

# Mondragon in Cooperative and Economic Context: A Preliminary Analysis of Comparative Economic Performance, Institutional Innovation and Cooperative Controversy

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**mik**

MONDRAGON  
IKERKETA KUDEAKETAN  
INVESTIGACIÓN EN GESTIÓN  
INNOVATION & KNOWLEDGE

**MONDRAGON**



HUMANITY  
AT WORK

Finance  
Industry  
Retail  
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# OUTLINE

- 1. At a glance – what and where**
- 2. Philosophical underpinnings and their implications**
- 3. Mondragon:  $\approx$  3 facts and figures**
- 4. History in 10 words or less**
- 5. Challenges, Crisis and Responses**
- 6. Institutional Innovation**



# AT A GLANCE

- ❑ MONDRAGON = Network of 250+ cooperative enterprises, subsidiaries and affiliates.
- ❑ “Cooperative” = *Worker*-owned, not *user*-owned
- ❑ 11th largest business group in Spain



# CONTEXT

- **The Basque Country (Euskadi)**
- **2.1 million inhabitants**
- **Strong industrial tradition since 16th c, esp since late 19th**





# BASIC PHILOSOPHY

	<i>STATUS OF FACTORS OF PRODUCTION</i>	
	MAXIMUM AUTHORITY	INSTRUMENT
Conventional Company	<b>CAPITAL</b>	<b>LABOR</b>
Cooperative Company	<b>LABOR</b>	<b>CAPITAL</b>



# IMPLICATIONS

1. **Democratic control**
2. **Distribution of surplus** among all worker-members
3. **Egalitarianism**
4. **Participation in** decision-making



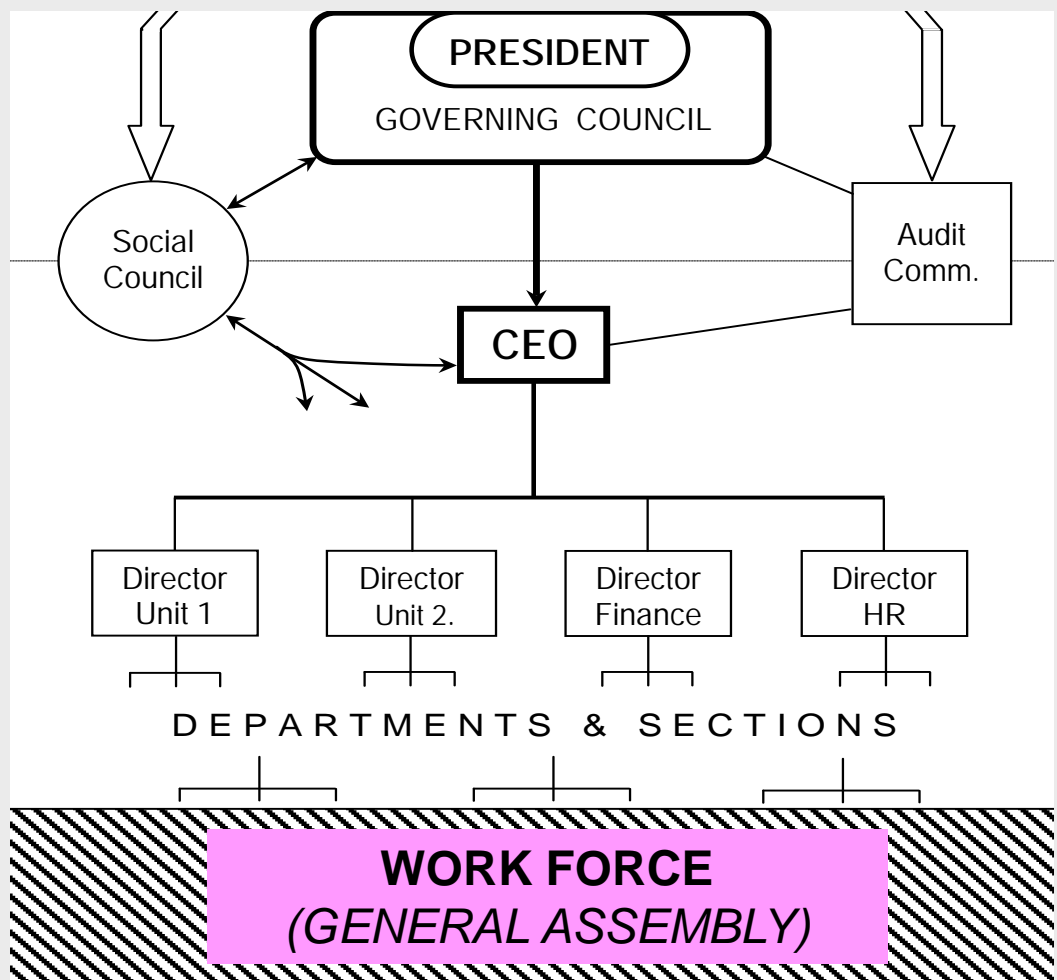
# STRUCTURE of a Mondragon Cooperative Enterprise

