COOPERATIVES AT THE THRESHOLD OF A NEW ERA: THE MULTINATIONAL TRANSFORMATION OF MONDRAGON

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INTRODUCTION

Worker cooperatives (WCs), which can be defined essentially as businesses owned and managed by their employees, are arousing renewed attention as a promising organisational alternative where business governance and ownership are concerned (Cheney et al., 2014). Emanating from their shared principles (voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among cooperatives; and concern for community)[1], WCs have been traditionally portrayed as small local firms that represent the highest expression of participation since all employees contribute both capital and labour (Webb and Cheney, 2014). However, since the mid-1990s some cooperatives[2] have been forced to grow internationally due to the pressures of globalisation, and many of them have done so through capitalist subsidiaries abroad (McMurtry and Reed, 2009).

This scenario begs two important questions, which define the objectives of the article: (i) how do internationalisation and the associated setting-up of capitalist subsidiaries affect the cooperative nature of WCs? (ii) What tensions do the conversion of foreign subsidiaries into WCs and the cross-national diffusion of the cooperative model's characteristic human resource management (HRM) practices involve? Bearing in mind that multinational co-ops are expected to retain cooperative values and practices, as well as spread them to their subsidiaries (Flecha and Ngai, 2014), some scholars have stressed the importance of addressing these questions (Bretos and Marcuello, 2017; Cheney et al., 2014). To this end, we provide a qualitative study based on longitudinal data and in-depth interviews conducted in Fagor Ederlan, one of the flagships of the Mondragon Group.

In doing so, this article makes a threefold contribution. First, it adds to a recent strand of inquiry focused on the shaping influences of corporate governance on HRM. While, as noted by Pendleton and Gospel (2013), this literature has hitherto been dominated by national-level studies that have neglected organisational diversity within countries, our research provides firm-level evidence on the relationship between corporate governance and HRM within WCs; a case of hybrid organisations. Second, drawing on a renewed political perspective on MNCs (Dörrenbächer and Geppert, 2011), our research contributes to the field of international HRM (IHRM) by analysing how the interplay of institutional factors, power relations between headquarters (HQ) and subsidiaries, and the divergent interests of different actors shape the cross-national transfer of employment practices within MNCs, as recently claimed by Ferner et al. (2012). Lastly, this article also sheds new light on ongoing debates concerning the challenges that cooperatives face when attempting to balance the economic and social dimensions under the competitive and economic requirements imposed by globalisation (e.g. Storey et al., 2014). Concretely, drawing upon insights from the 'degeneration thesis' (Cornforth et al., 1988), which suggests that cooperatives are compelled to adopt the same organisational forms and priorities as capitalist firms if they are to survive, we illustrate how internationalisation can transform WCs, moving away from their democratic roots.

The article is divided into six sections. The next section provides the theoretical framework of the research. The third section introduces Fagor Ederlan and the Mondragon Group. The fourth details the methods and data used. The fifth accounts for the main results of the research. The final section is devoted to discussion and conclusion.

THEORETICAL FRAMEWORK AND LITERATURE REVIEW

A recent strand of inquiry has focused on exploring how ownership and governance affect HRM. In contrast to the myopic dominant view on corporate governance, exclusively focused on the relationship between shareholders and top managers and on issues such as board composition and the pay of top managers, this literature broadens the focus of corporate governance by including other key stakeholders – particularly labour – and by considering ‘who owns and controls the firm, in whose interest the firm is governed, and the various ways … whereby control is exercised’ (Gospel and Pendleton, 2005: 3). It is argued that the impact of corporate governance on HRM stems from the requirements of the dominant stakeholder and the role of HRM in achieving these requirements (Konzelmann et al., 2006). Accordingly, the identity, objectives and activities of those involved in governance affect the management of the organisation, thus influencing several labour management ‘outcomes’ concerning job tenure, training, remuneration, work organisation, and so on (Pendleton and Gospel, 2013).

With very few firm-level analyses (for a notable exception, see Pendleton and Deakin, 2007), literature on the relationship between corporate governance and HRM has been dominated by national-level studies based on the ‘varieties of capitalism’ approach and on the ‘market/outsider’ and ‘relational/insider’ systems framework (see e.g. studies in Gospel and Pendleton, 2005). Among other criticisms over this national-level approach, one prominent argument holds that it neglects diversity in governance within countries (Pendleton and Gospel, 2013). It is widely argued that managers in companies in which shareholders are the dominant stakeholder will prioritise the short-termist interests of shareholders at the expense of commitment to employees and long-term investments in human and social capital, as especially evidenced in the USA and the UK (Gospel and Pendleton, 2005). Thus, this shareholder-oriented view is translated into a greater emphasis on short-term financial returns and less willingness to support job security, training, and other employee well-being initiatives (Konzelmann et al., 2006).

