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MARS

Economics of Mutuality

Mondragon

An Economics of Mutuality case study

Responsible Business Forum: The Economics of Mutuality

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Mondragon

  

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About the Responsible Business Forum Case Studies
This series of case studies explores how mutual approaches to business can help companies and their partners tackle some of the most pressing global challenges. The businesses featured in this series share a commitment to objectives beyond purely financial performance, as well as a serious intent to implement mutual practices through new forms of ownership, governance, leadership, measurement and management.

In particular, these cases address the measurement of multiple forms of capital, ecosystem shaping approaches, leadership development, business education, and policy formulation through laws and regulation that promote mutual conduct. The authors appreciate the collaboration of participating companies in creating these cases.

These cases were first developed for the annual Responsible Business Forum, the convening event of the Mutuality in Business Project, a joint research programme between Saïd Business School, University of Oxford, and the Catalyst think tank at Mars, Incorporated. The Responsible Business Forum brings together global companies, MBA candidates, scholars and activists to share their experience in confronting key challenges in their ecosystems to generate financial, social and environmental value.

Authors' Note
The conclusions and recommendations of any Saïd Business School, University of Oxford, publication are solely those of its author(s), and do not reflect the views of the Institution, its management, or its other scholars. These cases are based on information provided to the researchers by participating companies.

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Executive Summary

Mondragon

Founded in 1959, Mondragon is a federation of industrial co-operative associations with over 260 companies and subsidiaries. Although it remains closely tied to its place of origin, Spain's Basque Region, Mondragon now has a global reach across 35 countries. With subsidiaries in the finance, manufacturing, retail and consultancy sectors. The federation brings in revenues of approximately $14 billion and employs over 75,000 workers worldwide. Aiming to improve the economic and social lives of employees and the wider society, the federation combines international business goals with democratic methods of corporate governance.[1] Mondragon is, in its own words, "created by and for people."[2]

Mutality Business Strategy

From its earliest days, Mondragon's assessment of modern economic systems was that neither capitalism nor socialism offered the right conditions for people to thrive and for businesses to safeguard their competitiveness. Mondragon, therefore, sought to build its own values-driven system within a modern capitalist context on the core principles of co-operation, participation, social responsibility and innovation. These principles have been operationalised and practiced over decades, offering a significant example of how a business can deliver socioeconomic transformation while at the same time remaining financially profitable.

Specific EoM Contributions

Mondragon's values translate into tangible practices for the organisation, and membership in the co-operative provides specific benefits, including the following: all employees have equal rights to vote and ownership; managing boards consist of a combination of employees from all levels of the organisation; the highest managers earn no more than six times the lowest paid worker; distribution of 70% of profits after taxes with decision-making taken through the General Assembly; no more than 20% of workers can be temporary contractors; and re-allocating workers across co-operatives in the federation helps retain jobs and support the weakest performing businesses.[3]

Performance

Taken together, these mutual practices appear to have helped Mondragon weather unfavourable economic conditions and foster resiliency. The response to Fagor's collapse highlights the strength of Mondragon's group insurance mechanism. By cross-training workers and supporting the weakest co-operatives through capital transfers, Mondragon's actions arguably helped minimise the potential negative impact on both the business and the local economy.

Although there have been challenges, particularly those associated with expansion and internal reforms, comparative studies assessing growth and overall performance show the advantages of Mondragon's model, showing the importance of investing in human capital as a safeguard against the impacts of an economic crisis. One of the most significant and valuable is the resilience of Mondragon co-operatives during the 2008 crisis in comparison to other companies.[4]

Prognosis

Even under challenging circumstances, Mondragon continues to operate by the principle that solidarity leads to innovation and stable profitability. Mondragon aims to continue expanding and applying its model where circumstances allow, facing internally and externally the challenges of globalisation that the business believes are eroding social solidarity and the importance of placing people above profit.[5]

'Mutual business practices may promote performance resilience in the face of challenging economic conditions'

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1 Marcelo Guadiana, "Mondragon Cooperative: Improving Spain's Economic Struggle, The Borgen Project, 29 October 2016, https://borgenproject.org/spains-economic-struggle/

2 Mondragon Internal Documents

3 Mondragon Internal Documents

4 Rebecca Henderson and Michael Norris, "1worker1vote: MONDRAGON in the U.S." Harvard Business Review, 28 February 2015.

5 Ramon Flecha and Pun Ngai, "The challenge for Mondragon: Searching for the cooperative values in times of internationalization," Organization, Sage Publishing, Vol. 21, No. 5, 2014.