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Governance Bodies  
Management Bodies



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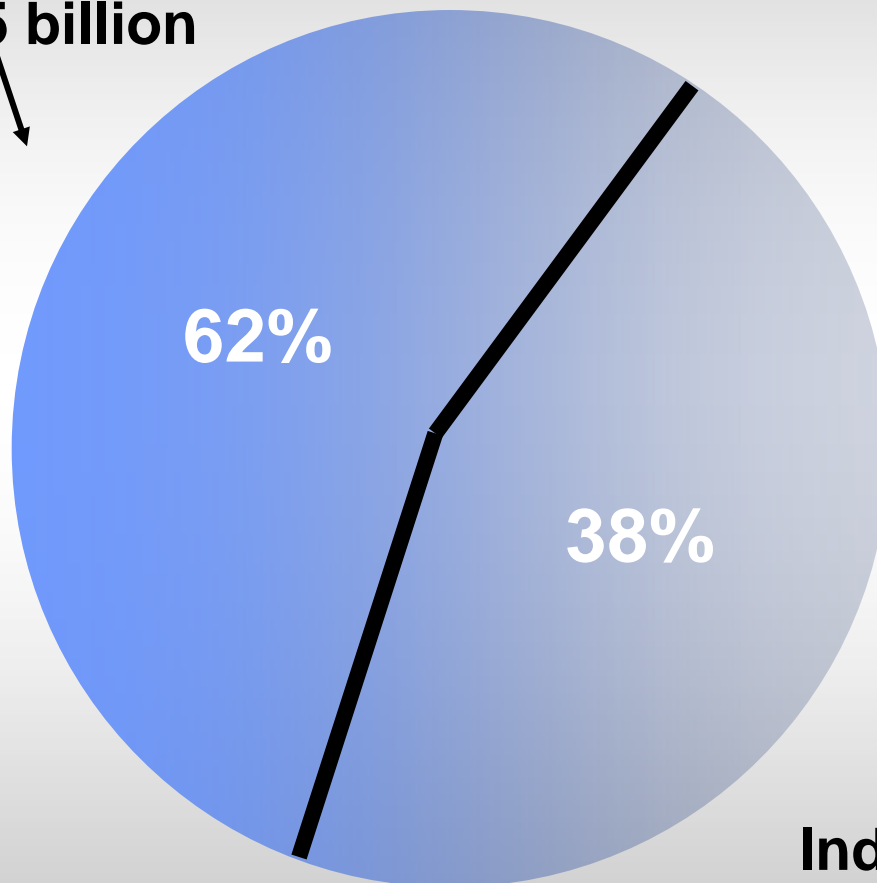
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# The Mondragon Group Today