In contrast, there is little evidence on how alternative forms of ownership and governance influence HRM. In a recent study, Martin et al. (2016) conceptualise employee ownership as a multi-logic hybrid model of corporate governance, and suggest that the competing demands between the capitalist market and democratic logics pose challenges as to how to devise a governance structure that balances the interests of employee-owners with control issues for management. Thus, they postulate, evidence is expected to be found of collaborative HRM practices, such as employee involvement in work teams, recognition of labour unions, extensive training, and greater employee-management communication, but also of practices associated with a calculative HRM orientation such as performance-based pay, since employee-owned firms are embedded in a market logic in which employees seek financial returns on their investment.

Meanwhile, as noted by Pendleton and Deakin (2007), debates around the linkages between corporate governance and HRM are clearly reflected in the literature dealing with the way the governance practices of the MNC's country of ownership and control may influence employment practices in foreign subsidiaries. In this context, drawing on a renewed political perspective on MNCs (Edwards and Bélanger, 2009; Dörrenbächer and Geppert, 2011), a growing body of research is analysing the cross-border diffusion of employment practices in MNCs as a contested micro-political process pervaded by competing interests and struggles for control and autonomy (e.g. Ferner et al., 2005; Edwards et al., 2007; Geary and Aguzzoli, 2016). By considering the ability of actors in MNCs to colonise and to shape institutions to their preferences and by placing emphasis on 'questions about power, coalitions, interests and competing value systems' (Ferner et al., 2012: 164), this approach goes beyond neo-institutionalist positions on transfer in MNCs, which are primarily focused on the influence of differences in institutions between the MNC's country of origin and the subsidiary's country of operation (e.g. Kostova, 1999). Hence, the micro-political perspective considers that the transfer of policies and practices within MNCs is shaped by the interplay of self-interests and the deployment of power resources by various actors (Edwards et al., 2007).

Surprisingly, analysis of these aspects in the field of cooperatives has been extremely limited, with the case of the Mondragon Group representing one of the few exceptions. Nonetheless, as noted by Heras (2014), Mondragon has reached a mythical status, so degenerative tendencies and paradoxical practices tend to be neglected in the literature. Accordingly, portraits of Mondragon as a unique cooperative experience in achieving global business success while making use of democratic and participatory methods in management (Forcadell, 2005) are commonplace. Whilst some authors suggest that the internationalisation model of Mondragon may embody a cooperative 'degeneration' process due to the setting-up of capitalist subsidiaries (Bakaikoa et al., 2004; Errasti et al., 2016), it is chiefly described as a case of cooperative innovation towards a 'human-centred globalisation', as it has managed to create employment abroad whilst maintaining cooperative jobs at home (Luzarraga, 2008).

A few scholars have examined the strategies of Mondragon to reproduce the cooperative model overseas. Luzarraga and Irizar (2012) vaguely point out some 'best practices' implemented in a handful of foreign subsidiaries, such as organisation in self-managed teams, training programmes in technical aspects, or the sharing of information with employees. Although they recognise that none of the subsidiaries are either WCs in the formal sense or have applied genuine policies of employee participation in ownership, profit-sharing, and management, they do not elucidate the reasons behind this. In a more detailed study, Flecha and Ngai (2014) conclude that Mondragon co-ops have been able to retain their cooperative nature in the core companies during the international expansion, as well as to replicate the cooperative model in foreign subsidiaries. However, three main aspects can be questioned: first, their argument is just grounded in the partial implementation of some practices in foreign subsidiaries, such as the enhancement of employees' involvement in the work area, or the improvement of information and communication mechanisms. Second, the perspectives of foreign subsidiaries' employees and managers are not included. Third, the role of power and interests is neglected, with just some allusions to some barriers in the cross-national diffusion of the cooperative model, such as the legal difficulties to implement the cooperative formula or the necessity of subsidiaries being previously profitable in the long-run, that are part of the Mondragon managerial rhetoric to justify the non-conversion of overseas plants into WCs.

Therefore, the case study of Fagor Ederlan is presented to provide a deeper and more critical analysis of the contradictions posed by internationalisation in WCs, as well as of the tensions surrounding the reproduction of the cooperative model in foreign subsidiaries.

AN OVERVIEW OF FAGOR EDERLAN AND MONDRAGON

The Mondragon Group, headquartered in the Basque Country, is one of the largest and most successful cooperative groups in the world. It employs 75,000 people in 250 organisations in the areas of industry, finance, distribution and knowledge (Mondragon, 2016). Founded in 1963, the automotive supplier Fagor Ederlan (henceforth, Ederlan) is one of the pioneering cooperatives that gave rise to the Mondragon conglomerate. Created as small democratic organisations with strong roots in the territory, many Mondragon cooperatives have registered extensive growth since the 1990s in the domestic and international markets through the setting-up of capitalist subsidiaries, headed by cutting-edge co-ops such as Ederlan. Today, 28 industrial co-ops in the Mondragon Group are multinationals that operate with 128 subsidiaries abroad. In 2015 Ederlan employed 3,600 workers throughout the parent co-op, the domestic subsidiaries Fagor Ederlan Tafalla, Fagor Ederlan Borja and Victorio Luzuriaga Usurbil, and the foreign subsidiaries Fagor Ederlan Brasileira (Brazil), Fagor Ederlan Slovensko (Slovakia) and Fagor Ederlan Auto-Parts Kunshan (China) (Fagor Ederlan, 2016).

