



PLC Internationalisation strategies

Template for case study of good practices

Aims: to provide an opportunity for developing shared understanding between policy makers and SE stakeholders on a good practice, its strengths and weakness; to document the key elements of the good practice for peer review learning and discussion. In this case the good practice is aimed at understanding the strategy to internationalise of a Social and Solidarity Economy organisation or how a SSE network is supporting the internationalisation of its members.

Length: <8 pages

The following provides an outline structure for good practice cases.

Title: **MONDRAGON INTERNACIONALISATION STRATEGY**
Innovating a Human Centred Globalisation

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Organizations:

- MONDRAGON Corporation
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1. Background: Social and Solidarity Economy sector, institutions and policy framework in the region/State/country where the organization is located

- The social economy is a rich ecosystem of organizations that are organized by the principle of solidarity that put the interest of people and **the social purpose before** that of **capital** to facilitate that the wealth generated is distributed in a balanced way among all social agents. The social economy sector includes a wide universe of entities, among which there are

cooperatives, associated work companies, labor companies, non-profit organizations, insertion companies, mutual societies and associative micro-enterprises.

- If we look at **CEPES** (Social Economy Spain) statistics, which take into account the global impact of the SSE in the Spanish State (including indirect employment), 43,000 SSE entities employ 2.2 million people and bill 150,000 million euros, which they are equivalent to **10-12% of Spanish GDP**.
- One of the clearest and most recognizable references, both at a national and international level, of a business model that operates under the guidelines of a more humanistic economy, is the MONDRAGON Corporation. The MONDRAGON group is the largest and most recognizable entity in the Social Economy in Spain and the first Industrial Cooperative in the world ([World Cooperative Monitor](#))
- MODRAGON is defined as the largest Cooperative Ecosystem of Social innovation in the world. It works together with business and social agents and public administrations creating an environment of innovation with transformative ambition. It looks for sustainable solutions that make possible a balance between economic growth, environmental protection and social well-being ([Mariana Mazzucato](#))
- It has been included in the ranking of [Fortune magazine "Change the world 2020"](#) in the eleventh position worldwide. A list that recognizes the **contributions** of corporations in their contribution to the current challenges of society.
- The group's companies operate in four áreas: Finance, Industry, Retail and Knowledge, including 7 foundations for Social purposes developing initiatives in the field of knowledge, innovation, education, the promotion of new businesses and social transformation.

2. Summary of main characteristics of good practice approach

Theoretical framework – Globalization impact on the community

MONDRAGON is the result of a dedicated group of people with a cooperative identity launched in 1956 and nowadays, forming a business group that is profitable, competitive and enterprising, capable of successfully operating in global markets. The Corporation uses democratic methods in its corporate organization, and its aims are employment, the personal and professional advancement of its workers, and the development of its community.

Organizationally, MONDRAGON currently consists of 266 entities, 98 independent self-governing cooperatives, 143 production plants in 37 countries ,7 Foundations, 10 coverage entities



and 7 international services entities with commercial business in 53 countries, and sales in more than 150 with a global business of 11,280 Million Euros, more than 81,000 people and 14 R&D centers, forming the leading business group in the Basque Country and one of the largest corporations in Spain. A third of the Group's sales are produced abroad as a result of its internationalisation policy, where 14,455 people work in 143 production centers.

Based on the investigation led by **Jose Maria Luzarraga** "**Understanding the Mondragon Group Globalisation**" we are going to analyse how the internationalization policy of the Mondragon corporation contributed positively to increase not only the global competitiveness, but it also better defended the employment and the stability of the local community. We will also point up how this strategy generate sustained dynamics over time of internationalization processes in surrounding sectors as in the education sector (Mondragon Team Academy as part of University of Mondragon), and in the Fourth sector (MUNDUKIDE as the NGO of Mondragon).

The investigation analyses the strategy of the **international multi-location production of the Mondragon Corporation during the period 1999-2009, as a case of cooperative innovation towards a people-centred globalization**. This seeks to protect the employment and competitiveness in the parent cooperatives, as well as the growth abroad. As a result of globalization, the global dimension is presented as one of the main keys to competitiveness and survival for industrial companies and gives lead to an unprecedented international industrial migration process from North to South and from West to East.