# Sales, 2009

**13.8 billion €**  
*(retail & industrial only)*

**Retail & Allied Group**  
**€8.5 billion**



**Industrial Group**  
**€5.3 billion**



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# WORK FORCE, 2009

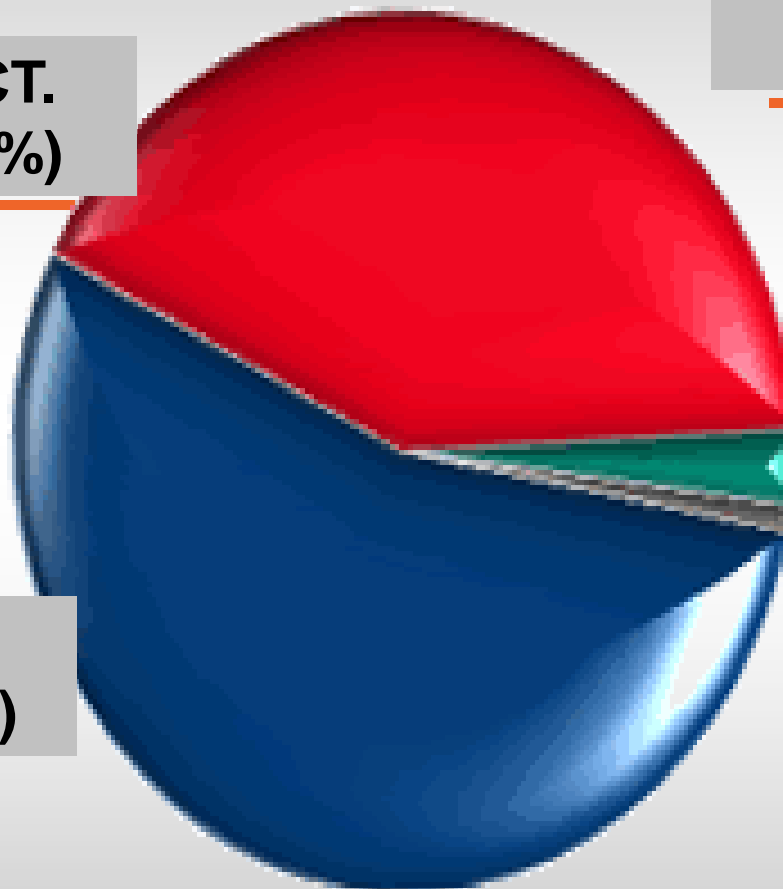


**MANUFACT.**  
36,493 (43%)

**RETAIL**  
44,660 (53%)

**FINANCE**  
2,892 (3%)

**KNOWLEDGE**  
1,021 (1%)

