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Problematizing the Cooperative Firm: A Marxian View on Paradoxes, Dialectics, and Contradictions

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ABSTRACT Scholars are increasingly turning their attention to cooperative firms, characterized by worker ownership and management, as a way for organizations to address the economic, societal and environmental problems posed by corporate capitalism. This renewed interest stems from the potential of cooperatives to foster an alternative economic system grounded in democratic, solidary and environmentally conscious values. However, previous studies have not provided a comprehensive analysis of the contradictory nature of cooperatives within a broader inter-organizational and systemic framework. Applying a Marxian perspective on paradoxes and dialectics, we theorize that cooperative firms operating within capitalist economies must navigate the 'solidarity paradox' – the inherent impossibility of overcoming market competition through partial and limited solidarity strategies. Drawing on an examination of the Mondragon cooperative group, we illustrate how such a fundamental contradiction manifests itself into multiple paradoxes that are interwoven, mutually constituted and inseparable. The article contributes to critical management scholarship on cooperatives by offering a deeper understanding of how these organizations perpetuate systemic capitalist patterns. It also contributes to paradox and dialectics scholarship by theorizing that paradoxes are not timeless and universal but the result of persistent contradictions inherent to historically contingent organizational forms.

Keywords: Contradiction, Cooperative-firm, Dialectics, Marx, Mondragon, Paradox

> *Two souls, alas, dwell with in his breast;*
> *The one is ever parting from the other.*
> *Capital*, Karl Marx

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INTRODUCTION

In a context of growing interest in how diverse forms of organizing help tackle, or reinforce, grand societal, environmental and ethical challenges (Adler et al., 2023; Gümüsay et al., 2022; Wickert et al., 2021), management and organization scholars are increasingly focusing on cooperative firms (defined here as worker-owned and managed companies) as these firms offer ideal examples for discussing how an alternative economic system, driven by democratic, solidary and environmentally conscious values, could emerge from within prevalent capitalist relations (Delbridge et al., 2024; Dufays et al., 2020; Gümüsay and Reinecke, 2022).

Cooperatives have long aroused substantial scholarly interest and debate regarding their potential and limitations in shaping a post-capitalist economy (Jossa, 2005, 2020). Three major perspectives stand out: utopian, sceptical, and nuanced views of the relationship between cooperative firms and the capitalist system.

The *utopian* perspective enthusiastically advocates the radical alternative character of cooperatives vis-à-vis capital-owned business enterprises (De Coster and Zanoni, 2023; Gibson-Graham, 2006; Jaumier, 2017; Ranis, 2019), regarding them as 'real utopias' (Gümüsay and Reinecke, 2022; Wright, 2010, 2019) that prefigure post-capitalist solutions 'both by creating imaginaries of an alternative future and by showing their viability in their everyday practices' (Schiller-Merkens, 2024, p. 458). From this perspective, scholars have emphasized the role of cooperatives in emancipating the workforce from class exploitation (Kociatkiewicz et al., 2021; Ranis, 2019; Zanoni et al., 2017), reducing income and social inequality (Battilana et al., 2022), and fostering environmental sustainability (Delbridge et al., 2024). The *sceptical* perspective provides a deterministic critique of cooperatives, assuming that these organizations are unavoidably doomed either to bankruptcy or to degeneration into capitalist forms of organization so as to survive in a market economy (see Cornforth, 1995; Diefenbach, 2019 for reviews of the degeneration thesis). The *nuanced* perspective provides a more complex picture that acknowledges the particular tensions cooperatives face in realizing their principles of democratic governance, solidarity and equality while remaining competitive in a market economy (Cheney, 2002; Errasti et al., 2023; Kokkinidis, 2015; Paranque and Willmott, 2014; Siedlok et al., 2024; Varman and Chakrabarti, 2004). Under this approach, some scholars have recently portrayed cooperatives as paradoxical organizations that 'are neither fully democratic nor oligarchic but sites of continuous and unresolved contestation between oligarchic and democratic tensions' (Storey et al., 2014, p. 641; see also Ashforth and Reingen, 2014; Audebrand, 2017; Griffin et al., 2022; Soetens and Huybrechts, 2023; Bretos et al., 2024).

We argue that the first two perspectives suffer from the methodological limitation of not relating cooperatives' internal dynamics (i.e., their content) to their external environment (i.e., the form through which those dynamics are mediated and realized), leading to unjustified and one-sided conclusions. On the one hand, utopian scholars fail to grasp that cooperatives' solidarity practices are necessarily competitive as they operate within the constraints of market competition. On the other hand, sceptical scholars fail to grasp that competitive dynamics can persist, even through the expansion or the development of new forms of solidarity. In this article, we build on the nuanced view while addressing a key shortcoming within it. In particular, existing nuanced studies acknowledge the tension between competition and solidarity (e.g., Bretos et al., 2024; Paranque and Willmott, 2014; Renteria-Uriarte and Las Heras, 2022; Storey et al., 2014), but often treat them as separate, opposing forces, suggesting that a sustainable balance can be achieved over time through the right strategy. Consequently, nuanced studies overlook that both competition and solidarity are simultaneously essential elements constitutive of the cooperative organizational form. This oversight leads to ambiguity and inconclusiveness in their assessment of the transformational potential of cooperatives at a systemic and inter-organizational level.

We draw on Marxian categories and methodology, as well as recent contributions from paradox and dialectics theories (Berti and Cunha, 2023; Farjoun, 2019; Smith and Lewis, 2011), to argue that the organizational boundaries of the cooperative firm impose their own limits on systemic societal transformation. This is because cooperatives encounter what we coin the 'solidarity paradox': they face the necessity to compete through partial and limited forms of solidarity in order to ensure organizational sustainability. Thus, cooperatives navigate the strategic paradox of having to improve member and community living standards while simultaneously keeping up with market labour productivity standards and capital accumulation rates to remain profitable. Drawing on a critical examination of Mondragon (a group of member-owned and managed cooperatives that is often celebrated as the most successful and influential cooperative experience in the world), we illustrate how such a fundamental tension manifests itself in five paradoxes that are interwoven, mutually constituted and inseparable.

Overall, this article makes two broad contributions. First, by applying a Marxian view of dialectics and paradoxes to cooperative firms, we provide a unified framework to assess their transformational potential, moving beyond one-sided analyses that focus solely on internal solidarity patterns (e.g., Ashforth and Reingen, 2014; Kokkinidis, 2015; Siedlok et al., 2024) or broader contextual factors (e.g., McNally, 1993; Schweickart, 2018). This approach reveals how organizational contradictions and values, though seemingly separate, are actually interdependent, highlighting that the cooperative structure itself impedes systemic transformation. Second, we contribute to paradox scholarship by demonstrating that dialectics is not a 'medium-range' theory (Hargrave and van de Ven, 2017; Schad et al., 2019) but an open method of critique (Farjoun, 2017, 2019). Our Marxian analysis suggests that paradoxes are not universal or timeless, as many paradox scholars argue (e.g., Lewis and Smith, 2022), but are instead relatively stable symptoms of contradictions inherent in historically-contingent organizational forms, making them open to sublation or transcendence (*Aufhebung* in German).

The remainder of the article is organized as follows. First, we review the theoretical and methodological foundations of paradox and dialectics theories and outline several shortcomings inherent in paradox scholars' understanding of contradictions and dialectics. Second, we build a Marxian critique of the cooperative firm by first explaining how commodity-production makes them reproduce a particular organizational paradox, to later unfold a dynamic setting in which cooperatives are driven by market competition, the thrust for capital accumulation and sources of class struggle. Third, we illustrate the theoretical framework by analysing the solidarity paradox through a multi-dimensional, multi-level and inter-organizational critique of Mondragon. The final section summarizes the main theoretical contributions, proposes several avenues for further research, and concludes with important implications for management research.

THEORETICAL AND METHODOLOGICAL REMARKS ON PARADOX AND DIALECTICS

Scholarly literature on paradox and dialectics has gained growing relevance across a wide range of management sub-fields such as strategic management, leadership, international business, and human resource management (Keller and Sadler-Smith, 2019; Lewis and Smith, 2022). Despite the multiple origins of paradox and dialectics approaches (Hahn and Knight, 2021; Schad et al., 2016), they all emphasize the role of contradiction as a principle of organizational change instead of 'linear, rational binaries' (Putnam et al., 2016). Although the theoretical and methodological similarities and differences between these two approaches remain fuzzy, recent attempts have been made to compare and integrate them (Berti and Cunha, 2023; Hargrave and van de Ven, 2017; Raisch et al., 2018; Schad and Bansal, 2018). Our Marxian approach aims to bring several new insights into this 'vibrant and polyphonic' debate (Cunha and Putnam, 2019, p. 97).

Paradoxes have been defined as 'contradictory yet interrelated elements that exist simultaneously and persist over time' (Smith and Lewis, 2011, p. 382). As a meta-theory, paradox scholars define several general principles that may be applied to multiple theories but, above all, they emphasize the *ontological* principle of contradiction or 'unity of opposites' as constitutive of organizational reality (Hahn and Knight, 2021; Lewis and Smith, 2014). Paradox scholarship has often been used as a problem-solving research strategy: the appropriate response to persistent contradictions being to 'cope with' seemingly incompatible demands (i.e., logical in isolation *yet* contradictory when juxtaposed) in order to achieve peak performance and long-term organizational sustainability (Lewis and Smith, 2022).