Globalization is therefore considered a process with an important effect in economically developed countries and emerging countries or in growth. It can be said that it has a crucial positive effect on well-being by reducing inequalities between countries through a pulley effect that pulls from bottom to top and push from top to bottom. Or on the contrary it is also affirms that it generates a negative effect by increasing global inequality: benefiting exclusively to the rich and impoverishing the poor in developed countries and developing (facing the interests of owners and investors), by pushing down the rights of workers (Rodrik, 1999).

The Mondragon Corporation cooperatives, aware of the threat to cooperative employment and the stability of the local community respond to this global phenomenon opting to compete in international markets using structures of conventional capital to ensure its global competitiveness (Urdangarin,1999: 254 and Clamp, 2003: 29).

As can be seen in table 2 and according to the statistical analysis and hypothesis tests carried out where the behavior has been contrasted annual during the period 1999-2009 of local and global cooperatives for each one of the variables, we can affirm that:



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1) The multi-location strategy is totally relevant and necessary since allows not only to better defend local, cooperative and non-cooperative employment, how to access higher levels of competitiveness and business performance measured through the main variables: total sales, international sales and exports, added value generated, and resources allocated to R+D+i.

2) The threat of globalization to local stability and employment in industries where cooperatives operate is accentuated from the economic financial crisis in 2008.

Cuadro nº 2. COMPARACIÓN DE COOPERATIVAS GLOBALES FRENTE A LAS LOCALES, EN LAS PRINCIPALES MAGNITUDES DE EMPLEO Y COMPETITIVIDAD 2000-2009

GLOBALES	2000	2003	2006	2009	Variación 2000-2009	Crec. Acum. 2009 s/2000 (%)
PT	19.264	22.414	30.186	27.650	8,386	43,53
PIN	16.155	17.655	18.387	16.100	-55	-0,34
PCOOP	15.489	15.804	14.757	12.744	-2.745	-17,72
PEX	3.109	4.759	11.799	11.550	8,441	271,50
MEM	10.552	11.975	12.151	11.416	864	8,19
VT (€)	2.271.044	2.901.478	4.441.570	3.975.689	1.704.645	75,06
VINT (€)	1.147.003	1.503.229	2.723.513	2.591.186	1.444.183	125,91
VEXP (€)	962.630	1.216.269	1.328.140	1.205.051	242.421	25,18
I+D+i (€)	39.402	49.017	74.513	103.232	63.830	162,00
VALUE (€)	693.477	861.810	1.241.395	1.315.421	621.944	89,68
LOCALES	2000	2003	2006	2009	Variación 2000-2009	Crec. Acum. 2009 s/2000 (%)
PT	4.356	4.205	3.811	3.625	-731	-16,78
PIN	4.342	4.191	3.807	3.616	-726	-16,72
PCOOP	4.346	4.013	3.675	3.025	-1.321	-30,40
PEX	14	14	4	9	-5	-35,71
MEM	3.316	3.293	3.134	2.491	-825	-24,88
VT (€)	498.582	563.969	617.050	502.021	3.439	0,69
VINT (€)	181.504	210.690	159.371	177.715	3.789	-2,09
VEXP (€)	179.485	209.007	159.371	175.104	4.381	-2,44
I+D+i (€)	11.455	11.586	14.097	18.252	6.797	59,34
VALUE (€)	161.320	172.319	180.635	177.721	16.401	10,17

Leyenda: PT: Personas totales, PIN: Personas a nivel nacional, PCOOP: Personas en la cooperativa, PEX: Personas en el exterior y MEM: número de socios, VT: ventas totales, VINT: ventas internacionales, VEXP: exportaciones, I+D+i: Inversión en I+D+i, y VALUE: Valor añadido generado.

Fuente: Elaboración propia a partir de memorias corporativas 1999-2009.

