A THEORY OF SOCIO-BUSINESS DIFFUSION:
UNDERSTANDING THE INFLUENCE OF MONDRAGÓN CORPORACIÓN COOPERATIVA AS A POSITIVE FORCE FOR CHANGE AT THE INTERSECTION OF BUSINESS AND SOCIETY

by

BONNIE RICHLEY

Submitted in partial fulfillment of the requirements for the degree of Doctor of Philosophy

Dissertation Advisor: David L. Cooperrider, Ph.D.

Department of Organizational Behavior
Weatherhead School of Management
CASE WESTERN RESERVE UNIVERSITY

August, 2009
CASE WESTERN RESERVE UNIVERSITY
SCHOOL OF GRADUATE STUDIES

We hereby approve the dissertation of

Bonnie A. Richley

candidate for the __Ph.D.________________ degree*.

(signed) ________________________
DAVID COOPERRIDER
(chair of the committee)

________________________
DAVID KOLB

________________________
RONALD FRY

________________________
PETER WHITEHOUSE

(date) June 01, 2009

*We also certify that written approval has been obtained for any proprietary material contained therein.
To

God, my Father, He who is everything. I live each day with the hope of bringing You joy, serving You with all of my being, bending to Your will, moving toward the good purpose on this path which You have made for me.
Prayer for systemic change

We praise and thank you, O God, Creator of the Universe.
You have made all things good and have given us the earth to cultivate.
Grant that we may always use created things gratefully,
and share them generously with those in need.
Give us creativity in helping the poor meet their basic human needs.
Open our minds and hearts so that we might stand at their side
and assist them to change whatever unjust structures keep them poor.
Enable us to be brothers and sisters to them,
friends who walk with them
in their struggle for fundamental human rights.
We ask this through Christ our Lord. AMEN

“The whole field of international economic development has changed since the 1960s and '70s. The new idea is to lift people out of poverty by giving them tools to improve their incomes. Their lives are changed not by handout aid, but through design.”

It is difficult to get a man to understand something when his job depends
on not understanding it.

~Upton Sinclair
Table of Contents

LIST OF TABLES.................................................................................. 7
LIST OF FIGURES.................................................................................. 8
LIST OF ILLUSTRATIONS................................................................. 9
PREFACE............................................................................................. 10
ACKNOWLEDGEMENTS................................................................. 17
ABSTRACT......................................................................................... 22

PART ONE: INTRODUCING THE RESEARCH STUDY

CHAPTER 1......................................................................................... 24
INTRODUCTION
Research Concern and Purpose
Why is this Important?
  Alignment with the emergent need to generate both social and business good.
  Alignment with new forms of organizing that restores power and hope to individuals and communities.
  Alignment with the mission of scholarship.
Contributions
A Map of the Dissertation
Summary

CHAPTER 2......................................................................................... 44
CONCEPTUAL FRAMEWORK AND GUIDING LITERATURE
  Guiding Philosophy: Appreciative Inquiry and Positive Organizational Change
  Innovation and Diffusion
  A Model that Enjoins Business and Social Objectives
  Rethinking Cooperatives
  Organizational Culture
  Summary
CHAPTER 3………………………………………………………………………………... 63
METHOD AND ANALYTICAL APPROACH
Research Purpose and Questions
Methodology
  Qualitative Research.
  Grounded Theory and Case Studies.
  Cases-within-a-Case Study.
Sample
Data Collection
  Primary Case Site – MCC.
  Nine Mini-cases.
Analytical Approach
Summary

PART TWO: SOCIO-BUSINESS INNOVATIONS

CHAPTER 4………………………………………………………………………………... 92
MONDRAGÓN: AN EXEMPLARY SOCIO-BUSINESS INNOVATION
  A Personal Reflection
  A Visionary Realist’s Qualifier
  A Socio-business Innovation: Identifying Characteristics
  The Birth of MCC: From and End Comes a Beginning
  Mondragón Corporación Cooperativa Today
Summary

CHAPTER 5………………………………………………………………………………... 126
PARTICIPANTS PROFILES
Case 1
  The Person
  The Context
  The Impact
Case 2
  The Person
  The Context
  The Impact
Case 3
  The Person
  The Context
  The Impact
Case 4
  The Person
  The Context
  The Impact
Case 5
  The Person
PART THREE: ANALYSIS AND MODEL DEVELOPMENT

CHAPTER 6 ................................................................. 187

FINDINGS AND A THEORY OF SOCIO-BUSINESS DIFFUSION

Building Blocks of Theory
The Diffusion of an SBI
Phase I: Precursors to SBI
   Extrinsic Influences
   Intrinsic Motivators
Phase II: Discovering and Experiencing an Ideal SBI
   Attractors
   Connecting
   Knowledge Transfer
Phase III: Actualizing an SBI
   Contextual Relevancy
   Leveraging Capacity
   Grounding SBI
A Model of the Diffusion Process of an SBI
Data Structure
A Theory of Socio-Business Diffusion
Summary

The Context
The Impact
Case 5
The Person
The Context
The Impact
Case 7
The Person
The Context
The Impact
Case 8
The Person
The Context
The Impact
Case 9
The Person
The Context
The Impact
Summary
CHAPTER 7………………………………………………………………………………… 226

DISCUSSION, IMPLICATIONS AND CONCLUSION

A Third Way
Review of Research Questions
Diffusion of an SBI
Phase I – Precursors to SBI
Phase II – Discovering and Experiencing an SBI
Phase III – Actualizing an SBI
Diffusion of an SBI: Generative Capacity
  Evolution of innovation
  Differences in diffusion
Generative Organizing: Propositions
Implications
Limitations
Summary

APPENDICES…………………………………………………………………………… 254
Appendix A – IRB Application and Consent Form
Appendix B – Interview Protocol

BIBLIOGRAPHY…………………………………………………………………... 260
### LIST OF TABLES

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Page</th>
<th>Table</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>46</td>
<td>1</td>
<td>The Ten Appreciative Inquiry Principles.</td>
</tr>
<tr>
<td>2</td>
<td>56</td>
<td>2</td>
<td>Comparison of a Traditional Organization to that of a Cooperative.</td>
</tr>
<tr>
<td>3</td>
<td>70</td>
<td>3</td>
<td>Grounded Theory Guideposts</td>
</tr>
<tr>
<td>3</td>
<td>81</td>
<td>5</td>
<td>9/16-12/3, 2004 Schedule of Visitors to Otalora</td>
</tr>
<tr>
<td>3</td>
<td>82</td>
<td>6</td>
<td>2002, 2003, 2004 Groups/Hours of Education Time Recorded at Otalora</td>
</tr>
<tr>
<td>3</td>
<td>82</td>
<td>7</td>
<td>Details of Mondragón Internal Participant Information</td>
</tr>
<tr>
<td>3</td>
<td>84</td>
<td>8</td>
<td>Details of External Participant Information</td>
</tr>
<tr>
<td>4</td>
<td>105</td>
<td>9</td>
<td>MCC Annual Report to 31-12-2006</td>
</tr>
<tr>
<td>4</td>
<td>113</td>
<td>10</td>
<td>Ten Basic Principles of Mondragón</td>
</tr>
<tr>
<td>4</td>
<td>121</td>
<td>11</td>
<td>The Seven Characteristics of an SBI, Labels, and Support from Historical and Interview Data</td>
</tr>
<tr>
<td>6</td>
<td>213</td>
<td>12</td>
<td>Details of Codes and Themes</td>
</tr>
<tr>
<td>7</td>
<td>243</td>
<td>13</td>
<td>Differences between Pure Innovation and Technical Innovation</td>
</tr>
<tr>
<td>7</td>
<td>244</td>
<td>14</td>
<td>Differences between Social Innovation and Socio-business Innovation</td>
</tr>
</tbody>
</table>
### LIST OF FIGURES

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Page</th>
<th>Figure</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>98</td>
<td>1</td>
<td>MCC Geographical Location.</td>
</tr>
<tr>
<td>4</td>
<td>105</td>
<td>2</td>
<td>MCC Worldwide (2006)</td>
</tr>
<tr>
<td>4</td>
<td>107</td>
<td>3</td>
<td>Distribution of Employment Generated by MCC to 12/31/2006</td>
</tr>
<tr>
<td>4</td>
<td>107</td>
<td>4</td>
<td>Distribution of Employment in Spain, according to Autonomous Region to 12/31/2006</td>
</tr>
<tr>
<td>4</td>
<td>108</td>
<td>5</td>
<td>Evolution of Employment to 21/31/2006</td>
</tr>
<tr>
<td>4</td>
<td>108</td>
<td>6</td>
<td>Distribution of Employment According to Activity</td>
</tr>
<tr>
<td>4</td>
<td>112</td>
<td>7</td>
<td>MCC Business Structure</td>
</tr>
<tr>
<td>4</td>
<td>112</td>
<td>8</td>
<td>MCC Corporate Mission and Values</td>
</tr>
<tr>
<td>4</td>
<td>116</td>
<td>9</td>
<td>MCC’s Organizational Structure 2006</td>
</tr>
<tr>
<td>4</td>
<td>119</td>
<td>10</td>
<td>MCC’s Management Model 2005</td>
</tr>
<tr>
<td>6</td>
<td>188</td>
<td>11</td>
<td>Phases of the Diffusion Process of an SBI</td>
</tr>
<tr>
<td>6</td>
<td>190</td>
<td>12</td>
<td>Data Structure</td>
</tr>
<tr>
<td>6</td>
<td>210</td>
<td>13</td>
<td>The Diffusion Process of a Socio-business Innovation</td>
</tr>
<tr>
<td>6</td>
<td>211</td>
<td>14</td>
<td>Adaptation of SBI and Levels of Impact</td>
</tr>
<tr>
<td>7</td>
<td>245</td>
<td>15a</td>
<td>Diffusion of Innovation (Rogers, 1962)</td>
</tr>
<tr>
<td>7</td>
<td>245</td>
<td>15b</td>
<td>Diffusion of an SBI</td>
</tr>
</tbody>
</table>
# LIST OF ILLUSTRATIONS

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Page</th>
<th>Illustration</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>98</td>
<td>1</td>
<td>Fr. Jose Maria Arizmendiarieta (1915-1976)</td>
</tr>
<tr>
<td>4</td>
<td>99</td>
<td>2</td>
<td>A City of Bomb Shattered Buildings.</td>
</tr>
<tr>
<td>4</td>
<td>99</td>
<td>3</td>
<td>1300 Bodies Recovered after Barcelona Raids.</td>
</tr>
<tr>
<td>4</td>
<td>100</td>
<td>4</td>
<td>Trek of Men, Women and Children</td>
</tr>
<tr>
<td>4</td>
<td>101</td>
<td>5</td>
<td>ESKOLA POLITEKNIKOA (The Polytechnical School)</td>
</tr>
<tr>
<td>4</td>
<td>104</td>
<td>7</td>
<td>MCC Today and Corporate Logo</td>
</tr>
<tr>
<td>5</td>
<td>163</td>
<td>8</td>
<td>Service Area of ACEnet</td>
</tr>
</tbody>
</table>
At the heart of my desire to obtain my Ph.D. was to equip myself with the skills and knowledge to teach, research, lead and influence positive change for people and organizations. Like everyone, my goals and ideals have no doubt been shaped by my family, my culture and key transition points throughout my life. I have been raised as a member of the American working-class brought up to believe in the good of democracy and a reward system founded in meritocracy. These are values and beliefs that shape my worldview. I am grateful for my upbringing; it has paradoxically provided me with both privilege and the ability to be more sensitive to those who are marginalized by situations, systems, and elitism. In my interactions with people from other cultures I have noticed that many consider the terms “American” and “individualism” to be synonymous; this type of generalization assumes (and thereby confuses) a value for individual rights with a way of life. As an American I value without question the rights of the individual but this belief does not mean that I think that people should exist as self-serving and separate entities. Embedded in this position is the struggle to balance the needs and rights of the individual with those of the collective. Today, as class distinctions, poverty, and joblessness continue to rise, our attention turns to an increasing sense of injustice at a global level. At this juncture in time we need new ways to help us to foster democratic
systems to obviate the competing and ever growing drive for unbounded economic
growth for a privileged few.

I have spent the greater part of my life trying to figure out how to contribute to
this balancing act to include international healthcare, a brief stay in law school where I
intended to focus on advocacy work for women and children, community outreach and
sundry other personal and professional venues. While I had taken many routes over the
years in pursuit of my goal I continued to be dissatisfied. I felt bound by the bureaucracy
and hierarchy inherent in the large systems that I wanted to change. I realized that I
wanted to effect change but lacked the “how to.” By chance I met a person during a
layover at an airport in Washington, D.C. During the three-hour hiatus we chatted about
many things including my experience as a then newly initiated law school student and my
long-standing personal aspirations. I remember him listening intently, with focus, and
patience. His willingness to hear my story was a true gift for someone like me who was
captured in the business of trying to “hurry up and find the way to make a difference.”

He too shared the story of his work with a Masters in Organizational
Development program (MSODA) at Case Western Reserve University. Before we parted
company he handed me his business card and said that it sounded like I belonged in the
MSODA. I left feeling deeply affected by what he had said about the program. An entire
program dedicated to change? This sounded too good to be true. The next day I
withdrew from law school and began the process of applying to the OD program at Case
Western Reserve University.
As I began the MSODA studies I started to develop the skills to understand and analyze organizations at a systemic level and their far reaching impact on people and society. The more I learned about organizational development, the better I understood how power dynamics create a drive for bottom-line results and individual reward. I also began to understand why, as a member of an organization, I often felt stuck in or stifled by a self-serving culture and an unbending system of hierarchy and elitism. While America’s organizations espouse democratic values the lived experience for the greater percentage of its citizens is compromised by an elite and ruling privileged class. America is catching up with the rest of the world’s great divide; “the haves and have nots.” I became profoundly aware of the type of change I hoped to create: democratic processes built on a foundation of respect for human dignity, equal opportunity, and meritocracy.

Although I am in many ways privileged, my own experience as a woman, as someone who has often been a member of the lower ranks in organizations, and as a member of America’s working class means that I have been judged, and denied access or opportunity because of these significant attributes. I believe that discrimination is one of the most subtle and destructive forces in the world today and exists because of a growing gap between class, power and privilege. As with most significant learning this belief has been formed through formal and informal experiences.

A major turning point occurred in my life when I became one of three women involved in a discrimination suit against my employer of ten years. Going through this process juxtaposed with that of my MSODA experience made me a skeptic. I questioned whether any organization would be able to maintain a balance between its human and economic values. Rather than focusing on the glass ceiling I began to speculate that
glass wall might exist in organizations that prevent the integration of a value for people and profit. Why does this bifurcation so clearly exist and why are people so easily damaged or disposed of in organizations (e.g., wage inequality, layoffs, forced retirement)? Does the blame lie with top management and their focus on individual and financial reward or with an apathetic workforce? As a result of my growing curiosity about the interaction between individuals and organizations I applied to the Ph.D. program where these simple questions grew in complexity and understanding. I also continued to think about the disjuncture between what we were being taught in the classroom and my lived work experience. What would a new way of organizing entail that balances people and profit?

I entered the Ph.D. program wanting to understand cooperation, and how to effect positive change, yet I found myself on a path that helped me to learn more about how people and structures can foster divisiveness, disappointment, and destruction of the human spirit. While on this academic quest the process of the discrimination lawsuits continued over a three-year period during which I concluded that any indicator of organizational dysfunction is not an isolated or arbitrary incident but rather part of a related and larger system dynamic. Two aspects of organizational change became figural for me: 1) the necessity to include marginalized voices and 2) the power of reframing critical issues through Appreciative Inquiry (AI). Throughout this time I experienced my own personal paradox; I became stuck after being focused on so much negativity and yet I held on to my interest and belief in the conditions that promote and foster participatory processes. A call to David Cooperrider during this “stuck” period changed everything when he said, “I think you’ve always known what you’ve wanted to study, and you just
needed to take your own unique path to get there. Remember that when you came into
the program you said that you wanted to study change and cooperation. I think you
should do what you came here for.” I often reflect on how that single phone call was
instrumental in helping me converge toward more clarity about my personal convictions
and hence my research agenda.

A move to Spain and another conversation with David led me to the next step in
developing this dissertation. Outside of the international experience I would gain in
Europe, David’s direction to inquire into an unusual organization named Mondragón
(MCC)\(^1\) opened up the possibility for me to develop a research project centered on my
interests and passion. Preliminary research revealed that:

“MCC is a principle-based, worker-owned and managed cooperative
organization. It promotes broad participation in management while
distributing decision-making power throughout the organization.
Mondragón is a unique example of an integrated economic and social
system that has thrived in profitability and accelerated growth.” (Herrera,
2004: 56). Since its inception MCC has functioned as a for-profit business
guided by its unique social vision based on social and economic justice,
the dignity of human persons and their work and solidarity, values derived
from Catholic Social Thought (CST) (Herrera, 2004: 57).

I knew that I wanted to find out more about this organization that fit with my own
values and interests so I embarked on a visit to MCC. Tucked away in the beautiful
green hills of the Basque country I found that Mondragón was not only surviving but
flourishing. On my first visit to MCC I spent the day taking a tour of Otalora, the
education and training center that holds classes and seminars related to cooperative

\(^1\) A cooperative in Spain founded in 1956 by a young priest named Don Jose Maria Arizmendiarieta.
 enterprise. The purpose of Otalora is to provide information about MCC to its worker-owners and to outsiders wanting to learn about the cooperative. I also toured Fagor, one of the earliest established cooperatives, and part of what would later become a much larger and complex international cooperative corporation. From the start I began to learn about what I will refer to as MCC’s lived “positive core” (i.e., the core values as articulated through CST and how these related to its success as a profitable business).²,³"

I was surprised by how this positive core was a natural part of conversations throughout the day as I talked with members of MCC and those visiting the cooperative. But what stunned me most was the large number and types of people visiting MCC from around the world. During my tour I met participants interested in starting cooperatives, some wanting to effect social change through a business model, researchers with a variety of curiosities and even as specific as one person wanting to help a group of men in Peru learn how to start their own fishing cooperative. These people, like me, wanted to learn from MCC. At the end of the day I knew that I had started to form the basis of my research question and I was certain that I had found a place from which I and the world could benefit from understanding. All the way back to the hotel, and later to Cleveland, I kept thinking about the droves of people making their way to Mondragón and their desire to gain knowledge from this exceptional organization. I was left with the feeling that I

² The term, the Positive Core, is referred to in AI as the fundamental forces that give life to an organization.  
³ In conversations with members of MCC they seamlessly intertwined issues of profit, human development, and social good. Mikel Lezamiz, Director, Cooperative Dissemination at Otalora, stated, “that we must always work for this balance.”
had been one of many on a pilgrimage to a special place where hope and belief for a better way of working and living are inspired by this unusual “social experiment".

Many conversations with my Chair and members of my committee helped me to articulate my interests in MCC, my emerging curiosities, and ultimately the seeds of my research questions began to take shape. After two additional visits to MCC, numerous meetings with their organizational members across different levels, and a submission of a dissertation proposal, they agreed to collaborate with me on this research study; an act of faith in my intentions to raise up this unique innovation as an exemplar and one from which I believe we can learn much about positive change through cooperation. I will be forever grateful.

\[\text{\textsuperscript{4} From the beginning Mondragón has been referred to as a social experiment because it was created as a way to try to restore work and hope to members of the Basque country after the Spanish Civil War.}\]
ACKNOWLEDGEMENTS

I am blessed and grateful to have been put on the journey that brought me to this work. I believe innovation is simultaneously the most fascinating, confusing and promising path for creating positive change at every level of humanity. It challenges us to see and to think in new ways and to be bold in our assertions about what is possible. I hope in some small way that this work will help us reconsider what innovation should and can mean both now and for the future.

Recently my nephew Andrew provided me with a great bit of inspiration about the rightful place innovation should have in the world today through his own research on Thomas Edison. Considering Edison’s vast number of inventions and his influence throughout the globe it is pretty impressive to know that he said, “I never perfected an invention that I did not think about in terms of the service it might give others.” If nothing else, the one thing I hope this research demonstrates is that the broad domain of innovation exists in an open playing field; everyone has access. Imagine how the world might change in a single day if each one of us came up with even a seedling of an idea designed to meet some aspect of humanity’s needs from the most basic to the most complex; a low estimate would suggest around 6 billion working ideas on any given day. Now imagine that you don’t have to work on that idea alone but that you have about 6 billion potential collaborators to choose from who could help make your idea a reality. I
would say that in this weird notion are some pretty impressive odds that we can all make a difference in some amazing ways.

As I state repeatedly in my dissertation, the journey of discovery is not one travelled alone. With that in mind I offer this place as the moment where I can share my deepest appreciation to some very special people who have been with me along the way. I thought about this part of my dissertation for a long time and I wanted to find just the right way to tell you all what a difference you have made in my life. And then one night, in a theater in London, the words jumped off the stage and into my heart where I have been keeping them ever since waiting to tell you. So here they along with a few other things I just want to make certain you never, ever forget. With God’s blessings and my love, I am now and forever thankful. Bonnie

_I've heard it said_
That people come into our lives for a reason
Bringing something we must learn
And we are led
To those who help us most to grow
If we let them...

So much of me
Is made of what I learned from you
You'll be with me
Like a handprint on my heart...

And because I knew you
I have been changed for good...

For Good - Lyrics, Idina Menzel and Kristin Chenoweth

Anthony – for all the reasons and moments I have shared with you. Believe, know and remember every good thing I have told you about the special person you are and the great influence you bring to so many lives. This journey of mine has indeed been
long, but it has been possible because of you. You simply refused to let me give up and most important to me is the fact that you are always here with me, showing me every day that I am not alone. Let us continue, side by side, moving toward even more joy and exploration.

Mom, Dad, Holly and Bob, Kathleen and Eric, Allison and Bill, and Jennifer and Jeff: Thank you for always reminding me that I could actually get to this point. Your faith in me has never faltered and that has made all the difference. Hopefully you will see your influence in my work by the very way each of you make my world, and all who know you, a better place. The values we share are the ties that bind us to one another and are the foundation on which this work is built.

In order of appearance – Scott, Kevin, Nicole, Andrew, Peter, Riley, Cori, and Matthew: I always thought that my sisters (aka, your Moms) were the best gifts that God could ever have given to me and then He surprised me with each of you! Every day I am grateful to be your Aunt Bonnie. I see God’s gifts rooted firmly in your souls and expressed in so many ways. Just like the people in my dissertation you have a great potential to make a difference in the world. God has already planted this seed within you and it is blossoming even if you may not know it just yet. Keep your eyes, minds and hearts wide open and you will discover His path for you and this I know…it will be the ride of your life! Remember, you will never be alone on your journey, that’s why God made families. And Peter, the dissertation is finally done but I want to thank you for always remembering to ask me “How’s the writing coming along?” You don’t know how much that meant to me and how that encouraged me to finally finish.
To Frederick Schultz (aka, Uncle Fred): If I could I would give you a doctorate. Instead I can only confer my own special place to honor you. You are a beautiful example of how God’s grace is made manifest in the world by how you live your life. I love you dearly. I wish I could have a heart as gentle as yours and a mind as bright. You are my quiet inspiration.

To my committee: David Cooperrider, Dave Kolb, Ron Fry and Peter Whitehouse. David your spirit and work has influenced every aspect of my life. Thank you for returning me to myself and for reminding me of what I wanted to study. Your intellect, compassion and guidance were a constant source of motivation and you pushed me to work harder in order to attempt to make a contribution at the critical nexus of business and society. Dave, your wisdom, insight, patient and gentle guidance helped me to have the conviction that the stories were the center of this research and in so doing gave me a focal point of purpose (and made it a bit longer…sorry!). Ron, thank you for challenging me to think broader and to also look for the connecting threads while sifting out the irrelevant. I believe this study is more focused because of you. Peter, you inspire me through your unflagging dedication to serving others and the innovations you offer to the world. Your work and thinking are helping me to see my own work in terms of new possibilities.

Richard Boyatzis, thank you for always having time to listen to me and to bolster me with laughter and advice. I know I said this to you once before, but it’s worth repeating, “thank you for helping me to dream again.” Jean Kilgore, thank you for being the very best dissertation coach, role model and all around amazing person. You saved me more than you could ever know. Lila, you are a blessing in my life and I thank you
for your kind and wonderful spirit, your laugher, and your wonderful late-night texting! I would also like to thank a really special friend, David Bright. David, your friendship, insight, and gentle and generous spirit has been a gift to me. I have learned many things from you that I am even now still discovering.

To all the wonderful people of Mondragon in the beautiful Basque Country and especially my host Mikel Lezamiz. Thank you for sharing your time, history, knowledge and perspectives. The world can understand a new way of how to enjoin business and social good because of your legacy and your willingness to help others such as myself learn from you. Without your generosity this work would not exist. I hope I honor your past, present and future by holding up Mondragon as a model of positive potential.

To all of the participants in this study I offer my deepest appreciation for sharing so openly and patiently in this research. Your work and stories are already serving as wellsprings of inspiration for me and others who are hoping to make a difference in the world. I am humbled and honored to illuminate your ideas and work.

To my friends at ESADE: Simon Dolan, Ceferi Soler, Ricard Serlavos, Alfons Sauquet, Manel Peiro, Carlos Obeso, Alberto Gimeno, Alfred Vernis, Carlos Losada and Xavier Mendoza and to all whom I was blessed to know during my time in Barcelona. Thank you for your kindness, guidance, and influence in my life. I have learned so very much from you and I see the world as a much smaller and better place because of your friendship.
A Theory of Socio-Business Diffusion: Understanding the influence of Mondragón Corporación Cooperativa as a positive force for change at the intersection of business and society

ABSTRACT

by

BONNIE RICHLEY

The main purpose of this research is to understand how and what people are learning from an innovative business model that enjoins social and economic good. This study highlights an organization widely recognized as the most successful cooperative in history, Mondragón Corporación Cooperativa (MCC) located in Basque Country. I present seven characteristics that define what I have entitled a socio-business innovation (SBI) based on the MCC model and as one way to understand how organizing at the intersection of business and society is actualized. A cases-within-a-case study approach has been utilized to understand two important aspects: 1) attributes of MCC that define it as an SBI and 2) the diffusion process of an SBI. Nine secondary cases demonstrate how such a model has been adapted culminating in an emergent Theory of Socio-business Diffusion reflected in a three-phase process: Phase I - Precursors to an SBI draws on participants’ personal experiences to uncover the motivations leading them to embark on the innovation journey and to humanize the diffusion process making it more readily understandable and relatable; Phase II - Discovering and Experiencing an SBI addresses how and what people learned
from engaging with the primary site; and Phase III - *Actualizing an SBI* focuses on showcasing how various adaptations of the MCC model is manifested worldwide. Spin-offs are noted at three distinct levels of impact to include: organization, local/regional and country. Key findings from the study point to the critical role of values throughout the process including linking the social business divide. This research also demonstrates that SBIs are generative in nature, having offspring that bear similar hallmarks but are contextually distinct. Further, unlike most technical innovations that rely on a high level of replication, SBIs are extremely mutable toward meeting the needs of a specific context thus ensuring a positive fit within the locale. This research offers the concept of an SBI as a way to challenge our existing frameworks for how we think about and enact business and social good by presenting an alternative paradigm for work organization and by providing a pathway toward the diffusion process.
CHAPTER 1

INTRODUCTION

“We think that management should be a noble profession, that it should have some higher aspiration. In law, the value aspiration is justice. In medicine, it is the absence of disease. In management, it is to help enlarge humanity’s cooperative capacity.”

- David Cooperrider,
- Founder, Center for Business as an Agent of World Benefit

This introduction is intended to provide an overview of both the context and the questions driving this research. I present the contributions this study hopes to offer and I provide a map of the dissertation through a brief overview of each part and chapter.

Abundance. More than a word, it is a concise and powerful description of this point in history. We exist in a time of plentitude. Whether you would place yourself at the top of the Fortune 100 list or well below the poverty line this is a truth that cannot be ignored. The effects of this current state of abundance, however, manifest itself very differently at the individual level depending on where you reside along the continuum. You either benefit from the riches evident in your life on a daily basis, or you experience the lack of abundance of that which provides a minimal standard of living; enough food, enough drinkable water, enough money to buy medicine. Wherever you look, the concept of abundance is figural, remarkable either for its presence or its absence.

---

Viewing the global landscape from a collective position of abundance reveals a rich paradox. We live in a time that reflects a vast and seemingly endless array of resources, (e.g., financial, intellectual and human), yet we also have an abundance of problems that we fail to solve, regardless of the wealth of assets at hand. The tension between unbounded personal or organizational wealth accumulation and an increased need for greater social justice reveals a world marked by vast and rising inequality; an economic and social caste system visible in communities, organizations and countries but always experienced most profoundly through the immediacy of the individual personal story. The challenge is to reduce and ultimately bridge the economic and social good divide through the discovery of new models of abundance at the intersection of business and society.

Research Concern and Purpose

This research centers on two primary concerns: 1) an innovative model of work organization hallmarked by democracy both in principle and practice and one that also simultaneously enjoins business and social good, specifically what I have named a socio-business innovation (SBI) and 2) the process of transferring this model to different environments, generally known in the study of innovation as diffusion (Rogers, 2003). The notion of an SBI originates from the culmination of my personal and professional experiences over a lifetime of sense making. The more explicit concept of an SBI is derived and defined from a variety of resources to include my work in the business and social sectors, influence and engagement with The Center for Business as an Agent of World Benefit (BAWB), my educational journey comprised of formal and informal
venues, a vast array of scholarly, practitioner and mass media reading and perhaps most importantly, conversations with people who care enough to want to make things better. I was most immediately inspired to define an SBI after encountering the primary site for my research, Mondragón Corporación Cooperativa (MCC). I used MCC as a way to build the definition of an SBI by holding their model as an exemplar while broadening the concept by integrating and adopting related knowledge from the field of management studies. The result is a working definition of an SBI that guides this research.

The overarching research concern central to this work is to understand what and how people around the world are learning and adopting from a unique organizational model with a distinct business structure and social vision, referred to in this study as a socio-business innovation (SBI). I define an SBI as having seven characteristics (This is presented in more detail in Chapter 4):

1. A hybrid form of work organization focused on social and business good and designed to simultaneously build human and financial capacity;

2. Following Elkington (1994) and his concept of the triple bottom line (TBL) (i.e., sustainability that encompasses people, planet, and profit) an SBI actualizes tangible and intangible benefits to the individual, organization and greater society;

3. Expressing a shared value system that is democratic in principle and practice;

4. Departing in several distinct ways from what is widely recognized as sustainability in business. An SBI places people, not capital, at its core and does not place a primacy on economic gain as the driver of value.

5. Adopting the central principle of agency according to Polanyi (1977) whereas
“individuals are…agents of social change; they are not passive actors constrained by their institutional settings” (Mendell, 2003: 2).

6. Advocating a pluralistic philosophy of life whereby the actualization and determination of social and economic good is best defined and developed within the embedded culture of each community.

7. Serving as a point of reference, a source of information and inspires others through their innovations to enable future work at the intersection of business and society.

The main objective of this study is to generate a practical theory about the process that leads to the diffusion of an SBI. A broader purpose is embedded in the scholarly pursuit of theorizing whereby I hope to challenge and to expand our concepts of cooperation and organizing and therefore reduce our dependence on taken-for-granted realities about forms of work and social order. This work is guided by a social constructionist perspective of reality which posits that the world around us is shaped, or constructed, by processes of human action and interaction rather than by a predetermined order or nature (Berger and Luckmann, 1966; Gergen, 1999). Cooperrider, Barrett and Srivastva (1995: 157) expound on the implications of a social constructionist perspective for creating a new order of organizations:

As made and imagined, organizations are products of human interaction and social construction rather than some anonymous expression of an underlying natural order…deceptively simple yet so entirely radical in implication, this insight is still shattering many conventions, one of which is the long-standing conviction that bureaucracy, oligarchy and other forms of hierarchical domination are inevitable. Today we know this simply is not true.
This research offers an opportunity to examine how a new order of work organization is constructed, or re-constructed, through a process of human cooperation. Simultaneously, although indirectly, this study also offers an exercise in deconstructing current forms of cultural hegemony (Gramsci, 1992) and dominant ideologies by questioning the present standard through an alternative model. The deeper intent of deconstruction is to make visible the tenuous and contextualized nature of a meaning and thereby rendering it malleable to other interpretations. Viewed through a deconstructionist lens, this study offers a challenge to traditional work structures and in so doing presents other ways of organizing that minimizes hierarchy and privileges humanity. Borrowing from existing work in critical anthropology, I as researcher, hope to “step beyond the dominant…discourse (and its ideological concepts, structures, and boundaries) in order to create meaning and understanding in dialectical opposition to control” (Scheffler, 1981: 166) or the notion that organizational structure, positional authority, or privileged birthright brings with it the inherent right to implicitly or explicitly subjugate any form of life. Nowhere is this belief more widely felt or accepted than in the supreme deference to an “econocentric” focus as the world model for what currently constitutes development to the exclusion of other critical considerations that simultaneously promote human and ecological flourishing.

This study offers the concept of an SBI as a way to challenge our existing frameworks for how we think about and simultaneously enact business and social good by presenting an alternative paradigm for work organization. Until we look at radically different forms of organizing we have little chance to innovate. “Work is socially constructed and unless the old work concept is formally buried and a new work concept
developed and formally introduced as a replacement, organizations cannot escape the social bonds binding them to old practices” (Chaharbaghi & Newman, 1996: 6). This perspective raises several critical questions related to this study. Where do scholars go to understand alternative models of organizing for how to create both business and social good? Further, what is the process that facilitates the diffusion of such models, namely an SBI? The answer is simpler than we might suspect: Find people who are actively involved in constructing a very different reality about how to enjoin people and profit and follow their path.

The focus of this research is a case study of Mondragón Corporación Cooperativa (MCC) and its influence around the world. While previously recognized as a “social invention” (Whyte, 1982) this research broadens and builds on MCC’s capacity as a model of a Socio-business Innovation or SBI (i.e., generating social and business good). This work intends to extend our understanding of MCC’s impact beyond its social aspects to include critical elements of its business model, or specifically as an SBI. Due to its unique business/social vision and organizational model, MCC provides a way to surface the dynamics of how an SBI is adopted through “the linking of people, ideas, and objects together to form effective and lasting communities or technologies” (Hargadon, 2003: 6). Located in the Basque Country, MCC is widely recognized as the most successful and expansive cooperative in history focused on people and profit (Whyte & Whyte, 1991).

Together we have been able to transform a humble factory, which in 1956 manufactured oil stoves and paraffin heaters, into the leading Industrial Area in the Basque Country and 7th in the ranking in Spain, with sales of 13,266 million euros in its Industrial and Distribution activities, 12,332 million euros of administered assets in its Financial activity and a total workforce of 81,880 at the end of 2006.
MCC’s mission combines the basic objectives of a business organisation competing in international markets with the use of democratic methods in its organisation and with special emphasis on job creation, the promotion of its workers in human and professional terms and a commitment to the development of its social environment. (José María Aldecoa, Chairman of the General Council, MCC)⁶

Mondragón Corporación Cooperativa provides a context to further understand the interrelationships between the person, organizational context (i.e., workplace democracy) and the intersection of business and society not only within MCC but across organizational boundaries. The research study is designed to develop theory grounded in the lived experience of individuals learning from MCC and how they applied this information toward a successful or positive outcome at the intersection of business and society. This study will surface the dynamics of the process that leads to the diffusion of an SBI.

In order to understand MCC’s significance as an SBI this research addresses four key questions:

1. What are the attractors that draw people to MCC and what role do these attractors have in the diffusion of the innovation process?
2. How and what do individuals learn from MCC (i.e., what is the social learning process)?
3. What is the outcome from their learning experience with MCC; and
4. What are the characteristics of the adopted/adapted innovation?

⁶ Source: http://www.mcc.es/ing/quienessomos/presidente.html, Message from the Chairman
As a scholarly practitioner I seek to discover and promote positive alternatives to existing forms of work infused with principles that restore humanity and democracy. My concern is that the world has become increasingly out of balance, favoring models of work that stifle most of humanity and promote the quest for unbounded wealth benefitting only a small percentage of the world’s population. Through this research I provide a model for an SBI and I formulate a theory about how an SBI is diffused toward the positive intersection of social and business good.

**Why is this Important?**

*Alignment with the emergent need to generate both social and business good.*

This research is timely. In spite of efforts to reduce the disparity between economic classes the gap continues to widen around the world bringing with it increased poverty, hunger, unemployment and declining healthcare. On a global scale leaders are joining together to work to eradicate these problems through the United Nations Millennium Declaration (UNMD). In 2006 the UNMD reported a significant impact noting that “between 1990 and 2002 average overall incomes increased by approximately 21 percent. The number of people in extreme poverty declined by an estimated 130 million” (Chapter 6, ¶ 1). Yet, the same statement released by the UNMD also emphasizes that great challenges remain, “There are huge disparities across and within countries. Within countries, poverty is greatest for rural areas, though urban poverty is also extensive, growing, and underreported by traditional indicators…(and) Sub-Saharan Africa is the epicenter of crisis” (Chapter 6, ¶ 2-3). Another report issued in 2005 by the UN entitled, The World Social Situation: The Inequality Predicament, reiterates that “the struggle to
achieve even a measure of success has become increasingly difficult, as the global
committment to one of the most basic principles of equality – that there should be a better
balance between the wealthiest and the poorest – appears to be fading” (UNMD, 2005: 9). The report goes on to highlight the paradox of our present state of abundance and scarcity:

“It is profoundly disturbing that in a world in which unprecedented levels of wealth, technical expertise and scientific and medical knowledge have been attained, it is the most vulnerable in society that consistently lose ground during economic booms. One of the most visible by-products of globalization is access to new kinds of wealth and its propensity to increase inequality. Globalization has helped to accentuate trends that show the wealthiest 20 percent of the planet accounting for 86 per cent of all private consumption and the poorest accounting for just above 1 per cent” (p. 9).

