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Compensating international mobility in a workers' cooperative: An interpretive study

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ABSTRACT

Keywords:

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This study uses an interpretive research design to analyze how worker-members in cooperatives understand and handle the challenge of designing a compensation system for their international workforce. The empirical study, conducted in a cooperative belonging to the Mondragon Corporation, reveals how such a challenge is understood as one of finding a system that combines international business performance with the need to uphold and maintain the cooperative's identity. Drawing on that understanding, the cooperative adopts a number of management decisions and criteria for the distribution of rewards and the justification of unequal working conditions among its international assignees that are very different to the mainstream ones in conventional firms. The study's findings are an invitation to question many of the traditional theoretical assumptions and practices involved in global compensation, prompting the need to develop theories and research initiatives in this field that are more in keeping with the needs and characteristics of social enterprises.

1. Introduction

Workers' cooperatives are a highly prominent form of social enterprise (Wright, 2013; Young & Lecy, 2014). Like other social enterprises, they seek to combine their social mission with a corporate venture (Battilana & Dorado, 2010; Pache & Santos, 2013). What makes them a unique and differentiated case among social enterprises is that the beneficiaries of their social mission are those who own and control the organization (Rothschild, 2009). This social mission may differ across various contexts (Pérotin, 2014), although it is often encapsulated in such goals as creating and maintaining sustainable and quality employment, catering for workers' democratic self-management, and promoting community and local development (Audebrand, 2017).

Much has been written on the structure of workers' cooperatives and their democratic governance (Rothschild, 2009; Pencavel, 2013; Varman & Chakrabarti, 2004). Nevertheless, we know little about the management problems they face (Audebrand, 2017), and almost nothing at all when these problems arise from competing internationally, a situation that workers' cooperatives are increasingly having to deal with in today's global environment (Bretos, Errasti, & Marcuello, 2018; Sharir & Lerner, 2006; Zamagni & Zamagni, 2010). These management problems are numerous and varied, and include the typical ones mentioned in standard international HR management

handbooks (e.g., how to select and train international staff, or evaluate their performance; Stahl et al., 2012). Nonetheless, the insights these handbooks provide, as well as the ready-made solutions existing in the market, may be problematic for cooperatives, as they may not suit their specific needs and characteristics (Battilana & Dorado, 2010). It thus seems important to pay more attention to the management problems facing workers' cooperatives.

This research responds to this need by focusing on a specific management problem for cooperatives with international operations. These cooperatives often have to post people abroad to cover certain technical or management positions (Zamagni & Zamagni, 2010), for improving control and coordination, management development, and knowledge transfer (Caligiuri & Bonache, 2016). When only a few people are involved in these processes of international mobility, their remuneration may be set or negotiated on an individual basis (Gomez-Mejia, Berrone, & Franco-Santos, 2014). However, when a significant number of people are involved, the enterprise will have to draw up an international compensation system (Festing & Perkins, 2008). Ruling out the use of a ready-made solution, the question to be posed is as follows: how do the members of workers' cooperatives understand and handle the challenge of designing a global compensation system?

We explore this research question in a workers' cooperative belonging to the Mondragón Corporation, one of the world's largest and most successful cooperative groups (Bretos et al., 2018, Barker, 1997;

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Ferretti, 2015; Flecha & Ngai, 2014; Miller, 2001). As we shall explain in due course, the fact the cooperative in our study was involved in a process of redesigning its compensation system for international staff made it the perfect candidate for analyzing this issue.

Once the research question and the setting in which we will be studying it has been specified, we also need to determine the research method to be used. In this respect, it is important to note the lack of consensus on the way in which social enterprises should be studied (Mair & Marti, 2006; Mersland, Randøy, & Strøm, 2011). We adopt an interpretive research design (Hatch & Yanow, 2003; Weber, 1978). This is an especially useful and appropriate approach when seeking to understand how groups and individuals build and interpret their organizational reality (Mantere & Ketokivi, 2013; Suddaby, 2006), which is the purpose of our research. This does not therefore involve building a causal model from “outside” (as specific to positivist research; Berlin, 1974), but instead analyzing the issue from “inside” through an empathetic insight that shows how a certain management challenge is experienced and handled by its participants (Hatch & Yanow, 2003).

The paper is organized as follows: consistent with our interpretive approach, according to which our descriptions of reality are always colored by our pre-understandings (Gadamer, 1975), we shall begin by clarifying what we mean by pre-understanding through a review of the literature on the compensation of global mobility. This will be followed by our empirical study. Following a description of the cooperative and an explanation of the study’s interpretive approach, we analyze the reasons, tensions, and criteria applied to the redesign of the international compensation system. The empirical study is followed by a discussion in which we compare the mainstream way of understanding and managing the compensation of international staff in conventional firms (i.e., our pre-understanding) with the one revealed in our interpretive study (i.e., our new understanding).

2. The compensation of international staff in conventional firms

Although there are studies on compensation in cooperatives (e.g., Craig & Pencavel, 1992; Magne, 2017), none of them analyses the way in which international staff are compensated. We therefore need to turn to the international literature that focuses on conventional firms to study the remuneration of expatriate staff (for a recent review, see Bonache & Zárraga-Oberty, 2017). We are not going to address all the issues raised by this policy, but solely those related to our research question. We will therefore limit ourselves to summarizing certain key features of the mainstream way of understanding and managing the challenge of designing an international compensation system. These features thus act as our pre-understanding for our empirical work and as a reference for conducting a comparative analysis of the way of understanding and managing global compensation.

The compensation of international staff is normally seen as an instrument for attracting and motivating people to accept an international posting to enable the firm to compete globally (Festing & Perkins, 2008). This general objective is accompanied by more specific ones, such as cost control, facilitating repatriation, or upholding equity across groups of employees (Bonache & Stirpe, 2012). This is an extremely challenging issue because it is almost impossible to achieve all these objectives at the same time. For example, the objective of attracting staff can be readily achieved by offering a generous pay package, although such a policy may have the following consequences: it incurs high costs for the firm in both gross and management terms (Nowak & Linder, 2016), it leads to inequity perceptions among host-country nationals -HCNs (Chen, Choi, & Chi, 2002; Leung, Zhu, & Ge, 2009; Paik, Parboteeah, & Shim, 2007), and it may make repatriation more difficult (McNulty, 2015).