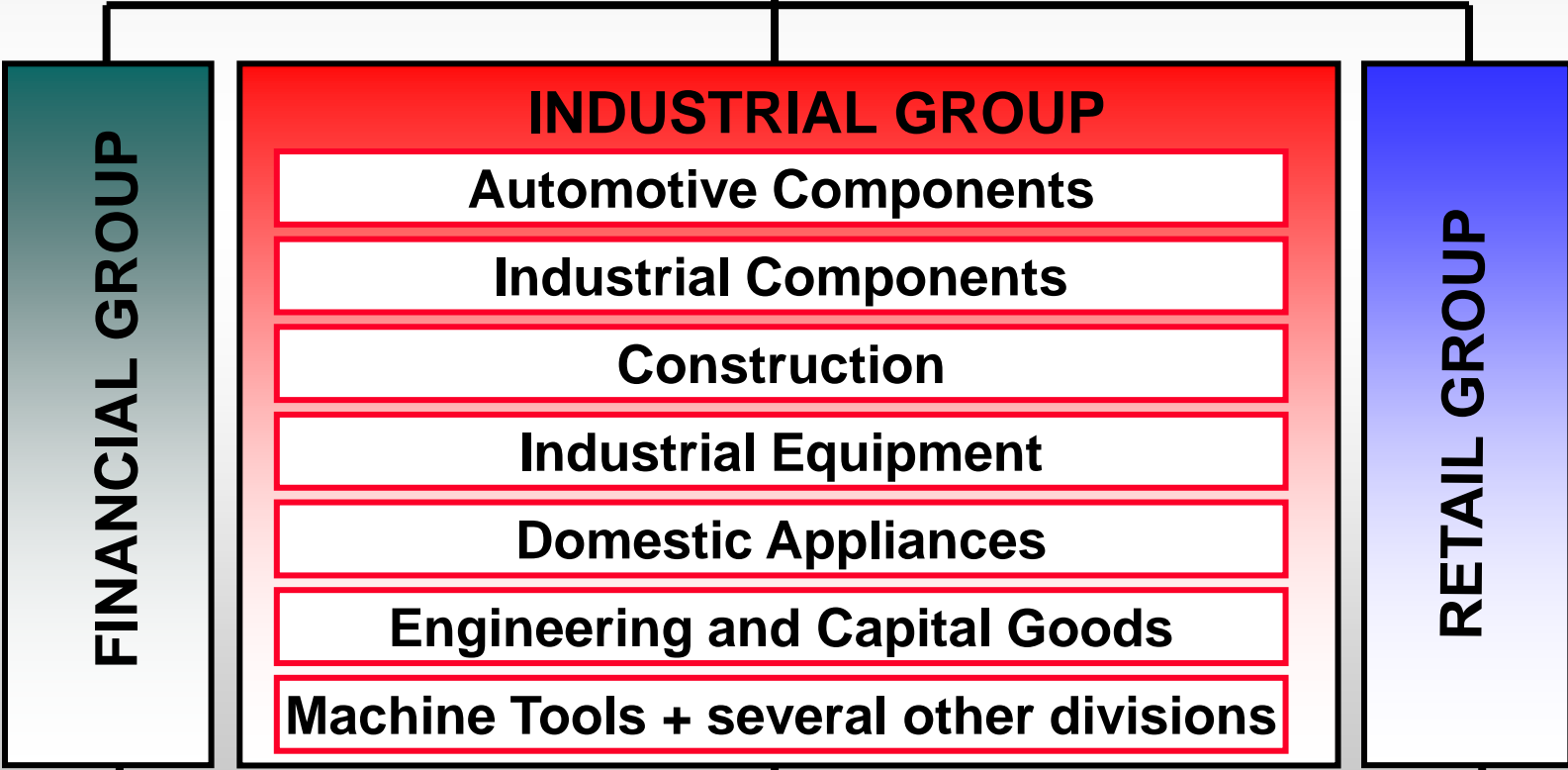


**TOTAL**  
85,066

# MONDRAGON - Network Structure

**CO-OP CONGRESS**  
Standing Committee

**GENERAL COUNCIL**



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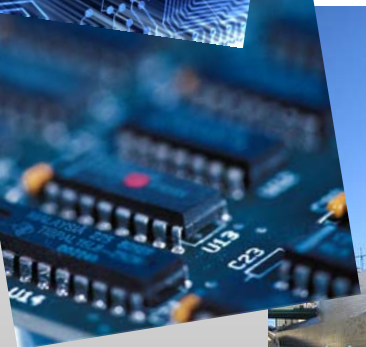
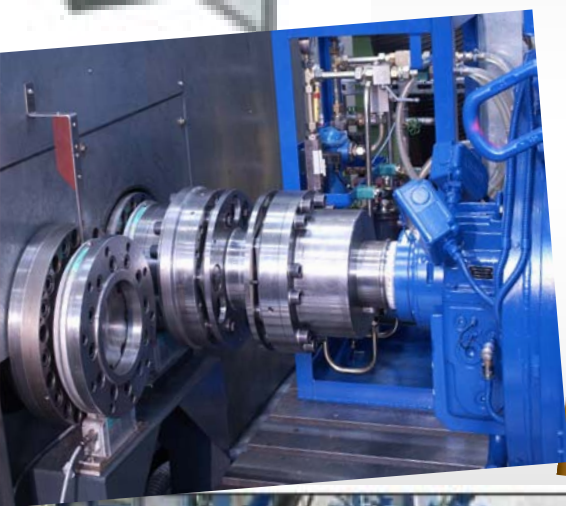
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**Education, Training and Research Centres**