Poverty and related indicators of disparity are significant even in industrialized countries such as the United States. In the book, *Class Matters*, Bill Keller (2005: 14) writes that “the American economy has also grown more quickly than Europe’s in recent decades, leaving an impression of boundless opportunity.” Yet, citing Levine, he writes that “being born in the elite US gives you a constellation of privileges that very few people in the world have ever experienced…being poor in the U.S. gives you disadvantages unlike anything in Western Europe and Japan and Canada.” Echoing the findings in the UN report, Keller also targets the twin forces of globalization and technological advancement as creating new opportunities for the wealthy while having very little impact on improving life for the middle-class and the poorest of Americans. Keller argues that together these trends have “helped produce the extraordinary jump in income inequality.” Shipler (2004: 6) presented a similar perspective:
After all our economic achievements, the gap between rich and poor has only widened, with a median net worth of $833,600 among the top 10 percent and just $7,900 for the bottom 20 percent. Life expectancy in the U.S. is lower, and infant mortality higher, than in Japan, Hong Kong, Israel, Canada, and all the major nations of Western Europe. Yet after all that has been written, discussed, and left unresolved, it is harder to surprise and shock and outrage. So it is harder to generate action (p. 6).

Perhaps this is because at the same time the majority of its citizens are experiencing economic hardship American culture supports entrepreneurship and free enterprise as an unbiased path to success, thereby inherently blaming the person for any lack of achievement. The paradox is not lost on minimum wage workers trying to raise a family while “earning Wal-mart wages of $1,120 a month before taxes …in a society that endlessly celebrates its dot-com billionaires and centimillionaire athletes, $7 or even $10 an hour can feel like a mark of innate inferiority” (Ehrenreich, 2001: 198 and 206). The implied message is if you are not successful, something is wrong with you. In contrast to this all too real picture of American life the U.S. often “describes itself to the world in unblushing superlatives: the richest, freest, most powerful and capable nation on earth” (Greider, 2004: 23) and is often held up as a global model for economic development. It is clear that something is wrong with this ideal system. While America is still viewed by most as the land of opportunity, it is fast becoming a land of privileged opportunity leaving those with less money, less education, and less advantage struggling to survive let alone get ahead.

A world-level view recognizes economic disparity as perhaps the greatest epidemic threatening human life in the 21st century to both industrialized and non-industrialized countries. The remedy to this disease however, will not be found by actualizing novel ways to generate more money, through World Bank lending practices
that entrap impoverished countries in cycles of debt, or even by focusing on increasing educational efforts. What is needed is the discovery of innovations that will level the playing field by creating work systems that are democratic in principle and practice and that focus on a dual mission of simultaneously generating both social and business good. Failure to disregard the need for such practices would be perilous as reflected in the UNMD Report 2005:

> Focusing exclusively on economic growth and income generation as a development strategy is ineffective, as it leads to the accumulation of wealth by a few and deepens the poverty of many; such an approach does not acknowledge the intergenerational transmission of poverty. A broader approach to poverty reduction includes social, economic and political dimensions, integrating improvements in health, education, economic development, and representation in legislative and judicial processes. It is the implementation of policies in these areas that contributes to the development of human capital, enabling the poor to realize their full productive potential. Addressing all aspects of poverty increases the odds that future generations will reap the benefits of today’s policies rather than remaining trapped in a cycle of poverty. …Addressing inequality requires efforts to achieve a balance between many complex, countervailing socio-economic forces. Although economic growth is necessary, it is not a sufficient condition to reduce poverty. Reforms are required in a number of different areas to increase the opportunities for and capabilities of the poor and other marginalized groups in order to spur inclusive growth and development and thereby reduce inequality (p. 1-2).

A shadow outcome of inequality not readily quantified perhaps may prove to be the greatest barrier to eradicating poverty – poverty reduces the ability to manifest individual power for meaningful change. When one is hungry, or cold, or ill, it is more difficult to dream of new horizons. Factors at the organizational, societal and world levels, namely globalization, power and privilege, go hand in hand in limiting our ability to realize a new vision of the future. The individual is overwhelmed.
Alignment with new forms of organizing that restores power and hope to individuals and communities. This research is important because it demonstrates how individuals can work together toward a collective good with a minimal level of hierarchy and a more fair distribution of financial gain through a cooperative structure. In a cooperative, employees become worker-owners empowered through democratic work processes designed to ensure maximum participation while fostering social good at the community level. Our world is held together by people living in flourishing societies and thriving communities, not by greed-driven corporations producing unlimited wealth for a few. Returning our attention back to the immediacy of where we live is a crucial factor in the diffusion of SBIs. This study also suggests that a focus on communities provides a compelling argument against the standard notion that globalization is an unstoppable force. A community-centric approach can reverse the trend toward domination by MNCs or other forms of organizational oppression. Through new models of work we can begin to understand how to replicate SBIs and restore power and hope to individuals and communities. As Robert Reich, former secretary of Labor for the Clinton administration stated in a recent interview, “Societies are fragile things. They’re based on trust. And if people don’t feel they have a fair chance of getting ahead…if a lot of people feel excluded. That’s not good for society. That doesn’t keep America [or any country] together” (2006, 23).

Alignment with the mission of scholarship. This study is significant to scholars. Since its inception 49 years ago, the mission of the Academy of Management (AOM) and its members has been to serve both businesses and society. “The public would be served by scholarship designed to help accomplish both the economic and social objectives of
industrial society. The research record, however, suggests that these twin goals have not been met. The public interest – as distinct from the private interests of capital and labor – holds a tenuous place in management scholarship; the social objectives of society have not received equal attention in our work.” (Walsh, Weber & Margolis, 2003: 859-860).

Our research reflects a bias in values held by the majority of organizational scholars. Yet any investigation involving factors related to economic and social good quickly reveals specific personal values and the absence or presence of these values in a system. To that end, the values we espouse or live, and their impact on organizations must hold a central position in management research (Massarik, 1970; Richley, 2007) however, they remain at the margins of our scholarly interests and work practices (Dolan, Garcia & Richley, 2006; Dolan & Richley, 2006).

This research aligns with the dual vision of AOM and pushes the current status of values to the forefront of organizational work. Following this study to its conclusion suggests that values are the strongest link enjoining the individual to the collective and the central aspect in the diffusion of an SBI. Elevating the primacy of values in scholarship signifies a paradigm change to a long-established tradition of objective science. By offering alternative frameworks for how to enjoin both social and business objectives I hope to contribute to restoring a balance in favor of scholarship centered on values embedded in the social fabric of communities, but with the potential to impact individuals, organizations and regions. Following Whyte (1988), the decision is not “acceptance or rejection of the profit motive” (p. 7), but relegating it to a position designed to serve the greater good.
Contributions

This study was inspired by the work of the chair of my dissertation committee, David Cooperrider, PhD, his work on Appreciative Inquiry, and his groundbreaking innovation, The Center for Business as an Agent of World Benefit (B·A·W·B). B·A·W·B is a global forum designed to cull the best practices from “work being done by business practitioners, civil sector actors, and the academic community in business-in-society.” At the heart of the Center is the World Inquiry – a global search for the many ways dynamic leaders in the business sector are putting their people, imagination and assets to work to benefit the earth, from its ecosystem to the needs of its vast, diverse population.

The World Inquiry’s purpose is to discover and to highlight the most important innovations that represent exemplars at the intersection of business and society. I had the extreme privilege of being involved at the inception of B·A·W·B and its influence has reverberated throughout my scholarship and practice. I hope to contribute to the ever-expanding and influential work of the Center by highlighting MCC and its influence around the world as an exemplar of the possibilities at the intersection of business and society. I am proud to have presented an earlier version of my work on MCC at the BAWB conference held in Cleveland, Ohio (Richley, 2006) and honored to count myself as one of the ever-growing community of scholarly practitioners dedicated to developing and sharing knowledge in this critical and uplifting global grand adventure.

Understanding MCC as an SBI will help uncover the process of how to foster and diffuse similar innovations and demonstrate how others can extend such a vision. The

---

7 http://worldbenefit.cwru.edu/
8 http://worldbenefit.cwru.edu/forum2006/default.cfm
project is also intended to contribute to existing work on innovation in practice. While research on business innovations remains a burgeoning field, scant work exists on the role of social innovations and we have even less knowledge about innovations at the nexus of business and society. Adding to our knowledge in these areas will increase our individual and collective abilities to enact positive change and begin to offer insight into how to lessen gaping inequalities around the globe.

Another purpose of this research is to contribute to the growing body of research influenced by Positive Organizational Scholarship (POS) which is dedicated to generating more holistic and affirmative theories about people and organizations. “POS is an umbrella term that categorizes previous research and provides an organizing frame for current and future research on positive stories, outcomes, and generative mechanisms in individuals, dyads, groups, organizations and societies” (Morgan Roberts, 2006: 292). An important outcome of this study is to generate a useful theory about how to enjoin, and leverage, the positive potential inherent in simultaneously enacting both business and social objectives. It is hoped that this research will play a part in bringing about new models of social and organizational change that will prove to be useful in generating practices that are hallmarked by democracy.

Because my work was received so kindly at MCC I hope that this study serves as a light, reflecting back to them their influence around the world. Their significance as an organizational role model cannot be overstated. While they are certainly aware of the demand for information about the cooperative, they take this attention in stride. When asked about such overwhelming interest in MCC they seem at first amused but always stating that they must stay focused on the work at hand.
During one of my site visits to MCC I conducted an informal interview with the president of the MCC’s congress and bank. He reiterated what I had discovered during my initial research on the cooperative by stating that most studies about the cooperative were positioned from an economic perspective (or as he offered with a slight smile) in “trying to figure out the secret” to how they work. He was curious about what I might discover since no one to his knowledge had researched this aspect of the cooperative. A similar assertion would be repeated throughout my interviews whereby people expressed a keen interest in how I was positioning my study – MCC as an SBI and its impact on others around the world. They shared the sentiment that this study represents a fresh perspective on the cooperative and they look forward to understanding its influence beyond their own experience. This reaction reflects the deep humility and pragmatic attitude I discovered within the cooperative proper and among the people who participated in this study. Rather than promoting the cooperative or their remarkable creativity, I found a sincere element of surprise from MCC’s members who thought it novel that so many would consider them to be an exemplar. Visitors to MCC are well aware of its impact, however, since they have been profoundly influenced by its vision and processes, yet they too were unassuming in how they described their own work. May this research then serve as a beacon to illuminate the incredible innovation known as MCC, as well as the extraordinary work of those who have shared their stories with me about what and how they learned from such a humble source of inspiration.

In the way that AI and the broad domain of POS have influenced every aspect of my life, I too hope to use my own work as a way to diffuse the inherent good in the world. Because of my interest in and work with AI I will thankfully never be the same.
It is my deepest wish that this research will in some small way create a similar change for someone, somewhere. It is therefore with my own high but humble hope that I offer this study as a way to uplift the generative and far reaching impact of MCC as an SBI. Through the stories of those who have learned from this innovation we can understand how their personal experiences are transformed into action creating positive change for people, organizations and communities. There is much work to do in order to bring the world together. We were not meant to face such chasms alone; bridges to new places are built by many and it is in our capacity to innovate that we will discover the way to co-create a better world.

A Map of the Dissertation

This dissertation is presented in three parts and seven chapters. Part One is entitled Introducing the Research Study and includes: Chapter One: Introduction; Chapter Two: Conceptual Framework and Guiding literature, and Chapter Three: Research Methods. Part One begins with the introduction which is intended to provide a wide overview of the research including the context and primary questions it is designed to address. The introduction also serves to lay the groundwork for the contributions and implications of the study which will be discussed in detail in the concluding chapters. Finally, the introduction offers some insight into my perspective of the world, reveals my values and possible biases and, just as important, my hopes for playing a small part in manifesting a more democratic and abundant world.
Chapter Two contains the conceptual framework and literature guiding the study. In alignment with grounded theory methodology I reference only key sources of immediate relevancy that have aided in understanding the phenomena being researched. The literature review also provides a foundation for placing this study within a larger discourse among scholars and practitioners. In Chapter Three I address the research design and the rationale for adopting a grounded theory methodology as defined by Glaser and Strauss (1967). This chapter also discusses the choice of research site, sample, and the process of data collection and analysis.

Part Two of the study is entitled Socio-Business Innovations and includes Chapter Four: Mondragón Cooperativa Corporativa (MCC), and Chapter Five: Participant Profiles. Chapter Four provides an overview of the primary research site located outside of Bilbao, Spain in the Basque country. This chapter includes both historical and current information about MCC and offers insight into the formation of the cooperative up to present day. Chapter Five: Stories of Re-invention is dedicated to the nine secondary case studies which served as the primary source of data for the research as told through stories and open-ended interviews by the research participants. The information about the nine sites is offered through brief vignettes intended to highlight their stories of re-invention based on their experience with MCC.

Part Three of the dissertation, entitled Analysis and Model Development includes Chapter Six: Findings and A Theory of Socio-Business Profusion and Chapter Seven: Discussion, Implications and Conclusion. Chapter Six presents the findings from the data collected from the nine secondary case studies. The data is presented in a model that demonstrates the evolution of the raw data into the final codes and process phases. The
reduced version of the data is presented in a structural format in this chapter and concludes with a process model of A Theory of Socio-business Diffusion. Chapter Seven focuses on the key findings and the implications to scholarship and practice. This section includes limitations and suggestions for future research.

Summary

Within management studies much can be learned by reconsidering organizational models that are less conventional than traditional capitalistic forms including those that may even be regarded as old-fashioned, idealistic or obsolete. One such model is cooperatives or worker-owned organizations. Cooperatives are widely regarded as having both a business and social mission with an emphasis on the human side of enterprise. Rarely, however, are they considered to be representative of an efficient and savvy business model. Contrary to these assumptions, MCC represents the positive possibilities at the intersection of business and society.

This dissertation uplifts MCC as an exemplary SBI that has influenced individuals and organizations around the world. A theory has been developed from the experiences of a sample of people positively impacted by MCC who engaged in their own journey of innovation at the critical intersection of society and business. I conclude this introduction with two wishes based on my own experience of MCC. My first wish is that anyone reading this dissertation will be encouraged to engage in the process of innovation compelled by their values, convictions and hope for a better world. My second wish was brought about by the simplest of encounters. During dinner at a local restaurant I asked a
gentleman if he was the owner. He was an older man of Asian descent who very meekly bowed his head and quietly replied, “Oh no, I am only a waiter.” This interaction gave birth to my second wish which is that anyone so inclined around the world will someday be able to respond to a similarly posed question by responding, “Yes, I am a worker-owner!” Embedded in this dream is my own knowledge about the power of cooperatives to serve as a desperately needed alternative to existing models of work. This dissertation represents the culmination of many years of work, not all of which were easy, exciting, or at times pleasant. However, this work has always been fueled by my dreams for a world dedicated to democracy in its truest form; the absolute right of every person to enact the life they hope to create.
CHAPTER 2

CONCEPTUAL FRAMEWORK AND GUIDING LITERATURE

Chapter Two contains the conceptual framework and literature guiding this study. In alignment with grounded theory methodology I reference only key sources of immediate relevancy that have aided in understanding the phenomena being researched. The literature review provides a foundation for placing this study within a larger discourse among scholars and practitioners and highlights existing gaps this research seeks to address.

Guiding Philosophy: Appreciative Inquiry and Positive Organizational Scholarship

This research, and I as researcher, are informed and influenced by social constructionism which is based on the belief that, “real[ity] is an outcome of social relationships” (Gergen, 1999: 237) and that our language informs, shapes, and guides our daily sense making processes, actions, interactions, and reactions (Gergen, 1999). In essence, our “words create worlds” (Whitney & Trosten-Bloom, 2003: 54) and have the capacity to influence our present and future states of existence either toward the negative or the positive. Gergen (1999: 63) elucidates this point as follows:
Often our conventional ways of talking…about our feelings or intentions, lock us into unwanted patterns of action: hostile arguments, self-scorn or pity, a debilitating outlook on the future. In reflecting on these ‘ways of putting things,’ so do we open the door to new forms of life. In the broadest sense, discerning reflection is the first step to emancipation – the opening of new visions and alternative futures.

Since “individuals and organizations are inherently attracted to that which is inspiring, positive and uplifting, and all human systems incline toward that which is good” (Cameron & Caza, 2004: 737) reflecting on, and then shifting, our discourse toward the affirmative “may yield a greater knitting of human community” (Gergen, 1999: 63)

Appreciative Inquiry (AI) and the emergent field of Positive Organizational Scholarship (POS) serve as the philosophical frameworks guiding the overall study and in developing the methodological approach. Unlike dominant and traditional approaches to organizational change that focus on problem solving, negative attributes and consequences, AI and POS seek to bring forth the best in people and practices by “emphasizing theories of excellence, transcendence, positive deviance, extraordinary performance, and positive spirals of flourishing” (Cameron, Dutton, & Quinn, 2003:1). Scholarship directed toward the positive aspects of organizational life does not negate the value of traditional research philosophies and methods. Instead, both academics and practitioners adopting a positive perspective in their work intend to broaden, inform and bring balance to what has been a limited and biased scope of critical analysis.

“Appreciative Inquiry is the study and exploration of what gives life to human systems when they function at their best” (Whitney & Trosten-Bloom, 2003: 1). Broadly, AI seeks to:
“search for the best in people, their organizations, and the relevant world about them…AI deliberately, in everything it does, seeks to work from accounts of this ‘positive change core’ – and it assumes that every living system has many untapped and rich and inspiring accounts of the positive…link the energy of this core directly to any change agenda and changes never thought possible are suddenly and democratically mobilized” (Cooperrider & Whitney, 2000: 7-8).

AI is most often used as a powerful organizational change process built upon a four-stage model of Discovery (a system’s inquiry into its positive core); Dream (developing an achievable and shared vision around this core); Design (a systemic coconstructing of the vision); and Destiny (co-creating and sustaining the vision) (Cooperrider & Whitney, 2000: 8-9). At its inception AI consisted of five overarching principles that comprised the philosophical framework. Consistent with the generative intent of AI, however, scholars and practitioners have continued to build on the original foundation resulting in what are currently ten AI principles (Kelm, 2005): five of the original and five emerging principles (See Table 1).

Table 1
The Ten Appreciative Inquiry Principles

<table>
<thead>
<tr>
<th>AI Principles</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Principles</td>
<td></td>
</tr>
<tr>
<td>Constructionist Principle</td>
<td>Reality and Identity are Co-created.</td>
</tr>
<tr>
<td></td>
<td>Truth is local. There is no absolute truth.</td>
</tr>
<tr>
<td></td>
<td>We see things as we are.</td>
</tr>
</tbody>
</table>

We are deeply interconnected.
Reality is constructed through language.

**Poetic Principle**
What we chose to study creates the world we help to create
Find what we want more of, not less of.

**Simultaneity Principle**
The act of asking a question ignites change.

**Anticipatory Principle**
Human systems move in the direction of their imagined future.
Positive images create positive futures.
What we believe we conceive.
Big change begins small.

**Positive Principle**
Positive questions highlight the positive core on which to build change.

**Emerging Principles**

**Wholeness Principle**
Wholeness provides more expansive thinking than reductionism.

**Enactment Principle**
People need to live the change they hope to manifest.

**Free Choice Principle**
Freedom from internal and external forces is one type of freedom.
The freedom of inner clarity allows us to pursue life freely.

**Awareness Principle**
Surfacing assumptions is important in good relationships.
Practice cycles of action and reflection, where we act, reflect, and act with awareness.
<table>
<thead>
<tr>
<th>Narrative Principle</th>
<th>We construct stories about our lives.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Stories are transformative.</td>
</tr>
<tr>
<td></td>
<td>Stories provide powerful resources for future action.</td>
</tr>
<tr>
<td></td>
<td>Stories reveal deeply held values and turning points…(and)</td>
</tr>
<tr>
<td></td>
<td>give texture to the culture.</td>
</tr>
<tr>
<td></td>
<td>Stories create a holistic understanding of our experiences – they are a vehicle for sense making of people and their actions in a particular context.</td>
</tr>
</tbody>
</table>

Far from simply being an OD method, I have found that together these principles offered me a unique and important guidepost for approaching my dissertation. First, AI offers a fresh perspective to the study of innovation by centering on the lived experience of people engaged in a process of constructing a desired state, meaning making within their context and the intentional illumination of the positive. Second, AI supported me in staying true to my own values by providing a constant source of validation for pursuing an understanding of what felt like the impossible – a vision of a new world. This belief helped me to follow a thread of inquiry that often seemed ephemeral, lovely to consider from a distance but fragile to grasp. I found, however, that the more I relied on AI as a support for my own beliefs the once tenuous ideological links started to become a strong and clear line of research. Third, an appreciative orientation supported me in stripping away some of the conditioning inherent in learning about what constitutes “good” research (i.e., good being synonymous with objective). As a qualitative researcher, I espouse a belief that the study of people and organizations can never be completely
objective. Any experience is open to multiple meanings bound up in our own way of seeing the world within the context of our lives. We are imperfect in our ability to fully comprehend and yet simultaneously perfectly able to render our truth. As a researcher I am freed by the appreciative approach in exposing my biases without reserve and yet I am aware of the limitations of this perspective. In this inherent paradox I find that I am open to sharing what I learn and to learning from others with a different worldview.

AI allows one to delve into an organization’s positive core and to capture the peak qualities and factors that give life to the system, as a social process, through the simple yet powerful act of storytelling. At a glance, capturing high-point stories and delving deep may seem counterintuitive. But because organizations are human systems, this process reflects exactly how we come to know one another. “Stories define us. To know someone well is to know [their] story – the experiences that have shaped (them), the trials and turning points that have tested [them]” (Ibarra & Lineback, 2005: 66). “As made and imaged, organizations are products of human imagination” (Cooperrider, 2001: 31) and, just like the people who conceived them, their core identities are shaped by the stories of its past, present and hoped for future. AI is a methodology that allows researchers to surface the positive core of an organization as a lived and articulated experience (i.e., a social process). Once uncovered, this knowledge can be extended to benefit the internal and external environments. The AI principles were used in constructing the interview protocol and throughout the data analysis process.

POS is “concerned primarily with…especially positive outcomes, processes, and attributes of organizations and their members” (Cameron, Dutton, & Quinn, 2003: 4). The particular value of studying positive experiences is that it allows scholars to
“clarify dynamics that remain unobserved or inexplicable when nonpositive perspectives are adopted” (Cameron & Caza, 2004: 736). In this regard POS offers a new way to understand the social processes and qualities that lead to positive outcomes for both people and organizations and to build a body of scholarship toward a more humanistic way of organizing. Together, AI and POS, provide a sound approach to uncover an organization’s “positive core,” learn more about the “how to” of social processes and the impact of these efforts at the intersection of business and society.

**Innovation and Diffusion**

Interest about innovation may be said to reflect the bifurcation between business and society in the lived world. Business people typically want innovations that focus on “new delivery mechanisms, customer service strategies, and business models” or are new products born in R&D laboratories (Christensen, Anthony, & Roth, 2004: 293). Business innovations must contribute to the bottom-line. Conversely, social agents (e.g., non-profit managers, philanthropists, activists) want innovations that solve societal problems. Social innovations must contribute to humanity. Yet, this line is becoming increasingly blurred as businesses try to learn how to enact socially responsible practices and non-profit agents enroll in management schools to learn how to exploit business knowledge. Further, emergent research on innovation provides evidence that successful organizations regardless of industry are those that are flexible, adaptive and collaborative suggesting a move away from top-down closed system designs to those that are fluid, open and cooperative (Hargadon, 2003; Rogers, 2003).
Two common factors exist between the interest in, and the need for, innovation among the two sectors: 1) people and 2) learning. Both business and social agendas need people and knowledge to foster and implement innovation. In this regard the innovation process can best be understood as a network of relationships “among people, ideas and objects” (Hargadon, 2003: 8) and as a learning process (Van de Ven, Polley, Garud & Venkataraman, 1999: 203). If the aim is to understand how to enjoin business and social objectives then it is necessary to trace the innovation process of successful initiatives in a way that highlights the role of both people and learning. Van de Ven and his colleagues (1999:203) state:

If we are to explain the innovation journey as a learning process, then an understanding of how true novelty emerges should begin with profound ignorance with respect to what actions people might take initially, what outcomes they desire, and the nature of the institutional context in which they begin to operate.

Broadly defined innovation is that which “create(s) new resources, processes, or values or improves a company’s existing resources, processes or values (Christensen, Anthony, & Roth, 2004: 293). More specifically, innovation is also considered a technology whose function is to transfer knowledge. “In this sense, technology transfer amounts to communicating information about tools for achieving a desired goal both within and between organizations” (Van de Ven & Rogers, 1988: 634). The process of transferring innovation related information is referred to as diffusion (Rogers, 2003). Rogers states that “diffusion is a special type of communication in which the messages are about a new idea…some degree of uncertainty is involved (and) alteration occurs in the structure and function of a social system” (Rogers, 2003: 6). “Diffusion is defined as
the process by which (1) an innovation (2) is communicated through certain channels (3) over time (4) among the members of a social system...these elements are identifiable in every diffusion research study and in every diffusion campaign or program” (Rogers, 2003: 11).

In this era the study of innovation takes on a larger purpose than only exploiting new knowledge for profit but for uncovering ways to solve critical issues threatening humanity. Considering organizational change at a level that bridges the gap between business and society has implications for how work is organized and actualized for people around the globe. This research suggests that the vast and ever growing body of research on innovation now needs to be leveraged toward uncovering new innovations that enjoin business and social good. These innovations, namely SBIs, will offer insight into how to render very achievable, pragmatic solutions delivering outcomes of great import at this crucial intersection. While the study of innovation is a well established area in management, the proposed research will contribute to this body of work by exploring the social-technical process that fosters the diffusion of innovation at the intersection of business and society.

A Model that Enjoins Business and Social Objectives

An increasing amount of management research is dedicated to demonstrating the importance of enjoining business and social objectives through work on business ethics (BE), corporate social responsibility (CSR), and sustainability. Work on BE and CSR often argue the financial case for both stating that “good ethics can have a positive
economic impact on the performance of the firm” (Joyner & Payne, 2002:297). Other research seeks to build the sustainability case by suggesting a broader range of concerns to include moral, financial, human and ecological issues (Hollender & Fenichell, 2004; Greider, 2003; Korten, 1999; Bollier, 1996). Maclagan’s (1999:43) definition also argues that CSR “should be understood as a process, through which individuals’ moral values and concerns are articulated.” Yet extant literature is scant that articulates an in-depth process of how to enjoin social and business objectives through a shared socio-business structure.

Since its inception MCC has served as an organizational role model for those hoping to create a work environment designed to bridge the great divide between social and economic good. To highlight the extent of MCC’s influence, “In 2003, over 1,200 people (globally) visited MCC’s education and training center, Otalora, to find out about the Mondragón Co-operative movement in situ” (MCC, 2003). MCC serves as powerful evidence against a long-held belief that an organization’s sole purpose is to make money for its shareholders. This belief was most famously articulated in a 1919 ruling by the Michigan Supreme Court whereby it was determined that “A business corporation is organized and carried on primarily for the profit of the stockholders” (Dodge v. Ford Motor Co., 1919) rather than the community or its employees. Through learning about MCC and its influence on others with a similar mission this research will provide compelling evidence that an organization can be successful BOTH from a financial and social perspective.

This study will examine if and what people are learning from MCC and how this experience translates into action at the intersection of business and society. It is highly
unlikely that MCC can be cloned, or as one member of the general counsel told me during another trip, “What is the light emitted by MCC? Can this light be duplicated? I don’t think so…it must be brighter in some places and perhaps dimmer in others. A good question is, how is this light refracted? No, I don’t think there can be another place just like Mondragón, but there are other places that can create their own type of Mondragón.”

Questions this study hopes to address include: 1) Does learning about MCC encourage or facilitate innovation, adoption, adaptation, or replication attempts? 2) Does MCC serve as a visionary role model that others are trying to emulate? 3) What aspects of MCC are being carried back out into the world and what are the consequences at the intersection of business and society?

Rethinking Cooperatives

The history of the cooperative movement has its roots in the mid-1800s and was predominantly found in Western Europe, North America, and Japan. A hallmark of these cooperatives is the formation of a set of guiding beliefs that “underpinned their way of doing business [and] are still accepted today as the foundations upon which all co-operatives operate. These principles have been revised and updated, but remain essentially the same as those practiced in 1844” (International Co-operative Alliance, http://www.ica.coop/coop/history.html). In spite of this longstanding record as an alternative business model, rarely are cooperatives considered to be representative of an efficient and savvy enterprise structure. Most individuals hold on to an outdated stereotype of cooperatives based on a period of time in the United States and indeed

---

9 Informal interview, September 14, 2004.
around the world when co-ops gained a brief moment of recognition, specifically during
the sixties as a new model of work organization in sync with the era’s counter-culture
philosophy. However, even a cursory overview of today’s cooperative landscape quickly
dismisses any notion that they border on extinction but rather comprise a vibrant social
and economic movement.

“Ranging from small-scale to multi-million dollar businesses across
the globe, co-operatives employ more than 100 million women and men
worldwide (20% more than multinational enterprises) and have more than
800 million individual members…the United Nations estimated in 1994
that the livelihood of nearly 3 billion people, or half of the world's
population, was made secure by co-operative enterprise” ((International

Although cooperatives may be noted to have a far-reaching influence, the lack of
awareness about their potential as a viable business structure points to the stronghold of
“the corporation” as the dominant paradigm for what constitutes commerce in the world
today. The “corporation” as it is known, reflects a well entrenched belief system about
power and privilege embedded in a hierarchy best described as “top down” that has
gained global acceptance. Most traditional organizational structures are heavily
hierarchical. Too heavy of a hierarchy places power in the elite ranks of management
who attempt to exert control over the lives of their employees in order to make them
better, more efficient producers. A more succinct comparison between traditional
organizations to that of a cooperative is explicated in Table 2.
Table 2
Comparison of a Traditional Organization to that of a Cooperative

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Traditional Organization (i.e., for-profit or non-profit)</th>
<th>Cooperative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workforce membership</td>
<td>Members are employees.</td>
<td>Members are worker-owners.</td>
</tr>
<tr>
<td>Participation and Decision-making</td>
<td>Concentration of power at top of hierarchy.</td>
<td>Democratic (i.e., one-person one-vote rule). Worker-owner participation in management.</td>
</tr>
<tr>
<td></td>
<td>Top-down decision-making.</td>
<td></td>
</tr>
<tr>
<td>Economic Participation</td>
<td>Hourly or salaried remuneration.</td>
<td>Profit-sharing by worker-owners.</td>
</tr>
<tr>
<td></td>
<td>Separation of capital investors and employees.</td>
<td></td>
</tr>
<tr>
<td>Access to Information, Education and Training</td>
<td>Restricted flow of information and limited provisions for education and training.</td>
<td>Equal and open access to education and information. Seen as critical to promote democratic participation.</td>
</tr>
<tr>
<td>Primary Objective</td>
<td>Focus on ROI to benefit investors.</td>
<td>Tripartite focus on the individual, organization and community.</td>
</tr>
</tbody>
</table>

Studies on motivation, empowerment, commitment and other related topics imply that management can “do” things to people to make them want to become more engaged with their work. While there is an element of truth to this position, this stance negates the dynamic side of human behavior and perpetuates a mechanistic view of work life.
However, since most companies either implicitly or explicitly maintain a hierarchical structure it makes sense that academia (i.e., teaching and research) continues to focus on these forms of organizing with less attention given to individual agency, “bottom-up managing” (Woodworth, 1986:391) or cooperative organizational designs.

“The larger point…is that the collision between society and capitalism has endured over many years, despite the laws and shifting political sensibilities, because it is essentially a clash of two different value systems. Government has not succeeded in reconciling the clash because, though it issues many rules of dos and don’ts for enterprise to follow, it does not attempt to alter the underlying values that shape capitalism’s behavior. To be enduring, that change has to occur inside capitalism, like altering the gene system of a plant or animal (Greider, 2003: 33).

Turning the spotlight on co-ops and their capacity to promote work-place democracy and economic justice while simultaneously rebuilding communities offers one way to counteract the persistent threat of capitalism and its decimating impact on human lives everywhere. Following Greider’s imagery the DNA of cooperatives could be said to consist of two intertwined helices comprising two value strands that serve to bind social and economic good. In the Kuhnian sense the cooperative model is a very real alternative that can be paradigm breaking. Unless we look at radically different forms of organizing we have little chance to change. “Work is socially constructed and unless the old work concept is formally buried and a new work concept developed and formally introduced as a replacement, organizations cannot escape the social bonds binding them to old practices” (Chaharbaghi & Newman, 1996: 6).

Scholarly activists have long since advocated for the consideration of workplace innovations that enjoin human and economic objectives. “William Foote Whyte states
that “the choice is not ‘acceptance or rejection of the profit motive,’ but whether profits will be a sole end or a means to attain both economically expansive and socially acceptable goals (p. 7)” (Rogers, 1990; 343). William Greider contends that the possibility of such a merger is “not a utopian society here on earth but the conviction that the arrangements within capitalism can be changed, little by little, to make more space for life, through innovations that eventually become common practice…[people can then] move to confront the centers of power only after the ideas have passed the reality test and won broader followings” (2003: 47). Additionally David Korten argues for a new story, one that moves away from domination, or what he refers to as the Empire Story, to one of an “Earth Community [that] organizes by partnership, unleashes the human potential for creative co-operation, and shares resources and surpluses for the good of all” (2006: 12). Notably, these leading voices agree that a change is not only needed, but entirely within the realm of ordinary human possibility. I not only agree but offer this research as evidence that such a transformation is already underway.

Organizational culture

Culture can be said to represent our “basic values and assumptions about life (Trompenaars & Hampden-Turner, 1998: 27). It reflects a way of existing in the world that is defined by a mutual dependence of actors that create a “connected system of meanings” (Trompenaars & Hampden-Turner, 1998: 20). Collectively, one of the most visible ways a country connects to create meaningful interaction is in how it organizes to accomplish work. In his book, We Build the Road as We Travel, author Roy Morrison
provides a compelling commentary on the promise of a cooperative culture as viewed through the Mondragón system. “Cooperation is a practical way for society to make new and rational choices that govern the conduct of industrialism…cooperation as a social practice is the active pursuit of equilibrio—of the social creation of unity in diversity…in the broadest sense, cooperation is important because it reinvigorates social choices” (1991: 61-64). “The goal of cooperative entrepreneurship is not simply economic success but social success” as expressed through a shared distribution of power among worker-members (i.e., owners of the company) (Morrison, 1991: 135).

People are also changing in that they want and require flexible and adaptable workplaces that are more in alignment with their values. Today’s “knowledge nomads” are those workers who value mobility and are valued for the skills and information they possess (i.e., usually technical but not limited to these fields) (Pittinsky & Shih, 2004) and will move their intellectual capital to where it can be leveraged. People are also beginning to take charge of their schedules and seek environments that support worklife integration (Rapoport, Bailyn, Fletcher, & Pruitt, 2002). Increasingly, “evidence suggests that individuals are seeking to align themselves with groups and workplaces committed to similar core values. Work is no longer viewed only as an economic vehicle, but is emerging as a critical environment for the sharing and integration of like values and beliefs” (Williams & Ferris, 2000: 25). People, and subsequently organizations, are beginning to seek ways to enjoin their personal, social and business visions. The challenge is to shift our view away from the familiar and look to less typical organizational structures such as participatory processes and workplace democracy that offer templates for such positive change.
This study follows the definition of worker participation offered by Stohl and Cheney (2001: 357) as the “organizational structures and processes designed to empower and enable employees to identify with organizational goals and to collaborate as control agents in activities that exceed minimum coordination efforts normally expected at work.” Mondragón Corporación Cooperativa provides a context in which to further understand the interrelationships between the person, organizational context (i.e., workplace democracy), as expressed through a shared social vision not within MCC but to examine these variables across organizational and international boundaries. This research does not intend to argue solely in favor of cooperatives but rather to examine the impact of an exemplary organization through the diffusion process of an SBI.

Because of the unique achievements of the cooperative, scholars from around the world have made their way to MCC to understand its many dimensions. Researchers have studied MCC through the lens of the structure and effects of workplace democracy (Herrara, 2004; MacLeod, 1997; Zirakzadeh, 1990; Greenwood & Santos, 1991; Morrison, 1991; Oakeshott, 1978; Zwerdling, 1978; Vanek, 1971), others have offered a critical analysis of its idealistic structure (Kasmir, 1996), the nature of MCC’s organizational communication (Cheney, 1997), controversy over internationalization and cooperative practices (Bakaikoa, Errasti, & Begiristain, 2004; Errasti, Heras, Bakaikoa & Elgoibar, 2002; Clamp, 2000), intergovernmental relations within the autonomous Basque community (Mondragón, 1998); Basque patriarchy as analyzed through feminist critique (Echeverria, 2001; Hacker & Elcorobairutia, 1987); among many others. In summary, most research on MCC focuses on its internal structure, the strengths and
weaknesses of the cooperative, applied economic theory and current challenges from the environment.

This study offers a significant departure from how MCC has usually been investigated. While MCC is widely recognized as a social invention (Whyte, 1982) no one has studied the influence of the cooperative at the nexus of business and society (i.e., specifically as a socio-business innovation), or how such an innovation is diffused. Further, this work commences at the point of a neglected area in management studies, namely the critical role of values in the innovation process. In fact, MacLeod proposed that MCC should be studied from a values systems perspective:

Observers of Mondragón usually search for the secret formula. Thinking in terms of a mechanistic technique or some financial support system, they usually analyze at the wrong level. The answer is found in a category which should be classed as value systems. It concerns how we understand ourselves and our society. It is about choosing one way of life over another. (1997: 37)

Additionally, no other study has included an in-depth analysis of the impact of MCC as a role model for individuals wanting to replicate aspects of this SBI10. It is important to note that there is an ongoing argument, and a belief held by many, that MCC is ultimately so unique that it cannot be replicated beyond the Basque country because the culture is tightly bound by their value for solidarity. This study provides evidence to the contrary and demonstrates that MCC has been replicated or re-invented, although not copied in its entirety, successfully by non-Basque individuals in countries around the world.

---

10 In my conversations with the management of MCC during my visits, they confirmed that no one has studied how MCC as a model of social innovation has been diffused globally.
Therefore this study contributes to our notion of what constitutes a socio-business innovation, the unique process of the diffusion of an SBI, and provides insight into how future research on the diffusion of innovation at the intersection of business and society should be approached.

This study posits that SBI’s are one way to surpass the bifurcation between social and economic good through an alternative model that converges around the inherent values in each. The Mondragón Corporación Cooperativa (MCC) located in the Basque Country of Spain is an exemplar of one such innovation that represents the positive possibilities at the intersection of business and society. Since its inception MCC has functioned as a for-profit business guided by its unique vision based on social and economic justice, the dignity of human persons and their work and solidarity (Herrera, 2004). Understanding MCC can help us learn the “how to” in order to foster other innovations that simultaneously benefit business and society.