Accordingly, paradox scholars have highlighted the organizational dualities between stability and change, exploration and exploitation, competition and cooperation, control and collaboration, rationality and intuition, and discourse and materiality, among others (Farjoun, 2010, 2017; Keller and Sadler-Smith, 2019). Similarly, an important body of research has emphasized the irreconcilable tensions faced by hybrid organizations when they combine multiple, and often conflicting, strategic missions at their very core (Battilana et al., 2022; Jay, 2013). These include a variety of organizations that operate according to commercial requirements while simultaneously pursuing alternative goals such as the labour market integration of disadvantaged people in work integration social enterprises (Smith and Besharov, 2019), the empowerment of local producers from the Global South in fair trade organizations (Huybrechts et al., 2024), the provision of financial services to poor people in microfinance organizations (Battilana and Dorado, 2010), and the promotion of economic democracy in worker cooperatives (Audebrand, 2017; Bretos et al., 2024).

Within paradox scholarship, dialectics has been frequently presented as a subdivision of the overall framework, particularly in relation to the classical thesis-antithesis 'struggle' for recognition. In this view, the struggle involves seeking absolute power over the opposing pole, with the synthesis emerging as the result of one pole dominating the other (Hargrave and van de Ven, 2017; Putnam, 2015). Thus, dialectics is viewed as a 'mid-range' method (Lewis and Smith, 2022), as well as the abrupt/non-linear moment within a learning spiral and organizational transformation (Raisch et al., 2018). Therefore, the popular view perceives paradoxes as persistent, inherent contradictions to which a definitive response is impossible and yet indispensable, hence the paradox. In contrast, dialectics refers to specific contradictions that are contingent and surmountable (for a theoretical review cf. Berti and Cunha, 2023).

However, we consider this definition of organizational contradictions and paradoxes – where dialectics is subordinated to paradox due to the perception of it being 'less persistent' – to be problematic. It may reflect a 'defensive mind-set' (Cunha and Putnam, 2019) that resists reconsidering the foundations of paradox theory while undervaluing the critical and explanatory potential of the dialectical method. We agree with authors who have questioned whether what is often labelled a paradox may actually be an 'optimization problem', a merely interpretative dispute, or an ideological tactic to reify particular paradoxes in order to preserve a *status quo* (Berti and Simpson, 2021; Child, 2020; Gaim et al., 2021).

There are three further methodological problems worth highlighting with the above dominant conceptions of contradictions, paradoxes and dialectics. First, paradox scholars have simplistically defined dialectics through the classical triad of thesis-antithesis-synthesis, but for Hegel and Marx, dialectics has *no systematic method* or enclosed way of thinking. In fact, Marx and Hegel actually predicate the opposite: that the correct scientific method is to scrutinize categories (if we are engaging in philosophical analysis) and historically determined relations (if we are performing materialist analysis) without bringing unjustified assumptions or external elements into the thought process (Marx, 1993b, 1999). Hence, dialectics and critical thinking are not about imposing an abstract triad, but about the manner in which the 'thinking process develops and demands to be thought [when] we guard against the assumptions that are hidden in what appear to be the simplest and most innocent questions' (Houlgate, 2006, pp. 34–36).

Second, the organizational paradox and dialectics literature has understood contradiction as 'the simultaneous presence of two *essential* elements that are connected or interrelated *yet* directly opposed' (Farjoun, 2017, p. 90, emphasis added). From this perspective, contradiction is about addressing the interdependence between two essential elements that can exist independently ('the good' and 'the bad'), logical in isolation but absurd or irrational when juxtaposed (Lewis and Smith, 2014; Putnam et al., 2016). This is particularly evident in the literature on hybrid organizations, which has generally considered the interplay between conflicting goals as a trade-off, where advancing one often requires compromising the other (Battilana et al., 2022; Child, 2020; Shepherd et al., 2019; Smith and Besharov, 2019).

However, our Marxian view on contradictions is about recognizing the necessity to grasp the 'identity in difference'; that the full realization of one element cannot take place until it incorporates the determinations of another that was initially positioned in opposition. Things *come into being* through their opposite because they are partial and limited when understood in isolation from the reality they emerge from. In other words, what is dialectical is not only the method but reality itself. Therefore, the ontological principle of contradiction is not about how two separate or distinct elements form a new element (i.e., an unjustified rather than organic or determined 'unity of opposites'), but about showing how 'every real form realises its qualitative determination by transforming itself into a more concrete form, [because] the process of determination is a process of becoming another, i.e., a movement of self-mediation' (Starosta, 2016, p. 82). In short, contradiction is not two distinct things abstractly put together to make a new one – rather, it was *already* one thing with contradictory forces within it, one thing against itself, revealing its inherent potential to transform into something else through its opposite. This implies that the meaning we originally ascribed to something is expanded and transformed through its opposite – for example, solidarity can become calculating and competitive.

As Todd McGowan states, there is a danger in thinking of contradiction simply as difference, because 'difference creates the illusion of the possibility of harmonious coexistence', but 'contradiction, in contrast, reveals that no entity can ever harmoniously coexist with itself', separate from the rest (McGowan, 2021, p. 145). Dialectics, then, is the research method that recognizes the contradictory nature of reality, that is, the impossibility of self-identity. A dialectical approach to contradictions and paradoxes points to the openness of reality, and advocates for a strong processual (Langley and Tsoukas, 2017), historical (Vaara and Lamberg, 2016) and self-critical (Grodal et al., 2021) methodology that is largely absent in paradox studies (for exceptions, see Schad et al., 2016; Farjoun, 2019). This second lesson enables us to understand how cooperatives are simultaneously competitive and solidaristic organizations. They cannot be one thing without the other, in contrast to non-dialectical conceptions that perceive these two organizational values as *distinct* rather than as *different* sides of the same coin – the 'identity in difference' of a specific organizational form (Las Heras and Messina, 2024).

Third, the examination of organizational complexity through paradox lenses has generated studies in which the relation between distinct and multiple contradictions and paradoxes is undetermined, imprecise or ad hoc (see, e.g., Audebrand, 2017; Palakshappa et al., 2024). Indeed, recent calls from paradox scholars urge us to view paradoxes as interconnected and nested across space and time, as well as to scrutinize how fundamental or underlying contradictions and paradoxes can give rise to additional ones (Jarzabkowski et al., 2019; Schad et al., 2016; Schad and Bansal, 2018). However, and although a wealth of organizational studies recognize the existence of ambiguous and contradictory forces within cooperatives (e.g., Bretos et al., 2024; Siedlok et al., 2024; Soetens and Huybrechts, 2023) and other hybrid organizations (Battilana and Dorado, 2010; Jay, 2013; Smith and Besharov, 2019), these studies have not engaged in systematically explaining how the tensions inherent in a specific organizational form can be expressed in different, more developed and complex ways. This highlights the importance of showing how multiple contradictions and paradoxes develop from a foundational one, as illustrated by the 'solidarity paradox' here examined.

In summary, dialectics challenges appearances by grounding them in broader historical processes and exploring why they appear in such a form. This inverts the ontological prioritization of paradoxes over contradictions. From a Marxian perspective, paradoxes emerge when contradictions appear to be fixed in time, governing particular forms of organizational life and may disappear or mutate when substantial transformations occur. In this sense, dialectics involves recognizing how organizational tensions are *historically* and *politically* addressed, and demonstrating that certain contradictions may become paradoxes when organizational forms become reified or naturalized. The paradox then represents the practical and ideological form in which the particular contradiction appears to organizational actors and researchers as insurmountable. Nevertheless, paradoxes are *real* because social actors are unable to reflect on themselves and collectively transform the transitory, partial and limited nature of the relations and organizations they have created. In this sense, dialectics is an encompassing and open methodology that incorporates paradoxes within its toolbox, impelling us to question why paradoxes become fixations of an inherently open and disruptive reality. Moreover, as the case of Mondragon will demonstrate, a simple contradiction inherent to a particular organizational form manifests in multiple and different paradoxes. This implies the possibility of addressing complexity without relying on under-theorized descriptions that present paradoxes as distinct and separate, rather than as the concrete manifestation of a primary contradiction; that is, paradoxes emerge and unfold through complexity.

COMMODITY-PRODUCTION, THE COOPERATIVE FIRM AND THE SOLIDARITY PARADOX

According to Marx, capitalism is a social order in which wealth is expressed in the form of an 'immense collection of commodities' (1990, p. 125). While commodity-production and markets have existed in other social orders, Marx explains how it is possible that the product of human labour *generally* takes the social form of a commodity. In any complex society 'there is implicitly a social division of labor in the diverse totality of useful labor activities', but their products need not necessarily appear as commodities (Heinrich, 2021, pp. 85–6). Human labour has always had a social character, but 'only the products of mutually independent acts of labor, performed in isolation [i.e., privately and independently], can confront each other as commodities' (Marx, 1990, p. 132). Hence, it is not the separation of tasks that leads to commodity production; rather, it is the social structure underlying the division of labour that reveals the social nature of work (Marx, 1990, p. 150). Building on the first methodological lesson from the previous section, a dialectical analysis of the cooperative firm must examine its emergence within its social context.