Over the last few years, some Mondragon cooperatives have included in their strategy plans the implementation of the cooperative model's policies and practices in capitalist subsidiaries as a primary objective (Flecha and Ngai, 2014). Ederlan stands out as one of the leading co-ops in this field. In 2006 the Basque subsidiary Fit Automoción was integrated as a production plant of the parent co-op, and the 80 employees of the plant became worker-members of Ederlan. The other Basque subsidiary, Victorio Luzuriaga Usurbil, is currently undergoing the same process. Further, in 2008 the Navarrese subsidiary Fagor Ederlan Tafalla, with nearly 900 workers at that time, was transformed into a 'mixed cooperative'[3], and most of the employees became worker-members of the new cooperative subsidiary. However, although some initiatives have been undertaken in Mondragon domestic subsidiaries, advances in overseas plants have been significantly more limited.

METHODS AND DATA

To address the questions raised earlier, a qualitative study of Fagor Ederlan was designed using the methodology of 'contemporary case studies' (Yin, 2013). Ederlan was chosen because it is one of the most active Mondragon cooperatives both in terms of international growth and extension of the cooperative model to subsidiaries. The research conducted was interpretive in nature (Gephart, 2004), primarily based on in-depth semi-structured interviews. Archival methods were also used to build a more contextualised and historically-grounded case (Yin, 2013): we exhaustively reviewed academic literature mentioning Mondragon, material gathered from in-house magazines and press releases, and a range of internal documentation provided by Ederlan dating from the early 1990s onwards (strategy plans, annual reports, company articles, internal regulations, sustainability reports, and suchlike).

Interviews and informal talks were held not only with managers, but also with workers and their representatives in the parent company and subsidiaries. As noted by Edwards et al. (2011), this is essential to capture the perspectives and interests of the different organisational actors within MNCs, as well as to examine how power dynamics are constituted and control is exerted. Likewise, placing emphasis on the interpretations of workers is crucial in complex participatory organisations with internal tensions such as Mondragon, since the corporate discourse is commonly detached from the everyday practices (Heras, 2014). 23 interviews, which lasted from one to two hours each, were conducted in the parent co-op (3 managerial posts and 2 worker-members), the domestic subsidiary Fagor Ederlan Tafalla (2 managerial posts, 2 worker-members, 2 salaried workers, and 1 union delegate), the Chinese subsidiary (4 managerial posts and 3 workers) and the Slovakian subsidiary (2 managerial posts and 2 workers). Interviews in the Chinese and Slovakian subsidiaries were conducted during visits to these countries. Although we did not have the opportunity to visit Fagor Ederlan Brasileira, this subsidiary was extensively discussed in the interviews.

Data analysis was based on an abductive approach. Our theoretical prior understanding of the phenomena of study, obtained from an initial review of the literature, was tested against our dataset. From this basis, a continuous dialogue between theory and empirical observation took place (Dubois and Gadde, 2002). The interrogation of data encompassed, in broad terms, the contradictions posed by internationalisation in Ederlan and the tensions involved in the cross-national reproduction of the cooperative model. Interviews with managers of the parent company specifically addressed the changes in the cooperative nature in Ederlan, the contradictions raised by the setting-up of capitalist subsidiaries, the dynamics of control/autonomy between the HQ and the subsidiaries, and the possibilities for extending the cooperative model abroad. The interviews with workers mainly focused on their participation in Ederlan, and the challenges and risks they perceived if foreign plants turn into WCs. Interviews at Tafalla contrasted the standpoint of managers, workers, and unions about the barriers and success factors in the conversion of this plant into a co-op, and options for replicating this initiative abroad. Interviews with the managers of foreign subsidiaries focused on the HRM policies and practices at these plants, the reactions to the transfer from HQ, and the possibilities of implementing the cooperative model. Additionally, we also raised questions to expatriate managers about their role in introducing the HQ's policies and practices, and the differences between foreign subsidiaries and HQ in labour management. The interviews with employees focused on their participation in the company, their identity within Fagor Ederlan, responses to imported practices, and willingness to work under the cooperative model. Similar questions also emerged during the interviews with local managers.

Interviews were transcribed and qualitative content analysis was conducted according to three key categories that emerged from the interviewees' narratives (Krippendorff, 2013): ascription to international expansion of the changes in Ederlan's cooperative nature; the internationalisation model adopted by Ederlan and the contradictions generated in terms of ownership and governance; and the role of institutions, power relations, and self-interests in the transfer of policies and practices to subsidiaries.

