

Case Study Mondragon



Part 1:

Mission

MONDRAGON is a business-based socio-economic initiative integrated by autonomous and independent cooperatives with deep cultural roots in the Basque Country, created for and by people and inspired by the Basic Principles of our Co-operative Experience. It is firmly committed to the environment, competitive improvement and customer satisfaction in order to generate wealth in society through business development and the creation of, preferably co-operative, employment, which:

Is based on a firm commitment to solidarity and uses democratic methods for organisation and management;

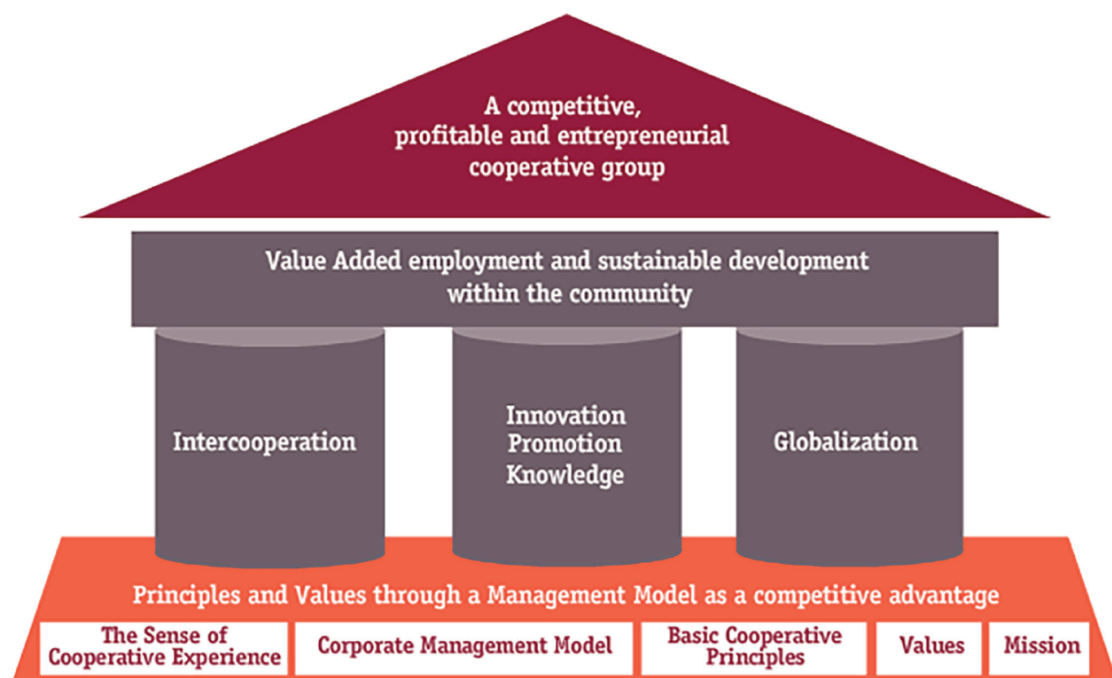
Encourages participation and the involvement of people in the management, profits and ownership of their companies, developing a shared project which brings together social, business and personal progress;

Fosters training and innovation by developing human and technological skills;

Applies its own management model aimed at helping companies become market leaders and fostering co-operation.

Vision

We would like to become committed people, with a co-operative identity who form a profitable, competitive and enterprising business group in a global context; who apply a successful socio-business model, offering the market integrated solutions based on experience, knowledge, innovation, inter-cooperation, strategic partnerships, attracting, promoting and generating talent; and which generates sufficient resources to provide value-added employment and sustainable development for the community.



Values

Co-operation: Owners and protagonists.

Participation: Commitment to management.

Social Responsibility: Fair distribution of wealth.

Innovation: Constant renewal.

(Source: <http://www.mondragon-corporation.com/eng/about-us/governance/mission-vision-and-values/>, downloaded on December 8th, 2016)



Part 2:

10 Basic Principles

1. *Open admission*

The MONDRAGON co-operative experience is open to all men and women who accept these Basic Principles without any type of discrimination.

2. *Democratic organisation*

The basic equality of worker-members in terms of their rights to be, possess and know, which implies acceptance of a democratically organised company based on the sovereignty of the General Assembly, electing governing bodies and collaborating with managerial bodies.

3. *Sovereignty of labour*

Labour is the main factor for transforming nature, society and human beings themselves. As a result, the systematic recruitment of salaried workers has been abandoned, full sovereignty is attached to labour, the wealth created is distributed in terms of the labour provided and there is a will to extend the job options available to all members of society.