At its simplest concrete level, we can think of the establishment of a cooperative occurring when (at least) two workers combine their labours *freely* and *independently* from direct relations of dominance to *mutually* engender the coordinated production of commodities (cf. Pencavel et al., 2006, p. 25). Regardless of the motives for the constitution of the cooperative (e.g., political, financial, and ethical), its workers freely agree to organize their labours collectively through a *direct* relationship of solidarity that bonds them legally into the production of commodities. These independent cooperative-workers agree to bestow on each other the right to control their respective individual labour-processes. Therefore, when cooperative-workers establish a cooperative, they enter into a legal contract as equals, agreeing to be part of a particular political relationship in which their labours are organized *directly*, through solidarity rather than *indirectly*, through the impersonal market.

These workers extend their individual freedom by sharing democratic control over their labouring capacities through a determinate institution, that is, the assembly of cooperative-workers. This breeds a *cooperative division of labour* that utopian scholars conceive to be 'radically distinct' from traditional capitalist firms (cf. Jaumier, 2017; Kociatkiewicz et al., 2021; Schiller-Merkens, 2024). There are two reasons for this: first, these workers have freely and independently entered into a democratic and solidaristic association that secures their right to intervene in the organization of their labour-processes; and second, they retain the right to a share of the produce and potential surplus, circumventing the exploitative relationship between the capitalist and the wage-labourer (Marx, 1993a, p. 511; Paranque and Willmott, 2014, p. 616; Schweickart, 2011, p. 49–50). Therefore, utopian scholars assume wage labour and class exploitation as the fundamental relations of capitalism, rather than commodity-production. As a result, they portray the cooperative firm as a radical alternative because it is both democratic and devoid of exploitation (e.g., Jaumier, 2017, pp. 231–5; Pansera and Rizzi, 2020, p. 22). As David Schweickart argues: 'using the market to allocate goods and services does not make a society capitalist, [market] competition is not the antithesis of socialism'; what makes a society capitalist is that 'the capitalist classes derive their wealth from their ownership of productive wealth, that is, from capital' (2011, pp. 23–4).

These analyses, however, fail to link the emergence of cooperatives to the market relations that mediate their reproduction, thereby normalizing the systemic contradictions inherent in them. In this context, cooperative-workers cannot plan or consciously organize the distribution of their products to meet social needs, since it is only *after* – not before – market exchange occurs that their private and independent labours are recognized socially, 'in the midst of the accidental and ever-fluctuating exchange relations between products' (Marx, 1990, p. 168). Therefore, while cooperative-workers claim that their labours are organized according to solidary values, such solidarity does not extend to other commodity producers. In fact, the organization of the societal reproduction in a market economy populated by cooperatives gives cooperative-workers direct collective control over the *content* of their product (i.e., the labour-process) but simultaneously leaves them powerless with respect to the *social form* it takes (i.e., market competition). Thus, even if all workers were in cooperatives, labour could not be considered fully cooperative to the extent that each individual coop would be in market competition with other coops and their workers.

Here, a primary contradiction emerges, not from arbitrarily juxtaposing two opposite values, but because both are intrinsic to the organization itself. The uncertainty of whether their collective labour will meet a social need makes waste a potential outcome, along with more extreme consequences, such as unemployment, competition for survival, inequality, poverty, and material fallout from economic crises (cf. Heinrich, 2021, p. 122; McNally, 1993, p. 164; Vidal et al., 2015, pp. 414–6). Hence, wasteful market competition and economic crises were 'already present', as a social necessity when labourers maintained their one-sided solidarity through market interaction. This made it 'a matter of chance' whether their commodities would be sold or not (Marx, 1990, p. 203). The development of a solidaristic organization that depends on market success for its survival raises an important strategic question: How much solidarity can cooperative-workers express *directly* (with their co-workers) and *indirectly* (with the rest of society) when the product of their labours confronts them as an external power – specifically, the necessity of the commodity to be sold in a competitive market? Should they expand their solidarity to include the rest of commodity-producers, or should they instead break their political bonds in order to survive as a private and independent group of individuals?

The strategic question of how solidaristic or militant cooperative-workers may choose to be arises from the cooperative firm being simultaneously built upon solidaristic and competitive forces that together produce a contradictory unity. The reproduction of such a contradictory unity takes the form of a 'solidarity paradox' both objectively and in the eyes of its membership. It is a solidarity that governs the labour-process in order to engage with other social actors competitively through market interaction. The solidarity paradox represents an ongoing strategic contradiction for the cooperative-worker: being solidary with their peers over the direct control over the labour-process, and being equally opposed to the rest of commodity producers through a relation of competition. In other words, the paradoxical consciousness of the cooperative-worker becomes the necessary reified consciousness that preserves its collective estrangement from all other commodity producers: a faithful act of solidarity which seeks social unity in the impersonal and disorganized market. In this sense, it is precisely by clinging to this very self-generated 'absurd' or 'irrational' strategic situation that cooperative-workers do not oppose capitalist relations but instead reproduce them in a specific way: *by becoming a community of commodity-producers who, at one and the same time, sell commodities in the market through a calculated form of solidarity*.

Methodologically, dialectics has allowed us to tie what were initially conceived as self-determining and logical ethical values to 'a historically determined concrete praxis' (Starosta, 2016, p. 141), that is, that of commodity-production. Instead of concrete elements being logical 'in-themselves' but paradoxical when 'juxtaposed or interrelated' (Lewis and Smith, 2022), dialectics demonstrates how contradictory organizational values, such as 'solidarity', reveal their paradoxical nature when put into practice. This reveals that these values might also embody their opposite, thus becoming self-undermining due to the environment in which they are reproduced. This underlines how the transformational strategy inherent in the organizational form of the cooperative is flawed from the outset: an organization of mutualized labours that systematically reproduces competitive relations with other social actors. Consequently, the persistent contradiction underlying this solidarity strategy appears in the form of a paradox.

CAPITAL ACCUMULATION AND CLASS STRUGGLE IN THE COOPERATIVE FIRM

Before undertaking a Marxian analysis of Mondragon, it is essential to first explore market dynamics in greater depth. A market society presupposes *money* to be the 'universal commodity' and *prices* the quantitative relation between any commodity and money. Interestingly, once money historically emerged as the general standard of value, the pursuit of an abstract infinite – the endless accumulation of money – became a possibility too. Under capitalism, the simple reproductive economic cycle C-M-C (selling in order to buy), where money serves merely as a medium for the exchange of commodities, is inverted. It transforms into M-C-M', where money becomes the means for 'buying in order to sell' at a greater price (Marx, 1990, pp. 255–7).[1] However:

> 'behind these two distinct *forms* of circulation a difference of *content* lies hidden. In the case of the simple circulation [the] content of the process is given by satisfaction of needs, that is, by individual consumption. [In] the other case, on the contrary, [the] extremes must be distinguished from each other in order for the circuit to acquire a purpose. [Thus], the adequate form of this [second] process of circulation must necessarily be M–C–M′ where the initial sum of money produces through its movement a larger amount of value, that is, a *surplus-value*. Money which circulates according to this form becomes determined as *capital*.' (Starosta, 2016, p. 199)

As a result of the incessant movement of commodities and of money yielding more money, the endless 'valorization of value' or *capital* comes into being as an *impersonal* form of power (Mau, 2023). Marx explains in detail how this surplus-value originates in the labour-process and not in market exchange. It cannot be in the latter because that would violate the *law of value* in which commodities are exchanged at their value or competitive price (Marx, 1990, pp. 293–306). In the capitalist enterprise, governed by the *capitalist division of labour*, surplus-value emerges when workers are hired and put to work (consumed productively) with the purpose of accumulating and expanding capital unlimitedly. This drive to accumulate impels companies to compete with each other in the market for higher profits. In turn, competition forces them to revolutionize the technical conditions of social production and constantly increase productivity in order to survive. In this way, workers are *subsumed* to capital and its impetus for accumulation through the everlasting expansion of their productive capacities through renewed forms of exploitation (Adler et al., 2007).

However, things are not that simple under the cooperative division of labour, where there is no formal distinction between capitalists and workers (although see Mondragon's employment strategies below). In this case, cooperative-workers *personify* both the bearers of money as capital (i.e., the capitalists) and of labour-power (i.e., the wage-workers). The pursuit of economic profit or the goal of providing decent wages presupposes their democratically-run organization being mediated by the market. Consequently, their social bonding with other enterprises is shaped by competitive dynamics, such as the possibility of being financially outperformed by those with whom they share no solidarity ties.

