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CHAPTER FOUR

MONDRAGON'S RESPONSE TO THE CHALLENGES OF GLOBALIZATION: A MULTI-LOCALIZATION STRATEGY

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Introduction

The Mondragon system of co-operatives in the Basque region of Spain has been held up as an example of the potential of co-operatives for several decades now. The system has proven that co-operatives can compete effectively against large multinational corporations in a range of sectors—most notably, perhaps, heavy industry—while still living up to co-operative ideals. Moreover, it has demonstrated that co-operative ideals, such as inter-cooperation between co-operatives, can actually provide important competitive advantages. It has also shown that co-operatives can play a key role in promoting local economic development and in enabling local communities to stop outward migration and its accompanying effects.

In recent years, however, processes of globalization have increased the competitive pressures on the Mondragon co-operatives as their multinational competitors have lowered costs by shifting production overseas to areas that not only provide low wages and less stringent regulation but also large potential markets. This situation has created a twofold quandary for the Mondragon Co-operative Corporation (MCC). On the one hand, it is being pressured to expand abroad—not only by exporting but through relocating production—in order to cut costs and capture new markets, while its primary reason for existing is to create job in the Basque region of Spain. On the other hand, if it does move abroad to remain competitive and capture new markets, it seems that this will undermine its ability to live up to its co-operative values. This paper analyses and evaluates the response of MCC to these challenges, ones that processes of globalization have created.

The chapter proceeds in the following fashion. First, a brief account is provided of the challenges that globalization poses for local communities in the form of "delocalization" of business. Next, the general approach that Mondragon has adopted to confront the challenges of globalization is detailed. The third section offers a more specific account and evaluation of the multi-localization strategy of one of MCCs leading co-operatives, the Irizar Co-operative Society. The chapter concludes with some general reflections on the prospects for international co-operation in a global economy.

The Challenges of Co-operation in a Globalizing Economy

Globalization and Delocalization

The notion of globalization has predominantly been used to refer to the development over the past few decades involving the breaking down of national barriers in the realm of trade and production. A number of authors have pointed out that globalization is actually not a new phenomenon, but can be traced back to the "long" sixteenth century at which time European countries projected their power around the world in a search for new resources and dominance in trade (Wallerstein 1976). The most recent form of globalization can be traced back to other sources, namely changes in three basic historical structures.

The first such are of change has involved production relations and, more specifically, the in emergence of a post-Fordist form of production in Japan. In a departure from the Fordist model, beginning in the 1960s and 1970s Japanese firms began to deviate from mass production techniques based upon assembly-line production. Instead, they introduced a variety of new organizational developments (e.g., work teams, quality control systems, out-sourcing) along with an increased emphasis on research and development in order to develop a wider range of products that could be produced in small quantities (so-called batch production). Their new system was more flexible, less costly, had fewer quality control problems, and produced a wider range of products (Cox 1987) as compared to the older Fordist form. Another of the key sources of globalization involved the response of large U.S. corporations to the increased competitive pressures that they were feeling from the Japanese and Europeans in the 1960s and 1970s. These pressures, combined with other factors (e.g., oil shocks, inflationary effects of the military spending during the Viet Nam war) led to depressed profits for large corporations. In response to this situation, large business responded on two basic fronts. On the one hand, big business promoted a new, more liberal national economic strategy, breaking with the implicit pact that they had made with Big Labour during the post-war period. This new strategy, which was taken up by the Reagan administration, involved trade liberalization, deregulation of business, less macro-economic intervention (i.e., abandoning Keynsian policies aiming for full-employment), cuts in government spending for social programmes, etc. On the other hand, large business in the United States started to imitate Japanese production techniques in an effort to cut costs and increase innovation (Cox 1987).

These changes in the United States led to increased pressures for liberalization of international trade and financial markets throughout the 1980s. With the collapse of state socialism at the end of the decade, these liberalizing trends opened up markets around the world, allowing for a much freer global flow of capital and goods. One of the most tangible results of this opening up of markets has been the tendency for businesses to relocate to areas in the world—especially, but not exclusively in the South—where the costs of labour and other inputs are cheaper. Another term for this relocation is "delocalisation," as businesses are no longer tied to the specific geographic locations in which they have historically produced (Irizar 2006).[1]

Delocalization did not begin with the recent opening up of Southern markets. Already in the 1970s and 1980s, for example, delocalization occurred within the borders of the United States as businesses migrated from the "rust belt" of the industrialized Northeast states to the "sun belt" in the south of the country. In migrating to the south, large firms were seeking an environment with lower wages, less union density, and a regulatory regime which was friendlier to business. In Europe, there was significant delocalization in the 1990s after the fall of the Berlin wall, with firms moving into the new transitional economies of the former Soviet Bloc, first in Central and then in Eastern Europe.[2] In these economies, Western firms found low-cost, skilled workforces right next door, along with potential markets.

What has changed as processes of economic globalization have advanced is the extent and pace of delocalization. Firms are literally relocating around the world, drawn by cheap labour, lower input costs, access to new markets, and, often, incentives from governments eager to attract foreign investment. This global version of delocalization has been facilitated by improvements in technology (information, communication, transportation), programmes of economic liberalization (in trade and finance), and an increasing harmonization of international standards (Irizar 2006, European Economic and Social Council 2005).

While delocalisation potentially has benefits for workers in the South where firms have been relocating, it can be devastating for communities in the North.[3] First, even the threat of delocalization can have a strong downward pull on wages. When firms actually do delocalize significant, long-term unemployment can occur.[4] Moreover, when displaced workers do find new employment, they are frequently only able to obtain less secure, lower paying jobs in the service sector (Fallick 1996). These effects are particularly exacerbated when firms delocalize from smaller communities and regions, where they were the major employer (Decter 1989).

Multi-localization

Efforts to address the problem of delocalization can occur at different levels of government as well as at the level of individual firms that are confronted with the necessity to make decisions about relocating. The dominant policy response by governments to delocalization has been twofold. On the one hand, there are policies to cushion the effects of delocalization on the communities that are directly afflicted by job losses (and related economic decline). On the other hand, there are policies to promote growth and employment. The latter primarily focus on increasing productivity or moving into new sectors in which countries might already have competitive advantages, or both. This two-pronged approach is expressed clearly in a European Parliament report on policy options for addressing delocalization:

> When it comes to policies, most advocate a mix of adjustment assistance policies aimed at mitigating or cushioning the effects of relocation and facilitating transition on the one hand, and policies facilitating the creation of sufficiently high growth and robust jobs on the other (growth and employment policies). (European Parliament 2006: iii)

Typically, government policy in recent years has been primarily oriented towards cushioning the impact of delocalization, retraining displaced workers, and promoting growth in new sectors of the economy. Trying to stop businesses in older, more labour-intensive sectors of the economy (e.g., textiles, manufacture, etc.) from relocating has become less of a priority, as this is increasingly seen as a losing battle.

