16. Knowledge building and organizational behavior: the Mondragón case from a social innovation perspective

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16.1 SOCIAL INNOVATION: THE PRESENT, PAST AND FUTURE

The new conceptualization of innovation in postmodern management studies has generated quite some marketecian noise. Still, other community-embedded approaches to innovation bypassing a unilateral global competition logic are possible. To this end, Geoff Mulgan and his colleagues contextualize the challenges and issues that territories and business nodes confront in a globalized world, offering the idea of ‘creative ecosystems’ and the metaphor of the Bees and the Trees (Mulgan 2007; Murray et al. 2010). According to this idea, socially innovative experiences are based on an ‘alliance’ between active agents of innovation (creators, innovators and entrepreneurs) – the ‘bees’ – and active agents of validation (universities, companies and institutions) – ‘trees’. When bees and trees live together in the same urban area they can, through their mutually beneficial interactions, create creative local communities. Presently, at grassroots level in cities, such ‘alliance’ is required between the post-crisis large-scale projects investors and social entrepreneurs. Without an alliance between these two types of agents, it is not possible for social innovation to occur, because the resources and structures needed to generate the emerging dynamics that would lead to innovation would not be available. In this chapter, this approach of a ‘bees and trees’ alliance (Figure 16.1) is referred to as a biocentric approach – it represents an ‘ecologization’ of the economy and its relations with the local community and civic society as a whole. As the chapter will show, the biocentric approach in the Mondragón case relates to the critical value of land and territory as primary sources of social innovation.

Castells (2009) bases his prediction for the future of cities and territories on the belief that the social networks (Christakis and Fowler 2011) that are currently a part of people’s daily lives do not differ greatly from power or ‘censorship in the age of freedom’ (Cohen 2012). Therefore, rather than leaving the market and its forces to their own devices, one must consider a vision for civil society in which institutions intervene in market forces. The primary issue is to offer protection from the market, rather than be ‘bullied’ by the influence of the globalization, and to show how to ‘survive’ and function in it. Thus, it is now appropriate to reintroduce great discoveries such as those that led Jane Jacobs (1984) to propose slowing economic growth for the sake of other social and community benefits. More recently, contributions on the relationship between urban development and community dynamics include David Harvey’s concept of ‘rebel cities’ (2012), Edward Glaeser’s ideas on urban and rural complementarities in cities (2011), and Nick Cohen’s critique of the superficially ‘free’
The international handbook on social innovation

connected world made by digital social networks (Capra 1996; Cohen 2012). The future of social innovation is already being written in terms of a return to the past, through the revival of essential values such as authenticity, identity and local community.

It is not likely that Jose María de Arizmendiarrieta had heard of Jacobs’s ideas when he founded one of the world’s most-studied cooperative experiences in 1956 in Mondragón, a Basque town with a population of 30,000 people. However, this town had all of the community characteristics that Jacobs had established for an environment to be ‘fertile’ for social innovation, which is what occurred. Currently the seventh largest business group in Spain, the Mondragón group employs 83,869 people in 256 cooperatives with an export rate of 60 per cent of its total €14.8 billion (Mondragón Corporación Cooperativa 2011).

16.2 THE DECREASE IN COMMUNITARIAN SOCIAL CAPITAL (CSC) IN THE BASQUE CITY-REGION

To paraphrase the founder of the Mondragón cooperative, Jose María Arizmendiarrrieta, ‘[n]othing differentiates individuals and people as much as their respective attitudes to the circumstances in which they live. Those who choose...
to make history and change the course of events for themselves have advantages over those who decide to wait passively for the results of change’ (Azkarraga et al. 2012, p. 76). In today’s globalized environment, we require an affirmative but critical examination from within the Mondragón experience. Globalization promotes individualism with the result that the cooperative modus operandi is changed and risks losing its cooperative identity. As Azkarraga states:

[w]e have experienced an ideological emptying and the reinforcement of a new human profile that is more shallow, pragmatic and individualistic. The process of de-ideologization has affected the whole of society and, as members of that society, the co-operative social body as well. (Azkarraga et al. 2012, p. 78).

In this context, the original vision of the Mondragón cooperative provides valuable lessons for the present. Figure 16.2 shows the presence of Mondragón cooperatives worldwide, including 77 production plants and nine corporate offices. The challenges for this network due to globalization are immense. The internationalization of the cooperatives (Luzarraga et al. 2007), the emergence of the BRICS (Brazil, Russia, India, China and South Africa) countries, the ways in which China and India are revolutionizing global business patterns, the decrease in communitarian social capital (CSC), the rise of individualism, the gluttony of unfettered consumerism, and the growing individualization of life through virtual networking (e.g. the use of mass social networks) all contribute to the urgency of critically recovering the foundations of the cooperative experience, which is the core of social innovation. Hence, we need a strategic vision that accounts for both local and global realities.