The tension between conflicting objectives stimulates the internal differentiation between groups of expatriates (Bonache & Zárraga-Oberty, 2017), in which depending on the group involved, some objectives will be prioritized over others. One such group involves

managers and top managers (e.g., the Head of the Business Unit, the Head of the Country or Region, or the Head of a Function) that are posted abroad for a relatively long period of time. Besides this group, there is a broad array of profiles in the expatriate population, such as long- and short-term technical assignments (Edström & Galbraith, 1977), expatriates on a specific project (Pate & Scullion, 2009; Yan, Zhu, & Hall, 2002), self-initiated expatriates (Inkson, Arthur, Pringle, & Barry, 1997; Suutari & Brewster, 2001), and one-way transfers (i.e., posting abroad with no possibility of returning home) (Collings, Scullion, & Morley, 2007).

There is no single or standardized compensation system to be applied to all these groups, but instead an array of different systems (Bitten, 2001; Burns, 2003; McNulty, 2015; Phillips & Fox, 2003). For executive postings, the balance-sheet approach with high premiums and benefits is normally used (Harvey, 1993; Phillips & Fox, 2003). This system involves a reference salary (normally the one expatriates are paid in their home country), with a series of adjustments to uphold purchasing power abroad (i.e., goods and services differentials, housing allowances, tax equalization), along with sundry premiums (e.g., assignment premium, performance bonuses, reimbursement for lost income for the “trailing” spouse/partner) to incentivize international mobility (Suutari & Tornikoski, 2001). This system makes assignments financially very attractive for employees, albeit at the cost of impeding the achievement of other objectives, such as costs, equity, and cultural integration. These other objectives, however, are pursued through other systems, such as local-plus or localization (McNulty, 2015), which tend to be applied to other expatriates (e.g., self-initiated expatriates), who in some cases are compensated according to the salary conditions in the host country (localization), or in others also according to the host country but raised by a series of allowances (e.g., transport, housing, children’s schooling). In short, today it is common to encounter a broad range of formal arrangements (Banai & Harry, 2004; Yan et al., 2002), with the same company applying both contractual relationships (i.e., those based on long-term service and loyalty) and transactional ones (project-based) (Yan et al., 2002), as well as very attractive compensation packages for some expatriates and more modest ones for others (Collings et al., 2007).

How can this internal differentiation in salary conditions between expatriates be justified? It is obvious that it cannot be explained in terms of needs, as these should be the same, for example, for a key executive and a veteran employee with children who is relocated abroad. What provides the justification for an unequal allocation of compensation is their respective contributions (e.g., Chen et al., 2002; Toh & DeNisi, 2003; Bonache, Sanchez, & Zárraga-Oberty, 2009; Leung et al., 2009). This requires calling upon the meritocracy based on the equity norm, whereby rewards should be proportional to contributions (Adams, 1965; Festinger, 1954). It is the reference norm, and also the most representative one within the sphere of multi-national corporations - MNCs (Toh & DeNisi, 2003). The person assigned to take up an executive position is valued as crucial, requiring the company to offer an attractive salary and the substantial benefits traditionally associated with expatriate positions. This preference has a moral sense: it is understood to be the most legitimate way of distributing rewards, particularly in Western thinking, where it is considered unfair to compensate individuals on an equal basis when their inputs or contributions are unequal (Roemer, 1998).

This way of legitimizing differences both stimulates and justifies a series of relative comparisons in which each individual will be comparing his/her respective inputs and outputs. It is highly likely that this process will create problems of inequity (e.g., between expatriate groups subject to very different conditions), although it is often assumed to be the price that has to be paid if the organization is to compete globally in a cost-effective manner (Toh & DeNisi, 2003).

In what follows, we shall be analyzing the extent to which these features (i.e., the focus on supporting the business and meeting multiple and conflicting objectives; internal differentiation in salaries and

working conditions; meritocracy as the justification for unequal salary distributions; relative comparisons among employees) also correspond to the way in which the members of cooperatives understand and handle the challenge of designing a global compensation system.

3. Methods

3.1. Interpretive research design

This study adopts an interpretive research design (Hatch & Yanow, 2003), which has been defined as one that seeks to understand social worlds from the participants' point of view, leading to in-depth knowledge (Gimbel, 2016; Weber, 1978). The approach is similar to inductive case research (Eisenhardt & Graebner, 2007; Yin, 1994) in that it relies on qualitative data (e.g., interviews, observations, archival data, and so forth), but differs in terms of its philosophical underpinnings (Sandberg, 2005). While inductive case research is based on positivism (Eisenhardt & Graebner, 2007), interpretive research designs are based on phenomenology (Sanders, 1982). As noted by Sandberg (2005), phenomenology is the common base that allows unifying sundry interpretive research designs (e.g., interpretive ethnography, critical theory, social constructivism, sense-making; see Sandberg, 2005).

Phenomenology is a method that was initially designed by the German philosopher Husserl (Husserl, 1970). In contrast to positivism, which assumes that things are known by their relationships, and that science's task is to identify those relationships through laws and hypotheses (Sandberg, 2005; Smith et al., 1996), Husserl contended that things are known by their essence or meaning, and that science's task is to make explicit individuals' and groups' lived experience of organizational reality (Sanders, 1982).

Interpretivism claims that our descriptions of reality are always colored by our pre-understandings (Alvesson & Sandberg, 2011; Gadamer, 1975; Mantere & Ketokivi, 2013). Phenomenologists contend that the first step toward revealing the true experience of our primary research object involves *epoché* (Husserl, 1970; Sanders, 1982; Sandberg, 2005). This term refers to the temporary suspension of all existing personal biases, beliefs, or assumptions in order to focus on what a thing "essentially is" (Sanders, 1982). *Epoché* leaves the researcher with the experience of the individuals subject to the study. As noted by Sandberg (2005), *epoché* does not mean the researcher must or can suspend all previous knowledge and experience (in our case, those aspects included in this paper's review of the literature). As researchers, we interpret the research object through particular pre-understandings (Gadamer, 1975; Gimbel, 2016). The point behind *epoché* requires researchers to remain open to be challenged by the data by continually calling into question their pre-understandings (Alvesson & Sandberg, 2011). This attempt to remain open to being "surprised" by the data was a significant feature of our empirical study.