At the level of individual firms, there are a variety of decisions that determine where firms will choose to locate. As the European Economic and Social Council (EESC) notes, it is not just labour costs but a wide range of factors that comes into play:

> Companies take their decisions on the basis of (among other things) high levels and the right kind of training, good public services, moderate costs, political stability, institutions inspiring a minimum of confidence, the proximity of new markets, the availability of productive resources and reasonable levels of taxation. Moreover, a company's position on relocation also depends on infrastructure and transaction costs. It also depends on its degree of independence as determined by its corporate and technological structure and the efficiency of the public administration. (EESC 2005: 2.14)

Still, while this broad range of factors contributes to a decision on location, for traditional joint stock companies these various factors contribute to the decision largely on the basis of how they are likely to affect the firm's profit margin.

Unlike traditional firms, however, there are place-based enterprises which have a strong preference (or commitment) to remain where they are, even if this implies less than optimal profit margins. Such firms may be small- or medium-sized privately held firms or social economy enterprises (including non-profits and co-operatives) which are formally organized to fulfil a social goal. In order to stave off delocalization pressures, such actors may undertake a variety of measures, including: lobbing government for laws and policy measures that will help to improve their competitive position; undertaking business strategies to improve their competitive position; diversifying into new product lines in which they are more competitive; extending their markets to other regions of the country or abroad; or extending production abroad to service new markets while maintaining production at home (Imbroscio et al. 2003).

This latter strategy, which can be combined with the others noted above, has been termed "multi-localization." It is this strategy that has been adopted by Mondragon in its efforts to counteract the delocalizing tendencies of globalization. In evaluating the efficacy of this strategy, several questions arise. First, can such a strategy help Mondragon compete with large multinationals that operate in the same sectors as it does? Second, will this strategy enable Mondragon to save (and even expand) jobs at home, in the Basque country? Third, is this strategy consistent with Mondragon's historical commitment to co-operative values? This chapter addresses these questions.

The Mondragon Experience

Early History

The original predecessor of the MCC was a small business that produced kerosene stoves. It was founded in 1956 by five young engineering graduates of the local polytechnic school who called the enterprise by the acronym ULGOR, which was the first letter in each of their last names. Inspired by the work and vision of a local priest, Fr. José María Arizmendiarrieta, these young entrepreneurs were dedicated to co-operative ideals and to helping the Basque region. They were unhappy with the way wealthy factory owners poorly paid their workers and forced them to work in a subservient fashion. They decided that fellow workers in their new factory would all work on an equal footing. For them, the needs of ordinary people would take precedence over the interests of the wealthy. They evolved a system of remuneration based on profit sharing. No confrere would be allowed to earn more than three times the income of the lowest-paid worker. Income was based on the value of their labour, not simply on an arbitrary contract determined by a powerful owner. The relationship between workers was meant to be democratic and to contribute to personal development.

On the basis of these principles, a diverse network of co-operatives would develop over the next twenty-five years (Whyte and Whyte 1988; MacLeod 1997). This diversity and growth would be facilitated by the emergence of several key institutions. Among the most important of these was the *Caja Laboral* (community bank or credit union). The founders of Mondragon realized early on that they could not count on large banks to support their programme of employment generation in rural areas. Their response was to draw upon the resources of the local community, who responded well to the argument—expressed succinctly in the motto *Tarjeta o Maleta* (Savings or Suitcases)—that saving their money locally could help to stop outward migration. Established in 1960 as a second order co-operative by five industrial co-ops, the Caja Laboral would go on to serve not only as the bank for the network of co-operatives, but would also be the key institution in planning and promoting inter-cooperation among the various firms.

In addition to the Caja Laboral, Mondragon placed a great emphasis on developing educational institutions. As noted above, the founders of the first factory were graduates of the local polytechnic; this school had been established by Fr. Arizmendiarrietta. The importance of education was not limited to training, but was also essential for research and development. In 1973, a research and development firm, Ikerlan was set up as a joint venture of the Caja Laboral, the Polytechnic, and the industrial co-operatives. The school would continue to develop over the years until it would finally evolve into Mondragon University in 1997 (Whyte and Whyte 1988).

These institutions provided the infrastructure for growth and diversification of Mondragon. Drawing upon these institutions and employing a variety of business strategies—including new start ups, the conversion of existing companies to co-operatives, mergers, cross-licensing agreements, and R&D partnerships—Mondragon developed a wide array of co-operative ventures. By the early 1980s, they were producing foundry parts, refrigerators, washing machines, automobile parts, and more. In addition to industrial firms, there were also service co-operatives and a distribution network based in its chain of Eroski supermarkets. And starting in 1964 with Ularco (later Fagor), there were efforts made to organize the co-operatives into regional groups in an attempt to promote inter-firm co-operation[5] (Clamp 2000; Whyte and Whyte 1988).

Underlying all the success of the organizational, strategic, and technical developments of Mondragon was the ability of its leaders to draw upon the resources of the local community—to get them to save in the credit union, to patronize their businesses, to work in their factories. They were able to do this because of the values that they professed and the way they incorporated these values into the policies and practices of their businesses. Indeed, the founders understood their commercial activities as providing a foundation for community survival. In part, their support for the local community took the form of a strong commitment to preserving and strengthening local culture, including the Basque language. As such, nearly 10 per cent of the surplus of the co-operatives went to community purposes. In this way, local solidarity served a platform for local business development which in turn reinforced bonds of solidarity. To use more contemporary language, the founders were able to draw upon local social capital in ways that served to further increase the overall amount of available social capital. (Putnam 2000).

Mondragon's Emerging Dilemma

As Mondragon continued to grow and develop throughout the 1970s and into the 1980s, some significant problems arose. One problem, which was not unique to Mondragon, was the impact of the recessions that occurred during this period (Clamp 2003). Mondragon has a policy of not releasing workers in times of economic contraction in particular units;

rather, on those occasions when they have had to reduce the labour force in one firm, they have redeployed the redundant workers to another of their other affiliated enterprises. This helped to ensure continuous growth in the labour force, which is the primary goal of the co-operatives. In the early 1980s, however, as a result of the recession, there was an actual decrease in the total number of people employed at Mondragon (see Figure 4.1). This has been the only time that this has occurred.