The present is uncertain: it is reasonable to think, as Azkarraga argues, that ‘the cooperative lung needs more oxygen than that provided from the new masks distributed in the name of postmodern management. The Mondragón Experience requires a closer connection with the renewed paths of humanization being proposed in today’s world’ (Azkarraga et al. 2012, p. 79). In the Basque region, with the emerging dynamism of ‘Chindia’ (a term used to describe two of the five BRICS countries, namely China and India), the financial crisis has reinforced the need to innovate beyond a business-centered view. In this context, the Mondragón Corporación Cooperativa (MCC) group has defined its response to global markets over several years. In the past, during periods of growth, a technocentric approach prevailed. Now, however, from the more holistic stance of corporate social identity, the MCC must abandon this outdated approach and move forward. The MCC is being branded globally as social entrepreneurship (Hulgård 2006), and in this chapter I attempt to demonstrate the importance of restoring communitarian social capital to the business and academic agendas. In other words, we believe that once the technocentric approach is superseded by one based on an anthropocentric view of social entrepreneurship, there is a risk that this view will prove no more than a veneer for the threat of modern individualism: ‘triumphalist talent’. By ‘triumphalist talent’, we refer to the cases in which entrepreneurial action succeeds in an individualist manner and as a consequence of one-to-one competitiveness (Calzada 2011a, p. 235). To understand this better, we can refer to the provocative and best-selling book Funky Business (Ridderstrale and Nordstrom 2000), which shows how companies are changing their size and methods of management and operation. When we examine cooperative companies, we can also observe organizational changes

Figure 16.2  The international manufacturing presence of the Mondragón cooperatives
from industrial conventional post-Fordist companies to entrepreneurial-networked atomized business units. Moreover, a new generation of cooperative members is threatened by individualism. Thus, how can we avoid the temptation to encourage ‘triumphalist talent,’ which encourages individualism and organizational anemia in universities and companies? How can we establish a new generation of social entrepreneurs according to the cooperative traditional synergy with the biocentric approach, who can respond creatively to the current economic, social and environmental challenges?

We must strike a balance between encouraging individualist and triumphalist forms of ‘social’ entrepreneurship with the need to structure communities, which are the basis of the cooperative economy. When we speak of communities, we refer to self-governing actions that are initiated by a business, university or the scientific and technological world and that can extend to the level of public institutions and civil and associative society. Ultimately, social entrepreneurship should serve local communities. For example, universities are active agents of validation (trees) that host many active agents of innovation, or social entrepreneurs (bees).

If the Mondragón experience is to adapt to today’s challenges, then it must initiate a biocentric path in which sustainability is not an addition but permeates the way business is conducted, with the involvement and proximity of local communities. The biocentric approach reminds us why the Mondragón experience has been socially innovative in a communitarian manner, both economically and sustainably, and why we should recover those values and activities to adapt them to the present. This chapter’s analysis of the Mondragón experience shows how the biocentric approach can save cooperativism, which was originally too anthropocentrically oriented.

16.3 COMMUNITARIAN SOCIAL CAPITAL (CSC) BUILDING IN MONDRAGÓN

The Mondragón experience was based on the idea that community development is more important than economic progress. As a result, a number of small entrepreneurial businesses gradually created a dense business network in a single valley. However, the increased sizes of the cooperatives, the greater degree of internationalization and a move towards more individualistic patterns of community and civic life have lowered the levels of communitarian social capital (CSC) to historic minimums. Today, therefore, the cooperative model faces a potential crisis, and there is a need to reformulate it from the ground up while preserving its cooperative essence. In other words, there is an urgent need to build a new biocentric model of development that does not harm the ecosystem but fosters lifestyles with a strong post-materialist element based on responsible consumption, self-containment and austerity. Let us examine some inspiring experiences connecting past and present in Mondragón.

ORNDA is a leading MCC international cooperative company that is compatible with a biocentric perspective. This company is a world leader in elevation systems and is currently developing an ambitious strategic project called ORONA IDeO, Innovation City (http://www.oronagroup.com/en/sections/we-are-orona/innovation/orona-ideo-innovation-city.php, last accessed 9 January 2013). The aim of this project is to build a research hub led by an international company and the University of Mondragón to initiate
a dialogue with the stakeholders of the Basque city region. The practical approach of ORONA Idea is a good foundation from which to valorize the territory as a biocentric unit of the society, economy and environment.

