



Do co-ops speak the managerial *lingua franca*? An analysis of the managerial discourse of Mondragon cooperatives



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ABSTRACT

A trend toward conventional managerialism has been identified in cooperative organizations, and it has been suggested that this is a symptom of the phenomenon of degeneration in cooperatives. Although managerial discourse is at the heart of the dominant managerialism, not much attention has been given to this trend. To fill this gap in the literature, the present study analyzes the managerial discourse of the organizations grouped within the Mondragon cooperative experience, based on a content and discourse analysis of the organizational information published by the Corporation and its 70 member-cooperatives. A mainstream popular managerial discourse is identified in the majority of the member-cooperatives, a discourse disconnected from the discourse of the Corporation. In the latter the basic cooperative values and principles are more strongly emphasized. Implications for managers, workers-members-owners and other stakeholders are discussed.

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1. Introduction

Mondragon stands out as one of the most famous examples of successful cooperative experiences in the 20th Century (Gupta, 2014). Mondragon, which is one of the instances of industrial democracy in action that has attracted most attention from scholars, practitioners and policy-makers from around the world, began in 1956 in the Basque Country and currently consists of 258 organizations (of which 111 are cooperatives and 143 are subsidiary companies), belonging to very diverse sub-sectors of financing, manufacturing, retail and education-knowledge. Mondragon cooperatives have a total revenue of 14,832 million Euros (2011), international sales of 4505 million Euros and a workforce of more than 83,000 (82% in Spain and the rest abroad), with 94 production plants all over the world (Mondragon, 2013a).

During the second half of the 20th Century, Mondragon has been the model for successful cooperative businesses to follow, an exemplar of the principles of democracy, equality, solidarity,

and participation as fundamental parts of its management strategy (Santa Cruz, Nazareno, Cheney, & Peredo, 2012), and a kind of expression of alternative forms of enterprise in today's globalized economy (Arando, Freundlich, Gago, Jones, & Kato, 2010). Mondragon has been claimed to reflect the combination of three basic objectives which may not be seen generally as compatible: business development in capitalist markets, democratic methods within organizations, and a commitment to the development of the social environment (Errasti, Heras, Bakaikoa, & Elgoibar, 2003).

Despite this long-term success, some of the cooperatives inside Mondragon have experienced significant problems during the severe economic crisis that has affected the Spanish economy so dramatically. Mondragon's best known failure was the bankruptcy of Fagor Electrodomésticos, one of the flagships of the group, in October 2013. As recently underlined by Cheney, Santa Cruz, and Peredo (2014), Nazareno, most of the Spanish and the international press has taken the opportunity to question the resilience of Mondragon rather simplistically and to express doubt about the cooperative model in general. This is a very complex issue that will certainly attract the attention of many scholars in the near future, but for the moment, with the available data, it might be better to see the way in which Mondragon had weathered this crisis – with 900 of approximately 1,500 displaced workers reassigned to other cooperatives under the umbrella of the group during one of the worst economic situations that Basque and Spanish industry have faced in years – as an indication of positive reaction and resilience.

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Nevertheless, as [Cheney \(1999\)](#) pointed out some years ago, Mondragon has long since far exceeded its founders' expectations for financial success, geographic reach and economic dimension. Therefore, as some scholars have said (e.g., [Errasti et al., 2003](#); [Azkarraga, 2006](#); [Sarasua, 2010](#); [Heras-Saizarbitoria, 2014](#)), real tensions have arisen during recent decades over the extent to which Mondragon cooperatives can achieve their targets in terms of social values. Among many other issues, lack of substantive democratic participation, lack of self-management and participation and the rise of dominant or prevailing managerialism ([Levy, Alvesson, & Willmott, 2003](#)) have been criticized (e.g., [Cheney, 1999, 2005](#); [García-Insausti, 2003](#); [Sarasua, 2010](#); [Heras-Saizarbitoria, 2014](#)). With regards to this last issue, [Sarasua \(2010\)](#) has stressed that the managers of cooperative organizations have adopted conventional managerial discourse, and we would add, the restrictive environment provided by managerialism ([Baines et al., 2011](#)). These moves toward conventional managerialism may also have influenced the decay of the Mondragon experience, although these issues have been under-researched.

Therefore, the present study makes an exploratory and interpretive contribution, analyzing the managerial discourse of the organizations within the Mondragon experience, in order to detect any possible disconnect between that discourse and the basic cooperative principles and values of Mondragon. To that end, the work will focus on an in-depth analysis of the corporate/organizational information that those organizations give their stakeholders. In other words, this paper presents an analysis of the extent to which the information included in the corporate statements and communications of the organizations in Mondragon are coherent with the principles and values at the core of the Mondragon project or are disconnected from them and adopt a more popular or conventional managerial discourse, which might be described as the conventional or popular managerial *lingua franca*. By this metaphor or figure we refer to the common lexicon and rhetoric shared by the popular or conventional managerial discourse ([Barley & Kunda, 1992](#)) that is globally disseminated ([Gantman & Parker, 2006](#)).