With the previous results we can affirm that **globalization is a threat important for community stability** and traditional cooperative structure Mondragon, a threat that grows exponentially in the current period of **world economic recession and crisis of the Spanish productive model and labor market.**

However, globalization is also an opportunity that multiplies the capacity of wealth generation through job creation.

Referring to the reasons why MONDRAGON became international, is important to point up that MONDRAGON has ALWAYS gone international to stay

COMPETITIVE, not to make more money, not to save labour costs, nor to evade taxes. In more than 80% of the cases of the Industrial group MONDRAGON has opened production plants in other countries by following the strategies of the Key Clients. The internationalization process has always been REACTIVE, as it was the only way to avoid losing business. As each cooperative is sovereign and makes its own decisions, MONDRAGON Corporation has not a single way to do this process, even though all cooperatives were benefited from common experience. The best way to understand MONDRAGON is not to think of just one company. MONDRAGON is more similar to the European Union where each country/cooperative is sovereign, but they accept and agree common rules.

(Perhaps that is why MONDRAGON and the European Union are so difficult to understand, because they are full of internal decision mechanisms.)

The first Division of MONDRAGON to become international was the industry and normally to countries with same language (Latin America: Chile, Mexico, etc.) and lower cultural impact. MONDRAGON Cooperatives were always oriented to exportation, so it was established as an unwritten condition to have important sales in the country before an implantation. Moreover, there are some factors to understand the way that MONDRAGON cooperatives activate this internationalisation, as:

- Thanks to long term supply agreement with customers in the country.
- Technology was the differential value as MONDRAGON cooperatives started with higher level of technology, quality and innovation than local competitors.
- MONDRAGON replicated its intercooperation tools abroad whenever possible, as, for example, developing industrial parks where the cooperatives could be together and help each other.



- This global position gave MONDRAGON Cooperatives the chance to become global suppliers of Big Groups (North America, Europe, Asia)

- The Corporation's support declines when the cooperatives were already established in the countries. It was very strong in the beginning and later it became a consultancy,

integrating everyone's experiences.

- The freedom to manage the process by the cooperatives was total and were based on key people. Managers of the projects abroad have been people who knew very well, not only the country of destination, but also the culture of the cooperative of origin. Later, in a second phase, Mondragon "popularized" internationalization and sent many people abroad as the subsidiaries abroad were growing. This process permitted Mondragon to train many managers and this, becomes an essential way to move up in cooperative companies in the Basque Country..
- MONDRAGON accepted failures as important learning points and assume them as powerful experiences for the cooperative and for others.
- Once, MONDRAGON had a powerful industry network, began to build up other activities (eg university and knowledge)

In retrospect, the strategic decisions that helped to create an environment where cooperatives could internationalize were:

- Generate corporate support structures (finance, purchasing, IR, etc.) with specialized teams in different management areas and countries.
- Create specific structures abroad (buy and export, etc.)
- Creation of Basque human teams at the beginning, later mixed (Basque & local), and almost exclusively local (but with strong feeling of belonging to Mondragon) at the end.
- Creation of intercooperative funds to support investment.
- *Once again, the parallelism with the EU is valid as regards the incentive mechanisms for the different countries/cooperatives.*

The results of the analysis of the globalization process of the Corporation, led by the 25 global cooperatives that at the end of 2006 had at least a productive subsidiary abroad, present **the keys to its international strategy** described below.

- 1) **A defensive global strategy:** Cooperatives do not assume foreign implantation as a proactive strategy to implement, but reactive, the main reason being the defense of the parent cooperatives jobs. Most implementation projects productive foreign sector seek to obtain a global dimension, which allows defend the jobs of the parent cooperative in the short or medium term.
- 2) **A Market oriented strategy:** The activity analysis during the 1996-2006 period shows us that for global cooperatives, there is a positive relationship between sales growth total (294%), the weight of international sales (from 32% to 59%) and the growth net of number of jobs abroad (12,100).
- 3) **A diversified and multiple strategy:** There is a plurality of internationalization strategies among the 25 cooperatives global, which are consistent with the principle of cooperative autonomy.

