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WHAT DO MONDRAGON COOPITALIST MULTINATIONALS LOOK LIKE? THE RISE AND FALL OF FAGOR ELECTRODOMÉSTICOS S. COOP. AND ITS EUROPEAN SUBSIDIARIES

by

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ABSTRACT: *The Mondragon Cooperative Group reflects the effort to combine the basic objectives of business development in international markets with job creation, the use of democratic methods in the organisation of the business and a commitment to the development of its surrounding community. The multi-nationalisation of Mondragon cooperatives entails new dilemmas, paradoxes and contradictions regarding these objectives. This article analyses the case of the Mondragon cooperative-multinational Fagor Electrodomésticos. Following years of international expansion via foreign direct investment, the recent recession forced Fagor to institute radical job restructuring processes, both in the plants of the parent company in the Basque Country and in its European subsidiaries: the French company Fagor-Brandt and the former communist Polish firm Wrozamet. Finally, the Basque domestic appliance company, Fagor, declared bankruptcy in November 2013. Analysing the economical and organizational problems during the downfall of Fagor, and the measures taken to downsize employment in the Basques factories and in the foreign subsidiaries, helps us further our knowledge about the organisational characteristics of the Mondragon multinationals and reflect on the possibilities of extending the cooperative model to subsidiaries.*

Keywords: Mondragon, Fagor, Brandt, Fagor-Mastercook, cooperatives, multinationals, subsidiaries, trade unions

1 Introduction

Ever since the founding, in 1956, of the first cooperative Ulgor-Fagor Electrodomesticos Sdad. Coop (hereafter referred to as Fagor) in the Basque Country, the Mondragon cooperatives have aroused lively interest and sometimes, controversy. The dynamism and achievements of the Mondragon worker-owned and worker-managed firms, which have now far exceeded its founders' expectations (Cheney 1999) in employment, economic success, activities and geographical reach, have attracted the international attention of practitioners, politicians, business people, trade unionists, academics and others. The group, which was renamed *Mondragon Humanity at Work* in 2008, functions as a federation of more than one hundred cooperatives in four areas of activity: finance,

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industry, retail and knowledge. With a total of 83,569 employees in 2012, Mondragon has become the seventh-largest business group in Spain and the leading group in the Basque Country.

Throughout their history, Mondragon cooperatives have been able to maintain a very high business survival rate (Elortza et al. 2012), while maintaining their democratic character. Soon after their founding, Mondragon cooperatives acquired a 'mythical status' as a working model of an alternative to the capitalist mode of production (Azkarraga et al. 2012, 76). This status has endured; indeed, the Mondragon companies have become 'the' model for successful cooperative business to follow. Nevertheless, the multinationalisation of the Mondragon cooperatives has called their traditional democratic character into question. Furthermore, in the context of the recent crisis, the bankruptcy of Fagor – the oldest and the largest industrial Basque cooperative – has cast doubt on the survival records of the Mondragon cooperatives.

In fact, in the context of economic globalisation, Fagor had been, one of the first Mondragon cooperatives that engaged in foreign direct investment in the early 1990s. In 2013, Fagor, and another 27 multinationals belonging to the Mondragon Group, controlled 122 foreign subsidiaries with 11,012 foreign workers all over the world (around 38% of the Mondragon industrial workforce. These cooperative-multinationals competed in global markets, and most of them – with the significant exception of Fagor – were coping with the economic crisis with considerable success. They were the mainstays of the employment, innovation and wealth creation capacity of the Mondragon complex. Nevertheless, there are some questions regarding how true they remain to the long-held democratic values and principles that originally lay at the core of the Mondragon cooperative experience.

In this article we study the case of Fagor which – following years of intense international expansion through firm acquisitions, greenfield investments and joint ventures – had been forced to pursue radical employment downsizing processes, both in the Basque Country and in its European subsidiaries, eventually calling in the receivers until its closure in November 2013. Our research, following the judgment rendered by the Webbs about the inexorable failure of workers' cooperatives as businesses or as democratic organisations (Webb and Webb 1914), should shed light on the economic and organizational problems that Fagor was facing before its closure and on the democratic character of Fagor, mainly regarding its international operations. The research was supported by the evidence from three firms that we studied – the parent company Fagor, the French subsidiary Fagor Brandt and the Polish subsidiary Fagor Mastercook – where dozens of interviews were conducted with an assorted numbers of workers, members, managers and other members of the governing bodies of the companies. This study, while detailing unique features of the Mondragon system, intends to extend the understanding about generic problems of alternative organizations, principally with regard to their international activities.

The article is organised as follows. The first part considers the paradoxes that arise as a result of the transformation of cooperatives into multinationals and presents the case to be studied. The second part analyses the internationalisation process that the parent company Fagor underwent, and examines its job management during the crisis. In the third part, we analyse the industrial decline and downsizing in employment at the French subsidiary, Fagor-Brandt, while the fourth part takes a look at the situation facing the Polish subsidiary, Fagor-Mastercook. The following section reviews the distinguishing features of the Fagor multinational and the article concludes with final remarks drawn from our findings.

2 Short literature review on Mondragon internationalisation and theoretical approach

At the beginning of the twentieth century, when examining the tensions between economic pressures and social commitments, Beatrice and Sidney Webb pronounced a damning verdict on workers' cooperatives: 'Democracies of produces as all experience shows have hitherto failed, with almost complete uniformity... In the relatively few instances in which such enterprises have not succumbed as business concerns, they have ceased to be democracies of produces, managing their own work and have become in effect, associations of capitalist... making profit for themselves by the employment at wages outside their association' (Webb and Webb 1914: 133). The Webbs' asserted that there is an inevitable pressure from the capitalist system, but also that the cooperative members 'will suffer a change in class identification' (Cornforth et al. 1988: 67).

These issues have long attracted theoretical and empirical work by economists of different stripes. Theoretical literature has been dominated by models explaining how structural weaknesses cause labor managed firms and worker cooperatives to disappear, e.g. the role of capital accumulation in Vanek (1977) and the opportunity to profit from the use of cheaper hired labor in Ben-Ner (1984). Nevertheless, there are many authors that call into question the determinism assumed in the degeneration thesis from both theoretical and empirical viewpoints (see for example, Burdin and Dean 2009).