3.2. Research site

Our study involved a cooperative belonging to the Mondragón Corporation. Mondragón is the outcome of a cooperative movement that was launched in 1956, inspired by a Catholic priest called Arizmendiarieta (Miller, 2001). The first cooperative was created in the Basque town of the same name. Its business approach is informed by its corporate values of cooperation, social responsibility, engagement, and innovation. Its mission combines economic and corporate social objectives, including the use of democratic management methods, the creation of employment, human advancement, and a commitment to the development of the local community (Whyte & Whyte, 1991). The Mondragon Corporation consists of 103 cooperatives, structured into four groups – finance, industry, retail, and knowledge – and employs over 75,000 workers, with a turnover in 2014 of 11.37 billion euros (Mondragon Corporation, 2016). We focus on a single industrial

cooperative because it is the basic unit for policy decisions (Clamp, 2000; Errasti, Heras, Bakaikoa, & Elgoibar, 2003).

The cooperative in our study is headquartered in the Basque Country, in northern Spain. Over the time the study was conducted, from January 2016 to April 2017, the company had almost 5000 staff worldwide, of whom 68 were expatriates working at its manufacturing subsidiaries in the Czech Republic, the United Kingdom, Mexico, China, India, and Italy. Twenty-six of these held management positions, while the remaining forty-two were technical (maintenance technicians and experts in core technologies). Fifty-five involved assignments of more than a year, and all the employees but two were men.

International assignments are governed by a remuneration policy approved in 2008. In 2016, in response to an expected increase in international business, the cooperative decided to draw up a new policy in response to its fresh demands and corporate culture. Based on prior contacts, and our interest and expertise in global assignments, the HRM manager invited the authors to take part in the project. We agreed to join the "Working party on the conditions for international staff", whose aim was to review the firm's international compensation system and assess the extent to which it would enable it to compete globally. The working party consisted of a line manager, two HR managers, and the two authors. We agreed to join this party on an unpaid basis, which meant we could uphold our independence. We also placed two conditions on our involvement: we would have unrestricted access to data, and we would proceed with the rigor and pace expected of academic work rather than of management consultancy. Following this agreement, which included clauses on confidentiality and the delivery of documents, the study was launched in January 2016. This agreement meant we could put ourselves in the cooperative members' shoes and understand their standpoint on the issue, as required by the interpretive approach (Weber, 1978). We understood that working shoulder-to-shoulder with the cooperative in a matter of importance to it enabled us to fully immerse ourselves in the organisation and establish a rapport and empathy with the members that would have been much harder had we adopted a more traditional and positivist approach. The study's objectivity was guaranteed by the procedures specified in due course.

3.3. Data collection

We collected data from multiple sources. An initial category involved managers, which included those in the "working party", and the members of the cooperative's Governing Council and Management Council, who were to provide their input and approve the policy's review prior to its issue and definitive approval by workers at the General Assembly. We also included twelve expatriates in different locations, five repatriates, and three cooperative members with full voting rights but without international experience. The interesting and unique aspect in this case is that the cooperatives' democratic governance structure of "one person, one vote" meant this last group also had to approve the compensation policy, so it was essential to understand the arguments for attracting and motivating global mobility they considered justifiable.

The data provided by these sources were gathered in three stages. In Stage 1, we arranged three focus groups (FGs) in order to gain a general understanding of the topics of relevance to the research question. One of them involved management staff, another employees with international experience, and a third consisted of employees with no international experience (see Table 1). The FG meetings lasted between three and four hours, and were held on the cooperative's premises. The data obtained in them were carefully analyzed before going on to Stage 2, in which we held 20 interviews with expatriates, repatriates, and members with no international experience (see Table 2), with each one lasting between an hour and an hour and a half. Some informants were interviewed more than once. Six of these interviews were held using Skype, and the rest were face-to-face. The interviewees were chosen by the HRM department, whose remit here was to select people with

Table 1
Focus Group participants by type of group.

Participant identifier	Area/Function	Age	Sex
Focus Group 1: Management			
FG1.1	Top HR Manager	42	Female
FG1.2	Middle HR Manager	38	Female
FG1.3	Governing Council	61	Male
FG1.4	Management Council	56	Male
FG1.5	Management Council	35	Male
Focus Group 2: Staff at Headquarters with no International Experience			
FG2.1	Administration	28	Male
FG2.2	Production Worker	47	Male
FG2.3	Production Worker	53	Male
FG2.4	Production Worker	34	Male
Focus Group 3: Employees with International Experience			
FG3.1	Head Global Operations	43	Male
FG3.2	Administration	35	Female
FG3.3	Middle manager	29	Male
FG3.4	Production worker	51	Male
FG3.5	Production worker	42	Male

Table 2
Interviews.

	Area/ Function	Type of Assignment	Function	Age	Sex	Destination
E.1	Expatriate	Lt	Management	48	Male	Czech Rep
E.2	Expatriate	Lt	Production	41	Male	Czech Rep
E.3	Expatriate	Lt	Production	35	Male	Czech Rep
E.4	Expatriate	Lt	Management	36	Male	China
E.5	Expatriate	St	Production	28	Male	China
E.6	Expatriate	St	Production	31	Male	China
E.7	Expatriate	Lt	Management	58	Male	Mexico
E.8	Expatriate	St	Production	43	Male	Mexico
E.9	Expatriate	St	Management	36	Male	India
E.10	Expatriate	Lt	Production	57	Male	India
E.11	Expatriate	Lt	Management	48	Male	UK
E.12	Expatriate	St	Production	41	Male	UK
E.13	Repatriate	St	Management	36	Female	1 assignment (Brazil)
E.14	Repatriate	Lt	Production	57	Male	1 assignment (Czech Rep)
E.15	Repatriate	St	Production	42	Male	2 assignments (Italy)
E.16	Repatriate	Lt	Management	37	Male	1 assignment (UK)
E.17	Repatriate	St	Production	29	Male	3 assignments (UK)
E.18	Worker	Na	Production	61	Male	N/a
E.19	Worker	Na	Production	46	Male	N/a
E.20	Worker	Na	Production	38	Male	N/a

Note: The interviews outside Spain were held via Skype.

different points of view and experiences regarding the compensation of global mobility. In the third and final stage, we held meetings with HR managers and the Management Council in order to design a new compensation policy that would incorporate those aspects identified in the two previous stages and also suit the company's culture. The information gathered from all these sources was supplemented by a thorough process of participant observation. We also had access to many of the cooperative's confidential documents. This entire process lasted fifteen months.