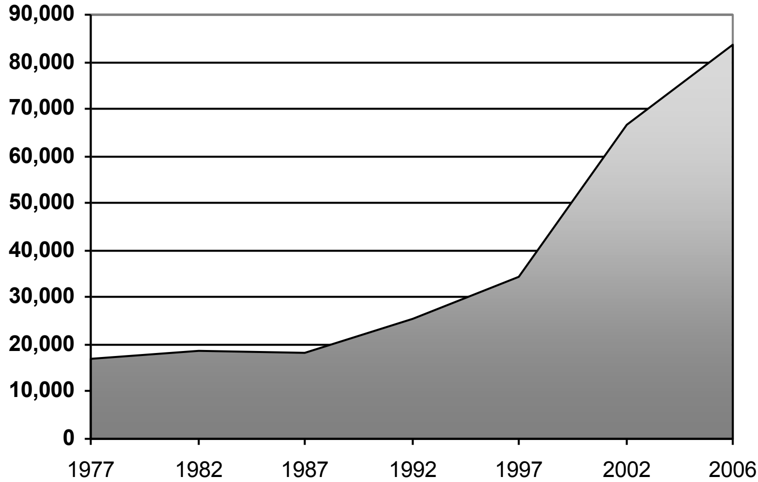

Fig. 4.1: Mondragon Job Creation Since 1977

Another problem that was beginning to hamper Mondragon at this time was its organizational structure. Originally, the co-operatives in Mondragon were organized along geographic lines. All the factories around one village were organized into a zone. By 1980, there were about six zones. Agreements such as job-sharing and other shared services were all made in a context of small towns and villages where members all knew each other. As factories began to grow larger, such personal relationships became more difficult. As a result, a limit of 500 workers was set on the size of co-operatives. Once a factory grew larger than this, then a new enterprise would be spun off. While this made sense at one level—in terms of maintaining collegial relationship and promoting active participation in decision-making—it tended to multiply companies without there being any solid business rationale. Another organizational problem involved the Caja

Laboral, which took on a variety of support functions over the years in addition to serving as a bank. This began to cause conflicts of interest and even led to intervention by the state (Clamp 2003; Whyte and Whyte 1988).

An additional problem beginning to confront Mondragon during this period was the opening up of the Spanish market to competition. After the death of Franco in 1975, the first initial steps of trade liberalization were taken. It was with Spain's entry into the European Community in 1986, however, that the most significant changes occurred, as virtually all of the trade barriers imposed by the Spanish state upon other member countries disappeared. While this development provided Mondragon and other Spanish enterprises with new export possibilities, responding to foreign competition at home was the primary concern for most firms. As a former president of the General Council commented, this event was experienced not so much as Spain joining Europe, but rather as one of European penetration of Spanish markets (Catania 2006). Spanish firms now had to vie for customers against larger European firms with more sophisticated technology and production techniques and higher-quality products.

Mondragon did not react blindly to the challenges and opportunities of liberalized trade with Europe. Five years before Spain's entry into the European Community, a task force was set up to study the implications of this new competition. Their basic response, however, was in some sense a defensive one as it focused on quality improvements. Investments were made primarily with an eye to improving product design and production lines. What was not addressed, however, was a deeper underlying problem. This was the fact that Mondragon was still operating on a Fordist model of production while the competition was moving to a more flexible, post-Fordist model (Catania 2006; Clamp 2000).[6]

Underlying the changes made at this stage of production was the basic strategy of keeping production in the Basque region and maintaining the domestic market while trying to open up new markets in the rest of Europe. By the late 1980s and early 1990s, however, as trade liberalization was increasingly breaking down borders not only within Europe but between Europe and the rest of the world, it became increasingly clear that this defensive strategy would not be sufficient. Mondragon needed to confront the problem of the changing nature of production around the globe and it needed to develop an internationalization strategy. While exporting into Europe was important, it was not going to be an adequate response to job loss at home. The investments that it needed to make in order to remain competitive while producing in its home markets could not be sustained without expanding production into other markets (Ormaechea

2006).

But, while the nature of the problem was becoming increasingly clear, the exact nature of the solution was not. Mondragon found itself caught on the horns of a dilemma. Unlike traditional firms, it could not just leave and seek cheaper labour abroad for, on the one hand, its primary reason for existing was to generate jobs in the Basque country, while on the other hand, it was committed to co-operative principles and so could not exploit cheap labour overseas. Thus, while it needed to expand in order to save jobs in the Basque region, it was not clear how it could do this and still remain faithful to its co-operative roots. More specifically, it needed to expand rapidly, but there seemed to be no way to do this while ensuring that workers abroad would be able to participate in the management, profits, and ownership of the co-operative in the same way that workers in the Basque country do (Forcadell 2005).

Mondragon's Response

On the basis of discussions that started in the late 1980s, Mondragon undertook a series of major reforms in the early 1990s. The first of these involved a complete overhaul of its organizational structure, beginning with the establishment of the MCC in 1991. There were two particularly prominent aspects to this development. As noted above, co-operatives in Mondragon were previously organized along geographic lines rather than on the basis of a firm business rationale. In the MCC, they would now be organized into four functional areas: 1) a financial group (composed of the Caja Laboral and Lagun-Aro, the social security system of the MCC co-operatives); 2) a distribution group (dominated by the Eroski supermarket chain); 3) an industrial group (which, due to its size, is further divided into seven divisions); and 4) research and training centres (see Figure 4.2). The other major change that occurred involved a diminished role for the Caja Laboral. Up until this time, the Caja Laboral had served as the main organizational institution of what was essentially a federation of co-operatives. Now, with most of its remaining planning and support functions having been spun off, the General Council, which functions as the executive of MCC, largely assumes the overall responsibility for planning and co-ordination activities (while the Standing Committee is responsible for formulating policy between meetings of the Plenary Congress (Bakaikoa et al. 2004; Clamp 2003).

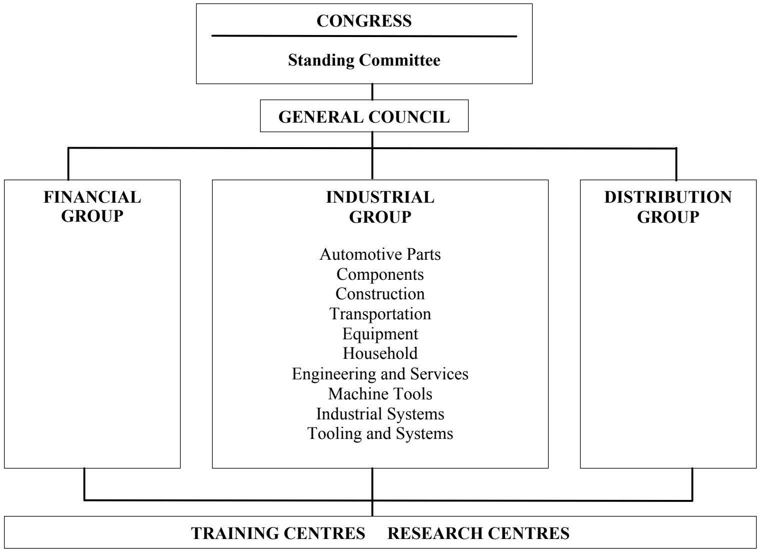

Fig. 4.2: Organizational Structure of MCC

This reorganization, along with the adoption of a new management model, enabled MCC to undertake strategic planning in a way that was not possible under the previous federal arrangement. There was a streamlining and elimination of some levels of decision-making which allowed for MCC to act more quickly on strategic opportunities. Under the new structure, it was also possible to promote shared quality standards and to develop a unified trademark that would give MCC much greater visibility. Another advantage of reorganization was that it more effectively promoted inter-firm co-operation, allowing the co-operatives to take greater advantage of potential synergies (Clamp 2003, 2000).

