



UNDERSTANDING MONDRAGON GLOBALIZATION PROCESS

Strategies to assume the global crisis

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**Dr. Urko Lopez, Dr. Inazio Irizar & Dr. JM Luzarraga
Mondragon University
jmluzarraga@eteo.mondragon.edu**



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1. Framework and research context
2. Main conclusions on MONDRAGON globalization process (1999-2006)
3. How is MONDRAGON facing the crisis?



1. Theoretical framework and research context



Theoretical framework – Globalisation impact on the community

- ⇒ An industrial migratory phenomenon takes place (N-S, W-E) and new strategies arose challenging **local communities stability**
- ⇒ In **emerging countries** FDI contributes to socio-economic development and poverty reduction when based on a proper CSR policy abroad,
- ⇒ In **countries with higher labour costs** global competition results in manufacturing firms downsizing and shutting down operations
- ⇒ Place-based ownership models are presented as a better counterforce to globalisation's threats to local community stability
- ⇒ But the traditional local **structure of worker cooperatives**' was not adequately prepared to compete in a capitalistic global market
- ⇒ Worker Co-operatives most important social commitment is its commitment to create employment... **which tools are in use to face the current crisis?**



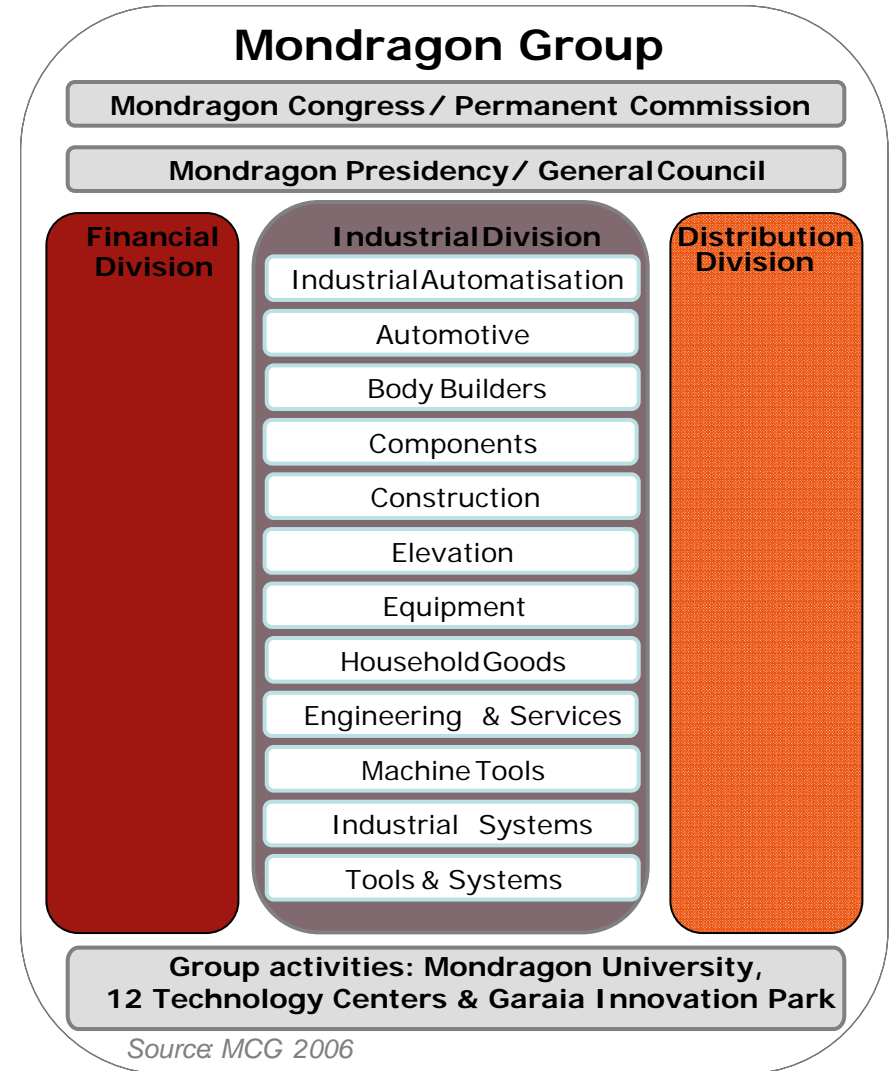
Mondragon background, vision & values

- ⇒ A worker cooperative network started by **Father Arizmendiarieta in 1956** in Mondragon, a 30.000 people village in the Basque Country (Spain)
- ⇒ Named by several academics as one of the best examples of democracy at the work place (Macleod, Vanek, Williamson, Malone, Whyte & Whyte,...)
- ⇒ ViSION: The companies that make up MONDRAGON share their commitment to **cooperation and democracy in the workplace**, backed by a **unique system of worker participation**.
- ⇒ MONDRAGON CO-OPERATIVE PRINCIPLES:
 1. Open membership
 2. Democratic member control
 3. Work over ownership
 4. Capital as a tool
 5. Management participation
 6. Incomes/wages solidarity
 7. Inter-cooperation
 8. Social transformation
 9. Universal character
 10. Education and training



