

mik

MONDRAGON
IKERKETA KUDEAKETAN
INVESTIGACIÓN EN GESTIÓN
INNOVATION & KNOWLEDGE

Building Red-Green Alternatives: Can “The Commons” Challenge Neo-Liberalism from Below?

International Transform Conference
Copenhagen, Denmark
March 18th, 2017


MONDRAGON
UNIBERTSITATEA

ENPRESAGINTZA
FAKULTATEA
FACULTAD DE
EMPRESARIALES

The Commons in the Core Economy: POTENTIAL CLUES FROM THE MONDRAGON COOPERATIVE EXPERIENCE

Fred Freundlich

MIK – Mondragon Innovation & Knowledge

Faculty of Business,

Mondragon University

MONDRAGON



HUMANITY
AT WORK

Finance
Industry
Retail
Knowledge

A horizontal lathe *(used to build the Copenhagen metro)*. An example of “The Commons” in the core economy



DANOBATGROUP



Another example of The Commons in the core economy



A solar hydraulic pump... more of “The Commons” in the core economy.



The Commons ... things of significant economic value...

- Held “*in common*”, their **control** and **economic value** broadly shared
- Use mainly for the common good and **not for private gain**

MONDRAGON might offer clues about how to move toward The Commons in the core economy.



1. AT A GLANCE



❑ MONDRAGON today...

- Network of approx **101 / 120** cooperative enterprises (+ 128 subsidiaries / affiliates) in 4 broad areas (manufacturing, retail, finance, knowledge)
- **74,000** work force, > **€11.3 billion** revenues
 - ❑ “Cooperative” = **WORKER**-owned, not *user*-owned

Key Clues Mondragon might offer...

1. BROAD WORKER-OWNERSHIP

Worker co-ops CAN. Any product or service



2. INTERCOOPERATION

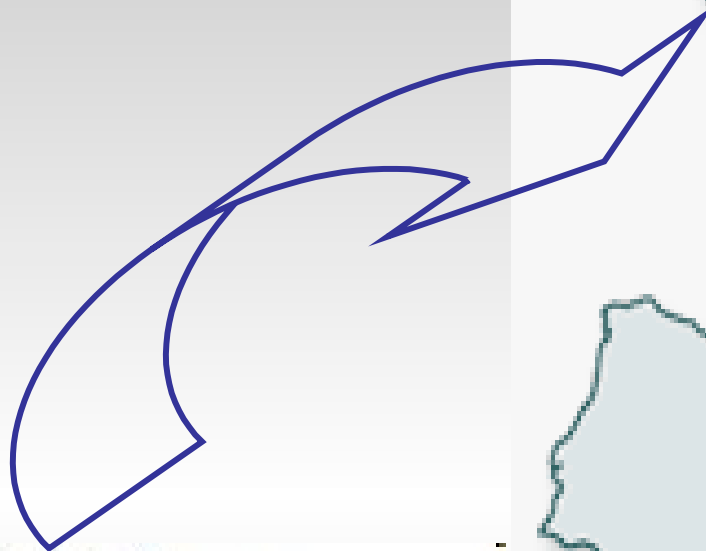
an integrated network of companies

3. BUSINESS AS AN ARENA FOR SOCIAL CHANGE

The Commons in the Core Economy

mik

BACKGROUND



Mondragon ...
the Basque Country
of Spain

BACKGROUND

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

A priest arrives just after Spanish Civil War, 1941.

