MANAGEMENT TRAINING AS A SOURCE OF COMPETITIVE ADVANTAGE: THE MONDRAGON COOPERATIVE GROUP CASE[1]

by

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ABSTRACT: *Academic literature argues that managers, with their resources and capabilities, constitute a source of competitive advantage for companies, even though cooperatives generally have difficulties attracting and retaining competent managers. The present study examines the special efforts made in the creation and development of cooperative managers via corporate training centres in the Mondragon Cooperative Group. The fieldwork that supports this research is a qualitative study based on a series of in-depth interviews to 12 people in charge of Mondragon's training structure. The empirical contrast carried out in this study confirms that Mondragon's cooperatives overcome the difficulties in attracting and retaining valuable managers that are common to other cooperatives, additionally confirming that Mondragon's management training policy, based on its corporate training centres, grants competitive advantages to the cooperatives in the attraction, development and retention of managers.*

[1] This is the first version of an article submitted to Economic and Industrial Democracy (i.e. the version before peer-review). The final version is available in Basterretxea, I. and Albizu, E. (2010) "Management training as a source of perceived competitive advantage: The Mondragon Cooperative Group case", *Economic and Industrial Democracy*, Published online before print October 25, doi: 10.1177/0143831X10377809 http://eid.sagepub.com/content/early/2010/10/16/0143831X10377809.
This first version was also presented in the 2nd International CIRIEC Research Conference on the Social Economy that took place in 2009, 1-2 October, in Östersund, Sweden. http://socek.se/ciriec_research_2009

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1.- Introduction

Management training is a determining factor in the quality of business management and, subsequently, in its results. In the case of cooperative firms, it is generally argued that lack of good managers makes it difficult for these types of businesses to survive. Therefore, a good part of the literature concerning Social Economy emphasises the difficulties of cooperative firms in attracting and retaining executives that are both valuable and committed to cooperative values (Altchian and Demsetz 1972; Bradley and Gelb 1985; Cornforth and Thomas 1990; Meek and Woodworth 1990; Abell 1990; Münkner 2000; Davis 2001; Spear 2004; Morales 2004).

On the contrary, among other reasons that explain Mondragon Cooperative Group's great economic achievements, different researchers point to the existence of better managers and the development of in-group management tools (Thomas and Logan 1982; Logan 1988; Whyte and Whyte 1988; Albizu and Basterretxea, 1998; Cheney 1999; Bakaikoa *et al.* 1999; Clamp 2000 and 2003; Smith 2001; Jacobsen 2001; Irizar 2005; Charterina *et al.* 2007).

Mondragon's management training has been widely considered instrumental in enabling, on the one hand, the creation of competent managers, and on the other, those managers' socialization in cooperative values (Ellerman 1984; Bradley and Gelb 1985; Asua 1988; Meek and Woodworth 1990; Abell 1990; Thomas and Logan 1982; Whyte and Whyte 1988; Hoover 1992; Agirre 2001).

More specifically, the object of our analysis will be to find out how Mondragon's corporate management training centre has led to competitive advantages (if they really exist): a) in the development and retention of highly valuable managers; and b) in the replication of valuable knowledge among different cooperatives. This work's underlying hypothesis is that Mondragon succeeds in overcoming the difficulties in attracting and retaining valuable staff that are so frequent among cooperatives, via its management training and internal development policy.

We consider that this research work can shed some light upon the debate surrounding the importance of one of the principles of the cooperative movement worldwide: the *Education Principle*, and the necessity of translating this principle into specific training actions and investments that aim to create better and more socialized cooperative managers. We also think that this study constitutes a new step forward in the research on training policy as a source of competitive advantage.

Similarly, we feel this study might be of interest to HR managers and heads of training departments in other cooperatives and entities, such as Public Administration or public companies, that, like Mondragon, face constraints in their pay policy which stand in the way of competing through their pay policy in the fight to attract and hold on to valuable managers.

After the introduction to the research work, we analyze the literature that considers managers and management training as sources of competitive advantages and we explore the social economy literature that focuses on the problems of cooperatives in attracting and retaining valuable managers. In the third section we explain the methodology followed in our study. In the fourth part we describe the services provided by Mondragon's corporate management training centre and we explore the competitive advantages achieved by Mondragon`s cooperatives via management training. Finally, the last part looks at the conclusions and contributions that this investigation makes.

2.- Management, competitive advantage and cooperatives

2.1.- Relevance of management as a source of competitive advantage

A firm's staff, with their knowledge, skills, experience and motivation, is considered to be one of the resources with a higher potential for generating sustainable competitive advantages. Based on the tendency to focus on those resources that are most scarce and valuable, much of the literature in the area of Human Resources touches on good managers (Gerstein and Reisman 1983; Gupta and Govindarajan 1984; Guthrie, Grimm and Smith 1991; Castanias and Helfat 1991; Barney 1991; Mahoney and Pandian 1992; Mahoney 1995; Acquaah 2003; Kor 2003) as particularly rare resources, with high potential to generate value for the company.

Companies can achieve a higher degree of profitability not only through the resources they possess, but also through an effective and innovative management of those resources (Mahoney 1995), something that the management team has the main responsibility for.

Managers play a key role in the analysis of the environment, in choosing the path of the company, the combination of resources that will be used at each stage and the markets in which it will compete (Castanias and Helfat 1991, 2001; Mahoney and Pandian 1992; Lado and Wilson 1994; Kor 2003; Acquaah 2003). Complementary to this claim, Kor (2003) regards valuable managers as those that achieve a better use of human resources by properly assigning employees to posts, projects and teams where they obtain a higher productivity for the company and, in addition, can allocate financial resources to investments with higher yields.