RESEARCH FINDINGS

International growth and global competitiveness: the transformation of the cooperative practice in the parent co-op

Although Mondragon cooperatives have been subject to conflicting demands between the democratic and capitalist market institutional logics since their inception, the changes brought about by global market restructuring trends of increased competition since the 1980s have intensified these tensions (Taylor, 1994). Internationalisation is a clear consequence of these competing demands: Mondragon cooperatives operating in highly competitive, globalised sectors have been forced to grow internationally since the early 1990s to remain competitive and preserve the jobs of worker-members at the Basque plants (Flecha and Ngai, 2014). This is how the Chair of the Fagor Ederlan Group described the picture:

> The decision is simple in our sector: it is to eat or to be eaten (…). If we want to survive and keep our jobs, we must be present abroad. We are aware that growth and internationalisation pose great challenges for our cooperative values and practices in many ways but, otherwise, we would disappear. (Interview 1)

Moreover, internationalisation has contributed, subsequently, to intensify such tensions. Our fieldwork identified three key interrelated trends associated with international expansion and the consequent requirements of global competitiveness that have contributed to transforming cooperative practice in the parent co-op, and which primarily affect the nature of workers' participation in management. Firstly, the increasing organisational size of the cooperative and complexity in the decisions that must be taken have played a key role. As recognised by a worker-member with more than 20 years of background in Ederlan,

> The level of participation in general assemblies and other spaces of decision-making has been gradually falling in recent years (...). The greater size and complexity in the decisions we have to take as a result of being present in such a globalised (…) sector may have been key reasons. (Interview 5)

Secondly, due to the increasing economic requirements produced by global competition and international growth, self-management and democratic participation have been displaced towards conventional managerialism (Heras, 2014). This shift in Mondragon cooperatives has been boosted by the greater power invested in managers who are often more committed to economic efficiency than to cooperative values, and by a ubiquitous managerial discourse centred on competitiveness that privileges interests of profitability and stability (Taylor, 1994). When asked about these movements, Ederlan's HR Director justified management professionalisation in the following terms:

> As the company has grown in recent years and has had to meet the complex demands of our international clients and the rigorous standards of the sector, we have been incorporating external professionals within the management and direction of the firm with talent and experience, which has been essential to getting where we are today. (Interview 2)

Thirdly, such trends have pushed Mondragon cooperatives to adopt dominant regimes of productivity based on the Total Quality Management (TQM) paradigm (Heras, 2014). Quality circles and other upward problem-solving techniques are extensively applied in Mondragon. In 2003 Ederlan implemented the 'mini-company' system, which is the practical realization of quality management for work organisation (Cheney, 2002), with the aim of increasing efficiency and productivity through the greater motivation of workers. The mini-companies are, in a nutshell, a way of structuring the organisation so that each of its units operates like a small autonomous company in which workers make decisions and solve problems concerning the work area on the ground with support from all the company's departments. As our fieldwork confirmed, this work system promotes managerially-driven forms of participation that are confined to the work area, oriented to gain flexibility, and assessed in terms of employee motivation and commitment to managerial goals, thus instilling a shallow participatory culture in Ederlan. The lack of participation in management was omnipresent in the interviews with worker-members. As one of them expressed,

> It can be said that our involvement in the work area is high. We carry out our activities in self-managed teams. However, there is a general feeling that we do not have a voice in some important decisions that affect the management of the company. They are arranged previously, at the top (…). For example, we voted in the general assembly about the introduction of the mini-company system, but we did not participate in its conception and implementation. (Interview 4)

Internationalisation outside the cooperative movement: power and control over foreign subsidiaries

The internationalisation model adopted by Ederlan and other Mondragon co-ops clearly reflects struggle to find a balance between the capitalist and cooperative logics. On one hand, unlike the offshoring strategy followed by many of its capitalist competitors, which usually entails job losses and a worsening of labour conditions (Levy, 2005), Ederlan has followed a sustainable, socially responsible strategy of internationalisation based on the 'multi-localisation' model (Luzarraga and Irizar, 2012). That is, internationalisation has not implied relocation, since the opening of new businesses abroad has not been linked to the closure of domestic plants and job losses in the Basque Country.

On the other hand, the internationalisation process in Mondragon has taken place outside the cooperative movement. As noted above, the prime objective of internationalisation in Mondragon cooperatives is to safeguard worker-members' jobs at Basque plants. To this end, parent co-ops exert highly centralized control over foreign subsidiaries in several ways. In first place, foreign subsidiaries are constituted as capitalist firms and, hence, employees do not have the same membership rights as Basque worker-members (Bakaikoa et al., 2004). Employees at Ederlan's overseas plants are not owners and have little voice in the governance of their companies and, much less, of the business group as a whole, as they are not represented in the governing bodies of the cooperative. Indeed, the locus of decision-making power and control is to be found in the co-op HQ. Mondragon's foreign subsidiaries have a very limited autonomy in strategic, technical, financial and commercial aspects; areas that are usually headed by expatriates or managers who maintain close ties with parent co-ops (Errasti, 2015). As an expatriate HR manager at the Slovakian subsidiary stressed,

> HQ devises the main strategies for the subsidiaries concerning production, investment, HRM, and so on. (…) The expatriates play a key role in implementing the policies and practices from HQ because we know the parent model and the local environment in which subsidiaries are embedded. (Interview 21)

