

**Cooperatives in Social Development:
Supporting Cooperatives as Sustainable and Successful Enterprises**

THE ENTREPRENEURIAL ECOSYSTEM FRAMEWORK

MONDRAGON case

INTRODUCTION

This document includes several personal reflections about the cooperative entrepreneurship ecosystem of MONDRAGON group. This is not an academic document. It is based on the experiences of a entire working life developed in MONDRAGON cooperatives. The purpose of these reflections is to share experiences in the group of experts convened by the Department of Economic and Social Affairs of the **United Nations** meeting in **NYC from May 30 to June 1**.

The objective of this meeting is to analyze in a comprehensive manner the factors involved in the different cases of cooperative ecosystems in order to provide the necessary policy advice to governments and international agencies working on the promotion of cooperatives. Through this document we will check several topics. Those topics are considered important to have a good understanding of the [MONDRAGON](#) ecosystem. For this purpose some links to other documents as well as web pages or [videos](#) are also included. This document is accompanied by a more visual presentation that uses images to facilitate the explanation of the case.

An ecosystem is, by definition, a set of living organisms that interact in a geographical environment and whose result is beneficial for the community as a whole. In our case, MONDRAGON's cooperative ecosystem is a complex net of that takes on multiple forms and that has been transforming itself over time to face new challenges but always maintaining the original objective: **"The social transformation"**.

This has been a dynamic process in which the cooperatives have transformed themselves to adapt and, in doing so, have changed their own environment. Thus, in order to understand some of the key points to this process, it is necessary to take into account the historical perspective as well as the political, social and institutional situation of the geographical environment. So we will divide this presentation into 7 different sections:

1. HISTORY AND SOCIETY
2. EDUCATION
3. INNOVATION
4. FINANCING
5. INTERNATIONALIZATION
6. GOVERNANCE
7. CONCLUSIONS

In this document many cooperatives will be cited as examples and many social phenomena will be underlined. For having a better understanding of those cases and phenomena, a further study it's needed. A better approach to the reality of MONDRAGON can be found in : [EXPLORE MONDRAGON](#)

However, our aim is to make a transversal reading of the cooperative experience of MONDRAGON trying to identify those elements than can be used as business examples. Those learnt lessons that could be applied to other regions and communities as a driving force for economic and human development.

1 - [HISTORY](#) AND SOCIETY

In 1941 José Maria Arizmendiarieta arrives in Mondragón, a small town devastated by the Spanish civil war and with a population divided between the winners and losers. In this context, his main concern is the young population and their future perspectives. Thus, in 1943 he founded the apprentice school that years later became what today is MONDRAGON university, the first cooperative university in the world.

If you visit MONDRAGON today you see a big group of cooperatives in a small region of Europe, the Basque Country. This region has a [solid industrial base](#) (24% GDP for a EU28 average of 19,3%). However, in 1950s the situation was very different. The long Spanish post-war period was compounded by the isolation on the Franco regime by the victorious powers in the second World War.

And paradoxically, it was in this environment of economic precariousness, under a military dictatorship, that an industrial system of business democracy (“pieces of democratic society” according to [Chomsky](#)) was forged. And it remains currently as a model ([informe Orbea](#))

A first conclusion seems obvious: **general conditions are important but not decisive**. The cooperative model helps to improve the living conditions of communities despite political systems. Moreover, self-management is the true school of participatory democracy. There are several elements in the beginnings of MONDRAGON’s cooperative experience that are worthy of reflection.

One of them is **the role of women in the MONDRAGON cooperative experience**. This was much more important than it seems. And this is probably because the narrative was constructed by men. However, women’s participation in the industry was of enormous importance. It’s important to remember that in the sixties, our women manufactured an automatic washing machine with their hands but to buy it in a store they had to ask their husbands for permission (by law).

Women, who in certain types of industrial cooperatives such as those for white goods components ([Copreci](#), [Eika](#), [Orkli](#)...), were in the majority because of their manual ability to assemble small parts, had an equal vote in approving business plans and ratifying the cooperatives’ governing councils.

This fact represented a social revolution since young women were earning more than their parents (who may have worked in a traditional capital company), thus calling into question the foundations of the family and the social structure.

According to Franco’s laws, once that women got married, they had to leave their jobs to devote themselves to the family. Thus, many young women who were already working in MONDRAGON’s cooperatives had to receive the bridal dowry and leave their jobs.

In 1969, [17 rebellious women](#) who wanted to continue working despite being married, asked Arizmendiarrieta for help and founded [Ausolan](#), a women cooperative that offered cleaning and catering services. In 1972 they created the first day-care center for their children in Spain. And in 1979 the first man was hired to avoid discrimination. Today, with a turnover of 230 million euros and 13,000 professionals in Spain, France and Chile, it is still a mostly female cooperative. And the same could be said of [EROSKI](#), a worker and consumer cooperative which employs more than 33,000 people, most of them women. The current president of EROSKI, [Leire Mugerza](#), is also the president of MONDRAGON Corporation.

These examples show how **economic democracy helps to change society and make it fairer**. Those who adopt the cooperative values of equality, solidarity, etc. apply them to their lives without distinguishing between business and society. And these habits become crucial for the social transformation.

MONDRAGON's cooperative ecosystem helped to change the society, and as society changed, the cooperatives also. This **symbiosis between cooperatives and society** is noteworthy and the MONDRAGON case is, in a way, a big social laboratory due to the high cooperative density in some territories.

There are more interesting elements to highlight. One of them is the **feeling of community, the collective identity**. Basque country is small but has a very strong and particular history. It has its own language, the Basque language, and it has deeply rooted traditions. There is a Basque tradition that is usually linked to cooperative beginnings, the "[AUZOLAN](#)". Auzolan means community work. This tradition comes from the agricultural habits since there are tasks that cannot be undertaken alone. The community's help is needed. This need thus becomes a tradition and a virtue. And it reminds us of **the importance of living in community** and taking care of the community.