Managers differ in the quality and quantity of the skills they possess, i.e. their general, sector-specific and firm-specific "human capital". These differences in managers' abilities include both the types of skills that each individual has, as well as the level of their skills. Moreover, managers may differ in the combination of types and levels of skills (Castanias and Helfat 2001: 663).

Each of the different types of management skills may be rare if a manager has a skill of a higher quality in relation to his/her competitors. This scarcity will be greater in terms of firm-specific knowledge, knowledge shared by the management team and, to a lesser extent, in terms of sector-specific knowledge (Kor 2003[3]). Even generic skills can be rare at their highest levels (Castanias and Helfat 2001).

Unique historical conditions, causal ambiguity and social complexity are factors that would prevent the imitation and substitution of rare and valuable managers, enabling their companies to achieve sustainable competitive advantages (Mahoney 1995: 92). In similar terms, Cuervo (1993) considers that valuable managers may lead to obtaining sustainable competitive advantages since it is difficult for competitors to link the intangible skills of managers with company results; besides, many managers' skills are firm-specific, which reduces their chances of being transferred and imitated.

Acquaah (2003), in his analysis of corporations with abnormally high levels of profitability, found that management skills have a positive influence on the sustainability of high profitability levels. According to this author, management skills contribute significantly to the entire set of resources and specific capabilities that enable certain firms to generate sustainable competitive advantages.

Galán and Vecino (1997: 33) point out that business management skills are the "real source of profitability". Similarly, Cuervo (1993: 368, 374) highlights the capabilities of managers as one of the variables that explain corporate success. According to this author, valuable management skills are particularly scarcer in Spain. This scarcity is reflected in higher wages given to managers than those in surrounding countries.

Since managers are considered by a large part of literature as the most valuable and scarce resource and one with the greater potential to generate competitive advantages, several studies that analyse the relationship between training and results concentrate on management training and development (Hussey 1985; Burke and Day 1986; McEvoy 1997; Aragón *et al*. 2001; Storey 2004; Mabey and Ramírez 2005).

From a "contingent approach", Hussey (1985) appreciates that management training can positively affect the implementation of strategies. This would require the planning and evaluation of training, linking management training schemes with business strategy, something few companies do, according to his study.

McEvoy (1997) evaluates the results of a management training program called "*Outdoor Management Education*". Through surveys and interviews with participants after training and then three years later, McEvoy found that the program positively affected the participant's knowledge, their commitment to the organisation, their self-esteem based on their pride to work for the organisation and the intentions of implementing what they had learned.

[3] Firm-specific knowledge, besides being rare, adds value, as it helps to better adjust resources and skills to company opportunities. Teamwork within a management team also provides managers with unspoken knowledge of the skills and habits of the rest of the team's members. This valuable and rare knowledge cannot be obtained from outside the company. Finally, sector-specific managerial experience can also be rare, although to a lower extent than in the other cases, since it can be developed in different companies of the same sector and be obtained from the job market.

Aragón, *et al*. (2001: 18), based on a survey of 457 European SMEs, shows that those companies with a higher percentage of trained managers, where most costs were incurred in management training and those that involved other managers developing their peers, obtained better results, mainly in quality and productivity dimensions. Storey (2004) also examines the relationship between management training and performance in SMEs, concluding that there is no evidence of a clear link between management training and performance in small and medium enterprises. One of the reasons for this is that many managers take advantage of the training they have received in order to leave the SMEs and move to bigger companies.

Mabey and Ramírez (2005), based on surveys carried out with human resources heads and line managers in 179 European companies found a strong positive relationship between productivity and the extent to which line managers believe that their company is taking a serious strategic approach to management development. The results of their survey led them to suggest that investments in programs appropriately designed for management development are positively valued by European companies in general, suggesting that the management training model should be geared to the long term and be consistent with company strategy.

2.2.- Limitations of the cooperatives to attract and retain valuable managers

In the struggle to attract and retain talented management, cooperatives face several problems that put them at a disadvantage when compared to capitalist companies.

One of the main reasons why it is difficult to attract and retain valuable managers in social economy firms is the salary limitations of these type of businesses, where the management salary is below the market average. (Alchian and Demsetz 1972; Thomas and Logan 1982; Gorroño 1988; Ormaechea 1988; Gorroñogoita 1988; Whyte and Whyte 1988; Cornforth and Thomas 1990; Abell 1990; Bartlett, *et al*. 1992; ILSR 1992; Kasmir 1996; Spear 2004; Morales 2004). Besides earning less than their peers in other companies, these authors highlight that cooperative managers earn slightly more than other cooperative members with less responsibility in the company. Those small differentials can make it even more difficult to attract and retain managers, as the differences within each company can be more important than the differences in salary with managers who have the same post in other companies (Coff 1997).

The fact that the majority of western cooperatives are of a small size prevents them from solving the problem of low salaries by offering an attractive professional career with promotion prospects (Gorroño 1988: 90).

In addition to this, managers of cooperative firms must deal with continuous and critical internal control by cooperative members. It is the combination of this greater control and the low differential salaries between workers and managers that imposes limitations on the amount of managers that can be hired (Bradley and Gelb 1985; Morales 2004).

Bataille-Chedotel and Huntzinger (2004), in a qualitative study of 10 French companies, found that “local” managers (those that have worked for many years within the cooperative they now manage, or in the social economy sector) and the “traveller” managers (those that have worked a significant part of their professional lives in conventional companies before joining the cooperative), maintained different attitudes and degrees of collaboration with the cooperatives’ Steering Committee. Thus, “local” managers develop collective skills and emphasise the collective decision-making principle, whereas “traveller” managers consider that the Committee lessens their decision-making power and regard it as a disciplinary body.

