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DRAGONOMICS

A Cooperative Strategy For Economic Transformation In Wales

Frontier Briefing

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Dragonomics

A Cooperative Strategy For Economic Transformation In Wales

A FRONTIER BRIEFING

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The Argument in Brief

Wales should deliberately develop a stronger co-operative sector as a significant part of its economic strategy. Co-operatives offer a legitimate and potentially transformative way to create businesses, increase productive capability and give people a meaningful stake in the prosperity they generate. The economic case should lead: firms must win customers, invest, innovate and earn enough to sustain their activities.

Mondragon demonstrates the scale of the opportunity. Its 2025 reporting records €11.322 billion in aggregate sales, €618.8 million in aggregate net profit and an average workforce of 71,415. It also reports over €200 million devoted to research and development. Co-operative enterprise belongs in the discussion about modern industry and competitive business. [1]

The Welsh opportunity extends from worker-owned manufacturing and knowledge-intensive services to producer-owned processing and shared facilities. Succession is one route into these models; new enterprise and the growth of existing co-operatives deserve equal attention. The opportunity combines stronger commercial performance with member agency and the retention of wealth and decisions in Welsh communities.

The 2026–2030 Programme for Government already promises stronger specialist support and better access to Development Bank finance for co-operative, employee-owned and social businesses. Wales should turn that commitment into a practical route from a commercial opportunity to a well-financed, competently managed enterprise. [2]

THE PROPOSITION

Co-operative development should become a normal, visible and ambitious part of Welsh enterprise policy. Its success should be judged by productive businesses, investment, employment and the value members and communities receive.

Worker co-operatives combine ownership with democratic worker control. Other co-operatives serve producer, consumer or mixed memberships; wider employee ownership does not automatically confer that control. The appendix explains these distinctions. [3][4][5][6][7]

Mondragon shows what co-operative enterprise can achieve

Mondragon, based in Spain's Basque Country, makes the economic case tangible. The Basque Country offers a relevant comparison for Wales: both have established manufacturing industries and face the task of renewing industrial capability through skills, technology and investment. [20][21]

Challenging Misconceptions

Worker-owned co-operatives are often dismissed as inefficient or confined to niche businesses such as organic grocery stores and artisan bakeries. Reporting on a 2019 conference, The New Yorker quoted economist Larry Summers arguing that when workers control firms, "the one thing you do not get is expansion". [30]

Mondragon provides a substantial counterexample. Its businesses span manufacturing, the Eroski retail group, catering and education. In 2025, it reported €11.322 billion in aggregate sales, €618.8 million in net profit and an average workforce of 71,415. It invested €406.3 million and devoted over €200 million to R&D, with around 2,100 people working full-time in research and development. Its innovation network included five technology centres and seven R&D units, with 386 active patent families. [1][25]

Its industrial businesses compete internationally: foreign markets accounted for 73% of industrial sales in 2025. The New Yorker's 2022 account also described subsidiaries in China, Germany and Mexico and contracts with General Electric and Blue Origin. This is co-operative enterprise operating in demanding global markets. [1][30]

From technical education to industrial enterprise

The foundations preceded the first business. José María Arizmendiarrieta established a vocational school in 1943; some of its students later helped establish Ulgor, the industrial co-operative founded in 1956. Caja Laboral followed in 1959. Its business development division helped create further co-operatives, including Copreci, Ederlan and Lana, joining technical capability and skilled people to finance and enterprise development. [23][24][32]

WHY MONDRAGON MATTERS

Mondragon demonstrates that co-operatives can scale, innovate and thrive in competitive markets. Wales should treat co-operative development as an important part of its economic toolkit, capable of supporting ambitious businesses and industrial renewal.

Key Success Factors

Mondragon's development brings together ownership, democratic governance, finance and education. These provide practical lessons for growing a stronger Welsh co-operative sector.

Worker Ownership

Worker-members share ownership, financial returns and responsibility for the enterprise. This gives them a direct stake in its long-term success and a reason to contribute their knowledge to improving the business. Membership is the basis of these rights; the wider group also employs people who are not members. [8][4]

Democratic Governance

Members have equal voting rights, elect governing bodies and decide major questions of business direction. Professional managers retain responsibility for day-to-day operations. Democratic ownership combines member authority with clear management accountability. [8][4]

Financial Ecosystem

Laboral Kutxa, the co-operative bank formed through the merger of Caja Laboral and Ipar Kutxa, is part of this supporting infrastructure. Alongside lending, it contributes part of its profits to co-operative development through the Mondragon Foundation. Finance is connected to the growth of the co-operative network and its productive capacity. [8][31]

Educational Investment

Mondragon University, established in 1997, provides education in fields including engineering, business and entrepreneurship. Otalora develops management and co-operative governance skills. Links between firms, the university and research centres help turn knowledge into commercial innovation. [25]

Wales should connect Business Wales, Cwmpas and the Development Bank of Wales with colleges, universities and applied research centres. Local authority teams, business networks, trade unions and professional advisers should help founders, owners and workforces access this support. Ownership advice should lead directly into finance, skills and growth support.