All the FGs and interviews were recorded with permission and transcribed. The same dynamics were used for both these data-gathering methods. We began by asking about global mobility in the cooperative and encouraging the participants to give us their opinion or recount their experience in the matter. These questions created the conditions that enabled them to respond spontaneously on the issues of importance to them. As some researchers have stressed (e.g., Martin, Feldman, Hatch, & Sitkin, 1983), permitting managers and employees to 'tell stories' about their experiences means the answers are relatively

unconstrained, as compared to the restrictions inherent to quantitative research. An interesting revelation here was that while the participants in the FGs were more willing to talk and enlarge upon the difficulties and problems involved in the compensation of global mobility, expatriates and repatriates tended to talk about these matters in a much more positive way. The more problematic aspects required a more detailed analysis by the interviewers.

Once the right atmosphere had been created in the meetings, we focused specifically on the way of attracting and motivating global mobility, seeking to understand how the participants experience or make sense of the issue. The questions were deliberately open, and included the following: (1) How do you assess the way the company currently rewards people on international assignments? (2) Do you think it's fair? Does it need changing? Why? (3) To what extent should expatriates be paid differently? Do some deserve more than others? What sort of rewards should they expect? The researchers did not simply listen passively to the participants' answers, but also assumed the responsibility for further structuring and qualifying the respondents' own interpretations in an intuitive way in order to capture their internal logic on the issue (Hatch & Yanow, 2003).

3.4. Data analysis

In keeping with the procedures recommended in other interpretive studies (e.g., Sandberg, 2000), we analyzed the data in three different phases:

Phase 1: Reading through the transcripts. We read each one to gain a general grasp of the experience.

Phase 2: Dialogue with the data. We assessed the extent to which there is discrepancy between our pre-understanding, as described in our preliminary description of international compensation, and the way international compensation was conceived and experienced in the cooperative. This dialogue focused on numerous areas in which there appeared to be a discrepancy (e.g., in what was considered fair compensation for international assignments, the extent to which an egalitarian approach to compensation was considered a good practice, or in the nature of the contributions deemed worthy of compensation). In each one of these areas, we formulated a new interpretation to reflect the manner in which it was experienced and analyzed by the participants. This iterative process between the data and our interpretation continued until we managed to remove any discrepancy between them both.

Phase 3. Final interpretation. We formulated our "final understanding" of international compensation in the cooperative, and then compared it with the conventional one reflected in the literature. This comparison allowed us to assess the extent to which our interpretation offered new theoretical insights and an alternative view on the matter.

3.5. Objectivity criteria

As noted, this study adopted an interpretive research design. Interpretivists distinguish between subjective scientists and objective science (Weber, 1978). While scientists are subjective, socially situated and biased with pre-understandings and value-judgments, science itself can and should aspire to objectivity (Gimbel, 2016). This notion of objectivity is a key premise in the philosophy of science, and as such it has to be applied to our study. It expresses the idea that the claims, methods and results of science are not, or should not be, influenced by particular perspectives, value commitments, community bias, or personal interests (Reiss & Sprenger, 2014).

Objectivity criteria have to be consistent with the methodological approach (Sandberg, 2005). In line with the interpretive research tradition, we used three criteria to justify the objectivity of our interpretations (2005, Sandberg, 2000): communicative validity, pragmatic validity, and interpretive awareness. Communicative validity refers to the absence of discrepancy between what the study's informants mean

Table 3
Triangulation of the emphasis on equality.

Data simple	Source
“In some places, such as the Czech Republic, they think we’re a bit strange and they see us as communists. They say: what kind of managers are these that dress in this way and live together in the same house? FG3.1	Focus Group
“I always say that this is a bit like a supermarket. It’s not a question of trying to “grab” everything at everyone else’s expense. If I eat everything, the rest are left with nothing”	Interview expatriate
“It’s essential to provide rewards that satisfy everyone”	Interview HQ worker
According to the company’s internal rules, the maximum salary difference has to fall within the 7:1 ratio	Company documentation
Regardless of the hierarchical level, all meetings and Focus Groups are first held in the Basque language, and first names are used,	Observation/Field Notes

and what the researcher understands. In the data collection stage, we followed various strategies in pursuit of communicative validity, such as (1) using only a few open-ended initial questions for encouraging interviewees to say what they understand to be the purpose of the global compensation system and how it should be managed; (2) using follow-up questions during the interviews to make sure we properly understood the participants’ viewpoint, and (3) stressing at the beginning of both the interviews and the FG meetings that our aim was to understand their perspective, and it was important to establish a common framework of understanding. In the data analysis stage, communicative validity was achieved by introducing the concepts identified to participants on at least two occasions so that they could thus validate our interpretation.

Pragmatic validity refers to the absence of discrepancy between what informants say they do or think and what they actually do or think (Kvale, 1989). This discrepancy should not be excluded, as it is a priori possible that the interview accounts respond to aspects such as impression management concerns, moral storytelling, or political concerns (Sandberg, 2005). When we gathered the data, pragmatic validity was obtained through the following: (1) follow-up questions to show what statements meant in practice; and (2) observing the participants’ reactions to particular interpretations of their statements.

Finally, interpretive awareness refers to the lack of discrepancy between the participant’s own experience and the researcher’s interpretation (Sandberg, 2000). Diverse strategies enabled us to obtain interpretive awareness, such as (1) the phenomenological reduction (*epoché*) already described; (2) asking what and how questions to encourage the participants to express their points of view (e.g., why do you think the compensation system is unfair? What sort of rewards should expatriates receive?); (3) treating all statements as equally important, and (4) asking follow-up questions that require the interviewees to clarify their statements or viewpoints.

4. Findings

We now introduce and discuss our final interpretation according to a structure that replicates our own discovery process. We begin by describing the initial compensation system, which lays emphasis on an egalitarian way of rewarding international service. We will then study the reasons for introducing a more economic-oriented logic in this area, the conflicts and tensions created in the company among the logics, as well as how tensions were resolved through a series of criteria representing an alternative approach to international compensation. The section is thus subdivided into the following points: (1) Initial presence of a highly egalitarian global pay policy; (2) pressures to adopt a more economic-oriented logic; (3) tension between financial and social performance; (4) Inadequacy of the conventional way of justifying differences; (5) a more “communal” (and less individualistic) understanding of distributive justice; and (6) the new compensation system.

