Democracy, Cooperation and Business Success: The Case of Mondragón Corporación Cooperativa

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ABSTRACT. Are democracy and success compatible in a business organization? In this work we show how Spain's *Mondragón Corporación Cooperativa* (MCC) has made it possible. MCC can be considered the world leader in cooperativism. It is one of the few contemporary business organizations that can be viewed as a democracy, and it represents a unique experience in the use of democratic and participatory methods in management. MCC has developed its own Management Model based on its cooperative principles, on modern management practices and on the cutting edge experiences of the most advanced companies. In this work we analyze the key elements of MCC's democratic management model, developed around aspects such as corporate culture, organizational structure or human resources. We also look at the case of Irizar, a component cooperative of MCC internationally known for its successful management model. Finally, we outline some practical implications of introducing democracy into organizations, drawn from the experiences of MCC and Irizar.

KEY WORDS: co-operation, corporate culture, democracy, human resources, organizational structure, participation, strategy

Are democracy and success compatible in a business organization? The Mondragón cooperative experience

Democratic management is considered key to greater organizational effectiveness (Jarley et al., 1997) and is an imperative to achieve higher levels of innovation and performance (Manville and Ober, 2003), fosters

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value creation in the long term and makes economic, social, environmental and individual objectives compatible (Cloke and Goldsmith, 2002). Some firms have successfully introduced different democratic management practices such as the participative decision-making at W. L. Gore, the cross-organizational democracy at Visa International, the online democracy for customers of eBay (Malone, 2004), or more radical democratic management practices, such as the case of Ricardo Semler at Semco in Brazil (Semler, 1989). At some large corporations, like United Parcel Service (UPS), Publix Supermarkets, and United Airlines, the majority of stocks pertain to the workers. In addition these practices, cooperativism may be a valid way of implementing democracy in organizations. Cooperatives differ from the investor-owned firms in their basic purpose, property rights and decision making processes[1] and they are in tune with a more participatory and democratic society, led by the citizens and founded on certain ethical principles.[2] Spain's *Mondragón Corporación Cooperativa* (MCC) can be considered the world leader in cooperativism. MCC is one of the few contemporary business organizations that can be viewed as a democracy, and it represents a unique experience in the use of democratic and participatory methods in management, the key to its success. MCC is composed of more than 100 independent cooperatives that have come together voluntarily (and that own the corporation), and 150 businesses. It employs over 70,000 people, and is active in 65 countries.

The conception of democracy in MCC encompasses aspects deriving from the idea "people in power", by which organizational democracy is conceived as "one worker one vote regardless of the share of the capital owned."[3] In order to achieve this, MCC has developed its own Management Model based on

the principles and values of the Cooperative Experience of the MCC, on modern management practices and on the cutting edge experiences of the most advanced companies. MCC demonstrates how it is possible to reconcile the demands of its various stakeholders (for whom it pursues financial and non-financial goals) by starting from a democratic conception of management. This experience validates a participatory model that is based on the ability of people to manage themselves.

MCC was ranked in 2003 by the magazine *Fortune* one of the ten best firms to work for in Europe,[4] based on aspects such as equality, personal decision-making capacity, the absence of a hierarchical atmosphere, participation in profits, honesty, time flexibility, professional opportunities within the firm, working conditions, commitment to quality and internationalization. MCC firms have implemented high-involvement work teams at different levels, flattened hierarchies, introduced participatory total quality and customer satisfaction initiatives, etc. In this context, the cooperative Irizar, part of the Corporation, is especially noteworthy for its innovatory management practices. MCC has developed a management policy based on Total Quality, which has enabled it to win numerous ISO certificates. In 1995, the European Foundation for Quality Management (EFQM) Excellence Model[5] was launched, through which various of the MCC cooperatives have obtained awards for organizational excellence. Irizar achieved the European Quality Prize in 2000, the most prestigious European recognition for organizational excellence. According to the Economist Intelligence Unit, Irizar is "probably now the most efficient coach builder in the world" (EIU, 2002). Christian Ketels highlights Irizar for its strategic decisions and as financially one of the most successful companies in the industry (Johnston, 2002).

In 2003, MCC formed the biggest business group in the Basque Country, and the eighth biggest in Spain (third, in employment). The Corporation is built around three groups: *financial*, including banking, social provision, insurance and leasing; *industrial*, including over 70 cooperatives in seven divisions, dedicated to industrial production; and *distribution*, including commercial distribution. MCC has various training centers, with the university *Mondragón Unibersitatea* of special note. There are various R&D centers, with the most important being *Ikerlan*. Moreover, in recent years various business research centers have been set up within the so-called *Garaia* Innovation Center. The development of MCC during the past few years has been spectacular. Much of this growth has been on the international stage, due to the important presence of the company in the Spanish market and the progressive globalization of the world economy. This is now providing the Corporation with the challenge of spreading its Experience worldwide by means of its determined international presence.

In 2002 (Table I) the consolidated profits were €370 m, with sales from the industrial and distribution groups at over €4bn and €5.1bn, respectively. It is noteworthy that 51% of the sales of the industrial group are due to exports, and that the group has 43 productive plants and seven corporate offices abroad. MCC has an exceptional record of employment growth. The factors that might explain this are a strict no-layoff policy for members, which involves redeployment of staff in times of crisis, or an extraordinarily high enterprise survival rate. In order to compare the profit of MCC with those of other firms, one should bear in mind that the firm accepts a

TABLE I
Basic financial information on the MCC as of 31/12/02 (Euro millions)

	1996	1997	1998	1999	2000	2001	2002
Total MCC assets	8908	9265	11,428	12,086	11,947	14,137	15,337
MCC consolidated profits	216	314	414	460	367	335	370
Industrial group sales	1754	2067	2353	2693	3170	3475	4049
Distribution group sales	2032	2300	2995	3581	3895	4633	5182
Total investments	263	354	422	522	738	872	683
Workforce	31,963	34,397	42,129	46,861	53,377	60,200	66,558

number of costs, such as support for different educational institutions, that ordinary corporations do not. Moreover, in its Management Model not only the economic results are included in the balance sheet, but also customer satisfaction, commitment to the environment, and people satisfaction, among others. Thus MCC considers that economic results alone are not sufficient to judge the management's performance.