Mondragon: Maintaining resilience through cooperative strategies

About the company

When the Spanish Priest Father José María Arizmendiarreta started a small workers' co-operative in his local community, he likely would not have predicted that his humble venture would one day grow into a business of global scale. Founded in 1959, Mondragon is a federation of industrial co-operative associations with over 260 companies and subsidiaries. Although it remains closely tied to its place of origin, Spain's Basque Region, Mondragon now has a global reach of businesses in 35 countries. With subsidiaries in the finance, manufacturing, retail and consultancy sectors, the co-operative federation brings in revenues of approximately $14 billion and employs over 75,000 workers worldwide.

Aiming to improve the economic and social lives of employees and the wider society, the federation combines international business goals with democratic methods of corporate governance.[6] With its stated objective of generating "wealth in society through business development and job creation," Mondragon is, in its own words, "created by and for people."[7] In addition to the strength derived from the breadth of its diversified groups (finance, manufacturing, retail and consultancy), Mondragon also places an emphasis on employee professional development and technological research. The federation funds training and innovation, supporting 15 of its own research and development centres.[8] This investment has yielded over 460 investment patent families.[9]

In recent years, Mondragon has come to the attention of academics, policy-makers and the media. Hailed as an example of an organisation operating under a successful co-operative ownership model with democratic governance, Mondragon has received praise as a "shining alternative to shareholder capitalism and a bastion of workplace democracy."[10] As a result, research on Mondragon has focused primarily on its co-operative structure and corporate governance model.[11] Many of these examples highlight Mondragon's mutual business practices that reflect its governance and ownership structure. This body of research has centred largely on the viability of co-operative businesses and the implicit challenge they pose to dominant capitalist shareholder structures.

Research into Mondragon's structure has provided insights into the opportunities and challenges associated with operating member-owned businesses. This case, however, focuses on a different, often underexplored, aspect: the relationship between mutuality and resiliency in Mondragon's performance.

Resilience, defined here as "the ability of firms to sustain employment and growth during difficult economic conditions," is an underappreciated aspect of company performance.[12] More research, focusing on mutual business practices and the non-financial metrics of capitalism, remains to be done. In response to this growing need, this case study investigates the relationship between mutual business practices in delivering resilient company performance.

Specifically, this case focuses on the role of Mondragon's group insurance mechanism in responding to the 2008 financial crisis. The case will begin with a discussion of the importance of ownership in creating the conditions for effective human and social capital management. It will then examine the mutual business practices that enabled Mondragon to resist cutting jobs in the wake of challenging economic times.

6 M Marcelo Guadiana, "Mondragon Cooperative: Improving Spain's Economic Struggle, The Borgen Project, 29 October 2016, https://borgenproject.org/spains-economic-struggle/

7 Mondragon Internal Documents

8 Mondragon Internal Documents

9 Mondragon Internal Documents

10 "Trouble in workers' paradise," The Economist, 9 November 2013, https://www.economist.com/news/business/21589469-collapse-spains-fagor-tests-worlds-largest-group-co-operatives-trouble-workers

11 For examples, see: Rebecca Henderson and Michael Norris, "1worker1vote: MONDRAGON in the U.S." Harvard Business Review, 28 February 2015; Ramon Flecha and Pun Ngai, "The challenge for Mondragon: Searching for the cooperative values in times of internationalization," Organization, Sage Publishing, Vol. 21, No. 5, 2014.

12 M A. Bhalla, P. Jha, and J. Lampell, "Model Growth: Do Employee-Owned Businesses Deliver Sustainable Performance?" Cass Business School, City University London, 2010.