Summary

This chapter offers an overview of key areas of existing bodies of knowledge that guide the development of theory building toward understanding the diffusion of a socio-business innovation. Further, I have attempted to provide some insight into the evolution of my own understanding of AI and to share how this process shapes my stance as researcher. The review of the literature is not intended to be comprehensive but used to provide a foundational understanding of immediate areas of concern and to assist with defining parameters in order to ensure relevancy.
CHAPTER 3

METHOD AND ANALYTICAL APPROACH

The focus of this chapter is to address the rationale for adopting a qualitative approach and a grounded theory method. I also review the research design for the study. This chapter provides a description of the choice of research site, sample, and the process of data collection and analysis.

Research Purpose and Questions

As stated previously the main objective of this study is to surface the dynamics of the process that leads to the diffusion of a socio-business innovation; an area of concern to management and the world at large and one which has been neglected. A secondary purpose is to contribute to the Center for Business as an Agent of World Benefit (BAWB) by presenting MCC as an exemplary model that demonstrates the natural synergy between business and society. This dissertation addresses four key questions:

1. What are the attractors that draw people to MCC and what role do these attractors have in the diffusion of the innovation process?
2. How and what do individuals learn from MCC (i.e., what is the social learning process)?
3. What is the outcome from their experience with MCC?

4. What are the characteristics of the adopted/adapted innovation?

Another significant aspect of this study is to further my development in understanding and applying qualitative research methods. As my dissertation proposal progressed it became clear that a grounded theory methodology would be appropriate for this research. Therefore, beyond my deep concern for the topic of my dissertation, I wanted to challenge myself to build on my qualifying experience which integrated both Grounded Theory (Glaser & Strauss, 1967) and Thematic Analysis (Boyatzis, 1998) methods. I reanalyzed my qualifying paper against what I now know about grounded theory to determine how I could push myself to achieve a higher standard of research. It was during this time that I established a specific goal for myself which was to conduct a grounded theory study from the point of the fuzzy first question culminating in an emergent theory on which to extend my research agenda beyond completion of my Ph.D. experience. Although “grounded theory can be presented either as a well-codified set of propositions or in a running theoretical discussion, using conceptual categories and their properties” (Glaser & Strauss, 1967: 31) this research reflects the latter as a way to initiate a platform on which to build an understanding of the diffusion process of a socio-business innovation.
Methodology

Qualitative Research. Qualitative research methods both resonate with me and provide an unending source of fascination. It is an approach to inquiry that reflects a lifelong passion with text, story, multiple narrative forms and a way of simply making sense of the world with others. Stories, both fact and fiction, have been my way of engaging with the world around me. As a young girl growing up in the city of Cleveland my local library was my favorite locale. I was a regular from a very early age. Books, or rather the stories they housed, took me to every place I ever dreamed of going and to many I never knew existed. I was a seasoned traveler without ever leaving my neighborhood. What these adventures gave to me was a hunger to see beyond the immediacy of the person and context as presented or as limited by my own experience.

I enjoy the discovery of meaning, of interpretation, and locating patterns of sense making embedded in stories. I believe in discovering the stronghold of themes in our lives and their power to impact our present and future or to incite us to rewrite, or to re-imagine a very different story. Qualitative methods as a research approach are varied and rich. They are also becoming more accepted and utilized in management studies as scholars are pushed into new territory with regard to issues and relevancy. Our research agenda is now embedded in a global context marked by vast uncertainty and complex variables. Qualitative methods offer a way to begin to engage with and to tease apart considerably dense and ambiguous issues. We cannot venture into the unknown without taking the first small steps that bring us into close proximity with what we are studying.
Qualitative methods demand that a researcher develop a closeness with people and their stories and affection for, or at least a tolerance of, inexactitude for much of the process. For my part, I have learned that qualitative methods are infinitely rewarding as a way of discovery and very much akin to a trip to an unknown destination. Much like my younger self reading and dreaming of the Masai in Africa, my research now gives me the same sense of wonder, hope and excitement about all the places and people I have yet to experience.

Following my loose description of qualitative research I chose this approach because it reflects who I am as a researcher and is a way for me to engage with a topic that has been given limited attention in management. While business innovation is a widely studied arena, social innovation has received scant attention. As previously noted, business innovation research typically centers on the creation of new products as a way to obtain a competitive advantage and increase revenue while social innovation focuses on solving issues that impact the public good. This study offers what I hope is a fresh take on both business and social innovation, namely an attempt to begin to understand how people enjoin economic and human agendas. Therefore a qualitative approach was used to support the exploratory nature of the study and because it would allow for the collection of descriptive data. Further, this approach is appropriate because it “can be used to uncover and understand what lies behind any phenomenon about which little is yet known” (Strauss & Corbin, 1990: 19). Following Gephart (2004), qualitative research is important because it:

“provide(s) bases for understanding social processes that underlie management. Qualitative research provide(s) memorable examples…and has potential to rehumanize research and theory by highlighting human
interactions and meanings that underlie phenomena and relationships among variables that are often addressed” (p. 455).

Grounded Theory and Case Studies. Van de Ven, Angle and Poole (2000: 108), in what is widely regarded as an exemplar in the study of innovation, identified as The Minnesota Studies, chose a grounded theory method because they found “existing process models increasingly unsatisfactory in explaining observed developmental patterns” and “a gap between theory and practice.” The focus of this research, specifically uncovering the process that leads to the diffusion of a socio-business innovation, provides a similar rationale for a grounded theory method. Most research on innovation focuses on either the technical aspects of the process or to a lesser degree the social interactions. Theory on the enjoined lived process of diffusing socio-business innovations is absent as is the intimate perspective of individuals engaged in the experience that also weaves their understanding and assigning of meaning or meaningfulness into these experiences.

Grounded theory, as defined by Gephart (2004: 457) in his Academy of Management Journal article, is a research method centered on “the actual production of meanings and concepts used by social actors in real settings.”. My interest is not to test theory but to focus on the emergent themes directly from the data using an inductive approach. Grounded theory is especially useful for revealing social processes because it gives way to, and hence explicates, the messy nature of human endeavors by letting the data take the lead in the generation of theory rather than deferring to a prescribed notion of what should happen. Further, grounded theory places a primacy on the actor’s interpretation of meaning, and meaningfulness, (Douglas, 2003) that is part of any human
equation and central to a study such as this focused on individual agency. “From this viewpoint the [researcher] hopes to construct what the [participants] see as their social reality and how such objects of…experiences contribute to the construction of this reality (Goulding, 1999: 866).

Grounded theory is rooted in symbolic interactionism which is itself an offshoot of the philosophical school of pragmatism. Pragmatism posits that “human beings go through a continual process of adaptation in the constantly changing social world, and that the existence of a mind through which contemplation of a situation occurs makes this process possible” (Jeon, 2004: 250). While symbolic interactionism emerged from pragmatism, it is usually differentiated as less of a philosophy and more of a “theory of human behavior and an approach to enquiry about human conduct and group behavior” (Goulding, 2002: 39). Symbolic interactionism theorizes that human actions are determined by a process of meaning making based on social interaction and “that these meanings are understood only through interpretation” (Jeon, 2004: 250). As a research approach symbolic interactionism’s aim is to comprehend “the complex world of lived experience from the point of view of those who live it” (Schwandt, 1994, 118).

An ongoing argument among scholars focuses on the question of what constitutes good grounded theory research. In part this controversy is a representation of an early split between the two most widely regarded sources on grounded theory namely Glaser (1967) and Strauss (1990) and their respective approaches. “Glaser stresses the interpretive, contextual and emergent nature of theory development, while…Strauss…emphasized highly complex and systematic coding techniques (Goulding, 2002: 47).” Adoption of either the Glaserian or Straussian approach to
grounded theory depends on the stance of the researcher since both are widely accepted as valid among management scholars.

Therefore in determining the hallmarks of a successful grounded theory study for this research I opted for a perhaps unorthodox, but highly useful, set of guidelines based on an article in the *Academy of Management Journal*, entitled, “What Grounded Theory is Not” (Suddaby, 2006). Turning this article on its head provides a set of standards that neither minimizes the complexity of grounded theory nor ensures a perfect approach, but rather offers a clear understanding of key concepts for enacting this method and guideposts for avoiding “common errors researchers make in conducting and presenting grounded theory research” (Suddaby, 2006: 634) (see Table 3). In this sense Suddaby’s insight and credibility as a scholar helped me to integrate my previous understanding of grounded theory but also served to raise my awareness of how to enact a more thorough research study utilizing this method.

While this dissertation reflects my earnest attempt to engage in learning more about how to conduct a grounded theory study, as stated previously, it is also admittedly a point of embarkation to a longer research journey. As such, best efforts have been made to push my own boundaries between “what I know and what I am attempting to know” about grounded theory methodology. This study represents what I refer to as the best of both the Glasarian and Straussian approaches to grounded theory. From Glaser and Strauss (1967) I have learned the importance of staying close to the data by developing what has felt to me like an ongoing dialogue with the participants own process of sense making and discovery. At times I have had a conversation with their individual “voices” and then introduced these participants to one another rendering what
felt alternatively at times like a cacophony of opinions but ultimately ending in a harmony of coherence around an emergent theory. Glaser and Strauss (1967: 32) also emphasize “theory as process; that is, theory as an ever-developing entity, not as perfected product.” Their perspective has simultaneously encouraged me to be more open-minded and ever so slightly less self critical. Most importantly their stance has supported an eye for creative interpretation rather than aims of ultimate exactness.

From Strauss and Corbin (1990) I have come to attempt a balance between openness, creativity and a process of analysis that is structured and coherent. While I find the enactment of coding developed by Strauss and Corbin to be too formulaic, their rigorous approach enabled me to understand how to create and explicate a clear path of analysis and to review many identified exemplars in this respect. Thus my dissertation offers my own blended approach to grounded theory and an acknowledgement of the deep respect I have for the vast contributions made by two of the leading minds in this specific and influential qualitative research method.

Table 3  
*Grounded Theory Guideposts*

<table>
<thead>
<tr>
<th>Key Concepts</th>
<th>Definition in Practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant Comparison</td>
<td>Data is collected and analyzed simultaneously.</td>
</tr>
<tr>
<td>Theoretical Sampling</td>
<td>Data collection is determined by the emerging theory rather than decided upon entirely before the onset of the study.</td>
</tr>
<tr>
<td>Prior Knowledge</td>
<td>Substantive areas of research relevant to the topic of study are used to inform rather than to test hypotheses. The assumption</td>
</tr>
</tbody>
</table>
embedded in this statement is that researchers can never be tabula rasa and it is therefore important to note areas of existing research that provide the foundation for the study.

<table>
<thead>
<tr>
<th>Transparent Methodology</th>
<th>Researchers must demonstrate adherence to key grounded theory concepts and explicate links between data and core constructs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data Sources</td>
<td>Interviews are not the only source of data. Robust grounded theory employs multiple data sources to aid in understanding of the phenomena under study.</td>
</tr>
<tr>
<td>Data Presentation</td>
<td>Data is abstracted and presented to represent theoretical categories achieved through constant comparison and displayed at a conceptual level. The process of data analysis should be explicated.</td>
</tr>
<tr>
<td>Emergent Theory</td>
<td>Theory emerges from the data based on how participants make sense of their experienced reality. The ultimate outcome of grounded theory is to provide new perspectives about that which is under study.</td>
</tr>
</tbody>
</table>
| Systematic /Interpretive Process | Grounded theory integrates a systematic approach of both data analysis (i.e., from open coding to theoretical codes) and creativity on the part of the researcher. Grounded theory pushes the researcher beyond mere analysis or simple labeling of codes and presentation of data and into the realm of what is
best described by Weick as disciplined imagination (1989).

Messiness and Tacitness

Grounded theory cannot be mandated by a preset determination of when saturation is obtained but is determined by the researcher’s aims, experience (i.e., often intuitive) and resources. Suddaby suggests a middle ground between methodological rigor and pragmatic concerns.

Intimate Knowledge

Researchers must engage in a process that encourages intimate knowledge of the primary site. The researcher’s on-site firsthand experience of the context is considered essential to interpretation of data and the emergent theory.


Cases-within-a-Case Study. In alignment with grounded theory as a way to uncover a deep description of a social process, a cases-within-a-case-study approach has been employed. I define this method as one where a primary intensive case study, namely MCC, is initially selected based on its international influence as a socio-business innovation followed by the selection of additional cases that serve to highlight the process under investigation rather than being studied solely as individual sites. This approach follows the work of Eisenhardt who “argues for the use of more than a single case” along with “comparisons across organizational contexts” whereas “classic case study researchers tend to focus on comparisons within the same organizational context” (Dyer & Wilkins, 1991, 614).
Eisenhardt (1989: 545) states that “between 4 and 10 cases usually works well. With fewer than 4 cases, it is often difficult to generate theory with much complexity, and its empirical grounding is likely to be unconvincing, unless the case has several mini-cases within it.” Such a “comparison of cases leads to more useful theory” (Cunningham, 1997: 403) and I argue, allows for an understanding of points of convergence and divergence about the influence of a primary case which is central to this research.

Advocates for a traditional case study approach, that is the use of a single context, claim it is the emergence in one setting that allows for the deep descriptions that engender believable and memorable theory and an ability to grasp the “underlying dynamics where as the use of a multi-case study approach renders “thin” descriptions comprised of “surface data rather than deeper social dynamics” (Dyer & Wilkins, 1991: 615). I argue that Eisendhardt’s method of employing multiple cases creates a platform from which to dive deeper into the underlying motivations, social forces and specific contexts that vary from case to case resulting in a robust understanding of the research question beyond a singular environment. The choice for a multiple case method may be at the expense of certain descriptive elements but advantages the study by exploring how key factors are enacted in diverse settings. Using a cases-within-a-case approach is important to this study because specificities about people and places will reveal what underlies such a diffusion process at the nexus of business and society at various points around the globe in order to address critical questions at this juncture. Eisenhardt and Graebner (2007) citing Edmonson & McManus (2007), convey the importance of this method in that “more broadly, theory-building research using cases typically answers
research questions that address ‘how’ and ‘why’ in unexplored research areas particularly well” (26-27).

The shared center of either the single case study or multiple cases resides in a focus on capturing the story that will best convey an understanding of the research question at hand. A simple but useful parallel that captures this choice point for a researcher are two literary devices, namely the short story and the novel. While a short story is an abbreviated form and a novel is a more complete and lengthy rendition, both focus on imparting a narrative journey. Ultimately the preference remains with the author and their decision about which vehicle is most appropriate for the purpose and true to their own storytelling “voice.” Similarly the reader will also most likely engage with the genre suited to their particular storytelling taste. Neither case study approach, as in the various story forms, are right or wrong but rather demand various choice points on the part of the researcher who must be aware of the limitations and opportunities in either form.

Harling and Misser (1998: 123) suggest that “a good case captures the minds of the readers through narrative action.” Researchers preferring one approach over the other will agree that the success of their efforts resides on their ability to bring forth a convincing argument that will shed light on the subject of their inquiry. Their story must center on a central a plot11 that unfolds with clarity and some sort of resolution. “A central theme is presented and sustained through careful selection of specific, interesting details that set up a struggle or conflict. This conflict is enhanced by the use of characters

---

who provide first-hand experience and observations and who represent possibilities for the action to go in many different directions” (Harling & Misser, 1998; 123).

Dyer and Wilkins (1991: 617) succinctly capture the power of a case study approach:

“More than once we have had an “aha” experience when reading such studies because the rich descriptions have unveiled the dynamics of the phenomena and have helped us identify similar dynamics in our own research or in our daily lives.

In this regard, such descriptions are like exemplars of a new paradigm in the Kuhnian sense (Kuhn, 1970). They act as clear examples of new relationships, new orientations, or new phenomena that current theory and theoretical perspectives have not captured…stories are often more persuasive and memorable than statistical demonstrations of ideas and claims….we can experience vicariously the relationships and ideas presented. We can remember them longer and understand them more complexly than had they been presented as a thin description of a construct or as a statistical table.”

Sample

Qualitative researchers are highly criticized for not adequately describing their methods of which sampling is a most oft neglected aspect. “In qualitative research sample selection has a profound effect on the ultimate quality of the research” (Coyne, 1997: 623) and I have taken care to rectify this fault at the onset of the description of my methods.

It is important to note that studying the diffusion of an innovation is a complex matter for several reasons. First, diffusions occur slowly over time making it difficult to locate a person familiar with the onset of the diffusion process. Second, it is a challenge
to find individuals influenced by the same innovation source since this information is not often made explicit. Therefore, tracking down qualified study participants was an involved process which resulted in a creative blended sampling approach to which I have made every effort to be transparent and simultaneously true to grounded theory methodology.

This study utilizes both purposive sampling and theoretical sampling. Purposive sampling was initiated at the start of the study and is appropriate when a researcher wants to “select unique cases that are especially informative…[involve a] difficult-to-reach specialized population…[and] to identify particular types of cases for in-depth investigation” (Neuman, 1997: 206). Once I determined that I wanted to study some form of cooperation at the intersection of business and society I began to consider an optimum context as a research venue. My chair, David Cooperrider suggested that I explore Mondragón as a possibility which, upon a brief review of the cooperative, I planned an initial site visit to Basque country located outside of Bilbao, Spain. During this trip I immediately determined that MCC would be a unique context in which to study the diffusion of a SBI due to the large and unexpected numbers of visitors arriving by busloads on the day I arrived. Clearly something unusual was happening at MCC so my choice to study the cooperative was driven in large part by intuition and curiosity. I wanted to understand why so many people from around the world would come to the quiet hills of Mondragón to visit a cooperative, not any cooperative, but MCC. As a next step I engaged with the director of Otalora, the education center for MCC, as a way to discover who and why people come to MCC as a starting point for uncovering potential participants. I also used purposive sampling in selecting key individuals from MCC to
engage in both informal and formal interviews in order to learn about MCC from a historical perspective and to begin to understand why so many people visit the cooperative.

In alignment with studying the process of the diffusion of innovation I focused on those individuals coming to Otalora to learn about MCC as a way to enact all or part of its social vision. MCC, however, is internationally renowned as a remarkably successful business organization for financial and business growth. Because of this people may come to Otalora to learn about specific aspects of production or efficiency as related to one of MCC’s divisions (e.g., automotives, household appliances). The sample for this study, however, will only be those people coming to MCC, to learn about the cooperative as an organizational “role model” toward creating positive social change through a business (i.e., revenue generating) enterprise.

Once I began to collect data I engaged in theoretical sampling to select additional cases following a grounded theory approach. “Theoretical sampling simply means that cases are selected because they are particularly suitable for illuminating and extending relationships and logic among constructs” (Eisenhardt & Graebner, 2007: 27). Further, “Theoretical sampling is the process of data collection whereby the researcher simultaneously collects, codes and analyses the data in order to decide what data to collect next” (Coyne, 1997: 623). Coyne citing Glaser writes that “in the initial stages of a study, researchers will “go to the groups which they believe will maximize the possibilities of obtaining data and leads for more data on their question. They will also begin by talking to the most knowledgeable people to get a line on relevancies and leads to track down more data and where and how to locate oneself for a rich supply of data”
This implies that the researcher starts the study with a sample where the phenomenon occurs and then the next stage of data collection is when theoretical sampling begins” (Coyne, 1997: 625).

Criteria used for the initial selection was that these individuals: 1) conducted research on MCC (formal or informal) such as contacting someone at Otalora, another MCC member, someone familiar with MCC, reading about the cooperative or engaged in other ways of collecting information; 2) would have attended Otalora or visited MCC; 3) have used (or have a strong intent to use) the MCC model in their work; and 4) also represent how the model is, or will be, used in their current locale. The second condition to be considered for the study is that these individuals or groups would be able to articulate stories related to positive change as a direct result of MCC’s influence. Initial screening was conducted during my two visits to MCC.

In alignment with Eisenhardt’s approach of utilizing multiple cases I considered her recommendation for mitigating bias in the sample selection and data collection by employing two specific strategies: 1) “Using numerous and highly knowledgeable informants who view the focal phenomena from diverse perspectives” such as different “functional areas, groups, and geographies” (Eisenhardt, 2007, p. 28); and 2) Combine retrospective and real-time cases’ to more fully understand how the diffusion took place over time (Leonard-Barton, 1990).

Locating potential participants unfolded in three steps. Step one involved asking key organization members at MCC for names and contact information of individuals who might meet the broad criteria for the study. This took place during my second visit to
Basque country and was accomplished via six informal interviews conducted over the course of two days including multiple conversations with others as time permitted. During this time I discovered that data regarding this information was not collected at MCC so I recorded mention of any possible leads through anecdotal references.

Step two required an extensive vetting process. During my third visit to MCC I again met with members in the organization to gain knowledge of the cooperative and to gather more information about potential success stories. I was able to obtain several direct contacts for follow up as a result of this process and I was fortunate to enlist the support of two individuals associated with MCC’s university and training center to help me to locate candidates. Both have extensive knowledge of MCC, and most importantly, are often the first point of contact for visitors. We engaged in reflective conversations about visitors to MCC, a web search to locate potential contacts and concluded with a review of records of visitors to MCC dating from 2002 through 2004. While these records did not reflect contact information they did provide a powerful example of the far-reaching impact of MCC (see Tables 4, 5 and 6). The result of these efforts was a list of individuals for further follow up.
Table 4

<table>
<thead>
<tr>
<th>Points of Origin for Scheduled Visitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andalucía</td>
</tr>
<tr>
<td>Argentina</td>
</tr>
<tr>
<td>Australia</td>
</tr>
<tr>
<td>Barcelona</td>
</tr>
<tr>
<td>Bolivia</td>
</tr>
<tr>
<td>Brazil</td>
</tr>
<tr>
<td>Canada</td>
</tr>
<tr>
<td>Chile</td>
</tr>
<tr>
<td>China, Shangai</td>
</tr>
<tr>
<td>Columbia</td>
</tr>
<tr>
<td>Copenhagen</td>
</tr>
<tr>
<td>Costa Rica</td>
</tr>
<tr>
<td>Cuba</td>
</tr>
<tr>
<td>Denmark</td>
</tr>
<tr>
<td>France</td>
</tr>
<tr>
<td>Granada</td>
</tr>
<tr>
<td>Holland</td>
</tr>
<tr>
<td>India</td>
</tr>
<tr>
<td>Italy</td>
</tr>
<tr>
<td>Japan</td>
</tr>
<tr>
<td>Korea</td>
</tr>
<tr>
<td>Madrid</td>
</tr>
<tr>
<td>Mexico</td>
</tr>
<tr>
<td>Puerto Rico</td>
</tr>
<tr>
<td>Romania</td>
</tr>
<tr>
<td>Spain</td>
</tr>
<tr>
<td>South America</td>
</tr>
<tr>
<td>Sweden</td>
</tr>
<tr>
<td>United Kingdom</td>
</tr>
<tr>
<td>USA</td>
</tr>
</tbody>
</table>

Total number of recorded visitors scheduled: 4,543

Table 5
9/16-12/3, 2004 Schedule of Visitors to Otalora

<table>
<thead>
<tr>
<th>Visitors Point of Origin</th>
<th>No. of Visitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dominican Republic</td>
<td>9</td>
</tr>
<tr>
<td>N/A</td>
<td>Group</td>
</tr>
<tr>
<td>N/A</td>
<td>35</td>
</tr>
</tbody>
</table>

12 The information in Tables 4, 5, and 6 was comprised from original documents at Otalora and is for illustrative purposes only. It is not intended to reflect an accurate representation of all visitors to MCC during this time nor does it convey all points of origin. My specific intent in highlighting this data is to demonstrate the far-reaching impact of MCC as indicated by the number and locales of people enrolling in their educational sessions.
The third step to locate participants was conducted independently by me. I contacted the list of individuals obtained from my efforts at MCC by phone and through email and I continued to search for individuals using the internet. In order to fully understand MCC’s influence as a role model, and therefore make it feasible to trace the diffusion of innovation process, participants were initially screened by locating references in their work accrediting MCC. Based on the criteria established for the study, and a lengthy process of theoretical sampling, nine participants were interviewed.
with each representing a “mini case” with the primary case study of MCC. Details about each of the participants are shown in Table 7.
<table>
<thead>
<tr>
<th>Name</th>
<th>MCC Affiliation</th>
<th>Title</th>
<th>Number of Interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mikel Lezamiz Otalora</td>
<td>Director of Co-operativeism Dissemination</td>
<td>6 days of ongoing informal interviews including numerous follow-up phone conversations and emails</td>
<td></td>
</tr>
<tr>
<td>Fred Freundlich</td>
<td>Mondragón University</td>
<td>Professor &amp; Researcher</td>
<td>1 informal interview</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1 formal interview</td>
</tr>
<tr>
<td>Jesus Mª Herraste</td>
<td>MCC Internacional, S.A.</td>
<td>Presidente</td>
<td>1 informal interview</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1 formal interview</td>
</tr>
<tr>
<td>Inaki Dorronsoro</td>
<td>Technological Development &amp; Quality Dept. &amp; Research Ctr.</td>
<td>Presidente &amp; Manager</td>
<td>1 informal interview</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1 formal interview</td>
</tr>
<tr>
<td>Juan Mª Otaegi</td>
<td>MCC Congress &amp; Caja Laboral</td>
<td>Presidente of Congress &amp; Caja Laboral</td>
<td>1 formal interview</td>
</tr>
<tr>
<td>Javier Marco</td>
<td>Tulankide, In-house Magazine</td>
<td>Editor</td>
<td>1 formal interview</td>
</tr>
</tbody>
</table>
**Table 8.**
*Details of External Participant Information*

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Organization</th>
<th>Sector</th>
<th>Country</th>
<th>Intended Level of Adoption/Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leslie Schaller</td>
<td>Business Counselor</td>
<td>Appalachian Center for Economic Networks (ACEnet)</td>
<td>Community economic development organization</td>
<td>North America</td>
<td>Local/Regional</td>
</tr>
<tr>
<td>Carmen Ezcurra</td>
<td>Attorney</td>
<td>Peruvian Counsel, Barcelona, Spain and Insurance Broker</td>
<td>Immigration</td>
<td>Spain</td>
<td>Local/Regional</td>
</tr>
<tr>
<td>Tim Huet</td>
<td>Cofounder, Consultant, Attorney</td>
<td>The Association of Arizmendi Cooperatives</td>
<td>Bakeries and technical assistance</td>
<td>North America</td>
<td>Local/Regional</td>
</tr>
<tr>
<td>Christopher Mackin</td>
<td>Founder and President</td>
<td>Ownership Associates, Inc.</td>
<td>International consulting</td>
<td>North America</td>
<td>Organization</td>
</tr>
<tr>
<td>David Erdal</td>
<td>Executive Director</td>
<td>Baxi Partnership Ltd.</td>
<td>Trust-owned investment fund</td>
<td>Scotland, United Kingdom</td>
<td>Organization</td>
</tr>
<tr>
<td>John Abrahms</td>
<td>Cofounder and CEO</td>
<td>South Mountain Company</td>
<td>Building and design company</td>
<td>North America</td>
<td>Organization</td>
</tr>
<tr>
<td>Name</td>
<td>Title</td>
<td>Institution/Position</td>
<td>Field</td>
<td>Region</td>
<td>Country</td>
</tr>
<tr>
<td>-------------------</td>
<td>--------------------------------------</td>
<td>---------------------------------------------------------------------------------------</td>
<td>------------------------</td>
<td>----------------</td>
<td>---------------</td>
</tr>
<tr>
<td>David Ellerman</td>
<td>Visiting Scholar and Economist</td>
<td>University of California at Riverside and Former Economics Advisor to the Chief Economist (Joseph Stiglitz and Nicholas Stern), World Bank, 1992 to 2003</td>
<td>Economics/ Education</td>
<td>North America</td>
<td></td>
</tr>
<tr>
<td>Jim Robertson</td>
<td>Professor</td>
<td>University of Northumbria at Newcastle</td>
<td>Education</td>
<td>United Kingdom</td>
<td></td>
</tr>
<tr>
<td>Reverend Dale St. John White</td>
<td>Social activist</td>
<td>Trustee, Wilgespruit Fellowship Center</td>
<td>Community/Country development</td>
<td>South Africa</td>
<td></td>
</tr>
</tbody>
</table>
**Data Collection**

Data collection was divided into two phases: 1) the primary case site, MCC and 2) the nine mini-cases.

**Primary Case Site – MCC.** Information was first gathered about MCC in order to gain an understanding about the cooperative from its inception in 1956 to its present day structure including its influence as an exemplar at the intersection of business and society. Additionally, data from these interviews was used to provide the conceptual underpinnings and criteria toward defining an SBI.

Data about MCC was collected through the following venues:

1. Informal and formal interviews with members of the cooperative conducted during three visits.
   a. Informal interviews were centered on the history, culture and values of the cooperative. During this time I began to probe for insight into the types of people and their rationale for coming to MCC during the educational visits.
   b. Formal interviews were semi-structured and focused on questions about MCC, visitors to MCC, such as what they hope to learn, the cooperative’s influence as a role model and innovation.
2. Three trips to MCC in Basque country for a total of six days. During this time I had conversations with members of MCC and engaged in extensive discussions with my host who shared details with me about the cooperative’s history, values, and management structure. During this time I had
3. I participated in a tour of Fagor\textsuperscript{13}, the first cooperative in the association.

4. I was given an extensive guided tour of the city of Mondragón where I had an ongoing dialogue with my host about its cultural, historical and political roots. He also educated me about the Basque culture and the historical, political beliefs which cannot be viewed as separate from MCC and was therefore critical to my understanding about the cooperative. I also enjoyed an evening with local citizens living in Mondragón, at the small pubs where townspeople gather nightly prior to dinner in their homes. This evening ritual reflects the tightly-knit community of Mondragón and the Basque community.

5. Archival data obtained from the private library at MCC including a film viewed by visitors coming to the cooperative as part of their educational orientation.

6. Field notes from informal conversations, observations, and on-site visits.

7. Additional archival data from websites, business and scholarly publications, and various other materials provided by MCC.

\textsuperscript{13} The tour of Fagor was a pivotal point for me. I participated in the tour along with approximately 40 people from various parts of the world who were there to learn about the cooperative. The energy was remarkable compared to most factory visits I have experienced. People were eagerly asking questions, chatting with others and seemingly taking in every detail of the surroundings. Afterwards we joined another group of visitors for lunch where the same level of energy was present. This experience was the starting point of my research question.
The data collected about MCC, combined with information gleaned from previous reading in the existing fields of management, sociology, economic theory, ethics, corporate social responsibility, politics, development theory, organization and social change, and the popular press at large resulted in my definition of a socio-business innovation.

Nine Mini-cases. The nine mini-cases focused on understanding the journey of nine individuals involved in enacting a socio-business innovation based on the model of MCC. Attention was given to their personal experience and beliefs, their process of enacting change at the intersection of business and society and their work at present.

Data collection consisted of two sources: 1) archival data and 2) interviews. For each of the nine cases I researched and collected extensive archival data from websites and various publications including books by two of the participants.

Interviews focused on extracting the positive aspects of change and innovation (i.e., high point stories) at the individual, organizational, and societal levels. As previously explained the philosophical approach to this study is guided by the tenets of Appreciative Inquiry (AI) and Positive Organizational Scholarship (POS). The AI principles were used as a guide in constructing the interview protocol.

Interviews were intended to follow a conversational approach to encourage the participants to respond in an informal manner, meaning that they could answer questions out of order, determine the length of response, and that digression was valued as a way to more fully understand both context and the sense making process (Reinharz, 1992). Following the conversational nature of the inquiry, I as researcher, was free to probe for
additional information or understanding in order to accurately capture the participants’ experience. The interviews could be described as being collaborative in that both interviewer and participant were working together to create a thorough understanding of the participants experience (Gersick & Kram, 2002).

The interview protocol was designed to explore three primary concerns: Part I – Background Information; Part II – The Mondragón Experience; and Part III – The Impact of Mondragón (see Appendix A). In Part I asked questions about the participants’ life and career experiences. Part II was focused on questions about their experience with MCC and Part III were questions about the impact of MCC in their work. The overall structure of the interview was intended to understand the diffusion process from their perspective and personal experiences. The interviews posed questions about their values and individual histories through their desire to enact change at the nexus of business and society and the influence of MCC in their current work.

The interviews were semi-structured. The participants were interviewed by telephone and all interviews were taped recorded and transcribed. The tape recorded interviews were listened to twice: once for the initial transcription and a second time while reading the transcripts and to correct any errors. I also added my own notes during this time to begin the initial open coding process. The interviews lasted between 1 to 1-1/2 hours each. Participation was voluntary and no compensation or other incentives were offered. Consent was obtained according to IRB policies (see Appendix B).
Analytical Approach

I used an organizing structure for the data to include 1st Order Concepts, 2nd Order Themes and Aggregate Dimensions (Corley & Gioia, 2004: 184) to which I added a fourth label entitled, Process Phases. This approach follows Glaser and offers a somewhat less complex method than Strauss which worked for me because it easily allows one to track the coding and analysis process culminating in the emergent theory.

While my purpose of this research is to contribute to existing scholarship a dual objective is to make it inherently useful to socio-business entrepreneurs actively engaged in enacting change. Corley and Gioia’s (2004) structure is rigorous but straightforward therefore making it amenable to both academic standards and practitioner utility.

To reiterate, data captured from the interviews was analyzed according to grounded theory methodology (Glaser & Strauss, 1967). I followed the Glaserian approach and adhered to the constant comparative method as an overall process guide. The cases were first analyzed (open coding) for preliminary codes identified in this research as 1st order concepts within individual cases and then across cases (Eisenhardt, 1989). Building on the use of notes (theoretical memos) I created linkages between the 1st order concepts and emergent ideas; the codes were then clustered together to form 2nd order themes (categories) (Kendall, 1999). Aggregate Dimensions (core categories) were identified followed by labels reflecting the Process Phases. Together this culminated in the emergent theory.

Kendall (1999: 746) provides a succinct description of the grounded theory process used in this study:
“Conceptual saturation is reached when no new categories are generated from the open codes, and the remaining gaps in the emerging conceptual scheme are filled. The categories are then examined for their relationships to each other. The integration and interrelationships of the categories, especially the core categories, form the basis of the grounded theory. Once the theory is developed, it is compared to previous work as well as other literature perspectives to validate or point out differences or gaps in current understandings of the phenomena.

Summary

This chapter focused on the methods employed for this study. Specifically I detailed the method and analytical approach, reviewed the purpose of the study and research questions. I also discussed and supported my rationale for pursuing a qualitative study and specifically using grounded theory conjoined with case studies. Following this argument I detailed the process for the sample selection and outlined my data collection and analysis. Throughout these procedural steps I continued to support my choice points and preferences as a researcher. Results from the data collection and analysis are: 1) a definition of a socio-business innovation; 2) a clear data structure reflecting the emergence of core concepts, themes, dimensions and process phases; and 3) a theory of the diffusion of a socio-business innovation which will be explicated in the forthcoming chapters.
CHAPTER 4

MONDRAGÓN: AN EXEMPLARY SOCIO-BUSINESS INNOVATION

The Mondragón case is a great confirmation for those who believe that the only rational goal for business and technology is worker as well as community improvement.

~Father Gregory MacLeod
In From Mondragón to America: Experiments in Community Economic Development (1997)

Despite the fact that MCC is an island in a capitalist sea—and is thus shaped in part by the battering of those capitalist waves, it remains empirical evidence of the first order that large, technically-sophisticated, economically-efficient democratic enterprises are possible.

~David Schweickart
Economic Democracy: A Worthy Socialism that Would Really Work
SolidarityEconomy.net (June 29, 2007)

This chapter provides an overview of the primary research site, MCC, located in Basque country outside of Bilbao, Spain. Historical and current information about the cooperative is included to provide insight into its formation up to present day. MCC is also discussed as an SBI and its role as an exemplar at the intersection of business and society.

A Personal Reflection

My trips to MCC were intended to help me to understand the cooperative from a historical perspective and how it operates today and I also wanted to find out firsthand
what worker-members believe MCC can offer the world from an “inside out” perspective. I wanted to use this data to further formulate my definition of an SBI and to compare and contrast their thoughts against those of participants I would interview later, those that have learned from MCC.

The internal interviews with MCC participants were both informal and formal (i.e., conversations with note taking and semi-structured that were tape recorded) but all were hallmarked by an open exchange of dialogue and a welcome attitude for what undoubtedly seemed like my never ending font of questions. I knew that much of the information about the history and structure could be obtained via secondary data so I wanted to use the time I had at MCC proper to be a student of experience. I wanted to experience the feel of Mondragón’s history by being in the place of its inception, walking the cobbled streets to the porta, and listening to understand the perspective of its worker members to get a sense of the community at large. I tasted the food of Basque country, drank wonderful wine with my hosts and toured the twists and turns of the pastoral mountain side, the home of the legendary dragon14. I saw the desk where Father Arizmendiariarrieta sketched out his plans for bringing the region back to life, touched the ancient but noble bicycle that carried him about the town and saw the lovely round fragile eyeglasses that seemed in opposition to his finely chiseled face. I absorbed the details of the time and place when MCC was conceived through artifacts that bear testimony to the pragmatic and humble history of such amazing people.

14 Mondragón translates to Mount Dragon. “There is a legend that some anthropologists say might be related to the local feudal lord back in the middle ages that a dragon lived in the mountains and dominated the landscape of Mondragón and would come down…once a year or periodically and scoop up a young maiden and take her back to his lair” (Personal Interview). Stepping back from the landscape one can see how the rise of the mountain’s jagged ridges followed by the sloping valleys resemble the rough pointed projections often associated with a dragon’s spine.
Upon entering Mondragón each and every time I was struck by the cleanliness of the streets, the tidiness of the worker-members uniforms, the immaculate but inviting nature of a factory floor made all the more interesting by the placement of a picnic table in the center of one of the work stations. Waste and litter are not evident in Mondragón; there is a pride in the maintenance of the streets and facilities but nowhere did I encounter lavish or extravagant furnishings inside or outside buildings. The lush greenery was well manicured, the buildings and cars reflected the care of their owners and even the most outdated structures were tended to; it is almost as if everything conveyed a sense of dignity in their utility, of serving some small part of the community.