It is true that the original motive of cooperative-workers might not be to maximize returns on the investments (Craig and Pencavel, 1993; Schiller-Merkens, 2024), but it is also true that the necessity to socialize their produce through market exchange implies cooperatives operating under the law of value and being exposed to the outcomes of anarchic market exchange, that is, waste, unemployment, and inequality. In turn, economic calculation – determining the economic sustainability of their solidarity strategy – necessarily takes the form of differentiating between production costs (fixed costs and variable costs, including wages) and profit. This is a necessary accounting practice that reflects the paradoxical consciousness of the cooperative-worker as a bicephalous producer of commodities that personifies the mutually negating interests of capital and labour-power. Before addressing its politically conflictive nature, let us first explain how this accounting necessity mediates cooperative management.

On the one hand, if cooperative firms fail to distinguish production costs from surpluses or profit, they may allow higher rates of (self-)exploitation than competitors with whom they could potentially collaborate, work with or work for. Additionally, this failure could result in the uncontrolled depreciation and devalorization of their original investments, jeopardizing their organizational sustainability. It would also limit their ability to make inter-organizational financial comparisons, which are crucial for redirecting resources to more socially-useful or profitable projects (cf. final discussion in section on Fagor). Thus, if cooperatives do not consider the possibility of making profits or losses, given market production costs, they lose the ability to assess whether their collective efforts are both socially useful and economically sustainable.

On the other hand, such an economistic mindset enables cooperative-workers to simultaneously deploy various solidarity strategies that typical capitalist firms do not adopt. Aiming at yielding the highest rate of profit is a potentiality of the cooperative firm but *not* a necessity (although this is also true for capitalist firms; cf. Starosta et al., 2024, pp. 169–91). For example, cooperatives may well organize the labour-process in a less exploitative way than typical capitalist firms because surplus-value is directly appropriated by the cooperative-workers (Dufays et al., 2020; Kokkinidis, 2015), and their relatively lower productivity rates and higher wages can be counterbalanced by lower profit rates (Craig and Pencavel, 1993; Pencavel et al., 2006). Conversely, if a cooperative is operating at average or higher rates of productivity and profit, the cooperative-workers may opt for establishing *new* direct solidarity ties by redirecting their surpluses to incorporate new workers or to the provision of social welfare, instead of accumulating them individually or collectively (as dividends or capital investments). More specifically, these expanding solidarity strategies can take the form of: (i) redistributing profits to socially useful projects and welfare; (ii) lowering selling prices as a form of direct subsidy to the customers; and (iii) reorganizing the labour-process and generating new solidaristic employment despite perhaps operating below average productivity rates. Therefore, in a dynamic setting, the original solidarity paradox assumes a more developed form in that cooperative-workers have to choose between two apparently opposite strategies: expanding their solidarity through monetary wealth redistribution or organizational incorporation; or reconfiguring their resources in order to augment their productive capacities and preserve their financial sustainability vis-à-vis external competitors.

The solidarity strategies of cooperative-workers are constantly challenged by the impersonal and antagonist market forces, which evaluate the effectiveness of their collective, solidaristic *yet* private and independent labours. If competitors use their surpluses to boost labour productivity, cooperative-workers must do the same to avoid being pushed out of the market (Craig and Pencavel, 1993, p. 291). The unlimited reconfiguration and expansion of the productive capacities of the cooperative firm is how cooperative-workers experience their *real* subsumption to capital and the effective loss of their collective autonomy. If it were only a formality, a matter of property relations (cf., e.g., Adler, 2019, p. 22; Wright, 2010, 2019), then cooperatives would genuinely embody the real potential to escape such market pressures and establish a 'free community' of labourers that exchange without being subordinated to the laws of capital accumulation. However, the necessity to engage in market exchange in order to reproduce their organizational form, no matter how democratically and mutually governed they might be (Adler, 2019, p. 63; Jaumier, 2017), reveals that markets have a *real* effect on the management of the cooperative itself. The compulsion to accumulate is not merely a wrong 'moral principle', but it structurally conforms solidarity strategies which, in order to be reproducible, must prove to be competitive.

Income inequality results from commodity-producers yielding uneven outcomes in market competition (Heinrich, 2021, pp. 124), and *class struggles* emerge as specific conflicts through which commodity-producers ally in order to gain further control over their labour-processes and means of production, or to establish a 'fair price' for the commodities they own (Las Heras, 2019; Thompson, 2010). As shown in the example of Mondragon discussed below, the stratification of labours, the uneven distribution of income and political rights within the cooperative, and the limits to inter-cooperative solidarity in order to preserve organizational sustainability are concrete expressions of class conflict. Hence, when cooperative-workers naturalize markets to be the legitimate distributors of their incomes (i.e., wages, profits and rents), they simultaneously 'acknowledge no authority other than that of competition, of coercion exerted by the pressure of their reciprocal interests, just as in the animal kingdom the "war of all against all" more or less preserves the conditions of existence of every species' (Marx, 1990, p. 477). Or to put it simply, cooperatives are the crystallization of particular class strategies trying to survive in market competition, legitimizing an economic position vis-à-vis the rest of commodity producers, and so they 'naturally reproduce in all cases [,] all the defects of the existing system, and must reproduce them' (Marx, 1993a, p. 571).

In summary, while not all cooperatives internalize class struggles within their organizations (especially the less complex ones), we have shown that cooperatives are both mediated by market competition and also serve as mediators and reproducers of capitalist accumulation dynamics through partial and limited forms of solidarity. In fact, cooperatives may adopt a wide range of solidarity strategies that traditional capitalist firms do not, and so the cooperative-worker clings onto the solidarity paradox as a compromise in which they personify the structural necessities of both money-capital and labour-power. The ideological effort to balance out or navigate the contradictions embodied in these two commodities reflects the strategic paradox inherent to this particular organizational form.

A CRITICAL READING OF MONDRAGON FROM THE PERSPECTIVE OF DIALECTICS

We now turn to Mondragon's rich experience to develop our Marxian critique of the cooperative firm, examining its multi-dimensional, multi-level and inter-organizational contradictions on the path to becoming a 'real utopia'. While cooperatives are seen to typically emerge in small niche markets and operate on a local scale (e.g., Delbridge et al., 2024; Jaumier, 2017), Mondragon stands out for its scale and depth. Mondragon illustrates how key areas of social and economic life – such as work, education, savings, leisure, health and social welfare – can be organized around the cooperative model (Bretos et al., 2020; Heras-Saizarbitoria, 2014), as well as how cooperatives can expand beyond their national borders and thrive in global markets (Bretos et al., 2018).

Mondragon is a group of member-owned cooperatives based in the Basque Country. The first cooperative was established in 1959, inspired by Jose Maria Arizmendiarrieta's Catholic social teaching. By 2022, Mondragon comprised 95 autonomous cooperatives in the areas of industry, finance, retail and knowledge, 141 joint-stock subsidiaries in 37 countries, commercial offices in 53 countries, and 23 supporting organizations that provide the member-cooperatives with various services; altogether employing more than 81,000 people worldwide (Arando and Herce-Lezeta, 2023).

In Mondragon's cooperatives, worker-members participate on a one-person, one-vote basis in the general assembly, responsible for making major strategic decisions that include approval of business plans and the election of the governing council (the equivalent of the board of directors in a private firm). The governing council, in turn, nominates the general manager and monitors his/her performance (see Bakaikoa et al., 2004 for further details on Mondragon's governance). Becoming an owner-member of a Mondragon cooperative requires making a substantial capital contribution; this sum, currently fixed at around €18,000, is independent of the market value of the firm and goes to the member's individual capital account. A share of the cooperative's yearly profits or losses is credited or debited to this account, which can be remunerated annually at a maximum interest rate of 7.5 per cent. Indeed, after allocating the corresponding monetary contributions to the cooperative's reserve funds and to Mondragon's various inter-cooperative funds, the remaining annual net profit is distributed as 'patronage refunds' to the owner-members. Patronage refunds include both 'advance payments' (i.e., the monthly salary received by the owner-members according to hours worked and job position) and 'cooperative returns' (i.e., a share of the year's financial results, comparable to corporate dividends; see Arando and Herce-Lezeta, 2023 for further details on Mondragon's profit-sharing and inter-cooperation system).

In the following discussion, instead of offering an ethnographic account (Kasmir, 1996) or examining organizational contradictions as distinct and separate phenomena (e.g., Bretos et al., 2019; Flecha and Ngai, 2014; Heras-Saizarbitoria, 2014), we aim to present a more unified explanation of Mondragon's contradictions and paradoxes based on a Marxian analysis. While acknowledging that not all aspects of life can be reduced to a single fundamental contradiction (Mau, 2023, p. 188), adopting a systemic (Benson, 1977; Vidal et al., 2015) and dialectical (Farjoun, 2017, 2019) perspective in the study of concrete organizational contradictions shows how a core contradiction appears in many forms, highlighting the multifaceted nature of paradoxes. The dialectical exposition has allowed us, first, to conduct a theoretical investigation that questions the very form in which the solidarity paradox emerges, and second, to examine how it materializes empirically – how the contradictory consciousness of the cooperative-worker takes on a concrete reality. We now focus on three intra-organizational paradoxes expressing the contradictions involved in Mondragon's particular strategic adaptation to global markets: how cooperative employment is increasingly based on wage-labour; how the cooperative division of labour is based on exploitative HRM techniques; and how pay egalitarianism can be undermined over time by labour market pressures. Following this, we examine two inter-organizational paradoxes that express the contradictions of expanding solidarity beyond immediate demands of profitability.