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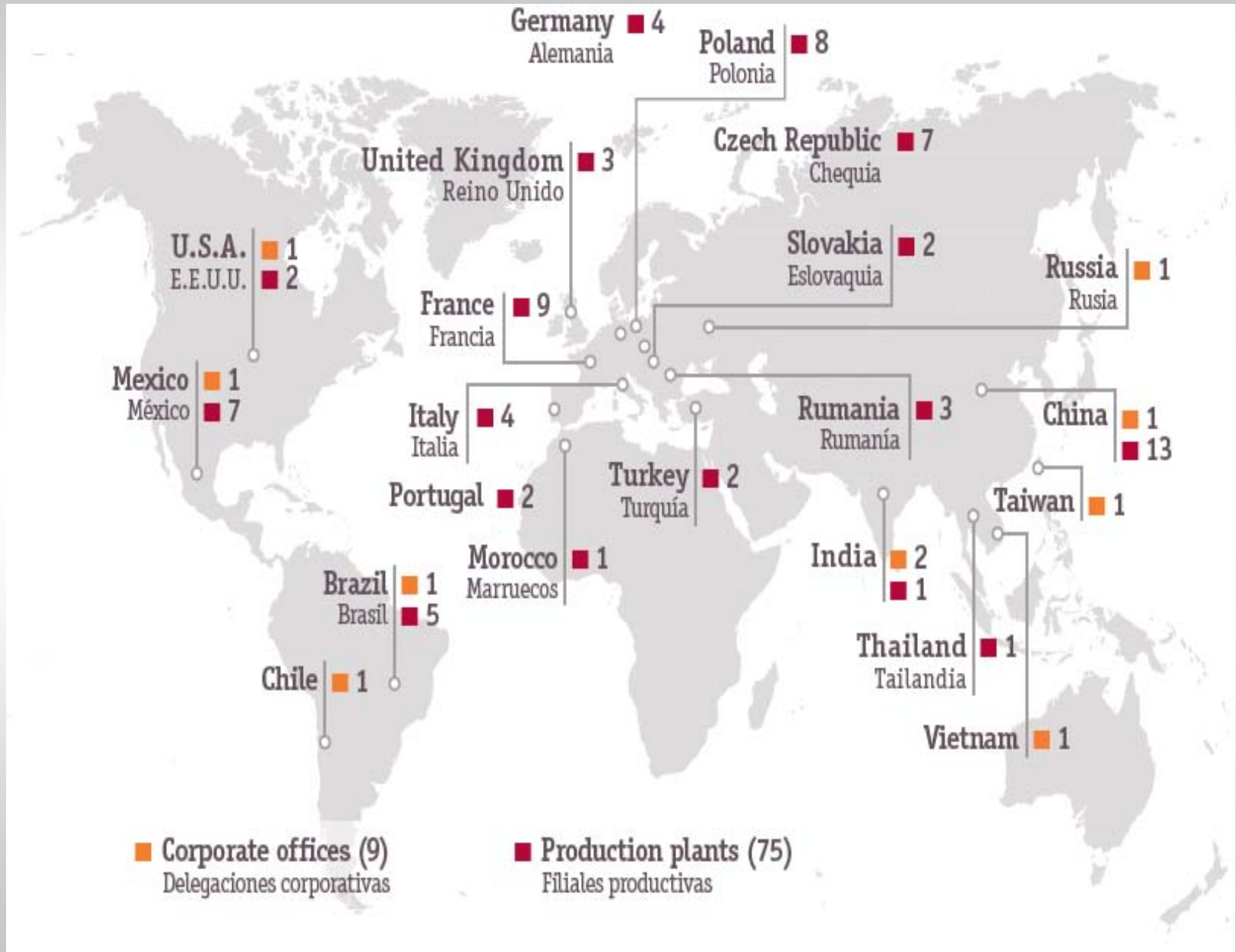
# Mondragon in the World (2009)