The rise of multinational enterprises and the consequent globalisation of the world economy have been one of the most important economic phenomena of the second half of the XXth century (Dicken 2011, Delbono et al. 2013). Even many small and medium-sized enterprises, including many cooperatives, have had to adopt international growth strategies in order to remain competitive. This phenomenon has accentuated the degenerative tensions that cooperatives have always had to face to adapt to capitalist market conditions (Spear 2001, Zamagni and Zamagni 2010). The changes taking place in the global economy pose a considerable challenge to cooperatives today: i.e. how to develop processes of multinationalisation that are consistent with their nature (McMurtry and Reed 2009, Flecha and Ngai 2014).

Since the early decades of its journey, the Mondragon experience has been presented by many international academic researchers as evidence to contradict the Webbs′ assertion. Some of the research was carried out to emphasize the economic performance and efficiency of Mondragon (Bradley and Gelb 1987), while other research underlined the democratic character of the experience, in terms of decision making and leadership (Whyte and Whyte 1991), the community embedment (Miller 2002) and the communitarian governance (Ridley-Duff 2010). Other studies highlighted how Mondragon coped with the difficulties and the tensions to achieve its targets in social terms, from the organizational culture approach (Grenwood and Gonzalez 1992, Cheney 1999). Critical works have been somewhat scarce, but at least two studies could be mentioned: one about the rhetoric in Mondragon (Taylor 1994) and another about the difficult relations with the Basque labour movement (Kasmir 1996). Many of these researches have been focused on Fagor Elec, as the largest, oldest and maybe most representative industrial cooperative of the Mondragon group.

The multi-nationalisation of the core Mondragon industrial cooperatives has dramatically transformed the Mondragon experience. However, there is relatively little research that addresses this phenomenon, which is closely related to the Webbs' assessment. Most of the research on Mondragon cooperative-multinationals has underlined that international expansion has not been detrimental to local employment (Errasti et al. 2003, Luzarraga and Irizar 2012). Mondragon multinationals have pursued a multi-location strategy both by searching for new emerging markets and by following customers. During the past decades, in general terms, the cooperatives that became multinationals have created more jobs in the Basque Country than those that did not multi-nationalise (Luzarraga and Irizar 2012, Arando et al. 2010, Mondragon 2012b). In some cases, however – as in the Fagor case studied here – it is not so clear that this pattern has been followed. Many studies also highlight that one key to dealing with the crisis has been the internationalisation of the cooperatives (Arando et al. 2010, Flecha and Santa Cruz 2011, Elortza et al. 2012, Agirre et al. 2014). Mondragon's exports increased by up to 70% of the total sales (Mondragon 2012a). Foreign subsidiaries produced 23% of Mondragon's total industrial output in 2011, amounting to almost half of Mondragon's international sales (Mondragon 2012a).

Surprisingly, research regarding the characteristics of Mondragon subsidiaries has been more limited. It is well known that the multi-nationalisation strategy has involved the acquisition of firms and greenfield investments and that the foreign subsidiaries' workforce is made up entirely of non-member affiliated workers (Clamp 2000, Errasti et al. 2003, Luzarraga and Irizar 2012). Some researchers argue for a degeneration thesis of Mondragon cooperatives – for example, Huet (2000, 284) contends that Mondragon 'became a traditional capitalist employer operating its own plants in low-wage countries.' Errasti et al. (2003, 127) on the other hand, drew attention to some interesting cases of modest advances in workers' participation in foreign subsidiaries such as '. . . participation of employees on the Board of directors of an affiliated company, of profit sharing systems and even the integration of a number of the local directors of the affiliated companies as 'collaboration' part-members of the parent cooperative'.

Luzarraga and Irizar (2012, 114) state that Mondragon *global cooperatives* follow a strategy of international multi-location production 'as a case of cooperative innovation towards a people-centred globalization', and highlight some management 'best practices' utilized by Mondragon in its foreign subsidiaries regarding labour conditions, workers' participation in profits and ownership and commitment to the local community (Luzarraga and Irizar 2012). According to MacLeod (2006, 33), the social dimension of foreign subsidiaries stems from their aim to protect the headquarters' cooperative identity and social stability, and therefore Mondragon firms remain 'the closest model of a true social firm that actually exists in the world.' Errasti et al. (2003, 127) underline the opportunity that Mondragon multinationals offer to build a new model closer to a 'democratic multinational enterprise.' Vanek (2007, 304) argues that if that evolution is possible, then there might be hope 'of moving towards a world of optimal participation, rather than a world of exploiting capitalism.'

In contrast to these approaches, we argue that there is a need for more research and a closer, more critical examination of the paradoxes and chiaroscuros in the relations between Mondragon cooperative parent companies and their capitalist foreign subsidiaries. Yet we have very little research to show whether, in a continuum of forms of industrial organisation, these subsidiaries lie nearer the pole of maximum labour participation and workplace democracy characteristic of the traditional workers' cooperatives of Mondragon, or whether they are situated closer to the opposite pole. Put another way, are the multinationals of *Mondragon Humanity at Work* really different from conventional multinational corporations, as the company's slogan and mission statement would suggest?

In terms of labour-management participation, Mondragon cooperatives have presented a number of dilemmas and paradoxes stemming from their powerful commitment to participation and democracy (Greenwood et al. 1991, Stohl and Cheney 2001, Cheney 2006). Multi-nationalisation only exacerbates such tensions, as there is a deep antagonism between the cooperative model, closer to the community-based enterprise (Peredo and Chrisman 2007), and the multinational corporation model. The combination of the two creates odd paradoxes – starting with the name: what should we call these hybrids? *Coopitalist multinationals*, maybe? For the most part, though, the tensions and incongruities go beyond semantics.

To uncover the extent to which Mondragon coopitalist multinationals differ from other multinationals, one must not only analyse the cooperative features of the parent company but also examine its characteristics from an international business standpoint. Specifically, one needs to determine how the contribution made by Mondragon subsidiaries to the countries where they are located compares to that made by conventional multinationals. From a labour standpoint, one must analyse how working for a Mondragon subsidiary differs from working for some other multinational corporation. A comprehensive analysis would require one to deconstruct the Mondragon multinationals and analyse them with regard to the key characteristics of multinationals, such as the extent, pattern and motives of foreign direct investment, relations between the parent company and subsidiaries, working conditions in subsidiaries, technology transfer, locus of decision-taking, capital flows and transfer prices, or value added distribution and social responsibility (Dunning and Lundan 2008, Dicken 2011, Forsgsren 2008). The general guideline in such research would be that the more these key dimensions correspond to Mondragon cooperative principles, the more they would differ from the practice of other multinationals.