Arizmendiarrieta

- School, 1943. Education.
- First cooperative company, **1955-56**



BACKGROUND – A Values Project

Not an economic project initially, a **VALUES** project
Catholic thought → economy → in THE ENTERPRISE

- **HUMAN DIGNITY, BASIC FAIRNESS**
- **HARD WORK.** (Work transforms...)
- **COMMUNITY, SOLIDARITY, MUTUAL RESPONSIBILITY with INDIVIDUAL ACCOUNTABILITY**
- **COOPERATION, SHARED WEALTH**

Sounds a lot
like THE
COMMONS

PROGRESS PRIDE INTEGRITY SUPPORT
ACCOUNTABILITY TEAMWORK TRUST
RESPECT COURAGE LEADERSHIP DIVERSITY
HONESTY PASSION COMMUNICATION
INTEGRITY COMMITMENT RELIABILITY
QUALITY PERFECTION VISION PROGRESS CAPABILITY
POTENTIAL EXCELLENCE OPENNESS

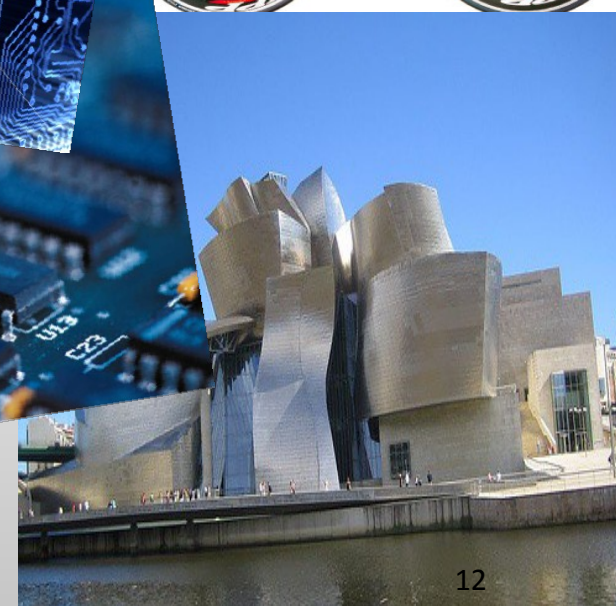
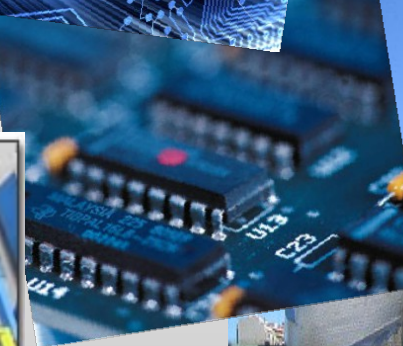
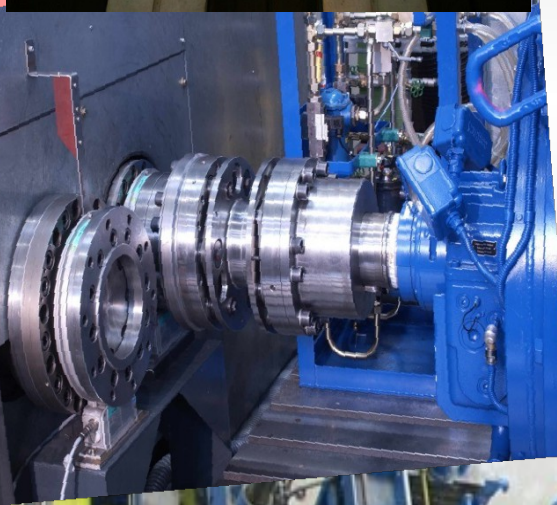
VALUES

1. AT A GLANCE



❑ MONDRAGON today...

- Network of approx **101 / 120** cooperative enterprises (+ 128 subsidiaries / affiliates) in 4 broad areas (manufacturing, retail, finance, knowledge)
- **74,000** work force, > **€11.3 billion** revenues
 - ❑ “Cooperative” = **WORKER**-owned, not *user*-owned