The Intra-organizational Contradictions and Paradoxes of Mondragon

The paradox of cooperative employment. Mondragon's early decades were characterized by the proliferation of cooperatives through spin-offs and start-ups, and by internal growth based on cooperative employment. However, since the early 1980s, the number of wage-workers (obviously, with no ownership and voting rights), has increased to around 15 per cent of the workforce *within* the parent cooperatives. In addition, many Mondragon's industrial cooperatives have pursued a growth strategy based on the setting up and acquisition of joint-stock subsidiaries, mainly abroad but also in the Basque Country and the rest of Spain. In fact, when considering these joint-stock subsidiaries, wage-workers account for a striking 70 per cent of Mondragon's total workforce (Heras-Saizarbitoria and Basterretxea, 2016, p. 20).

Mondragon management argue that the main reason for increasingly employing non-cooperative-workers (nowadays, Mondragon allows up to a 30 per cent share of wage-workers within the parent cooperatives) is that in the 'new economic environment', subject to increased volatility, membership expansion is restricted by the cooperatives' organizational and productive capacity to assume the higher labour costs associated with permanent worker-members (Whyte and Whyte, 1991, p. 225). This cost-cutting strategy based on the use of non-member-workers has been substantially expanded through the cooperatives' international growth to lower-income markets (Bakaikoa et al., 2004). The aim is to increase competitiveness and profitability via labour-cost reduction and thus safeguard the cooperative-members' jobs and incomes in the Basque Country (Bretos et al., 2019).

Certainly, internationalization has enhanced the capacity of the Mondragon cooperatives to create wealth and employment in the Basque Country (including qualified jobs in Basque plants which specialize in higher-value-added products, R&D processes and coordination of global business activities). However, this mode of international expansion has reinforced a two-tier international division of labour in which the parent cooperative's member-owners retain ownership rights and the decision-making authority over production across borders, while subsidiaries are treated as peripheral business units that serve to secure the cooperative's global competitiveness and protect the jobs and income of member-owners.

Studies examining employment relations at Mondragon-owned foreign subsidiaries have generally detected no trace of the parent's cooperative philosophy and praxis, even finding evidence of the adoption of a calculative, performance-oriented HRM approach characterized by numerical flexibility, tight work monitoring, limited employee involvement, few possibilities for training and career advancement, and anti-unionism (Basterretxea et al., 2019; Bretos et al., 2019; Errasti, 2015).

Some Mondragon cooperatives have implemented certain collaborative HRM practices (including information sharing, extended training, and employees' direct involvement in the work area) in some foreign subsidiaries that play a more strategic role within the global value chain (Bretos et al., 2019; Flecha and Ngai, 2014). However, these practices are not being introduced to improve workers' rights, but rather to boost productivity and profitability, since these subsidiaries perform value-added, technologically advanced functions that require a more stable, motivated, highly-skilled workforce (see Bretos et al., 2018). Importantly, in Mondragon's global cooperatives, where foreign employees outnumber Basque worker-members, there is no will to 'cooperativize' their foreign subsidiaries. In this regard, granting cooperative ownership rights and equal decision-making power to foreign employees would imply a reduction in the amount of profits to be received by each worker-member and the discretion of the subsidiaries to take decisions that may go against the interests of the parent cooperative (see Bretos et al., 2019; Errasti et al., 2017). Therefore, contrary to dominant paradox theories that suggest the need to 'juggle' between competing considerations, our Marxian perspective highlights that this contradiction is inherently unmanageable. Cooperatives cannot endlessly improve subsidiary workers' conditions without compromising the member-owners' decision-making authority and wealth. Recognizing this underlying contradiction reveals that the persistent lack of such efforts is not due to flawed cooperative practices, but rather to the cooperative's need to ensure its viability in the market and thus preserve the jobs and income of its owner-members.

Furthermore, this multi-level internationalization strategy has significantly increased the income of all cooperative-workers through intra-firm trade and profits, as well as through royalty payments and management fees coming from overseas subsidiaries (Errasti, 2015). Mondragon's stratified two-tier political model fosters the redistribution of surplus value from wage-workers to the cooperative-members, the latter becoming an exploiting class that justifies its privileges on the basis of world market competition. Mondragon's policies of job security, decent pay and attractive early-retirement plans for its cooperative-members are ultimately supported by precarious wage-workers from both lower labour-cost countries and the Basque Country. The disappearance of the 'parasitic capitalist' that utopian scholars acclaim so much (Ranis, 2019; Schweickart, 2018) seems paradoxically to be subject to a natural reversal when cooperative-workers struggle to preserve their political and economic status in the face of market competition. The struggle to preserve income tied to certain privileged positions and cooperative-membership rights in an evolving industry compels them to 'mutually' (Starosta, 2016, p. 213) or 'cooperatively' (Errasti, 2015) appropriate the surpluses of non-cooperative-member workers' globally, thus personifying the capitalist class in the guise of cooperation (Marx, 1990, p. 254, 1993a, p. 300).

The contradiction of relying on wage-work in order to secure the financial sustainability of a cooperative firm manifests as the first organizational paradox: a community of cooperative-members who, in order to preserve their jobs and income, opt for developing an indirect and exploitative relation with those who only possess their labour-power.

The paradox of the cooperative division of labour. From their inception, Mondragon cooperatives have imported prevailing capitalist labour-process systems, sourced from dominant economies such as the USA, Japan, and Germany, also playing a key role in their institutionalization in the Basque Country (Cheney, 2002). Until the mid-1980s, relations on the shop floor of Mondragon's industrial cooperatives were based mainly on a Tayloristic approach (see Kasmir, 1996; Whyte and Whyte, 1991). Since then, Mondragon cooperatives have extensively adopted the dominant Lean Manufacturing and Total Quality Management managerial programs (Cheney, 2002; Heras-Saizarbitoria, 2014).

Implementation of these post-Fordist models of work organization has been instrumental in enhancing the competitive position of these cooperatives as well as ensuring higher standards of work safety, teamwork, job enrichment, and information sharing. In addition, Mondragon managers emphasize the positive effects of the establishment of less hierarchical and more flexible authority and control systems, enhancing closer management–labour relationships and promoting workers' involvement in problem-solving, continuous improvement, and the day-to-day decisions that affect their immediate area of work (see Basterretxea et al., 2019).

However, it is evident that the introduction of dominant regimes of managerialism and productivity has not been devoid of authoritarian elements typical of capitalist firms, as rigid disciplinary and supervisory procedures are applied in assembly lines in order to match workers' rhythms to those of the machines, with a clear separation being made between manual tasks and intellectual tasks, to ensure that labour productivity keeps up with market trends. Indeed, ethnographic studies have revealed how the introduction of lean production systems in Mondragon cooperatives has resulted in lower levels of employee satisfaction, with workers reporting greater stress, higher workload and exhaustion, and increased pressure (Basterretxea et al., 2019; Cheney, 2002; Kasmir, 1996).

Moreover, the introduction of these prevailing managerial programs has not been in response to shop-floor workers' aspirations to self-management and autonomy at work, but rather to managerial concerns of technical efficiency, quality improvement and customer focus. Several qualitative studies have documented how the veneration of lean-based management and total quality principles has displaced Mondragon's traditional culture of substantive self-management and democratic participation in favour of shallow, managerially-driven forms of worker participation that are confined to low-level decision-making in the work area, oriented toward reducing production costs and enhancing productivity, and assessed in terms of employee motivation and commitment to business goals (Bretos et al., 2018; Cheney, 2002; Heras-Saizarbitoria, 2014). As a result, a significant number of shop-floor worker-members increasingly perceive Mondragon's formal principles of self-management and autonomy as mere rhetoric and completely detached from their daily work (see, e.g., Azkarraga et al., 2012; Heras-Saizarbitoria, 2014; Basterretxea et al., 2019).

Therefore, while cooperative-workers have formal rights to participate in governance structures, the limits that market relations impose on the organization of the labour-process subject them to the law of value and capitalist accumulation. This compels cooperatives to adopt management methods similar to those of their capitalist counterparts in order to maintain average productivity rates (Marx, 1993a, pp. 294–301).

Crucially, contrary to the view that cooperative values are being undermined by an increasingly complex and alienating capitalist division of labour, as suggested by the 'degeneration thesis' (Kasmir, 1996, 2016), a Marxian critique helps us understand that it is through the firm-driven practice of cooperative values that the mutualized division of labour of cooperative-workers has been preserved amidst global competition. What is at stake, then, is not the degree of isomorphism with capitalist firms, but the steady and gradual need to encompass management and labour-process methods developed by their antithetical capitalist firms, that is, the *real* subsumption of cooperative division of labour to capital accumulation. According to Kasmir (2016, p. 57), 'worker-ownership did not shield [cooperative-workers] from factory regimes that were devised for profit maximization and workplace discipline'. However, this mimicking reveals the opposite – that the capacity of cooperatives to articulate an idiosyncratic cooperative division of labour that produces and sells commodities through the adoption and fine-tuning of dominant management methods actually integrates industrial cooperative employment into global competition and not despite it. Therefore, the original perception of sovereignty and direct control over the collective labours that subordinates capital to labour proves to be the reverse: private and independent practices are subsumed by market forces in the endless expansion of labour productivity and capital accumulation.