The pride seemed to be in taking great care of what they have so as to make certain nothing is wasted that might be better used in support of what is meaningful rather than artificial. In all of my encounters during my two years of living in Spain Mondragón was the place that welcomed me, a true outsider, as if I were an old friend. Such is the nature of the Mondragón I discovered.

Through all of the interviews, all of the reading, all of the widespread sense making and all of my lovely visits to Mondragón it was as if I were continuously going back and forth in time. Historical photos helped me see the faces of many who survived a brutal war with enough dignity, strength and determination to rebuild a community, a new life. Together they were creating a future that would extend far beyond their time on earth but exist to serve countless generations to follow. Their beliefs forged their path toward a way of work and living that now serves as a foundation on which others may build. Such is the hope in the Mondragón I discovered.
A Visionary Realist’s Qualifier

Having traveled a great deal I fully appreciate the difference between visiting a new locale compared with residing long term. This distinction explains why vacations are wonderful; you sample from a fresh environment made all the more delicious because time is limited. You savor each moment. But extend this vacation into several years and what was once extraordinary may become common place, even stale. Any researcher landing in a site for short periods of time is aware of the advantages and disadvantages embedded in their unusual vantage point. As such a visitor to MCC my experience is biased by the newness, by limited interaction time and even by my research approach. These restrictions, however, do not negate the feeling and widespread belief (and in fact supported by verifiable data) shared by myself and countless others that Mondragón offers insight into another way of life at the very nexus of business and society. One of the individuals I interviewed at MCC may have stated this best:

Another world is possible. Another world IS possible. Not only the capitalist way… I think that there are other values within enterprises and in society. I think of solidarity, the cooperation [that] is necessary to build another world.

To reiterate an important point, many excellent and scholarly critical analyses have been conducted about MCC and I do not intend to suggest that it is a utopia worthy of idolization. In fact, in a personal conversation with Mikel Lezamiz, Director of Cooperativism Dissemination at Otalora, he explained, “People come here expecting a paradise. I tell them that we are far from this. We have about 70,000 worker-members and on any given day we have about 70,000 problems.” Like any other business MCC
has its difficulties and challenges including maintaining adherence to its guiding principles while coping with the pressures brought about by global competition. However, for purposes of this study I limit my research focus to MCC as an SBI (i.e., a role model at the intersection of business and society) and its potential for creating positive social change through a business (i.e., revenue generating) enterprise.

**A Socio-business Innovation: Identifying Characteristics**

This study posits that SBIs are one way to surpass the bifurcation between social and economic good through an alternative model that converges around the inherent values in each. The Mondragón Corporación Cooperativa (MCC) located in the Basque Country of Spain is an exemplar of one such innovation that represents the positive possibilities at the intersection of business and society. MCC is widely considered to be the most recognized and successful worker-owned enterprise in the world with businesses located across the globe (Greider, 2003; Cheney, 1999; Whyte and Whyte, 1991; Oakeshott, 1978). Since its inception MCC has functioned as a for-profit business guided by its unique vision based on social and economic justice, the dignity of human persons and their work and solidarity (Herrera, 2004).

This research uplifts MCC as a model of a SBI based on the attributes listed below, and as previously articulated, but revisited in this chapter within the specific context of how they are enacted through MCC. As follows, an SBI:

1. Manifests as a hybrid form of work organization focused on social and business good and designed to simultaneously build human and financial capacity.
2. Actualizes tangible and intangible benefits to the individual, organization and greater society.

3. Expresses a shared value system that is democratic in principle and practice.

4. Places people, not capital, at its core and does not place a primacy on economic gain as the driver of value.

5. Adopts the central principle of agency according to Polanyi (1977) whereas “individuals are…agents of social change; they are not passive actors constrained by their institutional settings” (Mendell, 2003; 2).

6. Advocates a pluralistic philosophy of life whereby the actualization and determination of social and economic good is best defined and developed within the embedded culture of each community.

7. Serves as a point of reference, a source of information and inspires others through their innovations to enable future work at the intersection of business and society.

The Birth of MCC: From and End Comes a Beginning

Nothing differentiates people as much as their respective attitudes to the circumstances in which they live. Those who opt to make history and change the course of events themselves have an advantage over those who decide to wait passively for the results of the change.

~José María Arizmendiarrrieta
Mondragón Co-operative Experience

During the time of the Spanish Civil War a young man named Don Jose Maria Arizmendiarrrieta was studying for the priesthood. Compelled to support his country he joined the Basque army to resist the oppression of the dictatorship of Francisco Franco.

“While in the service, he became conscious of the fact that Hitler’s command of the best
technology in Europe enabled him to play a deciding role in the Spanish Civil War”
(MacLeod, 1997: 54).

Fr. Jose Maria Arizmendiarrrieta (1915-1976)

In 1941, greatly impacted by the devastation of the war and after barely escaping his own execution, Don Jose Maria was ordained at the age of 26 and assigned to Mondragón, a parish in the Basque region (see Figure 1).

Figure 1. MCC Geographical Location

Source: Mondragón Corporación Cooperativa (MCC) http://www.mcc.es/ing/mccenelmundo/situfoto.html
The tragic discovery of a barren countryside, combined with his own experience in the war, fuelled Don Jose Maria’s inner drive to create long-lasting social change (see first three illustrations following Figure 1). “He found a society defenseless after the turmoil of a devastating civil war, in a climate halted by a fear of breaking an imposed sense of balance, in a context of absolute physical need, with a youth which could be driven by any popular cause capable of creating the least illusion and hope” (Ormaechea, 1993: 28).

Three illustrations of the aftermath of the Spanish Civil War

| a) | December 1936, Madrid, Associated Press of Great Britain Ltd. - A CITY OF BOMB-SHATTERED BUILDINGS. -- Photo shows a view of a Madrid street which shows vividly the destruction which is going on. A wrecked building is seen in foreground; workmen are attempting to clear the street of some of the debris which has fallen from houses shattered by junta bombs. |
| b) | March 1938, Barcelona, Associated Press of Great Britain Ltd. - "1300 BODIES RECOVERED AFTER BARCELONA RAIDS. -- Bodies of 1,300 victims of the air raids of the last two days have been recovered from the ruins of Barcelona and more than 2,000 people are known to have been injured. Photo shows inhabitants searching among the mass of debris from a crashed building after an air raid on Barcelona." |
Fr. Jose Maria Arizmendiarrrieta began to resurrect the region through education and in 1943 opened a “technical school because he was convinced that the future of the world would be decided by whoever controlled the best technology” (MacLeod, 1997: 54). This school “today [is] known as Mondragón Eskola Politeknikoa, a democratically administered education centre open to all young people in the region” (Mondragón Corporación Cooperativa (MCC),
“The project initiated in 1943 by Father José María with the creation of the Professional School was further developed during the 60s with the construction in 1962 of a new Polytechnic School, attended by over 1,000 students studying mechanics, electricity, electronics, casting, technical drawing and automation. The centre was officially recognised as an Industrial Engineering School in 1969.”

It is believed that the concept of the first cooperative was conceived over a series of conversations held during study groups at the technical school (MacLeod, 1997).

What follows is a synopsis of key eras in the life of MCC:

“In 1956, five young people from this school established, in Mondragón, the first production initiative of what today is MCC: ULGOR¹⁵ (now Fagor Electrodomésticos), which during its early years focused on the manufacture of petrol-based heaters and cookers…ULGOR, Arrasate (Fagor Arrasate) and what is now Eroski were set up in the area during the final years of the 1950s…it was these co-operatives that in 1959, the same year as the publication of the

---

¹⁵ Ulgor is an acronym comprised of the names of the initial five founders (MCC 2006 Annual Report).
Stabilisation Plan, founded the Caja Laboral Popular credit co-operative, a true co-operative bank which was to prove a key element in the future of the co-operatives encompassed within the Mondragón Experience. The following years saw the birth of a large number of co-operatives. It was during this period that Fagor Electrónica, Fagor Ederlan and Danobat (among others) were set up, along with the Business Division of Caja Laboral which was to serve as a seed bed for companies and a key element in the subsequent evolution of MCC.

During the seventies, a number of new co-operatives were set up and existing co-operatives consolidated. Much progress was also made in the field of research and development, with the creation of the Ikerlan Centre for Technological Research. The eighties were mainly characterised by the development of the Mondragón Co-operative Corporation (MCC) in response to the challenge posed by the creation of the European Economic Community and the globalisation of the economy. The co-operatives, which were formerly grouped according to region and geographical location, were restructured into sectors in accordance with their production activities. During the nineteen nineties, prompted by MCC, the University of Mondragón was set up as a private university aimed at satisfying the needs of local companies.” (Mondragón Corporación Cooperativa (MCC), http://www.mcc.es/ing/cooperativismo/expemcc/biografia.html).

This random series of events, experiences, actions and collective enterprise are at the heart of the innovation that is today an international cooperative corporation named Mondragón Cooperacion Cooperativa (MCC).

MCC 1956-1970 – The beginning of ULGOR now Fagor Cooperative

Many references to MCC credit the early visionary leadership of Fr. Jose Maria Arizmendiarieta with creating “the experience” (i.e., the cooperative). However, others caution that innovations are never created by a single person (Hargadon, 2003; MacLeod, 1997) but are the result of a series of events, conditions, existing bodies of knowledge and the actions and insights of a collective. “Any one of the components of this singular situation was necessary, and between them all they made it possible” (Ormaechea, 1993: 28).

Without doubt Fr. Jose Maria Arizmendiarieta planted the visionary seed of MCC but it was a true collective effort that allowed it to grow and to flourish. Although the “experiment” has grown in size and scope MCC continues to be an organization where “individuals and businesses…cooperate with one another” and are guided by democratic principles and the belief in the dignity of labor for human and social good (MacLeod, 1997: 54).

Mondragón Corporación Cooperativa Today

MCC’s mission combines the basic objectives of a business organisation competing in international markets with the use of democratic methods in its organisation, job creation, promotion of its workers in human and professional terms and commitment to the development of its social environment.

Jesús Catania
Chairman of the General Council, MCC

MCC, located in the local Basque country of Spain is a for-profit organization created in 1956 with a “dual imperative to be economically competitive and socially responsive” (Taylor, 1999: 21). What began as an experiment with only a handful of
people is today an international corporation; Spain’s seventh largest, with a total workforce of 83,601\(^\text{16}\).

MCC Today and Corporate Logo

Photos Top: Panorama of Caja Laboral Popular Arrasate-Mondragón, Bottom: MCC Corporate Logo

MCC is comprised of 264 enterprises including MCC Worldwide with 6 corporate offices and 65 plants (see Figure 2) (Mondragón Corporación Cooperativa, 2006 Annual Report, MCC, www.mcc.es) and reflected a profit of €677m for 2006 (Mondragón Corporación Cooperativa, 2006 Annual Report, MCC, www.mcc.es: 44).

Table 9 presents additional details from MCC’s 2006 Annual Report.

\(^{16}\) 80% of members are worker-owners with 41.9% of worker-owners being women (MCC 2006 Annual Report).
Figure 2. MCC Worldwide (2006)

![Map showing MCC Worldwide locations with numbers indicating entities.]

Source: Annual Report (2006), Mondragón Corporación Cooperativa

Table 9
MCC Annual Report to 31-12-2006

<table>
<thead>
<tr>
<th>Concept</th>
<th>2005 (Millions of euros)</th>
<th>2006 (Millions of euros)</th>
<th>Annual Variation (Millions of euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BUSINESS DEVELOPMENT</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MCC Total Assets</td>
<td>22,977</td>
<td>22,550</td>
<td>19.9</td>
</tr>
<tr>
<td>MCC Equity</td>
<td>4,226</td>
<td>4,696</td>
<td>11.1</td>
</tr>
<tr>
<td>MCC Consolidated Results</td>
<td>545</td>
<td>677</td>
<td>24.2</td>
</tr>
<tr>
<td>Caja Laboral Assets under Administration</td>
<td>11,036</td>
<td>12,333</td>
<td>11.8</td>
</tr>
<tr>
<td>Lagun-Aro Funds</td>
<td>3,303</td>
<td>3,626</td>
<td>9.8</td>
</tr>
<tr>
<td>Category</td>
<td>2005 Value</td>
<td>2006 Value</td>
<td>Change (%)</td>
</tr>
<tr>
<td>------------------------------------------</td>
<td>------------</td>
<td>------------</td>
<td>------------</td>
</tr>
<tr>
<td>Total Sales (Industrial and Distribution)</td>
<td>11,859</td>
<td>13,390</td>
<td>12.9</td>
</tr>
<tr>
<td>MCC Total Investment</td>
<td>866</td>
<td>1,243</td>
<td>43.5</td>
</tr>
<tr>
<td><strong>EMPLOYMENT</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MCC workforce at end of year</td>
<td>78,455</td>
<td>83,601</td>
<td>6.6</td>
</tr>
<tr>
<td>% members over co-operative workforce</td>
<td>81</td>
<td>80</td>
<td>-1.2</td>
</tr>
<tr>
<td>% women over co-operative workforce</td>
<td>41.9</td>
<td>41.9</td>
<td>-</td>
</tr>
<tr>
<td>Industrial Area accident or incident rate</td>
<td>58.3</td>
<td>54</td>
<td>-7.4</td>
</tr>
<tr>
<td><strong>PARTICIPATION</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Worker-member Share Capital</td>
<td>2,010</td>
<td>2,282</td>
<td>13.5</td>
</tr>
<tr>
<td>No. of worker-members in Governing Bodies</td>
<td>835</td>
<td>861</td>
<td>3.1</td>
</tr>
<tr>
<td>% profits distributed to worker-members</td>
<td>57.4</td>
<td>50</td>
<td>-12.3</td>
</tr>
<tr>
<td><strong>SOLIDARITY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resources earmarked for activ. of social content</td>
<td>33</td>
<td>34</td>
<td>3.0</td>
</tr>
<tr>
<td>No. students in MCC Education Centres</td>
<td>7,642</td>
<td>7,429</td>
<td>-2.8</td>
</tr>
<tr>
<td><strong>RESPONSIBLE ENVIRONMENTAL MANAGEMENT</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of ISO 14000 certifications in force</td>
<td>42</td>
<td>45</td>
<td>7.1</td>
</tr>
<tr>
<td>No. of EMAS certifications in force</td>
<td>4</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td><strong>FUTURE COMMITMENT</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Resources earmarked for R&amp;D&amp;i / Industrial Area Value added.</td>
<td>5.5</td>
<td>5.3</td>
<td>-3.6</td>
</tr>
<tr>
<td>No. of Technology Centres in the MCC</td>
<td>11</td>
<td>12</td>
<td>9.1</td>
</tr>
</tbody>
</table>


MCC’s contribution to job fulfillment is significant within Basque country and Spain (see Figures 3 and 4) and continues to increase with representation abroad. Since 1986 MCC’s total employment has increased by 63,932 and is distributed across three major sectors and various corporate activities (See Figures 5 and 6). “MCC was ranked in 2003 by the magazine Fortune one of the ten best firms to work for in Europe, based on aspects such as equality, personal decision-making capacity, the absence of a
hierarchical atmosphere, participation in profits, honesty, time flexibility, professional opportunities within the firm, working conditions, commitment to quality and internationalization” (Forcadell, 2005: 256).

**Figure 3.** Distribution of Employment Generated by MCC to 12/31/2006 (Source: MCC Annual Report (2006), http://www.mcc.es/ing/magnitudes/cifras_i.html)

![Pie chart showing distribution of employment](image)

**Figure 4.** Distribution of employment in Spain, according to autonomous region to 12/31/2006 (Source: MCC Annual Report (2006), http://www.mcc.es/ing/magnitudes/cifras_i.html)

![Map showing employment generation by MCC in Spain](image)
Figure 5. Evolution of employment to 21/31/2006

Figure 6. Distribution of employment according to activity
Education is a central tenet of MCC’s cooperative practices and in 2006 it is reported that “90% of the total workforce carried out some kind of training activity” (MCC 2006 Annual Report). In 2006 the University of Mondragón’s “total number of students enrolled on degree courses for academic year 2006/07 was 3,339, whereas post-graduate enrolments totalled 428” (Mondragón Corporación Cooperativa, 2006 Annual Report, MCC, www.mcc.es). “During 2006 €10.8 m from Caja Laboral’s Education and Promotion Fund…were mainly earmarked for co-operative training and promotion, research, and cultural and welfare activities” (MCC 2006 Annual Report). The university is funded and operated by MCC but is a community resource for everyone.

Substantiating this point, Inaki Dorronsoro, (Presidente and Manager of Technological Development in the Quality Department and Research Center) explained to me during our formal interview that: “Our responsibility is to open the doors of our university to everybody and for that reason we put money from our cooperatives [into] the university.”

Additionally the broad reach of MCC’s educational objectives is actualized more specifically, in 2006 for:

- Training and educational development projects: 9.7 million Euros, in the university field, vocational training and general education.
- Promotion of cultural activities: 2 million euros.
- Research and development projects: 7.9 million euros. Promotion of Basque and other autochthonous languages: 2.1 million Euros.
- Welfare initiatives, subsidising programmes and bodies engaged in social integration, help for the handicapped, looking after old people and the reinsertion of drug addicts; NGO activities and development projects in the Third World; initiatives aimed at generating youth employment, sporting activities and others: 2.6 million euros (Mondragón Corporación Cooperativa 2006 Annual Report, MCC, www.mcc.es).
In 1999 Mondragón formed the Mundukide Foundation. Mundukide’s mission is to demonstrate solidarity with international co-operation initiatives. The foundation focuses on “two principal areas: 1) Comprehensive Regional Development; and 2) Inter-Cooperation with Popular Economy Co-operatives” (www.mcc.es). Mundukide’s work manifests as actual onsite assistance, manuals about how to enact co-operative principles in practice, setting up co-operatives, training, and providing continuous sharing of information to support their development. Mondragón seeks to demonstrate solidarity with others seeking to learn or to enhance co-operative efforts in alignment with democratic principles and practices and self-management. While this work is also done through Otalora the education center at Mondragón, Mundukide’s work is carried out with academics and businesses in developing countries while linking directly with others immediately involved with the co-operatives in situ to “pave the way for endogenous, sustainable and fair development” (www.mcc.es). “It’s not just about people giving money, but building on local knowledge – helping them flourish” stated Inaki Dorronsoro in our interview. This dedication and commitment was further reified during my interview with Jesus Mª Herraste, Presidente, MCC Internacional, S.A., when he said: “We feel that we have some kind of obligation…to show what we have…we are a case that we can show that it is possible; it is a clear thing we can do.”

MCC’s management model is founded on Catholic Social Thought (CST), as it relates to a SBI specifically, social justice, and economic justice, the dignity of human persons and their work and solidarity (Herrera, 2004: 57). The philosophy and ideology of CST is expressed through MCC’s business structure (see Figure 7) comprised of its corporate mission, values (see Figure 8) and its 10 Basic Principles (see Table 10).
Together they form the foundation that “balance[s] individual, organizational and community needs” (Herrara, 2004: 57) through a socio-business approach to the MCC’s organization and its governance. MCC’s adherence to its core (i.e., values and principles) cannot be overstated. Unlike many corporations where the mission, vision and values statements are usually buried in the annual report or serve as a masthead for stationary or their website, MCC coordinates each of its objectives in alignment with their guiding principles. They serve as the core around which all other work is enacted.

“The goal of cooperative entrepreneurship is not simply economic success but social success” as expressed through a shared distribution of power among worker-members (i.e., owners of the company) (Morrison, 1991: 135). The principle of payment solidarity further ensures economic justice. “The Wage Policy provides for salary scales that avoid a major disparity between higher and lower salaries, with remuneration on a par with salaries paid to those employed within the sectors and regions in which the cooperatives operate” (MCC 2006 Annual Report). Ratios vary among the cooperatives but “it is worker-owners within that cooperative who decide through a democratic vote what these ratios should be” (Herrera, 2004: 62).

---

Figure 7. MCC Business Structure

Source: http://www.mcc.es/ing/cooperativismo/expemcc/culturamcc_i.html

Figure 8. MCC Corporate Mission and Values

MCC’S MISSION

MCC’s mission encompasses those basic objectives of a business organization that competes on markets worldwide, together with the use of democratic methods in its corporate organization, the creation of employment, the personal and professional development of its workers and a pledge to develop its social milieu.


Corporate Values at MCC

The Corporate Values are the heart of MCC’s business culture, providing a sense of direction for all worker-members and a set of general guidelines for the everyday working of each company. They represent the fundamental nature of the organization and create a specific sense of identity. The last Congress meeting, held in May 1999, reduced the list of Corporate Values to just four in an effort to facilitate their communication, absorption and application.

<table>
<thead>
<tr>
<th>CO-OPERATION</th>
<th>PARTICIPATION</th>
<th>SOCIAL COMMITMENT</th>
<th>INNOVATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Owners and protagonists&quot;</td>
<td>&quot;Commitment to management&quot;</td>
<td>&quot;Distribution of wealth based on solidarity&quot;</td>
<td>&quot;Constant renewal&quot;</td>
</tr>
</tbody>
</table>

Table 10

Ten Basic Principles of Mondragón

<table>
<thead>
<tr>
<th>Principle</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Open Admission</td>
<td>Mondragón is open to all persons who are capable of carrying out the available jobs. There is no discrimination based on religious or political grounds, nor due to race, gender, age, or socio-economic levels. The only requirement is the acceptance of these Basic Principles.</td>
</tr>
<tr>
<td>2. Democratic Organization</td>
<td>Workers are owners, and owners are workers. Each cooperative is managed by a system of “one person-one vote.”</td>
</tr>
<tr>
<td>3. Sovereignty of Employee’s Work Over Capital</td>
<td>Workers join Mondragón and become owners after making a capital contribution at the end of a trial period. All workers are entitled to an equitable distribution of profits. The return on saved or invested capital is just but limited, and it is not tied up to the surpluses or losses of the cooperatives.</td>
</tr>
<tr>
<td>4. Subordinate Character of Capital</td>
<td>Capital is a means to an end, not an end in itself. Available capital is used primarily to create more jobs.</td>
</tr>
<tr>
<td>5. Participatory Management</td>
<td>Worker-owners participate in decision-making and the management of the cooperatives. This implies development of self-management skills. Formal education and adequate information is provided to improve worker-owners’ ability to</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td></td>
<td>participate competently in decision-making.</td>
</tr>
<tr>
<td>6.</td>
<td>Payment</td>
</tr>
<tr>
<td></td>
<td>Remuneration is regulated internally and externally. Internally, an agreed differential between the highest and lowest paid job is applied. Externally, a remuneration level is maintained in relationship with similar local industries.</td>
</tr>
<tr>
<td>7.</td>
<td>Intercooperation</td>
</tr>
<tr>
<td></td>
<td>Cooperatives form Groups to pool profits, to absorb worker-owner transfers when necessary, and to attain synergies. These Groups associate with each other to support corporate institutions. Mondragón associates with other Basque cooperative organizations to promote the cooperative model.</td>
</tr>
<tr>
<td>8.</td>
<td>Social</td>
</tr>
<tr>
<td></td>
<td>Mondragon cooperatives invest a majority of their profits in the creation of new jobs. Funds are also used in the community projects and in institutions that promote the Basque culture and language.</td>
</tr>
<tr>
<td>9.</td>
<td>Universal Nature</td>
</tr>
<tr>
<td></td>
<td>Mondragón proclaims its solidarity with other cooperative movements, with those working for economic democracy and with those who champion the objectives of peace, justice and human dignity. Mondragón proclaims its solidarity especially with people in developing countries.</td>
</tr>
<tr>
<td>10.</td>
<td>Education</td>
</tr>
<tr>
<td></td>
<td>Mondragón cooperatives commit the required human and economic resources to basic, professional and cooperative</td>
</tr>
</tbody>
</table>
education in order to have worker-owners capable of applying all basic principles mentioned above.

As the cooperative structure grew in scope and number, what was once referred to as the “group” (i.e., meaning the cooperatives as a whole) was incorporated with the intent to leverage “synergies” among the members. In my interview with him, Juan Mª Otaegi, Presidente of MCC Congress & Caja Laboral, stated: “Solidarity, solidarity between institutions is very, very important for us.” The corporation does not own the cooperatives but provides a management structure (see Figure 9) to serve and enable the functioning among the various cooperatives\(^\text{18}\) while adhering to the guiding ideology. In my interview with him, Mr. Dorronsoro explained that a key point differentiates MCC from most cooperatives:

Mondragón has two levels of cooperation [within its] philosophy. One is individual cooperation, a space of cooperation but there is another space different from how cooperatives cooperate [internally] and that experience is called inter-cooperation...the experience of inter-cooperation among different and small very autonomous organizations.

Cooperation among the cooperatives ensures that they receive management and financial support during a time of crisis to extend the life of the business until it reaches a point of security. The concept of inter-cooperation is an extension of solidarity, a basic principle of cooperative practice, taken to a level most often underutilized within similar structures. During our interview, Fred Freundlich, professor and researcher at MCC’s university agrees with Mr. Dorronsoro:

One of the most remarkable things about it is the idea of an integrated network of enterprises and supporting institutions. By 1959 [there was] the establishment of the cooperative bank, the notion that a network of enterprises and other organizations that would mutually support each other was very important in the broader economic context. The idea of a network where companies help each other out in strategy, in purchasing, in buying each other’s products, in developing new enterprises...
together, in giving each other advice, in accepting each other’s workers when one is in an upturn and another is in a downturn, all those things are very important to the success of MCC and it is one of the most outstanding characteristics of the system when compared to other co-ops in other parts of the world.

The corporation is comprised of three major business groups: Financial, Industrial and Distribution. All groups function autonomously but within a shared strategic plan. The Financial Group consists of two businesses: 1) Caja Laboral – the bank; and Lagun Aro – the Social Assurance Institution. The Industrial Group encompasses goods and services, the Distribution Group includes “various commercial distribution and agricultural-food enterprises…[and] there are also a number of Research, Vocational Training and Teaching centres, including a University” (www.mcc.es).

MCC is structured on a participative and democratic basis with the majority of ownership held by worker-owners. Democratic and participatory methods are enacted as follows:

The individual co-operatives constitute the basic level of the MCC’s organisational structure, with the General Assembly acting as the supreme body for the expression of the will of the members and the sovereignty of the co-operative and the Governing Council acting as the ultimate body for management and representation, being responsible for appointing the Managing Director.

The eight Vice Presidents, along with the three Heads of Department at the Corporate Centre, together constitute the General Council, which is chaired by a President. The General Council is responsible for drawing up, co-ordinating and applying corporate strategies and objectives.

The Standing Committee of the Co-operative Congress is the governing body responsible for giving impetus to and controlling the carrying out of the policies and agreements adopted by the Congress, continually monitoring the MCC’s business performance and the
management of the Presidency of the General Council. The Committee consists of 20 elected members representing the 14 Divisions of the Corporation.

The Co-operative Congress is the supreme body of the Mondragón Corporación Cooperativa, in terms of sovereignty and representation, equivalent to its main General Assembly. It is comprised by 650 delegates who represent all member co-operatives, and its decisions are binding on all of them. (Mondragón Corporación Cooperativa, http://www.mcc.es/ing/contacto/faqs1.html)

The management model consists of three dominant areas: Enablers, Strategy and Results (see Figure 3). The Enablers represent the guiding forces for management practices, the Strategy determines what is essential to reach MCC’s targets, and the Results indicate measures for success toward established goals including that a balance is achieved in each key area: Customer Satisfaction, Profitability, Internationalisation, Development, Social Involvement and Innovation (http://www.Mondragón.mcc.es).

Both critics and supporters of MCC seem to agree on one thing: the actual structure and internal processes of the cooperative is one of its most unique features and seems to be a fluid dynamic involving a paradox of stability and change, tradition and innovation. The unusual nature, and subsequent success, of the system are what many refer to as the “mystery” of Mondragón.

The “mystery” of Mondragón is one of its most confounding factors both to critics and admirers. During my interviews I was repeatedly cautioned to reinforce the complexity of MCC to those interested in learning from or recreating all or parts of the model. Javier Marco, Editor of Tulankide, the in-house publication for MCC, and one closely familiar with its history stated what most overlook:
I think that it is very important to know in what kind of context the experience [MCC] has begun. So the political conditions, the social conditions, the economy and cultural conditions, they were very, very important. So when people come to Mondragón and began with the objective to take [the MCC] model...you have to [consider] a lot of issues, social, political, economic and social issues in order to do something.

Fred Freundlich shared a similar concern: “I just want to make sure that a reader of your dissertation is aware that it is a very complicated set of circumstances, a very complex picture.” And yet, amidst these concerns, in spite of the highly complex model both in theory and practice, thousands of people come to MCC every year to learn from this world renowned organization, not just any organization but a highly successful and influential cooperative organization. Perhaps the most impressive fact of Mondragón is one most often forgotten but certainly best expressed by Fred Freundlich during one of our conversations when he said, “I think one of its most extraordinary elements [is] they
were ordinary people in a difficult set of circumstances, and some of them may have turned out to be extraordinary, but in working with large numbers of ordinary citizens and workers, created quite an extraordinary set of organizations.” Maybe it is in this fact alone that the seed of innovation begins.

Based on the historical data available and the interview data I collected (some of which I have highlighted above), I showcase the seven characteristics of an SBI (see Table 11) distilling each characteristic to a concise label and supporting each of them by both historical and interview data. Perhaps uplifting MCC as an SBI offers another critical insight, the hero’s myth is laid to rest and in its place resides a truer clarity about what enables change at the intersection of business and society.
Table 11
The Seven Characteristics of an SBI, Labels, and Support from Historical and Interview Data

<table>
<thead>
<tr>
<th>Item</th>
<th>SBI Attributes</th>
<th>Label</th>
<th>MCC Historical Data</th>
<th>Primary Data (i.e., internal interviews at MCC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Manifests as a hybrid form of work organization focused on social and business good and designed to simultaneously build human and financial capacity.</td>
<td>Social and Economic Symbiotic Design</td>
<td>Dual mission on development of the human person and generation of revenue growth enacted and measured through organizational objectives and practices.</td>
<td>“Our core definition is how to combine social welfare with economic welfare as companies.” “Keeping the enterprises successful and at the same time balancing the success with the commitment to cooperative principles is one of the most important things.”</td>
</tr>
<tr>
<td>2</td>
<td>Actualizes tangible and intangible benefits to the individual, organization and greater society.</td>
<td>Widespread Benefit Approach</td>
<td>Job creation; job security (e.g., no lay-off policy), inter-organizational cooperation/support, community development initiatives.</td>
<td>“One of our main objectives is to create more employment, cooperative employment…and expand wellness.”</td>
</tr>
</tbody>
</table>
|   | Expresses a shared value system that is democratic in principle and practice | Democratic Principles and Practices | One vote one person; fair distribution of pay (e.g., limited pay rations between mgmt. and factory workers); minimal hierarchy. | “As you have one vote in the general assembly, you are making the decisions, taking part in the decision-making of your company.”  
“The values of the model is the most important thing. The solidarity that we have, starting by the internal solidarity (i.e., wage solidarity).” |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Places people, not capital, at its core and does not place a primacy on economic gain as the driver of value.</td>
<td>Primacy of Human Dignity</td>
<td>People are valued for their role in the creation and enactment at work regardless of position, not as a means to an end (i.e., used solely for generating revenue).</td>
<td>“The power is in the work and not in capital. So all of us, we put in the same amount of money, and that is important because in a capitalist firm, people who put in more money have more power. It doesn’t work like that here.”</td>
</tr>
<tr>
<td>5</td>
<td>Adopts the central principle</td>
<td>Human Agency</td>
<td>Active participation and</td>
<td>“MCC is an inverted</td>
</tr>
</tbody>
</table>
of agency according to Polanyi (1977) whereas "individuals are…agents of social change; they are not passive actors constrained by their institutional settings” (Mendell, 2003; 2).

6 Advocates a pluralistic philosophy of life whereby the actualization and determination of social and economic good is best defined and developed within the embedded culture of each community.

<table>
<thead>
<tr>
<th>Local Prominence</th>
<th>Cooperatives are independent; deference to local members in start-ups.</th>
</tr>
</thead>
<tbody>
<tr>
<td>“They put a native person involved in [the] project and put a person from MCC who knows the cooperative experience and both with the people involved in that project they try to develop the society.”</td>
<td></td>
</tr>
</tbody>
</table>
| “For a cooperative emergence we have to be local, not local, very, very local…to create a cooperative you
7 | Serves as a point of reference, a source of information and education for others to enable future work at the intersection of business and society. | **Development**

| Source | Mundukide Foundation and Otalora – cooperative education shared openly and widely with non-MCC members. | “We are here because we want to make something good for the society, that is the heart of the cooperative…not just inside the cooperative but outside the society. We have a specific fund for doing that and…a nice example of that is the university [created by MCC] open to everyone.”

have to have a close relationship, including physically.”
Summary

In this chapter I have presented historical and current data about MCC and the corporation as it stands today. I have integrated primary and secondary data to comprise my definition of an SBI based on this information. Together, this presentation of facts and impressions form the basis for why MCC is offered as an exemplary model of an SBI and is the primary case site to understand the diffusion of an SBI.
CHAPTER 5

PARTICIPANT PROFILES

This chapter is dedicated to the nine secondary case studies that served as the primary source of data for this research. The information about the nine sites is offered through brief profiles intended to highlight particulars about the participants’ stories and their experience with Mondragon.

Within the scope of this study the impact of MCC as an SBI focuses on nine cases and three broad areas as follows: 1) within an organization; 2) throughout a local community or region; and 3) to foster country level development. Organization indicates a single entity/structure united by a shared mission or purpose; local/regional pertains to vicinity greater than a particular organization and encompasses a neighborhood, community or a broader geographic area; and country refers to a specific geographic domain marked by its own political body, laws, and overall governance. The levels as defined reflect boundaries both spatial and interactive but related particularly to the intentions of the diffusion process. So while an organization will interact and possibly have influence with members of a community, and a region may impact a country to some degree and in turn a country may affect the business decisions of an organization, this study employs these categories primarily to mark initial start points for studying the diffusion process of an SBI.
Admittedly this categorization is somewhat clumsy, since an SBI by its very definition is intended to create economic and social good and the line is then blurred from the onset, but they are both necessary and immediately useful if one is to begin to understand the complexities of the diffusion process. The start point of any innovation or diffusion process is fuzzy at best since it is usually a result of a convergence of many interrelated factors, and as this study will show products of experiences formed and accumulated over a lifetime. Even with these blurred boundaries, however, people are quite able to clearly identify their intentions or target goals in a broad but pointed enough fashion to allow one to track their sense making and to understand how and why they were drawn to a particular innovation and ultimately engaged in the process of diffusion. Therefore I begin with three categories labeled in general but succinct terms as a way to represent the start point of the diffusion process.

This study turns to, and recognizes, the nine individuals as first-person experts as they share their stories and describe their experiences. The cases are presented in this chapter in order of the three levels beginning with organization, followed by local/regional, and concluding with country. The sample for this study offers three profiles at each level but within a variety of sectors and locales.
Case 1

Participant: John Abrams  
Title: Founder and President  
Organization: South Mountain Company, Inc.  
Where: West Tisbury, MA, USA  
Level: Organization

The Person

John Abrams co-founded South Mountain Company (SMC), a 33 year old design and building company on Martha's Vineyard, Massachusetts, in 1975. Since then SMC has gone through several significant transitions. The first occurred in 1984 when SMC moved to operate under a sole proprietorship and the second in 1987, when SMC became a worker-owned cooperative. Since then Mr. Abrams has functioned as the president of SMC and is also one of its owners. Today SMC has “16 owner/employees…and an additional 16 +/- full time employees on the ownership track…[with] yearly sales of $7-8 million…” (South Mountain Company, http://www.somoco.com/who/sub4/does_what.html). He chairs the Island Affordable Housing Fund and is vice-chair of the Island Housing Trust, two nonprofits dedicated to solving the community's affordable housing crisis. Over the years he has held more than 20 social and civic posts, ranging from municipal boards, transportation task forces, and renewable energy groups, to a variety of affordable housing committees and non-profits. John is a member of the Northeast Sustainable Energy Association (he was presented with their Lifetime Achievement Award after many years as a board member), Corporation 2020, the North American Timber Framers Guild, and the advisory board of

**The Context**

South Mountain’s story captured my attention because it is unique in that the change it experienced came about for no other reason than the sole proprietor at the time, John Abrams, wanted to make it a better place for all of the people who worked at SMC, not just for him. Not better in the sense that we are accustomed to thinking which usually implies superficial changes such as added company benefits, or perks like free parking, but deep change that would ultimately invite a complete reinvention of the company.

Around 1986 SMC began to grow in a significant way which created a shift in the culture of the company, “No longer did the company have the feeling of a small extended family; it had grown too much. No longer could it run solely on intuition and gut; it had become too complex. We needed a system that would allow existing cherished qualities to be maintained in a new and different context” (South Mountain Company, http://www.somoco.com/who/sub3/ownership.html#structure). It was also at this time that two employees, Steve Sinnett and Pete Ives approached Abrams expressing
both an interest in staying with SMC long-term “but [they] needed a greater stake and more than an hourly wage” (South Mountain Company, http://www.somoco.com/who/sub3/ownership.html#structure). It was here that the most noteworthy shift occurs in the life of SMC. Rather than reacting to the request with either mild amusement or total disbelief which in my imagination is how most CEO’s faced with this situation would respond, Abrams instead worked with the employees to decide what could be done. As he stated during our interview, “In 1986 we began, some of my employees and I, to think about what kind of structure would invite shared ownership and shared responsibility.” Remarkable for precisely this point, how many sole proprietors that you know of would willingly move in this direction?

The Impact

As a result of their search for an alternative way to run the company Abrams explained that they “were exposed to the Industrial Cooperative Association (ICA) in Boston which is an organization that has specialization in employee buyout. And we started talking to them about what kind of models there are and [Peter Pitegoff an attorney at ICA] told us about Mondragon. He told us a story about Mondragon and it was very compelling, it grabbed our attention. We said, ‘there it is, there is the model.’ It was the first idea that I had come across that had structure and yet was fully democratic, participatory, and had been tremendously successful. So it had all those pieces and I had not come across another such model.”

“So that was the exposure and when he really laid out how it worked we thought, ‘well, a lot of that seems to work but some of that doesn’t seem like it works for us. We
went through the exploration with him of what are the parts that work for us and where do we have to invent our own way. He was immensely helpful and before it was too long we had a set of bylaws and a set of actions that we needed to take to create this real organization.”