Delivering neutrality: Ownership and non-financial capital management in times of economic crisis

From its beginnings in the Basque region of Spain, Mondragon's assessment of modern economic systems was that neither capitalism nor socialism offered the right conditions for people to thrive and for businesses to safeguard their competition. Mondragon concluded that social benefits ought to be inherent to competitiveness and structured its management practices accordingly. In other words, competitive financial performance would be found through purposeful investment in social and human capital. Mondragon, therefore, built its own values-driven system within a modern capitalist context on the core principles of co-operation, participation, social responsibility and innovation. How these principles have been operationalised and practiced has evolved over decades, but Mondragon continues to offer a significant example of how business can deliver social transformation while at the same time remaining financially profitable. Above all, the Mondragon business case highlights the importance of purposeful investment in human and social capital as a safeguard against the challenges of economic crises.

Conditions for mutality: Co-operative ownership

Ranging from co-operatives to non-profits, social enterprises to mutual societies, so-called social economy enterprises operate under the principles of serving their members, rather than aiming to maximise returns on investment in the ways that "traditional mainstream capital companies do."[13] In other words, social economy ventures are "organisations of people who conduct an activity with the main purpose of meeting the needs of persons rather than remunerating capitalist investors."[14] Recent research has suggested that the rise of the social economy "reflect[s] the need for an economy that reconciles social, economic and financial dimensions, that is able to create wealth and that is not measured solely in terms of its financial capital, but also – and above all – by its social capital."[15] This recognition of the need to take into consideration non-financial forms of capital – human, social, and natural – and the relationship between them and financial performance is at the heart of delivering mutuality.

Notably, organisations within the social economy space have expanded while other companies have shrunk. Researchers and practitioners have noted the apparent resilience of co-operative business models in the time of economic crisis and have begun to investigate whether there might be a link. What, they ask, explains co-operative businesses' ability to withstand economic hardship?

Tracing the history of co-operatives suggests that member-owned business often thrive in times of crisis.[16] From as early as the agricultural depression of the 1860s Germany to the comparatively recent collapse of the Soviet Union, history shows that co-operatives have tended to weather the worst of the surrounding economic climate. This is not, however, to suggest that co-operatives succeed exclusively in times of crises. Rather, "it is the strength built up by co-operatives during good times that helps tide them over a recession."[17] In other words, co-operatives may have structures and practices already in place that help protect them against periods of economic hardship.

Co-operatives, or member-owned businesses, tend to have similar features. According to the ILO, co-operatives have seven interrelated features: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; co-operation among co-operatives; and concern for community.[18] Taken together, these features, arguably, help foster a sense of shared identity, ownership, and investment in both the business and local community. Workers, as stakeholders in the business, recognise that it is in their own best interest to advance the co-operative's aims. Since most co-operative members are also members of the same community, they also have a strong incentive to work towards shared

'Banking, in particular, represents a sector in which co-operatives have thrived during financial crises.'

13 "Social Economy in the EU," European Commission, http://ec.europa.eu/growth/sectors/social-economy_en

14 Jose Luis Monzón and Rafael Chaves, "Recent Evolutions of the Social Economy in the European Union," European Economic and Social Committee, European Union, 2017, 11.

15 Jose Luis Monzón and Rafael Chaves, "Recent Evolutions of the Social Economy in the European Union," European Economic and Social Committee, European Union, 2017, 4.

16 Johnston Birchall and Lou Hammond Ketilson,"Resilience of the Cooperative Business Model in Times of Crisis," International Labour Organization, 2009, 5.

17 Johnston Birchall and Lou Hammond Ketilson,"Resilience of the Cooperative Business Model in Times of Crisis," International Labour Organization, 2009, 8.

18 Johnston Birchall and Lou Hammond Ketilson,"Resilience of the Cooperative Business Model in Times of Crisis," International Labour Organization, 2009, 11.

goals. Members have a direct stake in the outcome of business decisions, which often results in "loyalty, commitment, shared knowledge, member participation, underpinned by strong economic incentives."[19] Research suggests that these factors play a key role in helping protect member-owned businesses during economic downturns.