Thus, this second paradox arises through the contradictory fact that cooperative-workers must navigate the underlying forces governing the two commodities they personify (money-capital and labour power). Consequently, the improvement of cooperative-members' working conditions and involvement in decision-making at the shop-floor level (i.e., the valorization of their labour-power) has been promoted through the reproduction of exploitative managerial methods that seek greater surpluses (i.e., the valorization of their money-capital).

The paradox of pay egalitarianism. Mondragon's 'pay solidarity' principle states that wages are set according to principles of solidarity between workers within each cooperative, between cooperatives and with workers in conventional capitalist enterprises in the region. During the early development of Mondragon cooperatives, when all the workers were members, they agreed to a compensation policy that established a maximum ratio of 3:1 between the highest and the lowest salary in order to promote economic democracy. This ratio, which also applies to profit distribution, has been expanded a number of times throughout Mondragon's history in order to ensure successful recruitment of qualified managers, engineers and analysts. In particular, it was first expanded to 4.5:1, then to 6:1, and finally to the current 12:1.

Widening the pay ratio has allowed the cooperatives to attract and retain highly-skilled top managers and thus acquire the managerial capabilities necessary to thrive in global markets (Bretos et al., 2020; Cheney, 2002), while maintaining an internal wage distribution that is still substantially more compressed than in capitalist firms (the average CEO-to-worker pay ratio is 127:1 in Spain, and 354:1 in the USA (Ferdman, 2014)). Compared to capitalist firms of similar size in the same sector, Mondragon rank-and-file workers typically earn around 30 per cent above the market average, while top managers earn around 30 per cent less than the market average.

The decision to align Mondragon income to that of their competing labour markets reflects the need for Mondragon cooperatives to bow to market impositions and set competitive wages for a cadre of high-level managers. In addition, although the 12:1 ratio involves an exceptionally equitable differential compared to capitalist firms, it is a ratio *for those of our kind* (calculated by the members for the members) and does not include the entire workforce (e.g., subcontracted workers and foreign employees). For example, Basque wage-workers earn around 80 per cent of the wages paid to cooperative-workers, effectively reducing labour costs and increasing labour productivity and corporate profitability as in any other capitalist firm (Bakaikoa et al., 2004). If we consider the value of ownership and the share of profits and the many perks of membership – such as job security, private health insurance, early retirement, double retirement pensions – the 12:1 ratio would be reduced among members but significantly increased compared to non-members. Therefore, income inequality becomes the result of concrete 'solidary struggles' over the determination of the price of wage-labour and money-capital, which in no way entails a systemic transformation of capitalist relations (Marx, 1990, p. 375, 1993a, pp. 269, 361–368). In capitalism, salaries cannot be 'fair' because they represent the contingent form in which certain workers secure their material reproduction through competing against others.

The third paradox arises from the contradiction of implementing egalitarian pay schemes to mitigate capital accumulation dynamics (i.e., equalizing the price of labour-power) by offering competitive wages (i.e., buying labour-power at market prices). This approach, however, reproduces income inequality as it seeks to retain or attract skilled workers with different capabilities and ultimately sustain the overall payment scheme.

The Inter-Organizational Contradictions and Paradoxes of Mondragon

Mondragon cooperatives are tightly linked through various supra-cooperative governing bodies, elected by owner-members of the first-tier cooperatives. These bodies play a crucial role in strengthening solidarity and inter-cooperation among the member-cooperatives and enhancing their capacity to deal with the challenges of an increasingly competitive and globalized market economy (Bakaikoa et al., 2004; Whyte and Whyte, 1991). Unlike conventional capital-owned business groups, the Mondragon group has a series of inter-organizational solidarity mechanisms and tools that are collectively funded by the member-cooperatives. The most important mechanisms of inter-cooperative solidarity include a profit-pooling system whereby part of the losses of cooperatives in crisis are covered by using surpluses from other cooperatives, and the relocation of worker-members among Mondragon cooperatives in order to preserve jobs (Azkarraga et al., 2012; Errasti et al., 2017).

Despite being confederated under the umbrella of the Mondragon group, each first-tier cooperative is autonomous and its sovereignty resides legally in the general assembly, where all the member-owners are represented and can democratically decide on the organization's policies, strategies, and governance. Thus, inter-organizational cooperative solidarity arises from an individual commodity-producer directly relating to others through the general assembly, which then serves as the governing body through which they collectively decide to establish solidarity ties with other cooperatives. In the following sections, we articulate two paradoxes that reflect the contradictions of Mondragon's inter-cooperative solidarity strategies under market competition. The first paradox, related to calculated solidarity, is illustrated by the exit of Irizar from Mondragon; the second paradox, related to competitive solidarity, is illustrated by the bankruptcy of Fagor-Electrodomésticos.

The paradox of calculated solidarity. Throughout Mondragon's history, several cooperatives have democratically decided to leave Mondragon and strike out on their own, mainly due to their dissatisfaction with the group's inter-cooperative solidarity requirements. Some of the most prominent cases include Irizar and Ampo in 2008, and more recently in 2022, Orona (an elevator manufacturer employing 5500 workers) and Ulma (a highly diversified industrial business employing 5200 workers).

The case of Irizar epitomizes several aspects of the solidarity paradox. The Basque-based manufacturer of luxury buses and coaches employs around 3400 workers in its 13 production plants in Spain, Morocco, Brazil, Mexico and South Africa. After several years of losses, in 1991, Irizar received assistance from the other Mondragon cooperatives through financial contributions and other inter-cooperative solidarity measures such as the relocation of 65 of its worker-members to other Mondragon cooperatives. The inter-cooperative assistance received, together with the adoption of various internal measures such as the introduction of a new management team and the cooperative's reorganization under an innovative management and work organization system, led Irizar to become, in the early 2000s, the most profitable cooperative in Mondragon and the one that contributed the most economic resources to the group's inter-cooperative funds.

However, in 2008, Irizar's general assembly approved the management's proposal to detach from Mondragon, with 75 per cent of the member-owners voting in favour. Officially, Irizar cited its departure from Mondragon as a result of the differences between its organizational model, which was 'more horizontal and participative' and based on 'greater flexibility and agility in decision-making processes', and the more rigid and orthodox organizational culture of other Mondragon cooperatives. Nonetheless, researchers observed another, perhaps more important, underlying reason: the lack of solidarity with other cooperatives, reflected in Irizar members' widespread perception that the cooperative could be competitive without Mondragon's inter-cooperative assistance, and their reluctance to continue transferring a part of Irizar's profits to less efficient and competitive cooperatives (see, e.g., Arando and Herce-Lezeta, 2023).

Irizar's strategic response to the 'ethical' paradox of either promoting cooperative values or maintaining their autonomy was to act 'unethically', ultimately undermining Mondragon's inter-cooperative system. By first receiving financial aid and then separating from Mondragon's inter-cooperative system, Irizar's cooperative practices evolved, leading to the production of commercial vehicles on a global scale. As Marx put it, 'it is not because he is a leader of industry that a man is a capitalist; on the contrary, he is a leader of industry because he is a capitalist' (1990, p. 451). In essence, our argument suggests that in contexts where expanding solidarity is just one of many options, profitability calculations also become one of the primary drivers for organizational survival, with the dynamics of class struggle shaping its concrete manifestation. Hence, the ability to survive the competitive strategies of others shows the inherently expansive and surplus-driven logic that cooperatives must adhere to. In the cooperative firm, solidarity becomes a calculated decision always subject to economic considerations and the option to withdraw. Inter-cooperative solidarity, therefore, becomes a different form of inter-organizational competition.

This fourth paradox emerges from the underlying contradiction of inter-organizational solidarity strategies being simultaneously restricted by profitability requirements. It reveals the provisional and instrumental nature of solidarity among competitors who must secure financial stability to survive (i.e., collectively valorizing their labour-powers and money-capitals while remaining independent from and in competition with other cooperatives).

The paradox of competitive solidarity. The bankruptcy of the home appliance manufacturer Fagor-Electrodomésticos (1959–2013), flagship of the Mondragon group and its largest cooperative for decades, is particularly relevant for understanding how solidarity meets the limit of capital accumulation. At its peak, in 2006, Fagor employed over 11,000 people at 18 production plants in six countries, although cooperative member-owners represented only one-third of the total workforce. In the aftermath of the global financial crisis, Fagor cut over 3000 jobs in the Basque Country and another 3500 in its French and Italian subsidiaries between 2007 and 2013. The actions taken to avoid job losses among Fagor's member-owners relied on Mondragon's inter-cooperation mechanisms: mainly, the redistribution of surpluses from other cooperatives to Fagor (surpluses that were increased by the decision of the worker-members of many cooperatives to temporarily reduce their salaries), financing from various inter-cooperative funds, and the temporary relocation of Fagor's worker-members to other Mondragon cooperatives.