For the University of Mondragón, though, the primary effort in recent times has been the promotion of projects and initiatives not in international companies, but in junior cooperatives. Although job maintenance is supported by ‘traditional’ business and cooperative structures, the original driving forces behind the firms belonging to the Mondragón group (some of them: Orona, Maier, Eroski, Fagor and Ulma), today we should explore the possible replacement of these ‘traditional’ structures with global, dynamic, young, open, networked and sustainable initiatives (similar to the business model promoted by Riddestraele and Nordstrom (2000). This is the impetus behind the university’s LEINN (Enterprising and Innovative Leadership) degree, which is contributing to the formation of a new talent pool of social entrepreneurs which is consistent with the vision of the Mondragón experience and that will enhance truly reticular cooperative entrepreneurial business models (Calzada 2011a, p. 235). The future of social innovation lies not with large companies but with networked structures of social entrepreneurs.

An interesting historical experience is the civil movement of support for the Ikastolas (schools in Basque) and the revival of the Basque language (Calzada 2011b). In the closing years of the Franco dictatorship, the Basque society experienced major upheavals, with a strong social response on the streets. In addition to numerous other demands, the element that largely united Basque society (despite differences over ideological strategy) was the revival of the Basque language as a key social asset. Civil organizations for the creation of Basque schools united people with different ideologies to create a high level of CSC.

Finally, the case of Auzolan (Calzada 2011a, p. 243), or neighbourhood community work, represents an historical ideal and an experience from which important lessons can still be learned today. The roots of this civil movement began in the Basque Country and are based on the same idea on which the Mondragón experience was founded. A revival of neighbourhood community work in several towns and areas throughout the Basque country has recently begun. One way of reviving this practice today to increase the level of CSC for towns and districts, which are micro-territories (Calzada 2011a, p. 241), is to upgrade the concept of Auzolan to that of the Auzolab, a community laboratory for the development of neighbourhoods and villages.

16.4 CONTEMPORARY OPPORTUNITIES FOR THE BASQUE CITY REGION

No analysis of the deterioration of CSC in the Mondragón experience and in the Basque country can ignore the political violence suffered by the Basque people. The consequences of this violence include social withdrawal, the creation of closed communities (archipelagos) and a damaged moral and social fabric that has led to citizens’ disempowerment and demoralization. As Bauman (2001) and Putnam (2001), noted, the loss of community values is inexorably linked to the erosion of CSC. In the Basque country, such erosion certainly influenced and even paralyzed civil society (Innerarity and Gurratxaga 2009; Elzo and Silvestre 2010; Echeverría and Gurrutxaga 2010).
However, at the time of writing, a number of covert developments point in the direction of a possible peace process. After two years without attacks and a defusing of the dynamics that created vicious circles of political violence, there is increased hope and opportunity for socio-political change. This context offers an opportunity to break the cycle of stagnation and deterioration and to begin a new period of openness and inclusive work. The time may be right for the Basque country, as a geostrategic cross-border territory within the EU, to take ownership of the decisions that affect it and to emerge as a Basque city region that we shall call ‘the Basque City’.

These changing socio-political conditions point to a scenario of ‘normality’ against a backdrop of economic crisis and recession. Combined with a commitment to strategic projects in emerging industries, new CSC may generate opportunities for development. A specific opportunity is presented by new technologies, in the form of trans-local social connectivity.

16.4.1 Strategies of Social Innovation: Social Connectivity, Social Networks and Reconfiguration in New ‘Glocal’ Communities

With the rise in online social networks (for example, Facebook, Twitter and LinkedIn), there is a tendency to confuse the emergence of new relational patterns with the consolidation of CSC. In other words, increased interaction on social networks does not necessarily lead to a substantial increase in CSC. Evidently, social networks are creating relational flows that would have been inconceivable only a few years ago and constitute an essential phase of recombination and intersections (Johansson 2004) for innovation. However, after a first step of recombination and remixes (Lessig 2008) between entrepreneurs in search of new opportunities and unexplored niches, creative ecosystems must undergo the consolidation/institutionalization (Calzada 2005) of relations and relationship patterns. When we speak of institutionalization, we refer to the transition from an informal social network to an institutional cluster. The necessary condition for CSC is not the mere presence of active (online) social networks. Another condition, which now also constitutes a new category of scientific analysis, is necessary: ‘Social Connectivity’ (Calzada 2011a, pp. 58, 215, 220). Social connectivity should be understood as the linking of social networks at the community level with the purpose of activating consensus among diversity.