4. *Instrumental and subordinate nature of capital*

Capital is considered to be an instrument subordinate to labour, which is necessary for business development. Therefore it is understood to be worthy of fair and suitable remuneration, which is limited and not directly linked to the profits obtained, and availability subordinate to the continuity and development of the co-operative.

5. *Participatory management*

The steady development of self-management and, consequently, of member participation in the area of company management which, in turn, requires the development of adequate mechanisms for participation, transparent information, consultation and negotiation, the application of training plans and internal promotion.

6. *Payment solidarity*

Sufficient and fair pay for work as a basic principle of its management, based on the permanent vocation for sufficient collective social promotion in accordance with the real possibilities the co-operative has, and fair on an internal, external and MCC level.

7. *Inter-cooperation*

As the specific application of solidarity and as a requirement for business efficiency, the Principle of Inter-cooperation should be evident: between individual co-operatives, between subgroups and between the Mondragón co-operative experience and Basque co-operative organisations, and co-operative movements in Spain, Europe and the rest of the world.

8. *Social transformation*

The willingness to ensure fair social transformation with other peoples by being involved in an expansion process that helps towards their economic and social reconstruction and with the construction of a freer, fairer and more caring Basque society.

9. *Universality*

Its solidarity with all those who work for economic democracy in the area of the Social Economy by adopting the objectives of Peace, Justice and Development which are inherent to the International Co-operative Movement.

10. *Education*

To promote the establishment of the principles stated above, it is essential to set aside sufficient human and financial resources for co-operative, professional and youth education.

(Source: <http://www.mondragon-corporation.com/eng/co-operative-experience/our-principles/>, downloaded on December 8th, 2016)



READY TO GO

Part 3/1:

We are committed to helping people develop and generating wealth for society through job creation.

The commitments we take on at MONDRAGON have their starting point in the aspects that make us stand out. These are clearly the responsibility we have for job creation, the personal and professional development of our workers and a commitment to developing our social environment.

COMMITMENTS... **...to the WORKERS**

1. People development

Comprehensive people development is our aim; we advocate training, transparency and participation. Training is one of the keys to our success. Our Inter-Cooperative Education and Promotion Fund aims to promote member training and to support research and technology development.

2. A safe, quality working environment

We take measures to create a safe, quality working environment. Preventive health monitoring and constant attention to workplace safety are our main guarantees for providing our workers with a safe, quality environment. This fact is ratified by the workplace accident rates of the MONDRAGON cooperatives.

3. Workers' Participation and Integration

We get our workers involved in the company project; we promote involvement through our participatory organisation. MONDRAGON works according to a self-management model that encourages people's independence, motivation and decision-making capacity. We also develop suitable mechanisms to encourage the involvement of the workers and we establish consultation methods for decision-making purposes.

4. Wage solidarity

We use a wage solidarity system; we apply a fairer, more equitable wage scale.

To avoid differences between cooperatives, the wage level should be between 90% and 110% of the corporate reference and the workers are paid an amount in line with that of salaried workers from their sectoral and geographical environment.

...to the CO-OPERATIVE MEMBERS

5. Cooperation and Democracy

We promote a cooperative, competitive organisation; we participate in its ownership, management and results, seeking efficiency. The cooperative members' participation as regards work contribution constitutes MONDRAGON's own management model. This management model guarantees people's involvement in the projects, resulting in greater efficiency.

6. Inter-cooperative solidarity

We establish inter-cooperation mechanisms that encourage solidarity between cooperatives.

We produce social and professional training plans for our members and we have a consistent social and labour system. A genuine expression of inter-cooperative solidarity is the fact that the cooperatives contribute part of their yearly surplus to a common fund. This fund is used to finance business projects which, due to their scope or risk, exceed the possibilities of each individual cooperative.



Part 3/2:

7. Preferably cooperative employment

We encourage employment creation, preferably within cooperatives and geared to developing the local environment. MONDRAGON advocates the generation of employment within a cooperative system. In the Industry area 84% of the cooperative staff are cooperative members. The Distribution area implements innovative solutions involving the workers' participation in the company, and it is immersed in an ambitious cooperativisation plan that will affect 100% of its staff.

...to CUSTOMERS and SOCIETY

8. Innovative attitude

Our innovative attitude is the hallmark of our management model, commitment and expression of how we serve society. We closed the financial year 2010 with 144 million euros of investment in R+D+I and with 716 own invention patents. Our innovative stance is channelled through the 14 technology centres and through the cooperatives themselves, which participate in numerous national and international research and technology development projects.

9. Sustainable development

We contribute to sustainable development and environmental protection as an example of efficiency and as a guarantee for the future.

We encourage the development of new future sectors, contributing to transforming the Corporation's industrial fabric, providing wealth for our surrounding environment and added value employment.