4.1. Initial presence of a highly egalitarian global pay policy

From the start, we encountered frequent comments on the impossibility of adopting the models of “typical multinational

corporations” and the need to consider the firm’s own specific idiosyncrasies:

“One of the things that most surprised me when I started working here is that what seemed obvious to me was not seen as obvious at all here. For example, the actual word multinational is anathema here. It is associated with exploitation and selfishness. Although we are a multinational on paper, we do not see ourselves as one ... We don’t like to think of ourselves as a multinational, but instead as a company in which other kinds of values prevail and are reinforced.” FG1.1

From that critical stance, the participants perceived the expatriate salary policy in typical MNCs (which they referred to, using the Spanish initials for public limited companies, as ‘SAs’, to distinguish them from the Mondragon cooperatives) as being guided by self-interest, where the “winner takes all”. In contrast to that approach, they emphasized a greater concern for “the collective” and organizational values that were not purely economic in nature. The possibility of obtaining generous financial benefits from an assignment abroad (“at the expense of what belongs to all of us”, as many said), or a wide salary gap between expatriates and everyone else, or even between the expatriates themselves, constituted a notion that was strongly rejected both by the FGs and in the individual interviews.

“Of course people have to be compensated for any “sacrifices” (*emphasis added*) they make, but this requires great care... We cannot let expatriate pay clash with our company spirit or incur discontent or grievances among those who stay behind [at HQ in the Basque Country]. How can we say we’re all in the same boat when there are winners and losers?” FG2.1

Table 3 triangulates the data from different sources (expatriates, managers, staff at HQ, company documents, and the observation of participants), in all cases emphasizing a highly egalitarian culture. Perhaps the most striking finding involved the 7:1 ratio, a cooperative rule that sets the maximum salary difference between the highest and lowest paid in the company. One of the FGs used the term, “obscene” to describe the huge salary gap between senior executives and workers in many MNCs.

This egalitarian culture is reflected in the way decisions are made in the cooperative. These, as in any other company in the Mondragón Corporation, require a substantial consensus among the worker members (Whyte & Whyte, 1991). In order to operationalize this, the General Assembly, in which each member has full and unrestricted voting rights, monitors all the corporate decisions made by the Governing Council, who are elected in a secret ballot. Thus, any substantial proposal from management needs to be approved by the Governing Council, which listens to all the opinions in the assembly of members, both directly and via another two bodies attached to it: the Social Council and the Monitoring Commission (information provided by internal documents and the cooperative’s articles). This democratic decision-making process affects the global compensation policy, whereby people that are not, and will not be, involved in an international assignment have the right to give their opinion and vote on how people being posted abroad will be paid.

The dedicated literature has revealed how the concept of egalitarian in salary sometimes prevails (e.g., Mooler, 2008; Calabuig, Olcina, & Panebianco, 2018; Annala & Winfree, 2011). Within the scope of the compensation of global mobility, however, that policy has not been discussed. In our case study, nonetheless, the policy in place for compensating international mobility (the one now under review) followed an egalitarian principle in two directions. Firstly, regarding staff at HQ, the expatriate compensation system had to comply with the cooperative's existing one, which among other things meant upholding the 7:1 ratio. This led to low levels of compensation for foreign postings, making those subsidiaries where the cost of living was higher (e.g., the UK) much less attractive. Secondly, a compensation system that is highly egalitarian across different expatriate groups. The policy meant that all assignments lasting more than two months were considered long-term, with no significant differences being applied across posts and destinations. Such an egalitarian system not only fails to create any incentive for an assignment but also financially penalizes the expatriates in certain destinations (e.g., the UK), who are at a disadvantage compared to local staff and expatriates in other destinations with a lower cost of living.

This equality was justified on the basis that as they are all "important" and members of the cooperative equality in conditions and rewards is the best way of putting this into practice. What's more, some extended that equality even to future employees of the cooperative:

"New employees are already signing a clause that states they may be posted abroad. I have an issue with that: Why should the new ones have to sign that clause when I, who's been longer at [the cooperative], don't have to sign it? What's more, those of us already working here are the ones who decide where we are going to be posted." E14

4.2. Pressures to adopt a more economic-oriented logic

Consistent with the aforementioned corporate social mission of developing the local community, the HQ's workforce has strong roots in the area. More than 80% of the employees there come from the surrounding district, they know each other, and speak the local language (Basque, or *euskera*), and they have been socialized in a similar way. The older workers never once imagined that the Corporation would become an international organization. The local perspective was even reflected in the terminology and remuneration items used in the 2008 regulations, which governed postings.

"The bonus paid for postings is called "*plus de desarraigo*" [bonus for uprooting]... and I even find the word itself a tongue-twister. This bonus is paid according to distance: if I'm off to Europe, it's 40%; the rest of the world is 80%. At the same time, you have one trip home every month, or one every three months... In practice, going to our subsidiary in the UK with 40% or going to a very remote posting in the Czech Republic are two completely different matters, but that's not how they are seen in theory. Because it all depends on the distance between home and host country. That's all that counts." FG1

This is the system that had remained in place up until that moment. The environment, however, had become more complex, forcing the cooperative to intensify its foreign operations; in order to survive and continue supporting the local community, the cooperative had to compete globally:

"The car industry is a global one: companies operate globally and compete with other companies on a global stage. We need to do the same if we are to be of any relevance to our customers. You cannot expect to be of any relevance to a customer such as Nissan, which may well record between 20 and 25% of its sales in China, unless you can provide some form of long-term infrastructure in China. If you don't, then another supplier will come along and take your

place." FG1.3

The implications for the workforce of more intense international exposure were wholly foreseeable, being fully determined by the cooperative's production process:

"The stages in the investment project are very specific; you know when you have to deliver the 'first piece' to the customer. You start from there and work backwards, and you 'automatically' get the name and profile of the person who will have to go ... And that's how we can pre-empt problems. When you look at the schedule of what's going to happen in India, for example, you just think of three names, no problem! We are talking about sending Julen, Iñaki and Gorka [not their real names], as there's no one else to choose for that specific post. The person is decided by the project... And they can't let you down, as that will have an impact on the entire project." FG2

Yet there was no assurance of having the right personnel for implementing a project. One of the statements most often repeated in all the conversations was the lack of interest in foreign assignments and an unwillingness to undertake them, as well as a lack of incentives for doing so:

"We live very well here [in the Basque Country]. People support the idea of 'internationalization'. But when it comes to their turn, they look the other way.... At this moment we don't have enough leverage to encourage people to move. How can you expect someone to agree to move to somewhere like China if they have no incentive whatsoever to do so?" E9

The difficulties involved in attracting staff to international assignments prompted the need to overhaul the way the company had traditionally been managed. A common theme in the FGs was the closure of the company Fagor, perhaps the most iconic cooperative within the Mondragón Corporation.¹

It is precisely this questioning of the prevailing management systems that created the need to overhaul the compensation policy, as well as the actual egalitarian rule on the distribution of rewards.