Chaves and Sajardo (2004a and 2004b) compare two types of opposing managers that they call “social economy managers[4]” and “high-school managers[5]”. According to this model, “social economy managers” maintain a higher degree of company loyalty and a greater respect and support towards employee participation tools in their companies. According to these authors, such managers arise by internal promotion and training, or after going through Social Economy training institutions, which explains the need “*to assist in creating Social Economy managers, theoretically the most suitable strategic human resource for these types of companies*” (Chaves and Sajardo 2004: 49). On the other hand, “*high-school managers”* have a greater tendency to leave the cooperatives and they are more aware of better paid professional opportunities. In the event that they decide not to leave the company they would be more likely to impede the members’ participation, or even take actions against the members for their own personal gain[6].

Meek and Woodworth (1990: 253), Münkner (2000: 81) and Davis (2001: 32) cite various cooperative failures which are caused by management who are not committed to cooperative values. According to Meek and Woodworth (1990: 253), most managers that have come from ordinary companies have been socialized to embrace a set of values inimical to the ideals of cooperative enterprises. Such professionals shun worker participation, undermine the influence of worker-owners and are the most significant impediment to cooperative success. In a similar way, Davis (2001: 30-31) affirms that “*the very competitive survival depends on having a committed management who understands co-operative purpose and values and can*

[4] These managers share the culture of the Social Economy sector, their specific techniques and the social project of the company where they work. They have a system of values and ethics common to social economy and are involved in the socio-economic projects of the company, developing a sense of loyalty towards it.
[5] The latter are bearers of the management culture of large capitalist firms. They exhibit a serious lack of training (and little interest in acquiring it) in terms of management tools and the culture of social economy companies and avoid participatory management styles. They consider the mechanisms of decision making and democratic participation as a burden and minimise their involvement and loyalty to social economy firms.
[6] Chaves and Sajardo (2004a: 44) speak of looting and cooperative sharks, citing British *building societies* as examples.

use them both to gain and utilise the cooperative difference as a competitive advantage", whereas Spear (2004) considers that the values and attitudes of professional managers without prior co-operative culture can have a degenerative effect on the distinct values and practices of democracy-based firms.

This dichotomy between Social Economy managers and capital business managers is also found in the empirical analysis of Ayerbe (1994), who found that the values map of the managers of Basque cooperatives differs significantly from that of managers of capitalist firms[7]. Based on this and other empirical studies, Morales (2004: 120) states that talented managers who are willing to take on collective decision-making processes are a rare resource which needs to be developed within the cooperative itself and through specific training programs on social economy.

Most of the literature that analyses the difficulties of attracting valuable and socialized managers proposes a dual management-cooperative training as a possible solution. Authors such as Cornforth and Thomas (1990) also suggest that those training programmes should include practical placements and exchanges among cooperatives; while Davis (2001) proposes the development of a market for cooperative managers based on a type of professionalism rooted in co-operative values.

4.- Methodology

The methodology used in this research study is based on the most relevant contributions collected in the study of literature about the case method (Yin 1989, 1993; Eisenhardt 1989, 1991; Stoeker 1991; Hamel *et al*. 1993; Stake 1994; Maxwell 1996; Villarreal and Landeta 2007)

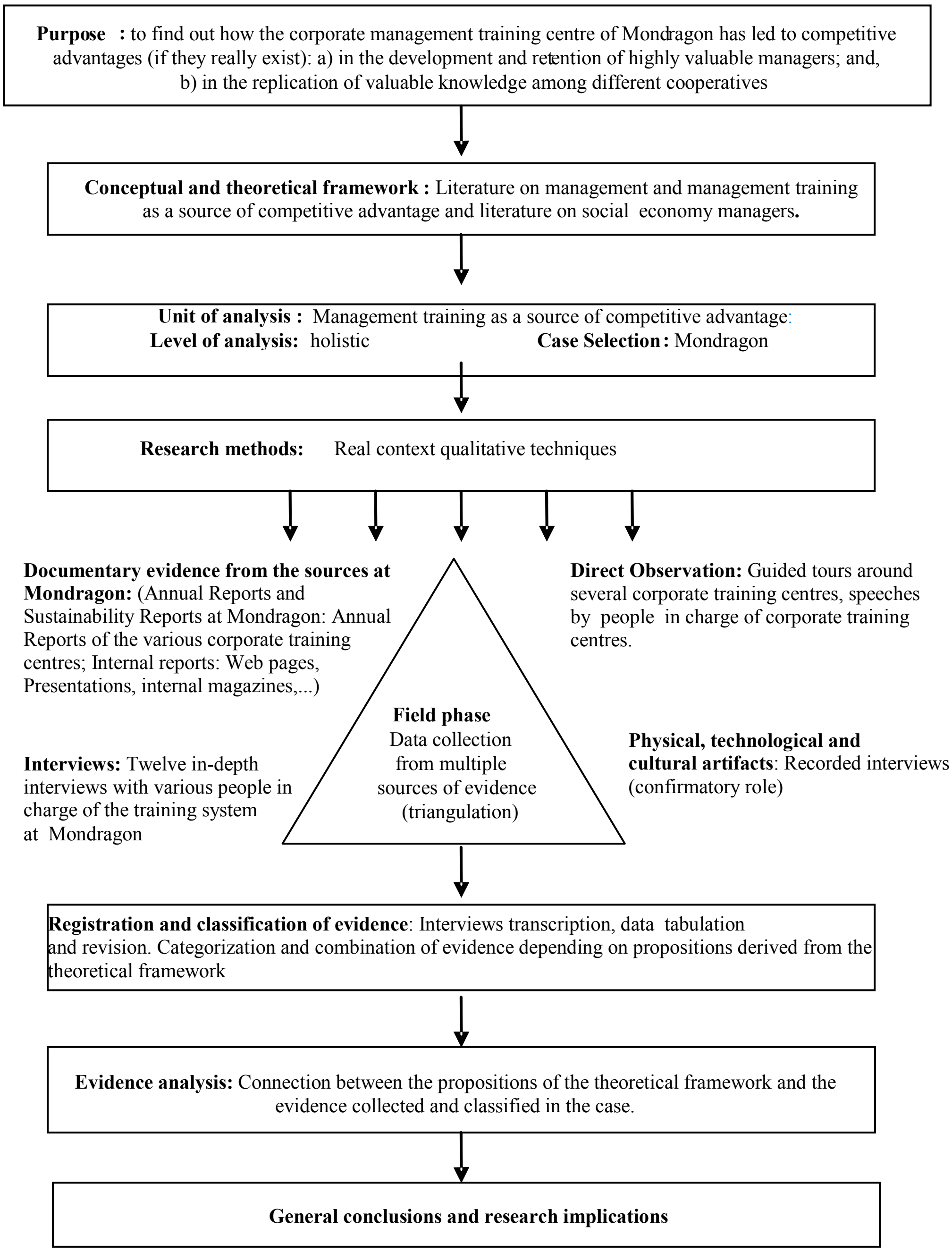
The case method is particularly applicable in the analysis of longitudinal change processes (Eisenhart 1989), as shown in the present work. Yin (1989) also argues that the case method is appropriate: a) when causal relationships are too complex to explain through surveys; b) to describe the real context in which an intervention has occurred; c) to assess the results of an intervention, and d) to explore situations in which the evaluated intervention doesn't show a clear and unique result. These circumstances also occur in the present case.