10. Promotion of a fair equitable society

We are involved in promoting our surrounding environment, and we aspire to a fairer, more equitable society. Through our own university, the Caja Laboral credit union, the research centres, the foundations and the companies themselves, we respond to our commitment to improving the environments in which we work.

(Source: <http://www.mondragon-corporation.com/eng/corporate-responsibility/commitments/>, downloaded on December 8th, 2016)

Part 4/1:

The Corporate Management Model (CMM)

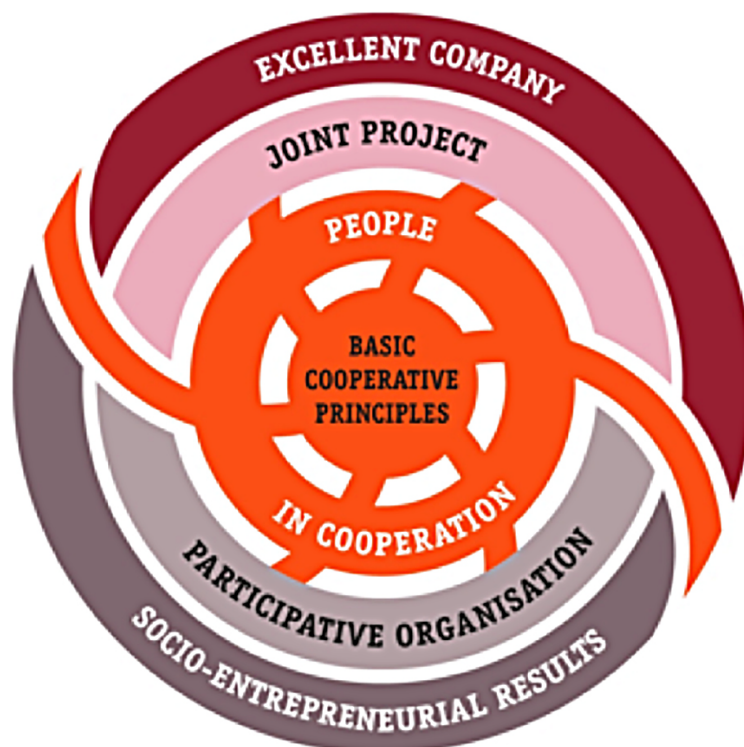
The Corporate Management Model (CMM) can be explained by means of a constantly rotating circular graphic, which aims to express the interrelation between the different concepts it brings together and the dynamism required for it to be put into practice and continually adapted.

The Co-operative Basic Principles are the starting point at the centre of the circle. They provide guidelines of behaviour for People working in Co-operation to put into practice the Co-operative's values. These are the people who are building a Shared Project and have a Participatory Organisation to put it into practice.

But this project is being carried out in a product-market context, with customers, suppliers, partners, etc. in the same environment as its competitors are operating. Although the fact that we are a co-operative offers clear advantages in applying the most advanced management concepts, they have to be put into practice to become an Excellent Company.

The results obtained are the most important point for assessing how effective the application of the CMM has been. There are no excellent companies with poor results. It is therefore essential to have the right dashboard and select the best indicators to check that we are getting good Socio-business Results.

The following pages set out each of these dimensions of the CMM, which make sense in themselves but are also highly interrelated.



(Source: <http://www.mondragon-corporation.com/eng/corporate-responsibility/modelo-gestion/>, downloaded on December 8th, 2016)



Part 4/2:

Wage regulation

At Mondragon, there are agreed-upon wage ratios between executive work and field or factory work which earns a minimum wage. These ratios range from 3:1 to 9:1 in different cooperatives and average 5:1. That is, the general manager of an average Mondragon cooperative earns no more than 5 times as much as the theoretical minimum wage paid in their cooperative. In reality, this ratio is smaller because there are few Mondragon worker-owners that earn minimum wages, because most jobs are somewhat specialized and are classified at higher wage levels. The wage ratio of a cooperative is decided periodically by its worker-owners through a democratic vote.¹

Compared to similar jobs at local industries, Mondragon managers' wages are considerably lower (as some companies pay their best paid managers hundreds of times more than the lowest-paid employee of the company)² and equivalent for middle management, technical and professional levels. Lower wage levels are on average 13% higher than similar jobs at local businesses. Spain's progressive tax rate further reduces any disparity in pay.²

¹ Herrera, David (2004). "Mondragon: a for-profit organization that embodies Catholic social thought." (PDF). Review of Business. The Peter J. Tobin College of Business, St. John's University. 25 (1): 56–68. Retrieved August 29, 2014.

²Vincent Navarro, What About Cooperatives as a Solution? The Case of Mondragon, CounterPunch, 2014.04.30