The second major change that Mondragon undertook in the early 1990s was the development of a new management model. The management model drew on the tradition of total quality management (TQM) and was based upon the key elements of enablers, strategy, and results.[7] The goal of the new management model was to facilitate a democratic and participatory management system that would be better able to engage in strategic planning. A key element of the model has been the development of a common Business Policy for MCC, the first one being developed in 1993. On the basis of the Business Policy, a Corporate Strategic Plan

(CSP) is developed, the first having been elaborated in 1993 for the 1994-1996 period. The development of the CSP involves both bottom-up and top-down processes. A key part of the top-down process is the elaboration of the Business Policy by the General Council (see Figure 4.2). One key element of the Policy consists of the Basic Objectives which define the key areas in which the corporation wants to make advances. The second major component of the Business Policy consists of the General Policies that lay out a general course of action in key areas and designed to fulfil the Basic Objectives. The General Policy guidelines are then used by co-operatives in the different sectors to develop their own strategic plans. These strategic plans are then integrated in a bottom-up fashion at the cluster and division levels and finally approved by the MCC Congress (Forcadell 2005).

The defining component of the management model, however, is provided by the corporate culture of MCC (Forcadell 2005). Its key role is rooted in the fact that it provides the inspiration for the basic objectives and the distinctive democratic and participatory character of the model. MCC's corporate culture is rooted three basic sources: 1) MCC's commitment to co-operative principles; 2) the mission statement of MMC (adopted in 1991); and 3) MCC's Corporate Values (see Figure 4.3). Together these three elements, which provided the enterprise with its vision, are said to comprise the "Mondragon Co-operative Experience" (see Figure 4.4). Some contend that it is the participatory and democratic character of the management model (rooted in the MCC corporate culture) that has been ultimately responsible for ensuring greater innovation and efficiency (Bakaikoa et al. 2004; Casadesus-Masanell and Khanna 2003).

The final, significant change that was occurring at this time was the development of a new internationalization strategy. The first internationalization plan for 1994-1996 was developed in 1993. The primary goal of this and subsequent plans was to help preserve jobs in the Basque region. It was clear that in order to compete against large, multinational rivals Mondragon would have to expand its operations. It had already started to do this back in the 1980s by increasing sales to the Europe Community. Now, however, a new strategy was being envisioned. Mondragon needed to expand to overseas markets and it was not possible to compete in these markets by merely exporting goods from the Basque region.[8] MCC needed to produce aboard where their competitors were producing. This was the only way that they could effectively save jobs at home. The strategy was one of "multi-localization." The intent of this strategy was succinctly summed up in a question that managers were constantly asking themselves at the time: "How many jobs do we need to create abroad to save one job at home?" (Catania 2006).

In seeking to expand abroad, it was logical that Mondragon would focus on countries with large domestic markets or countries which could serve as gateways to larger markets (e.g., Mexico as a gateway to the North American market). To help implement its multi-localization internationalization strategy, MCC established an internationalization unit and set up an international network of commercial offices in strategic locations. Currently, MCC has six such offices in China, India, Russia, Mexico, Brazil, and the United States.

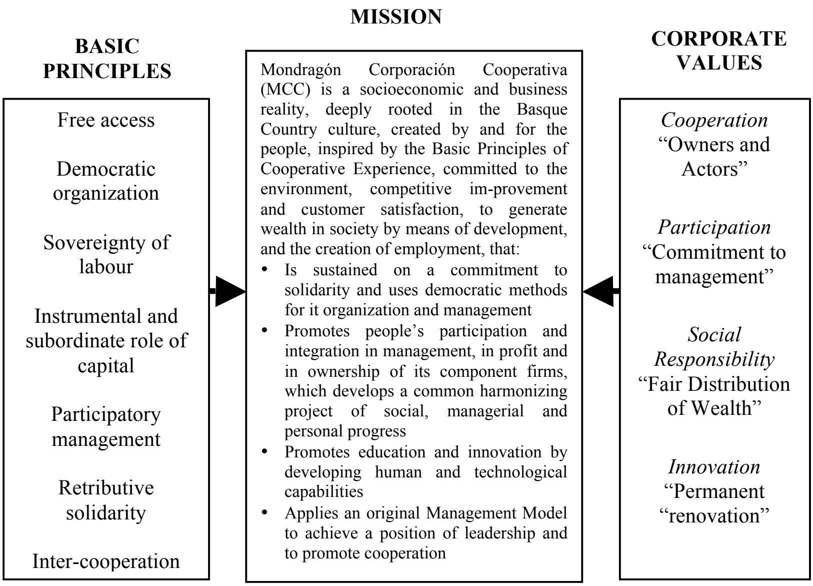

Fig. 4.3: Sources of Corporate Culture (adapted from Forcadell 2005)

Another important aspect of the internationalization strategy that Mondragon adopted involved the manner in which it would expand to other countries. While there were a number of possibilities, Mondragon decided that it would predominantly rely upon joint ventures rather than buy-outs of existing companies or greenfield projects. As Mondragon learned in the 1980s, the latter options could be quite risky. This was especially so when one did not have a firm knowledge of the market, which was the situation facing MCC. As MCC's strengths lay in management and technology, it was felt that these assets should be exploited while local partners could bring the requisite knowledge of the new markets and lower the level of risk. Typically, when engaging in such joint ventures, MCC tried to attain a majority share in the operations (Errasti et al. 2003; Clamp 2000).

It is this latter aspect of Mondragon's internationalization strategy, that is, its use of joint ventures, that has been particularly controversial. To some it indicates a lack of commitment on the part of Mondragon to its co-operative roots. Because it did not develop a plan to establish its new subsidiaries as co-operatives (either in the short or medium term), Mondragon has been accused of adopting capitalist measures in its expansion policies rather than sticking to co-operative principles (Errasti et al. 2003). Others, more understanding of the pressures that Mondragon was under to expand rapidly, have commented that MCC still did not demonstrate adequate concern for the workers abroad. In support of this, they cite the fact that in several instances Mondragon developed substitute technology to repatriate jobs back to the Basque country (Clamp 2000).

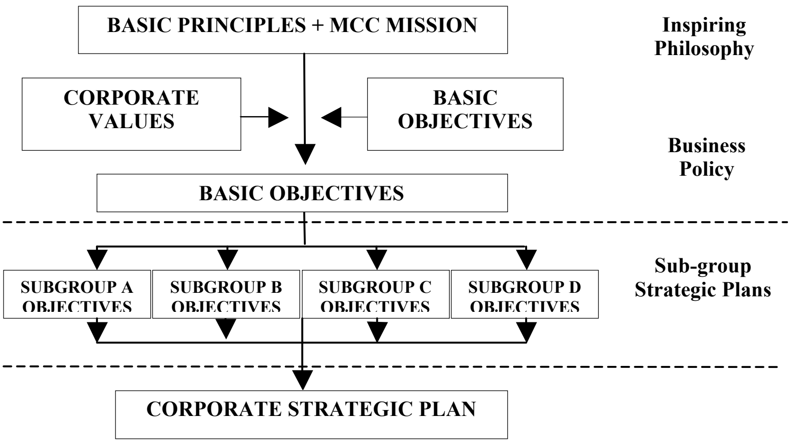

Fig. 4.4: Corporate Culture and Strategic Planning

For their part, different elements of the Mondragon leadership have offered reasons why it was not possible to establish the subsidiaries as co-operatives and/or have tried to argue that the subsidiaries run to a large extent on the basis of co-operative principles. These arguments include the lack of appropriate legal frameworks in some countries for the establishment of co-operatives, the lack of a co-operative tradition and culture in some countries, a lack of interest on the part of workers when approached about this possibility, the relatively prohibitive costs to workers (especially those in developing countries) of buying an ownership share, and the risk involved to MCC (e.g., if the worker decide to sell off the firm, if they mismanage the firm due to lack of experience, etc.) (Alcelay 2006; Catania 2006; Mongelos 2006).