[7] Of the 125 values studied by Ayerbe, we can see a significant difference in 42 of them regarding managers in cooperatives to those in private companies. These different personal values affect their managerial activity. The following can be cited among the most significant differences: the former show less need for security; a greater willingness to take business risks; they are more prone to participating and delegating; less hierarchical and authoritarian; more open to change, innovative and creative; they are more communitarian and less institutional; more internally integrated and externally competitive, less polite, hospitable and helpful, though more concerned with the dignity of the individual person, less empathetic, although willing to inform, communicate, become personally involved and make group decisions; they show less willingness to be controlled and to be made accountable to authority and hierarchy, and they are more inclined to integrate in a joint effort.

The case method is also suitable for validating theoretical proposals (Yin 1989). The literature on social economy that we have previously reviewed proposes management training and the creation of markets for cooperative managers without empirically validating those proposals. Consequently, this case study can be used to validate the previous theoretical proposals.

Following the guidelines offered by some of the main theoretical studies on case study as research methodology, the design of the present case study is depicted in the figure below:

Figure 1: Methodological design of the case study



Source: the authors, adapted from Villarreal and Landeta (2007)

Of all the sources of information used, we consider that the semi-directed interviews with 12 people in charge of the formative framework of Mondragon are of special importance, as they are unpublished material from primary sources. The interviews, which lasted on average an hour and a half, were conducted and recorded at the interviewees' place of work. In some cases the interviews were followed by guided tours with the interviewees, thus allowing us firsthand observation of several corporate training centres or related facilities. In addition, during some of these interviews we were provided with internal documentation, which has been equally incorporated into our analysis.

Finally, we have included some quantitative evidence from previous unpublished research conducted by the authors.

4.- Management training in Mondragon as a source of competitive advantage

4.1.- Otalora Management Training Centre

Together with its best known industrial, retailing and financial cooperatives, the Mondragon Corporation has a complex network of educational centres amongst which are to be included different entities such as a university (Mondragon University), various vocational training centres, a cooperative and management training centre, a language teaching centre, and even children's education centres at primary and secondary levels.

Within Mondragon's educational/training system, Otalora (the management and cooperative training centre of the group) plays a prominent role in the training and development of managers. Founded in 1984 and now integrated in the Social Management Department at Mondragon, Otalora hosts two units: a) the Management Performance Unit, whose main function is to help the divisional vice-presidents of Mondragon to implement the group's corporate policy on managers' performance[8]; and b) the Training, Cooperative Dissemination and Management Unit

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[8] The management policy is based on the following seven principles (Mongelos 2005: 215-216):

1.- Recruitment and selection: Nurtures internal promotion to management positions. To do this it is necessary to monitor people with potential as a priority source of managers' recruitment and selection.

2.- Training: established individually, either in the form of courses or seminars, or through another manager's guidance.

3.- Establishment of a regular evaluation system, based on homogeneous criteria for each professional group, always referring to elements in the profile of Mondragon's managers.

4.- Career path definitions with mixed schedules (promotions within the cooperative, to a larger cooperative, or to a division, promotions depending on the strategic challenges at Mondragon,…).

5.- Internal communication and knowledge management. Establishment of communication actions for managers according to their levels of responsibility, actions that are linked to strategies, plans, corporate information projects at Mondragon, etc.

6.- Payment of work according to the set standard policy at Mondragon and according to the set classification of levels.

7.- Mobility.

of the centre. This unit covers a wide range of training courses, which are intended to facilitate the internal promotion process, improve business management and disseminate cooperative values among managers and members of the supervisory bodies.