This study focuses on the organizational character. One could reasonably expect coopitalist multinationals to differ from other conventional multinationals with respect to the relationship of the parent to the subsidiaries; in other words, their handling of the *integration-responsiveness dilemma* (Doz and Prahalad 1991) may have special inflections. The dilemma was first formulated by Hymer (1979, 48) as follows: 'multinational corporations must develop an organisational structure to balance the need to coordinate and integrate operations, with the need to adapt to a patchwork quilt of languages, laws and customs'. A multinational may resolve this dilemma through one of two different organisational approaches: the dominating and the federative, or in other terms, the hierarchical or the heterarchical (Hedlund 1993). The dominating multinational reflects a clear hierarchy in which the corporate headquarters decides and implements the main strategies for the entire multinational. By contrast, in the federative multinational firm, the headquarters has to compete with different subsidiaries for strategic influence, in a model closer to a business network (Goshal and Bartlett 1990). According to Hymer, multinationals will seek to reduce the federative nature of multi-nationality because it is inimical to multinationals' controlling elites (Hymer 1979). In the case of the Mondragon multinationals, on the one hand, one might expect their cooperative principles to prompt them to implement a model closer to the federative or heterarchical model. On the other hand, it is possible that not just the top management of the Mondragon multinationals but also the working members, as owners and employees of the parent company, may try to limit the federative nature of multi-nationality.

3 Field work: interviews at the coopitalist multinational Fagor

Before its closure, Fagor Electrodomésticos was a cooperative-multinational composed of eighteen production plants in six countries: Basque Country (8 plants), France (4), China (3), Italy (1), Poland (1) and Morocco (1). Following the Webbs' statement, this case study analyses, on the one hand, the economic and organizational problems of the rise – and mainly the downfall - of the parent cooperative Fagor, together with the French subsidiary, Fagor-Brandt and the Polish subsidiary, Fagor-Mastercook. On the other hand, the study analyses the democratic character of Fagor, examining the corporate-level governance of Fagor, including the authority structures and participative systems, with special focus on the industrial relations and the measures implemented by Fagor to cope with the employment downsizing process in its European plants. This analysis will allows us to assess: [1] whether or not Fagor behaved responsibly with respect to job losses in its parent company and in its subsidiaries; [2] whether it was primarily of a dominant or federative nature in its relations with those subsidiaries; and [3] whether or not Fagor made any advancement to extend the cooperative model to the subsidiaries.

For this empirical research on Fagor, we employed the contemporary case study methodology (Yin 1998). This methodology is well suited to making the existence and the inner workings of the Mondragon subsidiaries – which have so far mainly operated out of view as opaque 'black boxes'– visible. It is also suitable for taking a critical look at the paradoxical aspects and tensions that arise from international labour relation practices. At the same time, it is necessary to consider the limitations of the method, particularly the question of how representative or informative a single case study can be (Eisenhardt 1989). Here, studying Fagor has some advantages: Fagor was the flagship industrial cooperative in Mondragon, and the oldest and largest one; many researchers have considered it the most representative of the Mondragon cooperative system (Whyte and Whyte 1991, Morrison 1991, Greenwood et al. 1991). The subsidiaries analysed here were the largest of the Mondragon system and have a long history.

This descriptive and interpretative case study is primarily based on observation and interviews conducted at Fagor and its subsidiaries. At Fagor's Mondragon cooperative, extensive informal discussions were supplemented by 25 semi-structured interviews conducted over the course of 2012 with worker-members, management and representatives of the Governing Council, the Social Council and the quasi-union AK of Fagor in the Basque Country. At Fagor-Mastercook in Poland and the Fagor-Brandt plant in Lyon, France, we conducted 27 interviews with management, workers, and trade union representatives. These interviews were carried out partly during the two-week visits we paid to each subsidiary during the spring and summer of 2012 and partly by telephone. The interviews, which lasted from one to one and a half hours, were conducted at the companies in Basque, Spanish, French, English and Polish (in the last case with the help of a translator). A visit to the Verolanuova plant in Italy was unfortunately considered inappropriate by Fagor management at the time of our research due to ongoing negotiations regarding changes at the plant.

The interview subjects were chosen using different approaches, guaranteeing the reliability and representativeness of the study. Initially, we interviewed some members of the Governing Board of the cooperative and of the Board of Directors of the subsidiaries. We also conducted interviews with the general managers and human resource managers of the companies studied. We interviewed trade unions representatives of the workers council at the subsidiaries, as well as some members of the Social Council of Fagor – which replicates the role of workers council and trade unions, with almost no presence within Mondragon. Apart from these agents involved in the governance of the companies, we interviewed some worker-members from the cooperatives and some workers from the subsidiaries. These last interviews were carried outside the companies. Some workers were identified with the help of the trade union and social council representatives. Others were contacted casually in bars and cafeterias around the companies. Local Fagor representatives did not assist the authors in identifying possible interview subjects. The interviewed subjects were told that their responses would not be reported to Fagor and their anonymity was guaranteed.

Interviews, of course, are always shaped by the subjective perceptions of both the researchers and the interviewees (Hamel 1993). To alleviate this problem, we emphasised the need to analyse not only the best or worst practices (which only nurture myths and stereotypes), but also the complexity of the policies of parent companies towards foreign subsidiaries and their labour relations. Despite their limitations, we regard interviews as a valuable strategy, as giving voice to people actively involved at different levels of the international organisation refines our understanding of the issues and points towards changes that might eliminate the causes of conflicts and constraints.

The research was substantially facilitated by the fact that we have considerable experience researching the Mondragon cooperatives and their subsidiaries, during which we have made a number of personal contacts with cooperative and subsidiary managers. This facilitated gaining access to the companies as well as establishing contacts with the interviewees. In addition to informal discussions and semi-structured interviews, our work also draws on existing research on Fagor and on documentation made available by the company.

This research was conducted before the cataclysmic closure of Fagor in October 2013. It can thus provide little in the way of systematic follow up on the Fagor post-closure developments. In the first draft of the article we concluded that not only was the survival of the cooperative model in jeopardy, but so was that of the company itself; a view shared by many interviewees, but that nobody expected would really happen. While the events affecting Fagor have been calamitous for the cooperative experience, we consider that the basic lessons from our research have stood the test of recent events. Nevertheless, some aspects of the study have been adapted to the new circumstances. For a more detailed analysis of Fagor´s closure see Errasti and Bretos (2016).

