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## WIKI n°20: Mondragon Cooperatives Governance Model – Spain

The Mondragon Cooperative Corporation (MCC), located in the Basque Country, Spain, is a unique model that stands out for its dynamism, values, and social impact. Its distinctive governance is rooted in cooperative principles, including membership, democratic decision-making processes, and a commitment to social values and objectives, promoting a humanistic model of social economy in its practices and management approaches.

### History of the Mondragon Cooperative Complex

In 1943, following the Spanish Civil War, José María Arizmendiarieta, a Catholic priest and advocate of catholic social doctrine, established a professional and technical school with local support. His vision was based on solidarity, hard work, and mutual responsibility.

In 1956, five graduates of this school founded the first cooperative, ULGOR, which manufactured heating appliances. These founders empowered workers to elect their leadership, establishing the foundation for the cooperative's governance model.

The Mondragon Cooperative Corporation has evolved through four main phases:

- **1956-1960: Christian Reformist Commitment.** This phase marked the formation of the first industrial cooperatives, including ULGOR and D'ARRASATE, creating the nucleus of Mondragon's cooperative network. By 1959, the first multi-stakeholder cooperative, "Caja Laboral Popular," was established as a credit cooperative to support the development of the cooperative movement.
- **1960-1970: Multi-Party Governance:** During this period, the principle of "intercooperation" emerged, fostering formal and substantive collaboration among Mondragon cooperatives to ensure entrepreneurial efficiency. In 1964, the first grouping of cooperatives, "ULARCO-FAGOR," was formed. This era saw significant growth in the number of industrial cooperatives and worker-members (known as socios).

- **1971-1990: Transition to Districts:** To address the challenges of globalization and heightened market competition, the cooperative structure shifted from a centralized model to a district-based one. Districts shared common values to resolve conflicts of interest within the system. In 1991, the Mondragon Cooperative Corporation (MCC) was established as a consultative body, grouping cooperatives by sector.
- **1991 Onwards: Organizational Pragmatism:** The cooperatives began aligning with market rules for procurement and placed a strong emphasis on applied research and innovation. The complex now operates across three sectors: industrial (comprising 70 cooperatives across 7 branches, employing 18,000 workers), distribution, and financial services (banking, leasing, insurance) with 1,500 employees.

### Organizational structure of the Mondragon Corporation

The Mondragon Corporation governance structure follows an "inverse conglomerate" model, with a bottom-up, democratic approach. Decision-making emphasizes communication, negotiation, and mutual understanding rather than top-down control. Authority resides at the base, with individual cooperatives and their worker-members.

The cooperative structure comprises the following bodies:

- **General Assembly:** The highest authority in the organization, composed of all cooperative members.
- **General Council:** Meets at least annually to vote on major issues, elect an internal board of directors (Council of Governors), and appoint the cooperative's general manager. It provides strategic direction.
- **Supervisory Board:** A "Permanent Commission" comprising 16 elected members representing the nine divisions of the cooperative.
- **Audit Committee:** Elected by the General Assembly, it ensures proper management and adherence to statutes, rules, and regulations.
- **Social Council:** Advises the Board of Directors and the General Council while facilitating multidirectional communication among members and governing bodies.

Mondragon's enterprises are organized into four main sectors: industry, retail, finance, and knowledge. Each division operates with its own representatives, democratic governance bodies, and designated management structures. The group is overseen by the Mondragon Cooperative Congress, which comprises 650 representatives from all cooperatives within the group.

The Mondragon governance model ensures transparency in decision-making, management, and accountability to all members. Unlike traditional worker cooperatives, Mondragon balances individual and collective interests, as well as those of management and workers. Success is measured primarily by the workers satisfaction rather than solely by financial capital.

## Key success factors of the Mondragon Cooperative Corporation:

The success of the Mondragon model is attributed to a number of factors:

- Cultural and Traditional Foundations. The Basque Country's cultural values of solidarity and collective action foster resilience and adaptability.
- Social Cohesion: Individualistic culture is absent, with actors prioritizing shared economic, social, and educational growth while avoiding exploitative practices.
- Democratic organization: Governance bodies operate on the principle of "one member, one vote," ensuring equality in access to knowledge, ownership, and self-development.
- Labor Sovereignty: Employee ownership symbolizes progress and wealth creation, empowering workers to contribute to cooperative development.
- Solidarity Economy: Core values of cooperation, participation, social responsibility, and innovation drive the model.
- Social Transformation: A significant portion of surpluses is reinvested in community-oriented funds and development initiatives, such as the Education and Cooperative Promotion Fund.
- Wage Solidarity: The principle of "wage solidarity" with a sharing of earnings within the cooperative society is a key initiative for creating and maintaining equality. This foundation is based on a permanent vocation for collective social promotion. Wage disparity is limited; the highest-paid member cannot earn more than 4.5 times the lowest-paid member's salary.
- Participative management: Workers are actively involved in decision-making processes, with a focus on flattening hierarchies, fostering flexible structures, training personnel, and ensuring transparency. This promotes self-management.

Finally, investing in human capital is central to Mondragon's strategy, ensuring long-term resilience and sustaining economic, financial, and social performance.

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