The analysis of the main factors in the globalization strategy carried out by Copreci, as a good example of this process, leads us to five main factors that were decisive at the time of internationalization, as we can see in the picture.

Alliance with Key Customers, as the main factor, Acquisition of local knowledge, acquisition of new technologies or products and alliances with competitors were the main drivers for this strategy. The factor for preventing loss in competitiveness just appear in the first experience due to currency volatility (Spanish peseta vs US \$). It is important to note that in this learning process there were also experiences that were not successful, but they contributed to creating a “open mind to



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internationalization” culture in the Cooperative from one side, and in Mondragon Corporation from the other side.

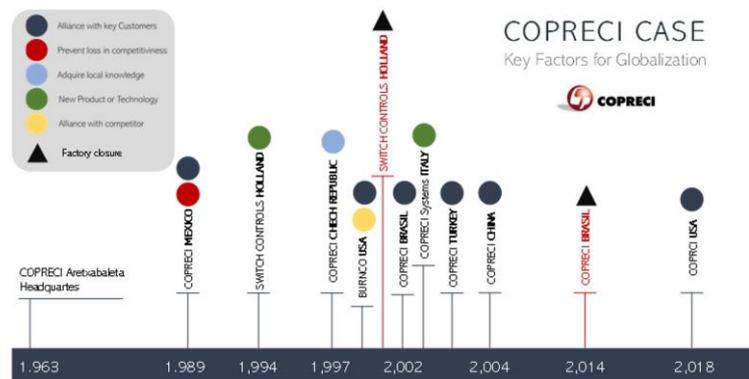
Thus, we understand this globalization process as a case of cooperative business innovation to develop a human focused globalization where the social imperative predominates (MacLeod), although it is in its first steps and

requires a profound evolutionary transformation of the reality of cooperative subsidiaries so that they follow a logic of childhood-adolescence-adulthood inspired by their parent cooperatives (Vanek). We understand that this evolution supposes, in the first place, a transformation of the people who make up the business project and their local communities through of on-the-job training and the technical, business and human education.

This internationalization strategy promoted synergies that were used to create cooperation networks both in the educational field and in international solidarity.

In the fourth Sector, in 1999 MUNDUKIDE was founded, as the way of expanding the three cooperative principles that refer to the action of the cooperatives abroad. So that, MUNDUKIDE is the Mondragon cooperative tool to develop INTERCOOPERATION, SOCIAL TRANSFORMATION AND UNIVERSALITY principles. Nowadays with programs in Brazil, Colombia, Ecuador, Ethiopia and Mozambique giving socio-economic support for organizations through social leadership and a vocation for social transformation, contributing to bolstering the entrepreneurial, organizational and cooperative work of structured groups.

In year 2008, Mondragon Team Academy MTA was founded to lead the rebirth of the entrepreneurial spirit and creative capacity of the Mondragon Community. The aim was to create an open international community of team-entrepreneurs cooperating on a multi-generational, multi-cultural and multi-disciplinary level. This dream resulted in various innovative programs, one of them being the first Official European degree in Entrepreneurial Leadership and Innovation. Mondragon Team Academy (MTA World) is a global network of social innovation ecosystem labs with a strong focus on team-entrepreneurship. created by an intrapreneurial team in Mondragon University in close cooperation with Tiimi Akatemia in Finland. MTA World adapts the vision of the Basque MONDRAGON Cooperative Experience to build an education system for Bachelors and Masters





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degree students creating people-centered enterprises that generate economic and social impact through teampreneurship and team learning by creating.'

We conclude by reaffirming the suitability and relevance of the internationalization strategy productive both for short-term and long-term management, both for the years of economic boom as during the first years of crisis and recession economic, and for both social indicators and for performance, business competitiveness and creation of new synergies. Results that could serve example for the activity of Basque, Spanish and European companies, as well as for all associated work cooperative companies in the world.