Mutual support when a business fails

In 2013, Fagor Electrodomésticos, Mondragon's domestic-appliance manufacturer, entered insolvency proceedings and ceased activity. The wider group continued and helped affected worker-members find work. By January 2014, 417 were working in other group co-operatives. This illustrates the value of a network able to retain workers and their skills in productive employment—a relevant strength for Welsh industrial communities. [9][26]

Emilia-Romagna's regional co-operative economy

Emilia-Romagna is a region of northern Italy. Its experience shows how co-operation can become an established part of a regional economy. Its co-operatives operate across manufacturing, food and agriculture, retail, housing and care. The relevance to Wales lies in shared strengths in manufacturing and food production, and the opportunity to connect locally rooted businesses to specialist expertise and larger markets. [21][22][27]

A network that helps businesses compete

The region's co-operative economy is supported by associations, consortia and specialist services. Legacoop Emilia-Romagna combines local branches with sector expertise. Its professional network offers accounting, legal and financial advice, management support and assistance with procurement. Co-operatives can draw on capabilities beyond those available within their own workforce. [27][28]

This is the central lesson for Wales: develop a connected population of co-operative businesses with access to the expertise and commercial relationships needed to grow. Shared support can make ambitious enterprise more accessible to smaller firms and groups of workers or producers.

Greslab shows the regional model in practice

Greslab is a ceramics worker co-operative in Scandiano, in Emilia-Romagna's province of Reggio Emilia. The 2025 fi-compass study describes its worker buyout in 2011 after the previous business failed. The study records growth from 31 members and six employees to 54 members and 30 additional employees, with annual revenues around €20 million. [11][29]

Its recovery combined a sharper commercial focus with finance from CFI and Coopfond and investment by customers in the ceramics district. Skilled workers, specialist capital and local market relationships came together to renew a productive business. For Welsh industrial communities, this is a practical route to retaining expertise and putting workforces in control of future development. [11]

Finance supports the regional network

Italy's national co-operative investor CFI reports investing €58.4 million in 97 worker-buyout co-operatives from 2011 to June 2025. This national finance supports businesses in regions including Emilia-Romagna. Wales should connect acquisition funding, equipment finance and working capital to specialist ownership advice through the Development Bank and its wider business support network. [12][13]

WHY THIS MATTERS FOR WALES

Co-operative development can work at the scale of a regional economy. Connect businesses to one another, to specialist services and to investment so that locally rooted enterprises have the capacity to compete and grow.

Why this matters for Welsh businesses

Co-operative development offers Wales more ways to create and grow productive firms. It can also broaden who owns business assets, who benefits from commercial success and who shapes investment decisions. Three applications deserve immediate attention.

Manufacturing and specialist engineering

Experienced industrial teams hold technical knowledge, production skills and customer relationships that are valuable foundations for enterprise. Worker co-operatives give those teams a route to ownership through new businesses, planned succession and the renewal of existing operations. Mondragon demonstrates the scope for sustained industrial growth; Greslab shows what a smaller workforce can achieve through a buyout. [1][11]

For Welsh manufacturers, the opportunity is to combine continuity of expertise with a stronger stake in long-term investment. Succession can keep a business rooted in its community while giving the next generation of owners the authority to develop it.

Knowledge-intensive services

Software, design and engineering services depend heavily on the knowledge and commitment of their people. Worker ownership gives skilled teams a direct stake in the enterprise they build. French research comparing firms over 2005–2015 found higher productivity among worker co-operatives in knowledge-intensive industries and lower worker departure rates. This evidence concerns worker co-operatives specifically. [10]

These activities offer a promising route for Welsh graduates and experienced professionals to establish firms together, retain expertise and share the value of successful growth. Co-operative development should be part of university enterprise programmes and support for professional start-ups.

Producer-owned processing and shared capabilities

Co-operation also enables independent producers to own capabilities that are difficult to finance alone: processing, equipment, logistics and marketing. South Caernarfon Creameries, a farmer-owned dairy co-operative in north-west Wales, provides a home-grown example. It processes members' milk into dairy products, selling under its Dragon brand and retailers' own labels. The co-operative gives farmers ownership of processing and a route to retail markets, extending their participation beyond the sale of raw milk. [14]

The wider opportunity is to capture more value from Welsh production through jointly owned businesses. Producer co-operatives can strengthen access to markets and investment while members retain their independent enterprises. Here, ownership belongs to the producers; worker co-operatives put ownership and democratic control in the hands of workers.

THE ECONOMIC BENEFIT

The prize is productive businesses with the capacity to invest and grow, alongside a broader distribution of ownership and returns. For Wales, retaining wealth and strategic decisions locally belongs alongside giving members real agency over the enterprises they own.