A very illustrative example of the importance of the community when we talk about building a cooperative ecosystem is the NGO [MUNDUKIDE](#), which I have the honor of presiding. This organization was founded in 1999 with the help of MONDRAGON and was driven by retired cooperative members who made a simple reflection. If cooperativism has helped us to transform our society through work, why not promote this same transformation in the most disadvantaged communities of the global south?

When went around the world to choose the places in which to develop their activities, one of the key factors was the feeling of community, the common identity the habit of working collectively. Thus, 23 years later, we continue to develop this work of boosting communities, transforming societies through work.

Another important element is that **the levers of transformation are not only economic**. It is necessary to feed not only the body but also the soul. Within this complex ecosystem, the promotion of culture has also been a determining factor. Let us take two examples to illustrate this:

1 - Promotion of the Basque language at work and in society

MONDRAGON's cooperativism is not only industrial. Accompanying the transformation process of the Basque Country in its transition from dictatorship to democracy, the teaching cooperatives have played a key role in the recovery and linguistic normalization of the Basque language. Basque, [the oldest language in Europe](#), suffered terribly from the cultural repression of Franco's regime. Our language was always seen as a "rare case" that attracted attention because of its peculiarity. [Orson Welles'](#) documentary [on the Basque Country and the Basque language](#) is a good example. Orson Welles would never have imagined that today Basque would be the language commonly used in research centers and industrial cooperatives.

This collective miracle is due to an incredible public effort (Basque Government - [Etxepare](#)) but it would not have been possible without cooperative centers such as the [Arizmendi ikastola](#), the largest in the Basque Country. In addition, MONDRAGON's cooperative work centers have made possible the progressive use of Basque language (Euskera) in the working and technological world. This work is also a good example of a common goal where the role of the public and private sectors has been decisive.

2 - Support for art and culture

[Laboral Kutxa](#), MONDRAGON's cooperative bank, has supported artists, cultural events, etc. since its beginnings. Without this support, Basque society would not have advanced as it has.

This continuous action shows clearly the deep commitment with the community and the importance of art and culture as key elements for building the community identity.

In the same way, all the cooperatives have dedicated a large part of their profits to cultural promotion since their origins. A good example of community identity building is the performance of the [cooperative symphony "Humanity at Music"](#). An exercise in artistic inter-cooperation that resulted in a show that still now is continues to be performed to remind us of cooperative values through music. And once again it is clear that culture, art, as well as cooperative values are universal since the last movement of this symphony ([Etorkizuna](#) - futuro in Basque) was adopted by the cooperative movement as the anthem of worker cooperatives.

This anthem sung in Basque shows how the local can become universal. And it is an allegory of how from the work in our communities we can reach the sustainable development goals of the 20230 agenda. From local to global. And talking about local, the cooperatives have a lot to tell.

Another particular circumstance of MONDRAGON's cooperativism is that, in spite of being basically an industrial cooperativism, it takes place in **rural environments**; in small towns far from the cities. The clearest example of that is the Upper Deba region, where the town of Arrasate-Mondragon is located. But it is valid for MONDRAGON cooperatives in Bizkaia as in the case of [MAIER](#), in the town of Ajanguiz (close to Gernika) or [EIKA](#) in Etxebarria, [CIKAUTXO](#) in Berriatua or [KIDE](#) in Berriatua.

[MONDRAGON's](#) own [university](#), from which the industrial cooperatives were born, is the only university in the country with centers in small towns such as Oñati or Aretxabaleta.

This circumstance may have a link with the "auzolan" that we mentioned before or with the industrial tradition of some of these small towns that goes back to medieval times. In any case, it shows that development can be done outside the big cities, **thus avoiding many social problems of inequality**.

On the other hand, in the 60's with the cooperative expansion of MONDRAGON there were rural localities that doubled and tripled their population as they became **centers of attraction for workers** who emigrated from the south of Spain, less industrialized, to the productive centers of the Basque Country. Membership in the cooperatives with full rights (one person, one vote) and with their equitable distribution of wealth, greatly facilitated the integration of these emigrants if we compare it with similar processes that occurred in other geographical areas.

Thus, we can draw a few **conclusions** from this first section. Some lessons learned, some recommendations that could be applied to other processes. The history lived in these more than 75 years leaves us with a few lessons.

1. **Cooperatives are a good way to transform society**, to improve it not only economically but also socially.
2. **Legislative frameworks are very important** and can promote and drive changes, but social transformations are usually ahead of legislative changes. Thus, the legislative framework, although important, **is not essential** if cooperatives are to be able to develop their work. As Arizmendiarieta said "Circumstances are neither good nor bad. They are what each one wants them to be". If MONDRAGON's experience shows anything, it is that it has never waited for circumstances to change, but has dedicated itself to changing them through its work.
3. **Economic democracy can induce political democracy** and can also prevent totalitarian drifts in political systems. We could say that cooperatives are good schools of democracy. Communities that are used to making their own decisions are less manipulable. Thus, the promotion of cooperatives by encouraging the participation of collectives mobilizes societies. And this mobilization reaches the entrepreneurial, cultural and social spheres.
4. **In situations of social crisis, SOLIDARITY comes to the surface.** And solidarity is the fundamental ingredient of cooperation. Many of the projects mentioned here and many of the instruments that will be used as examples would not have existed if there had not been a deep shared feeling of solidarity.
5. **Cooperativism is a good way to develop rural areas.** But we should not always associate rural areas with agricultural cooperativism.
6. The cooperative model, with its equitable distribution of wealth and its egalitarian management systems, can facilitate the processes of assimilation of the **immigrant population.**
7. Cooperatives are based on businesses that must be profitable. The closer these businesses are to the **skills of the collective, the more likely the businesses**, and therefore the cooperatives, will be **successful.** The industrial tradition will help develop industrial cooperatives in the same way that the agricultural tradition will help develop agricultural cooperatives, but they must always adapt to the times by adapting the business models and maintaining the values.