"Look what happened at Fagor. They thought they were invincible, but they were the first to fall...It's no longer a case of treating everyone in the same way. We have to take the bull by the horns, taking the best that others do and making the necessary changes. Here we confuse fair with egalitarian, and in the end that becomes an obstacle that stops the company doing what it has to do." E4

Within this revisionist context, managers have been attending courses at leading Spanish business schools, where a standard rather than a cooperative view of HRM is assumed, which they are undoubtedly beginning to assimilate. Managers on those courses saw how the cooperative's traditional sense of egalitarianism was associated with obsolete management styles:

"This course opened my eyes. I realized we were swimming against the tide and totally out of step with the market. I even felt embarrassed to talk to the teacher and explain our salary policy... We have a kind of misguided equality. So as not to offend anyone, we stop those who do their work very well from flourishing and contributing everything they have in them to give." E4

¹ As reported in *The Economist*, in an article called "Trouble in Workers' Paradise" (*The Economist*, 9 November 2013), Fagor closed in 2013 after five successive years of losses, with an accumulated debt of 1.2 billion dollars. Its sales had fallen sharply because of Spain's property crisis and low-cost competition from Asia. Even pay cuts of over 20% had not been enough to turn it around.

4.3. Tension between financial and social performance

It is important to note that the need to take a step back from strict equality and adopt a more market-oriented approach on the issue was not viewed with the same intensity and orientation by all the participants. We were able to identify two clearly differentiated groups, although some participants did find themselves somewhere in the middle. On the one hand, there was a group that was more concerned about the cooperative's future competitiveness; this involved members of the management council, HR managers, line managers, and most of the expatriates interviewed. Their main concern was the cooperative's future and its sustainability within a global environment. Unless they were competitive, there would be no future for the cooperative members and their families. This group was prepared to revise and amend the 2008 regulations, which were no longer considered fit for purpose.

The second group, which included some workers with no international experience, as well as the chair of the Governing Council, was much more reluctant to change and make exceptions for expatriates. For them, it was vital to ensure a good atmosphere among members, avoiding systems that 'privileged' some workers over others. For this group, going mainstream meant surrendering their cooperative identity.

Given the democratic nature of the cooperative's decision-making process ("one person, one vote"), it was vital to "sell" the desired change in the compensation system to all the cooperative's members, and especially to the group most reluctant to accept it. The problem was how to do so. One option was to use conventional logic to justify salary differences.

4.3.1. Inadequacy of the conventional way of justifying differences

The idea of singling out one individual from all the others, and thereby justifying a differential treatment in proportion to their contribution, as is normal practice in "typical" MNCs, was widely rejected. This rejection was further reinforced by the cooperative's local nature. This aspect was clearly expressed by one of the members of the management council:

"We've all known each other here since we were kids, and we'll probably spend the rest of our lives together. We have to do everything we can to get on well. That may be why it's not a good idea to call someone a genius and another one a dunce. The idea is to respect each other and avoid any comparisons or conflicts." E10

The collective and cooperative spirit is, by definition, one of this company's hallmarks, and badly suited to the "selfishness" and scarce "sense of solidarity" that many found implicit in an unequal distribution of rewards, which was perceived as an invitation to individualism. As one of the interviewees liked to say, "we are all important here".

The fact of operating in a small community and with a very fine dividing line between private lives and work stood against compensation in proportion to contributions:

"The worst punishment that an employee could suffer here would be to be named 'employee of the month' ... I don't want my kid to come home from school and say: 'Hey dad, how come they say Iñaki's father is so good and not you. Don't they like you?'" FG3.2

Nevertheless, such equality meant that everyone was paid practically the same, which led to problems of attraction. The fact that a member could say no to a posting simply complicated the matter:

"I've always thought that the cooperative spirit and the fact we are all members is a huge advantage. Nevertheless, I can now see that in this case of internationalization, it also creates problems. You can't sack a member for not going, so what many of them do is look around and say: 'Right, if he can't be made to go, neither can I'. It is very difficult to incentivize people to go where no one wants to if they also think that when they get there they're going to have to

make greater sacrifices than the others." E8

4.4. A more "communal" (and less individualistic) understanding of distributive justice

There was, therefore, a clear need to establish differences, but the cooperative's culture operated against them. The answer lay in finding a way of breaking with an egalitarian approach to compensation that nonetheless fitted in with the organization's culture.

The commitment to the organization's corporate social mission was considered the most critical component of that culture. It was also present in all HR areas, and not just in compensation. For example, when we asked the expatriates about their main reason for accepting a foreign assignment, many mentioned aspects of a social nature and of commitment to their organization and community:

"We decide where we are going (what's more it's a collective decision), but above all it's to protect what we have there (i.e., the Basque Country). I accepted this posting to ensure that I can eventually go back and work there, which is my ultimate aim... I want to improve my community socially. And socially does not only involve the people [Basques] and those from the surrounding area working at [the company], but also the entire impact that it has indirectly on the area. So my mission, my duty and my meaning is to ensure that I transform my community socially. Like others, I'll go wherever I have to, wherever we decide to go, while making sure that everything still remains the same at home. Not like many other cases we have in our area." E9

"If someone like me has come here [to the subsidiary in China] it is to ensure that [the company] stays in business and that our children will have a chance to work there. It's not a question of personal gain. I would prefer to be back home with my wife and daughters." FG3.1

Based on commitment as a key component of the culture, a rationale gradually emerged that appeared to be better received when presented to the other groups involved (e.g., workers without international experience in FG3). This rationale can be summarized as follows: 1. There are obstacles to international mobility due to the absence of incentives; 2. If some earned more, there would be fewer obstacles, and competent employees would take up foreign assignments; 3. If they took up foreign assignments, everyone would benefit, including those remaining behind. As one of the managers interviewed in one of the FGs affirmed:

"I don't mind if certain colleagues earn more than I do. What I do care about is when they don't earn more so as not to upset others, as my future and those closest to me may be much bleaker than if they did." FG1.3

That contribution to the collective and to the organization's future is the factor that, as we have already noted, constitutes the main justification for a differential allocation of rewards to expatriates with regard to the cooperative's members. What was appreciated about expatriates was not their results or unique capabilities, but instead a kind of self-sacrifice in their service to the cooperative. More than productivity, achievements, or results, it is that sacrifice in favor of the organization that needs to be valued, and which, as we shall see, became a key component of the expatriation package.