The paper is organized as follows. After this introduction a brief literature review on the evolution of the Mondragon cooperative experience is presented. The literature review incorporates a general overview of the degeneration thesis, the thesis that cooperatives tend over time to become more technical and managerial and lose their democratic inspiration, in parallel with a short introductory description of organizational and managerial rhetoric. The following section, the third section, presents the methodology of the empirical study. In the fourth section the results of the research are considered and the fifth and last section includes the discussion and conclusions.

2. Literature overview

The tension between business success and social values in the Mondragon experience has been studied in depth before. Surprisingly, this issue has not received much attention from the management and organizational perspective, since most of the research carried out from that perspective unquestioningly presents a monolithic view of Mondragon (e.g. [Forcadell, 2005](#); [Lertxundi, 2011](#); [Luzarraga and Irizar, 2012](#)). As stressed by [Winther and Sørensen \(2009\)](#), (self) criticism of the Mondragon model has raised the issue of whether the Mondragon cooperatives are as democratic as is often assumed by scholars. In this line, it could be said that most of these works tend to analyze the organizational and managerial reality of Mondragon cooperatives drawing only on the opinions of managers, a research perspective that is dominant in the management field, even though it has sev-

eral biases which deserve greater awareness ([Heras-Saizarbitoria, 2014](#)).

From a more general perspective, this issue has been researched taking into account the transformation of the cooperative movement as it has engaged in the internationalization process ([Errasti et al., 2003](#)), in the light of the process of globalization and individualization ([Azkarraga, 2006](#)), in the light of internal reflection ([Sarasua, 2010](#)) and in the light of the degeneration-regeneration of its governance and management ([Bakaikoa, Errasti, & Begiristain, 2004](#); [Storey, Basterretxea, & Salaman, 2014](#); [Heras-Saizarbitoria, 2014](#)).

In relation to the last case, a general reference to the broad thesis of cooperative degeneration should be mentioned. As stressed by [Bakaikoa et al. \(2004\)](#) the degeneration thesis of cooperatives suggests, in short, that cooperatives fail in the long run as democratic organizations due to external or internal pressures. [Cornforth et al. \(1988\)](#) categorize the different strands of degeneration theory into (1) formal or constitutional degeneration, when cooperatives revert to a capitalist form; (2) goal degeneration, when cooperative goals are replaced by conventional profit seeking or standard business goals; and (3) organizational degeneration, where control becomes concentrated in the hands of a managerial elite or technocracy.

In this paper formal goal degeneration will be the focus of attention. [Cornforth \(1995\)](#) suggests that as a result of growth and pressure for greater efficiency, cooperatives develop new management structures. Similarly, the quest for a dynamic equilibrium between cooperatives' economic and social objectives poses a perennial challenge for managers ([Cornforth, 2004](#)). Since cooperatives must establish themselves against competitive rivals to survive, as recently stressed by [Diamantopoulos \(2012\)](#), business modernization is a constantly pressing necessity. It tends to trump the less evidently urgent goal of *movement* modernization. This has led to a situation in which the capitalist ideal of what an enterprise is has overshadowed co-operative ideology ([Puusa, Mönkkönen, & Varis, 2013](#)).

In the field of study of co-operative organizations, [Paton \(2003\)](#) and [Roper and Cheney \(2005\)](#) emphasized, from a theoretical perspective (i.e., not empirically evidenced), that cooperative organizations and other forms of organization in the social economy operate in a different world of language and meaning than the conventional managerial discourse. Similarly, for the specific case of Mondragon, [Sarasua \(2010\)](#) stressed, also without any empirical evidence, that the impact of challenges from the business environment and the limited development of the ideological and socio-educational dimension in Mondragon have created a space where, "*The vocabulary and imagery of cooperative managers have slipped towards a set of more conventional managerial parameters*". [Sarasua](#) also emphasizes that, "*The assumption by cooperative leaders of languages, symbols and formulations emanating from the capitalistic corporate literature somehow denotes a sort of 'surrender to the evidence'*" ([Sarasua, 2010](#); p. 3).

However, there has also been an evolution over recent decades in corporate philosophy and managerial discourse, which has placed several core concepts of the cooperative movement, such as the worker participation and self-management ([Stohl & Cheney, 2001](#)) and the democratization of employee-management relations ([Varman & Chakrabarti, 2004](#)), at the center of corporate philosophies. This is a phenomenon that has been especially noticeable in the Basque Country, which has experienced an intense regional policy to promote the adoption of 'dominant regimes of managerialism and productivity' ([Cheney, 2005: 197](#)), a policy in which the Mondragon cooperatives have played a key role ([Heras, Arana, & Camisón, 2008](#); [Heras-Saizarbitoria and Boiral, 2013](#)). As a result, some researchers, such as [Taylor \(1994\)](#), [Cheney \(1999\)](#), [Stohl & Cheney \(2001\)](#), and [Mathews \(2003\)](#), have found

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