In addition, Ederlan holds on to technologically advanced processes and high value-added activities such as product design, R&D, and so on. Therefore, as can be seen, foreign subsidiaries are highly subordinated and have a strong degree of resource dependency vis-à-vis the parent co-op. This disadvantages the former in the micro-political processes of negotiation, and enables the latter to neutralise the potential emergence of resistance and defiant behaviours regarding practice transfer (Ferner et al., 2004). For instance, referring to the autonomy of the Chinese plant and the response of the local workforce to the transfer of HQ's policies and practices, a local HR middle-ranked manager had this to say:

> We do what the HQ commands us to do. I think this is also part of the Chinese culture, but, anyway, we lack the expertise and knowledge to call the HQ's decisions into question. They have the technological, strategic, and organisational capabilities. Nor do we have mechanisms to influence the making of decisions at the HQ. We are consulted because we are more knowledgeable as to how the Chinese employees will react to certain HQ's policies, but that's all. (Interview 19)

The management of human resources in foreign subsidiaries

Mondragon cooperatives have to some degree imported Anglo-Saxon techniques in the approach to their subsidiaries (Cheney, 2002), characterised by exerting centralised control in HR management and by transferring some policies and practices in a standardised and formalised manner (Ferner et al., 2004). Ederlan has implemented the same 'mini-company' system in all the plants, so work organisation in overseas plants substantially resembles that of the parent co-op's workshops. Accordingly, there is considerable application of teamwork in foreign plants, and consultation and information-sharing concerning production and technical aspects is notable. Production meetings between management and the workers in charge of each mini-company are held on a regular basis. However, unlike in Ederlan, such communication is non-existent where other issues such as financial performance, strategy, and employment are concerned. Ederlan has also introduced performance-related reward systems in all the foreign plants, although they are not based on profit-sharing or share-ownership schemes. Rewards are linked to productivity and quality for blue-collar workers, and to periodically established objectives for white-collar workers.

By contrast, the behaviour of each foreign subsidiary is different and distinctive in other aspects related to the management of labour. The Brazilian subsidiary stands out for its implementation of some of Ederlan's distinguishing HRM practices. Fagor Ederlan Brasileira has introduced a social balance with economic, social, and environmental performance indicators that facilitate comparison of the characteristics of the parent company with those of the subsidiary and monitoring of the practices implemented in the latter. Occupational risk prevention policies through which workers flag potential risks at the workplace to management and participate in devising preventive measures have been replicated in the Brazilian subsidiary. Some aspects of Ederlan's in-house communication model, based on the horizontal dissemination of information, have also been reproduced in this subsidiary, such as the employee suggestion system in the production area. Likewise, the training and salary policies that characterise the parent co-op have been adapted to the conditions of the Brazilian context: professional careers in this subsidiary are divided into 6 categories, and for each of them a salary level is established and labour training programmes are defined. Wage solidarity mechanisms aimed at reducing the wage gap have also been introduced. These and other working conditions are reviewed annually under agreement with unions to keep them at levels higher than the firms in the area. The internal promotion policies that typify Ederlan have also been implemented so that, in combination with extended training for workers, it has been possible to reduce employee turnover and encourage job security (Fagor Ederlan, 2009).

The advances in this subsidiary have been achieved due, at least in part, to a lesser 'institutional distance' (Kostova, 1999), both in the cognitive component, in terms of individuals' shared social knowledge on the cooperative model, and the normative component, which reflects individuals' values and norms concerning the cooperative model. In South-East Brazil, where the subsidiary is located, there is a solid cooperative tradition and self-management culture, even though co-ops were negatively perceived for a long time in the collective imaginary of the Brazilian society due to the legacy left by the 'pseudo-cooperatives', a situation that has been turned around over the last years (Lemaître, 2013). In fact, the managers interviewed in Ederlan suggest that implementation of the aforementioned HRM practices was well received by employees because of the greater proximity between the Basque and Brazilian cooperative cultures, and the appointment of expatriate managers familiarised with the cooperative model, who worked closely with employees to facilitate the interpretation and legitimisation of the practices.

Nonetheless, it seems that implementation of the mini-company system and the transfer of some progressive HRM practices, such as those described above, rather than reflecting a strong commitment to the diffusion of the cooperative model, respond to the necessity of attaining some internal consistency between the dispersed multinational units and enhancing the foreign subsidiaries' productivity and efficiency through the greater motivation of employees. When asked about the unique advances achieved in the Brazilian subsidiary, Ederlan's HR Director clearly illustrated the HQ's interests behind this as follows:

> This is the example to follow in other foreign subsidiaries. It benefits us all. Through these policies, we have managed to encourage workers to become more involved in the firm, and that positively affects the plant's performance and, consequently, that of the whole group. (Interview 2)

