters belonging and encourages redevelopment to enhance the area. In the same way that MCC was created to rebuild the Basque country it now offers the same potential to others around the world.

Fig. 1. MCC’s Organizational Structure 2006
Rys. 1. Struktura organizacyjna MCC w 2006 roku

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Reviewers: Dr hab. Agata Stachowicz-Stanusch, Prof. nzw. w Pol. Śl.
Prof. zw. dr hab. Mariusz Bratnicki