3. Evidence/Justification for Good Practice

MCC División Industrial – “ 25 Cooperativas globales”

	NUMERO DE PUESTOS A 31/12								99-06
	1999	2000	2001	2002	2003	2004	2005	2006	PUESTOS
TOTALES	13,318	16,761	17,606	21,049	22,584	24,345	30,343	32,041	18,723
	-	25.85%	5.04%	19.56%	7.29%	7.80%	24.64%	5.60%	140.58%
INTERIOR (*)	11,884	13,229	13,482	15,255	16,059	17,443	17,763	18,123	6,239
	-	11.32%	1.91%	13.15%	5.27%	8.62%	1.83%	2.03%	52.50%
COOPERATIVA MATRIZ	11,367	11,344	12,439	13,832	14,459	14,584	14,352	14,554	3,187
	-	-0.20%	9.65%	11.20%	4.53%	0.86%	-1.59%	1.41%	28.04%
EXTERIOR	1,434	3,532	4,124	5,794	6,525	6,902	12,580	13,918	12484
	-	146.30%	16.76%	40.49%	12.62%	5.78%	82.27%	10.64%	870.57%
EXTERIOR/TOTAL	10.77%	21.07%	23.42%	27.53%	28.89%	28.35%	41.46%	43.44%	-
SOCIOS	8,977	9,693	10,296	11,174	12,031	12,117	12,196	12,257	3,280
	4.88%	7.98%	6.22%	8.53%	7.67%	0.71%	0.65%	0.50%	36.54%
SOCIOS/PTOTALES	67.41%	57.83%	58.48%	53.09%	53.27%	49.77%	40.19%	38.25%	-
SOCIOS/PINTERIOR	75.54%	73.27%	76.37%	73.25%	74.92%	69.47%	68.66%	67.63%	-
SOCIOS/PCOOP	78.97%	85.45%	82.77%	80.78%	83.21%	83.08%	84.98%	84.22%	-

Fuente: Elaboración propia a partir de MCC (**) ULMA C. (***) BRANDT

NOTAS: (*) Interior = Estado español (**) Fechas de incorporación datos ULMA y Brandt

The results obtained from the activity analysis of the industrial cooperatives of Mondragón during the period 1999-2006 show quantitatively that employment in those cooperatives that have at least one productive subsidiary abroad (we call **global**

cooperatives) grows more than in those cooperatives that they do not have any productive plants abroad. With a higher net growth in cooperative parent companies (28.04% > 13.71%), in the local environment (52.5% > 24.71%) and globally (140.58% > 21.04%).

On the other hand, the qualitative leap experienced by the insertion of all this international cultural baggage in the Basque Country community, allowed the creation of innovative experiences in many areas, including new learning methodology, already referred to as MTA. MTA is a vibrant international community made up of +1500 entrepreneurs in teams, with +80 team companies created and 13 MTA labs operating in 3 continents: Europe (Irun, Oñate, Madrid, Bilbao, Valencia, Barcelona, Netherlands), Asia (Shanghai, Seoul, Pune) and America (Queretaro).

The work of MUNDUKIDE for supporting people and provide them with the transformative tools and knowledge they need to drive the socio-economic development of their communities in the Southern Hemisphere has been benefited on the one hand, from the economic contributions of the cooperatives to promote solidarity, and on the other from the involvement of professionals with experience in cooperative internationalization willing to get involved in social transformation programs. More than 75.000 people have directly benefited from these programs in Brazil, Colombia, Ecuador, Ethiopia and Mozambique. In the definition of the MUNDUKIDE Foundation's



mission, it is stated: *“A long-term strategy with periods of between 10 and 15 years, to consolidate and ensure sustainability, committing ourselves seriously and responsibly to the organization and/or community which we cooperate with”.*

The contribution of the Mondragon Corporation to all ODS challenges (CEPES Annual REPORT2020), and the existing differential in social indicators between the Mondragon cooperatives and their surrounding companies can only be explained if we accept that this Internationalization strategy contributed positively not only in economic, social, and solidarity ratios, but also in formation of communities and society that are more egalitarian, supportive and adapted to new social challenges.

4. Context and history of how it developed

The Internationalization process was a common need of most of our Industrial cooperatives. Probably the INNOVATION sensibility that we have always had facilitated the difficult path to this process.