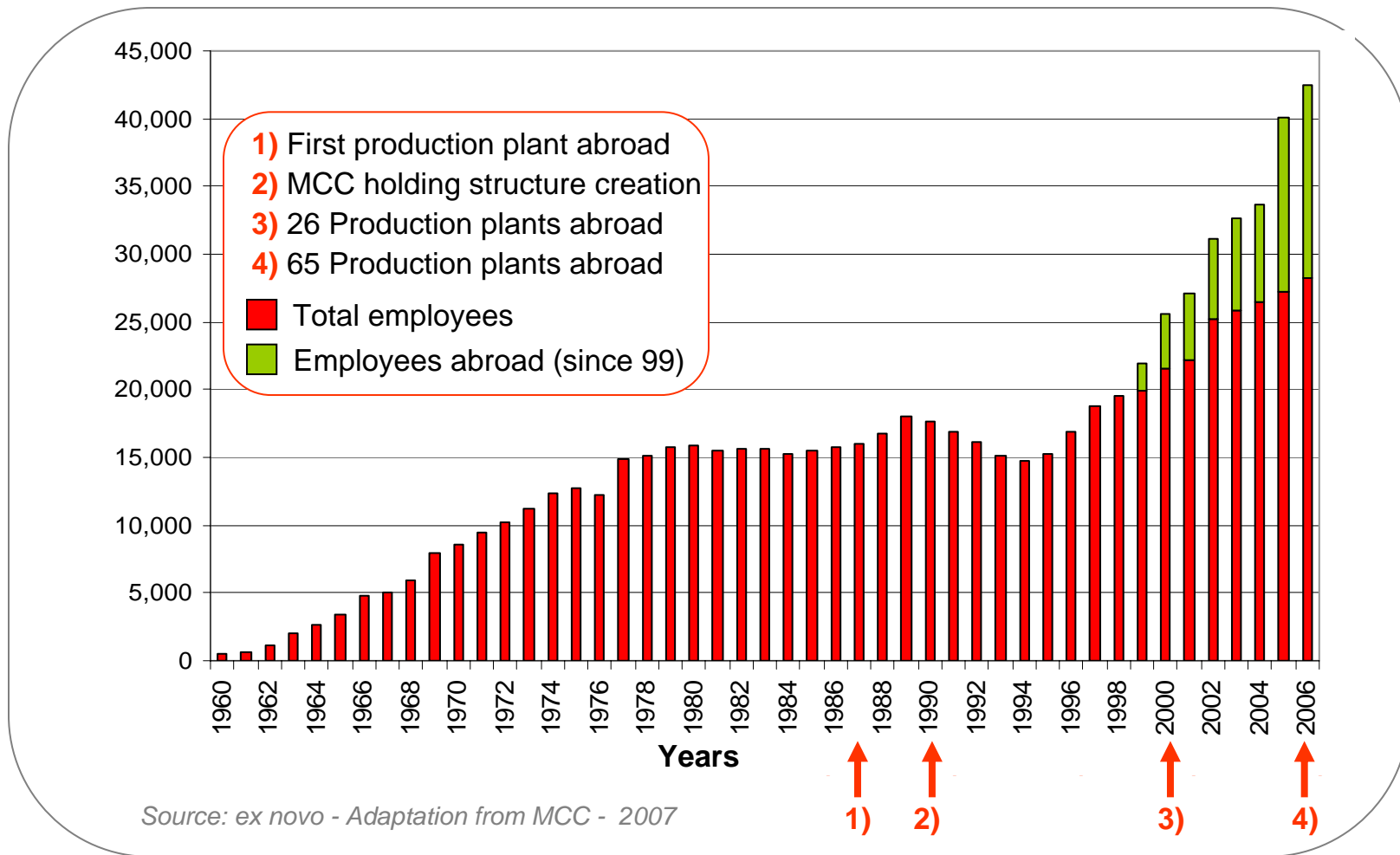
Highlights at Dec 2007

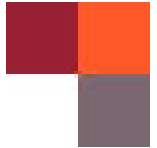
- ➔ Number of worker co-operatives: 107
- ➔ Workforce: 103.731 (93.841)
 - Worker members: 80%
 - Abroad: 14.261
- ➔ Total sales: 15.056 M.euros
- ➔ International sales: 4.682 M.euros
- ➔ Business Ranking if listed:
 - Spain: 7th
 - Europe: 32th
 - Forbes 500: 462nd





Context of Research – Mondragon Industrial Division





Context of Research – Mondragon Industrial Division

To remain competitive Mondragon assumed the global production dimension, opting to use FDI on private companies abroad

Mondragon Industrial Division – Employment growth

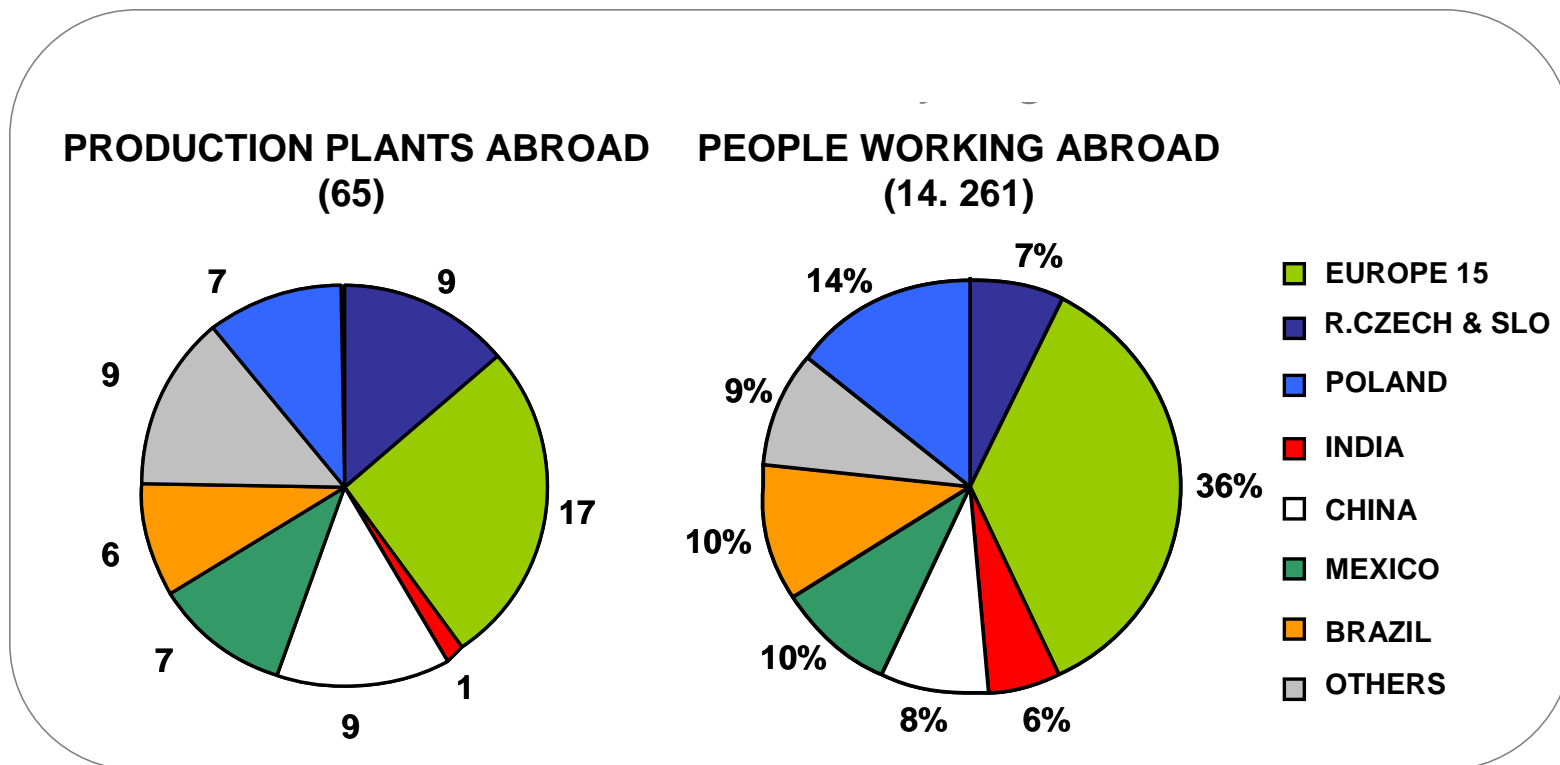
	NUMBER OF EMPLOYEES at 31/12							
	1999	2000	2001	2002	2003	2004	2005	2006
Total Employees (PT)	21913	25593	27050	31166	32597	33640	40121	41810
Net-growth	9.54%	16.79%	5.69%	15.22%	4.59%	3.20%	19.27%	4.21%
Local employees	19954	21516	22217	25225	25888	26533	27263	27594
Net-growth		7.83%	3.26%	13.54%	2.63%	2.49%	2.75%	1.21%
Employees abroad (PEX)	1959	4077	4833	5941	6709	7107	12858	14216
Incremento		108.12%	18.54%	22.93%	12.93%	5.93%	80.92%	10.56%
% PEX / PT	8.94%	15.93%	17.87%	19.06%	20.58%	21.13%	32.05%	34.00%