In this context, our fieldwork uncovered a clear association between the international division of labour and the nature of HRM in overseas subsidiaries (Edwards and Kuruvilla, 2005). In the Slovakian plant, which carries out more labour-intensive processes of low value-added and operates with less sophisticated technology, HRM focuses to a greater degree on tight work monitoring and cost-saving in comparison with other subsidiaries, placing weaker emphasis on, for instance, job security, internal promotion, and training. By contrast, the Chinese plant is a miniature replica of the parent company's most technologically advanced plant, although it lacks some key high value-added components such as R&D. So, there is clearer interest from Ederlan in progressively implementing some HRM practices oriented to encourage information sharing, training and skill formation, and job security. An Ederlan top manager put forward the following idea, which also reflects the parent's perspective that fostering employee involvement in the workplace at foreign plants is grounded in efficiency rather than worker rights:

> There is still a long way to go, but the high investment and its strategic importance demonstrate our commitment to make progress in this plant. After all, if you support job security, offer employees development opportunities, and promote teamwork, you will have a more stable and engaged workforce, and this redounds to greater productivity and efficiency. (Interview 3)

In this vein, location of this subsidiary in the Kunshan Industrial Park, the largest Mondragon International Cluster with 10 cooperatives employing about 500 workers (Errasti, 2015), provides the HQ with greater opportunities to implement its HRM practices, as the general manager of the Chinese plant explained:

> The priority right now is to carry on reducing staff turnover among unskilled workers, which is essential to introducing other policies that deepen the social dimension of the subsidiary. The cluster strategy provides important advantages in this direction because we can homogenise working conditions, employee benefits, and training programmes among the different Mondragon plants. In this way, besides reducing employee turnover, we are fostering a sense of belonging among employees. (Interview 13)

Conversion of foreign subsidiaries into WCs and cross-national diffusion of the core cooperative practices

While Ederlan has implemented certain progressive HRM practices closely related to the cooperative model in some foreign plants, such as teamwork, job security, extended training, information sharing, and compressed wage distribution, it is equally evident that none of the foreign plants operate under the WC formula and, even more importantly, that advances in cross-national diffusion of the core cooperative practices that distinguish WCs from standard capitalist firms – employee participation in ownership, management, and profit-sharing (Cheney et al., 2014) – have been practically non-existent.

The case of the Chinese subsidiary clearly illustrates the role of institutional barriers in this field. In first place, there is a marked regulatory institutional distance (Kostova, 1999) – which comprises the differences in the formal rules and laws between the Basque Country and the subsidiary's country of operation – as China lacks legislation specifically covering the WC formula (CICOPA, 2015). Meanwhile, this country has a legacy of autocratic managerial-styles shaped by strongly centralised powers, where hierarchy plays a prominent role in firm management (Gamble, 2003). As a general rule, employees in the Kunshan Park are lacking in creative, participatory and teamwork skills (Errasti, 2015), which stands in the way of implementing core cooperative practices such as employee participation in management. Moreover, the limited offer of training programmes for unskilled workers and the high dynamism of the labour market in Kunshan (workers 'vote with their feet' by job-hopping, and dismissal is extremely easy due to weak employment protection and the absence of unions) prevent employees from engaging in long-term work that might instil cooperativist culture among them.

In fact, our interviews with workers at the Chinese subsidiary revealed their unawareness of what is exactly meant by a WC and, once it was briefly explained to them, they showed misunderstandings in interpreting and judging the core cooperative practices, even stressing their unwillingness to work under such model. These are the words of one of these workers:

> We are not trained to work in a co-op. I don't think the workers would be willing to invest their money in the cooperative, because we need it to get by. We scarcely have any holidays, and work loads of overtime just to save (...). I'm doubtful as to whether we would be capable of managing the firm by ourselves. We're not used to taking group decisions. We just do what our supervisors tell us. (Interview 16)

While the institutional constraints discussed above undeniably play a prominent role, our fieldwork also uncovered other aspects stemming from the role of power and self-interests in the parent co-op that seem to more critically prevent the conversion of foreign subsidiaries into WCs and, even, the cross-national transfer of HRM policies and practices oriented to promote employee participation in ownership, profit-sharing, and management.

Firstly, transferring the ownership of overseas subsidiaries to their employees, as well as giving them greater power and autonomy, is considered in the parent co-op to be detrimental for its control over the business group as a whole and, ultimately, for the viability of the Basque plants. The failed project whereby Ederlan explored the possibilities of converting its Brazilian plant into a mixed cooperative reflects this point: the legal framework in Brazil, with solid and well-developed legislation on WCs, along with the strongly rooted cooperative culture in the region, offered extraordinary conditions for transforming this plant into a WC. There was substantial willingness among employees to become a Mondragon cooperative as well (Luzarraga, 2008). However, Ederlan's governing council only contemplated the option of the mixed cooperative – a formula not included in the Brazilian legislation – the aim being not to lose control over the subsidiary, since this formula permits the parent company to preserve the majority of stakes and retain decision-making power via its presence in the governing bodies of the subsidiary. When asked about a more suitable alternative to the Brazilian legal framework for transformation of the plant, a top manager who was appointed by Ederlan to lead the conversion of the Tafalla plant into a mixed cooperative had this to say:

> The mixed cooperative is the only option, at least at the beginning, given the uncertainty of these projects. The outcomes and decisions of a subsidiary affect us and the whole group, so it is necessary to maintain some control. Let me put it another way: they [foreign subsidiaries] could decide to leave the group and strike out on their own, or take other decisions that go against our interests. (Interview 7)

Furthermore, managers and worker-members at the parent co-op were sceptical as to the possibility that the workforce at overseas plants could develop as strong identification with cooperative values and commitment to the company as theirs is. This seems to emanate from the lack of social capital: relations in Fagor Ederlan between members of the parent and the foreign subsidiaries are practically non-existent, as is usual in Mondragon co-ops (Errasti et al., 2016). Consequently, members of the parent are unaware of the reality in such subsidiaries. Ultimately, that perception generates distrust among worker-members and managers about the viability and possible success of implementing the cooperative model abroad, considering that it might put job security at risk in the Basque plants. This concern was pervasive in the interviews. As noted by a member of the top management at Tafalla:

> There is a close relationship between the members of the parent and ourselves, but we don't have a relationship, for example, with the Chinese subsidiary (…). Their labour culture clashes with our cooperative values and our way of understanding work relations here. I don't think the transformation of a foreign subsidiary into a cooperative is likely to be successful (…). This is a risky scenario; it could endanger our jobs. (Interview 6)

As can be seen, there is some reluctance on the part of managers and worker-members in the parent co-op to extend the cooperative model to foreign subsidiaries, since they perceive that it could destabilise their control over the whole business group, and jeopardise job stability at Basque plants. This is consistent with recent studies showing that, in a context of growing unemployment and precarity, job security is the strongest tie binding worker-members to Mondragon cooperatives (Heras, 2014).

DISCUSSION AND CONCLUSION

This article responds to recent calls to explore the challenges that internationalisation poses for WCs and the tensions surrounding the diffusion of the cooperative model to subsidiaries (Bretos and Marcuello, 2017; Cheney et al., 2014). We demonstrate that international growth is capable of transforming the cooperative nature of WCs, both through a lessening of worker-members' participation and power in favour of managerial control, and through the setting-up of capitalist subsidiaries in which employees are excluded from ownership and decision-making. We further show how the interplay of institutional factors, HQ-subsidiary power relations, and the self-interests of managers and worker-members in the parent co-op shape transfer in multinational WCs, supporting the cross-national diffusion of certain HRM practices oriented to encourage employee efficiency, but preventing conversion of foreign subsidiaries into WCs and implementation of the core cooperative practices.

We contribute to the previous literature in three ways. First, we develop knowledge of the relationship between corporate governance and HRM in hybrid organisations by providing empirical support for the theoretical propositions made by Martin et al. (2016) for employee-owned firms: our findings illustrate how the tensions between democratic and capitalist market institutional logics mould a multi-logic hybrid model of corporate governance in WCs, which involves governance challenges based on allowing employees to participate in ownership and control while giving managers sufficient control to fulfil the requirements of competing in a market economy. These contradictory logics shape a hybrid strategic HRM approach in which calculative and collaborative HRM practices coexist aimed at enacting employee commitment while ensuring efficiency (Konzelmann et al., 2006). This is manifested at the parent co-op, where the growing weight of managerial prerogatives has led to a more nuanced calculative HRM orientation (reflected, for instance, in work organisation through mini-companies); but it is especially in evidence at overseas subsidiaries, whose employees do not have ownership rights in governance and distributing profit. Although the balance of calculative and collaborative HRM practices varies in each foreign plant depending on its role within the international division of labour (Edwards and Kuruvilla, 2005) and on the host-country institutional profile (Poutsma et al., 2006), it is evident that, in general terms, HRM is at the service of the parent co-op's requirements for efficiency and competitiveness.

Second, drawing on a renewed political perspective on MNCs (Edwards and Bélanger, 2009), we address emergent research issues in the international business (IB) debate – such as what forms self-interests in MNCs, how HQ-subsidiary power relations are constituted and defied, and who benefits from the implementation of standardized transnational structures and 'best practices' (Dörrenbächer and Geppert, 2011) – and apply them to the field of IHRM by exploring how institutions, power and interests shape cross-border transfer in MNCs, as recently claimed by Ferner et al. (2012). These questions also allow us to delve into how corporate governance influences the diffusion of HRM practices overseas (Björkman and Lervik, 2007). As our case study evidences, WCs internationalise to remain competitive and safeguard the jobs of worker-members at home. To achieve these interests, the parent co-op exerts strong centralised control over foreign subsidiaries and retains strategic resources and high value added activities, thus neutralising the potential resistance from the latter to imposed policies and practices. Although the institutional distance between the Basque Country and the subsidiary's country of operation plays a mediating role, either constraining or facilitating the transfer, our research reveals that transfer is more critically linked with issues of power and interests, as suggested by some authors (e.g. Geary and Aguzzoli, 2016). In this vein, Fagor Ederlan has transferred to foreign subsidiaries some of its characteristic HRM policies and practices, such as employee involvement in the work area through mini-companies, job security, extended training, or egalitarian wage distribution. These practices are not, however, introduced on grounds of rights, but rather for reasons relating to concerns about productivity and efficiency, arising from increased competition (Gospel and Pendleton, 2010). In fact, managers and worker-members show a reluctance to genuinely encourage employee participation in ownership, management, and profit-sharing at foreign subsidiaries, as they perceive that to be detrimental to their control over the business group, and risky for the viability of the co-op and their job stability.