4 The Basque cooperative company Fagor

4.1 From pioneering cooperative to multinational: eat or be eaten

Fagor pioneered the Mondragon cooperative experience. It came into being in 1956 when five ex-students from a technical college in Mondragon, imbued with the social transformation ideas of the priest Arizmendiarrieta, started producing small lamps and heating devices (Ormaetxea 1999). Fagor played a key role in launching other industrial cooperatives as well as the financial cooperative Caja Laboral, the social security cooperative Lagun Aro and research cooperatives like Ikerlan. Ultimately, it inspired the creation of the Mondragon Cooperative Group (Larrañaga 1998).

From the 1990s to 2010s, Fagor's international growth was impressive. Expressing an opinion common among Mondragon managers (Cheney 1999, Irizar 2006), a top manager at Fagor Fabian Bilbao, noted that 'growth and internationalisation are not just the only way to be competitive, but also the sole means of survival'. The Fagor cooperative became a multinational to be able to compete with multinationals that had become established in Spain after the country joined the European Union in 1986. In the late 1980s and early 1990s, it mainly aimed at the North African (Moroccan and Egyptian) and Latin American markets, taking over companies in those regions as well as in the Basque Country (Errasti and Mendizabal 2007, Guillen and Garcia-Canal 2012).

These efforts, however, had rather mixed outcomes, and in the late 1990s Fagor decided to focus on European markets, establishing a joint venture with the German company Vaillant and taking over the Polish cooker manufacture, Wrozamet. The great leap forward came in 2002, when Fagor participated in the takeover of the French competitor Brandt Électroménager, which at the time was as large as Fagor. Later expansion also took Fagor into China in 2003 (Errasti and Mendizabal 2007). Following all this growth process, Fagor offered a broad range of small appliances and household equipment for washing, cooking, and refrigeration in over 130 countries (Fagor 2012a). As a result of this growth, Fagor *bazkideak* (members), who represented one third of the total workforce, were confronted with the dynamics of a multinational corporation competing in highly globalised international capitalist markets.

4.2 The rise and decline of Fagor

The rise and decline of Fagor took place over a very short time span. At the peak of the Spanish property bubble in 2006, over 11,000 people worked for the Fagor multinational group. By 2013, that is to say, in the midst of the recession, only a little over 5,500 of those jobs remained. In the same period, Fagor's sales also fell sharply, and the company experienced a 30% drop in turnover. During Fagor´s last five years the company underwent continuous and increasingly severe losses (Fagor 2012a).

Fagor was not the only one experiencing problems: the entire electrical household appliance sector found itself immersed in the toughest situation it had had to face in its life. In 2011, the sector was dominated in Europe by a small number of large multinational competitors such as BSH (20% of market share), Electrolux (17%), Merloni (11%) and Whirpool (10%), in addition to new Asian competitors such as Haiert, LG, Samsung and Arcelik (Fagor 2012b). Since Fagor was one of the smallest competitors, with only a 6% market share, it experienced severe pressures. Its research budget was only some 10% to 15% of that of its largest competitors like Whirlpool or BHS (European Commission 2011); it was under considerable competitive pressure from firms from emerging economies; and it was facing severe financial shortfalls. As one worker-member of Fagor put it, 'the days of external growth via takeovers – *the eating period* – have come to an end; another cycle – *the being eaten period* – is now underway. This is the law of the jungle'.

The crisis hit the cooperative production plants in the Basque Country hard: according to our estimates, over 3,000 jobs were cut between 2007 and the definitive closure in 2013 (Fagor 2008, 2012a, b). Fagor's efforts to cope with job losses without resorting to dismissals were based on traditional Mondragon *solidarity mechanisms* (Bradley and Gelb 1987, Basterretxea and Albizu 2010, Elorza et al. 2012). These mainly involved: a) *Relocation*: In the space of a few years, Fagor transferred worker-members to surrounding cooperatives that were more stable financially. b) *Early retirement*: Fagor reduced the age of early retirement for its members from 61 to 58 years, with 80% of average salary paid in settlement. c) *Reduction in advances*: Fagor members gave their majority support over the past few years to several proposals submitted to their assembly that aim to reduce advances and wages, and there were plans to ask members to put new capital into the company (Fagor 2012b). d) *Other measures*: These included e.g. voluntary redundancies, leaves of absence, compensated job transfers and the suspension of temporary contracts with guaranteed reinstatement. These were accompanied by more flexible working conditions, an increase in mobility, more flexible work schedules and an intensification of job pressure, all of which led to a marked deterioration of the quality of members' jobs.

In addition, other solidarity measures that helped Fagor mitigate its losses included Mondragon area cooperatives' pooling of a percentage of net surpluses for redistribution and members of these cooperatives taking wage cuts to help Fagor. These measures were accompanied by further financial assistance provided by the Corporation through the *intercooperative funds*. However, these efforts did not suffice to prevent the collapse of Fagor. During 2013, after five consecutive years of heavy losses and worsening finances, the corporation worked together with the cooperative in an emergency business plan containing more adjustment measures and spending cuts. To confront the restructuring process, Fagor received a €70 million cash injection from the Mondragon cooperatives. Six months earlier, it had obtained €50 million from the Basque government. By mid-2013, Fagor production and sales figures continued to fall and they announced losses of €90 million. Facing financial shortfalls, suppliers had begun to demand cash payment upon delivery of raw materials and components, while others stopped deliveries of components altogether. During the summer of 2013, the situation of the cooperative continued to worsen. A rescue committee was formed, with representatives from the corporation, the Basque government, the Spanish government and some banks. Cash continued to run out and losses accumulated. Finally, the Mondragon Corporation decided not to lend more capital to Fagor and in a few days, on 15 October 2013, Fagor called in the receivers. One month later, the oldest and the largest industrial cooperative of Mondragon declared bankruptcy and passed into administrative receivership.

In July 2014, Fagor was bought by the Catalan company Cata. The Mercantile Court of San Sebastian awarded Fagor's assets to the Catalan domestic appliance company for the price of €42.5 million. In May 2015, the new company called Edesa Industrial S.L. employed around 550 employees in the former cooperative plants, less than the 705 anticipated by the new management for 2015. Meanwhile, many Fagor worker members have been retired, or required to take early retirement and relocated (temporally or permanently) to other cooperatives of the Mondragon group. Less than 30% of the former Fagor members ended up collecting their unemployment benefit because there was no solution to their employment situation.