The Case of Irizar

The debate about Mondragon's internationalization strategy is rather complex due to the fact that there are a wide variety of issues involved in internationaliz-ation as well as a range of different types of co-operatives (and affiliates) operating in a number of different countries. Thus, while there are general trends in the practice of MCC co-operatives operating abroad, there is also some diversity. For these reasons, it may be easier to understand the situation confronting MCC co-operatives and their potential for responding to the challenges of internationalization by examining the case of a particular group. The Irizar group has been chosen for this purpose because it is arguably the most successful and innovative of the international co-operatives in MCC and one which has demonstrated a particularly strong commitment to incorporating co-operative values and practices in its affiliates (Casadesus-Masanell and Khanna 2003).

Early History

Irizar is the oldest company in the Mondragon system, although initially it was not part of the worker co-operative network. Founded in 1889 in a small Basque town called Ormaiztegi, it was originally a family-owned company called Irizar Brothers Bodywork. The company repaired wagons and made wheels and carried out a normal bodywork business until a new opportunity arose in 1928. A Basque businessman had purchased a bus chassis in France and asked this small company to build a 22-seat coach body on top of the chassis. After this inadvertent entry into the market, they enjoyed continuous growth through to 1948 by building wooden bus bodies. In this year, they switched to constructing metal bodies, an innovative step for the time. In the mid-1950s, the Franco dictatorship began to allow more outside trade, and the Irizar family made an agreement with an Italian firm to improve their bus designs.

An important event occurred in 1962, when the Irizar brothers met Fr. José María Arizmendiarrieta. They invited him to speak to their workers about his new ideas. As a result, Miguel Irizar wanted to convert their company into a co-operative. This was a challenge, since the value of a share would have been approximately USD $5,000.00, a rather large sum for workers to invest. After many discussions and a visit to the ULGOR co-operative, a decision was made in 1963 to become a co-operative and join the Mondragon group. The Irizar brothers, the original owners, guaranteed loans for the workers.

The transformed company adopted two major objectives: improvement of worker skills and the adoption of up-to-date technology. Their entry into the Mondragon system gave them both of these things, along with access to new sources of capitalization. During the 1970s, Irizar became known for its attention to quality and innovation. Worker teams adopted an attitude of self management which helped reduce the need for middle management. This spirit pervaded the entire workforce, which had now become the owners. These changes also led to Irizar expanding their product line so that it covered a full range of transportation, from luxury coaches to city buses. Moreover, they extended their market to include five European countries (Casadesus-Masanell and Khanna 2003).

Responding to Crisis at Irizar

Irizar's expansion into Europe was a two-way street, however. As Spain was gradually drawn into the European Union, this meant easier access for Irizar to the European market for Spanish goods. At the same time, however, the Spanish market became open to other European producers. As a result of increased competition in the domestic market and the recession of the 1980s, Irizar began to accrue losses and to develop significant financial problems. By 1991, bankruptcy had become a real possibility for the co-operative (Casadesus-Masanell and Khanna 2003).

As is typical in Mondragon in such cases, a new director was sought who would be given the mandate and the resources to turn the company around. Koldo Saratxaga, an engineer from the Basque region who had experience with other failing companies, was hired as general manager of the Irizar Co-operative in 1991. At the time, Irizar had 286 workers and was producing 226 buses per year. Shortly after taking over the reins at Irizar, Saratxaga developed an emergency plan that consisted of three basic components: 1) a new, narrower focus on the assembly of luxury coaches only; 2) a change in strategic orientation; and 3) a diversification of Irizar's markets. The first of these three components is relatively straight forward. The latter two will be discussed in more detail below (Casadesus-Masanell and Khanna 2003; Forcadell and Guadamillas 2002).

The implementation of this plan for a narrow business focus was eventually carried out in a number of different phases. The first phase (1991-1992) involved a period of dissemination of the ideas for change (in particular, ideas relating to the importance of knowledge as a strategic resource). During this first phase, it was also necessary to reduce staff by 22 per cent. (Of course, in the Mondragon system, this did not mean job losses; rather, it meant transfers to another Mondragon co-operative, with re-training.) The remaining workers were asked to accept a 15 per cent pay reduction, and overtime pay was also eliminated. The hope was that with improved efficiency, both income and worker pay would increase over time (Forcadell and Guadamillas 2002).

The second phase (1993-1994) was marked by the first attempts at implementation of systems for knowledge storing and sharing. A strategic object of doubling production was set and an initial stage of diversifying markets developed that involved expanding production to Germany, France, and the United Kingdom. This plan showed results very quickly, with profits increasing by 20 per cent within a year, and the workforce expanded back to 263 workers. Other indications of success included Irizar becoming the first European firm in their industry to be awarded ISO-9001 Certification and in 1994 it received the U.K. Coach of the Year Award (Forcadell and Guadamillas 2002).

In the third phase (1994-1997), more radical changes in organization were introduced. After a period of "strategic reflection," a re-engineering model was introduced which led to a complete overhaul of the vertical and horizontal organizational charts. One key element of the reorganization was the organization of work into multi-disciplinary teams. Another key development was the integration of knowledge management (KM) and innovation in the company's strategic objectives. In 1995, Irizar also adopted the European Foundation for Quality Management (EFQM) Model for Excellence, which was based upon participation, innovation, and learning. The results of these changes soon manifested themselves in what would become a long-term trend in increased sales, efficiency, and profitability, as well as in more awards and honours. It was also during this period that Irizar extended its internationalization plans beyond selling in Europe to producing in foreign markets. Its first such venture, Irizar Tianjin, opened in China in 1995 and was soon followed by several others (Casadesus-Masanell and Khanna 2003; Forcadell and Guadamillas 2002).

In a fourth phase, beginning in 1998, Irizar set up the Irizar group which included the Irizar co-operative located in Ormaiztegi (the parent company) and the various subsidiaries. This move has allowed for closer relations between the companies and a more systematic application of the KM system across all the firms. This development reflects a larger trend among the international co-operatives in MCC to organize themselves into groups.

Restructuring

As with the more general approach to restructuring adopted in MCC, the basic goal of Irizar's KM strategy was to improve the firm's competitive position through continuous innovation. There were three basic components: a focus on customers; the organization of work based upon teams; and a model of leadership based upon shared responsibility (Forcadell and Guadamillas 2002).