Ultimately, a creative ecosystem needs its networked relationship patterns to become dynamic and representative of the structure of the system itself. Unfortunately, an explanatory model has not yet been devised from the perspective of social innovation. However, we can observe that without social connectivity, social networks will rise and fall without creating lasting community value and without generating CSC through dynamic social networks that practice social connectivity on a daily basis.

Let us now examine the three constituent elements of CSC (Burt 2005) bonding, bridging and linking for the Basque City:

- Bonding: an important starting point is to overcome the scenario of political violence to create the necessary conditions for bridging the gap between different agents. We assume that bonding through social entrepreneurship in the university-company-public institution triad is now bearing its first fruits. In the past, the distances between the
elements of this triad were immense; however, the collaborative work being conducted by the university is playing a leading role in strengthening this triad.

- Bridging: one disturbing aspect of bridging is the style of social entrepreneurship being promoted, which conflicts with the creation of CSC because it demands a profile of ‘triumphalist talent’. This conflict is also paradoxical because it is unrelated to the basic principles of the Mondragón experience. We encounter the risk of encouraging the emergence of an individualistic entrepreneurship with no bridging and no CSC-building process.

- Linking: social networks are leading us towards new ‘glocal’ scenarios in which social innovation seeks to deal with similar questions in geographically different points: ‘glocal’ means that the local and global are interlinked. Thus, we are building arrangements in trans-local parameters in which the power of the local territory acquires a new dimension on the global map. In other words, we are increasingly interested in experimenting with local Auzolabs, which are inter-connected to favor trans-local learning. Linking has prime importance in this dimension. Given that it is essential to recover CSC, social innovation must be implemented today with strategies that include the glocal dimension (Calzada 2011a, p. 220).

### 16.4.2 Glocalization, Social Entrepreneurship and Cooperativism in Mondragón

This section examines new paradoxes and problems that may serve to spark an articulation and response mechanism. We begin by quoting Azkarraga, who insists that ‘[i]t clearly seems inconsistent to set up a cooperative metropolis with a capitalist periphery. (…) But the cooperative group does not yet have a model of internationalisation of its own, a model that also in one way or another internationalises the cooperative idea.’ (Azkarraga 2007, p. 5)

The great challenge for social innovation research lies in the formulae, methodologies, case studies and lessons to be learned from the processes of internationalizing the cooperatives (see Figure 16.2) that currently form the flagship of the Mondragón experience. These cooperatives alone do not create a competitive advantage for strategic positioning in global markets. Considering this situation of maximum global uncertainty, we must explore a new concept of social entrepreneurship in different emerging industries: entrepreneurs with large glocal networks who are highly specialized and prepared to form or lead culturally and thematically diverse teams.

However, some questions remain unanswered: what specific organizational/cooperative form would provide coverage, projection, autonomy and freedom of movement to these new social entrepreneurs, individually, in teams or in glocal cells? Is it possible to speak of ‘intrapreneurship’? Are the ‘driving’ cooperatives willing to encourage social entrepreneurs to join their structures? Does the Mondragón experience currently allow these social entrepreneurs to work towards the future of the Mondragón brand? Is there not a risk that their efforts will be dissipated into small and unconnected initiatives? Is there a way to maintain two speeds of development (one traditional and mature and the other emerging but voluntary or idealist)? Is it possible for these speeds to converge?

Let us recall that the Mondragón experience originated with a few social entre-
preneurs under the protection of the local community. They were small groups with close social relations in this local community. The situation at that time was more comfortable than the current situation and was characterized by social, cultural, communicative and psychological proximity.

Today, in contrast, the Mondragón case comprises 83,859 individuals in a cooperative group of more than 256 companies with a high degree of complexity, social differentiation and organizational architecture. There has been a move from a geographical concentration to a clustered relocation on a global scale.

This new geography of clustered relocation affects the social networks (Cohen 2012) generated in the socio-business world: relationships between cooperative workers, social entrepreneurs, researchers, consultants, managers, teachers, and the entire community network in which they operate. The following essential questions must be answered: how will those social networks initially be created? How will they be consolidated to create new communitarian social capital? Could these networks build a new cooperative horizon for social entrepreneurs based on cooperative principles?