5 The French Fagor-Brandt subsidiary

5.1 A century of industrial capitalism

The French electrical household appliance company Brandt was founded in 1924 by Edgar Brandt, an ironworker-cum-artist-cum-entrepreneur, and originally specialised in light weaponry (Kahr 2010). By the time it was taken over by Fagor and the Israeli group Elco in 2002, Brandt Électroménager had undergone successive mergers, takeovers, nationalisations, privatisations, adjustment plans and bankruptcy (Errasti and Mendizabal 2007). Fagor and the Mondragon Corporation bought all stakes in Brandt in 2005, when the company maintained five production plants in France and one in Italy. It retains, with several well known and worthy trademarks, a 17% market share of the French electrical household appliance market, and has significant technological capacity, particularly in induction ovens, cookers and washing machines.

5.2 Innovative solutions in view of relocation at Fagor-Brandt

Following the takeover by the Basque cooperative, Brandt Électroménager was renamed Fagor-Brandt. Owing to the cooperative nature of the parent company, French trade unions and workers assumed – 'un peu naïvement,' as Nahapétian (2010: 9) pointed out – that relations with company management and the parent company of the group might be better than relations with previous owners and management had been. However, the adjustment plan imposed by Fagor within a year of buying Brandt radically changed Brandt workers' outlook (Peyret and Argouse 2007). In the words of the CGT representative in Lyon, Florence Lavialle: 'Nothing changed. Fagor-Brandt is governed by the same rules as the others – they only want to obtain profits.'

According to the Chairman of the Governing Council and Social Council of Fagor and President of the Board of Directors of Fagor-Brandt, Jabier Retegi, the cooperative finds itself 'facing strong trade union dynamics which question everything. They know that whatever happens, ultimately someone will end up buying them. They have an asset in which all the sector's manufacturers are interested: the trademarks.' The longstanding union culture among Brandt workers, combined with French labour legislation, that has traditionally granted substantial bargaining power to unions, has helped ensure their influence in the company (Nahapétian 2010). Moreover, witnessing numerous company transformations and adjustments hardened the attitudes of workers and trade unionists. At the end of 2012, some 1,900 people worked at Fagor-Brandt. Job losses since the Fagor takeover had affected circa 2,300 people via lay-off proceedings, non-renewal of temporary contracts, natural and early retirements, agreed withdrawals, dismissals for various reasons and the transfer of production plants. Within this context, it is not surprising that relations between the parent company and trade unions – which represent the direct workforce as well as managers and executives – have been tense and difficult: many stoppages and strikes have been called at the various Fagor-Brandt plants (Nahapétian 2010, Amado-Borthayre 2009).

Despite difficulties, there were cases in which the cooperative philosophy underlying Fagor's business practices have resulted in more worker-friendly policies than might be expected of a conventional multinational. This was noticeable in the job maintenance experiences in conjunction with the transfer of the Lyon plant (France) in 2011 and the Verolanuova plant (Italy) in 2012. These plants have both been transferred, not sold, to company groups outside Fagor to produce other products, accounting for most of the current employment. White goods' production at these plants is being transferred to Mondragon and Poland. The new company SITL, ran by the French entrepreneur, Pierre Millet, expected to employ 460 workers from among the 560 employed to make solar panels, water purifiers and electric cars (SITL 2012). Although Fagor did not have a capital stake in the companies, it provided resources to help with the transformation. In one case of productive relocation, Fagor prevented the factory from closing down and making all the workers redundant. In the words of the human resource manager at Fagor and representative on the Board of Directors of Fagor-Brandt, Xabier Bengoetxea, 'we prefer spending money in ways that enable jobs to be maintained before spending on compensation as a result of closure.' These operations had the backing of 90% of the workers at the Lyon plant, as manifested in a ballot, as well as the support of most of the French trade unions and full support from the Italian ones at the Italian plant.

5.3 A new future for Fagor-Brandt

In April 2014, after the bankruptcy of Fagor, the French home appliance manufacturer Fagor-Brandt resumed operations following its acquisition by Cevital for €25 million. The Commercial Court in Nanterre approved the proposed takeover of Fagor-Brandt submitted by the Algerian conglomerate Cevital. It retained most of Fagor-Brandt's plants, thereby saving 1,225 out of 1,800 jobs. In all, Cevital, the banks and the state invested €200 million to facilitate the restart of the group, renamed 'Brandt France' with the former Fagor general manager J. Treviño appointed as the new CEO. Besides, SITL company of Lyon, which went bankrupt in 2013, was bought by Centro Motor Corporation in June 2014; an American multinational manufacturer of electric commercial and passengers vehicles. The Centro Motor factory in Lyon (ex-SITL), with 390 workers, declared bankruptcy in May 2015.

6 The Polish Fagor-Mastercook subsidiary

6.1 From communism to globalised capitalism

The Polish company Fagor-Mastercook, better known as Wrozamet, had its origins in a German firm founded by Albert Knauth in Breslau at the beginning of the twentieth century and in operation until the Soviet occupation during the Second World War. At the end of the war, Breslau became part of communist Poland under the name Wroclaw.

The metal and steel casting at the old Knauth plant was re-established under the new name Wrocławskie Zakłady Metalurgiczne, which came to be known as Wrozamet. The company manufactured enamel saucepans, cookers and washing machines and was considered a reference point for Polish communist economic development (Fagor-Mastercook 2012). It was also a major player in the changes that shook Poland in the 1980s. The trade union Solidarność boasted a large number of members at Wrozamet who took part in the industrial actions and strikes that led to the fall of the communist regime in Poland and the collapse of communism in Eastern Europe.

In late 1997, Fagor began to transfer technology to Wrozamet in order to manufacture a new model of cooker. Finally, in 1999, Fagor took over the company Wrozamet S.A. in an auction that took place as part of the privatisation process of hitherto state-owned companies. Fagor and the Mondragon Corporation acquired 76% of the company via a joint investment totalling 31.25 million Euros, subsequently acquiring almost the entire company (Ugarte 2006, Errasti and Mendizabal 2007). After the takeover, the company became known as Fagor-Mastercook and substantial investments were made (140 million Euros during the period 1999–2010) in order to set new production lines. However, the R&D and product engineering capacity of the plant is minimal.

6.2 Rade union participation and disputes at Fagor-Mastercook

Despite not offering the highest tender, the bid submitted by Fagor was the one preferred by the unions represented at Wrozamet and, ultimately, by the Polish Government. One of the reasons was the social package offered by the cooperative, which, apart from maintaining the highest number of jobs, included social improvements for the workers and worker representation on the company's Board of Directors (Ugarte 2006, Errasti and Mendizabal 2007). When Fagor took over the company, it had 1,700 employees, but it had become obsolete and highly-integrated vertically, so that Fagor considered it necessary to carry out major restructuring, implemented by expatriate cooperative managers. In just a few years, the workforce first fell to 900 workers, and then gradually rose to 1,750 employees by 2008.