Despite the remarkable solidarity endeavours of Mondragon cooperatives, Mondragon's general council finally decided not to lend Fagor any more money, arguing that helping Fagor further would jeopardize the survival of the other cooperatives – Fagor's debt with Mondragon's cooperatives amounted to €240 million by early 2013 (Errasti et al., 2017). In October 2013, Fagor declared bankruptcy and, shortly after, the cooperative was dissolved and sold off in parts to private competitors. In an unprecedented large rescue operation, an employment solution was found for all Fagor cooperative-members. As of 2023, 1405 of the 1736 initially redundant cooperative-members had a definitive solution (primarily in the form of permanent relocation to other cooperatives and early-retirement agreements), while the rest were in a transitory period of temporary relocation in other cooperatives. By contrast, salaried, non-member employees at both the Basque and foreign plants, not eligible for Mondragon's inter-cooperation mechanisms, lost their jobs.

In short, Mondragon's advanced and extensive system of inter-cooperative solidarity contributed decisively to Fagor's ability to survive longer than many other capitalist competitors in the home appliance industry. Nevertheless, and independently of Fagor's hefty governance and management mistakes (cf. Basterretxea et al., 2022), its demise clearly shows that unprofitable cooperatives are doomed to disappear in the long run, regardless of the strength of any inter-cooperative and supra-cooperative solidarity system.

More specifically, as discussed in the section on capital accumulation, Irizar and Fagor confronted the challenge of how to allocate their resources in three ways: (i) consuming all surpluses and expanding the private wealth of the cooperative-workers; (ii) reinvesting surpluses in their own cooperatives in order to upgrade or expand employment; or (iii) financing other cooperatives (at fixed interest rates) as required by Mondragon's inter-cooperative solidarity system. To make an unequal and crisis-prone system look rational at all, utopian scholars often resort to promoting unmediated (i.e., abstract and undetermined) ethical and moral principles intended to preserve the cohesion and sustainability of the cooperative (e.g., De Coster and Zanoni, 2023; Gibson-Graham, 2006; Schiller-Merkens, 2024). Unfortunately, none of these strategies is totally effective since the pursuit of these principles depends on the market requirements and varying factors such as interest rates, the expected return for reinvesting surpluses in their own cooperatives, and the class struggles mediating the expansion of inter-cooperative solidarity mechanisms over organizational sustainability.

Resorting to the external involvement of state-like agencies (such as the Mondragon Corporation) in the allocation of capital investments may 'solve the problem in *theory* but not in *reality*' (Cornforth et al., 1988, p. 43) because state agencies are subject to capital accumulation requirements (Jessop, 2016), and face the unsolvable contradiction of how to reconcile two mutually-undermining aims: preserving intra- and inter-organizational solidarity and remaining economically viable projects. The socialist state emerges, then, as the external political agent that implements reasonable regulations in order to preserve social cohesion within a crisis prone system. However, utopian (Gibson-Graham, 2006; Schiller-Merkens, 2024; Wright, 2019), degeneration thesis scholars (see Cornforth, 1995), and those more nuanced studies (Errasti, 2015; Heras-Saizarbitoria, 2014; Varman and Chakrabarti, 2004) do not explain why the state would be a capable agent in providing a cohesive solution when it has to preserve the economic independence and sovereignty of cooperatives. However, as Devine (1989) explains using the examples of Yugoslavia and Hungary, cooperatives struggle by lobbying the state and fighting for favourable regulations and fiscal policies to protect their own private interests in relation to other cooperatives. Inter-cooperative solidarity mechanisms are thus contradictory in nature because they have to simultaneously suppress the disruptive tendencies of capital accumulation and inter-cooperative struggles (cf. Marx, 1993a, pp. 478–505). In short, preserving the solidarity for some may be to the detriment of others.

The underlying contradiction of pursuing inter-cooperative solidarity through competitive organizational strategies suggests that while cooperation among cooperatives stands out as a basic cooperative principle (i.e., mutualizing their labour-powers and money-capitals), it encounters a minimum capital accumulation threshold, where prioritizing collective welfare may challenge individual financial sustainability (i.e., cooperatives need to accrue and reinvest surpluses in order to keep their average productivity standards). This fifth paradox, therefore, emerges when cooperatives attempt to expand their solidarity externally through financial mechanisms that, driven by profitability requirements, put a strain on the sustainability of their solidarity strategy.

DISCUSSION

In this article, we employ the analytical framework of dialectics and Marxian analysis to examine how the 'solidarity paradox' expresses, in multiple ways, the contradictory consciousness of a cooperative-worker who simultaneously personifies the interests of the capitalist and the wage-labourer. We develop the critique in three steps: first, we question the general assumptions of the literature dealing with paradox and dialectics; second, we apply dialectics' insights and Marxian categories to the study of the cooperative firm at a more general and systemic level; and third, we focus on the specific case of Mondragon. In what follows, we outline the article's contributions to critical management scholarship on cooperatives and to the broader field of paradox and contradiction studies. We then propose three key directions for future research, and lastly conclude with some final remarks.

Theoretical Contributions

First, this article contributes to critical management scholarship on cooperatives by clarifying the transformational potential of these organizations within a systemic framework and by deepening the theoretical implications of considering cooperatives as contradictory organizations in which both competition and solidarity become their opposites. Cooperatives necessarily appear paradoxical to their members because they cling to this particular organizational form without being able to transform the systemic context in which they exist. The solidarity paradox emerges because commodity producers *abstract* their solidarity ties *from* the competitive relations they systematically reproduce and, thus, unconsciously perpetuate the status quo. To paraphrase Marx's opening quote, *two souls dwell within cooperative-workers' breasts, one ever parting from the other*, since cooperative-workers cannot reconcile their solidarity-based practices with their embeddedness in the broader dynamics of market competition. In turn, the organizational form of the cooperative firm poses its own limits to societal transformation as it does not challenge the way in which markets mediate the fulfilment of social needs.

By revisiting the simplest contradiction of the cooperative firm and the paradoxical consciousness of navigating it, as well as the multi-dimensional, multi-level and inter-organizational contradictions and paradoxes of Mondragon, we show how both utopian and degeneration scholars are mistaken in adopting a one-sided view that focuses only on the good or bad aspects of an organization. An essentialist approach to both organizational solidarity and competition obviates the contradictory nature of organizations, and how these organizational values are self-undermining when articulated through particular organizational forms. In contrast, the few studies that acknowledge the contradictory nature of cooperatives (Bretos et al., 2024; Errasti et al., 2023; Siedlok et al., 2024; Storey et al., 2014), and other hybrid organizations (Battilana and Dorado, 2010; Jay, 2013; Smith and Besharov, 2019), have neither conducted systematic analyses nor developed encompassing theories to explain why these particular contradictions are intrinsic to such organizations, why they persist, and how they relate to other apparently distinct but somewhat similar contradictory organizations.

This article explores how the paradoxical nature of cooperatives emerges from their specific historical setting within the capitalist system, which forces cooperative-workers to sustain the existing order by maintaining relationships that are neither purely competitive nor purely solidaristic but embody *both* at the same time. Market competition and capital accumulation enable solidarity strategies to take concrete shape in the form of cooperatives and, vice versa, concrete solidarity strategies must be inherently calculative to survive market competition. Hence, cooperatives generate an idiosyncratic paradoxical consciousness because their members personify the forces of two mutually undermining commodities: money-capital seeking higher profits, and labour-power seeking to secure better working conditions. By deploying a one-sided analysis and not locating cooperatives within a broader ecosystem, utopian, sceptical and nuanced studies overlook how these organizations actively reproduce or transform a determinate *totality*.

Our Marxian analysis acknowledges the potential of cooperatives in advancing class solidarity and generating positive outcomes; in particular, reducing income inequality among co-workers (Battilana et al., 2022), promoting greater workplace participation and democracy (Kociatkiewicz et al., 2021; Zanoni et al., 2017), and/or developing mechanisms for inter-cooperative employment and financial solidarity in the face of economic pressures (Arando and Herce-Lezeta, 2023; Errasti et al., 2017). Nonetheless, we also underline the importance of not considering these victories or achievements in isolation, but as solidarity strategies that enable these organizations to reproduce and expand competitively. Fundamentally, our sympathetic critique of the cooperative firm does not rest on presupposing higher ethical cooperative models, or suggesting a 'real alternative' could exist only if cooperative-members simply organized better, under the aegis of 'less egotistic', 'militant' and 'solidary values' (e.g., De Coster and Zanoni, 2023; Pansera and Rizzi, 2020; Renteria-Uriarte and Las Heras, 2022). On the contrary, we perceive the successes and failures of cooperatives as the result of the *tension* involved in applying cooperative values while navigating market competition.