Nurturing human and social capital

Integral to co-operatives' resilience is their ability to continue carrying out business during recessions, often by focusing on job creation and retention through "employee buyouts and rescues."[20] Rather than letting employees go in response to challenging economic times, co-operatives have an incentive to retain their workers. Further, co-operatives' longevity in the face of financial crises can be attributed in part to their use of "member capital rather than bank borrowing to expand the business" and their appeal to "risk-adverse consumers."[21] Put differently, instead of turning to external lending and borrowing services, co-operatives rely on their own resources and social capital to sustain their own businesses.

Banking, in particular, represents a sector in which co-operatives have thrived during financial crises. In the wake of 2008, co-operative credit unions and financial services continued to operate under the same challenging economic conditions that had caused several commercial banks to fail. As one example, in 2009, U.S. credit union growth began to rise.[22] Notably, the growth of credit unions' "productive loans reached 11 per cent, against a fall of 15 per cent for conventional banks."[23] During the same period, although several European public and commercial banks failed, "no co-operative bank has failed."[24]

Although more research remains to be done on this topic, co-operatives' resilience in response to global financial crisis has emerged as worthy of further attention. Many factors contribute to the apparent success of membership-owned businesses, but, arguably, none more so than their investment in people over profit.

Enacting the economics of mutality

Mondragon's business practices reflect the commitment to its core values of "co-operation, participation, social responsibility and innovation."[25] Investment in human capital lies at the heart of Mondragon's strategy of maintaining long-term financial performance and resilience. The federation's structure is designed to both safeguard and engender mutual practices. Mondragon's management model is, in its own words, one that "fosters participation and involvement of people in the management and ownership of their companies, developing a shared project which unites social, business, and personal progress."[26] In Mondragon's organisational vision, these mutual practices promote a sense of "belonging to a group with a shared project."[27] Enacting these mutual principles translates into a strategy of investment in human and social capital.

These values yield tangible practices for the organisation. Membership in the co-operative provides employees with specific benefits. For example, the following are benefits that employees derive from their membership in the co-operative: all employees have equal rights to vote and ownership; Managing boards consist of a combination of employees from all levels of the organisation; the highest managers earn no more than six times the lowest paid worker; distribution of 70% of profits after taxes with decision-making are taken through the General Assembly; no more than 20% of workers can be temporary contractors; and re-allocating workers across co-operatives in the federation helps retain jobs and support the weakest performing businesses.[28] Taken together, these mutual strategies may have helped Mondragon weather unfavorable economic conditions.

19 Johnston Birchall and Lou Hammond Ketilson,"Resilience of the Cooperative Business Model in Times of Crisis," International Labour Organization, 2009, 12.
20 Johnston Birchall and Lou Hammond Ketilson,"Resilience of the Cooperative Business Model in Times of Crisis," International Labour Organization, 2009, 14.
21 Johnston Birchall and Lou Hammond Ketilson,"Resilience of the Cooperative Business Model in Times of Crisis," International Labour Organization, 2009, 14.
22 Claudia Sanchez Bajo and Bruno Roelants, Capital and the Debt Trap: Learning from Cooperatives in Global Crisis, (London: Palgrave Macmillan, 2011), 111.
23 Claudia Sanchez Bajo and Bruno Roelants, Capital and the Debt Trap: Learning from Cooperatives in Global Crisis, (London: Palgrave Macmillan, 2011), 111.
24 Claudia Sanchez Bajo and Bruno Roelants, Capital and the Debt Trap: Learning from Cooperatives in Global Crisis, (London: Palgrave Macmillan, 2011), 111.
25 Mondragon Internal Documents
26 Mondragon Internal Documents
27 Mondragon Internal Documents
28 Mondragon Internal Documents

Lagun Aro: An example of resilency

In the period between 2008 and 2013, Spain's economy was in the throes of an extended double-dip recession.[29] The 2008 global financial crises impacted Mondragon's business and the industrial sectors within the federation were particularly hard hit.[30] Rather than responding with heavy employee or benefit cuts when confronted with this challenge, Mondragon turned instead to a strategy that reflected its values of mutuality. Even though the challenges to the business persisted, the example of Lagun Aro, a welfare insurance co-operative within the Mondragon federation, sheds light on the co-operative's strategy of engaging in mutual business practices for the benefit of the entire group. Mondragon invested in human capital at a critical time.