According to the human resources manager at Fagor and representative on the Board of Directors of Fagor-Mastercook, Xabier Bengoetxea, 'the presence of trade union representatives on the Board of Directors facilitates relations with the workers, even in the most difficult of times.' For instance, when the company was bought and had to be restructured, resulting in the loss of nearly one thousand jobs, the process was carried out by consensus, with management pledging to reinstate as many of the workers who had been laid off as possible (Amado-Borthayre 2010). The trade union representative on the Board, Lech Back, stated 'that their [the unions'] participation reflects another way of running the company. We have more information and a greater voice than workers at the competitor Whirlpool subsidiary just round the corner.' In 2009 Fagor-Mastercook received the *exemplary employer* award from the President of the Polish Republic, Lech Kaczynski, at the request of the National Committee of the trade union, Solidarność.

Conversely, an industrial dispute between the management of Fagor-Mastercook and the trade union, Sierpen 80, illustrates a less harmonious relationship. In June 2008, in view of the crisis being faced by Fagor, the management considered an adjustment plan that included a reduction in wages and a decrease in the workforce. Employment fell by 200 as a result of retirement and non-renewal of temporary contracts. Sierpen 80, despite being a minority trade union within the company, announced a call to strike against the 'super-exploitation' measures being taken. According to Boguslaw Zietek, the national leader of Sierpen 80, 'this call was heavily repressed: one union leader was arrested and two others were dismissed. Solidarność behaved like a *company union* bought by management'. The trade union engaged in a censure campaign in the media in the Basque Country (Berria 2008, Gara 2008), and activists mounted an international campaign in the social media on behalf of the dismissed workers. In the words of human resources manager at Fagor-Mastercook, Ana Pitulec, the dismissals were justified because 'the workers had abandoned their workplace in order to call the strike. Moreover, the judge in the case ruled in favour of the company.' The Chairman of Fagor claimed that 'this was a minority trade union that sought notoriety.' Solidarność categorises Sierpen 80 as being a 'radical trade union on the extreme left.'

6.3 The future of Fagor Mastercook

In April 2015, the German household appliance production group BSH (Bosch und Siemens Hausgeräte) acquired Fagor Mastercook. The offer of the Chinese Haier had not been taken into consideration. The deal was valued at €21.44 million. BSH vowed to invest €28.6 million to resume production of cookers and ovens in 2016 and expects to create 500 jobs by the end of 2019. Except for some members of the human resource and maintenance department, the 800 employees at Fagor Mastercook were made redundant at the moment of signing the deal with BSH.

7 Findings and discussion. Fagor: a different kind of multinational?

7.1 Business failure: international plant management within a context of recession

The globalised approach to international multi-location production involves closely managed coordination (Yip and Bink 2007). Top management at the Fagor Group, who were all members of the cooperative, and appointed by the worker-members' representatives on the Governing Council, designed strategic planning in terms of plants, products, R&D, investment, alliances, etc. for all multinational activity. The strategic plan had to be approved by the general assembly of worker-members of Fagor; the 2013–2016 plan was approved in December 2012 with 63.5% in favour and a significant 37.5% against (Fagor 2012b). The plan was then implemented in the parent company and in the foreign subsidiaries. There was no doubt that the personnel appointed to top management of the subsidiaries – whether expatriates or locals – were loyal to the parent company and the global strategy. In the case of Fagor-Mastercook, expatriates from Mondragon took control of the company in the immediate wake of the takeover and the first years of the restructuring process, but since 2009, the company had been monitored from Mondragon with almost no expatriates at all. The functional managers of the subsidiaries were under the supervision of the managers of the parent company.

For Fagor, as for many multinationals (Dicken 2011), one of the most important issues in strategic planning was the distribution of products and activity between plants, which in the last period took place in the context of a recession. With its plants in the

Basque Country, France and Italy, Fagor became the European manufacturer with the largest number of workers in a *high cost country*. As the general manager Fabian Bilbao underlined, 'earlier, the strategy was to concentrate top-of-the-range production at some plants in Mondragon and France, whereas the production of bottom of the range products with less value added had been transferred to Poland. Now, it is not enough'. In fact, the cost per hour calculated by Fagor was 21 Euros in the Mondragon or Lyon plants but 5 Euros per hour in Wroclaw.

During the last declining years, the adjustment of production affected both the Fagor plants in the Basque Country and those of Fagor-Brandt in France and Italy. Mondragon lost activity in favour of Fagor-Mastercook, although it had gained some activity from Fagor-Brandt, which enabled it to improve its dwindling profitability. Job losses primarily affected the Mondragon cooperative plants, although no plant had closed down in the period up to 2013. Nonetheless, the 2013–2016 strategic plan foresaw a reduction in production in the Basque Country and France to the benefit of Poland, the closure of a furniture manufacturing plant in the Basque Country and the sale of some of Fagor's warehouses and cooperatives plants like Geyser Gastech and Edesa, which produced water heaters and storage tanks. Worker-members at the Basque Country plants, slated for sale, would remain cooperative members on leave of absence for seven years, and then become salaried workers of the companies taking them over (Fagor 2012b). In the words of the Chairman of Fagor, Jabier Retegi: 'Production is not moved, but rather it moves itself – it's as simple as that. We sell or close down plants when there is no other alternative, trying to do the least damage possible.' Meanwhile, the 2013–2016 strategic plan envisaged improving the profitability of trademarks, technology and production capacity through alliances with manufacturers from emerging economies like Russia, Mexico and China.

7.2 Extension and survival of the cooperative model

Not only was the survival of the cooperative model in jeopardy, but so was that of the company itself. Moreover, the cooperative nature of the parent company constrained Fagor's ability to merge strategically with competitors, as such mergers would likely lead to Fagor losing its cooperative character. Fagor's commitment to the cooperative movement was evident, and the parent company tried to continue to be a cooperative. However, the extension of the cooperative model to European subsidiaries, let alone to subsidiaries in Africa and Asia, appeared unlikely. Even if the European Union were to allow the creation of a European cooperative society (European Council 2003), neither Fagor members nor workers nor trade unionists at Fagor-Brandt and Fagor-Mastercook seemed all that keen to become a European cooperative. Company trade unions in Poland and France did not consider this option realistic and nobody was seriously proposing it. Meanwhile – and this was a determining factor – the top management and worker-members in the Basque Country did not want to lose control of the company or of its subsidiaries. As a Fagor member pointed out, 'workers at Fagor-Brandt and Fagor Mastercook might form a majority and, for instance, decide to close down the Mondragon plants.'