Source: ex novo

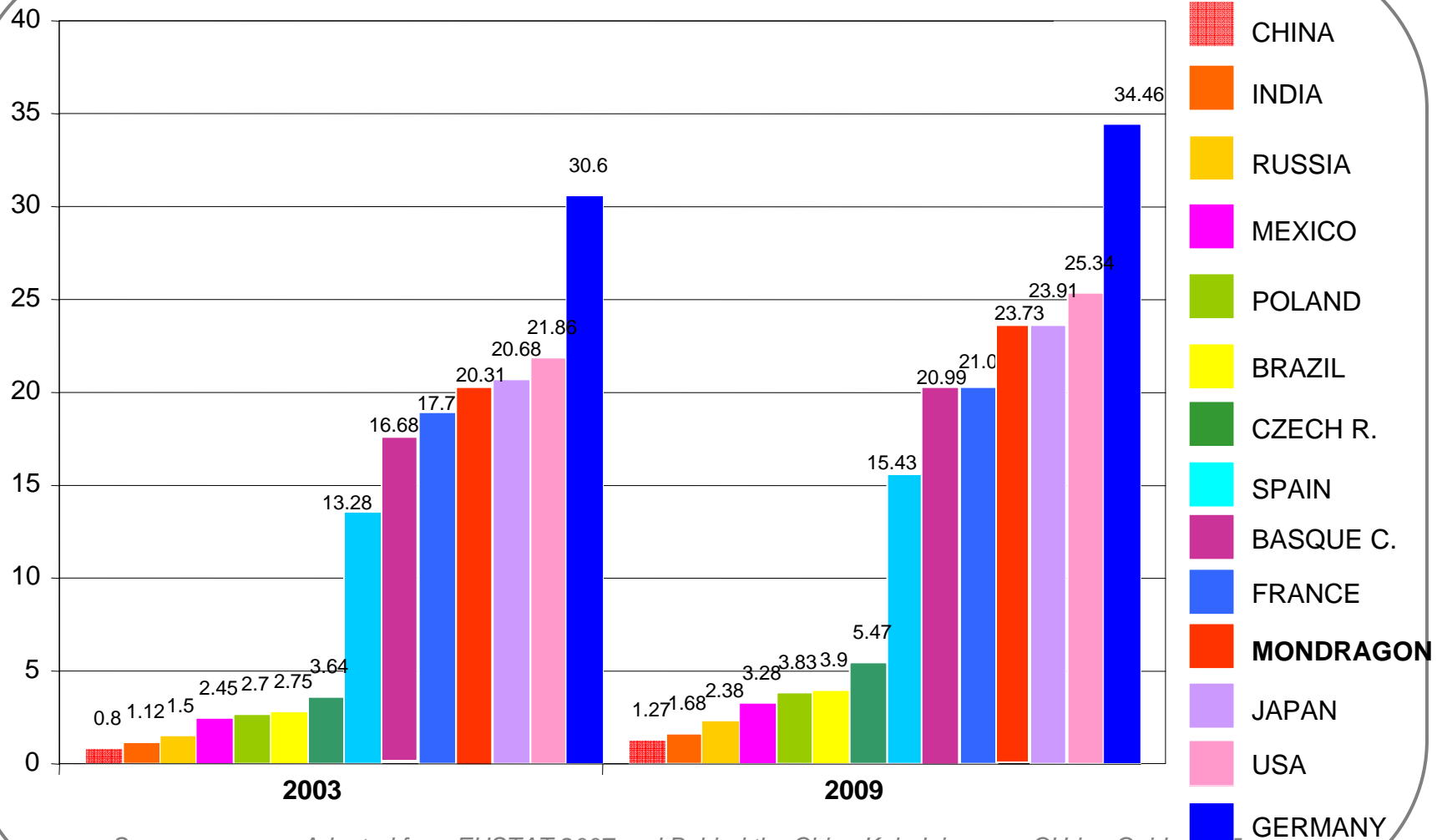
(*)
BRANDT



Context of Research – Mondragon Industrial Division







Source: ex novo. Adpated from EUSTAT 2007 and Behind the China Kaleidoscope - CH-ina Guide 2005
Exchange rate: Jan. 2003, (1 Euro=1.067 USD).



Research methodology – main characteristics

1) MONDRAGON EMPLOYMENT DATABASE: For the first time a merged database of Mondragon GLOBAL COOPS exists, allowing us to compare their performance with other cooperatives.

The sample has been constructed from MCC annual reports. This database includes co-operative activity reports during 1996-2006 for Mondragon industrial co-operatives.

2) PRODUCTION PLANTS ABROAD ANALYSIS: For the first time Mondragon production plants abroad have been analyzed. It has been visited, studied and analysed 40 factories in developing countries

3) EMPLOYEES AND MANAGERS ABROAD INTERVIEWS: For the first time a wide survey on production plants abroad has been conducted interviewing 135 people working on Mondragon production plants abroad



Research methodology - framework

Context: "Social enterprises operating in global markets"

Case study: Mondragon Group

- 0 Secondary source gathering & systematic review: Mondragon Group & Globalisation
- 1 Globalisation impact on Mondragon Group net job growth 1996-2006
- 2 International strategy & mapping subsidiaries by countries and timing
- 3 Case studies: best practices in CSR management in production plants abroad

ORKLI CH
(China)

IRIZAR TVS
(India)

COPRECI CZ
(Czech R.)