We could summarize this section with a poem by Jon Sarasua extracted from "Humanity at Music" that says like this:

Ez gal denbora aldarrikatzen
 egin daigun geuk, geuk egin daigun.
 Arazo gaitzak ditu herriak
 egin daigun geuk, geuk egin daigun.
 Lanaren bidez dator iraultza
 egin daigun geuk, geuk egin daigun.
 Elkartasunak dakar irautza
 egin daigun geuk, geuk egin daigun.
 Pertsona berri burujabea
 egin daigun geuk, geuk egin daigun.
 Lantegi berri herrigilea
 egin daigun geuk, geuk egin daigun.
 Autoeratu! Autoeratu!
 egin daigun geuk, geuk egin daigun.

ZARATA BARIK, LURRIKARA BAT
 GAZTE TALDE BAT, MARTXAN JARRI DA
 GERO BESTE BAT, GERO BESTE BAT
 JABETU DIRA , MIL AKA DIRA
 EZ DA NOL ANAHI GELDIARAZIKO.

Let's waste no time complaining
 Let's fend for ourselves, let's do it.
 Society is full of problems
 Let's fend for ourselves, let's do it.
 Revolution is triggered by labour
 Let's fend for ourselves, let's do it.
 Solidarity informs all that is lasting
 Let's fend for ourselves, let's do it.
 Individuals as masters of their own destiny
 Let's fend for ourselves, let's do it.
 A firm that builds a community
 Let's fend for ourselves, let's do it.
 Let's build, let's manage ourselves.
 Let's fend for ourselves, let's do it.

A SILENT TREMOR DISTURBS THE LAND.
 A GROUP OF YOUNG
 ARE STEELING THEMSELVES
 FOLLOWED BY OTHERS,
 AND THEN BY MORE.
 THEIR OWN MASTERS, THEY ARE LEGION.
 NOTHING CAN STOP THEM NOW.



2 - EDUCATION

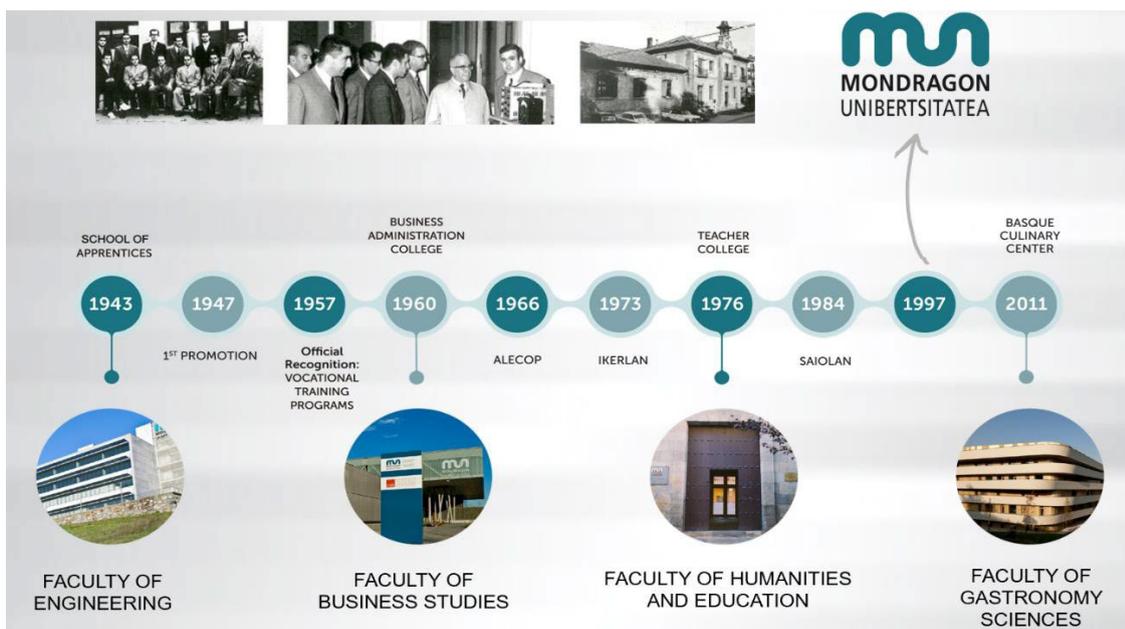
Arizmendiarieta said that the MONDRAGON cooperative experience is an educational movement that uses economic means. And all of them to achieve a single objective: social transformation.

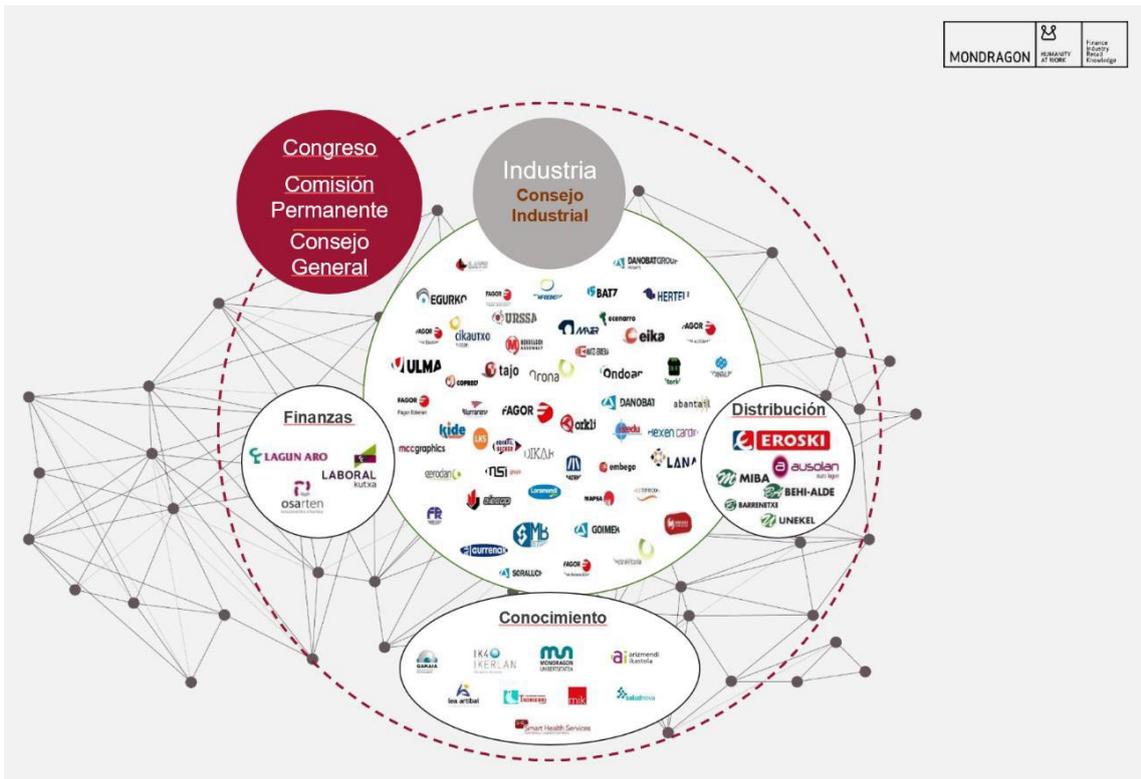
The importance of education in MONDRAGON's history has been and continues to be **HUGE**. And it is also **KEY** in the creation of the entrepreneurship ecosystem.