"Although they may not like it, they know they are needed and feel that they cannot let the company down. We should reward their commitment. Those people (i.e., expatriates) are doing something for everyone that nobody else wants to do." FG1.4

4.5. The new compensation system

An alternative and more communal way of justifying differences formed the basis for designing a new and less egalitarian compensation

system. Compared to the initial 2008 system, the new arrangement broke the rule of the 7:1 ratio, destinations were classified more accurately, as were short and long-term assignments, with inclusion of a bonus for contributing to the overall collective project. All these changes, which made global mobility more attractive, were finally accepted and approved by the cooperative's Governing Council.

The new compensation system had three components. The first component was the basic compensation, the fixed pay (the salary at HQ) an employee receives on a monthly basis. The second component of total compensation was the mobility allowance, a bonus for contributing to the cooperative's overall project, which varied depending on whether the assignment was short-term (under 12 months) or long-term (over 12 months). This type of community service was seen as the key performance criterion, being perceived as essentially consistent with the cooperative's corporate mission. Given that the input of this bonus is so intangible, the variation in rewards was not particularly significant. The last component was the "destination allowance", according to whether the host country is rated in the Human Development Index (HDI) as developed or developing. This allowed plotting the percentage of the allowance, which ranged from 20% to 90% of the reference salary, on a matrix in which one axis was the duration of the posting (i.e., under 6 months, between 6 and 12 months, and over 12 months), while the other was the host country's level of development (i.e., very high, high, or medium). The destination allowance also included the benefits that all members of Mondragon cooperatives receive during an international assignment. They include a wide variety of programs: payment for travel, housing, car, insurance, tax advice, and family support. These allowances were the same for all staff, regardless of their position and job category, and were even given to the lowest paid international assignees.

5. Discussion and conclusions

Our findings provide new insight into how cooperative worker members understand and handle the challenge of designing an international compensation system. Table 4 shows the main areas of discrepancy between the conventional way of addressing this challenge (according to the terminology of the interpretive approach, our "pre-understanding"), and that obtained in the cooperative under study here (i.e., our final understanding). To illustrate these discrepancies, we used certain categories (e.g., elitism, equity norm, relative comparisons) derived from prior compensation research (Gomez-Mejia et al., 2014).

The first area of discrepancy refers to the basic way of understanding the challenge. As opposed to the conventional view, which involves supporting the business by meeting multiple and conflicting objectives (e.g., satisfying expatriates' needs and expectations, controlling costs, ensuring equity with local employees, facilitating

repatriation, etc.), the challenge is understood in the cooperative as redesigning the policy so that its organizational identity is respected and upheld. The debates that are normally the focus of attention in the literature (e.g., how can we attract staff to an expatriate assignment without it becoming too costly? How can we avoid a situation of inequity with local staff? How can we ensure the return is not seen as a pay-cut? etc.; see Bonache & Zárraga-Oberty, 2017) are not the ones discussed by cooperative members or even feature on their agendas. Instead, these are dominated by discussions on how to achieve a remuneration policy that while being competitive is still consistent with the cooperative's social mission and (democratic) decision-making process. The tension between financial and social performance, which characterizes a large part of the literature on social enterprises (Audebrand, 2017), also appears at the level of this specific HR policy.

Once the challenge is thus understood, the way of managing it and the decisions adopted are also very different to the conventional approach. An area of discrepancy refers to the desirable degree of differentiation in expatriates' salary conditions. The usual options discussed in this field involve either establishing different compensation conditions for different groups of international assignees –an elitist pay system- or deciding that all international assignees should be entitled to the same compensation plan or system –a uniform pay system (Gomez-Mejia et al., 2014). In conventional firms, an egalitarian approach tends to be the exception rather than the rule. In fact, data reveal how internal differences in expatriates' salary conditions have been growing since the expansion of globalization (McNulty, 2015). As noted, it is now common to encounter different compensation systems for different kinds of expatriates (e.g., key corporate executives, self-initiated expatriates, international assignees on project contracts, one-way transfers), with some systems providing much more advantageous or attractive conditions than others. In our cooperative case, however, there is considerable reluctance to adopt an elitist approach, which is perceived as an attempt to erect barriers between people working together and sharing the same corporate culture and social mission. Indeed, in both the initial compensation system and the one finally approved, all the expatriates, irrespective of their job and hierarchical level, are entitled to similar conditions under a highly uniform reward system. Even the lowest-paid international assignee is offered the standard benefits and allowances.

The yardstick for judging the extent to which expatriates' salary is fair constitutes the third area of discrepancy. This finding was particularly striking, as it clashed with one of the most extended practices in conventional compensation literature, involving the use of the equity norm as the basic (not to say unique) standard for judging the allocation of rewards among international assignees (Chen, Chen, & Meindl, 1998; Toh & DeNisi, 2003). According to this rule, rewards should be proportional to contributions (Adams, 1965; Festinger, 1954). This is the

Table 4
Understanding and managing the challenge of designing a global compensation system.