FAGOR
MASTERCOOK
(Poland)

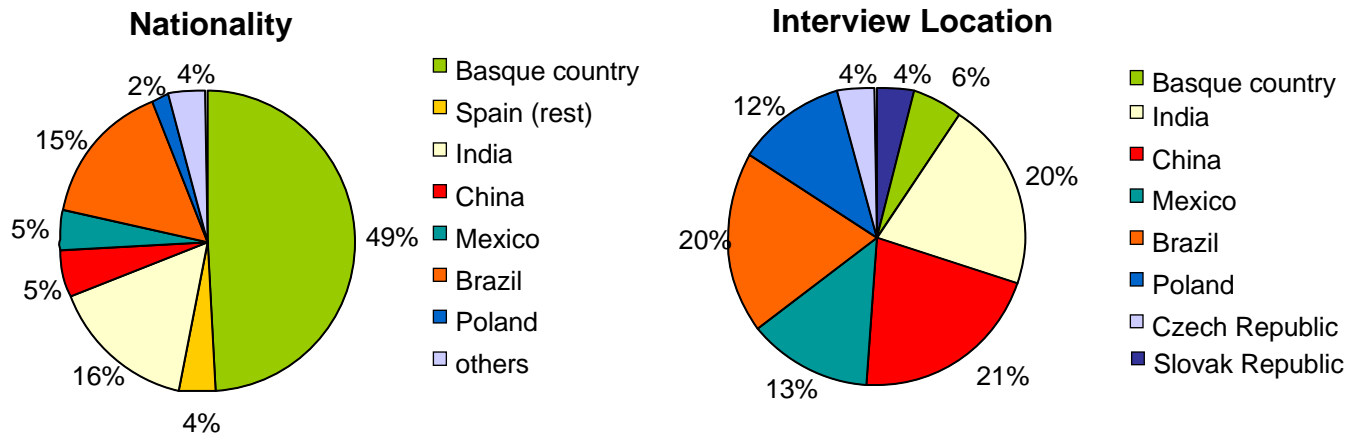
FAGOR
EDERLAN
(Brazil)

INTERNATIONAL
CLUSTERS
(China, Mexico
Czech R. Slovak R.)

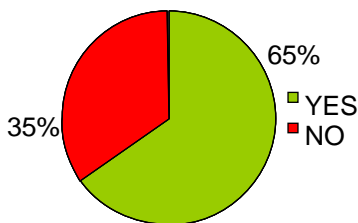


Field work – interviews conducted

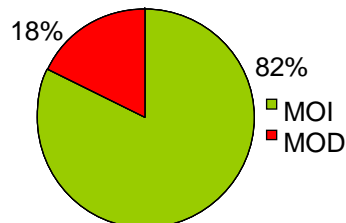
People interviewed (N=176)



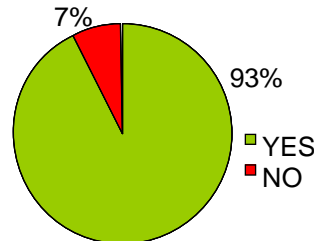
Works at Mondragon



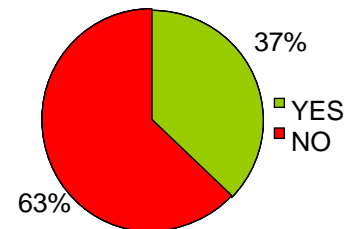
Job activity



Based abroad



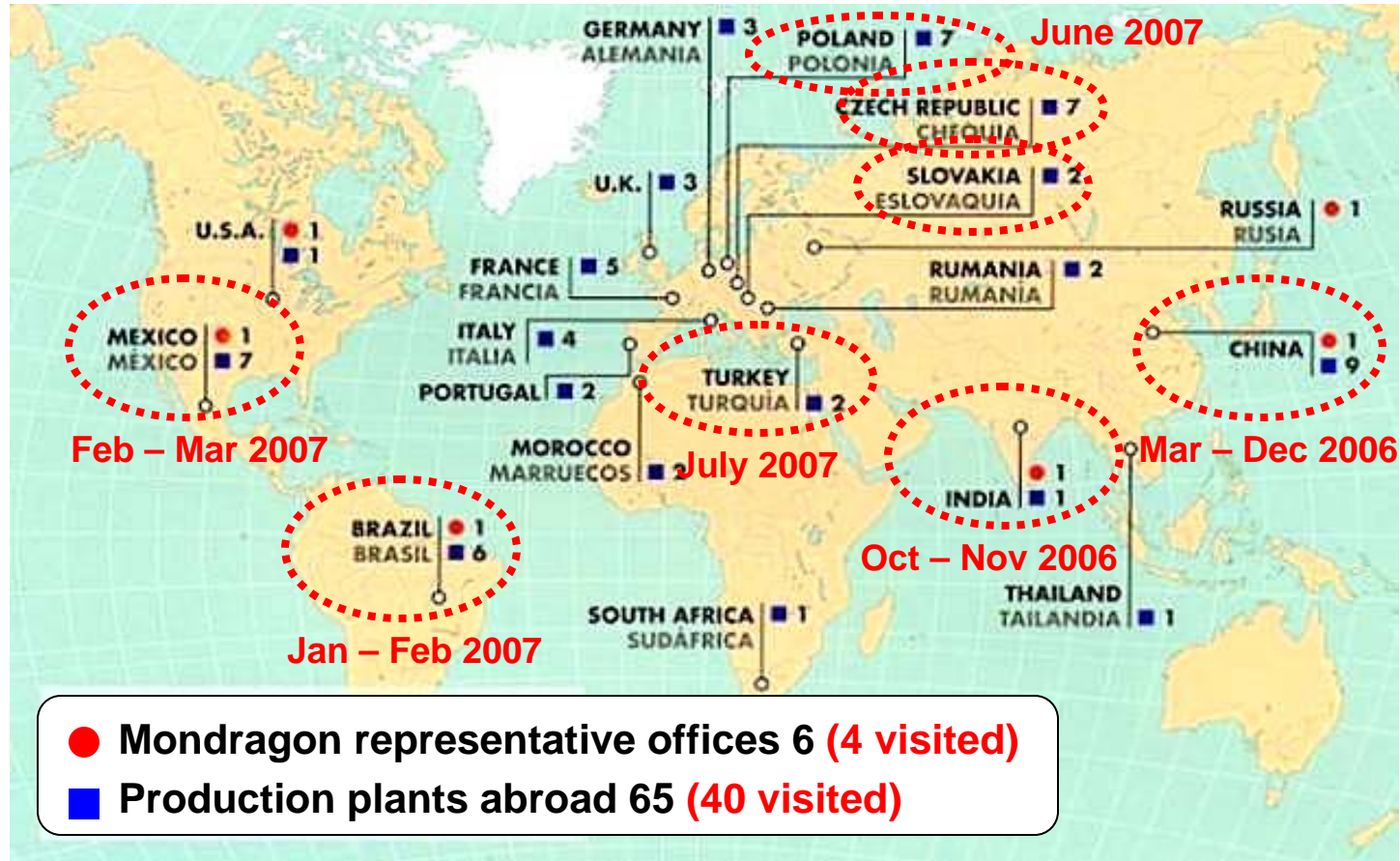
Coop membership



Source: ex novo



Detalle trabajo de campo: plantas productivas visitadas y analizadas 2006-2007





2. Main conclusions on MONDRAGON globalization process (1999-2006)



4.1- Phase I: research questions

- 1) Do Mondragon co-operatives, through FDI multi-localisation, defend better the interests of parent co-operatives on local community employment?
- 2) What is the FDI impact on member vs. non-member evolution in parent co-operatives, and internationally (parent co-operatives + subsidiaries)?