To state that SMC is just a design and building company is misnomer yet I cannot find a single label to encapsulate its identity. Beyond designing and building incredibly beautiful homes, and creating an economically successful company, their approach to work is one that is also socially and environmentally integrated. SMC has been recognized for its commitment to affordable housing and its approach to building which uses salvaged lumber also known as reclaimed wood as one way to ensure both top quality material and reduce the waste of trees. Today SMC is an “employee-owned, resource conscious design/build firm located on the island of Martha’s Vineyard” (South Mountain Company, http://www.somoco.com/who/sub4/does_what.html). Employee-owners at SMC share in decision-making and profits but SMC’s innovative approach to work is best described in their own words:

We provide a wide range of services including development, planning, architecture, building, solar & wind energy system design & installation, Loewen window & door sales, cabinetry, furniture, and interiors.

We work only on Martha's Vineyard. We are committed to that. It's just too hard logistically and too distracting to work in other locales. It's also too unfamiliar - we do not have sufficient knowledge of the history and the landscape. We don't know the people. After 30 years of working on the Vineyard we have begun to understand this small region. So we stay close to home, except for educational and consulting work beyond our shores. (South Mountain Company, http://www.somoco.com/who/sub4/does_what.html).
About South Mountain Company

Mission. To enrich our community through our work.

Goals. To make places that draw from past intelligence and anticipate future needs;
To craft buildings and settings that will be loved and admired for generations;
To further our understanding of employee ownership and workplace democracy;
To create affordable housing opportunities which help to preserve community;
To extend the use of renewable energy in our work and our region;
To develop new business opportunities that extend our primary endeavors;
To practice the best level of environmental stewardship we can;
To share what we learn;
To continue our work for generations.

Guiding Principles. Our mission and goals are living expressions of our will as a company. They spring directly from these guiding principles:

Create enduring and respectful relationships;
Encourage individual creativity, health, and fulfillment in the workplace;
Ensure opportunity for all;
Honor craft and those who practice it;
Embrace new ideas with a bold and flexible approach;
Use reclaimed, renewable and energy efficient materials and systems as much as we can;
Accept only projects that are consistent with our values;
Practice design / build to create buildings, landscapes, and neighborhoods;
Produce lasting value for our clients;
Grow only with purpose;
Use our financial resources to support our mission and our goals;
Limit our endeavors to Martha's Vineyard, except educational work;
Cultivate a spirit of co-operation, teamwork and fun!


An article about SMC in an industry magazine captures the philosophy of their organization, “If you think of it as your individual path to wealth, and others are there to serve your needs, there will be consequences, in terms of commitment and levels of responsibility,” he says. “If you think of a business as a community of collaborators, all of whom are contributing to the best of their ability, then you can do a lot more for those people and the community that you're a part of” (Thayer, 2007).

When I asked him about the critics who shun the notion that MCC can be replicated, Abrams responded, “I would have to agree with the people who say you can’t recreate MCC. Of course you can’t. It is what it is. But you can take some of the wisdom, you can take some of the attributes and use them. And that was my exposure to Mondragon, was using it as a model for our business. And we couldn’t be more different, or more the same.”
Case 2

Participant: David Erdal
Title: Executive Director
Organization: Baxi Partnership
Where: Scotland, United Kingdom, EU
Level: Organization

The Person

David Erdal is executive director of the Baxi Partnership, a £20 million trust-owned investment fund based in Scotland which provides support for companies to become employee-owned (Baxi Partnership, http://www.baxipartnership.co.uk/index.html). It has recently completed its sixth deal and has assisted companies such as Swiftshield, the Gloucester-based windowmaker in restructuring and funding an employee buyout. Swiftshield’s employee trust now owns all the shares, up to half of which will be distributed over time to all the employees. Dr. Erdal was Chairman of Tullis Russell, a family paper-making business in Markinch, Scotland, from 1985 to 1996. Graduating with a B.A. in Chinese from Oxford, he worked in China during the reign of Mao. He returned to the family business and obtained his MBA at Harvard business school and received his PhD. from St. Andrews.

In 1994 he organized the transfer of Tullis Russell’s ownership to its employees and since then 1,100 employees have seen the value of their shares grow to some £6,000–£7,000, without putting their other savings at risk. The company has retained its reputation as one of Europe’s leading specialist paper-makers (adapted from Smith,
2004). In 1988 he received the Scottish Business Achievement Award for his work in transitioning the family business to one of employee ownership and promoting an open culture. Dr. Erdal is author of the newly published book, *Local Heroes: How Loch Fyne Oysters Embraced Employee Ownership and Business Success* published in 2008; a true story of how one company transitioned to employee ownership resulting in an amazing transformation of the business and the people involved.

**The Context**

David Erdal describes his childhood lifestyle as one of being well off born into a family who owned a paper mill. Early on he began to notice that things were not so comfortable for everyone. During our interview he explained the impression this disparity left him with and its impact on him today. “I noted from quite a young age that the people I went to school with, in some cases were very poor. And secondly, we used to go round and see the way that people worked, essentially as I thought and I continue to think so, in order to provide my family with a very fine standard of living. And that sounds quite unfair that the people who were doing the actual work were getting much less benefit from the whole than most of us who were doing nothing for it.”

**The Impact**

He states his position to change as a one of a lifelong commitment. “Throughout the things that I have done over the years there is a theme of trying to re-address the balance of it, trying to improve the system so that people who do the work and do create wealth have a share in that wealth.” In 1985 his chance to make such a difference came
about when he became the executive chairman of the paper mill and began a plan to transition the ownership to the employees. About the time this idea began to take hold he had a chance encounter with someone who was organizing a trip to Mondragon for a few bankers and he was invited to go along. Dr. Erdal remembered the impact of this initial visit. “So I came to Mondragon and then [spent] a few days talking to them and that was directly influential in giving me the courage I suppose to go ahead and do something which I thought sounded odd in the Scottish capital [way of doing things]. So I did benefit a great deal and in a practical way from the visits to Mondragon.”

The transition to employee ownership took several years and involved changing the culture as much as the actual structure. It was a methodical transition that was well planned out. It began by slowly explaining what employee ownership entailed and building trust within the new system. Dr. Erdal noted, “I brought a briefing system to spread information around, a cash sharing system, and finally giving some shares to the employees on a very small scale. It took a couple of years for the people to come and trust that system.” “We did manage to change the company’s culture and make sure that its performance improved and by 1989 we were ready to do the whole employee buyout…but there was a recession through the early 90’s which meant we were fighting for our life and we didn’t actually get it through until 1994. So the company has been owned by the employees since 1994.”

After 1994 Dr. Erdal went through his own transition which eventually allowed him to expand his commitment to readdressing inequities in the workplace on a much larger scale. He eventually worked his way out of Tullis Russell and accepted a position that would lead him to creating ownership opportunities for thousands of people as the
Executive Director of the Baxi Partnership whose mission is “to build strong companies in employee ownership with partnership cultures.” (Baxi Partnership, http://www.baxipartnership.co.uk/index.html).

About Baxi

The history of Baxi is in itself unique expressed best in their own words:

When Philip Baxendale sold his domestic boiler manufacturing company, Baxi Partnership Limited, to its employees, his intention was to enable the employees to keep the company independent and to share in the wealth that they helped to create. In the year 2000, the Baxi Partnership Trust was developed to help other strong companies do the same. Philip’s original vision is that the partnership would establish employee ownership in the company, enabling employees to make a contribution to the business and share in its success. The three principles of Philip’s vision are that each company should:

1. **CONTINUE FOREVER TO BE EMPLOYEE OWNED**
2. **BE A PROFESSIONALLY MANAGED, DYNAMIC, GROWING BUSINESS**
3. **HAVE REGARD ALWAYS TO THE INTERESTS OF ITS EMPLOYEES AS PEOPLE AND AS SHAREHOLDERS** (Baxi Partnership, http://www.baxipartnership.co.uk/whoarewe/founderswishes.htm)

After his move to Baxi, Dr. Erdal decided it was time to head back to Mondragon.

“We were trying to get the managers to understand employee ownership and to get enthusiastic about the opportunity so we organized a trip to Mondragon and we met Mikel Lezamiz there and that was a very important visit because it brought out from these managers some very vivid reactions. It was very important in surfacing some of the attitudes which we needed to deal with.”

“Now Mondragon has been very important to me, you know, you can talk to people about it and they tend to go to sleep. If you bring them on a visit to [Mondragon] and then up to the hill to see it in action, that has a much more dramatic effect on people.
It does change them and not just give them some ideas.” Since that time Dr. Erdal has diffused this impact through his work with helping other companies move to employee ownership. His recent publication of his experience working with the people of Loch Fyne seafood company in Scotland is a story that explains the impact of one such transition and is being hailed as a story of possibilities for the future. Dr. Erdal is not just about good stories with high emotional currency, however, “All the evidence is that companies become more productive once the employees become involved.”19 “That benefits the employees as well as making the local economy more competitive”, Erdal believes (Smith, 2004).

19 David Erdal quoting a recent study in Britain, by Harvard economist Richard Freeman, which showed that companies where managers own shares can expect a 12 percent increase in productivity. But companies where the entire workforce becomes the owners see an increase of almost 18 percent. http://www.forachange.co.uk/index.php
Case 3

Participant: Christopher Mackin, PhD
Title: Founder and President
Organization: Ownership Associates, Inc.
Where: Cambridge, Massachusetts, North America
Level: Organization

The Person

Christopher Mackin, PhD is the founder and President of Ownership Associates, Inc. Ownership Associates “provides communications, training and assessment services to the employee ownership market. Services include the Ownership Culture Survey (OCS), the only survey instrument designed specifically for the employee ownership community, Building an Ownership Culture: An Ownership Training Curriculum, a curriculum that highlights core ownership values and Frontiers and Boundaries: Managing Ownership Expectations, a training product focused upon challenges of participatory decision-making in an employee ownership context” (Ownership Associates, www.ownershipassociates.com). Dr. Mackin obtained his doctorate from Harvard University.

He is internationally recognized for his expertise in corporate governance, organizational change and employee ownership and is frequently invited to speak and to write on these topics both in the US and Europe. In addition to his work with Ownership Associates he “is active in the field of ethical commerce and with efforts to promote alternatives to sweatshop working conditions. He also serves as a member of the core

The Context

Dr. Mackin talks about his commitment to his work and workplace democracy in a straightforward-no-nonsense style that leaves you without doubt about his convictions. It was refreshing; no jargon, no spin but an honest expression of his beliefs combined with humility. The sort of “it’s just the right thing to do attitude” that I found at Mondragon. His concern for workplace democracy has its roots in the changes he saw happening around him throughout his life and perhaps more so during his college years where he witnessed world events such as the aftermath of the Vietnam war and the assassinations of Martin Luther King, Jr. and Robert Kennedy. During our interview he articulated the impact of these powerful influencers in his life. “There was this sense that there were some things that were very upside down and that the priorities of getting ahead and of getting a pile of money and getting a piece of the rock and forgetting about everyone else basically taking the class privileges…was not something that made any sense to me.”

“It was about finding ways of addressing the evidence…that there were some things seriously wrong about the status quo and that kind of launched the ship that I entered in…and there [was] a sense that I had to figure out how to dig in and take a piece of the problem and work on it.” “The values that were salient to me, the ones that made me take notice were the values of fairness, of solidarity, of not attributing to
people in power and people of wealth and property particular or status advantage.” “I
guess as I went to college and then to graduate school I had developed a respect and a
passion for ideas and sort of hunting for the intellectual tradition of ideas that were most
exciting to me. I found out gradually that I was joining a river that was already
flowing… that there were people that went before me who made some of the same
insights and spent part of their lives addressing them.”

“It’s just clear to me that we have not reached the end of history and our thinking
about how to structure an economy and how to structure work, that there is plenty of
room for improvement in addressing huge gaps of justice and fairness and development
that are stalled by the predominance of this Wall Street new liberal kind of model that
has within it some kind of brilliance and genuinely advanced features and that [also] has
within it some of the most corrupt and shameful features…for example the
unconscionable concentrations of wealth that come out of this kind of a structure that are
shrugged aside as ineffective and supported as having something to do with the hard
work of a billionaire when in fact most of the money that is made in this era is made
because people already have money. It’s not made because of hard work, innovation
and risk taking because someone has money to risk, money to play with and we call that
brilliance, we call that shrewdness and that’s bullshit.”

The Impact

“You know why Mondragon is so inspiring to me is not in financial treachery, not
in games that people can play with moving money around, it’s genuinely in innovation, in
hard work and risk taking, in people doing their homework, in people learning skills, the solid engineering core of that, the commitment MCC has had all along to imparting skills, to imparting spectrums of science and for analytical thinking…and they believed in the ability of the working classes and [those] from poor backgrounds that they could develop these skills. Your thesis is about one of the most under researched and impressive dimensions of MCC, apart from that kind of commitment to education and to science and to that kind of hard work is the kind of quiet solidarity, the quiet willingness of professional people in the mid-higher reaches of that system to remain a part of it rather than cross the street and work for multinationals that would pay them much more….leaders in MCC have proven that it is possible that people will take less money in order to feel part of something meaningful and useful.”

“What they have developed there is truly an alternative for this kind of mindless capitalism on remote control that is the Wall Street model, and they have so much to teach the world, how to be able to have an economy that is innovative and democratic….given that this was what I wanted to do and since I took a real strong interest in MCC as a concrete example for where it did work…that kind of gave me further hope that these ideas had a future.” Dr. Mackin described a poignant conversation he had with a top manager of a cooperative during one of his many trips to MCC. “I interviewed him carefully about why he just did not cross the street and…make thirty percent more money than he was making and he, in a non-saintly but clear way described the tradeoff that he felt better going home at night knowing that he was contributing to the health of the best community and best culture. You could tell that there was some essential rightness and essential fairness and correctness to the
structure he was working with and while the money across the street was tempting it was too easy to do that, it was a little cheap to just go for the extra dollar [and] that he was in part, involved in something that was important…that interview with that manager was the strongest impression of that trip.”

About Ownership Associates

Today, Ownership Associates serves as a strategic advisor to both sellers and employee groups interested in employee ownership. [Their] expertise includes ESOPs (Employee Stock Ownership Plans), cooperatives and stock options” (Ownership Associates, http://www.ownershipassociates.com/index.shtm). Their work focuses on developing what they refer to as “ownership culture” which encompasses “the development of conditions and competencies that support the broad assumption of ownership responsibility by employee groups throughout an organization--where everyone thinks and acts like an owner” (Ownership Associates, http://www.ownershipassociates.com/abt_corp_intro.shtml).

While Dr. Mackin’s interest in worker ownership began before he learned about MCC his interaction and continued relationship with the cooperative has informed his current work. In fact one author goes so far as to credit Dr. Mackin and his colleagues as being a “prime mover in adapting the lessons of Mondragon to the United States” (Gilman, 1985). His work provides contrary evidence that the MCC model can be applied beyond the Basque culture.
While we recognize that [there are] special features of Mondragon’s history we focus on what appears to be the most potentially generalizable feature of that experience, which we think is the setting up of business enterprises, economic structures that emphasize values of solidarity between people. When we think of taking this idea of solidarity into the American context, a much more individualistic context, what we look for are substitute forms of solidarity, other than blood ties. Given you don’t have people with the same historical and national experience, what is the next best thing that we can find here in a much more heterogeneous society? (Gilman, 1985)

Dr. Mackin has created what I believe is a unique approach to adapting the MCC model in his work described as “substitute forms of solidarity” (Gilman, 1985)

1. Geographic or political solidarity
2. Labor union membership solidarity
3. Ethnic solidarity
4. Democratic egalitarian values solidarity (Gilman, 1985)

His work and that of his colleagues “were instrumental in designing the first state laws for Mondragon-type Employee Cooperatives, adopted in Massachusetts in 1982. They have in part modeled their operations on the Mondragon Bank (i.e., Caja Laboral) that combines money lending with high quality technical business assistance” (Gilman, 1985)

Asked to reflect on what MCC can offer to the world Dr. Mackin stated:

“I think that MCC helps to prove that fairness in business need not be a sentimental, paternalistic gesture but can be a hardnosed, rational way of running a business where the workers and the managers feel a part of what is going on and [a part of] a success in the business. What we see in Mondragon is not a gift necessarily of the rich and the powerful to the poor and the powerless. It is instead evidence of what can happen when those distinctions are diminished of the very rich and the relatively poor in a structure such as you have under Mondragon. Where you have
reasonable and not exaggerated differences between the more powerful and highly paid and the less powerful...where you have a solidarity ratio, where you have a cultural solidarity which is not just about a gesture of sentiment and moral values, though it is that, and no one should be ashamed of that. It is also a smarter way to run a business.”
Case 4

**Participant:** Carmen Ezcurra  
**Title:** Honorary Counsul for Peru to Spain & Director, Insurance Brokerage Company  
**Where:** Bilbao, Spain, EU  
**Level:** Local/Regional

---

**The Person**

Carmen Ezcurra is a director of an insurance brokerage company located in Barcelona, Spain and an attorney. She is also a member of the Peruvian counsel of Barcelona, where she provides legal assistance for immigrants from Peru relocating and seeking employment in Barcelona. Having strong family ties from the Basque country and Peru, Ms. Ezcurra has an intimate knowledge of both cultures and locales. In addition to her full-time management of the insurance company she describes her pro bono assistance for Peruvian immigrants to the area through the consulate as a wide variety of critical services to include “securing passports, birth and marriage certificates and…all sorts of legal counseling.”

---

**The Context**

Peru is faced with multiple challenges with the primary concern being a combination of poverty and political upheaval for the large majority of its citizens. As a result many Peruvians are leaving their homeland to find work in other countries with a particular affinity for Spain due to a shared common language and the opportunities
provided by the ever expanding growth and influence of the EU.\textsuperscript{20} The burgeoning influx of non-EU immigrants within Spain has brought ongoing challenges to the country perhaps more noticeable in large cities such as Barcelona and Madrid, where most opportunities exist for employment. Concerns regarding immigration to these areas are typical of other parts of the world to include the need for complex and lengthy legal assistance, work visas, appropriate housing and wages, education and healthcare needs and integration into existing communities. The issues are convoluted and involve both economic and social matters at multiple and interrelated levels to include individuals, families, communities, organizations and the state/country.

\textit{The Impact}

Feeling a deep affinity for the cause of Peruvians and an appreciation for the hardships brought about by the decision to immigrate, Ms. Ezcurra sought a way to assist. As she explained in our interview she first learned about MCC while working in a university in Bilbao. “I heard about them and I was really curious…I was reading and thinking, ‘My goodness, this will be the solution of the globe.’” As the Peruvian population continued to increase in Barcelona Ms. Ezcura was compelled to help. “I was in a conflict. I was once again confronted with a problem which was we were trying to make it possible for Peruvians living here to make it possible for other Peruvians to come here during the past 20 years [but the problem is] they need a working visa.\textsuperscript{21}

\textsuperscript{20} Foreign immigration from impoverished countries to Spain began to be a significant phenomenon in the mid 1980s (during many years most of the foreign residents in Spain were Western European nationals).” Source: Country report, “Immigrants and immigration policy-making, The case of Spain.” Ricard Moren-Alegret, Migration Research Group (GRM), Universitat Autonoma de Barcelona.

\textsuperscript{21}Peruvians and other immigrants are usually employed for work that citizens of the area are less likely to want such as positions in the service industries (e.g., food servers, cleaners, maids, child care providers,) or
Whenever I am confronted with the problem my mind jumps to Mondragon. You know by joining forces and being many it is perhaps easier to do but I didn’t know how.”

Over the years she began to visit MCC several times and attended short courses to increase her understanding about the cooperative. During these trips she also engaged in conversations with members of MCC as well as other participants attending the courses.

Her deep desire to make a difference combined with her knowledge about the potential of MCC over time led her to begin plans to develop a cooperative for Peruvian immigrants that would enable them to work in the growing construction industry. The cooperative would provide employment for immigrants coming to Spain in order to work as contracted employees throughout the area as well as secure the appropriate work visas for employment in the EU which is otherwise the primary barrier for these individuals. Additionally it will serve as a unifying social link connecting fellow Peruvians to one another and therefore replacing feelings of isolation with one of community. Ms. Ezcurra shared her thoughts for her company during our interview:

I was thinking that I could incorporate a cooperative company where Peruvians living here were the owners and that people who wanted to come from Peru were also owners and they were all sharing the capital and the destiny of the company. ..that would be a sustainable effort and a company is only a legal vehicle to move people. A Spanish company says I want Peruvian people for this and this and this reason, very decent reasons so I was looking for a vehicle, at the same time I was looking for a self-sustainable endeavor and I said that it could have the same sort of principles [as MCC].

hard labor such as construction. One pro-immigration argument is that this type of labor is critical and thereby necessary for developed countries and the most in demand since local residents are not attracted to these positions which usually pay minimum wage. Immigrants are more likely to accept this sort of work since the wages are typically higher than what they would receive in their homeland. While beyond the scope of this study it is worth noting that immigration laws create a barrier between the supply and demand sides of would-be employers and employees. The difficulty and complexity of obtaining work visas for labor high in demand seems paradoxical to countries in need of employees and for those individuals desiring to earn a living seemingly through work most citizens reject.
The main aim is to give them a good wage, a good way of living because the economics and the social forecast for Peru is not a bright one, it is a sad one. People want their children to have an opportunity in life so they are ready to leave and to sacrifice and to settle again which is a very hard thing to do. So I was thinking some of the ingredients of Mondragon [would] be put into this organization. I mean in the ideology of my organization it’s very much like Mondragon. All of the vision and mission aspects of Mondragon inspired my organization that I am creating. We want the people to create a learning environment; we want them to create their own economic reality. We don’t want them to be dependent people, we want them to be self-dependent people…they are going to have shares and they are going to be able to vote and take decisions and they…are going to reinvest the main part of the benefits back into the company in order to sustain the coming of other people.
Case 5

Participant: Tim Huet  
Title: Attorney, Cooperative Developer  
Organization: The Arizmendi Association of Cooperatives  
Where: San Francisco, CA, USA  
Level: Local/Regional

The Person

During my interview with Tim Huet I asked him to state his title, “We actually don’t have any titles. When I speak at a conference I use Cooperative Developer or something like that because basically that is what I do in different forms.” His response reflects the extent of the egalitarian, fluid and adaptive nature of the Arizmendi Association of Cooperatives, however, I wanted to include the depth and breadth of his work within the Association and beyond and for this explicit description I provide the following from the website of the California Center for Cooperative Development where Mr. Huet serves as a board member (http://www.cccd.coop/about_us/board_info):

Tim Huet, Esq. is one of three founders of the Association of Arizmendi Cooperatives, an enterprise aimed at replicating successful worker cooperatives. In the last nine years, the association has launched three award-winning new bakery cooperatives. As part of the Association’s Development & Support Cooperative, Mr. Huet participates in writing business plans; raising start-up capital; negotiating leases; and training workers in democratic business management. He also serves as in-house legal counsel. Mr. Huet also serves as Program Adviser for WAGES (Women’s Action to Gain Economic Security), an organization that helps recent immigrant women create non-toxic housecleaning cooperatives. He is one of the founders and current organizers for the Worker Ownership Fund.

Mr. Huet served on the founding boards of the Western Worker Cooperative Conference and the United States Federation of Worker
Cooperatives and remains active on both organizations. He has also served as a trainer and curriculum development advisory board member for CooperationWorks! Tim has published articles on worker cooperatives and self-management in Dollars & Sense, The Stanford Law & Policy Review, Grassroots Economic Organizing, and Peace Review. He has been a featured speaker at cooperative conferences throughout the United States (including the Western Worker Cooperative Conference; Eastern Conference for Workplace Democracy; Midwest Worker Cooperative Conference; and conferences of the U.S. Federation of Worker Cooperatives); in Canada (at conventions of the Canadian Worker Cooperative Federation); and at the annual meeting of CICOPA, the international federation of worker cooperatives. He has toured and studied cooperatives in Argentina, Canada, Italy, and Spain.

The Context

California is known for its diverse composition. It blends liberal thinking but its governor at present is a Republican, as well as being a semi-retired sci-fi actor. Los Angeles is often referred to as “La-La Land” where Hollywood seems to exist in ongoing state of surrealism grounded by “in your face” realism made painfully blatant with side-by-side composites of the entertainment industry, high tech and real estate wealth and the quickly growing majority of Asian and Latino immigrants employed through both legal and illegal means. The contrast is vast and immediate in California where unlimited affluence is greatly supported by minimum wage service workers.

California remains the watch post for change in the United States; what happens there often sets the tone for transformation throughout the country. How California succeeds or fails in obliterating these disparities is significant to the rest of North America. Within the states and abroad California is largely synonymous with activism to include environmental, political and human rights. Not surprising it is also considered to
be a haven for die-hard “hippies” and free thinkers determined to preserve and expand democratic principles and practices.

The iconic 39th state is also home to a new and emerging profile of innovators succeeding at blending sound business practice with social good. Honing in on San Francisco through this lens reveals a micro-mecca of cooperative enterprise and houses “the largest concentration of such companies in the United States” (Mara, 2007). The cooperatives of today have bypassed the outdated notion of 1960 coops and have evolved into complex business models, or as Tim Huet describes the Arizmendi Association, “a cooperative of cooperatives.” The Arizmendi Association of Cooperatives is an exemplar at the nexus of business and society holding true to values promoting democratic enterprise and innovation. The Association provides a feasible model for how to reconcile primary disparities in the workplace including a burgeoning issue of fair opportunity and employment practices for immigrants.

**The Impact**

Tim Huet’s activism emerged early on in his life and eventually lead him to the green mountains of Mondragon and back home again to San Francisco with a solid plan about how to fulfill his mission. “I am an attorney. I was in college and a community activist and really looking around for a way to do community organizing…and (I) was particularly prone to working with workers rights. I come from a union family background…when I read about Mondragon, which I just happened to read while I was in law school; it really brought a lot of things together for me. I was not really happy with doing the kind of work that was more protest oriented, kind of trying to tear
something down from the outside. I wanted to be able to build something from within…something constructive.”

“I had gotten very good at explaining to people, or arguing, why the current economic system we have would eventually lead to destruction if we didn’t change it. And people eventually would agree with that but would say, “But what can you do better?” And I think that is a valid question so I thought, well let me find out what is better so when I read about Mondragon, I thought, this is an answer. This is something that can work.”

About Association of Arizmendi Cooperatives

The manifestation of the Association’s collaborative efforts has resulted in a “cooperative of cooperatives” specifically four bakeries and a development and support branch: The Cheeseboard, Arizmendi Lakeshore, Arizmendi 9th Avenue, and Arizmendi San Pablo. Together these five cooperatives comprise The Arizmendi Association of Cooperatives who operates with the following shared mission and guiding principles:

Vision. Members share a common mission, share ongoing accounting, legal, educational and other support services, and support the development of new member cooperatives by the Association.

Mission. Our organizational mission is to:

Assure opportunities for workers’ control of their livelihood with fairness and equality for all
Develop as many dignified, decently paid (living “wage” or better) work opportunities as possible through the development of new cooperatives

Promote cooperative economic democracy as a sustainable and humane option for our society

Create work environments that foster profound personal as well as professional growth

Exhibit excellence in production and serving our local communities

Provide continuing technical, educational and organizational support and services to member cooperatives

Seek to link with other cooperatives for mutual support, and to

Provide information and education to the larger community about cooperatives (The Arizmendi Association of Cooperatives, http://arizmendi.coop)

The bakeries are widely recognized for their superb goods encompassing cheeses, pizza, breads and a wide assortment of freshly baked goods. The description below affords you a quick look what it is like inside The Cheeseboard on any given day:

In a shop in Berkeley, you’ll find handmade crusty bread, sharp cheese, and pizza slices fresh from the oven. You’ll also find vibrant community, live music, and a new vision of work.

As you enter the Cheese Board Collective store in Berkeley, California, a multitude of sensations surrounds you: the aromas of fresh baguettes, hot cheese bread, and garlic oil from trays of focaccia. From the cheese counter comes the barnyard smell of goaty chèvres and the sharp
tang of the blue cheeses. The open kitchen allows you to see the whole operation. Everything is in motion: in the front of the store, workers are selling cheese and customers are browsing and choosing breads and cheeses; in the back, workers are rolling and baking bread. Forty feet of cases hold more than 300 varieties of cheese from around the world. Sourdough products are a store specialty, as are hearty wheat breads, hefty scones, muffins, and savory breads.

Customers seem to prize the store as a gathering place for social nourishment as much as a place to buy food. There is a loud party atmosphere of busy shoppers waiting for service and catching up with old friends.

A few doors down from the bakery and cheese shop is the Cheese Board Pizzeria. The pizzas feature a crisp sourdough crust, Mozzarella, and different combinations of fresh seasonal produce and, of course, specialty cheeses for the topping. Just as the hot pizzas are taken from the oven, garlic-infused olive oil is brushed over the crust, creating a heady scent. There is always live music—piano and stand-up bass, sometimes a drummer—and occasionally musician friends drop by and bring their horns, saxophones, guitars, and flutes. Jazz, the roar of the oven fans, aromas, and conversation fill the small space as customers wait in line for slices or whole pizzas.

Art, an employee-member of the Cheese Board, says, “It absolutely changes people to work here. You learn about yourself, you learn about trying to get along with people. Hopefully, before you die, you learn that these are the most important things in life.” (The Cheese Board Collective, 2004)

Elements of the MCC model are predominant in the structure of the Association. The bakeries and the development and support branch form a network of cooperatives, independent and operated by the worker-owners. The plan is to continue to develop an internal capital structure to produce offspring. “The new cooperatives, which are members of the association (and own the association), will then provide financial and technical support for starting other new cooperatives based on the same model” (the Cheese Board Collective, 2003: 13).
Huet states another important lesson learned from MCC was their focus on the importance of ongoing education for worker-members. The Association mandates that “every new member who gets hired goes through a training program that they must be able to complete in order to be eligible for membership. There are six components: 1) democratic participation and decision-making; 2) cooperative history and principles; 3) conflict resolution and effective communication; 4) cooperative finance; 5) cooperative legal issues; and 6) democratic leadership and participation” explains Huet. The educational element cannot be overstated nor is their approach typical of the one-off training sessions common in most organizations. Tim describes the general philosophy of the Association:

“One of the things I tend to conclude about why weren’t cooperatives being developed in the U.S. is that people were trying to develop those cooperative businesses that would only work for idealists and we really try to focus on making cooperatives that can work for everyday people...that is, in part, why I am interested in cooperatives because I think in some ways they are schools for democracy. You can only really have a larger democracy if people are learning the skills of democracy on a day-to-day basis.”

Meeting the specific needs of each locale is part of the Association’s commitment to being a part of the existing community; a critical success factor in Mondragon’s own inception. When the San Pablo bakery opened up it was “similar to its cousins but with its own twist to suit the new clientele, location and personalities of the worker-owners” (Jones, 2003). The San Pablo location further represents a unique departure from the point of origin of the other bakeries.

“The collective’s other stores, which are in neighborhoods with heavy foot traffic. In Emeryville, Arizmendi (on San Pablo Avenue) is surrounded by sprawling parking lots and mega chain stores such as Home Depot and Pak’n Save. Neighbors around that stretch of San Pablo started
complaining to the city about the proliferation of chain stores, and told the city council they want more small, independent businesses like Arizmendi according to worker-owner Linda Kallenberger. So the city council took them at their word and invited Arizmendi to set up shop, with the help of a $350,000 grant. (Jones, 2003).

The Association demonstrates a key factor in the diffusion process of an SBI by adapting the MCC model to fit within each coops locale. The Association has also in created a point of differentiation that sets them apart from MCC. Tim Huet explains their innovative twist:

We actually recruit workers. We say, ‘Would you like to become worker-owners in a business? We will train you how to do that and then we will turn the business over to you at some point. So when we are starting a group we may have no one who has been a member of a cooperative, no one who has worked in a democratic workforce before and they don’t really know each other so at the beginning we really have to provide more leadership to them and then over time we need to withdraw leadership in a more direct fashion to let the group coalesce into a cooperative. I think we may be actually one of the only organizations (cooperatives) that do that. I can’t think of another example in the United States…who really start from scratch and then puts together a group. I know the entrepreneurial division of the Caja Laboral Popular (at MCC) has that same kind of business development…they might provide them with a business plan but we’re a little further down the road to actually go out and recruit people where people are interested.

One worker-owner’s words serve to drive home this success factor.

“I am so proud to be working here, owning my own business. In Guatemala, we survive by doing things collectively. It would be hard for a single person to survive there because of the economy, the regime, the
system is so different from the United States. There is no Social Security, no food stamps—people who don’t work don’t eat. So, working together, people always pull the ones from the bottom up and keep them afloat. It’s how we survive—we all work together, we push each other up. That’s why I love it here in the collective—because it’s a family, and I know that if I need help, everyone is here for me, and if somebody else needs help, I’ll be there for them. I grew up that way” (The Cheese Board Collective, 2003: 183).

After profit sharing, members make about $25 an hour, with generous benefits (Fletcher, 2003).
Case 6

Participant: Leslie Schaller
Title: Business Counselor
Organization: ACEnet, the Appalachian Center for Economic Networks
Where: Athens, OH, USA
Level: Local/Regional

The Person

Leslie Schaller is the Business Counselor for ACEnet, the Appalachian Center for Economic Networks, located in Athens, Ohio. She was part of the founding staff of the Food Ventures program and oversaw the initial renovation of the Kitchen Incubator facility. She has worked directly with food producers and farmers since 1993. Leslie is responsible for working directly with specialty food firms throughout the intake and assessment process, focusing on the start-up phase of network clients. Leslie delivers technical assistance and coordinates the expertise of the Food Ventures team to provide innovative product ideas, marketing strategies, business plans, and financial management systems to our network firms. Leslie develops and maintains the curriculum modules, for the multi-track system that the food venture clients use.

Leslie has resided in southeastern Ohio for the past 34 years. She attended Ohio University, where she studied philosophy, English, and art. Leslie is also the Business Director and one of the remaining founders of the Worker Owned Restaurant Corporation. In her free time, Leslie serves on The Athens Municipal Arts Commission,
the Athens Area Chamber of Commerce, Community Food Initiatives, and the Athens County League of Women Voters (ACEnet, http://www.acenetworks.org/about/staff/).

The Context

For me and countless other Americans images of economic disparity within the U.S. are captured forever in the photographs of Dorothea Lange and her ability to show the devastation wrought by the Great Depression. Those most at risk during financial downturns are those most vulnerable to begin with and are often the least likely to get our attention. Lange’s work created an indelible collective portrait of human suffering through her images of migrant workers and others severely wounded by the impact of economic disparity. The faces in her photos bear a haunting resemblance to those impacted by poverty around the world and with a greater emphasis in areas that are non-industrialized.

Today a vast and growing blight has spread throughout America’s agricultural community where farmers and migrant workers alike are harshly impacted by economic and industry changes. Where family farms were once a mainstay for the Midwestern states they have long been taken over by large corporations. As a result poverty began to grow in fields that were once plentiful.

But there is another sort of farmer usually not considered in this mix; farms where people are only able to grow enough food to sustain their families and if there is any leftover it might be sold at small local open-air markets or from a stand on their front yard. These are the types of farms rooted within the long stretch of the Appalachian
Mountains. For many the Appalachian region is synonymous with scarcity. One of the best descriptions of this region is offered by Thomas S. Lyons, Ph.D. (Lyons, 2000):

This is a rural region characterized by extensive poverty. Because of its mountainous terrain, farming is small scale and not particularly profitable. Most farmers need a second source of income to make ends meet. Education levels are relatively low. Transportation systems are very limited, isolating the region and making it unattractive to large industrial employers.

Another barrier to entrepreneurship in Central Appalachia is the physical isolation created by the topography. There are very few large cities in the region. Most human settlement takes the form of isolated farms and very small towns. The mountains act as dividers between a series of small valleys (so small that they are accurately referred to by locals as "gaps"). These small pockets of human activity are sometimes so separated from one another that there is little or no interaction between them, let alone with the outside world.

As an example of this isolation, researchers have encountered areas within this region that have their own dialects, some that sound very similar to Elizabethan English. This kind of isolation engenders self-awareness obstacles, as people in the region often have no idea what they need or what is possible in the realm of entrepreneurship. Furthermore, it makes the availability and affordability of certain crucial resources a major problem. Successfully overcoming these obstacles to entrepreneurship requires linking Central Appalachian entrepreneurs to resources outside of the region. It necessitates the pooling of resources to make them affordable, and it requires innovative approaches to addressing the transport of information and services into the region.

In 1985 ACEnet was founded as a non-profit economic development and business support organization located in rural southeastern Ohio and a part of the Appalachian farmland geographic region. ACEnet has, as its sole purpose, a mission of replacing isolation with inclusion and alleviating poverty through entrepreneurship. It was conceived “by a small group of community members committed to building a healthy regional economy…through the growth of locally owned businesses…
especially those operated by lower income residents (ACEnet, http://www.acenetworks.org/about/history/).

About ACEnet

The ACEnet Mission. ACEnet builds the capacity of Appalachian communities to network, work together, and innovate to create a dynamic sustainable regional economy with opportunities for all.

ACEnet Vision Statement. ACEnet will be recognized as the region’s most effective catalyst of entrepreneurial and community creativity. Our activities will identify and develop under-utilized and untapped resources through collaboration, partnerships and innovation. These activities will result in expanded impact and scale of operations, enabling large numbers of people to fully participate in the healthy economy of the future. (http://www.acenetworks.org/about/mission/).

Sectors. ACEnet believes that similar businesses, networking together, can share ideas, reduce operating expenses, produce joint marketing, and increase market exposure. Those are important components of the "sector" approach to business development. ACEnet specializes in delivering entrepreneurial services to the following business sectors of the regional economy: Art, Food, Agriculture, Wood. (http://www.acenetworks.org/about/wws/).
Service Area. Located in Athens County, Ohio, ACEnet serves a wide variety of entrepreneurs in the region with a primary service area that includes the 29 counties forming Appalachian Ohio.

Service Area of ACEnet

Through referral from satisfied clients, nonprofits and development agencies, ACEnet has attracted new entrepreneurs throughout the state of Ohio as well as from West Virginia and Kentucky.

(http://www.acenetworks.org/about/wws/)

Our Impact. Business Incubation and Services. Each year, the ACEnet kitchen incubator produces over 250,000 unique units, generating approximately $700,000 in entrepreneurial sales.