mik




LABORAL
kutxa



 **LAGUN ARO**
SEGUROS




MONDRAGON
UNIBERTSITATEA

ENPRESAGINTZA
FAKULTATEA
FACULTAD DE
EMPRESARIALES



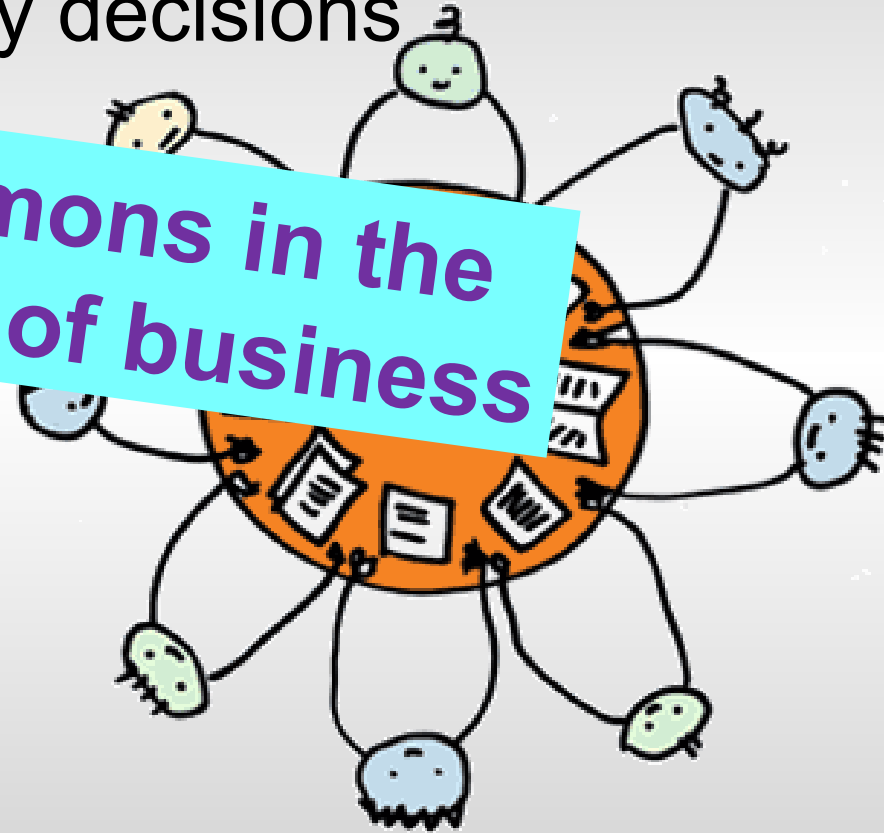
***Worker-owned,
cooperative =***

***Three
CORE PRINCIPLES***

CORE PRINCIPLE (1)

Democratic governance + widespread participation in daily decisions

**The Commons in the
CONTROL of business**



**With clear understanding of
roles and expertise**

CORE PRINCIPLE (2)

Distribution of profits among all employees



**The Commons in the
DISTRIBUTION OF WEALTH
created by business**

**With clear understanding of imp of
INVESTMENT**

CORE PRINCIPLE (3)