Although the economic downturn resulted in a decrease in employment during the 2009-2011 period, Mondragon emerged on the other side of the crisis without any lay-offs.[31] Co-operatives that had joined within the previous decade had limited experience in dealing with economic downturns and by December 2009, for example, the number of workers affiliated with the Lagun Aro EPSV subsidiary had shrunk by 636 people.[32] However, in response to the apparent challenges, Mondragon undertook structural and strategic measures to help institutionalise the priority of its workers. During times of economic stability, Lagun Aro plays a key role in the Mondragon federation. During times of crisis, it takes on an additional share of responsibility for the welfare of workers within the Mondragon federation. Lagun Aro, offers insurance to members of the workers' co-operative. It provides workers with benefits such as access to "health insurance and a complementary pension system."[33] Above all, Lagun Aro helped mitigate the damaging effects of the economic crisis by investing in Mondragon's key resource: its people. Rather than laying off employees, Mondragon, with Lagun Aro's help, instead redeployed them to other parts of the federation.[34] This practice helped not only maintain high worker moral that resulted from job security, but also helped strengthen businesses within the cooperative that needed extra help. Managing the "redeployment of hundreds of workers," Lagun Aro ensured that workers arrived at their new places of employment with the necessary skills to do their new jobs.[35] To this end, Lagun Aro covers both training and transportation costs for workers who are deployed to new sectors or locations.[36] Moreover, if a worker moves to a co-operative with a lower pay scale, either Lagun Aro or the worker's previous co-operative pays the difference in wage.[37] When the co-operative is unable to place a worker within one of its many subsidiaries, Lagun Aro has the resources in place to provide workers with redundancy pay for two years.[38]

The example of Fagor Electrodomésticos highlights Mondragon's consistent prioritisation of human capital. In the aftermath of the economic crisis, Fagor, one of Mondragon's "largest co-operatives" and Europe's "fifth largest" whitegoods manufacturer, shuttered its doors.[39] Despite efforts to restructure Fagor, the Mondragon federation ultimately arrived at the difficulty decision that proposed business plans would not ensure the co-operative's "future viability"[40] and Fagor subsequently filed for bankruptcy. Research suggests that Fagor's insolvency resulted from a variety of interrelated causes, "including business cycles, poor conditions in the overall economy and in the specific market in which Fagor operated" as well as governance issues and "excessive debt due to risky growth strategies."[41] Taken together, factors arguably contributed to Fagor's closing.

Although the federation was unable to save Fagor's business, it called upon its ethos of investing in human capital with the goal of increasing overall social capital

29 "Spain's Economy: Back on its Feet," The Economist, 8 August 2015, https://www.economist.com/news/finance-and-economics/21660550-growth-has-returned-dangers-still-lurk-back-its-feet

30 Bruno Roelents et al., "The Resilience of the Cooperative Model: How Worker Cooperatives, Social Cooperatives, and Other Worker-Owned Enterprises Respond to the Crisis and its Consequences," CECOP – CICOPA The European Confederation of Cooperatives Industrial and Service Cooperatives, 2012, 48.

31 Bruno Roelents et al., "The Resilience of the Cooperative Model: How Worker Cooperatives, Social Cooperatives, and Other Worker-Owned Enterprises Respond to the Crisis and its Consequences," CECOP – CICOPA The European Confederation of Cooperatives Industrial and Service Cooperatives, 2012, 48.

32 "2009," Mondragon, https://www.mondragon-corporation.com/en/timeline/2009/

33 Bruno Roelents et al., "The Resilience of the Cooperative Model: How Worker Cooperatives, Social Cooperatives, and Other Worker-Owned Enterprises Respond to the Crisis and its Consequences," CECOP – CICOPA The European Confederation of Cooperatives Industrial and Service Cooperatives, 2012, 48.