Technology Services. ACEnet's development of an e-commerce web site will offer regional entrepreneurs a world-wide vehicle through which to show case and sell their locally crafted products.
Sector-Specific and General Business Training. Over 200 entrepreneurs, youth and adult, receive business entrepreneurship training annually through ACEnet training activities.

Food Security. Approximately 350 gallons and 445 pounds of fresh produce were preserved and distributed to five regional food pantries over the last two years by Appalachia Harvest, a volunteer group coordinated and lead by ACEnet. (ACEnet, http://www.acenetworks.org/about/ourimpact/)

The Impact

During my research about ACEnet, I was especially fortunate to interview Leslie Schaller. One of the most interesting things about talking with Leslie is her somewhat unique perspective. Leslie brings with her a historical knowledge of ACEnet and a first-person perspective as a beneficiary of the organization’s community-development efforts. While Leslie works for ACEnet as a Business Counselor she is also a worker-owner at the cooperative restaurant, Casa Nueva located in Athens, Ohio and formed in 1985 with the assistance of ACEnet. Casa’s story serves as both a definition of economic cooperation and the cooperative spirit while demonstrating the power of ACEnet:

Back in the spring of 1985, a group of eight recently unemployed restaurant workers decided to form a worker-owned cooperative. The original founders had never run a business before, but collectively had over 100 years of restaurant experience and the determination to create their own livelihoods. Fortunately, the Appalachian Center for Economic Networks (then Worker Owned Network,) had recently formed in the spring of 1985 to promote community-based economic development in the region through the formation of worker-owned businesses. Through their staff’s tutelage, the coop's founders developed a business plan, secured
financing and created the foundation of Casa Nueva's cooperative structure.

With the passage of time, Casa Nueva has expanded to include the Casa Cantina which opened in October of 1993 and our Casa Nueva Salsa and Limited Harvest product lines which we began manufacturing in 1987.

Throughout our history, we have consistently maintained a commitment to ownership opportunities for all our employees. Every employee of the corporation has the opportunity to also become a shareholder. Before employees are accepted into the cooperative, they are required to attend a number of workshops focused on cooperative and financial education to become fully aware of both their rights and responsibilities as owners. To a large extent, membership's initiative to provide input on policies and procedures has paved the way for our overall development as an innovative, well-managed business.

Communicating our mission and core values to our fellow owners, customers, suppliers and community in tangible ways is extremely important to us; as well as being good collaborators, learners and listeners within the economic system. Although Casa Nueva or "new house" isn't so new anymore, as owners stay committed to creating "what's new" both as a business and cooperative. At Casa, we feel that our efforts are part of a larger movement in which owners can provide direction and vision to create a workplace in which all individuals are treated with equality, respect and compassion (Casa Nueva and Cantina, http://www.casanueva.com/ourstory/index.html).

The history of ACEnet proper is one that began “as a conscious effort to import the Mondragon model of worker-owned businesses from Spain to Appalachian Ohio…its small staff worked one-on-one with workers at businesses in danger of closing, helping them negotiate and establish worker owned businesses to take control of the business and keep it healthy” (ACEnet, http://grass-roots.org/usa/acenet.shtml). Early offspring of this initiative included ten worker-owned businesses of which Casa was one.
What Lange opened the world’s eyes to through her photographs; ACEnet opens our minds to new possibilities of regional entrepreneurship through their story. ACEnet offers a fresh and innovative profile compared with most non-profits. While the organization both provides and receives grants and accepts donations, it has developed a “new comprehensive approach to asset development for low-income communities…focus(ed) primarily on asset building that encourages the development and expansion of enterprises (ACEnet, 1997: 1). The approach builds on a dense network of strong ties among the geographic region. ACEnet “represents an approach to enterprise development that recognizes the strong connection between economic development and community development” (Lyons, 2000).

In this case the innovation is embedded within the community and centered on developing internal (i.e., within the region) sustainable economic initiatives. The network is built on existing relationships and resources but is continuously expanding to attract and leverage related ties. Their philosophy toward networking is similar to the Mondragon model but represents what Leslie describes as a “peer network approach.” ACEnet uses also “asset mapping” within the adjacent communities to link people, businesses, and regions based on business opportunities but not limited to financial resources. Leslie highlighted the significance of individuals in the process:

It (is) more the individuals coming up with community answers. Do we have social assets or do we have capital assets and that when we come together we are able to utilize and make a difference… if we do our asset mapping, there are assets that we have, they may not be financial, they may not be comparable to Metropolitan areas of the state of Ohio, but there’s opportunity here if we can come together.

---

22 In 2007 ACEnet distributed over $30,000 in technology grants through the eBay Foundation Techquity Program.
“The theory behind this approach is that the set of new relationships that small businesses develop with other businesses, with community organizations, and with new markets, transforms the area economy” (http://www.acenetworks.or/frames/aboutframe.htm). Interestingly, the businesses are situated to increase cooperation even while they may be competitors within the same market. Leslie provided one such example during our interview.

The other piece, in terms of the work I do at ACEnet is how do you create networks of businesses that can share resources that can…act as a peer network, where they learn from one another and to a large extent what we have tried at the food beverage project here at ACEnet. Whether it is to share facilities, or some of the other technical assistance that we provide, is really reinforce that value base, that is very important to these small businesses. So yes, maybe identifying each other as competitors to some degree, but that does not mean, even at one level they might compete at the marketplace, but they could still collaborate at another level. So I might work with twelve different salsa manufacturers and they all use the facility to create the salsa vines but many of them might buy ingredients together, they might (purchase) some lids together and they still are reducing their overall costs of goods or expenses.

ACEnet specifically has succeeded because of its focused network approach. Lyons, citing Putnam succinctly explicates the significance of this in development efforts:

Networking works most effectively, as Robert Putnam has powerfully illustrated in Making Democracy Work, in communities:

that develop a history and norm of working together. It is increasingly clear that there is a direct connection between building healthy regional economies and increasing opportunities for collaboration and participation. We believe that building dense networks of diverse participants is a powerful strategy for asset building in low-income

As a result ACEnet has created a thriving business based on the power of community networking and developing sustainable enterprise. This philosophy has been embedded into their processes and actions and is most apparent in the significant outcomes in what was once an economically depleted farming region that has now flourished into a thriving network of community-linked entrepreneurs.

During the last part of our interview I asked Leslie what she thought is MCC’s greatest innovation that the world should learn and emulate. What she said seemed to go to the very heart of not only MCC but what two organizations living worlds apart share, MCC and ACEnet, and their commitment to making a better world through a new model of work:

It’s about being able to take an area, and totally revitalizing it using an economic development model that demonstrates through collaboration and economic corporatism that it is going to create a more healthy community for the individuals within that community,

(In) Appalachia Ohio a lot of people have lost jobs and have been downsized and I think that often times people can connect with the opportunities or the perceived opportunities in terms of creating food products, everybody eats, everyone has products, recipes, that may have been handed down within their families for generations and they have expertise that they have developed as a home cook. I think creating facilities like this just opens the door, makes it real. It would be so daunting as an individual to really start your own food business, without having a manufacturing background or having the financial (expertise or resources)… to be able to do it on your own.

(It is) about creating opportunities for individuals who would not have had opportunities in a different world, so to speak and folks…really having some say over the quality of their life…they see the local products in the grocery stores, they see many of these product lines and entrepreneurs now reaching regional and national markets. It becomes more and more
visible. So, it gives people that ability to maybe dream for themselves as well, because it seems more real.
Case 7

Participant: David Ellerman, PhD
Title: Visiting Scholar
Organization: University of California, Riverside
Where: Riverside, CA, USA
Level: Country

The Person

David P. Ellerman works in the fields of economics and political economy, social theory and philosophy, and in mathematics. His undergraduate degree was in philosophy at M.I.T. ('65), and he has Masters degrees in Philosophy of Science ('67) and in Economics ('68), and a doctorate in Mathematics ('71) all from Boston University. His teaching career spans the fields of economics, mathematics, accounting, computer science, and operations in various universities. He has founded and managed a consulting firm in East Europe and worked in the World Bank from 1992 to 2003 where he was an economic advisor to the Chief Economist (Joseph Stiglitz and Nicholas Stern). He has published numerous articles and books in various fields and, at present, is a visiting scholar at the University of California in Riverside (adapted from: Ellerman.org, http://www.ellerman.org/Davids-Stuff/AboutDavidEllerman.htm). Dr. Ellerman’s most recent book is entitled, Helping People Help Themselves: From the World Bank to an Alternative Philosophy of Development Assistance, University of Michigan Press, 2005.
The Context

Dr. Ellerman’s work has long been dedicated to understanding how to foster democracy in the workplace by building theory in practice toward that end. It was during the time of the Vietnam War that he began to merge his background in philosophy with economics. He was greatly influenced by this period of social change and the questions and implications that began to arise for a society based on democratic principles. “Basically, the sort of ethical theory that I developed then was one very much towards democracy in the workplace, where people own what they produce and would not be used up, in other words, to be a member of the firm” explains Dr. Ellerman. “As I learned more about different types of firms... worker cooperatives were the ones which exemplified those structures.

“It’s not so much a question of values but a question of the principles involved in the legal structure of the company where the people in the company are members of that organization. So the cooperatives were the forms that basically realized that principle, and it was maybe during the middle to late 70’s when I finally learned about Mondragon as one of the better examples of where this sort of structure had been developed...more recently I have been going there a few times and trying to become acquainted with the new generation of people there.

Mondragon was one of the practical examples of...the principles that I tried to develop in my theoretical work. So we set up a NGO, non-for-profit in the late seventies, a cooperative association, trying to transfer that model to the United States... but because there was so little theory about it I had to get involved and practice with other people.”

I arrive at certain principles and try to develop those principles and of course, implement them in my own work and my life. And so I have been involved in a number of companies and co-founded [companies]. All of them are cooperatives... but basically it was my work as a writer, a theoretician, and trying to work out the problems and the structures so that they could be used more than before.”
The Impact

His primary attraction to Mondragon was “their principle that the people in the company are members of the company. So basically, what is the alternative to the employment relationship? If you see that there is an inherent problem with people renting other people and you ask how to organize so that things are rented, money is rented, but not people, and this organizational form [Mondragon] is basically how you do that.”

One of the primary findings I discovered in Dr. Ellerman’s works, and in my interview with him, is his interest and ability to pinpoint and to articulate key innovations within the Mondragon model that separate it from other cooperatives in the world. Dr. Ellerman visited Mondragon in the eighties and then wrote a case study about the cooperative for Harvard Business School where he notes several of what he describes as MCC’s significant “major social inventions” (Ellerman, 1984: 9):

1. The system of internal capital accounts, which gives the members a recoupable claim on their retained earnings, and which partitions that claim off from their membership rights;23

2. The Caja Laboral Popular as a credit cooperative with the members being worker cooperatives and other cooperatives (not individual depositors);


---

23 Every member has an internal capital account. This account is not tied to the amount or type of membership rights they possess. For example, worker-owners will have various amounts of capital in their accounts based on their individual seniority and pay rate, but all worker-owners have the same membership rights (Ellerman, 1984; 11).
During my time with him he continued to expound on the innovations at MCC. “It is the best example in the world of a sort of industrial democracy. They have basically solved the problem of a legal structure. And then they have shown us incredible creativity for other problems such as…insurance and banking…they have second-order entrepreneurship (e.g., partnerships) forms of new cooperatives and spin-offs. So they have just become a fountain of new ideas of all sorts of new types of things.”

The ability for MCC to spin-off new cooperatives is central to its longevity and sustainability. Dr. Ellerman explains the significance of this sort of innovation:

Another important thing is the way in which the firms keep creating more jobs. They spin off and move to different parts of the region so it is not just one cooperative. Being cooperative is important for one reason, one of the ways in which you have a growing vibrant economy…one of the key things is when people in companies learn to do things that they have ways and means that allows them to spin off and form new companies. Instead of just getting fatter and fatter …and here that does not happen, not because you don’t know how to do it but because you have unified ownership in the company so you don’t want spin-offs, nor do you want people trained in your company to go and do different things because there are potential competitors, etc…in the case of Mondragon there is not unified ownership that can say “No you can’t spin off”…so in that sense they have illustrated a whole new type of organization structure that can grow.

Dr. Ellerman was the Founder and President of EOS Inc. and the Staff Economist and Co-founder of the Industrial Cooperative Association (now renamed as The ICA Group) from 1977-1990 where he worked to incorporate his theories into new models of work structures and also adapting knowledge gained from his experience with MCC. The focus of both organizations was to assist businesses in financial trouble by working at the local and regional levels to develop employee-owned work structures embedded in
the community. Dr. Ellerman also “introduced the legal structure widely used in the
United States…as a way to restructure a standard cooperation to function as a
cooperative.”

In 1990 he went to Yugoslavia during their transition to a market economy where
he tried to apply his theoretical work on cooperative ownership developed in the U.S.
and informed by the Mondragon model. However changes in the political environment
did not allow this plan to be actualized and it was during this time that he accepted a
position with the World Bank in 1992 where he stayed for approximately 10-11 years.
He explained that about five of those years were dedicated to educational work and the
last five as the advisor to the chief economist. When I asked him about his experience
with the bank he said, “It was fine stuff to see from the inside rather than the outside.”
One significant outcome of this time was the book, Helping People Help Themselves,
which challenges the notion of economic development from one of nation-to-nation debt
dependency to fostering relationships based on individual learning and autonomy.

At the conclusion of our interview I asked Dr. Ellerman to describe how MCC
has influenced his work:

They have been a primary example of the sort of principles that I read
about theoretically and as usual people say its fine theoretically but let’s
see it. In Mondragon they are not just a bunch of hippies baking breads,
these are people making numerically controlled machines and computers
and things, very high tech which appeals to me as well because I have a
kind of technical background. It has been this incredible combination of
wiz kids, moral principles and social mission producing good or better
products than conventional firms in Spain.

They solved the problem of how do you give members corporate claim on
their capital that they could have instead of reinvesting in the company
and yet not have their membership rights depend on that so membership
rights are based on their labor but they have this second claim on their
capital account as it is paid out. That is extremely important. Structural
innovation. And one of the other things I am working on now is how
cooporative ownership facilitates the natural ways in which economies
grow in a vibrant way as opposed to stagnate and that is by allowing this
spin off of companies instead…of subsidiaries that create empires.

It basically shows that there is an alternative way to organize the
workplace and contribute to society. You always have dreamers and many
ideas and you do not know which one works. Here you have an example
of one that works, and it is not just candies and sweets, it is
technologically sophisticated products and that’s remarkable…and part of
it is the way they have driven this whole regional development in the
Mondragon region…and that is a model that other people in the world
could learn from. Development often works well in a small region.

One reason Mondragon is so important is that is shows a real alternative
and they know the question of how to get from here to there…it can be
done elsewhere.
Case 8

Participant: Jim Robertson
Title: Educator, Community Developer, Industrial Chaplain
Organization: Faculty, University of Northumbria
Where: Northumbria, UK, EU
Level: Country

The Person

Jim Robertson is a member of the Iona Community, founded in 1938, and defined as “an ecumenical Christian community that is committed to seeking new ways of living the Gospel in today’s world” (The Iona Community, http://www.iona-nwf.org/ThelonaCommunity-WhoWeAre.htm). IONA members work together to address the following issues:

1. Justice, peace and the integrity of creation (opposing nuclear weapons, campaigning against the arms trade and for ecological justice)
2. Political and cultural action to combat racism
3. Action for economic justice, locally, nationally and globally
4. Issues in human sexuality
5. Discovering new and relevant approaches to worship
6. Work with young people
7. The deepening of ecumenical dialogue and communion
8. Inter-religious relations (The Iona Community, http://www.iona-nwf.org/ThelonaCommunity-WhoWeAre.htm).
Jim also works at the University of Northumbria at Newcastle where he is a Senior Lecturer in Community Work and Social Work Studies. He is involved in the North East Employment Forum (NEEF), an organization dedicated to regional employment issues. Jim’s broad efforts include community work education and training. He is also an industrial chaplain representing church community work interests. His work has taken him throughout the UK as well as the Scandinavian counties. As a result of his familiarity with Mondragon he wrote and published an article in the Scottish Left Review suggesting that the MCC model is ideal for replication in Scotland (adapted from :Robertson (2001) and Churches’ Community Work Alliance, https://www.ccwa.org.uk/v2/downloads/cms/1118967648.pdf) and the UK.

The Context

Jim began the interview by reflecting on how his childhood experience shaped his life’s work.

“In some sense I think in one’s old age you begin to realize that one’s biography effectively shapes where you end up in one way or the other…my early formative years were spent living in Glasgow just west of Scotland. And Glasgow continues to be a fascinating and interesting city that everybody loves but that same city has some of the worst poverty and some of the worst profiles of ill health even today as it had say 50 years ago. So for example, present day in Glasgow in one political ward, the life expectancy of a man remains something around 66 even in this modern age. And the interesting thing is it is 66 and going down not 66 and going up.”

In accordance with Jim’s statement a 2008 World Health Organization report (WHO) recognized that “huge discrepancies also exist within countries, including Scotland where a boy born in the deprived Glasgow suburb of Calton can expect to live 28 years less than
one born in affluent Lenzie, just 13 km (8 miles) across town” (MSNBC, http://www.msnbc.msn.com/id/26438376/). Jim went on to add that:

So it is in this context which has a kind of rich exciting background of ship building and all of these interesting innovations that in that same city there is relative poverty, deprivation and disadvantage…I think that in from my life experience and my considered reflective experience there has always been two sides in Scotland. There is a side that was very conservative…and that side in a sense nodded to a certain kind of middle class values and the other side were people who, from my analysis, were really being exploited by the labor market. People who were part of that rich tapestry of Glasgow historically, but were never part of the kind of distributed economic life of Glasgow. As these traditional industries disappeared then these people became very, very, poor…from my point of view Scotland is, and remains, a divided country.

And what we see in these cities in Newcastle, where I live now in Glasgow is the rich getting richer and the poor getting poorer. And as the knowledge-based society builds up and globalization has its impact then these systems are actually getting worse. It is exactly the same thing that is happening in America as I understand it.

Jim further explained the impact of these disparities on the lives of those growing up in the local housing estates:

I grew up in a large housing estate effectively on the fringes of Glasgow city. It was Glasgow in the 1940’s and it was actually riddled just with slum properties, property that needed to be refurbished, renewed, and regenerated. And Glasgow’s response to its inner city urban housing problems was to develop quite huge, what we call housing estates, around the city. And in Glasgow there was roughly about 6 of these huge housing estates with a population of around 80,000 each which is quite big…on that housing estate, .5 of that population of 80,000 had any kind of professional background.

So if you think of 80,000 people and .5 then minimally your role models tended to not to be people who were into professions or into traditional institution jobs. So those of us who grew up there, and basically…left school quite early, because higher education didn’t feature for people living in these areas. So crudely speaking, this was just labor that could be

24 Housing estates in Glasgow are synonymous with what the United States refers to as “projects.” Projects or housing estates are government funded and administered living facilities (i.e., apartments or flats) specifically designated for lower-income families.
used in the shipyard and labor that could be used in other kinds of heavy industries because it was a heavy industry city.

In his twenties Jim became involved in community development work and began working with the youth of Scotland to try to address social and economic disparities. It was during this time that he became familiar with cooperatives as an alternative to existing forms of organizing that were in alignment with his key values such as social justice, dignity of labor and human life. He then went on to continue his work in community development in various venues including academia where his work began to broaden in scope to consider development issues that were common across contexts around the globe.

**The Impact**

It was during the eighties that Jim was introduced to Mondragon through a student at the university where he taught. Jim recalls that:

Many of the things I was hearing from (his students) resonated with my idea that here (Mondragon) was at least one example of an alternative way to see things and to do things that seemed to work…you always get people who are interested in cooperatives to be celebrating it…but over the last few years it’s been people who were outside the inner group who have begun to realize that it’s got something to offer both as a model and as a product.

The important thing is that the ownership of the company has remained in the kind of ownership of people who live in disadvantaged areas themselves. That is absolutely clear and that to me is really very, very important in terms of empowerment and how the model can lead to empowerment of people who might normally find themselves marginalized or excluded so that it quite interesting.
Over the years Jim continued his interest in Mondragon and cooperatives as an alternative to remedy social and economic injustices. He explains that “we have always been trying to make the case for cooperatives and different ways of doing things…through lectures and teaching and broadly just kind of being a minor evangelist for the ideas.” His work lead him to be one of the founders of the North East Employment Forum (NEEF) designated to address growing unemployment issues in the north east of England (aka worklessness). Jim further expounded on the significance of this work to foster social change:

Three generations in families have never worked and I think it is possible to say in this part of the world that one in four young people will never know work. And you have in the northeast of England, as you will see from the social indices that the level of adult literacy and up to level 2, we are below national averages in all these indices for the adult population in this region, and of course ship building is gone, coal mining is gone, all of the heavy industries that these people would normally work have all gone.

His work in NEEF resulted in the North East Social Enterprise Partnership (NESEP). The work of NESEP is to foster social enterprise at the regional, national and international levels. In his role as an industrial chaplain, whose work is to work at the interface between the communities and employers of work, he took the opportunity to go to Mondragon to continue to learn from this unique innovation. Following his experience at MCC Jim returned home and organized an event to “raise people’s awareness of Mondragon and what it might do.” As Jim explains, “We put on three of these events in the northeast here, and a little bit later, some of the members from the Chamber of Commerce in Newcastle went to Mondragon just to see what it was about. That happened about three years ago and [since then] there has been an expansion of
cooperatives here…and that seems to be happening a bit by NEFSEP. When I asked Jim what he learned from Mondragon he was clear.

The thing to learn from Mondragon is how do you make sure the profit gets returned to the whole?...I suppose the thing we all have to be very careful of is that Mondragon and all these things are not magic wands. They only show you alternative ways to do and to think about things. And the gains from it with regard to notions of inclusiveness and innovations for wealth redistribution are very, very high...you don’t try to replicate a pure Mondragon, but you are inspired by the vision, inspired by what is possible. You are inspired by learning about the structures and by what [some] say is an efficient and effective service. And of course, business people sit up because that’s their language isn’t it?

And, as Jim wrote in an earlier article:

Mondragon is a primary model for economic justice-oriented business and worthy of wider replication. Paradoxically, Mondragon is also a destination for corporate executives seeking to restructure labour-management relations and reinvigorate profits. This incongruous convergence of interest in Mondragon raises important questions: Why the ubiquitous appeal of the Mondragon cooperative model? Why would multinational corporate executives, justice oriented activists, community-based economic developers lean toward the same business….Mondragon has such a long and varied experience that it provides a rich body of ideas for potential adoption and implementation elsewhere…Scotland has much to learn (Robertson, 2001: 8).
Case 9

Participant: Dale St. John White
Title: Reverend
Organization: Wilgespruit Fellowship Centre
Where: Roodepoort, South Africa
Level: Country

The Person

Reverend White is an ordained priest in the Anglican Church. In 1965 the church appointed him to be the Executive Director of the Wilgespruit Fellowship Centre in Roodepoort, South Africa, an ecumenical institution established to foster multiracial inspiration, training and action in a society torn apart by vast inequalities and grave injustices. Reverend White has dedicated his life to creating change in the lives of those most devastated, working to restore hope and faith by making change at the level of their lived daily experiences. Hallmarks of his work include learning and education support, conflict mediation and rejuvenating society through employment efforts designed to restore the dignity of the human spirit.

On April 24, 2007 Reverend White’s life work was acknowledged when he was awarded the prestigious Order of the Baobab bestowed upon “South African citizens for distinguished service… well above and beyond the ordinary call of duty. It is an award for exceptional and distinguished contributions in the following categories:

1. Business and the economy
2. Science, medicine and technological innovation
3. Community service

(http://www.thepresidency.gov.za/orders_list.asp?show=348)

The Context

Reverend White’s start in life would set the direction for what would become his driving purpose. He shared his story with me and described a beginning embedded in the racial divides that simultaneously scarred South Africa’s history with images of unimaginable horrors of war juxtaposed against its beautiful landscape. Reverend White recalled his story for me:

I am an orphan who lived in orphanages from the age of 3 to the age of 17 and then went on to the university in Capetown where I did my BA study in literature and social activities and psychology and anthropology. After that I went to study at theological college in Grahamstown to study to become an Anglican priest. I was ordained in 1957. I started in 1957 and became a clergyman of the Anglican church. It is to this place that I returned in 1955 to become what was called the warden or later the CEO of the Wilgespruit Fellowship Centre and I have been living here since that time and working in this place and building it up. During the eighties I did a six month residential which looked at human relations and looked at how we could form the sixty participants into self-managed study groups and they studied mainly the ideas of cooperatives, labor unions, small businesses and then graduating having done both ethical work and also academic work…the idea was to change political activists into development activists.

Reverend White “and his family made Wilgespruit a true resource centre, a safe place for whoever was in need of solidarity and empowerment. At Wilgespruit, Dale and his wife Tish developed a wide range of programmes in leadership training, women empowerment, industrial mission, self-help projects, black consciousness, conflict resolution, mediation and others. T-Group technology was first introduced at Wilgespruit at the height of the apartheid years in the 1960’s as priests in the US Episcopal Church, trained by NTL Institute for the Applied Behavioral Sciences, facilitated and trained South Africans in cross-racial Human Interaction Labs (http://www.ntl.org/inner.asp?id=254&category=2).
The Impact

Reverend White visited MCC in 1977 and quickly began to realize its potential as a sound and feasible model for development in South Africa. In part he remembered his trip to MCC because of the promise of its model to effect change with regard to education and jobs.

It showed us that in terms of the social teaching of the Catholic Church, it was possible to formulate and develop an institution…a real institution…I still act as the Sunday minister at St. Paul’s Church …and we have started the possibility of training three of the young people from the parish as trainers in IT…and they will then graduate as people who can bridge the digital divide and that is one of the things that we hope to achieve…Mondragon has its roots, you know, in my memory because I have created that technical college and the technological center and also looked at how they can influence the creation of jobs…these are the ideas we got while at MCC, they are in many forms.

During our interview I asked Reverend White to expound on what he hoped to learn from MCC. His observations were grounded in both the possibilities for the immediacy of needed change in South Africa but also encapsulated the possibilities for the future.

The first one was to see the social teachings of the Catholic Church…affecting the life of people directly. That was one thing. And I was aware of the different types of cooperatives that have comprised the Mondragon groups. One is of course the worker’s bank, and the second of all is the industrial (sector), and the health cooperative. It seemed as if Mondragon was coping for all the aspects of a good life…and so we’ve been working to create a cooperative.

But the important thing was when we looked at the housing aspect of Mondragon, we became aware that they had built the houses and looked at having in their buildings the possibility of having a school or place where young people could be raised…so we’re trying to get the South African government to build, to accept that they would build a cooperative housing estate in which we will have those things (including) cultural aspects as an eventual factor as well as including certain social groups who are not normally included.
You know, apartheid has a special affect on where people live…they become separated…so we have a new requirement that any building developer must ensure that affordable housing is available for the workers. Housing must be made available for wives or single mothers also retirees, clergy and for people who provide security. So people can retire there as their children work. And that was something that touched my soul in Mondragon and we hope to replicate that aspect in four or five years…we’ve already set aside part of our buildings to just touch on the idea and hire rooms so that people living in these areas will come and live closer. “

Reverend White explained that at the time of the interview there were 2.4 million backlogged houses for African people (people waiting to have houses). His plan is to employee about 150 people to work in the factories to produce the supplies to build the homes who would also live within walking distance of where they work.

That could be the cooperative aspect of looking at how we can go into the manufacturing industry that takes up people from below and helps them through jobs over a period of time to learn and do on the job the manufacturing process that they call the manufacturing industry and then to be able to promote people into the new places. These are some of the dreams we have. And so we have achieved some of these and we are working toward achieving others.

I was mainly drawing on the cooperative model, where directors created capital, which is assembled through the bank. And the reason why we’ve talked about bondable houses being an association is because they could be transformed into housing groups.

Reverend White further explained how the Caja Laboral would be a model for how to develop the banking aspect in South Africa to support the building industry.

The holistic part of Mondragon really caught (our) imagination. If you look at the holistic needs of a community and constrain them into an organizational need and an organizational patent for processes, we’ve seen that Mondragon has helped to do some incredible change and we see that the model is adaptable to be able to work from the grass roots to the treetops…so it means that we can follow (their) direction to a cooperation of people and the importance of people and their human capital could be combined to make financial capital work. That is where the MCC model makes sense to us and in different ways we take to heart…because we’ve been exposed to the potential, the human potential movement. So we may
try to build on this trend and we’re finally beginning to come to a stage where onsite we can coexist in a company effort to overcome the spatial problem of South Africa, as well as the social problems.

The special problems as well as the social problems. ..it’s important for us to recognize that we are trying to establish parts of Mondragon and apply it to our own situation and reinterpret and indicate how it’s helped us grow and how it has helped our vision to incorporate and bring together the social possibilities under one roof…I think about what they were doing and it has been one of the ingredients mixed into the vision that we’re helping to accomplish under the core model…you’ve got to look at the architecture and you’ve got to look at the delivery.

Most of the time we’re dreaming, but dreaming, after all, is the first way of discovery.

Summary

This chapter represents the heart of this study. It moves this work from one of merely a research project into the lived experiences of those who have worked throughout their lives to institute the type of change that bears the potential to reconstruct the organization of work, and most importantly restore the dignity of humanity and labor, throughout the world. While they are driven by a vision they are engaged in the day-to-day act of recreation. They have been led by their values and moved by their convictions that democracy in its purest form must be expressed and owned by every person irrespective of socially constructed labels. Mondragon has influenced their work and their hopes. It has fortified their plans and lifted their dreams to the level of reality. I am humbled and I too am certain of this reality.
CHAPTER 6

FINDINGS

This chapter presents a model representing the diffusion of a socio-business innovation. The model is based on the findings from the nine secondary case studies and the findings are presented to depict the progression of the raw data from concepts into themes, complied as aggregate dimensions and ultimately resulting in the process phases. The culmination of the analysis is the final model representing the Diffusion process of an SBI.

Building Blocks of Theory

The purpose of this research is to develop an understanding of the diffusion process of an SBI. Toward that end the methodology employed for this study was a grounded theory approach to allow for a building of theory informed by the lived experiences of the research participants. This study follows Corley and Gioia (2004) utilizing what I refer to as a “building block” approach to generating theory through an ordered but iterative process of analysis that clearly allows one to grasp the evolution of the data.

Additionally Corley and Gioia (2004) provide a succinct roadmap for presenting data based on the following categorizations: 1st order concepts, 2nd order themes, Aggregate Dimensions, and to which I have added a fourth, Process Phases. Following
this exemplar I present the findings through a discussion, a data structure, the model and quotes from the interviews (p. 187).

**The Diffusion of an SBI**

The diffusion of an SBI is marked by three separate phases that form the overarching process developed from the data: 1) Precursors to SBI, 2) Discovering and Experiencing Ideal SBI and 3) Actualizing SBI (see Figure 11). What follows is a discussion of each phase. Figure 12 shows the data structure showing the 1st order concepts, 2nd order themes, aggregate dimensions and process phases.

*Figure 11. Phases of the Diffusion Process of an SBI*

**Phase I: Precursors to SBI**

The hallmarks of Phase I are a process of identity formation labeled as developing a self-in-society identity. This phase is defined as the culmination of life experiences leading to a belief system where one’s identity is embedded in the greater experience of
and responsibility for others rather than separate from. While it may be difficult to pinpoint the exact time a particular value is brought to life individuals are able to articulate a narrative that captures their sense making process and therefore express how their beliefs were transformed into action. Participants articulated how they developed a self-in-society identity expressed as core values formed through the interaction of internal and environmental factors, specifically labeled extrinsic influences and intrinsic motivators.
Figure 12. Data Structure

1st Order Concepts | 2nd Order Themes | Aggregate Dimensions | Process Phases
--- | --- | --- | ---
- Personal Experience  
- Educational Experience  
- Social/Historical Experience | Extrinsic Influences | Develop Self-in-Society Identity | Precursors to SBI

- Development of individual values /principles  
- Desire to enact social-economic change | Intrinsic Motivators |  

- Trying to figure out how to start an organization or apply concepts based on socio-economic values  
- Discovering an Ideal socio-economic organizational model as expression of values and source of inspiration  
- A concrete example of Ideal model | Attractors | Engage with Model | Discovering and Experiencing Ideal SBI

- Seeing Ideal model working in situ  
- Being able to converse freely with organizational members  
- Developing relationships with key organizational members | Connecting | Knowledge Transfer |  

- Sensemaking about model and future application in other contexts toward socio-economic good  
- Content specific knowledge and structural/technical information | Contextual Receptivity |  

- Understanding past and present  
- social/political/economic milieu  
- Assessing environmental needs  
- Determining geographical boundaries and areas to impact  
- Identifying existing resources | Leveraging Capacity | Adaptive Balancing and Reinvention | Actualizing SBI

- Leveraging social and capital assets  
- Foster societal/organizational involvement through related networks  
- Harnessing potential of shared vision  
- Develop capacity to support SBI |  

- Holistic engagement  
- Adapting the innovation into core socio-business practices  
- Grounding of SBI throughout intended environment | Grounding SBI |  

Grounding SBI - Holistic engagement  
- Adapting the innovation into core socio-business practices  
- Grounding of SBI throughout intended environment
Extrinsic Influences. Participants desire to engage in effecting social change later in life had its inception in their early years through young adulthood. Outside factors that they described as significant, labeled as extrinsic influences, are represented by three related concepts that emerged from the data 1) personal experience, 2) educational experience and, 3) social/historical experience. Participants reflected on personal experiences that included engaging in contexts that were in contrast to their own life style through community work, and/or through family values that encouraged attention to disparities or social change. As one person stated that, “My family were not overly clerical people but they were…very ethical people and just. There [was] a sense that I had to figure out how to dig in and take a piece of the problem and work on it.” Another expressed that while she lived most of her life in another country she was strongly influenced by the poverty she witnessed growing up. “Although I have lived most of my life here [Spain]…I do have a very profound memory of my family in Peru...and the Peruvian native people have been underprivileged people historically, and well, part of that is the responsibility...I always thought that I had to give back to Peru.” Several of the participants themselves experienced growing up in economically disadvantaged circumstances such as a notably poor district of Glasgow while another recalled the impact of growing up in an orphanage in South Africa. Consistent across all the narratives was the impact these personal experiences had in shaping their understanding of social and economic disparities. Or as one participant summed up his formative years, “So that I think was, that early part, made me very, very conscious of what was going on and why these problems existed and what we could do about them.”
Significant to their personal stories were notable educational and social/historical influences that continued to form their early awareness and curiosity about the impact of disparities of all sorts on people’s lives. All participants cited their educational experiences as fundamental in shaping their viewpoints. As one noted, “I went to a North American school. and with the nuns, the catholic nuns, and they were saying that we were living in a place that was surrounded by poverty, and well, they helped us to look at that and try to do something about it.” Another participant stated,

“One of the things that happened to me in graduate school was I got interested in...worker ownership and cooperativism ...and found a small but amazing literature on the history of the origin in...the United States, on cooperativism and cooperation as a concept of the economy that grew out of the early American labour movement...and that was pretty amazing to me that the ideas, I already developed an interest in, were seen by those people way back than as a potential solution to the obvious unfairness and inequality.”

Additionally all of the participants were influenced by their environment and their educational experiences were intertwined with the social and/or historical events taking place at the time. Several participants recalled the impact of the Vietnam War and the assassinations of Martin Luther King and the Kennedys as further highlighting the period of social unrest marked by injustice in the States. Yet other participants looked beyond the classroom and experienced something quite different. One recalled how he experienced this period:

My first experience of leaving home and going to college and finding that what was happening in the classroom seemed so remote from what was happening in my head. And as I looked around I saw such [an] exciting moment, it was the height of protest movement, so such exciting things happening outside the university and I was so drawn to them it felt to me like it wasn’t going to work for me to take the path that was prescribed by my upbringing...and I suddenly realized that it is OK to question that, it is
OK to step out of it. And not only is it OK, but also that I am compelled to.

Another participant from Europe would come to understand the impact of such differences firsthand:

I grew up on a large housing estate effectively on the fringes of Glasgow city in the 1940’s. It was actually riddled just with slum properties, property that needed to be refurbished, renewed, and regenerated…so I grew up in that kind of environment and for us the local church had really quite a strong impact because it was the only social center…some of the things which one could recollect feeling at the time, in a variety of ways, were what I think the theorists would call patterns of stratification. Because on that housing estate,.5% of that population of 80,000 had any kind of professional background. So if you think of 80,000 people and .5% then minimally your role models tended not to be people who were into professions or into traditional institution jobs. So those of us who grew up there, and basically crudely speaking, left school quite early, because higher education didn’t feature for people living in these areas.

Overall participants expressed a combination of extrinsic factors, (i.e., personal, educational, social and/or historical) that shaped their early understanding of self in relationship to a larger community. Regardless of their unique experiences all of the participants developed a set of values that would have a strong influence in shaping their lives that would lead to a motivation to effect social and economic change.

*Intrinsic Motivators.* As a result of their early experiences participants developed a desire to effect social change. This theme is labeled intrinsic motivators and is marked by two dominant concepts: 1) values/principles and, 2) a desire to take action based on these beliefs. Without exception their values were developed from childhood and continued to grow throughout adulthood. These beliefs would provide the impetus to readdress economic and social injustices over time.
Key values identified by the participants were democracy, community, service, fairness, solidarity, equality, work ethics, work/wealth balance, collaboration, respect, dignity, and social justice. Their values were expressed in their actions to effect change, in essence, they became lived values. What follows are participant narratives representing how they came to express their values through their work:

Participant narrative:
I come from a union family background. The reason I was able to go to college and then to law school was because I have that background. So I wanted to do something with worker’s rights. I had gotten very good at explaining to people, or arguing why the current economic system we have would eventually lead to destruction if we didn’t change it. And people, you know, eventually would agree with that but would say, but what can you do better?

Participant narrative:
One of my purposes is to serve because it is one of the most gratifying things in the world. I serve my Peruvian fellows and the joy that I take out of serving them and helping them out in their new life in Spain is what drives me the most.” I had already accepted being a counsel, started my own small business. I also had started to like a lot the fact that I [was] helping the Peruvian that started to arrive.

Participant narrative:
There were some things seriously wrong about the status quo. I had to figure out how to dig in and take a piece of the problem and work on it…I found out…gradually that I was joining a river that was already flowing, that I wasn't creating my own...there were people that went before me who made...some of the same insights and [spent] part of their lives addressing them…Not just writing papers about [workplace democracy], I [wanted] to try to go and do it and I was thrilled to be able to help.