Egalitarianism – *In business policy, practice, work relations*

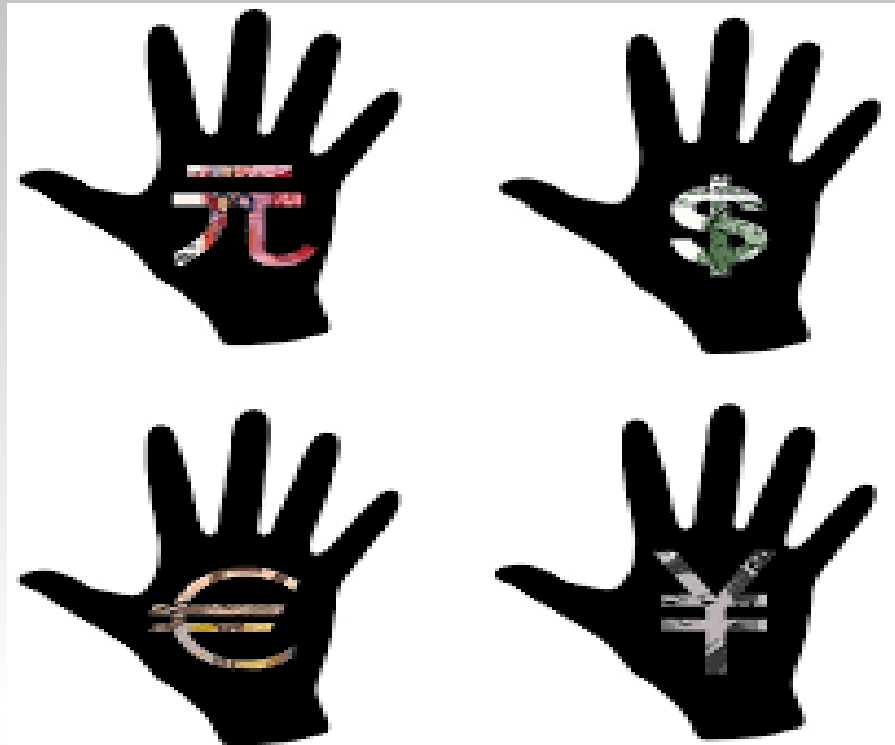


**The Commons in
DAY-TO-DAY
WORK AND MANAGEMENT**

**Balancing ownership *rights* &
ownership *responsibilities***

LABOR HIRES CAPITAL

*Not the other way
around*



CAPITAL IS A TOOL that the workers use to meet their goals as a “commons enterprise”... contributing to an egalitarian distribution of wealth and income... and to social/community cohesion, *especially* when the co-ops are linked together.

STRUCTURE of a Mondragon Cooperative Enterprise



ENPRESAGINTZA
FAKULTATEA
FACULTAD DE
EMPRESARIALES

GENERAL ASSEMBLY
(WORK FORCE)

WORK FORCE
(GENERAL ASSEMBLY)

WHY SUCCESSFUL?

Because THE COMMONS is **INSIDE** the Enterprise **and AMONG** ENTERPRISES

- Broad **WORKER OWNERSHIP**
- ***THE NETWORK: intercooperation... close collaboration and support among co-ops in the group***



WHY SUCCESSFUL?

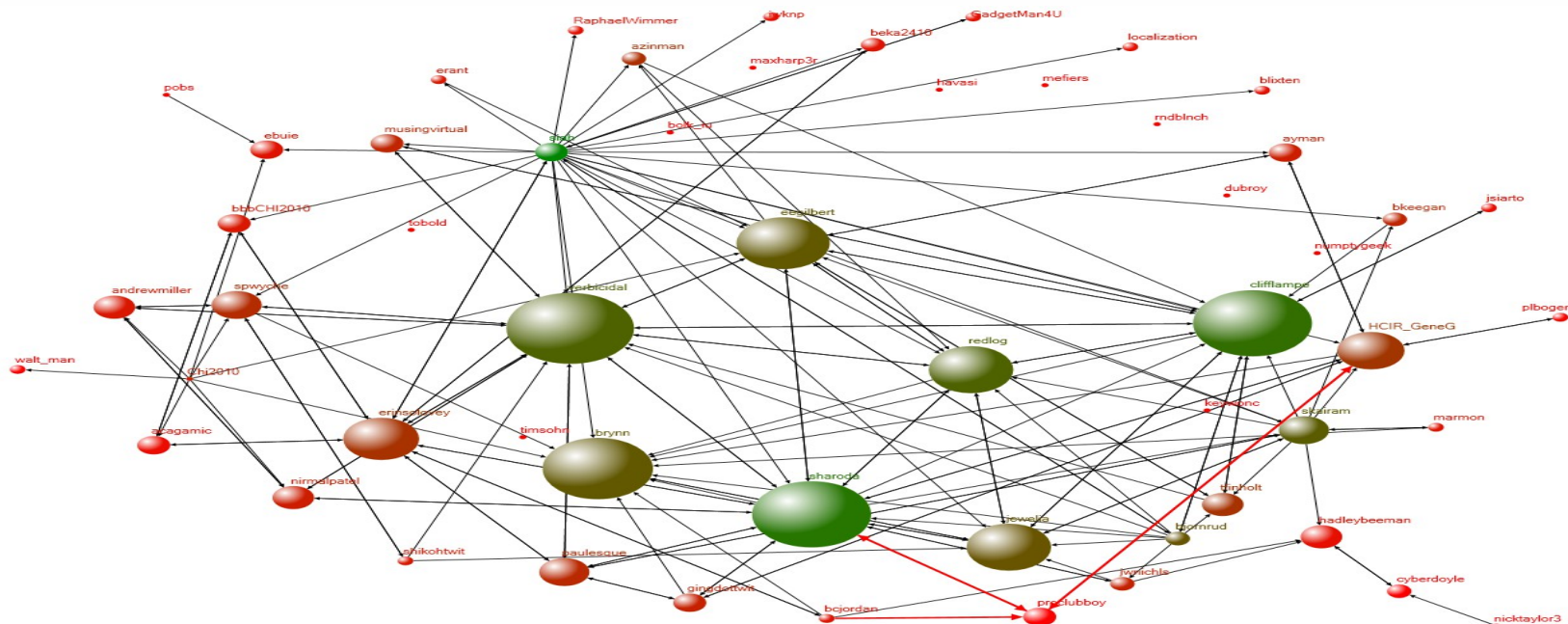
- **Broad WORKER OWNERSHIP**
 - Cohesion / Trust → Collaboration + Commitment
 - Socio-Economic incentives → results
 - Innovation ↑
 - Service ↑
 - Productivity ↑
 - Waste ↓
 - Etc.