Mondragon, through Otalora, not only shapes the technicians with potential to reach senior positions, but also runs programs to detect people with potential, gives advice on the selection and promotion of managers and develops ways to regularly assess their competence, coaching programs, sets up communication forums among managers, etc. Although many of the managers in the group also have access to other training centres from outside the corporation where they can receive training, Otalora covers most of the management training needs. The main training programs of Otalora are summarised in *table 1.*

Table 1.- The main management and cooperative development training programs at Otalora in 2009

<table>
<tr><th colspan="2">TARGET</th><th>TRAINING PROGRAMS</th></tr>
<tr><td colspan="2">STAFF</td><td>LANKIDEBERRI (New employees) + (Intranet)
(4 HOURS)</td></tr>
<tr><td rowspan="2">ASPIRING MEMBERS</td><td>OPERATORS</td><td>BAZKIDE XXI (Intranet) (24 HOURS) +
PROFESSIONAL RETRAINING COURSE (1,600 HOURS of formal training)</td></tr>
<tr><td>TÉCHNICIANS</td><td>BAZKIDE XXI (Intranet) (24 HOURS) +
IKAS PROGRAM (200 HOURS)</td></tr>
<tr><td colspan="2">MIDDLE MANAGERS</td><td>ZUZENDARI XXI (200 HOURS)</td></tr>
<tr><td colspan="2">MANAGERS</td><td>ZUZENDARI XXI (200 HOURS) +
MASTER IN COOPERATIVE BUSINESS MANAGEMENT, M.B.A. (560 HOURS)
SEMINAR ON COOPERATIVE SENSIBILITY (16 HOURS)</td></tr>
<tr><td colspan="2">SOCIAL COUNCILS (STEERING COMMITTEES)</td><td>ORDEZKARI XXI (100 HOURS)</td></tr>
</table>

Source: Own elaboration based on MONDRAGON information

These training programs give special importance to the culture, values and management tools that are specific to cooperativism. In addition, many of the teachers at Otalora are themselves managers of the cooperatives (Bertojo 2002: 8), which also enhances the students' socialisation.

At present, all workers who join the cooperatives, including managers, attend a course developed by Otalora, which is customised for each cooperative, called Lankideberri[9], and an explanatory dossier called "Ongi etorri kooperatibara"

[9] Basque for "New Partner".

(Welcome to the cooperative). Additionally, the personnel who welcomes and gives advice and induction training to newcomers in each cooperative are given a technical and methodological training course at Otalora[10].

This initial training becomes more intense and more focused on cooperative values if the worker wishes to become a cooperative member. Therefore Otalora has developed two programs for employees aspiring to become members: Bazkide XXI for workers[11], and Ikas, for graduates. Both place emphasis on cooperative culture, history and on the specific organizational structure of the cooperatives.

Within the management training offered by Otalora, special note should be made of the MBA in Cooperative Business Management. More than 500 executives and managers of Mondragon cooperatives have completed the MBA at Otalora, as well as all CEOs who are actively working within the Mondragon cooperative group. These executives and managers are also subjected to numerous short duration courses in management skills (Cantón 2006: 33). In 2008, 738 people participated in management development courses organised by Mondragon at this centre.

Besides these regular training courses, Otalora offers management training tailored to suit the requirements of each individual Mondragon cooperative, or customised to the demand of specific sectors within the Corporation[12].

As Social Economy companies usually face a shortage of valid, trained candidates to become members of the Steering Committee (Cornforth 2004; Bataille-Chedotel and Huntzinger 2004; Spear *et al.* 2007, 2009), Otalora also devotes much of its training to candidates who want to become members of the cooperatives' boards through the Ordezkari XXI[13] program.

Otalora is also in charge of the administration and editing of Mondragon group's in-house magazine, TU Lankide. Otalora also carries out sociological studies among the cooperatives, concentrating mainly on employee satisfaction in the different cooperatives.

4.2.- Management training and competitive advantages in the development and retention of managers

The difficulties in recruiting rare, valuable managers from ordinary companies have motivated the cooperative group to look within the cooperatives to find a way to

[10] Thus, in 2008, 28 people from 16 cooperatives have completed an "Expertise in Cooperative Development" course, to further promote cooperative culture in their respective firms (Mondragon 2009: 37).
[11] In 2008, 418 trainee members attended this course.
[12] An example of a customised course is the "Master Eroski" (Basterretxea 2008: 229).
[13] The Ordezkari ("Representative" in Basque) program was attended by 252 people in 2008. In addition, 798 members of social and management bodies in 38 cooperatives, together with 456 members, participated in cooperative development programs held at Otalora in the same year.

provide training for their managers and create new management teams (Gorroñogoitia 1988, Mongelos 2004 and 2005). Even the basic principles of Mondragon establish that internal promotion must be the main way to fill positions with a higher degree of professional responsibility (MCC 2005:10).

Thus, 48% of the 619 managers that the group had in 1988 came from outside the cooperatives (Clamp 2003:26). This percentage was reduced significantly in the 90s and in the early years of the XXI century, pushing even more for internal training and promotion of managers, minimising the employment of external managers:

> *“In Mondragon we have always opted for internal promotion. Currently in the cooperative group there does not exist a single top manager from outside, and most of the middle line managers are also from within the cooperative group.”* (Interview with training manager)

The contrast between the situation ten years ago, when management teams comprised approximately the same percentage of internally promoted and externally contracted directors, and the present day situation, when cooperatives use almost 100% of their own managers and directors, reflects the success of the planned management training and promotion program.

In the words of Julio Cantón, head of Otalora, seizing the opportunities for promotion among Mondragon cooperatives has been possible because management training and promotion policies are regarded as inseparable policies:

> *"Permanent training, in both professional and social aspects, has been a key factor in the development and consolidation of cooperatives. Specifically, the creation of management teams is the result of a planned process, prioritising the internal promotion of those people integrated in the cooperative culture".* (Cantón 1995: 188)

This focus on management training could lead to problems of managerial turnover after receiving training, something that happens on a small scale according to the interviews we have conducted, which suggest that Mondragon has advantages when it comes to retaining valuable managers:

> *"Despite the lower salaries for managers, there are very few that leave, the rotation level is minimal, ... when they could earn double, triple or more in other companies. The majority who leave do so during the first five years, but even then, the rotation figures are minimal and much lower compared to other companies.”* (Interview with training manager)

Unlike the high turnover rates of managers in foreign cooperatives, Mongelos (2005: 222) describes the rotation of team managers at Mondragon as “really small”, and considers that this small turnover has helped to consolidate the cooperative group and has provided a generational transfer of technical and managerial knowledge and skills of valuable managers.