In conventional firms	In the cooperative under study
The challenge is understood as one of supporting the business by meeting multiple and conflicting objectives (i.e., attract and motivate employees, control costs, avoid inequity perceptions among employees, facilitate repatriation).	The challenge is understood to involve finding a system that combines international business performance with the need to uphold and maintain the cooperative's identity
An <u>Elitist System</u> is adopted	A <u>Uniform System</u> is adopted
Design different compensations systems for different groups of international assignees, some more generous than others	Expatriates of different levels and profiles will be subject to similar salary conditions under a fairly uniform reward system. Even the lowest-paid worker is offered the standard benefits and allowances
<u>Equity norm</u> is applied	<u>Equality norm</u> is applied
Internal differentiation is ethically justifiable in terms of meritocracy: if some international assignees contribute more than others, it is only fair they should also receive more	International assignees (just as any other employee) in a given job should have the same or similar salary conditions, as long as the employee makes at least a satisfactory contribution.
<u>Focus on relative comparisons</u> (of inputs and outputs) across individuals	<u>Focus on absolute comparisons</u> (of the degree of achievement) of the social mission
It is highly likely that these relative comparisons will create problems of inequity (e.g., between expatriate groups subject to very different conditions).	It is likely that this approach will mean that the workforce as a whole will accept exceptions to the equality norm.

rule that justifies the salary elitism mentioned above. If some categories of employees contribute more (knowledge, effort, relations, etc.), then it is only “fair” they should receive more (Roemer, 1998). However, we have seen that the equity norm was not the prevailing rule in our cooperative. By contrast, the cooperative was based on a more communal “equality norm”. According to this rule, all staff (whether domestic employees or expatriates) of a certain employment category should receive similar salary conditions, provided each one recorded a satisfactory level of performance (Gomez-Mejia et al., 2014). It was understood that applying the equality norm was more consistent with the chances of upholding the organization’s corporate social mission.

The fourth area of discrepancy refers to the way of justifying salary differences. As we have seen, the equality norm (in particular, the need to keep to the 7:1 ratio) in the cooperative made it difficult to attract staff for an international assignment. This difficulty, together with other pressures (i.e., the need to compete globally as the only way of surviving; managers’ temptations to go mainstream; the fear of repeating previous failures), ended (not without some resistance) by insistence on the need to move away from the equality norm and improve expatriates’ salary conditions. In view of the cooperative’s democratic structure, the issue was how to justify and “sell” the change to the organization as a whole. This change did not come about by following the logic of equity theory. According to this logic, the way in which people and organizations justify difference is through “relative” comparisons: people compare themselves to one another and judge the extent to which they are treated fairly by comparing the ratios between what they contribute and receive and what others contribute and receive (Adams, 1965; Festinger, 1954). In our study, however, we have seen how relative comparisons run contrary to the cooperative’s collective culture and social environment (i.e., small community, long-term employment, strong mix of personal and professional planes, etc.). As many cooperatives insist, it is not licit to say that some are (relatively) more “important”, “critical”, “scarce” or “valuable” than others. The argument that led to the dismissal of the equality norm and to the improvement of the expatriates’ conditions focused on the “absolute” degree of fulfilment of the social mission. If exceptions to the equality norm are permitted and no change is made to the system, the “absolute” position of the beneficiaries of the company’s corporate mission would be much worse off, as the cooperative would be unable to compete internationally and fulfill its mission. In other words, it is not a question of how (relatively) well-off you are compared to others, but rather how (absolutely) well-off the workforce is as a whole (i.e., present and future workers, including those that are not expected to be deployed on an international assignment).

The study is not without its limitations. The first and foremost refers to its generalization. The study is limited to a single cooperative. Although it is true that the Mondragón Corporation is perhaps the example most mentioned, we do not know the extent to which the results can be extrapolated beyond our case to the overall population of workers’ cooperatives. As the study explains, the Mondragón Corporation’s salary regulations constitute a barrier when attracting staff to international assignments. The fact that other cooperatives may have laxer salary regulations might affect the generalization of our findings. From this perspective, it would be important if future theory-testing studies, making use of a more quantitative cut-off methodology, could tell us the extent to which the case analyzed is truly representative. Second, it is worth noting that even when the results could be generalized, we should continue observing this cooperative to identify whether the way of understanding and managing the global compensation system really upholds and maintains the firm’s identity as a social enterprise, as the cooperative members seem to assume following its approval. Future studies need to analyze the effective impact of the new international compensation policy.

Despite these limitations, we believe the study makes three key contributions. First, the study focuses on a workers’ cooperative, a type of social enterprise that is often overlooked in this field of study

(Audebrand, 2017). Further still, within these, the study goes beyond the most common analyses of structure and organizational culture to focus on their management problems. The study therefore helps to fill an empirical gap involving a little studied topic in a kind of social enterprise that has not been analyzed in great detail either.

Second, and as shown in Table 4, our findings show how workers’ cooperatives understand their management challenges differently to conventional firms and, accordingly, how they adopt solutions that are also unique and original. These unique and unconventional solutions show how the context of workers’ cooperatives –in particular, their democratic nature and the tension between their economic and social objectives- has a critical impact on the way management challenges are understood and handled. The study thus challenges and questions the context-free approach prevailing in the field of international compensation (see Bonache & Stirpe, 2012). Contrary to what is commonly assumed in that literature, there is no single best way of understanding and managing global compensation, nor a single or best way of judging the salary differences between employees. What may be right for conventional firms may not be so for social enterprises. What our study does suggest is the need within the scope of social enterprises to apply the problematization approach (Alvesson & Sandberg, 2011), which involves challenging the assumptions that underpin existing literature and, based on that, generating more interesting theories. We contend that by problematizing some of the basic assumptions in the literature on global compensation, our work is a first step in this direction. Future research may analyze those alternative theoretical developments that are more in tune with the reality and needs of social enterprises. For example, besides equity theory, and its huge influence on mainstream literature, there are myriad other theories on distributive justice (Roemer, 1998). Justice theories of a more social and community nature, such as the one propounded by Rawls (1971), which have been so scarcely applied within the scope of international management (for an exception, see Oltra, Bonache, & Brewster, 2013), may be more at home within the scope of these companies than more individualistic theories such as the influential equity theory. An assessment of this kind is beyond the scope of this study, although it might well guide future research in this field.

The study’s third and final contribution is a methodological one. As noted, there is no consensus on the way of studying the challenges and performance of social enterprises (Mair & Marti, 2006; Mersland et al., 2011). The study adopted an interpretive research design, which is not common in international business research (Lamb, Sandberg, & Liesch, 2011). This choice of methodology has been particularly useful. Rather than accommodating data to preconceived views and explanations, our interpretive approach is the one that has enabled us to discover or uncover original and unconventional proposals for understanding and resolving management problems. It is unlikely that these novel insights would have been revealed by using a more conventional methodology. This suggests that a greater use of the interpretive approach may, following the logic of problematization mentioned above, help to identify solutions and approaches in numerous other topics and management areas that are better suited to the specific needs and contexts of social enterprises.

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