In the tradition of TQM, Irizar's strategy highlights the need to be responsive to the tastes and concerns of customers. This emphasis is clearly stated in Irizar's mission statement, which lists customer satisfaction as its top value. To better focus on customers, Irizar established long-term arrangements with customers and suppliers. This practice allowed for the generation of greater knowledge about customers and markets, especially through the incorporation of customers and suppliers into Irizar's process management structure. Irizar's commitment to customers was also reflected in its attention to quality control. In 1995, Irizar incorporated the EFQM model for benchmarking purposes. This attention to quality was soon recognized by outside agencies as Irizar received a variety of awards over the following years, including an EFQM award in 2000, for which it beat out firms such as Nokia (Aleclay 2006).

With regard to management structure, Irizar has understood that the generation of knowledge and innovation requires the facilitation of participation and interaction between workers. To this end, there are no departments and no bosses in Irizar. Rather, it has developed a flat organizational structure based upon work teams. There are several key features of these teams. First, they are based upon process and not function. Second, there are two types of teams, static and dynamic, and almost all workers are members of at least two particular teams of these types. The static teams have specific tasks and generally remain together for long periods of time. All workers are members of a static team. The dynamic teams, by contrast, are more flexible, with the mandate of offering support to fulfil strategic objects. Third, the teams are all multidisciplinary, composed of a variety of different types of professionals and skilled workers. Fourth, the work teams enjoy a high degree of autonomy. The teams are able to set their own targets, to establish their own work schedules, to organize the work process as they see fit, and so on. The only significant restriction on their autonomy comes from the demand for synchronization, that is, on their need to work with other work teams. Again, the manner in which they work with other teams is negotiated between the teams themselves (Clamp 2003; Forcadell and Guadamillas 2002).

These features provide the work team structure with an array of advantages. One of these advantages is a simple transmission of knowledge as well as a shared understanding of problems. Another advantage is an ease of incorporating input from consumers and suppliers. The structure also allows for close and effective co-operation between different types of professionals with different types of knowledge. Together, these advantages contribute to an increased capacity for technological innovation and the generation of new knowledge (Forcadell and Guadamillas 2002).

Closely related to the organization structure of the work teams is the conception of "shared leadership" in Irizar. This notion is embodied not only in the flat organizational structure of the co-operative and in the autonomy of its work teams, but also in the fact that the work teams choose their own leader (rather than having a boss). There is strong encouragement for members to become team leaders, with more than 20 per cent of the workers in Irizar having already served as team leaders. This sense of shared leadership is also reflected in participation by workers in the strategic planning process. The general assembly of Irizar, which approves the strategic plan and other major decisions, meets three times a year and is attended on average by 80 per cent of the workers (Alcelay 2006; Forcadell and Guadamillas 2002).

Again, as in MCC more generally, it is the corporate culture of Irizar that enables these three components of Irizar's restructuring strategy to function as effectively as they do (Casadesus-Masanell and Khanna 2003).

Internationalization

Irizar's restructuring programme was very successful in improving its efficiency and its competitiveness in the domestic market. It became increasingly clear, however, that in order to survive, Irizar would have to find new markets. It was not enough to be able to make quality products, they had to be able to sell a sufficient quantity and that was not possible in Spain. Irizar needed an internationalization strategy. Fortunately for Irizar, its restructuring plan provided a firm basis for such a strategy (Alcelay 2006).

As noted above, before expanding overseas, Irizar first decided to develop other European markets, most notably Germany, France, and the United Kingdom. There were two reasons for this. On the one hand, it was relatively easy to enter these markets as this did not require the setting up of new production facilities. On the other hand, entering these markets would help Irizar to overcome its financial problems more quickly.

Officials at Irizar knew, however, that they needed to expand beyond Europe (Alcelay 2006).

A delegation from Irizar first visited China, Brazil, Mexico, and the United States in 1993. In that same year, a decision was made to open their first subsidiary in China. After two years of negotiations with a local firm, the joint venture Irizar Tianjin was established. Subsequent ventures would be established in Morocco (Irizar Mahgreb, 1997), Brazil (Irizar Brasil, 1998), Mexico (Irizar México, 1999), India (Irizar TVS, 2001) and South Africa (Irizar South Africa, 2004).[9] In each case, the same strategy was followed in establishing the affiliate. In line with the general MCC policy, Irizar typically would buy into an existing company with knowledge of the local market, trying to assure itself a majority share.[10] In Morocco and Mexico, Irizar eventually bought out the local partner, with the resulting firms becoming wholly owned subsidiaries (Alcelay 2006).

While there were particular circumstances and problems involved in entering each of these markets,[11] there were also important similarities. These were emerging markets with strong potential for growth. Irizar, however, could not compete in these markets on the basis of price. Indeed, the average price of a vehicle was well below their costs of manufacturing in Spain.[12] Although Irizar's cost structure would be lowered by producing in these countries, it would have to compete on the basis of its KM system, which provided it with competitive advantages in the form of innovation and related production efficiencies. This meant that it would have to target the upper end of these markets (Alcelay 2006).

In implementing its KM management in these markets, Irizar would always bring in a general manager and a financial manager from the Basque country. It felt that this was essential because so much of the success of Irizar's KM strategy was rooted in its management strategy and its corporate culture. Irizar wanted managers familiar with these features of the company and who were capable of transmitting them to the subsidiaries. A key part of the culture of the corporation, however, was rooted in the fact that it was a co-operative. What is important to note here is that while these subsidiaries were formally joint stock companies, the managers were committed to running them as if they were co-operatives.[13] The reasons for this entailed not only a commitment to co-operative values, but also more pragmatic motivations. It was necessary in order to ensure that the KM strategy of Irizar could be effectively replicated in the subsidiaries (Alcelay 2006; Forcadell 2005).

Evaluating Irizar's Restructuring and Internationalization Strategies

In evaluating Irizar's response to the crisis that it faced in the early 1990s, there are several criteria that can be applied. The first one is largely instrumental in nature. It involves Irizar's goal of improving its competitiveness in markets through increasing its efficiency. The second criterion is provided by the most immediate goal that drove the restructuring of Irizar, which was to preserve and create new jobs in the Basque country. The third criterion is provided by Irizar's commitment to the co-operative movement and can be expressed in terms of how well it provides opportunities for all of its workers to share in the management, ownership, and profits of the co-operative. In what follows, we evaluate Irizar's practice with regard to each of these criteria.

First, with regard to its instrumental goal of increasing efficiency, it is clear that Irizar has been very successful. Between the years 1993-2000, Irizar achieved an impressive annual average increase in efficiency of 18.4 per cent a year. This achievement has been the basis for the various awards for excellence that Irizar has garnered (Casadesus-Masanell and Khanna 2003). Indeed, by the year 2000 the Economist's Intelligence Unit described Irizar as the most efficient company in its sector. This increased efficiency is also reflected in market share: in Spain, where it now competes against ten other firms, Irizar enjoys a 40 per cent market share. The same level of achievement holds in its subsidiaries as well. In Mexico, for example, Irizar was able to gain a 45 per cent market share by 2005, that is, within six years of entering the market. Again, it is important to note that the basis for this increased efficiency appears to be linked directly to the organization's unique participatory and democratic management structure (Forcadell 2005; Casadesus-Masanell and Khanna 2003; Forcadell and Guadamillas 2002).