In addition to the training and internal promotion policies, certain people in charge at Mondragon (Ormaechea 1991; MCC 2000; Mongelos 2004), as well as several researchers from outside the corporation, claim that the commitment that managers have towards cooperative values is another factor in retaining managers.

> *"The reasons for our high level of management retention are the job security offered to managers, the extensive training opportunities within the corporation, and most of all, there is another reason why people don’t leave: the principles and values. Our managers know that in other companies they could earn more, but they are committed to cooperative values, to the “one person, one vote” principle, to the possibility to vote and be co-owner of a company, and to a set of values and ways of establishing relationships among managers and between managers and workers which they won’t find in other companies.”* (Interview with training manager)

This commitment to cooperative values as a mechanism of retaining managers is also highlighted by Hoover (1992), who explained that the waiver to earn more money and achieve a higher status is based on the managers’ acceptance of “*alternative security, stability and harmony values that are found in the cooperative system*”.

Moye (1993) finds greater ties to the co-operatives of Mondragon among members with higher skill and wage ratings (thus, mid level managers or top managers). The higher the skill, the lower the propensity to leave the co-operatives if there were a comparable position available in a private firm. A similar view is held by Kasmir (1996), who on the basis of in-depth interviews and surveys of Fagor Clima managers and workers, finds that managers identify much more with cooperative values than workers. According to professor Kasmir, this identification is greater due to Mondragon placing more emphasis on structured cooperative training for its managers, because they are a rare and valuable resource, with worse pay conditions in comparison to other companies. Cooperatives successfully ensure their loyalty through training and indoctrination. This view of Kasmir is consistent with the information we obtained from our qualitative study[14].

[14] The cooperative training mainly aimed at management remains a reality in 2009. Following a meeting in 2006 amongst Steering Committees, Social Councils, and all the members of the cooperatives, it was concluded that there was a need for more cooperative training among all members, but particularly among managers and members of the governing councils. Thus, in 2008, half of the 2,000 cooperative managers attended “Seminars on cooperative sensibility” at Otalora to

Moreover, the fact that much of the management training that is provided at Otalora is very specialised (in co-operative culture, in cooperative management tools or the corporation itself, as the module of Mondragon management...), supports the retention of management, to the extent that such training has more value in Mondragon or in other cooperatives, than in the nearby capitalist firms.

4.3.- Management training and competitive advantages in business management quality

A good number of studies indicate that this commitment to management training has historically generated competitive advantages in the form of better management than in other companies. Thus, Logan (1988) says that the cooperatives of Mondragon have had more valuable managers than capitalist companies in their area and that these highly valuable managers justify, to a large extent, the success of cooperatives in times of recession. This author perceives "*better management skills that are reflected at all levels in the Mondragon system*" (Logan 1988: 111).

Charterina, Albizu and Landeta (2007), after surveying 503 top managers from Basque companies with more than 50 employees (where 45 of the companies were cooperatives and 30 of them belonged to Mondragon) and by disregarding the size and sector factors, came to the conclusion that the Mondragon cooperatives are managed to a higher standard than conventional firms. The study considered the use of 40 management-related practices and/or tools, generally accepted as good or advanced management practices; Mondragon cooperatives showed better management results in 24 items.

In a similar study, based on a survey of 865 Basque companies of more than 10 employees each (32 of the companies were Mondragon cooperatives and 12 were cooperatives unrelated to the corporation), Aguirre *et al*. (2006: 120) concluded that "*cooperatives generally have a higher quality of management and are more innovative in their management in general, and in people management in particular*".

In addition to the claims by Logan (1988), Aguirre *et al*. (2006) and Charterina *et al.* (2007), various studies of the Mondragon experience (Thomas and Logan 1982; Whyte and Whyte 1988; Albizu and Basterretxea 1998; Cheney 1999; Smith 2001: o Clamp, 2000 and 2003) remark that Mondragon cooperatives have been particularly successful in the introduction of advanced management practices, especially practices related to quality. According to these authors, the cooperatives have a competitive advantage in the implementation of quality tools and in the adoption of organisational standards and management practices associated with quality tools.

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increase their knowledge of and reflect on cooperativism. The other half will take part in the same program throughout 2009.

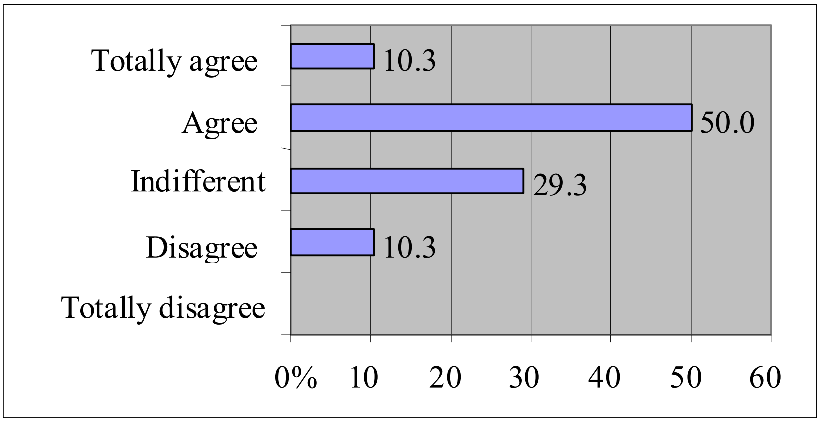
In accordance with the analysis of Charterina *et al*. (2007), the studies by Thomas and Logan (1982), Whyte and Whyte (1988), Pérez de Calleja (1995), and Clamp (2003) suggest that the managers of the Mondragon cooperatives have been more innovative than Spanish capitalist companies in the introduction of management tools such as strategic planning, Participative Management by Objectives, self-managed autonomous groups, quality management, and just-in-time production systems.