Participant narrative:
So throughout the things that I have done over the years, there is a theme of trying to readdress the balance of it, trying to improve the system so that people who do the work and do create wealth have a share in that wealth…so the work that I am doing now, I mean I became the executive chairman of the paper mill, and then I organized a 100% employee bank of that company so that all the employees became shareholders.
Participant narrative:
The most interesting part of the job for me is to work with people and see them developing their skills and having new confidence and control in their lives...I think...creating businesses where people can work together with dignity and without exploitation, without division is allowing people to 1) hopefully live out the values that they already have but also to support the development of new values. That is, in part, why I am interested in cooperatives because I think in some ways they are schools for democracy. You can only really have a larger democracy if people are learning the skills of democracy on a day-to-day basis.

Together the themes of extrinsic influences and intrinsic motivators reflect the process that shaped the participants values leading to a desire to effect change at the nexus of business and society. The iterative process of experience and sense making would provide the foundation for what is described in this study as a self-in-society identity.

**Phase II: Discovering and Experiencing an Ideal SBI**

The second phase in the diffusion process of an SBI is entitled discovering and experiencing the ideal SBI. This phase is notable as the period where participants began to actualize a specific desire to enact change enjoining business and social good. The overarching label for this phase is entitled, engaging with a model. The model serves as an ideal SBI type providing both inspiration and a roadmap for how to enact their own desired change initiative.

*Attractors.* All of the participants were driven by a deep desire to effect change that would actualize a new way to do business that embodied their core values, especially that of workplace democracy. Individuals embarked on both informal and formal learning experiences (i.e., reading, discussions) to locate information about a model or
process to enable them to express their lived values via a business/social initiative. Upon locating initial information about MCC, participants then sought confirmatory evidence to identify specific shared values between them and the organization.

Participant narrative:
I learnt about the cooperative when I worked in the university in Bilbao.... in the library of the university I heard about them and I was really curious. To be frank, the first time I heard about Mondragon was in Readers Digest I was reading and thinking, "My goodness this will be the solution of the globe!" I thought where you have The Economist, or where you have the Times, I remember reading the Readers Digest!

Participant narrative:
For us, (We were) trying to figure out how to start a cooperative business. I would say from a governance perspective that was probably the initial attractor. Looking at how to communicate more effectively in terms of cooperation, you know just to see what it meant just to chart the vision of what the cooperative was going to be in the early days.

Participant narrative:
It was maybe the middle to late 70’s when finally I learnt about Mondragon as one of the better examples of where a sort of structure had been developed. And there were certain problems in the legal structure of cooperatives that we had worked out roughly here in the United States and we found out that in the mid-70s Mondragon already had a semi-type structure...so that was all part of the principles that I tried to develop in my theoretical work and then Mondragon was one of the practical examples of that.

Participant narrative:
In 1986 when we began to look, some of my employees and I, began to think about what kind of structure would invite shared ownership and shared responsibility we were exposed to the Industrial Cooperative Association in Boston which is an organization that has specialization in employee buyout. And we started talking to them about what kind of models there are and the guy that we were working with...who at that time was an attorney there, told us a story about Mondragon. And it was very compelling, it grabbed our attention. We said, “There it is! There is the model!”

The first phase in the diffusion process began with an awareness of their own values, motivations and desire to effect change through the expression of their core
values. This was followed by the awareness that they lacked a representative type in their immediate environment and they then began a quest to find such a model. Locating an ideal SBI type was significant for all the participants. It served as an impetus for embarking on the next step in their journey to actualize their own SBI.

Connecting. Once the ideal SBI type was identified the participants wanted to understand the model in situ. This part of Phase II was marked by a lived experience of going to visit the ideal type, specifically MCC in Basque country, to gain first-hand knowledge of the SBI. Participants expressed two key factors involved in the engagement phase best summarized as “seeing the innovation” and “connecting with others.” Seeing the innovation provided participants with an additional source of inspiration buoyed by the reality that such a model was possible. During their visit to MCC the participants discussed the significance of how talking with members of the cooperative validated their own beliefs that such a model could work, provided a forum for asking critical questions, and building a network of expertise for future information.

What follows are several vignettes highlighting the impact of the visits to MCC:

Participant vignette:
I think we made a trip over there in 1980, sponsored by the Truman Marshall fund. Given that this was what I wanted to do and since I took a real strong interest in Mondragon as a concrete example for where it did work. I think it was the American thing I learned about first and then I learned about Mondragon and that kind of gave me further hope that these ideas had a future and I read everything I could about it and got over there…and then kept going back, I can’t remember…three or four times.

On that first trip over, I do recall a conversation with one of the top managers of one of the large cooperatives and interviewing him carefully about why he just did not cross the street and go to work for (another place) and make thirty percent more money than he was making and he, in a non-saintly but clear way, described the trade off, that he felt better going home at night knowing that he was contributing to the health of the best community and best culture. And you could tell that there was some
essential rightness and essential fairness and correctness to the structure he was working with and while the money across the street was tempting it was too easy to do that, it was a little cheap to just go for the extra dollars, that he was involved in something that was important and that he was not going to leave it. And that was the strongest impression of that trip; the interview with that manager.

Participant vignette:
And actually at the time that I was planning this in the 80’s, by good fortune I met a guy who was organizing a trip for some bankers mainly, to Mondragon. So I came to Mondragon and then talking a few days to them, and that was directly influential in giving me the courage I suppose to go ahead and do something which I think sounded odd in the Scottish capital of that time. So I did benefit a great deal and in a practical way from the visits to Mondragon.

I think the crucial thing is the visit to actual companies in MCC. We went to a big goods manufacturer, (Fagor), one of the regional co-ops of Mondragon. And to see a big assembly plant making fridges…and to talk to business people there…it was crucial.

But the discussions that we had were crucial really. People in Fagor who were explaining how it worked and being questioned by us, by the group, and always coming back with convincing answers. That whole experience really built my confidence in going forward with the employee buy-out. That’s was crucial, I mean a sort of life changing experience…because that gave me the confidence to go ahead against, I mean nobody else in the paper mill or in my family had any conviction it was going to work at all. And there it was. I, to begin with, I mean I had a lot of good theory, as I said I had done an MBA from Harvard, had done operations management and had learnt how important it was to get people to back what is done in operations. There was a fertile ground if you’d like, but it was seeing it working and talking to people involved and seeing that the supervisory board really was like [that] and that they were responsible people, I mean that they were not just taking a short sighted view of things, you know, it was crucial to give me the confidence and go on to do it.

I think that people learn in much more than the mind. That the real learning experience tends to have a sort of physical and emotional and a sort of three-dimensional element to it. All you can do by reading about it or talking about it, it misses out so many pieces and modalities. The visit has much more impact. I suppose a brilliant summary about Mondragon which was told in a personal way might get the point across. But to go there and meet people and have the opportunity of asking them questions and having them answer genuinely and spontaneously, I think this a learning experience that you can’t replicate.
Throughout the engagement process participants begin to transfer an “ideal” type (i.e., a conceptual model of an exemplar) into a concrete “reality” as they began to make sense of how such a model could be adapted to their particular situation (i.e., context) and objectives (i.e., expression of their lived values). One participant summed up the impact of the experience quite succinctly:

Being able to talk to in one of the discussions [at MCC] to several managers and to make direct questions, because I am a very direct…and also reading one of the books…where he was telling how [MCC] started. The whole thing and what was the vision. Plus, to be able to ask questions from the managers of a coop… or to the manager of a university, to make direct questions to people who were responsible on this course that helped me. So it opened my mind what was possible and what was not possible through this movement.

For the participants, going to MCC, seeing the actualization of an SBI, provided both the inspiration and the courage to move forward in their desire to effect change. A hallmark of the trip to MCC for the participants is best reflected in the well known adage that, “seeing is believing.” During the trip to MCC the participants also began to collect relevant knowledge in shaping their plan to execute their own SBI.

Knowledge Transfer. The trip to MCC provided participants an opportunity to gather direct knowledge about the cooperative. While all participants had conducted some prior research and learned about MCC in various capacities, the visit to the cooperative allowed them to engage in a process of sense making about their own plans in relationship to the ideal and to gather content specific knowledge about MCC (e.g., structural, technical, process). This knowledge ranged from the conceptual to tactical and most importantly to understand the innovations within MCC that could be adapted. The trip, as one participant noted, was a valuable information gathering experience. He
stated, “I wanted to learn everything I could!” But he went on to expound on this statement in detail:

I was interested in the education and training work that was done. I was interested in R&D.

I suppose I focused on ...the board of directors and social council...this is a very important insight...that it’s not enough democracy for the members to elect a board of directors once a year, but that there is a need for a second system of social council, to be a safe harbour for dissent and for critique...that was a major insight that I keep coming back to. Because of the sort of simple romantic naïveté that many people fall victim to when they learn about this idea of worker ownership...the assumption is that they have some profound kind of power and control over what is going on because of their ability of electing members of boards of directors and while that’s indeed profound, indeed a great thing and the way things ought to be, it is the equivalent of saying democracy is adequately fulfilled by voting an election every four years.

Democracy is, and surely should be, more of a day to day, week to week, month to month cultural notion that has to do with participation and involvement of people and not just episodic periodic voting. The idea of a social council as a sort of second structural centre that will help promote democracy was a huge breakthrough in thinking.

I learned that you can grow based upon high internal funds and retainers at least more than people generally in the west will believe is possible. That you can pool your capital and that you needn’t dilute ownership to the public. So that’s another thing that I’ve learned and was strengthened by my knowledge of MCC and I guess the third I spend most of the time talking about before is that I learned that the professional managerial and technical people can be motivated by something beyond the highest dollar. That there’s something about this phenomena of professional managerial and technical people consciously choosing to remain with Mondragon even if they could take more money elsewhere, that’s an important lesson as well. Mondragon helps teach that it’s possible for firms to turn to each other and to pool the resources and to find ways of doing this without giving up yourself up to the public market.

One participant expressed what he learned as being at once both a strategic and holistic understanding of the possibilities embodied in the MCC model:

Mainly drawing on the cooperative model, where directors created capital, which is assembled through the bank. It was the holistic part of
Mondragon that really caught the imagination for the three of us who went there. If you look at the holistic needs of a community and constrain them into an organizational need and an organizational patent for processes, we’ve seen that Mondragon has helped to do some incredible change and we see that the model is adaptable to be able to work from the grass roots to the treetops.

The interviews revealed that the trip to MCC served to highlight the power of the innovations within the cooperative that differentiates them from most coops. It is the innovations with MCC that significantly impacted the participants and incited ideas for future initiatives:

Well when I think about them and innovation what comes to mind is that bank and the entrepreneurial division and more generally, that being part of developing a system where their values and their financial incentives are going in the same direction. Too often, those of us who want to do social change don’t think about…we ignore financial incentives, the financial impulses, and we try to build systems that will work in opposition to those.

The Mondragon coops really took their values and tried to build their businesses with impulses going in the same direction. If you have the interest in spreading cooperatives you need to dedicate from the beginning that your cooperatives are not just isolated enterprises dedicated to themselves but they are trying to contribute in some way to sharing that opportunity for democratic workplaces for more people. So that is something that I think is a great innovation, and how they were able to do that and how they were able to build support structures between cooperatives where one cooperative would be able to support another cooperative having difficulties and to be able to give birth to new cooperatives.

Another participant discussed a particular aspect of MCC that would trigger future possibilities for his own work:

The work of the entrepreneurial division was of particular interest to me and how they, and the bank in general, how they took the resources they were developing…and developed new structures. They way they developed networks between different but related coops and how they supported each other and how that allowed them to make it through some of the more difficult times and then actually expand, when the economy was coming back and expand into openings that had been left, and to push out some of the other competition.
What we thought we learned from Mondragon was that education was very important, that you need to grow from your successes, in terms of when one business develops a line of work that can be spun off as a cooperative that that is something to pursue rather than starting over from scratch each time. That you need to take the resources that you have developed with regard to business knowledge and finance and that you need to reinvest them and to start new cooperative jobs and structures and that is not just a random thing. And eventually to aim toward creating a comprehensive system.

Embedded in this experience was a growing belief that MCC could be adapted in other contexts. This evidence is contrary to prior research and a belief that an MCC-type organization could not be developed outside of Basque country. The most powerful description of this understanding about the potential of MCC as an exemplary model came from a participant who would directly use this insight in moving his own business from one of private ownership to a cooperative:

I would have to agree with the people who say you can’t recreate MCC. Of course you can’t. It is what it is. But you can take some of the wisdom; you can take some of the attributes and use them. And that was my exposure to Mondragon, was using it as a model for our business. And we couldn’t be more different, or

The significance of phase II is that the trip to MCC provided participants with concrete examples of “How To”, specifically the transfer of knowledge learned from MCC. Lessons learned include the framework for initiating a cooperative economic model, transitioning a cooperative mission and vision into organizational practices and processes, the importance and development of an internal capital structure, education and how to sustain such a socio/business model over time.

Highlighted in these stories is the description of how MCC was an exemplary role model that demonstrated how to unite their desired business and social objectives and one
from which they could realize their own innovation. MCC not only provided a grounded example that is both feasible and successful, but also helped them engage in a sense-making process to become aware of innovations within this innovation that could be adopted in their own society. Embedded in this sense-making process is the validation of their own self-in-society focus before, during and even after discovery of MCC as the role model for their innovation and the ability to connect and to learn from like-minded individuals.

In summary, a critical aspect of the diffusion process is the actual visiting of MCC to provide a grounded reality – seeing is believing – and also a way to understand the “How-To” to equip them with the knowledge and skills to develop their own innovations based on the MCC model. In Phase Two, the search for and discovery of an exemplary model is value-based and it is this alignment of shared values between the individual and the exemplary organization that serves as attractors to spin off the diffusion dynamic in the process. Physically visiting the exemplary organization was identified as a key element in the process as it enables individuals to engage with the values and the successful philosophical and methodological approaches used in the organization. The outcome of this experience is the adaptation of the exemplary innovation into the participants’ specific contexts, namely Phase III of the diffusion process.
Phase III: Actualizing an SBI

Phase III marks the culmination of values congruence manifested in the form of action as participants enjoin inspiration and knowledge gained from the ideal SBI and work to transform this into their own initiative. This phase is marked by three key themes: 1) contextual receptivity, 2) leveraging capacity, and 3) grounding the SBI.

Contextual Relevancy. Armed with the knowledge gained from an ideal SBI participants began to engage in a process designed to enact a SBI within their own environment. Contextual relevancy is a process of analysis whereby participants consider significant factors such as social, political and economic factors with the intended locale. They actively assess the needs of the environment and determine the boundaries and areas they wish to impact. For some participants this began much earlier yet for others the parameters of their ideas blossomed during the trip to MCC. This period is also critical as participants begin to assess existing resources. Further, this period is most significantly marked by determining how to express their core values through a vision of workplace democracy via an SBI model. Participants found their opportunities embedded in challenges. This is a significant learning from MCC’s own historical beginning.

Participant narrative:
You know, you do a lot of thinking, and a lot of planning and so on, but I was always thinking that, incorporate a cooperative company where Peruvians living here were the owners and that people who wanted to come from Peru were also owners and they were all sharing the capital and the destiny of the company. That would be a sustainable effort and a company is only a legal vehicle to move people…so I was looking for a vehicle, at the same time I was looking for a self-sustainable endeavor, and said that it was linked to Mondragon, that it could have that same
sort of principles, helping each other, looking out for each other, supporting each other, and also helping others to take care of themselves.

Participant narrative:
We are always in sort of double digit unemployment, in most areas 33 percent of the population and Athens County lives below the poverty line. Looking at how Mondragon was able to sort of [develop] an overall area within their community, not necessarily being totally dependent within a larger context, for folks to come in and help them, so to speak. And we have that same sense of sensibility when we need to kind of bootstrap and come up with our own solutions to our own problems.

I could relate to MCC/Basque area because of similar economic conditions – [The Basque community]...is very disenfranchised overall. So, I think that has been the challenge for those of us, doing community work in Southeastern Ohio, where there is generational poverty and there are tremendous crises whether it’s education or health care or, you know, pick any social service. To a large extent there has been this sense of disenfranchisement where a lot of the funding if you look at it from a state or federal perspective goes to other areas of the state and that we’re kind of this neglected portion of the state.

Participant narrative:
[His work at the World Bank was in a period] when the whole eastern Europe and Russia started to make a transition to a market economy. I thought that would be an opportune time to for them to make an experiment with this type of ownership, cooperative ownership, and what better place to do that than Yugoslavia where it had a sort of a system of half and half. I had never been there before, I had never been there when it was a socialist country, but then I thought it would be the time as they make the transition so I met some people in Slovenia, set up a company there in 1990 to consult on the transition, how to use this sort of experience we had in America, with Mondragon to inform a new sort of ownership.

Participant narrative:
We also did say to ourselves though we can’t just take something that developed in a different culture and in a different time and just plop it down here and think that it was going to work. I think that has been kind of a historic mistake in the United States. That people said, “Oh, well they developed in industry here so we’ll try to industrial cooperatives here in the US.” Well the US was not economically isolated, in fact it was the most over-developed economy in the world and industry was on its way down. So we didn’t think that was a great choice. So we looked to see where we might have a business advantage in the US and what was working in our business environment.
They had decided, the community members, that they were kind of sick of a lot of businesses being developed in their area that weren’t really serving the residencies of the community but just kind of people driving through going to the mall, and what happened was that the city took over a mall that was in development and then went looking for locally rooted businesses to come in and the first business that the City Council said to go after was to go after an Arizmendi Bakery.

One of the things I tend to conclude about why weren’t cooperatives being developed in the US is that people were trying to develop those cooperative businesses that would only work for idealist and we really try to focus on making cooperatives that can work for everyday people so to speak. To not have an ideological test where you have to be a Catholic Socialist or whatever. That we are going to have a set of goals and values that will inspire a whole range of people and a whole range of people will then be able to contribute to it I think is something that we consciously aim for as well.

Contextual receptivity is essentially about understanding the conditions that will allow for or prohibit the participants’ ability to enact a SBI. Factors that participants considered relate to social, political and economic conditions within the environment.

For example, how small or large of an area would be impacted? Is this an organizational level change or a broader area? What type of business would be most needed? What resources would be needed to support the initiative? Once participants began to assess the limitations and opportunities in their environment they moved into a theme of leveraging capacity.

Leveraging Capacity. Leveraging capacity is a processing of taping into social and capital assets and fostering support to initiate and later sustain their own SBI. Participants worked to harness a shared vision both within and beyond the workforce. As one participant stated, “To me it was more the individuals coming up with community answers. We have social assets or we have capital assets that when we come together we are able to utilize and make a difference. If we do our asset mapping, there assets that we
have, they may not be financial, they may not be comparable to Metropolitan areas of the state of Ohio, but there’s opportunity here if we can come together.” Another participant shared the process by which they garnered support internally:

So the first thing was changing the culture and we had about 1200 employees. We had redundancy after a while, so there was pain involved in it and making sure that the business was going to succeed. But also at the same time...I brought a briefing system to spread information around, a cash sharing system, and finally giving some shares to the employees on a very small scale. It took a couple of years for the people to come and trust that system. People were pretty suspicious to begin with. But the family liked it because it meant that they could hold some shares and the employees finally realized that it was for real and came to appreciate it very strongly. And they, some of them any way, became very enthusiastic. So we did manage to change the company’s culture and make sure that its performance improved and by 1989 we were ready to do the whole employee buy out.

Interviews highlighted the significance of understanding the best way to leverage the capacity of each environment based on the intended design. One interview provides a contrast to the previous example, “We still expect to remain small, so each individual has a much greater effect than in a large organization. So our system is more individualized.” These two examples serve to demonstrate how participants manipulated the MCC model to fit their own design and to meet the specific needs of their environment. Another participant’s narrative provides a clear example for the sort of thinking that represents this stage of the process:

Participant narrative:
We were looking at ways to have smaller coops which could have really higher levels of participation but also within the scheme of having economies of scale.

We felt it would be much better for us to focus on businesses that by their nature could be locally rooted and it wouldn’t put us in competition.
The way we operate financially is that when we start a cooperative we tell them that we are not just starting a cooperative to help you to get one more cooperative going but we are helping you so that you can eventually help others get other cooperatives going. Part of that is when we train new cooperative members they train at the existing coops and that when they are trying to get one of the new cooperatives going that one of the veteran cooperative people will help them through their first few months get going. But that is also financial…when a cooperative becomes successful they pay 25% of their profits back into the association and that pays for the ongoing support services that eventually contributes to the development of new coops.

*Grounding SBI.* The final theme to emerge in Phase III is referred to as

Grounding an SBI. This is the period where participants work toward a holistic actualization of their own SBI based on the ideal type. It is a period of realizing the reinvention of the ideal into a spin-off innovation. The ideal is adopted and adapted into core socio-business practices or organizational form.

**Participant narrative:**
And so we’ve been working…to create a cooperative. That was the labor union, the education of activists who also need to look at change, look at the…efforts. And then, of course the migrant workers and the…the rest of that, because [our organization] became a member in 1970 of a group of people who were looking at training centers throughout Africa. There were four or five who started, and now there are 70 members of that lay training. And that, we hope, will form a good front for the work on justice.

**Participant narrative:**
But what we are thinking now is to create a construction company where all the immigrants would be owners and they are open to receiving new employees. You know they always come from Peru and they have to agree to pay a good salary and to reinvest 90 percent of the benefit back to the company to make it a strong company. I describe it as a cooperative that empowers its workers to help development.

**Participant narrative:**
We took this concept of solidarity ratio and compensation back into discussions about how employer firms in America might think about this question…more than on several occasions over these many years eyes have widened at the mention of this concept of the solidarity ratio, that language came out of...... Mondragon.
Participant vignette:
I think at Casa, to me, the mission vision is sort of a living, breathing environment. It is very alive within the workplace at all times. You know you can feel it, there is always conversation happening, there is always dialogue on some issue… Casa Nueva is an innovative worker owned cooperative based in Ohio. We are dedicated to strengthening the economic, environmental and social well being of our community, by promoting wholesome products, democratic participation and responsible practices… all the networks (in the cooperative system) reinforce the values of the organization. {It is a] more flat, peer-like environment.

So all our behaviors, all the actions that we take as a cooperative and as a restaurant business, [we look at] how does that effect the overall environment that we are in? Certainly we are looking at what is beneficial to cooperative members, to the staff of our business, but we also are looking at the residual effects of what we do, so the choices we make, they can be positive for local farmers, or they could be negative for local farmers.

The rewards are… just looking at all the businesses, all the food formulated business that have popped up in the last ten to 12 years when we have been really working on the development of the food sector. So looking at the 200 or so different businesses or farmers that we serve within the food network centre and the amount of growth, I mean right now since January this year we had at least 40 new businesses start up. So we are really starting to see that exponential growth and that the acceleration has just been phenomenal.

A Model of the Diffusion Process of an SBI

The information garnered from the stories and the codes that emerged from the analysis show that the Diffusion of an SBI is a three-phase conceptual model as shown in Figure 13. The variations of the adaptations (i.e., spin-offs) that emerged in this study is a function of core values, a process of experiencing and sense making and the intent (or goal) of the individual embedded in the capacity of their environment.
Spin-offs of the initial model are noted at three distinct levels of impact to include: organization, local/regional and country (Figure 14). Each adaptation reflects a shared mission of creating economic wealth and social good through democratic principles within an organizational context but designed to benefit the individual and localities where these entities reside. The organization level highlights three adaptations of what participants learned from the MCC model. In one case the president of a privately-owned architectural firm transformed the organization into a cooperative model where today, more than half of the 30 members are worker owners. The organization is actively involved in development at the community level to include addressing issues of affordable housing and environmental sustainability. The second adaptation represents a trust-owned investment fund providing support for companies to become employee
owned. The third example is a consulting firm working with groups considering transitioning to employee ownership and providing services to support them after the conversion.

Figure 14. Adaptation of SBI and Levels of Impact

Spin-offs at the local/regional level of impact include the development of a cooperative organization in its beginning stage which is designed to provide employment for immigrants coming to Spain in order to work as contracted employees throughout the area ensuring fair wages and benefits. The cooperative structure will allow the worker-owners to secure the appropriate work visas for employment in the EU which is otherwise the primary barrier for immigrants throughout Spain and Europe.
A second example is a cooperative bakery that was developed based on the principles of MCC and its success has led to the actualization of three other cooperatives in the area. Together they have formed an association designed to spin-off other cooperatives. One of their objectives is to create jobs within communities that are locally owned and rooted. And a third example is a cooperative designed to rejuvenate a failing region of farmland in the Appalachia area. Today, this region is known for its agricultural focus and success based on the cooperative model of MCC. Finally, three additional adaptations at the country level represent using lessons learned from the MCC model to assist various countries address issues of poverty, unemployment and education.

Table 12 shows the details of codes and themes derived from the data with quotes to substantiate each 1st order concepts.
Table 12
Details of Codes and Themes

<table>
<thead>
<tr>
<th>2nd Order Theme</th>
<th>1st Order Concept</th>
<th>Quotes from Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extrinsic Influences</td>
<td>Personal Experience</td>
<td>“I would always identify myself as a community organizer. I grew up in suburban Cleveland and even in grade school and in high school I did a lot of community work back in the sixties, so I think I have always kind of gravitated towards that. A lot of it is probably my parents’ upbringing and influence, but certainly the school system that I was in really pushed me in that direction as well.”</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“I was born into a family that owned a paper mill so we were very well off…and I noted from a young age that the people I went to school with in some cases were very poor and secondly we used to go around and see the way that people work…in order to provide my family with a very fine standard of living and that sounds quite unfair, that the people who were doing the actual work were getting much less benefit from the whole than most of us who were doing nothing for it. So throughout the things that I have done over the years, there is a theme of trying to readdress the balance of it, trying to improve the system so that people who do the work and do create wealth have a share in that wealth.”</td>
</tr>
</tbody>
</table>
| Educational Experience | “I went to a North American school with catholic nuns and they were saying that we were living in a place that was surrounded by poverty, and well, they helped us to look at that and try to do something about it.”

“My background is mostly as a philosopher; my undergraduate degree and first graduate degree were in philosophy. And then I switched to economics...as I learnt more about different types of firms and cooperatives, workers cooperatives were the ones which exemplified those structures.” |
| Social/Historical Experience | “My early formative years were spent living in Glasgow just west of Scotland. And Glasgow continues to be a fascinating and interesting city that everybody loves but that same city has some of the worst poverty and some of the worst profile of ill health even today as much as it had 50 years ago...so it is this context which has a kind of rich exciting background of ship building and all these interesting innovations that in that same city there is relative poverty, deprivation and disadvantage.”

“They (values) come from my family and the history I went through...Martin Luther King and Robert Kennedy were assassinated during the year I was in high school. It was tragic...getting a sense that these courageous people were being killed.” |
<table>
<thead>
<tr>
<th>Intrinsic Motivators</th>
<th>Values/Principles</th>
<th>Actions (i.e., lived values)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>“I think creating democracy opportunities or more flexibility…in workplaces for ownership and a voice and decision making has been really a core value of mine.”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“It’s not so much a question of values but a question of the principles involved in the legal structure of the company where the people in the company are members of that organization … outside resources are hired or rented by them, by the company. So the cooperatives were the forms that basically realized that principle.”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“One of my purposes is to serve because it is one of the most gratifying things in the world. I serve my Peruvian fellows and the joy that I take out of serving them and helping them out in their new life in Spain is what drives me the most…you know it is a very hard thing to do, when you leave your county, your habits, your food, your landscape, your everything. It is very hard to settle again in another country so I knew how lost they were, how strange they felt, so I thought, well give them a hand, and I started because of that.”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“Not just writing papers about (workplace democracy), I (wanted) to try to go and do it and I was thrilled to be able to help…I actually got a fellowship for a couple of years that was paying a salary for me and giving me a break from my doctoral program so that I was able to work for them for free; to work for this new emerging entity that was called the industrial cooperative association and...”</td>
<td></td>
</tr>
</tbody>
</table>
so I had joined the train, you know, and I worked with that entity, ICA, until 1987 and in 1987 I left ICA to start ownership associates.”
<table>
<thead>
<tr>
<th>2nd Order Theme</th>
<th>1st Order Concept</th>
<th>Quotes from Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attractors</td>
<td>A concrete example of Ideal SBI</td>
<td>“For me the appeal was, here’s the model with some of the similar challenges that we have faced in the Appalachia area… a lot of people have lost jobs and have been downsized…and to see the tremendous economic transformation really of the Basque region of Spain.”</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“I learned about them in the late seventies, I learned about them from the first articles of Robert Oakeshott who wrote the first English articles…given that this was what I wanted to do and since I took a real strong interest in Mondragon as a concrete example for where it did work…and that kind of gave me further hope that these ideas had a future and I read everything I could about it and got over there.”</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“What attracted me to that is, coming from a country where there is poverty and ... as Peru, I was very lucky, I was doing very well, very, very well. When you come to think that 1 percent of the population that owns the country. When I looked around and I could see the lack, the poverty and this lack, this poverty mentality, lack mentality, this was really the people of Peru. And I saw how...”</td>
</tr>
</tbody>
</table>
people had come together to create their own model of society, helping each other, I saw that was very in tune with the ancient Peruvian culture.”

| Connecting Seek experience with Ideal SBI | “I came to Mondragon and then I talked with them for a few days, and that was directly influential in giving me the courage I suppose to go ahead and do something which I think sounded odd in the Scottish capital of that time. So I did benefit a great deal and in a practical way from the visits to Mondragon.”

“I think the crucial thing is the visit to actual companies in MCC. We went to a big goods manufacturer, (Fagor), one of the regional co-ops of Mondragon. And to see a big assembly plant making fridges…and to talk to business people there…it was crucial.”

“It was the holistic part of Mondragon that really caught the imagination for the three of us who went there. If you look at the holistic needs of a community and constrain them into an organizational need and an organizational patent for processes, we’ve seen that Mondragon has helped to do some incredible change and we see that the model is adaptable to be able to work from the grass roots to the treetops.” |
| Knowledge Transfer | Obtain specific knowledge to transfer in future design | “I wanted to learn everything I could. I was interested in the education and training work that was done. I was interested in R&D work.”

“What we thought we learned from Mondragon was that education was very important, that you need to grow from your successes, in terms of when one business develops a line of work that can be spun off as a cooperative that that is something to pursue rather than starting over from scratch each time. That you need to take the resources that you have developed with regard to business knowledge and finance and that you need to reinvest them and to start new cooperative jobs and structures and that is not just a random thing. And eventually to aim toward creating a comprehensive system.”

“[We were wondering] What good governance models are out there, so what can we learn from other cooperatives in the US, you know, many of them again are also based on Mondragon and then what can we learn from Mondragon? For me it was being able taking an area, and totally revitalizing it using an economic development model that demonstrates through collaboration and economic cooperation that, again, it is going to create a more healthy community for the individuals within that community, so that is what really speaks to me.”

“I learned that you can grow based upon high internal funds and retainers at least more then people
generally in the west will believe is possible, that you can pull your capital and that you needn’t
dilute ownership to the public. So that’s another thing that I’ve learned and was strengthened by my
knowledge of MCC and I guess the third I spend most of the time talking about before is that I
learned that the professional managerial and technical people can be motivated by something
beyond the highest dollar. That there’s something about this phenomena of professional managerial
and technical people consciously choosing to remain with Mondragon even if they could take more
money elsewhere, that’s an important lesson as well. Mondragon helps teach that it’s possible for
firms to turn to each other and to pull the resources and to find ways of doing this without giving up
yourself up to the public market.”
## Phase III
### Actualizing SBI: Adaptive Balancing and Reinvention

<table>
<thead>
<tr>
<th>2nd Order Theme</th>
<th>1st Order Concept</th>
<th>Quotes from Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contextual Relevancy</td>
<td>Assessing environment-tal needs (e.g., SWOT)</td>
<td>“In terms of what we have added to the model, I think we have done two things, we have constrained the model in a certain way, we [felt] that it was too open, and we felt a need for a long vesting period to really test each individual’s commitment to ownership.”</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“We also did say to ourselves though we can’t just take something that developed in a different culture and in a different time and just plop it down here and think that it was going to work. I think that has been kind of a historic mistake in the United States. That people said, “Oh, well they developed in industry there so we’ll try to industrial cooperatives here in the US.” Well the US was not economically isolated, in fact it was the most over-developed economy in the world and industry was on its way down. So we didn’t think that was a great choice. So we looked to see where we might have a business advantage in the US and what was working in our business environment.”</td>
</tr>
</tbody>
</table>
|                  |                   | “Well, I was in a conflict, I was once again confronted with a problem, which was you know, we
were trying to make it possible for Peruvians living here to make it possible for Peruvians living in Peru too to come and join them here. you know that the Spanish immigration regulations, it is not an easy task, it does not make it easy for Peruvians to come here during the past 20 years because we need a working visa, and you know whenever I am confronted with the problem, my mind jumps to Mondragon, you know by joining forces and being many, it is perhaps easier to do it.”

<table>
<thead>
<tr>
<th>Leveraging Capacity</th>
<th>Harnessing potential of shared vision</th>
</tr>
</thead>
<tbody>
<tr>
<td>“To me it was more the individuals coming up with community answers. We have social assets or we have capital assets that when we come together we are able to utilize and make a difference. If we do our asset mapping, there assets that we have, they may not be financial, they may not be comparable to Metropolitan areas of the state of Ohio, but there’s opportunity here if we can come together.”</td>
<td></td>
</tr>
<tr>
<td>“We were looking at ways to have smaller coops which could have really higher levels of participation but also within the scheme of having economies of scale. We felt it would be much better for us to focus on businesses that by their nature could be locally rooted and it wouldn’t put us in competition.”</td>
<td></td>
</tr>
<tr>
<td>“I was always thinking that, incorporate a cooperative company where Peruvians living here were the owners and that people who wanted to come from Peru were also owners and they were all...”</td>
<td></td>
</tr>
</tbody>
</table>
sharing the capital and the destiny of the company. A Spanish company says I want Peruvian people for this and this and this reason, very decent reasons, so I was looking for a vehicle, at the same time I was looking for a self-sustainable endeavor, and I said that it was linked to Mondragon, that it could have that same sort of principles. Helping each other, looking for each other, supporting each other, and also helping others to take care of themselves.”

<table>
<thead>
<tr>
<th>Grounding SBI</th>
<th>Adapting and unfolding the SBI</th>
</tr>
</thead>
</table>
| “I think that often times people can connect with the opportunities or the perceived opportunities in terms of creating food products, everybody eats, everyone has products, recipes, that may have been handed down within their families for generations and they have expertise that they have developed as a home cook. I think for us in some ways we can be innovative, in this where I would sometimes refer to as the backwater and that is not always necessarily a negative that we have been able to stretch ourselves a little bit more in terms of being creative, thinking outside the traditional way doing community organizing, doing economic development. And we have to, there’s just no other way around it.”

“We were looking for different activities where Spanish people do not want to work and one of them is fishery, people want fish. Another one is construction. Spanish people less and less want to work in the construction area…at the end the construction idea was the most feasible.”
“Partially because they were fans of our bakery and the city staff had been eating at our older bakeries but it was also because they knew that we were a locally rooted business and that we would hire workers from the community or the adjacent area and that we would give back to the community.”
Summary

In this chapter I have presented the findings from the study and demonstrated how the raw data was analyzed to reflect concepts, themes and aggregate dimensions leading to a three-phase process model. I have presented and discussed each phase of the model and I have provided supporting data for each theme. I have also presented the various types and levels of impact of the 9 cases or reinventions based on the ideal SBI, specifically MCC. The result of this analysis is the emergence of a model entitled, The Diffusion of an SBI.
CHAPTER 7

DISCUSSION, IMPLICATIONS AND CONCLUSION

In science a flawed theory will survive disconfirming data until challenged by a new theory more consistent with the data. Similarly in society a story that embodies a flawed theory can be challenged successfully only by a more compelling story.

- David Korten

If the future is to remain open and free, we need people who can tolerate the unknown, who will not need the support of completely worked-out systems or traditional blueprints from the past.

- Margaret Mead

The focus of chapter 7 is a discussion of the findings of this study. I begin by revisiting the questions driving this research followed by a brief discussion of a SBI central to this work based on the primary case site, Mondragon Corporacion Cooperativa (MCC). I then move on to present a theory of the diffusion of an SBI including a closer look at each phase in the process followed by propositions derived from this study that provide a basis to inform future research. The chapter concludes with key implications and limitations.
A Third Way

I began this work by presenting an image of the global landscape by juxtaposing the presence or absence of abundance and how this notion is manifested in multiple ways, every day and every moment throughout the world. Abundance at its best may reveal it at its worst. The lushness of abundance experienced as a plentitude of choice in what and where we eat and live; financial and job security; education and healthcare; all are now becoming less readily taken for granted. Yet the excess of abundance at its worst is not only what may most readily come to mind, corporate greed and turning an eye to unethical practices in favor of profit, and the infamous Enron or Madoff style scams are repulsive, inhumane but less usual. The most vile representation of the absence of abundance is when taken-for-granted items such as water, food, shoes, basic clothing and items even more ordinary but impressively critical to human health, and dignity such as toothpaste or soap are inaccessible to a majority of the world’s population.

The path to alleviate this unacceptable and ever increasing broad disparity is suggested by a third way actualized by a work structure of cooperation and principles of participatory democracy. This study presents Mondragon Corporacion Cooperativa (MCC) as an exemplary model for what balanced capitalism grounded in moral choice fosters: a natural equilibrium between social and economic good and a wellspring for growing, thriving communities in its fullest expression. Perhaps most profoundly and positively, MCC demonstrates that it is entirely feasible for a business to prosper in a
capitalistic market and to organize work in a democratic structure and to mindfully construct socially vibrant, economically sound and healthy communities.

Following the history of MCC and the journey of nine participants has resulted in two outcomes of this study. The first is reflected in what I have defined as a socio-business innovation. An SBI is intended to reflect one model of possibility at the nexus of people and profit but is also intended to be a vehicle for driving our imagination faster and further toward a new vision of organizing. In so doing we may come to ultimately replace our singular understanding of the “corporation” and instead begin to consider what may be unlimited forms of shaping work practices but that are ultimately linked by hallmarks of democratic practices and cooperation toward acts of human good. MCC and the resultant model of an SBI concretely demonstrate what good can be actualized through shared values and when ownership is expanded.