Third, by examining the impact of international growth on WCs, we put some new flesh on ongoing debates around the challenges that co-ops face if they are to meet the economic and competitive requirements imposed by globalisation while maintaining their democratic practices (Cathcart, 2013; Heras, 2014; Storey et al., 2014). We demonstrate that internationalisation may exacerbate three key degenerative tendencies in WCs (Cornforth et al., 1988): first, it may trigger a *constitutional degeneration* process grounded in the adoption of capitalist forms of organisation and restriction of membership rights, as exemplified by the conversion of Ederlan into a 'coopitalist' hybrid (Errasti et al., 2016) composed of a cooperative nucleus and a capitalist periphery. Moreover, international competitiveness may entail a *goal degeneration* process whereby WCs replace their social targets with conventional business goals of profit-seeking and growth. This tendency has been boosted in Ederlan by a technocratic management more committed to economic concerns rather than cooperative values, and by a ubiquitous managerial discourse focused on efficiency and competitiveness. Lastly, to meet the complex demands of the international business arena, WCs may suffer from an *organisational degeneration* in which workers' participation is diminished and control becomes concentrated in a managerial elite. The implementation of dominant managerial programmes in Ederlan has instilled shallow, managerially-driven forms of participation that are confined to the work area and assessed in terms of productivity.

This article also suggests some more practical implications for extension of the cooperative model overseas. WCs should abandon the ethnocentric stance that the cooperative model in their country of origin is also the best choice abroad. There are different legislations and cultural approaches to WCs in the world (Webb and Cheney, 2014), which means that transformation projects of foreign plants into WCs should adapt to their own institutional contexts, and integrate within them the perspectives and appraisals of the workforce. What is more, the creation of WCs is a bottom-up process, so the parent co-op can only supply the means to carry this out in foreign plants, but not impose it (Forcadell, 2005). A fundamental step in this direction is the transition from a hierarchical to a more horizontal HQ-subsidiary relationship in which employees at overseas plants have greater participation in governance and autonomy in day-to-day management. To accompany this, the generation of relational social capital through the strengthening of trust-based relationships and interaction between the workforce of the parent and the subsidiaries is essential to lubricate the diffusion of HRM practices (Taylor, 2007). At the parent co-op, this could foster the confidence of managers and worker-members in the attitudes and abilities of employees at foreign subsidiaries to run a co-op and, thereby, create a stronger determination to transfer the core cooperative practices. Equally, the subsidiary's trust in the parent company could facilitate the legitimisation of the practices transferred (Kostova, 1999). Lastly, training and education in the social and practical aspects of cooperativism is paramount at foreign subsidiaries to instil cooperative culture among workers. Otherwise, transfer of the core cooperative practices could fail due to a clash with the recipient country's cognitive institutions, as employees might find it difficult to interpret and judge such practices correctly (Ferner et al., 2005).

To conclude, we argue that the transfer of HRM practices in multinational WCs is shaped both by aspects of the wider macro-political setting, such as home and host institutional influences and the place of subsidiaries within the value chain (Geary and Aguzzoli, 2016), and by micro-political processes influenced by power relations and the competing interests of different actors (Edwards et al., 2007) that ultimately stem from the hybrid nature of corporate governance in cooperatives. This study on multinational WCs represents a first step in broadening the horizons of IHRM beyond the hegemonic analysis of large investor-owned MNCs (Delbridge et al., 2011). An important question is the extent to which our findings are specific to Mondragon, which has proven to be a complex and unique cooperative experience in many aspects (Heras, 2014). Future research could henceforth investigate whether other multinational co-ops are addressing contradictory logics in terms of ownership and control through alternative governance models in which the interests of the diverse stakeholders are more balanced, which might entail a different approach to cross-national diffusion of the cooperative model's characteristic HRM practices. Further, future research could also explore the strategies of large employee-owned firms embedded in global competition to manage and resist 'degeneration'; a field that has only begun to take its first steps (Storey et al., 2014).

Notes

1. These principles are defined by the International Co-operative Alliance for all the types of cooperatives universally. For a detailed account of the different types of cooperatives, see Webb and Cheney (2014).
2. Although this article deals with worker cooperatives, the terms cooperatives and co-ops are used interchangeably.
3. A 'mixed cooperative' differs from a regular co-op in the governance structure: mixed cooperatives can have minority shareholders, whose voting rights at the general assembly may be determined in terms of their capital contributions.

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