Welsh policy provides a basis for greater ambition

Co-operative development fits directly with Welsh economic priorities: stronger productive businesses, skilled employment, fair work and community wealth. The 2026–2030 Programme for Government commits to expanded specialist support and better access to Development Bank finance for co-operative, employee-owned and social businesses. This creates a clear mandate for action. [2]

Turn policy alignment into economic development

Productivity and innovation: connect ownership support to investment in equipment, technology and management. Mondragon's experience shows how co-operative enterprise can operate at the centre of an ambitious industrial strategy. [1]

Skills and fair work: give workers routes to ownership and meaningful influence, backed by training in business finance, leadership and democratic governance. Member agency should be part of the economic proposition, alongside pay and employment.

Community wealth: develop ownership that anchors business decisions and returns among workers and producers with a stake in the Welsh economy. This gives communities more influence over the productive assets on which their prosperity depends.

Procurement and business growth: use public purchasing to open opportunities for capable Welsh enterprises, including co-operatives. Help firms develop the capacity to supply larger customers and build a commercial track record.

Make the opportunity visible and accessible

Wales already has specialist capability in Cwmpas and Social Business Wales, covering ownership transitions, governance and business and financial planning. Welsh Government reported 100 employee-owned businesses in November 2025. That broader ownership milestone shows there is a foundation on which to build a more ambitious co-operative programme. [15][16]

Co-operatives should be a familiar option whenever Business Wales, accountants, solicitors, lenders and university enterprise teams advise on starting, growing or transferring a business. Cwmpas should be clearly visible within that route. Its 2026 manifesto calls for a development hub and stronger support for identifying and scaling opportunities. [17]

FROM COMMITMENT TO DELIVERY

Welsh Government should make co-operative development a visible part of enterprise policy, with a clear route through specialist advice, finance, skills and growth support. Existing institutions provide the means to begin.

What should change

1. Make co-operative development a mainstream enterprise route

Welsh Government should give Business Wales and Cwmpas a shared delivery brief for formation, conversion and growth, with an accessible referral route linking ownership expertise to commercial support.

2. Provide finance suited to the enterprise

The Development Bank should assess gaps with specialist advisers and existing providers: member capital, acquisition funding, equipment and working capital. Products should reflect repayment capacity and protect member control. Create a new vehicle only where existing provision cannot meet the need.

3. Develop management and democratic governance together

Cwmpas, colleges, universities and practitioners should deliver practical training in finance, board responsibilities, delegation and membership. Support should continue after formation or conversion.

4. Test a focused portfolio of commercial opportunities

Start with manufacturing, knowledge-intensive services and producer-owned enterprise. Require customer evidence, capable leadership, an appropriate ownership design and a finance assessment before public investment.

5. Measure economic performance and member benefit

Track survival, turnover, value added where available, investment, employment, pay and customer diversification. Record participation separately; compare with suitable peers where feasible and report support costs. Conversion counts alone are insufficient.

Who can act?

Welsh institutions can develop business support, skills and financing programmes within their powers. Company and business-association law, most taxation and substantial financial regulation remain reserved. Overseas statutory models require a separate competence assessment; practical Welsh development need not await wholesale legal reform. [18][19]

Appendix — Understanding the ownership models

A co-operative is jointly owned and democratically controlled by its members to meet shared needs. In primary co-operatives, one member has one vote; elected representatives are accountable to members. Members may be workers, producers, consumers or a combination of groups. Co-operation describes the relationship between membership, ownership and control, rather than one universal business activity. [3][4]

Worker ownership is the point of overlap

A worker co-operative is owned and democratically controlled by its worker-members. Broader employee ownership includes direct shareholding, indirect ownership through a trust, and hybrid arrangements. Direct employee shareholders may have unequal voting rights. Under an employee ownership trust (EOT), trustees exercise shareholder control for employees' benefit; the strength of employee influence depends on the governance arrangements. [4][5][6]

RELATED MODELS, DIFFERENT RIGHTS

Worker co-operative: worker-members own and democratically control the enterprise.
Employee-owned business: employees hold a meaningful stake directly or through a trust; democratic member control is not automatic.
Producer co-operative: producers own the shared business; its employees are not necessarily its owners.

These distinctions matter economically. Member control, financial participation and consultation can affect incentives and decisions in different ways. Evidence about worker co-operatives must be labelled as such; findings about EOT-owned firms or producer co-operatives should retain their own scope. A count of employee-owned businesses cannot be relabelled as a count of co-operatives.

Democratic ownership can support professional management

Members can elect a board and delegate operational authority to managers. Co-operative governance does not require a workforce vote on every commercial decision. The practical design should make decision rights, management responsibilities and accountability clear. [7][4]

Nor does the label establish local benefit. Assessment should ask where members live, where investment occurs, who receives returns and where strategic decisions are taken. Democratic ownership and locally retained value are both objectives; each needs evidence.

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Use of artificial intelligence

Artificial intelligence tools were used in the preparation of this publication as research and editorial aids. They assisted with:

• identifying, cross-checking and corroborating sources and factual claims;

• testing internal consistency, including terminology, evidence strength and, where relevant, constitutional competence;

• improving the structure, clarity and readability of the text; and

• identifying claims or areas requiring further verification.

The selection and interpretation of evidence, analysis, arguments, conclusions and recommendations are those of the author. Sources cited in the publication were checked against the underlying material before inclusion.