Phase I: test 1 - Global vs. Local Co-ops net-job growth

H1: “Those Cooperatives with at least one production plant abroad create more jobs IN THEIR PARENT COOPERATIVE”

H2: “Those Cooperatives with at least one production plant abroad create more jobs IN THEIR LOCAL COMMUNITY”



Mondragon Industrial Division – “GLOBAL COOPS vs. LOCAL COOPS”

	WORKFORCE AT 31 DEC.			GROWTH 99-06	
	1999	2002	2006	JOB	%
GLO_PT	13,318	21,049	32,041	18,723	140.58%
GLO_PIN	11,884	15,255	18,123	6,239	52.50%
GLO_PCOOP	11,367	13,832	14,554	3,187	28.04%
LOC_PT	8,595	10,117	10,403	1,808	21.04%
LOC_PIN	8,070	9,970	10,064	1,994	24.71%
LOC_PCOOP	8,010	9,597	9,108	1,098	13.71%

Source: ex novo



Phase I: test 3 - FDI impact on members vs. non members

H5: “Those cooperatives with at least one affiliated production plant abroad do not necessarily have a smaller percentage of voting members INTERNATIONALLY”.

REJECTED

H6: “Those cooperatives with at least one affiliated production plant abroad do not necessarily have a smaller percentage of voting members IN THE PARENT COOPERATIVE”.

ACCEPTED

Mondragon Industrial Division – “GLOBAL COOPS vs. LOCAL COOPS”

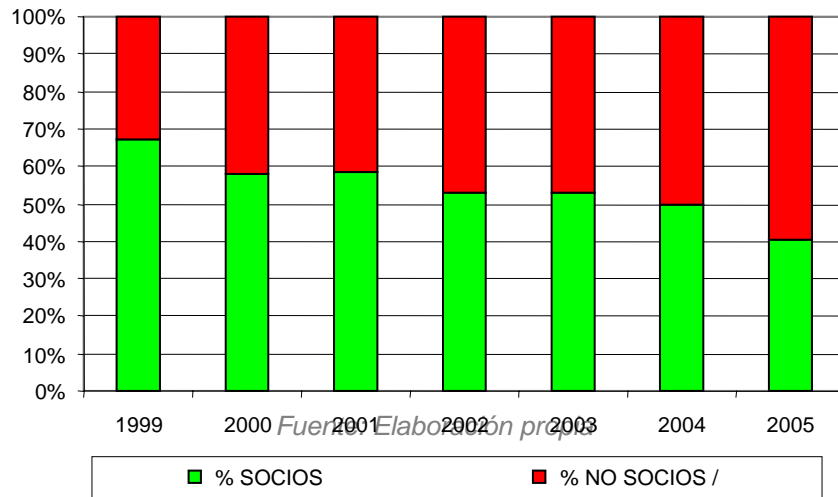
	WORKFORCE AT 31 DEC.			GROWTH 99-06	
	1999	2002	2006	JOBS	%
GLO_MEM	8,977	11,174	12,257	3,280	36.54%
GLO_MEM/PT	67.41%	53.09%	38.25%	-	-
GLO_MEM/PIN	75.54%	73.25%	67.63%	-	-
GLO_MEM/PCOOP	78.97%	80.78%	84.22%	-	-
LOC_MEM	4,724	6,133	6,822	2,098	44.41%
LOC_MEM/PT	54.96%	60.62%	65.58%	-	-
LOC_MEM/PIN	58.54%	61.51%	67.79%	-	-
LOC_MEM/PCOOP	58.98%	63.91%	74.90%	-	-

Source: ex novo

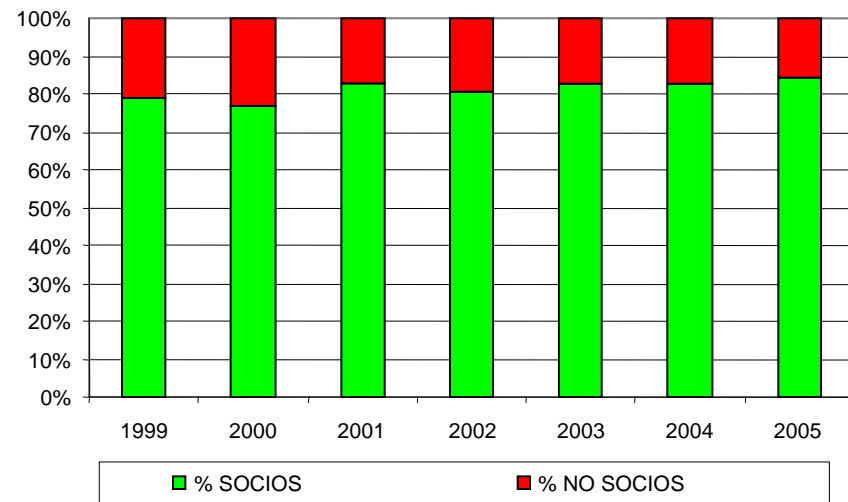


MONDRAGON GLOBAL COOPERATIVES: EVOLUTION % MEMBERS / WORKFORCE

% COOP MEMBERS / TOTAL WORKFORCE



% COOP MEMBERS / PARENT COOPERATIVE WORKFORCE



Fuente: Luzarraga JM., 2007



Context of Research – Mondragon Industrial Division

To remain competitive Mondragon assumed the global production dimension, opting to use FDI on private companies abroad

Mondragon Industrial Division – Employment growth

	WORKFORCE AT 31 DEC.								
	1999	2000	2001	2002	2003	2004	2005	2006	2007
TOT_PT	21,913	25,593	27,050	31,166	32,597	33,640	40,121	42,444	43,440
TOT_PIN	19,954	21,516	22,217	25,225	25,888	26,533	27,263	28,187	28,351
% PEX / PT	8.94%	15.93%	17.87%	19.06%	20.58%	21.13%	32.05%	33.59%	34.74%
TOT_MEM/PT	62.52%	56.46%	56.96%	55.53%	56.12%	55.24%	47.11%	44.95%	44.32%
TOT_MEM/PCOOP	70.71%	73.90%	73.23%	73.87%	76.65%	81.01%	82.16%	80.63%	82.43%