Azkarraga identified a key challenge to these new social and spatial configurations stating that:

an ideological horizon was lacking that would embrace the different self-managing social scenarios within an integrating framework. The cooperative valley has not been nourished by the necessary ideological, symbolic and intellectual impetus. There has been no comprehensive project and no vision to mark this orientation since the death of Arizmendiarieta. This new vision offers a real possibility of overcoming this shortfall. (Azkarraga 2007, p. 6)

Here, we can identify the first obstacle. One cannot simply propose that a new entrepreneurially based ‘cooperativism’ should ignore the community or make the individual the primary driving force behind all change (i.e. an anthropocentric vision). In a social innovation approach, we employ a biocentric focus that involves social entrepreneurship in a variety of cooperative roles.

The real issue for the Mondragón experience today is that no cooperative forms of society currently articulate the new creative ecosystem on a systematic basis. One of the great challenges for cooperative firms is to adopt this articulation as a prelude to being a true social innovator.

16.4.3 Social Entrepreneurship vs. Public Sector? Noise and Silence

A related matter – and without wishing to enter a slippery polemic but rather to examine the real situation directly – is the paradox of the current socioeconomic system. In the midst of a crisis and recession, there is support for entrepreneurship, but which type of entrepreneurship is being discussed? Moreover, is entrepreneurship the most important type of agency in the current crisis? This tension is expressed in the contrast between the ‘noise’ generated by the frustration of the Spanish 2011 protest movement, the ‘Indignados’ (Harvey 2012), and the silence on the part of many agents in the system who have the social responsibility both to survive the recession and to take on a new approach to social transformation. I am essentially referring to the leaders of private financial institutions and the politicians who apply only partial measures in their areas of influence, with the excuse that global issues are beyond their reach.

When one considers the discourse of entrepreneurship for the sake of entrepreneurship, there is a tendency to overlook the necessary public service reforms. The
Basque city region has an oversized public administration that is bureaucratized and sometimes inefficient because of redundancy and overlap (Calzada 2011a, p. 265). How can this problem be addressed?

Social innovation strategies should encourage a spirit of social entrepreneurship within a wider dynamic of cooperativism. In this regard, companies and public institutions must commit to the new dynamic biocentric approach based on the creative ecosystem. Furthermore, a review of the forms and functions of public service is imperative, both from the perspective of management and efficiency and in terms of citizen solidarity and democracy.

16.5 CONCLUSION

Articulating the Mondragón experience with the territorial and community-based development of the Basque city region involves a move from a technocentric and anthropocentric approach to a biocentric one.

We must identify how to make the transition from an experiment in socioeconomics to one in eco-socioeconomics. As noted above, this transition requires the companies of the Mondragón group, the University of Mondragón’s research projects and students, and the Basque country, as a networked territory known as the Basque city region, to consider this territory a primary asset. The ORONA IdeO, Innovation City and LEINN projects are good examples of the practical consequences of social innovation. New green economy jobs, projects, companies and public policies ought to be supported through the pollination and co-creation processes of the urban local creative ecosystem. In the case of Mondragón, this support should take the form of collective action shared by companies, universities and public administrations.

However, this transition undoubtedly requires five key changes: (a) the change in the energy matrix and the transition towards a greater self-sufficiency; (b) business reorientation towards the creation of ‘green’ products; (c) job creation policies; (d) policies related to innovation, science and technology; and (e) a profound cultural change in the cooperativist social body. The biocentric approach will produce a new eco-socioeconomic paradigm in which social innovation is the strategy and the city region is the territorial concept for the post-2008 crisis scenario.

In summary, we aimed to propose from a social innovation approach stepping stones, not only to allow the Mondragón cooperative group to meet new challenges but also to empower the hopeful reality of the Basque country as it establishes itself as a Basque city region.

16.6 QUESTIONS FOR DISCUSSION

- How can we design more social innovation projects, like IdeO and LEINN, in which companies and universities develop a new biocentric approach to cooperativism? In doing so, can we avoid the triumphalist and individualistic entrepreneur’s ‘dangerous’ business style?
- Are these two projects the seeds with which to plant local urban creative communities in the Basque city region?
- What role could an academic perspective on territorial development and social innovation (MacCallum et al. 2009) play in the future design of services, and even products, in a
new eco-socioeconomic paradigm in Mondragón?

- How can the University of Mondragón develop its sensitivity to the value of territory and business design simultaneously?

**NOTE**

1. In this context, we can revisit the University of Mondragón’s new LEINN degree, to ask whether the pool of social entrepreneurs it is creating is consistent with the vision of the Mondragón experience? How can we ensure a truly reticular cooperative entrepreneurial business model?

**REFERENCES**

(References set in bold are recommended reading.)