An example of the disunity and lack of mutual understanding among workers-members and workers at different Fagor plants was that there existed no European Works Council (EWC). Through their EWCs, workers across the European Union have a right to information and consultation on company decisions at European level. The EWC Directives apply to companies with 1,000 or more employees, including at least 150 in two or more Member States (European Union 2009). However, due to cultural and language barriers, trade union disunity in subsidiaries and, above all, a *laissez-faire* attitude on the part of Fagor's headquarters, no EWC or any other equivalent body had been established at Fagor. Indeed, surprisingly enough, no body of this type exists in any Mondragon multinational.

Overall, we were surprised at how little the workers of Fagor subsidiaries knew about the other plants or even about the parent company. Union workers at subsidiaries also commonly contended that the Fagor Social Council 'represents more the interests of *bazkideak* as owners and managers than the interests of *bazkideak* as workers'. A Fagor human resource manager, in turn, argued 'that Spanish labour legislation doesn't oblige the company to establish any EWC, which for the moment we do not view as feasible because of trade union disunity'.

According to Fagor top management, the Fagor and Mondragon social strategy in subsidiaries was based on the corporate management model (CMM) and on the subsidiary *participation model*, put forward by the Mondragon Group in 2010 as a series of indicators and minimums that the corporation advises cooperatives about in matters related to workers' management in subsidiaries (Mondragon 2010). This model, which represented an attempt by Mondragon to give some coherence to the management of subsidiaries, aimed to encourage a management style patterned on the Mondragon cooperative model, although converting subsidiaries into cooperatives or considering substantial transformations was clearly not among its objectives. Another pillar of the social strategy was Fagor's commitment to defending employment and a more humanistic management style in terms of subsidiary management.

The Social Council of Fagor wholly supported the view of the Board of Directors and the management regarding the social policies implemented in international expansion. They considered Fagor to be taking the right steps and that that moment, 'when many members' jobs are at stake, is not the best moment for changes. The priority of the *bazkideak* now is to save our jobs', as Mikel Mateos, the vice president of Fagor's Central Social Council argued. Within the Fagor plants in Mondragon the only critical voices came from the members of the small quasi-union AK (Ahots Kooperatibista), which argued that 'proclamations made by Mondragon to transfer the cooperative spirit to subsidiaries are not credible, because the purpose of these is to serve the cooperatives' (Domenech et al. 2006). Likewise, AK emphasises that 'when internationalising Fagor, no distinction is made between it and other multinationals in hardly anything' (Olabe et al. 2007). AK condemned the destruction of jobs in the Basque and French plants as well as the confrontations the management had had with French trade unions. AK members also deplored the labour disputes that had occurred at the Polish plant, and had demonstrated solidarity with dismissed workers. They did, however, consider the measures taken at the Lyon and Verolanuova plants with labour support to have been the right ones.

The experiences at the Fagor-Brandt plant in Lyon – first following its takeover by Fagor in 2005 and then in the wake of its subsequent transfer to another company group in 2012 – form an interesting case that can shed light on the differences between management by Fagor and management by previous and subsequent owners. In the opinion of practically everyone, including workers, management and trade union representatives, and even members of Fagor itself, there were no noteworthy differences. The human resource director at Mondragon drew attention to 'perhaps a closer, more egalitarian style of relations, more similar to what we are accustomed to in the cooperative. We appoint managers who can reflect and expand on our management style.' However, the French CGT trade union representative, Paul Briglia, stated that following the takeover by Fagor 'nothing changed, we didn't have any cooperative training and nobody talked to us about the Mondragon model, they just talked about productivity improvements', while since the exit of FagorBrandt 'the only differences, mostly negative, stem from being a small, isolated company, rather than part of a large group'.

In any event, it is not easy to export the cooperative spirit 'à la distance' or via nothing more than a small number of expatriates. Moreover, interesting paradoxes also emerge regarding the *integration-responsiveness dilemma*: the more expatriates sent by a cooperative to the subsidiary, the more possibilities for expanding the cooperative culture – yet at the same time the subsidiary becomes less autonomous and more dependent on the parent company, and vice-versa. In addition, the onus is on the parent company and the cooperative expatriate to adapt to the institutional context of the subsidiary, which further limits cultural or ideological transfer from the parent company to the subsidiary. As a former cooperative expatriate in Fagor-Mastercook pointed out 'a lot of time is needed to get accustomed to the way of working in the new country: languages and industrial culture are great barriers. Our mission was to restructure the subsidiary and improve its productivity and quality. And just when you have become accustomed to the country, the factory and the people, it is time to come back home.'

In short, we found that the international plant management and the extension of the cooperative model were closely connected in Fagor. Economic, legal, cultural and investment barriers underlined in other cooperativization attempts (Flecha and Ngai 2014) hampered the implementation of cooperative models in Fagor's subsidiaries. However, probably the most difficult barrier to overcome was the resulting loss of control over the subsidiaries that could threaten the jobs of cooperative members at the parent company.

8 Concluding remarks

Despite some of Fagor's activity and jobs being rescued by capitalist firms, a remarkable cooperative firm has ceased to exist, along with many jobs, savings, investments and business and cooperation know-how. Fagor's failure may be seen as the result of a mixed cluster of causes, including business cycles, poor conditions in the overall economy and in the specific market in which Fagor operated, excessive productive and commercial dependence on the Spanish market, under-utilization of production facilities, competitive pressure from larger and technologically more advanced firms on the one hand and the firms from emerging economies on the other, and excessive debt due to a risky international growth strategy. In particular, the real estate boom in Spain from 1996–2007, when a disproportionate amount of new construction for a single country within the EU, led Fagor to having unrealistic expectations for continued home appliance sales. Eventually, the bursting of the bubble, which was harsher than expected, dealt the fatal blow to Fagor.

Before its closure, the aim of the international multi-location production strategy at Fagor was to produce a homogeneous entity rather than a loosely connected organisation. This objective may have been fulfilled for production, where the Fagor European production plants with similar assembly lines and work organisation experienced the pull to achieve internal consistency. This prompted them to adopt practices from Fagor headquarters, such as the conventional participatory innovation *Total Quality Management*. At the same time, however, every plant had its own distinctive features with a strong isomorphic pull from the firm's institutional environment, as the institutional economic theory suggests (Blumentritt and Night 2002, Hedlund 1993).