(*)
BRANDT

Source: ex novo



Phase I: research conclusions

- ⇒ Mondragon International multi-localisation is a successful strategy to deal with globalisation's threats to community stability (downsizing and de-localization)
- ⇒ Mondragon GLOBAL CO-OPS have a bigger net job growth than Local Co-ops in parent cooperative (28% > 14%), in the local community (52% > 25%) and in total (141% > 21%)
- ⇒ FDI has a direct positive impact on employment growth in the local community (21% > 12%) and a similar behaviour in the parent cooperative (7,8% = 7,5%)
- ⇒ In the parent co-operative **the percentage of voting members has increased (from 78% to 84%).**
- ⇒ In the parent co-operative **the percentage of voting members is higher on GLOBAL CO-OPS than LOCAL CO-OPS (84% > 75%)**
- ⇒ Internationally (parent co-operative + the subsidiaries) **the percentage of voting members has been reduced (from 67% to 38%)**



4.2 - Phase II: research questions

- 3) Is the Mondragon Group international strategy mostly a HFDI, being competitiveness through international sales growth the main objective of production plants abroad?

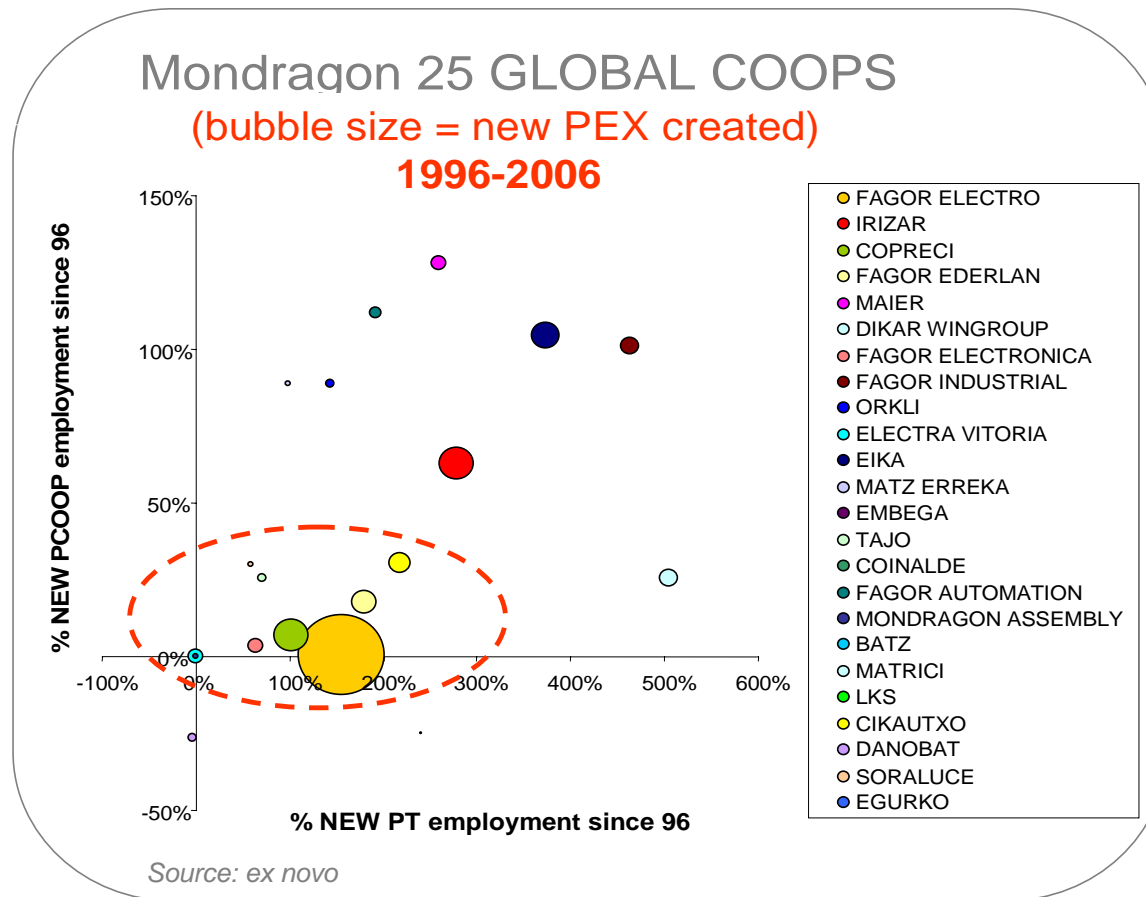
- 4) Is there a social objective in the Mondragon Group international projects?

- 5) What are the main limitations and incentives to the international expansion of co-operatives principles?