34 Bruno Roelents et al., "The Resilience of the Cooperative Model: How Worker Cooperatives, Social Cooperatives, and Other Worker-Owned Enterprises Respond to the Crisis and its Consequences," CECOP – CICOPA The European Confederation of Cooperatives Industrial and Service Cooperatives, 2012, 48.

35 Bruno Roelents et al., "The Resilience of the Cooperative Model: How Worker Cooperatives, Social Cooperatives, and Other Worker-Owned Enterprises Respond to the Crisis and its Consequences," CECOP – CICOPA The European Confederation of Cooperatives Industrial and Service Cooperatives, 2012, 48.

36 Bruno Roelents et al., "The Resilience of the Cooperative Model: How Worker Cooperatives, Social Cooperatives, and Other Worker-Owned Enterprises Respond to the Crisis and its Consequences," CECOP – CICOPA The European Confederation of Cooperatives Industrial and Service Cooperatives, 2012, 48.

37 Bruno Roelents et al., "The Resilience of the Cooperative Model: How Worker Cooperatives, Social Cooperatives, and Other Worker-Owned Enterprises Respond to the Crisis and its Consequences," CECOP – CICOPA The European Confederation of Cooperatives Industrial and Service Cooperatives, 2012, 48.

38 Bruno Roelents et al., "The Resilience of the Cooperative Model: How Worker Cooperatives, Social Cooperatives, and Other Worker-Owned Enterprises Respond to the Crisis and its Consequences," CECOP – CICOPA The European Confederation of Cooperatives Industrial and Service Cooperatives, 2012, 48.

39 Rebecca Henderson and Michael Norris, "1worker1vote: MONDRAGON in the U.S." Harvard Business Review, 28 February 2015.

40 Matt Moffett and Christopher Bjork, "Spain's Fagor Files for Bankruptcy Protection," The Wall Street Journal, 13 November 2013, https://www.wsj.com/articles/spain8217s-fagor-files-for-bankruptcy-protection-1384354168

41 Errasti et al., "The Viability of Cooperatives: The Fall of the Mondragon Cooperative Fagor," Review of Radical Political Economies, Vol. 49, No. 2, 2017, 188.

at a critical time. With around 1,800 jobs now on the line, Mondragon sprang into action to minimise the loss of employment for its workers.[42] Rather than allow widespread job cuts, the federation took a two-pronged approach to keep as many of its workers as possible employed: it invested in cross-training employees to take on different jobs at other co-operatives across the federation and adopted a strategy of capital transfers to move cash from financially stable co-operatives to those that were facing potential insolvency. Although the latter strategy was not deemed viable in the case of Fagor, capital transfers have helped other co-operatives withstand the worst of the economic crisis.[43] Further, as a result of the cross-training, "1,500 people had been placed into jobs elsewhere in the group" within six months of Fagor's closing.[44] These practice of pooling resources, in sum, enabled Mondragon to succeed where others had failed: in retaining workers and maintaining stable profits in the aftermath of the economic crises.

Performance

The response to Fagor's collapse highlights the strength of Mondragon's group insurance mechanism. This mutual business practice, designed to mitigate challenges, helps ensure that the damage resulting from economic crisis gets absorbed internally and does not spread to the wider community. In this model, workers faced relocation, rather than redundancy. The practice of cross-training and supporting the weakest co-operatives through capital transfers arguably helped minimise the potential negative impact on both the business and the local economy.

