

An ethical business democracy

Jesús Catania, Mondragón Corporación Cooperativa

The Mondragón group currently provides employment for 72,000 people distributed in 210 industrial, financial and distribution companies, as well as a number of research and education centres (including a co-operative university). There is a significant international dimension to its industrial activities, with foreign sales accounting for more than half of total sales and 48 production plants set up in 14 different countries.

The business culture of the Mondragón group is based on co-operative principles and reflected in its mission, which features an inherent commitment to solidarity, democratic governance and organisation, worker ownership, the promotion of workers' personal and professional development, job creation and community. The group applies its own management model, integrating the most advanced management systems into the specific context of the co-operative movement.

In contrast with the corporate scandals of recent years that have harmed small shareholders, and the abuses of power by top executives who have not hesitated to award themselves millions in compensation despite poor management and losses, the Mondragón co-operatives are characterised by the twin values of good management and transparency. These sit naturally with the functioning of their profoundly democratic and participative governing bodies, whose mechanisms enable workers to play a truly leading role in the overall business project.

Our system is not based on the model of a large holding company that imposes its power and rules. The grassroots co-operative enterprise is the basic model of our corporate structure, with total autonomy in terms of management. The group was not set up on a top-down basis. On the

contrary, it is based on the upward delegation of power for co-ordination tasks and the search for synergies between co-operatives. Annual general meetings of our co-operative enterprises include all members; operating on the principle of ‘one person one vote’, they exercise full sovereignty. The governing council of a co-operative enterprise is elected at the annual general meeting and is the ultimate representative body for management, the selection of a managing director standing out as one of its main functions. The managing director is the co-operative enterprise’s chief executive, as far as business functions are concerned.

Worker-members therefore have the final say on governing bodies, which are accountable to them in terms of management and decisions. This involves the acceptance of a code of ethics, transparent management and a free flow of information, communicating a true picture of operations and results to our workforces, customers and society in general.

The fact that the group’s employees are also its owners is not the only reason for our success—in business management it is difficult to establish a single cause–effect relationship, as there are so many variables involved. But the fact is: many of our businesses have achieved top positions in the markets in which they operate. Numerous external prizes have been won for excellent management and the Mondragón group as a whole has maintained continuous growth in sales and job creation since it was set up.

Beyond our own co-operative environment, there is increasing insistence on the benefits derived from worker participation in a company’s decisions. This, at least, is what well-known business writers such as Thomas W. Malone seem to be indicating as a future trend. In his recent book, *The Future of Work*, he stresses the importance of democracy as a competitive and cost-saving factor. Mondragón Corporación Cooperativa is mentioned as ‘a spectacular example of a democratic enterprise, whose model will possibly be copied by other companies’. I am convinced that our democratic and participative model is the best guarantee of our future success as a business.

Reference

Malone, T.W. (2004) *The Future of Work: How the New Order of Business Will Shape Your Organization, Your Management Style, and Your Life* (Boston, MA: Harvard Business School Press).

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On the verge of its 50th anniversary, Mondragón Corporación Cooperativa (MCC) is a unique example of development based on co-operation. From its origins as a vocational training college and a small domestic appliance factory, Mondragón has gone on to become the leading business group in the Basque country and the seventh largest company in Spain.