In terms of quality assurance, all the cooperatives of the group received the ISO 9000 certificate in the 90s (Clamp 2003). Besides, a good number of cooperatives have been given Total Quality awards at regional, national and international levels[15]. These acknowledgements far exceed the percentage of value the cooperatives hold in the economy (Lafuente 2004: 20).

The Corporation itself believes that its own managers have been far more valuable than those of the surrounding capitalist companies for some years. In fact, Mondragon stresses that early initiation of strategic planning within the group, together with new improved management techniques from the 80s, led to a higher quality of cooperative management and helped them to overcome that decade's more successfully than capitalist companies (MCC 2000: 13).

This advantage is still seen today. Thus, in the survey by Basterretxea (2008) of 66 human resource managers of the cooperative group, 60% of HR managers believed that the managerial skills at their company are more advanced than their competitors, and that this advanced management is based on the training given at Mondragon.

Figure 2.- The management training provided in Mondragon has led to a more advanced management than that of the competitors.



[15] In December 2008, the cooperative group had: 1 finalist at the EFQM European Awards; 1 European Environmental Award; 8 golden Qs; 19 silver Qs; 4 companies registered with EMAS (European Registry of Environmental Management and Auditing); 112 ISO 9000 Certificates; 1 SA 8000 Certificate in Social Responsibility; 53 ISO 14000 Environmental Certificates and 15 OHSAS Certificates in Occupational Risks Prevention Systems (Mondragon 2009, p.6).

Source: Basterretxea (2008: 525)

In those cooperatives that are more based on corporate training centres to train their managers, human resource managers believe to a greater extent that management training has led to a more advanced level of managerial skills.

This influence of the management training offered by Mondragon's training centres in the development of a more valuable management is consistent with the information obtained from in-depth interviews as well as with the claims by a good part of studies on the Mondragon Experience.

4.4.- Management training and competitive advantages in the replication of valuable knowledge among the group's cooperatives.

The importance that the corporation gives to the processes of knowledge sharing among cooperatives is clearly visible in Mondragon's Management Model (MCC 2007:35), in the corporate values endorsed by Mondragon Congress (MCC 2005) and in Mondragon's General Policies for 2005-2008. Those policies include guidelines such as: "*promotion of internal knowledge transfer*"; "*the creation of related formal and informal forums and meetings allowing the possibility to interact and exchange opinions in an open climate*"; the "*coordinated exploitation of knowledge and innovation dynamics among firms, corporate university, research centres, corporate engineering and consulting firms, and other corporate services";* or "*to detect and divulge the best practices in innovation in order to determine the most recommended processes*" (MCC 2005: 148, 154, 165).

Otalora has played a major role in leveraging management knowledge in the various cooperatives. This centre has made it possible for the technical and managerial skills and knowledge developed in one cooperative to be transferred and applied in different businesses and cooperatives, thus helping to alter the benefit/cost rate of human capital. Therefore, one of the major goals of the management courses at Otalora is replication, or internal *benchmarking*:

> "*The objectives of our courses are to learn and advance in management by sharing and comparing experiences. Through Otalora we try to make sure that the companies belonging to the group give presentations of their experiences, so the other companies can modify and improve their practices to benefit their cooperatives. We try to manage knowledge in an informal style. Belonging to the Group makes the links between companies and the possibility to share experiences easier. One advantage we have is the interconnection among the group companies we provide at Otalora."* (Interview with training manager)

Similar views are expressed by the head of Otalora, Julio Cantón, who stresses that the key element at Otalora is the communication among cooperatives to share their experiences, and the design of management training and development schemes based on harnessing each other's experience (Cantón, J. in Bertojo 2002: 9).

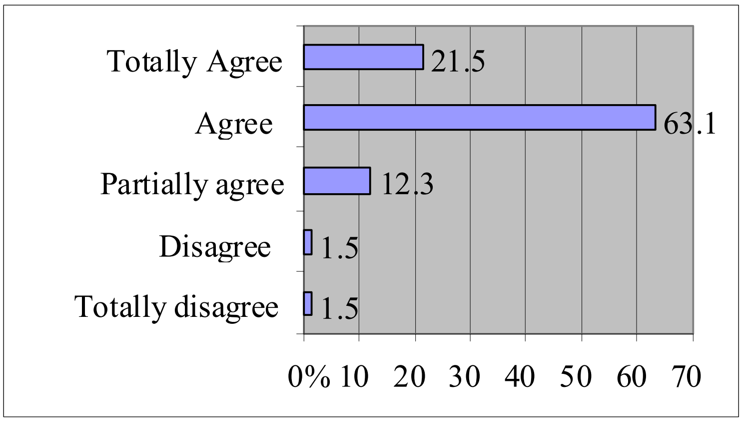
According to those interviewed, although other companies from outside the corporation have access to this knowledge, the corporation's firms can learn quicker and better from one another. By the time other competitors are able to copy any innovation from a cooperative, the cooperatives will therefore be at a more advanced stage of knowledge.