Although there have been challenges, in particular those associated with expansion and internal reforms, comparative studies assessing growth and overall performance show the advantages of Mondragon's model. One of the most significant and valuable is the resilience of Mondragon co-operatives during the 2008 crisis in comparison to other companies.[45] Research, moreover, suggests that Mondragon's business activities have helped bolster the local economy by causing a spill-over effect in its native region.[46] Comparatively low levels of income inequality in Mondragon's area of operation within the Basque region may be attributed to the business's positive impact.[47]

Prognosis:

A co-operative, global future

As the case highlights, even under challenging circumstances, Mondragon continues to operate by the principle that solidarity leads to innovation and stable profitability. Although the company rarely self-promotes, its model undoubtedly makes it a leader in the social economy enterprise space.[48] Looking to the future, the business will likely seek ways of retaining its values of reciprocity and mutual practices as it scales. Mondragon aims to continue expanding and applying its model where circumstances allow, facing internally and externally the challenges of globalisation that the business believes are eroding social solidarity and the importance of placing people above profit.[49]

42 Rebecca Henderson and Michael Norris, "1worker1vote: MONDRAGON in the U.S." Harvard Business Review, 28 February 2015.
43 Ibon Zugasti (International Projects Manager, Mondragon), personal correspondence with the authors, 24 April 2018.
44 Rebecca Henderson and Michael Norris, "1worker1vote: MONDRAGON in the U.S." Harvard Business Review, 28 February 2015.
45 Rebecca Henderson and Michael Norris, "1worker1vote: MONDRAGON in the U.S." Harvard Business Review, 28 February 2015.
46 Rebecca Henderson and Michael Norris, "1worker1vote: MONDRAGON in the U.S." Harvard Business Review, 28 February 2015.
47 Rebecca Henderson and Michael Norris, "1worker1vote: MONDRAGON in the U.S." Harvard Business Review, 28 February 2015.
48 Greg MacLeod, From Mondragon to America: Experiments in Community Economic Development, (Sydney, Nova Scotia: Cape Breton University Press,1997).
49 Ramon Flecha and Pun Ngai, "The challenge for Mondragon: Searching for the cooperative values in times of internationalization," Organization, Sage Publishing, Vol. 21, No. 5, 2014.

Saïd Business School at the University of Oxford blends the best of new and old. We are a vibrant and innovative business school, but yet deeply embedded in an 800-year-old world-class university. We create programmes and ideas that have global impact. We educate people for successful business careers, and as a community seek to tackle world-scale problems. We deliver cutting-edge programmes and ground-breaking research that transform individuals, organisations, business practice, and society. We seek to be a world-class business school community, embedded in a world-class university, tackling world-scale problems.

Mars Catalyst and the Economics of Mutuality programme

Mars' approach to business has long sincebeen guided by five principles – quality, responsibility, efficiency, freedom and mutuality. Together they inform and guide the actions of all Mars associates every day as they do their jobs and interface with the outside world.

The origins of the Mutuality principle go back to 1947 when Forest Mars Snr, who led and grew the business through the 1920's to the1960's, wrote a letter to all 500 associates of the company that said "the sole purpose of the company is to create a mutuality of benefits with all stakeholders that the company touches; from suppliers to customers as well as governments and competitors and naturally associates and shareholders". This far-sighted thinking, that the company could only be successful if everyone around the company was being successful, has been a cornerstone of Mars' business philosophy ever since.

Mars has therefore always been interested in how it can best live up to this principle; and to find new ways of driving mutuality with all stakeholders it touches. This led to Mars' leadership tasking its economic research unit, Catalyst, to start new work into unexplored territory for business; to identify critical drivers of mutuality and, using business pilots, to develop and test new metrics and management practices that can help boost mutuality in business situations. This work has been called the Economics of Mutuality.

This work has established promising links between increasing social, human and natural capital (that can be measured with simple & stable metrics) and a corresponding increase in financial capital – demonstrating how a company can do both good and well at scale. A number of pilots have now been completed in the areas of micro–distribution, the employees of Mars and in agricultural development that suggest that these relationships are true in different places and situations.

he Oxford Mars partnership

On the back of these promising findings, a multiyear partnership with Oxford University's Saïd Business School was established in 2014 to focus on the development of a business management theory for the Economics of Mutuality with corresponding teaching curriculum, new management practices, and case study research. The research programme has combined the pursuit of normative questions – what is mutuality and how should it be enacted? – with grounded, ethnographic research on current thinking and practices. This has led to the development of field experiments and case studies examining how large corporate actors conceive of and pursue responsible business practices, and how these relate to their financial and social performance.

Mutuality in Business

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