Phase II: results obtained

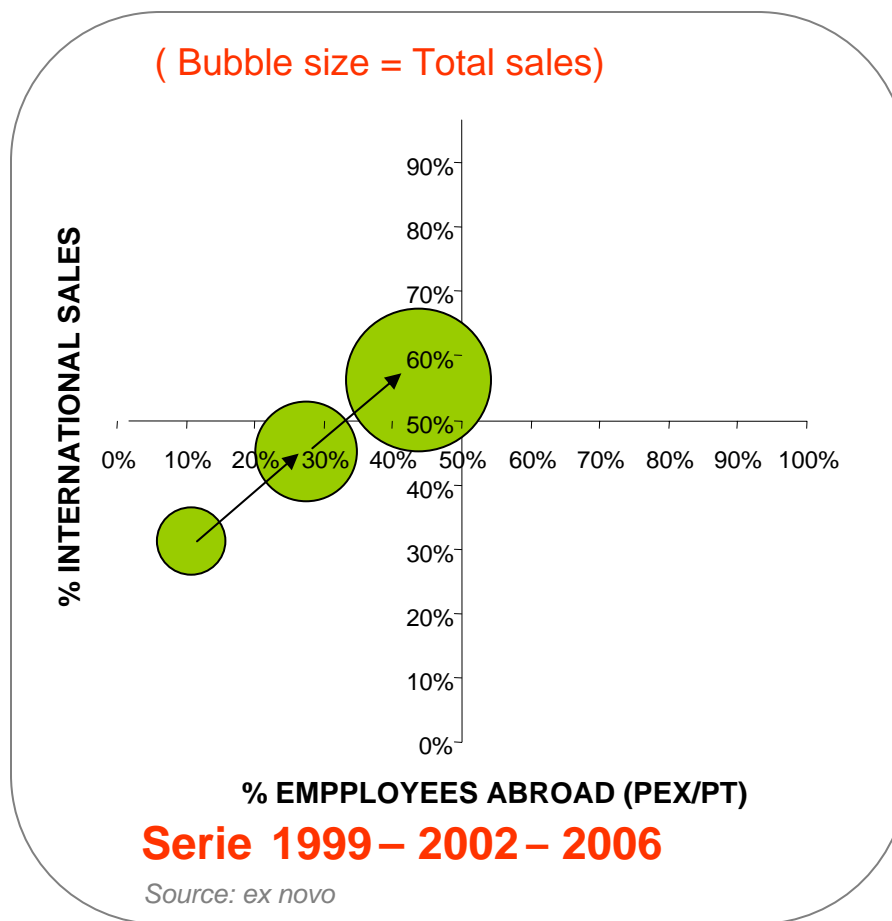
1) A global defensive strategy





Phase II: results obtained

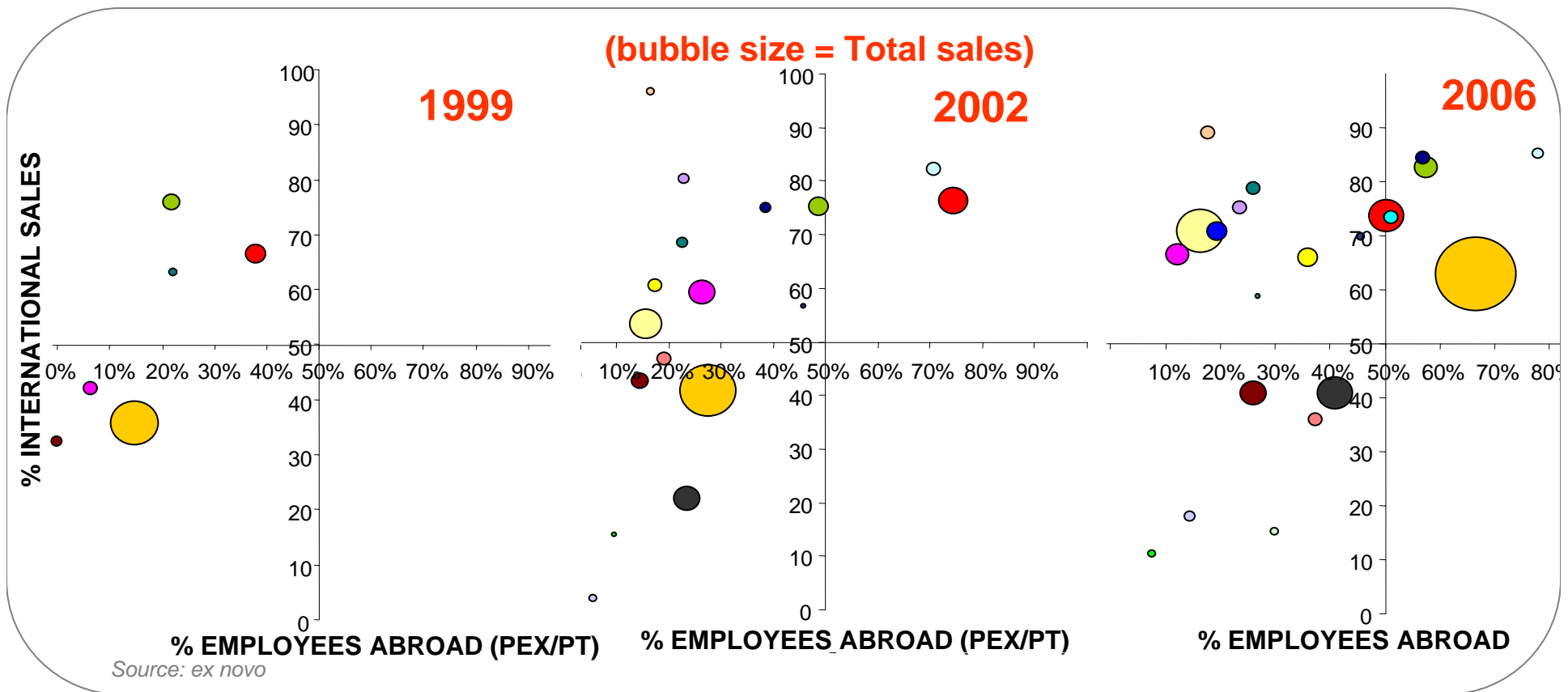
2) A market-oriented (HFDI) and fast implemented strategy





Phase II: results obtained

3) A diversified and multiple strategy





Phase II: results obtained

- 4) A common interest in establishment of plants in emerging economies
- 5) A social and economic strategy

Mondragon global co-ops (N=25)

	1999	2002	2006
PT	13,318	21,049	32,041
PEX	1,434	5,794	13,918
% PEX / PT	10.77%	27.53%	43.44%
TOTAL SALES	1,144,363	2,473,902	4,514,008
% INTER SALES	35.77%	48.79%	59.33%
EBITDA / PT	7.43	10.10	12.16

MNE - global co-ops (N=6)

	1999	2002	2006
PT	8,287	12,402	17,519
PEX	1,434	4,169	9,695
% PEX / PT	17.30%	33.62%	55.34%
TOTAL SALES	1,089,124	1,552,671	2,605,393
% INTER SALES	44.76%	52.86%	64.58%
EBITDA / PT	10.91	8.10	9.56
EBITDA / MEM	17.10	16.17	27.92

Source: ex novo

SW – global co-ops (N=13)

	1999	2002	2006
PT	4,498	6,620	10,598
PEX	0	1,287	3,054
% PEX / PT	0.00%	19.44%	28.82%
TOTAL SALES	55,239	727,783	1,472,324
% INTER SALES	32.25%	64.15%	65.06%
EBITDA / PT	-	10.87	10.09
EBITDA / MEM	-	18.79	25.80



Phase II: research conclusions

- ⇒ The main goal of Mondragon multi-localisation strategy is to access new market shares abroad
- ⇒ Mondragon plants abroad do have a social objective, one that possesses a weighty importance: the very defence of social stability at the parent co-operatives
- ⇒ The main limitations for Mondragon co-operative principles international extension are:
 - The uncertainty and lack of knowledge of the co-operative members
 - The high workforce turnover at the subsidiaries
- ⇒ And the main incentives are:
 - Recruiting local employees to the management team of the subsidiaries
 - MU policy to assume the training and education at the subsidiaries
 - International professional careers
 - Subsidiaries clustering



What about the Retail division?



Main facts from 2008:

- Total sales 9.013 M. euros
- 2.440 centers: 115 hyper, 1029 super, 274 travel agencies, 53 petrol stations, 44 FORUM (sport), 300 IF (perfume), 6 ABAC (books). In France: 4 hyper, 16 super & 17 petrol stations. In Andorra: 4 IF (perfume)
- 2.000 workforce growth (reaching 56.000)
- EBITDA: +208 M.euros but. Profits: **-97 M.euros**
- Opening of 164 new retail centers (Hyper, super)
- **Strategic decision to transform conventional companies into cooperatives:**
 - It might become the bigger cooperative worldwide with more than 50.000 working members
 - At the end of 2008 already 14.733 people participate in ownership, profits and management (1.475 annual growth)



3. How is MONDRAGON facing the crisis?

Mature sectors??