There are a lot of similarities between both processes. The success is not easy and it will not probably come at the first trial. But the number of tries and other positive experiences are the perfect environment for success. The leadership of MONDRAGON Corporation, the reflection processes, and the “obsession” of looking to the future for improving the legacy to the next generation was very important.

The team feeling of not being alone, the support of the group was also very important. We say that, in MONDRAGON , we are “normal people” achieving TOGETHER “extraordinary things”.After the initial problems and bad experiences we showed that it was possible (first) and profitable (later). This was the main driver. Today we have 150 plants out of Spain. Every single one has its own history and it depends on the sector, the countries involved, the people ... but there are a lot of common things.

As far as the Industrial internationalization process was positive, we had the Mundukide process and then the MONDRAGON University Internationalization process. Without the first one the others would be impossible, unthinkable.

This all is about people feeling confident about the group, the cooperative and the team they belong to.

5. Outcomes (for different stakeholders)

Stakeholders:

1. Workers (Owners)

- The profitability of the company grew up and also the members’ capital.
- New jobs

2. Community



- New jobs
- More money for Social help

3. Clients

- Same vendor (company) with same quality & innovation standards in different locations (countries)

4. Suppliers

- More business

5. Others

Government

- higher tax collection.
- Bigger international net

Other contributions:

There are many contributions to different fields, as External exchange forums (EIT; European Institute of Innovation and Technology, Basque Council of Science and Technology, Basque Council of Universities, SPRI (Executive Committee) CEPES (Spanish Business Confederation of Social Economy), Spanish Chamber, Knowledge exchange forums for Finance, Communication, People, Innovation, Basque language, Executive Development, Thematic Cooperative experiences abroad, Round tables for circular economy, and Global Alliance for Effective Development Cooperation where MONDRAGON is a member of the Business Leaders Caucus, a global advisory council that will define the guidelines (business scope) within a multi-stakeholder platform.

MONDRAGON also participates in the European “Smart Cities and Communities” program of the Horizon 2020 R & D & i program, to improve the quality of life in cities through energy efficiency, sustainable mobility and the use of energy technologies. information (ICT).

Through a COFIP (Promotion and Education Fund OF THE COOPERATIVES) yearly Fund for various social projects (education, research, technological projects, support for the Basque language, welfare, cultural activities, etc ...), during year 2020 was 27,9 Million euros.

6. Drivers and Barriers

Drivers	Barriers
Customer’ needs	Cultural gap
To be competitive	Language / distance / family
Clear vision from MONDRAGON Corporation	High living standard in Basque country
Team cooperative culture	Local (foreign countries) regulation
MONDRAGON International team creation and support	To be “the first” for many things (no previous Basque or Spanish experience)
Specific funds for internationalization process	Local management practices



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Set-up of Industrial parks (Kunshan-China, Queretaro-Mexico , etc.)	

7. Overall assessment

MONDRAGON is a business study case because of three main reasons:

1. Size (biggest industrial cooperative group in the world)
2. Diversification (banking / retail / knowledge (University, R&D centers)/Industry)
3. Internationalization (150 production plants out of Spain)

The general idea of a cooperative company is: only one small and local business. We are a good example for explaining that this is not true.

Everything is about remaining competitive. And it can be achieved in the cooperative way.

The internationalization process is a key competitive factor for some business/sectors. If we want to remain competitive in those business, we must go out.

In the same way , there are other competitive factors now (digitalization , sustainability , green innovation...) and we can translate a similar solution to those factors.

The **SOLIDARITY** (common funds, KH and help) is a **KEY distinctive FACTOR**.

HUMANITY AT WORK is not a slogan is a **WAY OF DOING BUSINESS**.

HUMANITY at WORK, and recently the main music of the Cooperative hymn “HANKA BAT LURREAN, BESTE BAT AIREAN” (One foot on the ground, and the other in the air) perfectly reflects the main idea of MONDRAGON CASE, ***People who come together to work hard while still dreaming about a better future.***