MONDRAGON, the world's largest industrial cooperative group ([World Cooperative Monitor](#)) **has its origins in education**, since the founders of the first cooperative ([ULGOR S.Coop.](#)) in 1956 were the first graduates of the vocational school.

The special relationship, so close, of our cooperatives to the university in particular and to knowledge in general (including technological centers, professional schools and primary education centers) is not generated, as in other cases, because the companies approach the training centers but it arises naturally from the training centers towards the cooperative companies to provide them with a service. [Alecop](#) is a good example of this relationship, since it is a cooperative that arose so that MONDRAGON university students could work and thus pay for their studies, since they usually came from families with few resources. But by working they had a direct experience of the industrial reality: the organization of the work, the different tasks and specialties, etc. In this way, they accumulated experience and criteria when it came to specializing in their studies.

This gave rise to a relationship that is key to understanding the MONDRAGON model: the symbiotic relationship between company and university, which [IKERLAN](#) joined from 1974 onwards, followed by the rest of the centers in the MONDRAGON research and development network.





It is from education that the network that constitutes the industrial and entrepreneurial ecosystem begins to be woven.

But in addition to the university, we must not forget the aforementioned ikastolas and vocational training centers such as [LEA- ARTIBAI](#) or [Txorierri](#), where the participation of industrial cooperatives, the financial institution Laboral Kutxa or the Corporation itself is key.

In this way, the educational system itself provides professionals to the cooperative companies and the latter determine the subjects, grades and orientation of the training centers.

In addition, there is the aforementioned network of technology centers that over time have specialized in very specific areas such as advanced manufacturing ([IDEKO](#)) or smart manufacturing ([LORTEK](#)).

But in the educational section we cannot forget the cooperative training in which both the university in its faculty of cooperative studies [LANKI](#) and [OTALORA](#), cooperative training center, play a key role. The key in this case is to teach how to cooperate. Cooperative governance, which will be discussed later, is very important to ensure proper management of the model. The cooperative is a different business model and it is necessary to understand it well to make good use of it.

All managers as well as the Governing Councils and Social Councils undergo this cooperative training at different stages to ensure the proper functioning of the cooperative.

Another noteworthy experience of MONDRAGON's educational experience is the entrepreneurship model developed by the university and known as [MTA](#) (MONDRAGON TEAM

ACADEMY). Since 2008 at MONDRAGON we have been teaching team entrepreneurship. Collective entrepreneurship, like cooperativism, has to be taught in universities. If we teach to follow, we will have followers. If we teach entrepreneurship we will have entrepreneurs.

As Arizmendiarrrieta said "There is no cooperative without cooperativists" and to be a good cooperativist you have to be trained in values and cooperative governance.

Education is thus the beginning and the end of MONDRAGON's cooperative experience.

From this section we can conclude the following:

1. The **FUNDAMENTAL KEY** to an intercooperation system is **EDUCATION**.
2. Education does not bear fruit immediately. It has to be a **constant work that is maintained over time** and takes different forms.
3. Education is not only about obtaining degrees to be able to develop a job, it is a way of life and a way of adapting to circumstances.
4. For new cooperatives to emerge, **the cooperative business model must be included in academic curricula**. In the 21st century, our engineering, economics and business students are still being trained in the capitalist business model as if it were the only possible form of enterprise. If the new generations know only one model, it will be the only one they will follow.
5. Education must be extended to the enterprise. **The cooperative enterprise as an educational center** of technology and cooperative management, but also of values.
6. And if we want collective entrepreneurship, we have to develop specific degrees to teach entrepreneurship [MTA](#) (MONDRAGON TEAM ACADEMY).

IKASTEKO SORTUAK*

JON SARASUA
 abestia: humanityatmusic.com/musika/

(ikaslea)

Ikasteko sortu ginen
 sehasatik hilobira.
 Ikasteko hasi ginen
 ibiltzen larrean.
 Adin mugarik gabe.
 Gure bideen jabe.
 Ikasteko sortu ginen.

(denak)

TITULUAK BIRINDU
 BARRURANTZA HAZI.
 IKASTEKO SORTU ETA
 SORTZEKO IKASI.



BORN TO LEARN*

JON SARASUA
 song: humanityatmusic.com/musika/

(young student)

We were born to learn
 from the cradle to the grave.
 We began to learn
 by taking unsteady steps.
 Ageless and purposeless
 masters of our means.
 We were born to learn.



(all)

DISMISS ALL TITLES
 GROW INWARD
 CREATE TO LEARN
 LEARN TO CREATE.

To fend for ourselves
 we built a vast world in our own one
 We came together to form
 a community on the land.
 Thirsting for justice
 opening out, improving ourselves
 advancing through our own efforts.

LET US BE IN ORDER TO DO
 LET US DO IN ORDER TO BE.