Mondragon Group industrial division: Net-job growth 1999-2006

INDUSTRIAL DIVISION 2004 STRUCTURE	EMPLOYMENT CATEGORIES	NUMBER EMPLOYEES at 31st DEC								NET GROWTH 1999-2006
		1999	2000	2001	2002	2003	2004	2005	2006	
COMPONENTS	PT	3,500	3,920	4,207	4,341	4,429	4,764	5,210	5,619	2,119
	Net Job Growth	-	12.00%	7.32%	3.19%	2.03%	7.56%	9.36%	7.85%	60.54%
	PEX	267	546	881	979	1,265	1,651	2,185	2,455	2,188
	% PEX / PT	8%	14%	21%	23%	29%	35%	42%	44%	-
INDUSTRIAL EQUIPMENT	PT	2,500	2,629	2,968	3,992	3,915	3,985	4,114	4,167	1,667
	Net Job Growth	-	5.16%	12.89%	34.50%	-1.93%	1.79%	3.24%	1.29%	66.68%
	PEX	387	502	701	1240	1750	1315	1420	1477	1,090
	% PEX / PT	15%	19%	24%	31%	45%	33%	35%	35%	-
CONSTRUCTION	PT	2,214	2,425	2,472	2,626	2,939	3,337	4,308	4,697	2,483
	Net Job Growth	-	9.53%	1.94%	6.23%	11.92%	13.54%	29.10%	9.03%	112.15%
	PEX	-	37	40	43	76	97	427	460	423
	% PEX / PT	-	2%	2%	2%	3%	3%	10%	10%	-
INDUSTRIAL SYSTEMS (ULMA)	PT	-	-	-	2,474	2,598	2,747	3,167	3,510	1,036
	Net Job Growth	-	-	-	-	5.01%	5.74%	15.29%	10.83%	41.88%
	PEX	-	-	-	425	464	786	831	1,000	575
	% PEX / PT	-	-	-	17%	18%	29%	26%	28%	-
HOUSEHOLD	PT	5,591	7,892	7,474	7,667	7,519	7,608	12,089	12,198	6,607
	Net Job Growth	-	41.16%	-5.30%	2.58%	-1.93%	1.18%	58.90%	0.90%	118.17%
	PEX	805	2,510	1,947	2,048	1,765	2,019	6,732	7,147	6,342
	% PEX / PT	14%	32%	26%	27%	23%	27%	56%	59%	-
ENGINEERING & EQUIPMENT	PT	1,798	1,969	2,326	2,318	2,879	2,942	3,138	3,532	1,734
	Net Job Growth	-	9.51%	18.13%	-0.34%	24.20%	2.19%	6.66%	12.56%	96.44%
	PEX	173	187	213	234	221	220	261	282	109
	% PEX / PT	10%	9%	9%	10%	8%	7%	8%	8%	-
AUTOMOTIVE	PT	4,923	5,342	6,215	6,294	6,987	6,923	6,816	7,301	2,378
	Net Job Growth	-	8.51%	16.34%	1.27%	11.01%	-0.92%	-1.55%	7.12%	48.30%
	PEX	241	295	1,051	869	1,034	881	877	1,294	1,053
	% PEX / PT	5%	6%	17%	14%	15%	13%	13%	18%	-
MACHINE TOOL	PT	1,155	1,240	1,202	1,271	1,143	1,151	1,085	1,112	-43
	Net Job Growth	-	7.36%	-3.06%	5.74%	-10.07%	0.70%	-5.73%	2.49%	-3.72%
	PEX	0	0	0	103	134	138	125	124	124
	% PEX / PT	0%	0%	0%	8%	12%	12%	12%	11%	-



Measures taken before the crisis (until Sep 08)

Measures at Corporative level:

- ⇒ Creation of 12 divisional + 1 corporative “Entrepreneurship & Intra-preneurship Centres”
- ⇒ Promotion of Science and Technology centres (12 centres)
- ⇒ Employment: reinforcing “working members inter-cooperatives relocation”

Measures for those cooperatives in difficulties:

- ⇒ Pre-retirements at the age of 58 years
- ⇒ Ending temporary workers contracts (Non-members)
- ⇒ Flexible working calendar
- ⇒ Reducing % working members incomes (salaries)
- ⇒ Members inter-cooperatives relocation:
 - ⇒ Timing: short–long term
 - ⇒ Distance: 50 Km



Measures taken due to the crisis (since Sep 08)

Measures at **Corporative level:**

- ⇒ Freezing working members incomes growth for 2009 (max100%, some cases 90%-80%)
- ⇒ Working more hours in the calendar

Measures at **cooperatives level:**

- ⇒ Pre-retirements at the age of 58 years (ex: Fagor 128 members)
- ⇒ Most cooperatives have reduced dramatically their temporary workers
- ⇒ Flexible working calendar (ex: Not working on “Thursdays” or “Thursdays & Fridays”)
- ⇒ Reducing % working members incomes (Fagor Electrodomesticos -11%, Irizar -10%, Renouncing to Chirstmas Extra-payments,...)
- ⇒ Members inter-cooperatives relocation

There are in place those historical tools already existing in
MONDRAGON,



Measures taken due to the crisis: (since Sep 08)

Attitudes towards the crises:

- ➔ 1- It will long few years, do not think on it just on short term basis. It is an “structural crises” so we could not overcome doing the same things we have done until now.
- ➔ 2- Adjusting measures, take them urgently “the sooner the better”
- ➔ 3- Focus decisions on “breaking measures”, try to break the “trend” assume during “bonanza” latest years
- ➔ 4- An intense leaders mindset, their intellectual capacity to encourage people, & assume decisions bravely and rigorously
- ➔ 5- To adjust, re-conduct and/or close activities, facing the consequent social and economic costs.

MONDRAGON activity main facts:

-in million euros-

CONCEPT	2006	2007	2008 estimation
TOTAL SALES	13.390	15.056	15.444
INTERNATIONAL SALES	4.345	4.682	4.117
FINANCIAL RESOURCES CLP	12.381	13.467	13.989
ASSETS LAGUN ARO	3.626	3.898	3.815
AVERAGE WORKFORCE	81.174	93.841	92.927
INVESTMENTS	1.243	2.809	1.279

MONDRAGON



HUMANITY
AT WORK

Finanzas
Industria
Distribución
Conocimiento

Eskerrik asko
Muchas gracias
Thank you
谢谢你

“Our strength does not lead to struggle but co-operation”

P. JM Arizmendiarieta - 1956