INTERCOOPERATION among co-ops

The NETWORK as *Strategy*

Mondragon's key *social innovation* and reason for its success



ALSO

... some unique*

- Education – formal, informal
- Serious about business (w/o biz, no social innovation project)
- Pragmatic, adaptable
- Value-based leadership, willing to sacrifice \$
- **NOT** Basque - Martian culture



Now back to INTERCOOPERATION

*Charismatic leader(s), favorable economic environment, dictatorship that unified

INTERCOOPERATION

The Key to The Commons in the Core Economy

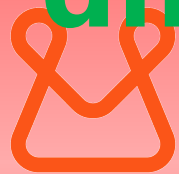


mik

INTERCOOPERATION

Strength in Numbers.

Doing things together that are
difficult or impossible to do alone



NETWORK: **2** PURPOSES

**1 Build
Institutions
in Common**



2.

**Co-op to Co-op
Synergies**

1+1=3

or ...1+1=



or



NETWORK: 2 PURPOSES

- **Build institutions / policies IN COMMON** to provide essential services not readily available to co-ops in the market. All co-ops contribute, all benefit.
 - willing to **sacrifice a part** of autonomy / resources for strength in **UNION**.
 - "WHAT GOES AROUND COMES AROUND"
- **Firm-to-Firm SYNERGIES**. Facilitates co-ops working together, looking for economies of scale, synergies, support (new business, new technology, internationalization, etc.)

WHILE MAINTAINING THE AUTONOMY OF
THE INDIVIDUAL COMPANIES

The Network, examples (1st purpose)

Institutions in Common

- **Bank** (Laboral Kutxa Caja Laboral. CDFO, then co-op bank)
- **Venture Capital Fund** (Mondragon Inversiones)
- **Social Security** (Lagun Aro, health insurance/pensions)
- **University, Vocational schl, Contin. ed/training**
- **Central Departments** (Strategy, Internationalization, Finance, Innovation & New Business, HR, etc.)
- **Divisional management / coordination**

Policy in Common

- **Member Transfer** (re-employment not un-employment)
- **Profit-pooling (Divisions)**



Network, examples (2nd purpose)

Firm-to-Firm Business Collaboration

- **R&D** - 15...Ikerlan, Maier Technology Centre, Eortek)
- **DANOBAT Group** – common brand, marketing, sales
- **ATEGI** – joint purchasing portal (telecomm, utilities, etc)
- **CITY CAR** – Electric vehicle technology development
- **MONDRAGON HEALTH** – Health business platform
- **OSARTEN** – Health, safety and well-being
- **MULTI-FOOD**, joint venture Eroski-Auzo Lagun
- **KUNSHAN** – Industrial Park/Support Center, Shanghai
- **Etc.**