3 - INNOVATION

Innovation has been the ongoing commitment of MONDRAGON's cooperatives to maintain the competitiveness of their businesses. This innovation has many different aspects and is supported by the university and technology centers, creating knowledge networks.

Each cooperative has its own research and development teams for both product and production and manufacturing processes. These are complemented with the different areas of knowledge of the university ([MU](#)) in collaborative research either product or business.

To understand this section, let's take two examples:

- [Saiolan](#)

The origin of Saiolan dates back to the early 70's, in the heart of Eskola Politeknikoa, and arises from the need to have an entity that would act as a bridge between the Mechanical and Electronic Engineering training given in the classrooms and the real needs of the surrounding companies.

- [GALBAIAN](#)

It is a cooperative Industrial Property Agency that **comes from the industry**. GALBAIAN was created in October 2011 by the team of the Industrial Property Department of the Fagor Group. This Department had accumulated **more than 25 years of experience** advising companies. It became an independent cooperative that provides services to cooperatives of the group and other companies. It is a good example of intercooperation at the service of industrial property and trademarks.

One out of every three patents made in the Basque Country is from MONDRAGON.

And, of course, there is the aforementioned network of technology centers ([IKERLAN](#), etc.), which are the great driving force behind innovation in the cooperatives. They arose as a bet for the future, as a solution to the technological challenges that the cooperatives had to face. And they are the result of inter-cooperation between the industrial, academic and financial sectors.

Today, these technology centers are part of European knowledge networks and help cooperatives to offer innovative solutions to differentiate themselves from their competitors in the world.

WE ARE COMMITTED
TO **I**INNOVATION

R&D

12

R&D
CENTRES



370

FAMILIES OF
RESEARCH
PATENTS



Our triangular knowledge
system connects
**EDUCATION, BUSINESS
AND TECHNOLOGY
INVESTIGATION.**

The bets made in the 1970s and later have clearly contributed to today's competitiveness.

From this section we can conclude the following:

1. **The commitment to innovation** in its broadest sense (product and process technology, business model, etc.) **must be a medium-term commitment** born of collective private initiative and then complemented by public initiatives.

This commitment denotes the cooperatives' vocation for permanence. What we at MONDRAGON call "**The value of legacy**". When we start working in a cooperative we receive a company in operation thanks to the efforts of those who preceded us and we have the mandate to enrich and leave with our work a better legacy for future generations. The idea of sustainability has always been in the philosophy of cooperatives. The idea of being a link in the chain, a member of a collective whose achievements are group achievements.

Following Jon Sarasua's poems (Humanity at Music), these ideas could be summarized as follows:

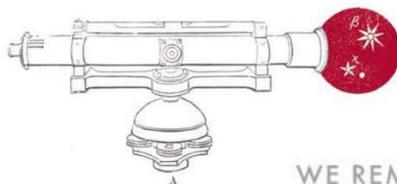
¡OS RECORDAMOS,
VISIONARIOS DE LO PEQUEÑO!

Os homenajeamos,
realistas de la utopía.

Os recordamos,
empresarios sin riquezas.

Os homenajeamos,
todoterrenos de la acción social.

QUE NUESTROS LOGROS SEAN
DIGNOS VUESTROS SUEÑOS.
QUE NUESTROS SUEÑOS SEAN
DIGNOS DE VUESTROS LOGROS.



WE REMEMBER YOU,
HUMBLE VISIONARIES!

We salute you,
realists of utopia.

We remember you,
entrepreneurs without riches.

We salute you,
champions of social action.

MAY OUR ACHIEVEMENTS
BE WORTHY OF YOUR DREAMS.
MAY OUR DREAMS
BE WORTHY OF YOUR ACHIEVEMENTS.



3 - FINANCING

Arizmendiarieta's genius led him to found [Caja Laboral](#) in 1960. Its mission was to provide industrial cooperatives with "social, economic and business services". It was to raise funds from the cooperative members themselves to be used for their own needs. In addition, in order to organize Social Security and Social Welfare coverage, the Provision Service was set up, laying the foundations for what is now [Lagun-Aro](#).

Both organizations were and continue to be fundamental pillars of the MONDRAGON cooperative experience. Our model cannot be understood without understanding the role played by these two entities as a necessary complement to the development of the cooperatives.

The basic idea is the subordination of capital to labor. To understand that financing is an absolutely necessary element, but that the objective is not capital in itself, but work. Work as a means to dignify the person.

Caja Laboral acted as support and advisor to the entire cooperative expansion process. And it supported thousands of social and cultural initiatives to strengthen the community.

One of LABORAL KUTXA's slogans is revealing of what the traditional work of a bank represents. The slogan goes like this: "[Bada beste modu bat](#)", "There is another way". There is another way of banking and another way of doing business. A more equitable and democratic way. A cooperative way

Speaking of the entrepreneurial ecosystem, we must mention Caja Laboral's [Gaztenpresa Foundation](#), which since 1998 has created more than 6,500 companies, generating more than 12,000 jobs.

Once again in the MONDRAGON ecosystem, the response to a need becomes a business in itself that ends up resulting in a clear benefit not only for the group's cooperatives but for society as a whole.

Another key factor was the creation of the MONDRAGON Corporation (then MCC) in 1991 to restructure the businesses and provide them with common services, including financial services.

Many common funds have been set up to promote new business initiatives. MONDRAGON Investments, MONDRAGON Promotion Fund and MONDRAGON Foundation stand out. But in all cases there is a firm commitment to the future and new businesses.

Another issue of enormous financial importance, which is also based on solidarity, is solidarity in terms of remuneration. In the case of MONDRAGON, the pay scale is from 1 to 6. In other words, if the cooperative's lowest salary is 1, the maximum will be, at most, 6.

This is a key factor in MONDRAGON's strategy. Of course, it implies that the base salary (the 1) is the remuneration for decent and quality work. And since this is so, this base multiplied by 6 is a very worthy remuneration.