The second finding, and most significant, is that a particular process has been revealed demonstrating how the MCC exemplar has been adapted successfully throughout the world leading to a theory of socio-business diffusion. The properties of the diffusion process for an SBI are distinct compared to what is currently known about the diffusion of innovations. The diffusion process of an SBI are hallmarked by a generative capacity that is demonstrated to be especially significant in enacting successful adaptations and with implications for positive transformation nested in the best interest, capacity and control of each locale. The diffusion process for an SBI sheds additional insight into how cooperative acts may transform the global landscape toward a more moral and just world. Ultimately, the third way represents how abundance may
become a common state of being achieved through business models that are built to serve humanity.

**Review of Research Questions**

The word innovation may be the defining buzz word for the 21st century. In this sense it has come to mean everything and nothing all at once. Everyone wants it, needs it, but has little or no idea how to get it, although people generally converge around the notion that innovation is indeed critical, good, and most of all a complicated construct to grasp. During the time spent working on this study my mind often reeled from the abundance of literature, scholarly and otherwise, on the sort of innovations that make money. On the flipside I was equally amazed by the lack of research centered on social innovations but encouraged by the momentum gaining in this field. I found myself becoming more curious about what I came to think of as the space in between business and social innovations, more specifically how to enjoin these two critical domains in a way that would benefit people and profit. I also wondered what such an innovation might look like.

As I moved further into my research I knew that I wanted to understand a very different sort of innovation, one that would be defined by a particular set of values/principles and practice. I would come to name this type of innovation a socio-business innovation (i.e., SBI). I also discovered that finding a research question is not at all a sterile or linear process. My search for a meaningful research question ran parallel to discovering a research site which then simultaneously fuelled and narrowed my
interest in this specific topic – all the while weeding out and adding in relevant literature, and ultimately leading to a set of questions that bounded this study.

What also emerged from this search process was my primary research site, Mondragon Corporacion Cooperativa (MCC). I selected MCC as a case study because it serves as an ideal type of SBI since it successfully manifests both social and business good; is driven by democratic values and processes; and has served as a mecca of sorts for those wanting to learn from this unique model.

The main purpose of this study was to understand what and how people are learning from an innovative model of work organization, namely an SBI. Embedded in this question is to further discern if and how this model is transferred to different contexts known as the process of diffusion.

This research suggests a new venue for exploration within the field of management studies and as such the findings of this work offer a starting point for developing theory about the diffusion of an SBI. This research also represents an initial attempt to enjoin business and social good at a shared nexus of mutual advantage and a step away from what is often understood to be a choice between people or profit. A primary contribution of this theory is to show that a shared set of values or beliefs between the individual and an ideal model type can help to explain the diffusion process of an SBI.
**Diffusion of an SBI**

The diffusion of an SBI organizes around three key domains specifically, innovation and diffusion and the process that facilitates this dynamic. This study follows the definition of innovation as that which “create(s) new resources, processes, or values or improves a company’s existing resources, processes or values” (Christensen, Anthony & Roth, 2004: 293) and whereby innovation is also considered a technology whose function is to transfer knowledge (Van de Ven & Rogers, 1988). The process of transferring innovation related information is referred to as diffusion (Rogers, 2003). Rogers states that “diffusion is a special type of communication in which the messages are about a new idea…some degree of uncertainty is involved (and) alteration occurs in the structure and function of a social system” (Rogers, 2003: 6). Lastly, this research centers more on the human side of innovation by examining the immediate role of individuals engaged in the process of learning (Van de Ven, Polley, Garud & Venkataraman, 1999: 203) through a network of relationships “among people, ideas and objects” (Hargadon, 2003: 8).

This research supports Rogers’ work which posits that “that the diffusion of innovations [is] a kind of universal process of social change” (2003: xvi). He argues that the dispersion of any innovation is marked by the same general course of action leading to a type of transformation in the greater society. In his seminal work Rogers focused on the “regularities in the diffusion of innovations, patterns that have been found across cultures, innovations, and the people who adopt them” (2003: xvii-xviii). Based on the findings in this study, the diffusion of an SBI has aspects that support the literature on
diffusion of innovation while also highlighting some unique deviations. Rogers states that “diffusion is defined as the process by which (1) an innovation (2) is communicated through certain channels (3) over time (4) among the members of a social system…these elements are identifiable in every diffusion research study and in every diffusion campaign or program” (Rogers, 2003: 11). These four elements focus on the knowledge, ideological, temporal and problem solving aspects – largely cognitive or structural – without highlighting the emotional or value driven aspects that were surfaced in this study. Additionally, this research moves from the general to the specific and takes a close up, first-person account of individuals inciting change at the nexus of business and society.

**Phase I - Precursors to SBI**

In order to fully understand the diffusion process of an SBI, meaning how it occurs, it is important to know what contributes to an individual wanting to enact such change. As Mary Pipher highlights, “We are taught that problems are pervasive and insolvable, and that we are powerless…yet powerlessness produces despair in people and stagnation in cultures” (2006: 54). My curiosity centered strongly on the “why” question, especially considering the enormity of the issues challenging our global landscape. Responding to the “why” question is as crucial to understanding the process as the “how.” While Rogers provides a categorization of ideal types for adopters of innovation this study sought to uncover and contextualize the lived experiences of the participants to gain intimate insight into their particular motivations. A significant goal of this research was to move away from a “type” model and humanize the experience making it more
readily understandable and relatable.

At the core of the development of a self-in-society identity lays the answer to the “why” question, or the motivation. Pipher notes, “If we delve into our own why questions, we often find that our core interests evolved from specific events in childhood. Passions may emerge from a tragedy – a serious illness or accident, or a parent lost – or from a talent discovered, a trip to a magical place, or a relationship with a certain person” (2003: 55). The participants’ stories provided a rich context for understanding the experiences that most influenced their lives and shaped their worldview. The little boy growing up in an orphanage in South Africa comes to know the devastation of apartheid firsthand. He later becomes the young reverend raising a family amidst the violence but always dedicated to improving the lives of others through democratic means aimed at employment and education. He learned to see the world through eyes of compassion, guided by his beliefs and he now leaves a legacy of change in one of the most devastated countries in the world. He tells me his story. I listen and I know more about what is important to him. The “why” is no longer a mystery and his story offers me a rich picture of the factors that intertwined to set him on his own innovation journey.

The data reveals that values are inherent to every SBI and evident throughout the diffusion process. The participants’ values were embedded in all of their stories. Values are the expression of our beliefs and are made manifest by our actions (Richley, 2007). Our values are present in the choices we make and serve to shape and give meaning to our world. Our stories help us to make sense of our past and direct our future choices based on experiences that matter to us. Our values are conceived in these moments, shaped and molded over time and eventually give way to our motivations. In this study
participants described the early influences, both positive and negative, that forged their values and provided the impetus for the type of change they wanted to enact; their values became the motivation behind their quest for an exemplary SBI and later propelled the diffusion process.

This study points to an overlooked area in the literature, namely the critical role of values throughout the diffusion process. Participants’ values were the core driver in an ever evolving and lifelong process committed to actualizing change at the intersection of business and society. Prior research neglects the importance of values in the innovation journey and their influence in the type of innovations we hope to emulate.

Another interesting finding came about as a result of understanding the participants’ life histories and relationship in the process of diffusion. Too often our research on innovation is sanitized, the person remains on the fringe, unless that person has risen to the stature whereby he or she is labeled “famous.” Mystery tends to shroud the legacy of prominent innovators and obliterates much truth about how discoveries were made. Stories are spun that raise these individuals to mythical proportions. But what happens if we rip away the curtain from the wizard’s booth? Just like in the Land of Oz our worldview is altered when we start to understand the reality versus the legend. We may lose some of the magic but what we gain is the knowledge that what once seemed inaccessible to everyday people now becomes immediately attainable. Hargadon provides an interesting story giving evidence to the value of dispelling the “classic story—of a heroic, genius working alone to build an electric future with nothing but his imagination and a pile of junk” (2003: 12). Hargadon’s work focuses on the significance of networks in innovation and simultaneously deconstructs the lone hero ideology.
The classic story...may have elements of the truth, but it is misleading. Edison was neither that heroic, that imaginative, nor that alone. By studying entrepreneurs like Edison outside of their natural environment, we risk setting down one truth and, in the process, many lies. If we focus on the collective efforts of the team in Menlo Park, if we look at how the laboratory was embedded in the networked world of its time, and if we look at how Edison changed that network, we find a whole different set of truths about the innovation process (2003: 12).

This research reveals how a specific set of values has created positive change at what was once thought to be the impenetrable divide between business and social good. This study demonstrates how an exemplary organization defined by its belief system has led the way for others around the world to enact such change because they shared similar values. Values are the central and enduring factor at each step of the diffusion process of an innovation at the nexus of business and society and remain readily identifiable in the resultant spin-off. Transformation is born in the creation of values and are the seeds of change planted around the world.

**Phase II - Discovering and experiencing an SBI**

Key to the diffusion process is a model SBI that resonates with the individual’s core values which serves as the primary attractor leading to a discovery of an ideal SBI model. The point of discovery and experiencing followed three steps: 1) initial exposure to MCC which was most often serendipitous in nature but also actively achieved through research, or by speaking with someone who knew of the cooperative 2) contact with MCC in situ and, 3) knowledge acquisition. Participants did not mention the length of time as a factor in this phase but rather it was the going to MCC that sparked an “aha” moment; a realization that the model SBI could be actualized.
The discovering and experiencing phase is a moment where desire and knowing are integrated. A main finding of this research is that participants were not going to MCC only to learn through typical means of workshops or lectures, although some did participate in those as well. What participants reported was the experience and significance of learning about the cooperative firsthand through informal conversation and onsite observation. Participants described this as a pivotal point in their ability to move forward with their own plans since it allowed them to integrate their full range of knowledge and experience. Significant in this phase is the process of going through concrete experience, reflective observation, understanding the innovation and intention to experiment with new behaviors. The learning that occurs in this phase involves conversations between participants and members of MCC in a dynamic that promotes the dialectics of Conversational Learning (Baker, Jensen & Kolb, 2002) especially that of “inside-out” (i.e., the alignment of values between participants and MCC) and “outside-in” (i.e., identifying knowledge and systems from MCC that can be applied or adapted to the participants’ locales); and is highly relational and experiential (Kolb, 1984).

Being able to access the model was critical to the participants in that the experience moved their vision or idea from the abstract to the concrete. The precursor phase is the creation of a desire to affect the type of change represented by the ideal SBI; a dream or wish that is cultivated over time. As their values become more integrated into their personal and professional identities they start to serve as the motivators that serve to drive the fulfillment of their wish. “It is contended that, other things equal, high drive favors diffusion and low drive tends to inhibit it” (Miller & Dollard, 1941: 257).
Visiting MCC provided a way to realize a complex schema, specifically, the true integration of a democratic organization that was also highly industrialized, renowned for its financial success and business acumen and one that provides ongoing benefits to the community at large. An experience with an ideal type is the shifting point where vision or wish is transformed through the acquisition of tacit and explicit knowledge leading to the next phase in the diffusion process.

I, too, had the honor and privilege to visit MCC and experienced what my interviewees went through. I highlight my own observations and included comments from the internal interviews that I conducted while I was there. I did this to allow the reader to engage with me on this journey in a rich way as I walked through this exemplary organization and talked with members there. As I mentioned, apart from learning about MCC’s structure and practices I experienced the organization: how their community felt; how accepting they were; the cleanliness of the premises; the pride they had in what they do; and their success in the organization and the community. All these can help us understand why MCC is such an important organization – especially in today’s economic climate – offering a new form of organizing at the intersection of business and society.

This dissertation also provides a pathway for researchers and practitioners to look for, and to study, other such models existing in our global environment. Visiting any of these SBIs cited here will offer others the possibility to experience the power of such organizing that fulfills personal and professional goals with the capacity to rejuvenate whole societies/communities.
Phase III – Actualizing an SBI

This research suggests that SBIs are not merely adopted in their entirety but are more likely to be adapted to fit within a predetermined context in order to meet particular needs. Social entrepreneurs especially may not “make full use of [an] innovation” (Rogers, 1995: 35) and instead engage in a continuous and complex process of adapting and re-inventing to meet very specific objectives. This adaptive and generative process is the key factor in creating innovations that are sustainable because they are grounded in the resources and in the needs of each environment. “Value creation and innovation through local business development are essential means to alleviate poverty and preserve the natural environment. But the employment of business development as a means to overcome poverty requires an understanding of the specific socioeconomic environment in which that development is to take place” (Peredo & Chrisman, 2006: 309).

Critical to both the notion of an SBI and the diffusion process is the belief that what is needed is best determined by people living within the environment. This approach ensures feasibility of fit and function, and most importantly guarantees that power and ownership are regulated at a local level and within the resultant spin-off. Peredo & Chrisman suggest that such community-based enterprise (CBE) views “the community [as] simultaneously both the enterprise and the entrepreneur” (2006: 310) resonating with the sort of solidarity and collective action embedded in an SBI and helping to build a case for a holistic notion of local development. A holistic approach is present in each of the MCC spin-offs and through these cases it is evident how this
ensures maximization of resources, appropriate fit, leveraging capacity throughout a
system, and a desire to express and actualize a shared vision.

In making strategic decisions concerning what kind of business
opportunities to pursue, communities involved in collective venturing are
stimulated to join in an interpretative process. A number of elements play
a role in this process: local culture concerning matters of ownership,
management practices, and communal work; previous occupational or
technical experience or skills; the presence or absence of natural
resources; and the perception of the macroeconomic, legal, social, and
political environment. All of these may contribute to the realization of the
community’s social vision by pointing to ways in which local resources
may be mobilized to create local alternatives, in which economic and
social objectives are blended (Peredo & Chrisman, 2006: 323).

This study suggests that existing knowledge about the diffusion of innovation can
be applied toward understanding how to further enjoin business and social enterprises at
the same time pointing out unique deviations particular to the diffusion of an SBI.
Additionally this research demonstrates how successful exemplars of SBIs can serve as
practical guides for individuals and organizations wanting to understand how core values
can lead to successful human and profit-driven enterprises. The cases in this study
demonstrate how the divide between business and social good can and have been
successfully traversed leading the way for a new era of SBIs at this critical nexus. This
research also shows that SBIs, apart from being a form of organizing at the intersection of
business and society, can also help rejuvenate societies and communities.

As previously noted many critics of Mondragon believe that the model cannot be
replicated beyond the context of Basque culture due to their unique trait of solidarity.
While solidarity is known to be a characteristic of the Basque culture, this research
demonstrates that solidarity is a binding tie among shared values. This research disputes
the claim that MCC is not replicable citing the various cases presented in this study that
demonstrate that MCC has been replicated in some fashion and resurrected in spin-off SBIs reflecting specific traits of the original site in locales around the world. This study highlights two key points emphasizing the significance of shared values in the innovation process:

- Shared values of an SBI lead to solidarity among members of an SBI and those involved in the diffusion process. These values do not violate cultural differences but allow for expansion of ties among internal and external members.

- Solidarity may be reflected beyond culture to demonstrate a higher abstraction related to key values. Solidarity defined as “a combination or agreement of all elements or individuals, as of a group; complete unity, as of opinion, purpose, interest, feeling” (Webster’s New World College Dictionary, 1997). In the diffusion of an SBI solidarity is shared among members of MCC and the individuals/groups involved in the diffusion and re-invention process. Shared values are central to the notion of a SBI which demonstrates the crucial role they play in the diffusion process.

Finally, this research sheds new perspectives on how knowledge about the process of innovation can be more broadly used by social entrepreneurs or organizations looking to enact new models with a primacy on enjoining business and social good. While this research offers only a starting point for future exploration, it successfully highlights the significance of new organization role models who readily share information across borders and boundaries to help foster future innovations. In the way that MCC generates
new cooperatives in their model, they are assisting people external to their own network in creating new SBIs adapted to succeed in other parts of the world. This study offers a template on which this sort of innovation process may be initiated and hopefully provides inspiration for those hoping to embark on such a journey. Additionally, and equally critical is to continue to dispel the “great man theory” whereby innovation is the work of a single extraordinary person. While individuals may indeed possess unique attributes that are central to an innovation, recent work on this topic reveals a more authentic look at the process and points to one that is highly collaborative.

*The Diffusion of an SBI: Generative Capacity*

*Evolution of innovation.* The broad task of this research was to discover a new way of organizing work in direct opposition to existing and taken-for-granted models and realities of present approaches and structures. The purpose of this section is to bring to light the two most important findings of this study: 1) the specific aspects of a socio-business innovation and 2) the generative potency of the diffusion process of an SBI. This study follows Gergen whereby generative theory has “the capacity to challenge prevailing assumptions regarding the nature of social life and to offer fresh alternatives to contemporary patterns of conduct” (1978: 1344). Initially this study broadens and builds on current notions of innovation by enjoining two constructs that are often far apart in nature and practice, business and social good, resulting in an SBI. Tables 13 and 14 highlight the differences and evolution between fours concepts of innovation along six aspects culminating in an SBI. The aspiration was to challenge the view that social and business innovations are most often mutually exclusive and therefore rendering the
possibility of melding the two realms unlikely. This study suggests that the very notion of innovation has advanced moving from the sole intent to contribute to the scientific community to one where the purpose is to be both accessible and useful to the greater population. Rather than suggesting an either/or proposition for innovation the following discussion demonstrates the multiple value and purpose of various forms of innovation that has contributed and helped to develop an SBI.

Tables 13 and 14 offer a perspective of innovation across four broad domains to include science (i.e., pure innovation), commercial (i.e., technical), policy (i.e., social) and at the intersection of people and profit (i.e., socio-business). History suggests that pure innovation is traditionally focused on generation of new knowledge contributing primarily to scholarship within a silo of expertise and valued based on the ability to be replicated for future experimentation. Technical innovation differs in that it draws from pure innovation toward ideas that are market driven with profit motives. This sort of innovation is valued by perceived novelty in the private and public market with the target audience being consumers. Technical innovations are cultivated within specific areas of industry, highly guarded against replication and heavily reliant on their ability to be reproduced in mass form therefore mimicry, or the ability to be copied is essential.

Pure and technical innovation is more readily differentiated when compared to the field of social innovation. Social innovations are generated with an aim toward the humanities and arts and centered on the development of individuals, communities or society at large through policy change or humanitarian efforts. The domain of social innovation resides in an open system where knowledge is readily shared across sectors with the hope of improving negative conditions assaulting humanity or to solve universal
problems. The last category in the table is one that enjoins social and business good and is an emergent form of innovation. The primary interest is to generate positive social change through a free-market system focused on discovering new models of work. The aim is to generate wealth toward improving the lives of individuals and society. Socio-business innovations are generative in nature whereby the expansion of ideas, future inventions and positive change is dynamic and ongoing. In essence, boundaries are constantly being pushed toward new discoveries building on past and present experiences. In this climate of innovation the contributions are readily shared across areas of expertise, industry and public domains. The system is open and accessible with the nature of the innovation itself being highly adaptable and mutable.

Table 13

*Differences between Pure Innovation and Technical Innovation*

<table>
<thead>
<tr>
<th>Type</th>
<th>Pure Innovation</th>
<th>Technical Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution</td>
<td>Knowledge</td>
<td>Knowledge, technical, skills</td>
</tr>
<tr>
<td>Interests</td>
<td>Ideas</td>
<td>Ideas, efficiency, profit</td>
</tr>
<tr>
<td>Drivers</td>
<td>Communicating</td>
<td>Efficiency/consistency/novelty</td>
</tr>
<tr>
<td></td>
<td>ideas/consistency/originality</td>
<td></td>
</tr>
<tr>
<td>Target</td>
<td>Scholarship</td>
<td>Market/industry/Consumers</td>
</tr>
<tr>
<td>System Approach</td>
<td>Closed</td>
<td>Closed</td>
</tr>
<tr>
<td>Nature</td>
<td>Replicable</td>
<td>Mimicry</td>
</tr>
</tbody>
</table>
Table 14

*Differences between Social Innovation and Socio-business Innovation*

<table>
<thead>
<tr>
<th>Type</th>
<th>Social Innovation</th>
<th>Socio-business Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution</td>
<td>Humanity and arts</td>
<td>Business and social good</td>
</tr>
<tr>
<td>Interests</td>
<td>People, development</td>
<td>People and profit, generative intent and effect</td>
</tr>
<tr>
<td>Drivers</td>
<td>Policy change, humanitarian goals</td>
<td>Democratic values, profit for greater good, human agency, symbiotic design, local prominence</td>
</tr>
<tr>
<td>Target</td>
<td>Society</td>
<td>Scholarship/Market/Industry/Society</td>
</tr>
<tr>
<td>System Approach</td>
<td>Open</td>
<td>Open/dynamic</td>
</tr>
<tr>
<td>Nature</td>
<td>Transferable</td>
<td>Adaptable, highly mutable</td>
</tr>
</tbody>
</table>

*Differences in diffusion.* Comparing both Rogers’ (2003) four-stage diffusion process of innovation and findings from this study with the three-phase diffusion of an SBI (Figures 15a and 15b) is intended to provide a deeper dive into understanding the particular process of how to enjoin social and business good. Findings from this study support the model presented by Rogers but also suggests inherent differences in the nature of an SBI and in the diffusion process. The following propositions explicate the generative properties of an SBI.
**Figure 15a.** Diffusion of Innovation (Rogers, 1962)

- **Innovation** - an idea, practice or object perceived as new
- **Communication channels** - means by which messages are shared
- **Time** - 1) innovation decision process; 2) time for adoption; 3) rate of adoption
- **Social system** - interrelated units engaged in shared problem solving to achieve common goal

**Figure 15b.** Diffusion of an SBI

- **Precursors** - Self-in-Society Identity
- **Discovering & Experiencing** - Engage with Ideal
- **Actualizing** - Adaptive Balancing
Generative Organizing: Propositions

Proposition 1: Generative organizing is transformational beyond the organizational level.

Generative organizing is transformational in nature. In this sense such organizing causes change to occur at the individual, organizational and societal levels. Incremental change is not an indicator of generative organizing. Within this study examples of such transformation include moving from an employer to employee-owned businesses or at the individual level from being an employee to an owner. Other examples of generative transformations would include regional rejuvenation or models of country-level change. Generative organizing is indicated by change that involves a shift in identity, mission or capacity and reflects an expansion of shared values toward human good.

Proposition 2: Generative organizing is highly mutable and is infused with the poetics of possibility beyond our previous frame of reference

Generative organizing involves permeability between society or community and businesses. This form of organizing does not involve full-scale adoption but adaptation that is highly contextualized. This mutability is central to generative organizing. Generative organizing is not based on mimicry or identical replication. In this sense, no two outcomes are alike. The nine cases presented in this study show how the innovations are unique but reflect the central values embedded in the primary innovation. SBIs are not mirror images and they cannot be successfully copied as a whole. For example, successful technical innovations are dependent on a high degree of imitation while successful SBI’s are highly dependent on being alterable to meet the needs of their
specific environment. Inspiration is drawn from an initial SBI and its reflection offers the possibility of hope, of seeing the world anew, and in giving birth to an offspring. The bud of hope instills a creative capacity and desire to innovate.

*Proposition 3: Generative organizing promotes flourishing of people and profit within communities*

Generative organizing focuses on bringing out the best in people, the society or community and the business but is highly contextualized. This is different from contributing to society through financial help alone but rather it is making the organization a part of the community or society. Another good example of this proposition is the focus on local versus global good. This form of organizing can be distinguished from other forms of innovation because of its goal to simultaneously benefit people and profit. Sustainability is embedded in the diffusion process of an SBI – it is by nature continuously producing tangible and intangible good throughout society. Unlike technical innovations that rely on more passive replicators, SBIs are reliant on values and sentiments fully charged with emotions and beliefs. The innovations are driven by moral good and a deep desire to move beyond self-serving goals toward a greater good. The values and beliefs to generate social and business good are the driving force of an SBI.

*Proposition 4: Generative organizing enjoins dualities*

Generative organizing is a creative form that enjoins dualities. In this study, dualities are manifested as making money and creating social good; creating a high performing organization and simultaneously rejuvenating the society and/or community
in which it is embedded. Promoting a level of hierarchy to support systemic demands but dispersing ownership throughout the organization. Dualities are embraced and serve to foster creativity since SBIs are based on knowledge from wide and various domains. Ideas are sparked that transcend silos and sectors toward a common good.

**Proposition 5: Generative organizing catalyzes connectivity**

Generative organizing not only connects people and processes but also catalyzes such activities. The catalyzing nature of this form of organizing has a ripple effect on its constituents. In this dissertation the findings show multilevel connectivity. MCC catalyzes connectivity within the organization through deep involvement with the worker-owners and also opens up connections to others globally through Otalora. Other examples show the emergence of deep connectivity with its new member-owners; developing other branches across a region; and connecting diverse stakeholders within the community to advance the goal of the cooperative. Unlike pure or technical innovations SBIs are not created in a sterile environment or through an objective stance. SBIs are created via a highly subjective process where personal knowledge, values and feelings, and considerations for the human condition are an inherent and critical part of generating a successful outcome.

The diffusion process of an SBI suggests specific properties of generativity. It expands our range of choice for future possibilities and simultaneously advances human freedom, agency and choice for how we organize our lives. SBIs serve to close our frame of reference between technical and social innovation thereby setting in motion our imagination for other ways to bridge the divide. Future possibilities are born in seeing
and knowing previous acts of creation and infuse hope to bring forth offspring. In the way that MCC gave hope to a devastated countryside it is now providing a path for a third way of organizing around the world. MCC’s legacy is in its generative capacity to offer a new way of seeing and imagining and in so doing has incited a new concept of innovation.

_Implications_

This study has implications for both researchers and practitioners. The notion of an SBI puts forth a new track for research at two junctures: 1) democracy in action in the workplace and, 2) generative organizational forms that enjoins business and social good. An SBI bridges the divide between business and society but significantly emphasizes the role of democracy in the workplace. A highly successful exemplar, such as MCC, demonstrates the utility and possibility of democracy in action within an organization and the feasibility of such a model worldwide. Tim Huet (2004) nicely juxtaposes the “what is” compared to the “what can be” in the following:

You cannot say a society is truly democratic if its adults spend the majority of their waking hours in undemocratic workplaces and do not enjoy control over the basic elements of their lives (no control over their jobs ultimately means no security regarding their homes, healthcare, time, education, etc.). And the undemocratic nature of work for most adults affects beyond the workplace and outside working hours. Autocratic models of relating in the workplace carryover into the family, larger community, and political realm. Conversely, I believe that members of worker cooperatives learn democratic skills and ways of interacting with each other—and the confidence that comes from taking control over your life—that benefits their families and larger communities, and can carryover into the political realm.
Future research should follow that investigates other exemplars that effectively ignite democratic ways of work at the intersection of business and society. This is critical given the current collapse of so many traditional institutional models. Organizations are falling prey to the faulty logic that power should reside at the “top” of a hierarchical chain where secrecy and privilege serve as stalwarts to democratic change. MCC, and the resultant re-inventions of the cooperativa, pave the way as proof positive that such change is not only possible but entirely doable.

Questions for future research are born of these two vast arenas. What promotes democracy in action in the workplace? What are the factors that successfully serve to incite transition to a democratic organization? And one that I find most interesting is, given that cooperatives are indeed widespread and successful why are they not being more widely studied in mainstream academia and why are they not equally promulgated in practice? What is the role of values for inciting such change? How can individuals and organizations draw from the power of values to forge new streams of solidarity that flow toward positive change; change were everyone benefits?

This research also highlights a new notion of social entrepreneurship, one that is a collaborative partner working with others to focus change in both industrialized and non-industrialized countries. To date social entrepreneurship bears a risky hallmark. The social entrepreneur and the accolades that abound for the “famous” individual can result in the same negative consequence as that of the “great inventor” syndrome by focusing far too extensively on the person. The good the person is able to actualize is negated by being elevated to such a lofty position that the everyday person feels paralyzed to effect similar results. The emphasis must be on the work rather than the person and the person
must serve as the vehicle for the work. What are the characteristics of such individuals? How do they promote the work over the person? What are the conditions that enable them to effect such change and to create sustainable endeavors at the intersection of business and society? How do we elevate values of the individual and organization to its rightful place in research and practice? This question is a serious challenge since most consider the role, and the study of, values to be too abstract, or too soft to really serve as an impetus for change. Yet, every great movement in the world has, at its heart, a core set of human values that serve as the motivator for such change.

This research also suggests new paths for the study of innovation. What is the role of agency in innovation? Removing the curtain behind the wizard’s booth has much to do with this question? Innovation studies to date are either too abstract or mired in complicated details that are incomprehensible to allow for little digestible understanding of how to foster innovation at the point of social and business change. Far too much energy and focus has been given to business innovations because they are understood to generate money. On the other extreme, far too little attention has been given to social innovations and the studies that exist fail to capture the significant role of good business practices, focusing instead on policy change. The arena of enjoining business and social good has been cracked wide open by such efforts as Business as an Agent for World Benefit and is a key factor in bringing about a more balanced focus that can effect actual change while simultaneously promoting such new forms of generative organizing. This leads to the argument that emphasizes the need for examining what works. The burgeoning field of Positive Organizational Scholarship has set ablaze a path for understand how leverage our human capacity for good and zooming in on what works.
This is one arena where replication is still needed. The world at large knows what does not work, leaders atop a hierarchy that reap rewards aimed at their personal benefit, models and processes at work that promote disengagement of mind and spirit, and outdated modes of being that negate the human element. The need for appreciation, challenge and learning is the clarion cry for today’s form of organizing.

With the economic situation shaking the world, this research can help practitioners look for models that have not only rejuvenated societies but also help focus on such new organizational forms that treat human work with dignity and pride. Although this research focuses on how MCC has been a role model for SBIs, I hope that this research would also inspire others to look at organizations I have cited in this study to discover the organic nature of growth of such organizations. There may be other forms of SBIs still silent and waiting to be discovered by researchers and practitioners in the organizational and academic world. I am thrilled to unearth nine such spin-offs and am hopeful that research in this field would become more prevalent and perhaps lead the way for future possibilities. Our future in the organizational world rests on the ability for us to see successful modes of organizing that can help preserve our future and the environment that brings to fore the symbiotic relationship between the worlds of work and life.

Limitations

As with any study limitations are important to consider. The main limitation of this study is that I have only studied SBIs that have been influenced by MCC as an exemplary model. Perhaps there are other forms of SBIs that have yet to be surfaced to
study in the field of management. Future research, using other exemplary models, may help refine the characteristics of an SBI that I have outlined in this study. Our understanding over the years to come would help us learn more about organizing at the intersection of business and society. More research in this field would help us to generate sustainable and variations of SBIs in our global environment. This study serves as a launch pad in this area of research. Based on my interactions with people who have been involved in the spin-offs, I am aware and hopeful that this field of research would have significant impact in our understanding of how to enjoin business and social good.

**Summary**

In this chapter, I reviewed the questions that drove this research study and discussed the findings that showcased the diffusion process of an SBI. I briefly revisited the three phases and their implications for future research. As this study highlights SBIs that have been influenced by MCC, I am hopeful that future research involving more exemplars in the global environment can help us understand such new forms of organizing that could have powerful impact through harnessing the potential of enjoining business and society. This research highlights that such forms of organizing are flourishing and studying SBIs can only help our understanding of principles and practices that can affect our global business landscape in a highly positive and energizing way toward a vibrant business-environment relationship.
The Mondragón Corporación Cooperativa

Company Overview

The Mondragón Corporación Cooperativa (MCC) began in the town of Mondragón in 1956 when a group of five young engineers were encouraged by their socialist priest, Father Jose Maria Arizmediarrieta, to set up a cooperative to make paraffin cooking stoves. Using Arizmediarrieta's vision the five young students built a financial base for the MCC today. By 1959 they had already formed the Caja Laboral Popular (CLP), the Working People's Bank, which is not only the bank for the cooperatives but is run as a cooperative itself. What began as an experiment with only a handful of people is today a for-profit organization with approximately 70,000 worker-owners and 68 enterprises worldwide. MCC has grown to include 68 enterprises worldwide, involving 68,000 member owners, and with “an annual revenue of eight billion dollars.”

MCC, during the five-year period 1999-2003, dedicated 160 million euros to educational and research projects, numerous cultural activities, Third World projects and programmes and bodies engaged in social integration.

The main focus of the Association of the Mondragón Cooperatives is the creation of owner-employee jobs to expand the opportunities for people to participate in the

---

relationship economy. Statistics show the Mondragón cooperatives to be twice as profitable as the average corporation in Spain with employee productivity surpassing any other Spanish organisation. It is focused on social success, involvement of the people and industrial democracy.

MCC has grown to be one of the twelve largest companies in Spain and is the biggest in Basque County. The MCC includes numerous community and employee based programs, their social systems include health care, housing, social security, primary and post secondary education, training and retraining and unemployment insurance. Extensive efforts to retrain or relocate workers who are affected by changes that occur in the wider economy is an essential component of its program. The educational system that they have implemented has over forty schools and a college; there is also a student relationship cooperative, which allows working students to cover their tuition and living expenses for their private high school and college education while having the experience of running their own cooperative.

The MCC views capital as only a means to an end, the goal is for a happy and productive work environment and capital is a tool needed to achieve that. Ten percent of the annual net profits is donated to charity, 40 percent is retained in the collective internal account. This collective internal account is regarded as the portion of profits that is collectively owned and managed for the common good; if the cooperative ever ceased to exist, this portion would go to charity. The remaining 50 percent is open for use by the owner employees because it can be used as collateral at the bank for a loan at an interest
rate only a point or two above the six percent it is earning, yet the cooperative has the use of the capital at the same time.

Another unique aspect of MCC is the way it deals with the establishment of new companies and the repayment of debt. The Coop always begins a new enterprise with a group of people who are friends, never with just one person. It sees the natural bonds of friendship as a building block for which successful ventures are built. The new enterprise and the MCC bank agree to stay together until the business is profitable. The members of the new group put up twice the membership fees that others will invest and the bank loans any additional capital necessary at a normal interest rate. If the business runs into trouble the bank will loan additional capital at roughly half the initial rate. If the company is still in financial trouble the interest rate will be dropped to zero, and if more assistance is needed the bank may donate capital to the business. Eventually, even if the company has to go through drastic changes like new managers or new product lines, the business becomes successful and is able to repay much of the loans, although the bank also uses a portion of its profits from time to time to reduce the size of the loans of all of its cooperative businesses.
Appendix B.

**Interview Protocol**

Thank you for agreeing to speak with me. I would like to begin by telling you the purpose of this interview. First, the information that you share with me will be used to support the development of my dissertation toward my doctoral degree in Organizational Behavior. My dissertation is centered on Mondragón Còrporacion Cooperativa and I will be asking you questions in three parts. Part I are questions to help me get to know you and your background. Part II are questions about your experience with MCC and Part III are questions about the impact of MCC on you and your organization/environment. Second, this interview is part of a research project associated with the Center for Business as an Agent of World Benefit at Case Western Reserve University, Cleveland OH, USA. Both my dissertation and the second project are related in that the focus is on uncovering the diffusion of values-based innovation from an exemplary organization that has been successful at the intersection of business and society.

The interview will last approximately 1 hour. All information will be confidential and your identity will not be shared or revealed in anyway (Note: I will create another protocol and consent form in the event that I do want to share their stories or film the interview.) Do you have any questions before we begin? I would like you to stop me at anytime if you do have questions, or would like me to clarify the question.

Good…let’s begin!

**Part I – Background Information**

To start, I would like to learn about you. What values are most important to you? How do you live your values?

Now I would like to know about your work. Over the course of your work life what type of work has given (and continues to give) meaning to your life and why? What about your current position? What draws you and compels you to do the work you do today?
Can you tell me about a time, a high point story, when you felt that your values and work were intertwined? How did you feel? What was this experience like for you? What was the impact on you and on others?

Part II – The Mondragón Experience

I would like to know about you and Mondragón. How did you come to know about MCC and how long have you been involved with Mondragón? What attracted you to the cooperative and what was your first contact with MCC? In essence, tell me the story of how you became connected to MCC and your relationship over time with the cooperative. Tell me about your earliest positive experience with the cooperative, and how that reinforced your initial sense that this was an exemplary organization. What drew you to and connected you to the cooperative? What was happening, what were you thinking, who were you with, what were you feeling? What happened afterwards?

What was your initial and continued learning experience like with the cooperative? What or who helped you the most in your efforts to learn and understand more about MCC? Can you tell me about a key learning experience during this process?

Part III – The Impact of Mondragón

Now I’m going to explore how Mondragón has affected you. Think back again about your experience with the cooperative. What have you learned from MCC and how has it influenced you? How did the initial attractors to MCC influence you or your organization?

What has Mondragón contributed to your life, your organization and how have you shared this experience with the world? What “work” do you hope to do and what, as a result of your experience with MCC, have you done to start the work? How are you taking the vision of Mondragón and putting it into action? What aspects of MCC did you adopt and what aspects did you adapt in your organization and why?
I would like to ask you to think about your experience with Mondragón, what you have learned, how it has impacted you and others, etc. Can you think of a metaphor that brings this to life for you? What is the metaphor that you would use to describe Mondragón’s positive influence on people and the world?

Businesses come in all forms and sizes but the thing they have in common is that they are all attempting to survive amidst chaos. What are the special strengths of businesses today that can help them to prosper? Now think about Mondragón. Other than being a cooperative, what is remarkable about Mondragón? What makes it different from most organizations today?

What do you think are Mondragón’s unique contributions to the world? What is MCC’s greatest innovation that you think the world should learn from in a way that brings together the best of business and society?

What is the dream you have for business and society throughout the world based on what you have learned from Mondragón? How would this key learning impact the world?

My last question. What is your definition of “world prosperity” and how do you believe it is created? What must society and business do, together, in order to actualize your worldview of prosperity? What would be different in the world if this became a reality?

We have reached the end of our interview. Is there anything you would like to add or to ask me about? I want to thank you for sharing your time and thoughts with me. I believe that the very act of talking with people such as you is already changing the world for the better. Thank you for making a difference.


Baxi Partnership. Funding business succession solutions through employee ownership.

Baxi Partnership. Funding business succession solutions through employee ownership.


*British Journal of Industrial Relations, 19*(2): 211-231.

Burke, E. M. *Designing the new social vision: A social vision for corporate citizenship.*