Second, our Marxian analysis of the cooperative firm also enriches scholarly debates and research methodologies that address societal grand challenges (Adler, 2019; Vidal et al., 2015) through the lenses of paradox and dialectics. Specifically, we discuss the shortcomings of prevailing approaches to paradoxes and dialectics by arguing that paradoxes emerge not as persistent and transhistorical contradictions (Schad et al., 2019; Smith and Lewis, 2011, 2022) but as *historically* determined ones, arising from specific and contingent social relations. In other words, a Marxian perspective to organizational paradox scholarship allows us to locate paradoxes historically rather than in a timeless and universal framework, thus opening up the possibility of their transcendence. This insight has both scholarly and socially implications (cf. Wickert et al., 2021) as it redirects attention from intra-organizational to inter-organizational relations, emphasizing their mutually constitutive and contradictory nature.

As our analysis reveals, adopting the dialectical method as a strong process approach (Berti and Cunha, 2023; Farjoun, 2017, 2019; Langley and Tsoukas, 2017) provides management and organizational scholars with a fresh perspective that critically examines the paradox scholarship's 'core foundations' (cf. Schad et al., 2019). It shows that organizational paradoxes are not 'absurd and irrational' when contradictory forces are juxtaposed (see, e.g., Lewis and Smith, 2014; Putnam et al., 2016), but rather are the essential strategic consciousness that perpetuates organizational contradictions in specific contexts. In this sense, our Marxian engagement with paradox and dialectics literature inverts the ontological prioritization of paradoxes and contradictions, highlighting the partial and provisional nature of the former. Thus, dialectics should not be seen as a 'middle range theory' (e.g., Hargrave and van de Ven, 2017; Schad and Bansal, 2018) but an open method for organizational critique. This insight enables management scholarship to break free from the methodological constraint of taking certain organizational forms for granted, fostering a broader perspective – toward inter-organizational and systemic patterns – that highlights the contingent and provisional nature of paradoxes. This shift places *actual* societal problems, rather than scholarly debates, at the forefront of our attention and questions how our analyses might be reinforcing the status quo.

Our multi-dimensional, multi-level and inter-organizational scrutiny of Mondragon strategies related to work organization, pay equity, employment and inter-cooperation has also revealed how a foundational paradox may manifest itself in multiple ways, that is, how the 'solidarity paradox' becomes complex and differentiated in its own development through concrete organizational practices. Crucially, this occurs not because paradoxes are ontologically distinct or separate from each other (e.g., Palakshappa et al., 2024), but because they are the concrete expression of an underlying contradiction realizing its potential. These insights contribute to recent calls in the management literature for a deeper understanding of the overlapping nature and complex interconnections of paradoxes and to explore how a foundational paradox can manifest itself in multiple paradoxes that are interwoven, mutually constituted and ontologically inseparable (Hahn and Knight, 2021; Jarzabkowski et al., 2019). The corollary of this argument is that addressing grand challenges and navigating systemic transformations through partial and limited organizational analyses will inevitably lead to inadequate outcomes, since the perspective from which they are approached will be unaware of its assumptions and self-posited limitations, and so, it will unconsciously remain self-defeating.

Directions for Future Research

We identify three promising avenues for future research. First, we have shown how commodity-mediated relations produce particular contradictions that take the form of solidarity paradoxes within the strategic management of cooperatives. The overall framework is one of capitalist relations, meaning our conclusions cannot be directly transposed to other organizational forms, such as those of a planned society (e.g., Laibman, 2022). In these socialist organizations, social actors interact through (more or less) consensual political processes, and so are mediated by direct organizational ties and procedures rather than the indirect and impersonal relations that markets necessitate. Therefore, our analysis demonstrates that it is market profitability predominantly (rather than other politically-determined performance pressures) that ultimately informs the strategic template of organizations such as Mondragon. Further research is needed to explore how other social orders and organizational forms may navigate inter-organizational political contradictions while preserving social cohesion.

Second, the multiple solidarity paradoxes identified in the case of Mondragon are not necessarily universal to all cooperatives, but may be specific to large and complex networks of cooperatives operating in highly competitive and globalized markets. In fact, this single-case analysis points to the need for further research into the variegated forms in which a simple contradiction may unfold, depending on the different strategies adopted by cooperatives. The analysis of smaller, less complex cooperatives operating in local niche-markets could lead to the discovery of other contradictions and strategic paradoxes. In addition, historically sensitive analyses could show whether some contradictions are more salient than others, and whether the form in which certain contradictions are construed and governed may generate new contradictions and paradoxes. The International Cooperative Alliance's heptalogue on cooperative principles (i.e., open and voluntary membership; democratic member control; members' economic participation; autonomy and independence; education, training and information; cooperation among cooperatives; and concern for community) could serve as a point of departure to understand how different cooperatives put the cooperative principles into practice, how they prioritize certain principles over others, the specific dynamics that emerge from this, and how different paradoxes are legitimized in order to preserve organizational cohesion and sustainability.

Third, our presentation of the paper's central arguments to Mondragon's leaders was met with some scepticism; their response was basically to emphasize that Mondragon cooperatives must pragmatically adapt to global market requirements if they are to survive. Pragmatism has been identified as a guiding principle that can contribute to reconciling competing demands in some cooperatives (Ashforth and Reingen, 2014; Audebrand, 2017; Soetens and Huybrechts, 2023). However, in its worst expression, pragmatism can lead to a lack of reflexivity and self-critique among a majority of member-owners within cooperatives, particularly evident in Mondragon (Azkarraga et al., 2012; Bretos et al., 2020; Kasmir, 1996). Therefore, we encourage scholars to adopt critical performativity-informed research methods (Reedy and King, 2019), based on playing a critical, active, productive role aimed at transforming organizational practice within cooperatives in order to reconfigure, advance and extend solidarity practices under global market requirements. In this way, scholars may collaborate with cooperative practitioners in working through paradoxes collectively and re-imagining future social arrangements for governing the cooperative firm (see Griffin et al., 2022; Wickert and Schaefer, 2015). Moreover, action-oriented, critically engaged research represents a way forward in the dialectical analysis of cooperatives, as it may lead to new, practice-based insights into the varied and distinctive contradictions faced by cooperatives and the ways and extent to which these organizations contribute to solving societal grand challenges (Gümüsay et al., 2022; Wickert et al., 2021).

Concluding Remarks

To conclude, we address a political question relevant to management and organization scholarship: Is social radical transformation possible, and if so, how should the 'management of systemic transformation' be approached? Although such a comprehensive answer is beyond the scope of this paper – which focuses on the transformational potential of the cooperative firm – we offer a few general remarks based on our analysis. It is true there have been multiple attempts at imagining a post-capitalist society (e.g., Laibman, 2022; Schweickart, 2018), although not all have provided a clear path for achieving it or outlined 'what is to be done' (cf. Wright, 2010, 2019). A dialectic analysis, however, highlights the limitations of uncritically elevating notions such as self-determination, freedom, equality or democracy if we do not also demonstrate how these values or principles are the *ideal* means for the necessary *concrete* realization of societal transformation. As we have argued in examination of the cooperative firm, what may initially have been conceived as a solidary organization turns out to be competitive with other organizations because of the form in which their labours are brought together.

Forecasting the future, and attempting to strike the 'difficult balance of realism and imagination' (Adler, 2019, p. 66), often brings unexamined assumptions on how we *should* organize in the present. This fails to explain why such a comprehensive plan is not already being executed and why, perhaps, we may not even want to do so. By engaging in abstract thinking, these propositions remain in the realm of ideology rather than strategic and practical thinking (pace Adler, 2019, pp. 113). In contrast to those who contend that purely solidaristic values are best practiced within place-based, small-sized cooperatives (Jaumier, 2017; Pansera and Rizzi, 2020; Schiller-Merkens, 2024), Mondragon stands out as a large cooperative group that coordinates thousands of workers worldwide in the production of complex commodities to meet diverse social needs. It has developed new management methods that enable more encompassing solutions to societal challenges despite reproducing the primary and fundamental contradictions of capitalism. The second corollary to our dialectical discussion indicates that the answer does not lie outside or beyond the inner dynamics of capitalism, but *within* them – specifically, in the increasingly contradictory forms of societal reproduction and political subjectivities that both mediate and are mediated by commodity-production, capital accumulation and class struggle. In this sense, the way in which society may emancipate itself from impersonal domination of capital has yet to be discovered.

The overall lesson for management scholars is that grand challenges (Gümüsay et al., 2022; Wickert et al., 2021) or systemic transformations (Adler, 2019) cannot be addressed solely through individual or group choices and practices – always partial and limited – but from these becoming universal and effective on a broader scale. Otherwise, efforts will remain confined to relations mediated by commodity production and capital accumulation, perpetuating the inherent organizational paradoxes and contradictions. This shifts the focus from individual ethics and strategies to how these reproduce and transform systemic politics and society at large, emphasizing the way that human individuals and their organizations interrelate as collective species. Therefore, the 'management of systemic transformation' extends beyond the responsibility of individual actors navigating particular paradoxes. It rests with the societal collectivity as a whole: individuals are responsible for *virtually* advancing new inclusive and expanded solidarity strategies, while the general collective is responsible for filtering, actualizing and implementing them to make them *real*.

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NOTE

[1] Where C stands for a commodity other than money (e.g., shoes, cars, and higher education), and M stands for money. M′ or M-prime is of superior value or magnitude than M, and so, $M < M'$.

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