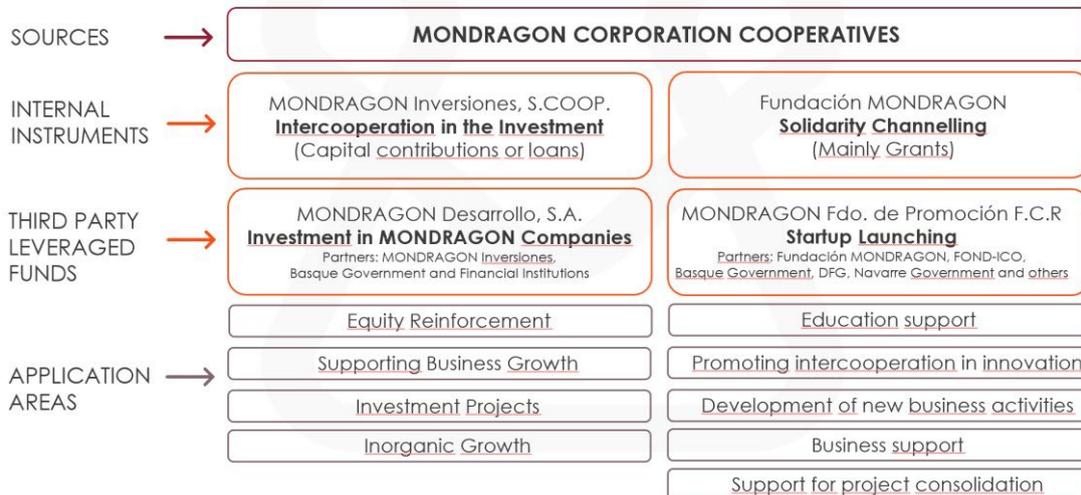
This brings us to an important issue. Countries that are often used as examples of welfare states (northern Europe, for example) have fiscal systems with high taxes to redistribute wealth. This is a very positive thing but, in a way, it accepts that the distribution of wealth is unequal and the state tries to compensate. The MONDRAGON model however distributes the initial wealth in a better way and this means that there are many taxpayers (cooperative workers) who pay taxes for higher than average salaries. In fact, territories with high cooperative density such as Gipuzkoa have a Gini index ([index measuring inequality](#)) of 25.3 better than that of the Basque Country as a whole (25.8), better than the European average (30.8) and much better than the Spanish average (34.5) or that of the US (41.1).

Some conclusions of this section would be:

- 1 - **Financing is absolutely necessary** for the creation of new cooperative enterprises, but capital is not the end but the necessary means for the creation of new cooperative enterprises and therefore of jobs. The subordination of capital to labor.
- 2 - **The network of funds and instruments** has many positive effects on the creation of an entrepreneurial ecosystem. Among them, it encourages business diversification. In addition, the governance model forces to have not only financial or industrial visions, but also mixes them with academic and research and technology approaches. But always sharing a common base of cooperative values.
- 3 - It is the **creation of networks, the intercooperation** that really generates positive results.
- 4 - The **creation of specific instruments** to deal with certain issues is also important. Thus, Gaztenpresa's specialization in the promotion of entrepreneurship gives better results than the use of instruments that are not so well adapted to the specific needs of a small start-up company.
- 5 - Solidarity is of enormous importance to understand the MONDRAGON model. But it is not only **inter-cooperative solidarity**, which includes profit sharing and loss compensation, but also, and much more importantly, the **salary solidarity** that translates into a salary scale that goes from 1 to 6 as maximum and that in many cases is still from 1 to 4.5.
- 6 - **Cooperatives distribute wealth better** so that if the initial distribution of wealth is adequate, it is not necessary to redistribute it.

FINANCIAL

Financial intercooperation funds



The poem that could summarize this section would be:

MODU BAT*

JON SARASUA

abestia: humanityatmusic.com/musika/

Dirua da izerdia
tantaz tanta sos egina.
Dirua da ahalegina
hurrengorako gordea
hurrengorako gordea.
Norbere eskutan, ordea.

Diruak ez du bihotzik
ez hezurrik gaztanberak
Zabaltzen ditu aukerak
badakizu nola eduki.
Lotuko dugu estuki
gain hartu ez dezan berak.

IZAN BIRIKA
EMAN AIREA
IZAN IZERDIA
IZAN OREA.

ANOTHER WAY*

JON SARASUA

song: humanityatmusic.com/musika/

Money is sweat, pure and simple
condensating out drip by drip.
Money's created by labour
being set aside for later.
May it be so in our own hands.

For there is no heart in money
just as a liquid has no bone.
It creates opportunities
if you know how to handle it.
We shall shut it up good and tight
no breaking free or imposing.

BE A LUNG
AND GIVE US AIR.
BE SWEAT
BE MORTAR.

MAKE SURE IT'S OURS
OUR FATIGUE.
WHEREBY OUR SACRIFICE
BECOMES OUR REWARD.
AND OUR REWARD
PROMPTS A FURTHER SACRIFICE.

4 - INTERNATIONALIZATION

One of the most striking characteristics of MONDRAGON is its great expansion throughout the world. Despite what it may seem, **this expansion was reactive and not proactive**. The bodies of each of the cooperatives and their assemblies approved the establishment in more than 150 countries with offices and production centers, sometimes isolated and sometimes in the form of industrial parks promoted by the Corporation, as in the case of [Kunshan in China](#).

The real impetus for MONDRAGON's internationalization was due to the need to maintain profitability in the different markets in which it operated. **MONDRAGON did not internationalize to save labor costs**, since maintaining and increasing jobs has always been a maxim. The vast majority of the cooperatives located in other countries because their customers required them to do so in order to maintain a close supply. Although the level of exports had always been very high (>70%) in the industrial group, the need to establish themselves productively in so many countries was a tremendous challenge. A cultural and management challenge.

The experiences are many and varied, but in general **the internationalization process has been very positive** because it has helped to maintain competitiveness and expand markets. In addition, a truly global vision of business was established, which affected business models. It is undeniable **the impact** that the direct knowledge of the industrial and economic reality of so many countries has **had on the MONDRAGON ecosystem**, but this has been clearly positive.