Otalora's management training programs and, specifically, the Master in Cooperative Business Management, have contributed significantly to a homogenisation of management culture and management tools and criteria. According to the person in charge of Iraunkor, the educational centre responsible for continuous training programs at Mondragon University, this cultural homogeneity makes it easier to replicate the knowledge among the cooperatives of the group:

> *"Is it easier to transfer knowledge from a cooperative of the group to another than to a company outside the group...? Copying is easy, it is the values which are the most difficult thing to imitate and in our cooperatives we share values, a common language and a specific shared terminology (Management Plans, co-operation, self-managed autonomous groups…) that make it easier to transfer the knowledge among cooperatives."* (Interview with training manager)

These advantages are clearly perceived by human resources managers of the group's cooperatives (Basterretxea 2008: 528-530). Three out of four of the human resources managers of the cooperatives considered that the culture shared among the cooperatives in the group facilitates and expedites the process of *benchmarking* among cooperatives; 63% believed that management training has facilitated the exchange of experiences among cooperatives and there is an almost total consensus as to the role of training as a source of corporate competitive advantage to create and exchange knowledge.

Figure 3.- "Having our own corporate training centres gives us an advantage over other companies to create and exchange knowledge."



Source: Basterretxea (2008: 530).

In section 4.1. we noted that in addition to management training, Otalora is responsible for the management performance unit. This unit also helps to achieve a replication of valuable management knowledge, through the policy of promotion, transfer and relocation of managers. Those practices are coherent with some proposals of Social Economy researchers, such as including practical placements and exchanges among cooperatives in training programs (Cornforth and Thomas 1990) or the development of a market for cooperative managers (Davis 2001).

In recent years, in addition to the transfers and relocations of managers caused by bad business results or by recessions, Mondragon and the management training centre Otalora are trying to encourage a greater mobility and rotation of managers on a regular basis. The goal of those rotations is to "*enrich managers with different experiences*" (MCC 2005: 154), as well as encourage the replication of valuable knowledge among all the cooperatives in the Group:

> *"At the moment we are trying to boost a rotation policy in which we are recommending managers shouldn't be in charge of the same post for more than seven years. (I must also acknowledge that in some cooperatives of the group this idea has not been embraced with much enthusiasm). We hope that there will be more movement of managers in each cooperative, among cooperatives, promotions to the management of sector divisions within the group, ..., allowing management knowledge to become widespread. Besides this, we believe that there is a risk of stagnation in a post, and that we must promote change and welcome new ideas and energies."* (Interview with training manager)

This mobility of managers is part of Mondragon's management development policy (Mongelos 2005: 212), and is regarded by Jesús Catania, president of Mondragon's General Council from 2002 to 2007, as the best formula to manage knowledge at Mondragon (Catania 2005: 370).

As stated by the head of Otalora, (Cantón, J. in Bertojo 2002: 10), management training plays an integral part in the rotation of managers among cooperatives promoted by Mondragon. Otalora not only provides instruction to directors and managers of the cooperatives, but also evaluates their capabilities and skills, which facilitates the creation of an internal labour market of managers in the Cooperative Group.

5.- Conclusions

People, with their resources and capabilities, and managers in particular, constitute one of the bases of a firm's competitive advantage. The barriers that Social Economy firms have to overcome to attract and retain valuable managers (fundamentally: salary limitations, the submission of management to the control of cooperative members; lack of socialisation of managers in cooperative values and lack of promotional opportunities due to the small size of the majority of the cooperatives) have been solved at Mondragon through training and creating their own managers. The internal generation of managers has rested largely on the corporate training centres, centres that strive to develop more valuable managers than those of the competitors.

Mondragon's management training centre generates competitive advantage for the cooperatives of the group in the development and retention of managers, the latter being a critical factor in the survival and growth of cooperatives. Thus, training is linked with internal rotation and promotion in each cooperative and within the cooperative group. This, together with job security and the socialisation in cooperative values of the group's managers, makes external rotation of managers almost anecdotal.

Additionally, the management training centre gives competitive advantages to Mondragon cooperatives to create and share valuable knowledge. The management training at Mondragon pursues a replication of good management practices among the cooperatives in the group. In addition, the training in cooperative and corporate culture and the training in tailored corporate management tools and models are also factors that make it easier and quicker to replicate valuable management knowledge and experience among cooperatives. Another way of replicating valuable management knowledge, in which the management training centre of the corporation plays a central role, is the promotion and relocation of valuable managers among different cooperatives.

Thus, this case study empirically validates the proposals found in the theoretical framework to resolve the shortage of cooperative managers: management training and the exchange of managers among cooperatives.

Finally, the training of managers within the structure of the cooperative group has a positive impact on the quality of management's performance, generating a greater application of advanced management tools (TQM, Strategic Planning, Teamwork, etc.) than in capitalist firms with similar characteristics.

We believe that the creation of a centre that combines management training and management evaluation, promotion and relocation policies, can be copied by other large corporations. This strategy could be especially valuable to other large corporations that face significant difficulties in attracting good managers with attractive salaries.

Although the size of most of the social economy companies does not allow the creation of training structures similar to the ones analysed in this work, we believe that management training, the training in cooperative values and the creation of markets for cooperative managers are critical factors that ensure the survival and growth of cooperatives. We understand that the cooperation among different cooperatives in this area of management training and the transfer of managers among different cooperatives may allow them to achieve similar outcomes to those achieved at Mondragon.

Acknowledgements

We would like to show our appreciation to those at Mondragon who have given us their attention, time and knowledge. We also wish to thank the Foundation for Business Economy Development, Emilio Soldevilla (FESIDE), and IEAE (Insititute of Applied Business Economics of the University of the Basque Country) for contributing to the development and communication of this work.

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