Second, with regard to its most immediate goal of saving jobs in the Basque region, Irizar has also been successful. Since the restructuring, the number of people employed in the Irizar parent co-operative has risen from 225 in 1991 to 634 in 2004, an increase of over 280 per cent in just over a decade (Casadesus-Masanell and Khanna 2003; Forcadell and Guadamillas 2002). This figure is in line with a recent study that examines employment increases and trends across MCC co-operatives that have gone international over the past decade and a half (Luzarraga et al. 2007). The study indicates that in comparison with those MCC co-operatives which have not internationalized, MCC's global co-operatives have generated both higher levels of employment in the parent co-operative and higher levels of employment in the local region.

Third, there is the question of the degree to which workers participate in the management, ownership, and profits of the co-operative. More specifically, there is the concern that workers in the foreign subsidiaries do not have the same opportunities to participate as workers in Irizar's parent company. Regarding the question of participation in management, it was noted above that Irizar has been exemplary in terms of encouraging worker participation, not only in Irizar's parent company but also in its subsidiaries abroad. Participation occurs at two basic levels. First, the success of Irizar has been based upon participation through work teams in which all workers are encouraged to engage in "shared leadership." In addition, there is participation through the general assembly of each firm. While the general assemblies of most MCC firms meet only once a year, that of Irizar meets three times a year. Similarly, even though they are not formally co-operatives, the subsidiaries also have a general assembly which meets at least twice a year. These assemblies have to approve the strategic plan of the company and any other significant changes that are proposed (e.g., major investments). Where the participation of the subsidiaries is limited, however, is in the Plenary Congress of MCC, to which they do not send representatives (as their workers are not members). There is also unequal participation between Irizar and the subsidiaries in that the former owns the latter, it appoints the chief executives, and it determines the basic strategy of the group (Alecay 2006; Forcadell 2005; Errasti et al. 2003).

With regard to workers sharing equitably in the profits of the firm, there are several considerations to take into account. First, it should be noted that Irizar has the flattest wage scale in all of MMC, with a ratio of 1:3 with respect to after-tax income (Forcadell 2005; Casadesus-Masanell and Khanna 2003). Second, while the general standard for wages in MCC subsidiaries is defined primarily in terms of being competitive with wages in the sector of the host country (especially those paid by MNCs), Irizar consistently pays at least 20 per cent more than the local competition (Alcelay 2006; Bakaikoa et al. 2004; Clamp 2000). Third, there is profit sharing in both the parent company and the subsidiaries, with 30 per cent of the company's profit being distributed to the workers. The only difference between workers in the subsidiaries and the parent company in this regard is that in the affiliates they receive their bonuses in cash while in the Basque country their bonus becomes part of their capital account, to be cashed upon retirement. For workers in Irizar subsidiaries, these wage differentials and profit sharing can amount to them receiving an income of up to 100 per cent more than workers in similar positions (Alcelay 2007).

Finally, with regard to the question of ownership, Irizar has benefited from internationalization in that it has resulted in a greater percentage of worker-members in the co-operative. The study by Luzarraga et al. (2007) confirms this result as being a more general trend among MCC co-operatives that operate abroad.[14] On the other hand, however, it is also the case that in the Irizar Group (and other MCC co-ops operating overseas), the overall percentage of worker members has dropped significantly. This is, of course, due to the fact that the overseas subsidiaries have been established as joint stock companies and workers are employees, not co-op members; only a small fraction of workers in the subsidiaries are members (e.g., managers who come from the Basque region). We have examined above the reasons why managers at Irizar, and MCC more generally, think that the transformation of subsidiaries into co-operatives is not (yet) feasible.

Conclusion

Irizar represents to a large extent a case of best practice at MCC with respect to internationalization. Not only has it created jobs and been financially successful, it has also been able to incorporate co-operative values into its practices to a significant degree. What Irizar demonstrates is how far MCC has been able to go in addressing the dilemmas of internationalization. Still, critics will argue, it has not yet been able to resolve the problem of how to create a truly international—or better, transnational—model of co-operativism in which all workers can participate fully and equally. It remains, some claim, an ethnocentric multinational in which workers from a particular region and ethnic group are favoured over others. Thus, while such critics might concede that Mondragon has rounded off the points, they will contend that it still remains firmly lodged on the horns of the dilemma (see Errasti et al 2003).

At issue in this debate, of course, is whether this dilemma is resolvable. The question is whether the dilemma is only a short-term phenomenon, that is, whether some resolution may be found in the middle to long term as other conditions change or new forms of organization are developed, or both. Within Mondragon, there have been very active debates on this issue in recent years as there seems to be a growing awareness of the risks involved in not addressing it (Bakaikoa et al. 2004; Casadesus-Masanell and Khanna 2003). There are at least three possible answers to this question, all of which have found some expression among the highest levels of management in Mondragon.

The first, and most pessimistic, answer is that there seems to be an inherent contradiction between the forces of globalization and attempts to internationalize co-operatives. A strong version of this answer might hold that in an age of globalization, co-operatives are becoming historical anachronisms. While few in Mondragon would uphold this position, a softer version of the argument would state that it will probably not be possible for co-operativism to continue in a "pure" form. This is a view that has been expressed by José María Ormaechea, one of the five founders of ULGOR and a past president of the General Council of MCC (Ormaechea 2006). Ormaechea argues that globalization has induced changes in the economy that have made it necessary for co-operatives seeking to internationalize to use capitalist methods. He notes that as a result of the need to use such methods, MCC has become "less co-operative" in recent years, citing as evidence the following facts: only 38 per cent of the workers in MCC are co-operative members, down form 80 per cent in 1990; four joint stock companies are being established for every new co-operative; four jobs are being created abroad for every co-operative job being created; and the maximal salary differential has risen from 1:3 in the early days to 1:6 during the 1980s to its current ratio of 1:12.[15] Ormaechea argues, however, that while MCC is becoming less co-operative by these standards, one should not focus on the purity of the concept of co-operativism—indeed, it may be necessary to conceive of a more pragmatic approach, what some have called neo-cooperativism (Errasti et al. 2003). Mondragon has always been pragmatic and has emphasized putting co-operative values into practice. Thus, if historical circumstances do not allow for a pure form of co-operativism, this is not to say that one should do away with the impure forms. Rather, it is necessary to look for new ways to embody the values that underlie the co-operative form, most notably the sovereignty of labour (Ormaechea 2006).

A second approach is less pessimistic but still sceptical about the prospects of developing a "pure" model of co-operativism in the short run. This point of view seems to be predominant in MCC practice and official statements and is echoed by a number of past and current high-level officials within the organization. It acknowledges the tension between co-operative values and current practice surrounding the foreign subsidiaries, but justifies the past policy on the basis that there was no other viable way to proceed (Alcelay 2006). It argues that more attention does need to be given now to addressing the growing tensions in MCC's practice (especially making them as democratic as possible) and calls for new experiments to be undertaken , such as the Employee Participation Management Services initiative of Eroski[16] (Catania 2006; Errasti et al. 2003). Despite this call for new experiments, however, advocates of this position still do not think that it is possible and/or advisable for foreign subsidiaries to be converted into co-operatives (for the reasons discussed above). For such a change to occur in a systematic way, a variety of other conditions still have to be met (e.g., the devel-opment of a co-operative culture, legal reforms, greater inter-firm co-operation, etc.) (Alcelay 2006; Catania 2006; Mongelos 2006).