It is true that the vast majority of workers in plants outside Spain are not members of the home cooperatives but workers. In addition to the enormous cultural differences, the explanation for this reality lies in the fact that membership and its benefits are closely linked to Spanish law and to Lagunaro's complementary benefits, which are not only possible in other countries.

Thus, the cooperative ecosystem was nourished with new wisdom. Different ways of doing things. It had to speak many different languages and learn new ways of doing business. But it **always maintained the cooperative values** and helped to achieve its goals.

A study carried out among MONDRAGON group cooperatives showed that **the cooperatives that had internationalized had created more jobs in the Basque Country than those that had not**.

This process strengthened the conviction that the future of cooperatives depends on maintaining competitiveness and profitability. To this end, instruments were created to monitor and support cooperatives in difficulty.

The closure of FAGOR Electrodomésticos, the group's first and largest cooperative (ULGOR) was also **a hard lesson in the importance of maintaining business health**. But this learning helped to foresee these situations and to avoid them by strengthening the resources of the cooperatives. Inter-cooperative solidarity mechanisms are very important but they do not solve all problems.

The great lesson learned was that it is not the cooperatives and their brands that are important, but the people who make them possible. We assume that businesses are born,

grow and can disappear due to technological or competitive changes. But in the case of Fagor Electrodomésticos, almost all of its worker-members were relocated to other cooperatives and Lagunaro's solidarity system proved its strength.

Some of the conclusions of this section are:

- 1 - **Do not be afraid of changes** but face them and/or provoke them.
- 2 - **The cooperative model can and should be internationalized** depending on the sector in which it operates.
- 3 - Even if the operation is local, **the global vision is always positive.**
- 4 - **What is really important are** not the acronyms or the companies but **the people** that compose them, since the cooperative is theirs and must serve them.
- 5 - **Solidarity and inter-cooperation mechanisms are necessary** but not always sufficient. It is therefore essential to establish mechanisms that anticipate potential problems.

The poem that could accompany this chapter would be one by Xabi Igoa ([bertsolaria](#)) that goes like this:

ORTZI-MUGAZ HARATAGO

XABI IGOA
bertsoa

[Doimua: Goizean altxatu eta]

Mondragon mundu osoan
nahiz egon dagoeneko,
bide bat egin beharra
dago horra iristeko.
Bailararik hasi zena
behar batzuk asetzeko,
aukera egon zen gero
atzerriera zabaltzeko,
tokian toki behar zen
modura egokitzeko.
Prozesuak balio du
guztiok barneratzeko, (bis)

MUNDU BAT ESNATZEN DELA
ORTZI-MUGA BAKOITZEKO.



BEYOND THE HORIZON

XABI IGOA

poetry

Even though Mondragon is placed now all over the world it was necessary to make a way for its expansion. The flame was an opportunity for that journey, and to adapt it was an obligation.

A TRIP THAT SERVES TO INTERNALIZE
THE EXISTENCE OF A NEW WORLD
AFTER EACH HORIZON.

Thanks to these efforts we know
that it is possible to do
without knowing it before.
Without being captives
of complexes or fears,
we are all witnesses
that thanks to internationalization,
being small Mondragon,
It has taken us far.
But once we have grown,
we have to admit that it has been
a learning tool for our humility.

6 - GOVERNANCE

Cooperative governance is a very important issue that is often forgotten when we analyze economic and social phenomena. **What we have today is the fruit of decisions made long ago.** Thus, we enjoy the successes of many decisions and suffer the consequences of bad decisions.

Cooperative values in themselves, while positive, do not ensure proper management. Cooperatives are democratic organizations, as are so many countries. But both have significant risks if bodies are not set up to take care of the quality and the way in which decisions are made. For this reason, the bodies that govern the cooperative (Governing Council, Social Council, Supervisory Committee, etc.) are of great importance. And, in the same way, when we talk about ecosystem and inter-cooperation, it is very important to have a governance that ensures that the objectives are met as well as the health and proper functioning of the various bodies.

A basic cooperative principle is the autonomy and independence of each of the cooperatives. However, and always maintaining this principle, **when systems become as complex and interconnected as MONDRAGON's is, ensuring adequate governance is fundamental.**

To this end, once again, the instruments developed to ensure good governance are important. I highlight several of them below:

- 1 - MONDRAGON University ([MU](#)) with its masters in cooperative management
- 2 - OTALORA training all governance bodies of cooperatives
- 3 - MONDRAGON Corporation Central Services ([MONDRAGON People](#))

The following conclusions can be drawn from this section:

- 1 - The cooperative model alone does not ensure good management. **It is necessary to provide means of control and, above all, to train those who exercise responsibilities.**
- 2 - **Cooperative governance is a challenge in itself and must be cared for and updated.** And since the cooperative belongs to everyone, it is up to all of us to take care of it by exercising our rights but also by assuming responsibilities.

Cooperative leadership is also a very important topic. People who lead with values and put their ideas into practice.

Arizmendiarieta said that good ideas are those that are converted into action. Values without training will not lead to the right action and training, without values, will not lead to the right action.

We must develop cooperative leaders who can move communities forward

The verses that can illustrate this section are:

7 - CONCLUSIONS

Over the years we have received thousands of visitors interested in "the meaning of MONDRAGON's cooperative experience". We have explained our organization, we have told our stories and we have shared our learnings, many of them coming not from successes but from failures. And in this exercise of explaining to others what we are, it has helped us to better understand some of the events that have taken place in this social ecosystem of cooperative innovation. For many years, we have explained that MONDRAGON is not replicable, that it can be, if anything, inspiring. However, over time we have realized that the world needs more experiences like MONDRAGON so that it is not something isolated, something casual that is taken as an exception and not as a norm or as a possible reality. In 2020 [FORTUNE](#) magazine ranked MONDRAGON as one of the companies that can change the world. I wish it were so. The world needs more than ever collective experiences of success because with each new crisis, we see how inequality increases. It is true that there is an increasingly sensitive global collective conscience, but we need to promote real experiences that improve the conditions of the communities that drive them.