MONDRAGON
The Network

COOP CONGRESS
..... **PRESIDENT**
Standing Committee

Central Dpts.
(Int'l, Strat Pl, Fin, Nw Biz)

President (CEO)
GENERAL COUNCIL

Indiv. co-ops

Grps &
divisions

FINANCIAL AREA

INDUSTRIAL AREA

Automotive Components

Industrial Components

Construction

Industrial Equipment

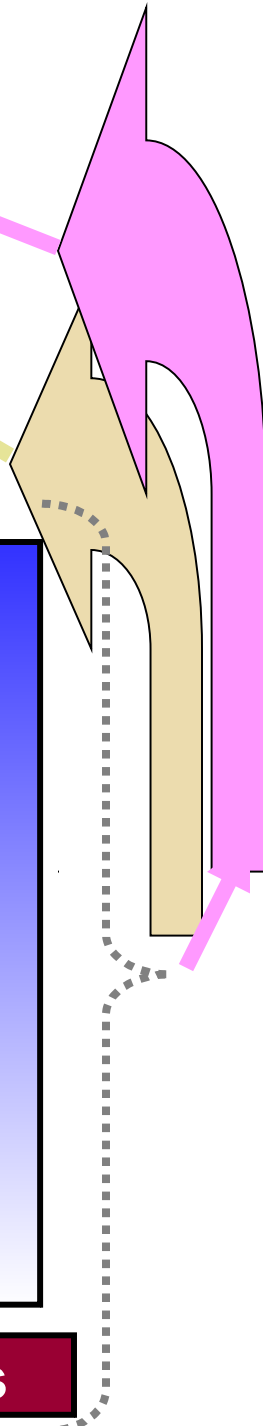
Home Products

Engineering and Capital Goods

Machine Tools + several other divisions

RETAIL & ALLIED AREA

KNOWLEDGE AREA: Educ, Training & Research Centers



Network Relations

Governance – MONDRAGON AS A WHOLE

- **Mondragon Cooperative Congress** (*roughly Gen Mtng*)
 - 650 representatives, all co-ops. Meets every 2-4 years
 - Mission. Values/Principles. Basic rules, policies. Strategy
- **Standing Committee** (*roughly Board of Directors*)
 - 21 members, all Areas and Divisions represented, indirectly in proportion to size. Chooses its Chairman (called “President”) from among its members
 - Monitors performance of whole corporation and of senior management. Develops monitors mission/values/principles
Developes strategy with senior managers
 - Selects CEO of Mondragon (called “President of the General Council”)



Network Relations

Management – MONDRAGON AS A WHOLE

- **General Council**
 - 13 members. CEO (“President”) selected by Standing Committee + Vice Presidents/Dir of largest Groups/Divisions + Directors, Mondragon Central Dpts.
 - Responsible for day-to-day, month-to-month management, implementing strategy, coordination, synergies
 - **NOT A TRADITIONAL EXECUTIVE BODY.** Co-ops are autonomous. GC members have substantial authority, but relations are negotiated-consultative.

GOVERNANCE / MANAGEMENT STRUCTURES
repeated at Area & Division Levels



MONDRAGON
UNIBERTSITATEA

ENPRESAGINTZA
FAKULTATEA

FACULTAD DE
EMPRESARIALES

mik



WetheOwners

Employees Expanding the American Dream



(1)
**Broad-based
worker
ownership →
Cohesion,
shared R&R**

(2)
**The Network →
Mutual
Support
&
Synergies**



m
MONDRAGON
UNIBERTSITATEA

ENPRESAGINTZA
FAKULTATEA

FACULTAD DE
EMPRESARIALES



(3)

The Enterprise as terrain for building The Commons ... but only if... a story:

**“If we want an economy based on
democracy, human rights and
sustainability...**

**...then, sooner or later, we will
have to create enterprises based
on democracy, human rights and
sustainability.”**



Thank you

Eskerrik asko