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# Brief History



**1500 – 1925: *Industrial tradition, then heavy industrialization—iron, steel, metalworking, shipbuilding, mining***

**1936-39 Spanish Civil War →  
*Destruction, poverty, repression***

**1941: Priest Arizmendiarieta → Mondragon**

- Technical School, 1943
- Other “Education” ... 15 years
- First co-op 1955-56



## Growth+NETWORK: Institution&Policy Innovation (see paper)

- ❑ 1955-59 four new co-ops
- ❑ 1959 Caja Laboral (co-op bank)
- ❑ 1964 Ularco (regional subgroup)
- ❑ 1967 Lagun Aro (soc. sec.), 50+ co-ops
- ❑ 1969 Eroski (retail food)
- ❑ 1974 Ikerlan (technology R&D)
- ❑ 1984 Cooperative Congress, 70+ co-ops
- ❑ 1991 MCC – Sectoral Restructuring / Central Services
- ❑ 1997 Mondragon University ... ETC.



2000's

## **CO-OP RENOVATION**

- The Meaning of "the Experience" → massive initiative (diagnosis + response)
- Participation, Cooperative Ownership Education, Social Responsibility, Other Arenas (*Bagara*)

INTERNATIONALIZATION

+  
**INNOVATION**

- ▶ 12+ R&D CENTERS
- ▶ Innovation ... but NOT JUST TECHNOLOGY ... also (inter)organization, communic, leadership *ETC.*

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# FUTURE CHALLENGES

# CHALLENGES - General



## 1. Globalization

- ❑ Need to “cooperativize” operations, ensure social responsibility ... The “30%” policy.
- ❑ High pressure → broad impact
- ❑ Work and management in other cultures

## 2. Non-member workers (Retail and Manufacturing)

- ❑ Inside co-ops, 20% → 15% MAX
- ❑ In subsidiaries (> 50% total wkfce) ... **BUT** shared ownership + **COOP-ZN in RETAIL**

→ from <50% mem’p to 70%-75%





3. Manufacturing → Services, new sectors
4. Environmental Sustainability
5. Participatory decision-making (in the face of post-modern, consumerist culture)
  - ❑ The management dimension—conventional management “ideology” re costs, profits, style
  - ❑ The front-line worker dimension—work is means not end; in 2nd generation, co-op membership seen less as “activism”
6. Re-creation, reinforcement of “**cooperative identity**” via education, leadership and participation

# THE CRISIS



1. Employment ↓ 10% since 2007; sales, 8%
2. Some manufacturing co-ops, sales ↓ 30%+
3. Two probable firm closures
4. Eroski ↓ in sales, 2008, first time in history
5. Sudden and massive
6. Recovery underway, but slow, un<sup>even</sup>, *wary*



# THE CRISIS - *Responses*



**VOTED ON** – in general assemblies / gov councils

- ❑ Reduced work calendar (year, week, month)
- ❑ Elim or “invest” interest payments on K accounts
- ❑ Pay cuts
- ❑ Early retirements



# THE CRISIS – *Responses (2)*



5. Relocation (policy: members... or 80% wages)
6. Lay-offs of temporary workers (controversy and variety)
7. Central intercooperation funds, cushion losses.
8. Closure of coops, subsidiaries, sales offices



# THE CRISIS – *Controversy*

## Status of workers: MEMBER vs. NON-member

- ❑ Layoffs of non-members first or other measures first?
- ❑ Is 15% maximum too high?
- ❑ How often do co-ops break with 15% policy?
- ❑ Reminder of situation in subsidiaries
- ❑ Dilemmas of cooperative structure...  
solidarity *but undemocratic* vs. democracy  
*but member-centric/unsolidarity*