MONDRAGON has therefore promoted a project that the Spanish government has included in the [Social Economy PERTE](#) (Strategic Project for Economic Recovery and Transformation). This project consists of collecting good practices worldwide and not only publishing them but also adapting them to the communities and putting them into practice.

The recommendations included below as a summary of this document, including public-private collaboration, are part of this project.

Thus, gathering the conclusions of each of the topics mentioned above and including some others, we can conclude with the following reflections based on MONDRAGON's cooperative experience.

1. **Cooperatives are a good way to [transform society](#)**, to improve it not only economically but also socially. Data from those areas with high cooperative density support this statement.
2. **Legislative frameworks are very important** and can promote and drive changes, but social transformations are usually ahead of legislative changes. Thus, the legislative framework, although important, **is not essential** if cooperatives are to be able to develop their work. As Arizmendiarieta said "Circumstances are neither good nor bad. They are what each one wants them to be". If MONDRAGON's experience shows anything, it is that it has never waited for circumstances to change, but has dedicated itself to changing them through its work.
3. **The current legislative frameworks**, although there is much dispersion among countries, **are not adapted to the cooperative form of enterprise**. The legislations always contemplate the capital company and see the cooperative company as an exception. It would be desirable to encourage the creation of cooperative enterprises

through legislation, but first it is necessary to ensure equal opportunities for cooperative enterprises before the law.

4. Many legislations are based on the "Social Dialogue" which is articulated between the government, organizations representing capital enterprises and trade unions. This administrative drawing leaves out cooperatives and therefore, the new laws do not include the cooperative perspective either. **Society is changing and so must the legal frameworks.**
5. **Economic democracy can induce political democracy** and can also prevent totalitarian drifts in political systems. We could say that cooperatives are good schools of democracy. Communities that are used to making their own decisions are less manipulable. Thus, the promotion of cooperatives by encouraging the participation of collectives mobilizes societies. And this mobilization reaches the entrepreneurial, cultural and social spheres.
6. The Basque Country is a small country ([BIG LITTLE](#)) but **small has its advantages**. MONDRAGON's development would not be understood without the social and economic transformation that the Basque Country has undergone. And public management itself is very cooperative, starting with self-management (the Basque Country collects its own taxes and has a high degree of autonomy) and even goes as far as the government's own motto "Auzolana-common good" (Collective Work-Common Good).
7. The small size makes it possible to be closer to the institutions and facilitates public-private collaboration. There are countless MONDRAGON projects in **collaboration with public institutions** and this is because we share the **objective of working for the community**.
8. **In situations of social crisis, [SOLIDARITY](#) comes to the surface**. And solidarity is the fundamental ingredient of cooperation. Many of the projects mentioned here and many of the instruments that will be used as examples would not have existed if there had not been a deep shared feeling of solidarity.
9. The different forms of cooperativism (credit, consumer, etc.) are positive for society, but it is the worker cooperatives that transform society in a more radical way. MONDRAGON's cooperativism is **worker cooperativism** and demonstrates that any business (industry, education, research, banking, etc.) can be undertaken under this form of enterprise. This differential reality is repeated in worker cooperatives all over the world and my experience as president of [CICOPA](#) has shown me this. The worker-owner bond is what moves the community.
10. **Cooperativism is a good way to develop rural areas**. But we should not always associate rural areas with agricultural cooperativism. The appropriate use of new technologies should allow us to repopulate rural areas and have a more adequate distribution of the population, thus avoiding the huge poverty belts around the big cities.
11. The cooperative model, with its equitable distribution of wealth and its egalitarian management systems, facilitates the processes of assimilation of the **immigrant population**.

12. Cooperatives are based on businesses that must be profitable. The closer these businesses are to the **skills of the collective, the more likely the businesses**, and therefore the cooperatives, will be **successful**. The industrial tradition will help develop industrial cooperatives in the same way that the agricultural tradition will help develop agricultural cooperatives but they must always adapt to the times by adapting business models and maintaining values. The **FUNDAMENTAL KEY** to an inter-cooperative system is **EDUCATION**.
13. Education does not bear fruit immediately. It has to be **a constant work that is maintained over time** and takes different forms.
14. Education is not only about obtaining qualifications to be able to develop a job, it is a way of life and a way of adapting to circumstances. For this reason, instruments must be provided to bring education to the workplace.
15. For new cooperatives to emerge, **the cooperative business model must be included in academic curricula**. In the 21st century, our engineering, economics and business students are still being trained in the capitalist business model as if it were the only possible form of enterprise. If the new generations know only one model, it will be the only one they will follow.
16. Education must be extended to the enterprise. **The cooperative enterprise as an educational center** of technology and cooperative management, but also of values.
17. If we want collective entrepreneurship, we have to develop specific degrees to teach entrepreneurship [MTA](#) (MONDRAGON TEAM ACADEMY). It is not only the company that must adapt to change. **Education must also look for innovative ways**.
18. **The commitment to innovation** in its broadest sense (product and process technology, business model, etc.) **must be a medium-term commitment** born of collective private initiative and then complemented by public initiatives.
19. **Financing is absolutely necessary** for the creation of new cooperative enterprises, but capital is not the end but the necessary means for the creation of new cooperative enterprises and therefore of jobs. The subordination of capital to labor.
20. **The network of funds and instruments** has many positive effects on the creation of an entrepreneurial ecosystem. Among them, it fosters business diversification. In addition, the governance model forces to have not only financial or industrial visions, but also mixes them with academic and research and technology approaches. But always sharing a common base of cooperative values.
21. It is the **creation of networks, the intercooperation** that really generates positive results.
22. It is also important to **create specific instruments** to deal with certain issues. Thus, Gaztenpresa's specialization in the promotion of entrepreneurship gives better results than the use of instruments that are not so well adapted to the specific needs of a small start-up company.
23. Solidarity is of enormous importance to understand the MONDRAGON model. But it is not only **inter-cooperative solidarity**, which includes profit sharing and loss compensation, but also, and much more importantly, the **salary solidarity** that translates into a salary scale that goes from 1 to 6 as a maximum and that in many cases is still 1 to 4.5.