A third evaluation of the prospects for internationalization would largely agree with the second approach in terms of justifying the past practice of MCC, recognizing the need to place more emphasis on reforms now and calling for new experiments. Where it would differ from the others is in asking some more fundamental questions about the conditions for successful internationalization. More specifically, at issue is whether there needs to be a rethinking of the historic relationship between co-operatives on the one hand and understandings of territoriality and local culture on the other (Cancelo 2006). In the case of Mondragon, the issue is the centrality of the role of the Basque region and culture. Multi-localization is in its origins a strategy of producing in other countries primarily as a means of preserving a network of co-operatives in the Basque country. The question is whether multi-localization can (and should) extend beyond simply producing in other countries so as to allow for greater input from workers in these countries in determining the future and vision of the larger venture. Is it possible (and necessary), for example, that as patterns of production change, that parent companies of MCC groups be located outside of the Basque region (and outside of Spain)? Is it possible (and necessary) to have multi-localization arrangements which respect and preserve the rootedness of co-operatives in their original context, while allowing for the development of new traditions and practices in other geographic areas?

The question of whether it will be possible to effectively internationalize co-operativism in the form of multi- or transnational co-operatives has clearly not been resolved and is likely to remain unresolved for some time. This is not to say, however, that one cannot argue for the importance of co-operative values in internationalization. In this regard, it is important to highlight what Irizar and other international co-operatives in MCC have done on the basis of their commitment to co-op values, even if they have not yet achieved—or never do achieve—a fully international co-operative practice. What they have developed is a practice in which workers, both in the Mondragon co-operatives and in their subsidiaries, are better off than before internationalization. The workers in the parent co-operatives are better off in that existing jobs have been retained, new jobs have been generated, there is a higher percentage of worker-members, and sales and profits have increased. The workers in the subsidiaries abroad are also better off in that the new jobs that have been generated provide higher wages and benefits and more participation rights that other workers in their sector enjoy. Moreover, MCC's forays abroad have started new debates about the possibilities of co-operation in a globalizing economy, while MCC is initiating new experiments to promote such change. Ultimately, it is only on the basis of such dialogue and experiments that the question of internationalization of co-operativism will be finally resolved.

Notes

1 A variety of definitions have been offered of the term "delocalisation" (European Parliament 2006). One that is widely cited is that of the European Economic and Social Committee, which states: "Delocalisation occurs when a business activity is totally or partially ceased, to be reopened abroad by means of direct investment" (EESC 2005).
2 Delocalization is cited as a major problem among the European 15 in the EESC (2005) report on delocalization.
3 The impact upon Southern countries, of course, depends heavily upon the regulatory conditions that are in place in the site to which the firms relocate. There is a growing literature on this topic, most notably in the North American context with regard to maquiladoras in Mexico. See, for example, Wilson (1992).
4 Delocalization should be distinguished from the related, but narrower concept of deindustrialization. While delocalization may involved deindustrialization (including "a decline in employment, production, profitability and capital stock in industry, as well as a decline in the export of industrial goods and the emergence of persistent trade deficits in this sector"), it is also the case that other types of businesses (e.g., the service sector, resource sectors) may also delocalize (EESC 2005). For many communities, however, that have historically been dependent upon industry, delocalization and deindustrialization are closely linked.
5 For a variety of reasons, these initial efforts to promote inter-firm cooperation were not entirely successful. It would only be with the establishment of MCC in 1991 that a more systematic plan of inter-firm co-operation would be established (Clamp 2003).
6 There were efforts in the 1970s to address issues of work process, but these were put on hold as recession hit. They were aimed more at

eliminating the vestiges of Taylorist elements than at introducing post-Fordist production, however (Clamp 2003).

7 This employment of TQM by MCC was in line with developments occurring in the EU at the time, such as the establishment of the European Foundation for Quality Management in 1998.

8 Mondragon's initial ventures overseas came at the behest of large MNCs. As these companies were delocalizing, they pressured their suppliers to move abroad as well. This is how Copreci's first venture in Mexico, for example, was initiated (Clamp 2000).

9 In addition to these foreign affiliates, Irizar also bought two Spanish companies during this period, one in 2000 and the other in 2003. The first, Hispacold, was the primary manufacturer of air conditioning units for buses in Spain. It was on the brink of being bought out by an MNC, which was trying to establish monopoly control over this market, which would have been very detrimental to Irizar. The other, Tasats, produced elevators for the disabled that are used in Irizar's buses. As the owner was about to retire and his children did not want to take over the firm, he approached Irizar. Both companies are now part of the Irizar group (Alcelay 2006).

10 The case of Morocco is an exception in many ways. Investing in Morocco was not part of the strategic plan of Irizar. It occurred by pure happenstance, when one of the Irizar managers met a Moroccan lady on vacation in Belgium. Her small, fledgling factory in Morocco, which manufactured wagons, was in desperate need of a technological infusion. When she explained her dilemma—that if the factory closed, 100 families would lose their income—the Irizar management offered to bring in new technology and take a 33 per cent share in the firm. After two years, the company was still losing money and needed more investment. At this stage, Irizar made an offer to purchase as they could not justify putting in the millions still required for new technology unless they owned the entire operation (Alcelay 2006).

11 In China, for example, when Irizar found a potential partner, they were deeply concerned that the company (like many in China) was overstaffed due to government employment policies. In order to make it run efficiently and become competitive, they needed to negotiate with the Chinese state in order to be able to reduce the workforce to a workable level. See Alcelay (2006).

12 For example, in China the average price for a bus in 1998 was €12,000, while in Spain it would cost €180,000 to produce the same vehicle. The situation was similar when Irizar entered India in 2001. By 2005, Irizar was able to charge €200,000 for a bus in China and €180,000 in

India (Alcelay 2006).

13 The only difference, the head of technology transfer for the company has stated, is that they do not write “co-operative after the company name” (Alcelay 2006).

14 Luzarraga et al. (2007) also argue that the internationalizing efforts of MCC cooperatives generate jobs in the Basque region outside of MCC as well.

15 Ormaechea (2006) also argues that it generally becomes increasingly difficult for co-operatives to survive as the capital intensity of enterprises increases, noting that this is what is happening to Mondragon as more and more of the traditional manufacturing work is being exported to developing countries.

16 Outside of the Basque region, the Eroski co-operative owns other grocery stores. This company, best known by its Spanish acronym GESPA (Gestora de Participaciones, Sociedad Civil Particular) was set up by Eroski to promote participation by the employees in the management and ownership of these firms (thereby treating them, in part at least, like members of a the parent co-operative).

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