This practice was particularly visible in the field of labour relations. The three companies that have been analysed in this article represented three different models of labour relations. One was the French model, represented by the Fagor-Brandt subsidiary, which featured well-developed labour legislation and a major trade union presence, and where workers enjoyed significant bargaining power and had been able to exert pressure over public opinion, the company and government, both in the period prior to the takeover by Fagor and subsequently. Another was the case of the Fagor-Mastercook plant in Poland, which represented a transition from a communist to a capitalist model in which trade unionists played a major role but that gave rise to very flexible labour legislation and some highly institutionalised trade unions. In this context, Fagor-Mastercook managed to develop a labour relations model with a fair amount of consensus and the participation of trade unions on the Board of Directors, albeit not without labour disputes. At none of the subsidiaries was there workers' participation either in terms of profits or ownership. The third was the alternative labour relations model at the parent cooperative company Fagor, which was worker-owned and employee-managed, albeit also not free from paradoxes and disputes, as the well-known 1974 Fagor internal strike, discussed by Whyte and Whyte (1991), Greenwood et al. (1991), Kasmir (1996), Cheney (1999), demonstrates.

With regard to the *integration-responsiveness dilemma* in the multi-location production of Fagor, the results of the research presented here reflect the fact that there was no doubt as to who governed the multinational Fagor. The Fagor international organisation was based on a clear hierarchy in which the cooperative headquarters, elected and controlled by the worker-members, decided the overall strategies regarding production, R&D, investments, strategic alliances, etc. Foreign subsidiaries retained some bargaining power, but chiefly by means of trade union action rather than through the structures of the organisation itself. The various foreign subsidiaries were socially isolated from one another, as the lack of a European Working Council or any other workers' global representation body demonstrates. The divisions among the foreign subsidiaries and the lack of communication both among them and between them and the *bazkideak* facilitated the wielding of company power by top management within the Fagor multinational. The parent company Fagor – top management as well as worker-members – did not seem interested in developing a federative nature for the group or in relinquishing power to foreign subsidiaries, although they did occasionally give more voice to trade unions than a traditional multinational might do (as, for example, in the case of the Polish plant discussed here). In this sense, Fagor and Mondragon multinationals will federalise only to the extent that doing so does not detract from the ability of the cooperative headquarters and the members to retain control over the multinational group and the subsidiaries. That reality, more than economic, legal, cultural and investment-related barriers mentioned by Flecha and Ngai (2014), would be the principal obstacle to any effort to transform Mondragon's foreign subsidiaries into cooperatives.

The case of employment preservation presented similar ambiguities. Despite the dominant nature of the Fagor multinational, it had displayed substantial sensitivity to job preservation. Fagor endeavoured to minimise the social cost of its restructuring measures both at the cooperative plants and at the plants of the European subsidiaries. As we have noted, there were new features in the social policy being pursued by the European subsidiaries, such as relocation through the transfer of plants carried out with worker and trade union consent, as opposed to through plant closure and dismissal of workers. In the Basque Country, the Mondragon solidarity mechanisms and the capacity for sacrifice on the part of members shaped the way that Fagor dealt with the current crisis and with job losses; both of these make cooperatives extremely resilient companies, but not invulnerable. Most of Mondragon cooperatives have so far coped with the crisis without company closures or the dismissal of worker-owner-members, something accomplished by putting Mondragon solidarity mechanisms into practice.

In the case of Fagor, nonetheless, the cooperative nature of the parent company, and its emphasis on defending members' jobs at all costs, may had have a negative effect on the subsidiary plants and on the future of the company as whole. An international division of labour existed within the company, not only because of the division into a cooperative nucleus and a capitalist periphery made up of multiple subsidiaries, but also stemming from the prioritising of the Mondragon plants over other subsidiaries in terms of jobs, the manufacture of products with higher value added and core functions such as R&D capacity, as Hymer has suggested (1979). This division was even more marked if one includes the subsidiaries located in the developing countries, such as those in China and Morocco (Errasti 2015), in the analysis.

In summary, while the point of reference of most multinationals is the rate of profit that is earned elsewhere (Burawoy 1985), the primary point of reference in Fagor was maintaining locals jobs and local control. This is consistent with research recently conducted by Heras (2014), which concludes that job security is the strongest tie binding members to the cooperatives. The objective of preservation of local cooperative employment instead of profit maximization, derived from Fagor´s worker-owners democratic approach to decision-making, conditioned its strategy, and was not helpful in trying to keep the cooperative competitive in a global industry. However, in our opinion, the badly timed expansion and the intensity and the duration of the European – and mainly Spanish – economic recession, which also brought down many conventional businesses, was far more significant in determining the failure of the Basque cooperative.

Global capitalism and the transformation of some Mondragon cooperatives into multinationals have accentuated the tensions, predicted by the Webb´s, between cooperative principles and success in a capitalist environment. As we have seen, Fagor maintained its cooperative principles in the companies in the Basque Country, as much as democratic governance and participatory systems can be developed in large market driven cooperatives (Cheney 1999, Heras 2014). Nevertheless, Fagor failed in its aim to develop another model of cooperative-multinational more in tune with participation and cooperation principles. Studies that have examined specific regeneration schemes at different Mondragon multinationals (Errasti 2003, Luzarraga et al. 2007, Luzarraga and Irizar 2012, Bakaikoa et al. 2013, Flecha and Ngai 2014, Storey et al. 2014), show that regeneration schemes have been relatively rare and unsatisfactory. These initiatives have not significantly managed to encourage workers to participate in the management, ownership and profits of subsidiaries, in a way that would clearly distinguish them from conventional multinationals subsidiaries. Indeed, one of the main challenges for cooperatives today is to develop processes of internationalisation that are consistent with their democratic nature through the integration and replication of cooperative structures into international expansion (Radrigán and Barría 2007, Flecha and Ngai 2014).

In the present environment, merely surviving in the global capitalist market economy is a challenge for many cooperatives. Applying cooperative principles presents special challenges in the multinational company setting, giving rise to a plethora of dilemmas, paradoxes and contradictions. Nevertheless, the Mondragon cooperative-multinationals offer a unique opportunity to explore new channels towards expanding economic participation in international business activities. We expect that the analysis conducted here, together with future research in the fields of cooperativism and multinationalisation, will help the over one hundred cooperatives of Mondragon, especially the multinationalised cooperatives, and other cooperatives of the world, to develop governance and managerial models that contradict the Webbs assessment.

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