# *Innovation... is institutional-organizational*

The **COOPERATIVE itself** as a form of biz organization

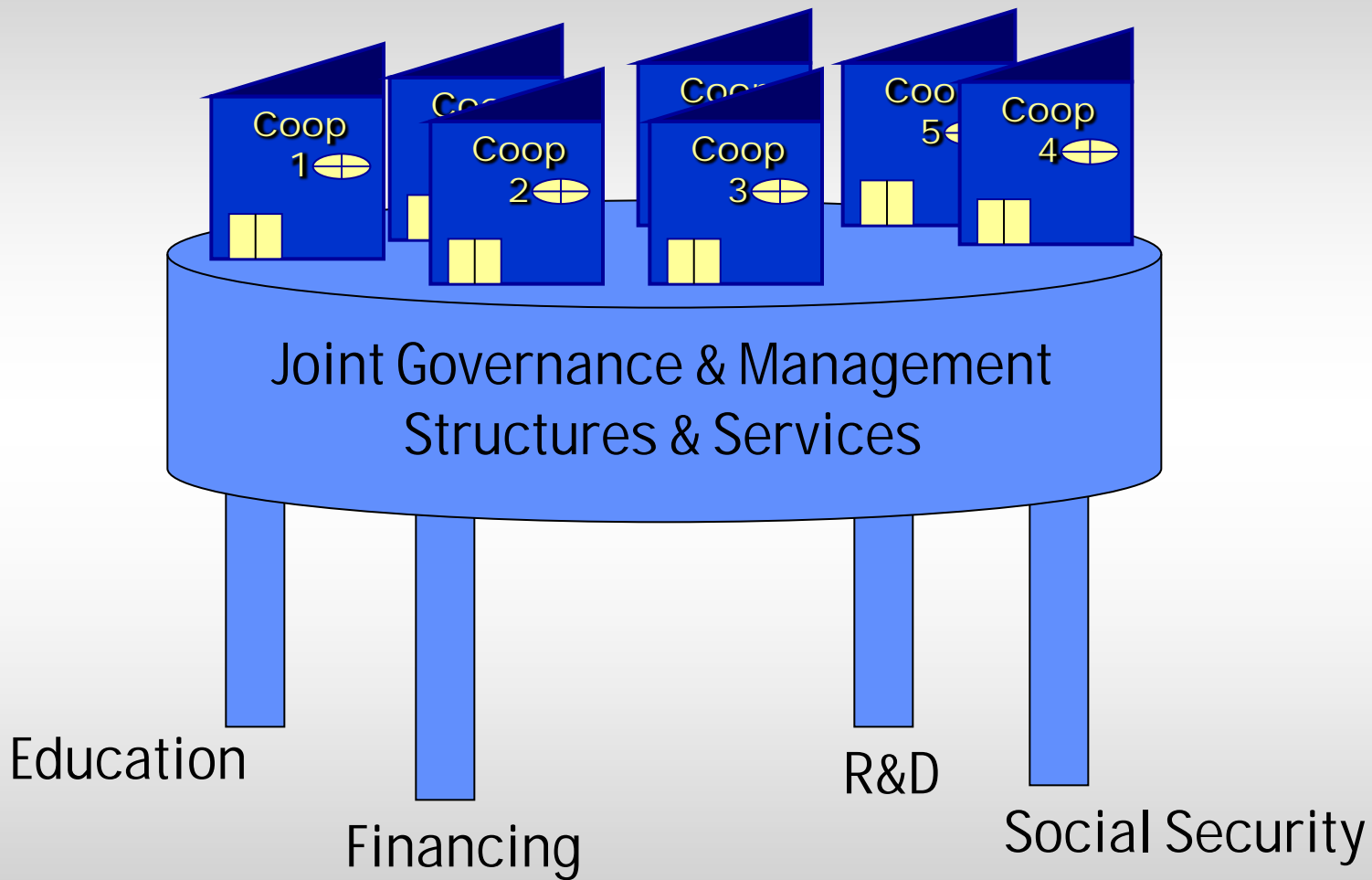
*Economic incentives + cohesion, loyalty, cooperation, sacrifice, effort → biz performance, social outcomes*

## **THE NETWORK & ITS ADAPTABILITY** (see paper)

- Firms **support each other** in good and bad, they **collaborate**: new products, markets, tech, etc.
- They create **organizations in common** to provide essential services
  - Network governance and management
  - Education, Banking/Investment, R&D, Social Security,
- willing to **cede** a part of their autonomy/resources **to strengthen their UNION** (with all of its warts).



# The Network and its components: *The Mondragon Table*\*



\*Idea adapted from Mikel Lezamiz, Otalora.