We now analyze how it has been possible for MCC to implement its democratic management model, and how this model has contributed to its business success, especially in the case of one of its affiliated cooperatives: Irizar. Thus, first, we study the key aspects on which were based the introduction of democracy and cooperation: the corporate culture, organizational structure and the democratic corporate strategic planning. Subsequently we analyze the case of Irizar, showing the effect on business success of applying the principles of "democratic management." After describing the firm, we identify a number of factors leading to the success of the implementation of the strategy. Finally, we draw up some practical implications of introducing democracy into organizations.

Corporate culture of MCC

The corporate culture of MCC has the aim of overcoming the capital-labor confrontation, making people joint owners of the firm and therefore sharing in the firm's decision-making as well as in the profits. The business philosophy of the Corporation is founded on this idea, and is set out specifically in the form that appears in Figure 1, which shows the basic elements of the corporate culture. Thus, MCC's corporate culture rests on three pillars: the Basic Principles, the Mission which finds its inspiration from them, and the Corporate Values. These elements make up the "Mondragón Cooperative Experience" (MCE).[6]

The Mission of MCC was approved by the third Cooperative Congress in 1991. It integrates the basic objectives of a business competing in international markets, on the one hand, with the use of democratic methods in its organization, employment creation, the human and professional promotion of its workers, and the development of its social environment, on the other. MCC is created by and for the people. Moreover, the firm seeks to promote people's participation and integration in management, profit and property. The MCC's Mission is based on the "Basic Principles of the Mondragón Cooperative Experience", approved at the MCC's first Cooperative Congress in 1987. These principles, based on the general principles of cooperation, bring together a series of beliefs developed over the lifetime of the Corporation. A series of Corporate Values were established and approved in their current form in the Cooperative Congress of 1999. These values form the core of the culture of the Group (MCC, 2001). The values and culture of MCC are not fixed and unchangeable, and it is

Mission

Basic Principles

Free access
Democratic organization
Sovereignty of labor
Instrumental and subordinate role of capital
Participatory management
Retributive solidarity
Interco-operation
Social transformation
Universality
Education

"Mondragón Corporación Cooperativa (MCC) is a socioeconomic and business reality, deeply roted in the Basque Country culture, created by and for the people, inspired by the Basic Principles of our Cooperative Experience, committed to the environment, competitive improvement and customer satisfaction, to generate wealth in society by means of development, and the creation of employment, that:

- Is sustained on a commitment to solidarity and uses democratic methods for its organization and management
- Promotes people's participation and integration in management, in profit and in ownership of its component firms, which develops a common harmonizing project of social, managerial and personal progress.
- Promotes education and innovation by developing human and technological capabilities
- Applies an original Management Model to achieve a position of leadership and to promote Cooperation"

Corporate Values

Cooperation
"Owners and actors"
Participation
"Commitment to management"
Social responsibility
"Fair distribution of wealth"
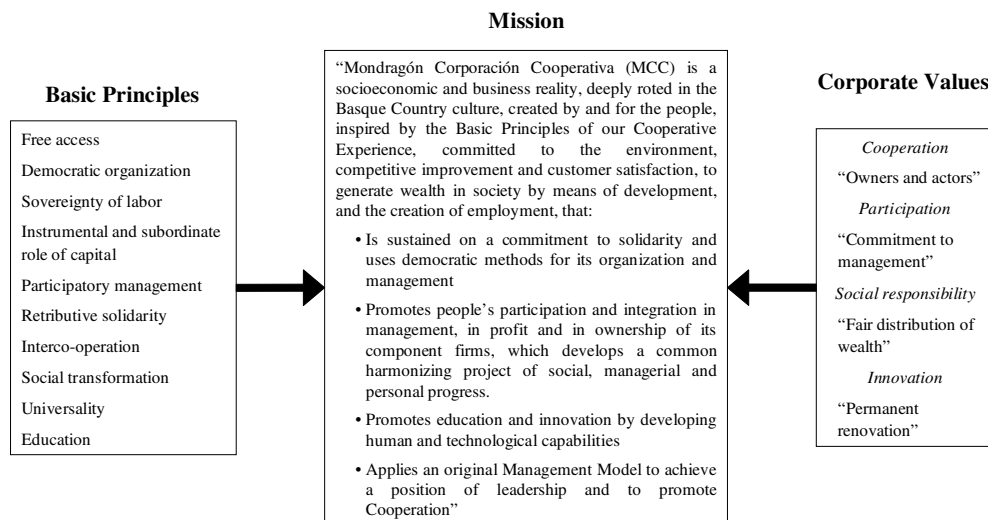*Innovation*
"Permanent renovation"

Figure 1. The Mondragón cooperative experience.

necessary to adapt them periodically to a social and economic reality that is rapidly evolving. The cooperative principles of MCC were first expressed around 1840, the year of the first cooperative. Every four years a Cooperative Congress is held, in which appropriate reforms are discussed. In spite of this, in the opinion of MCC president, most of these values are very stable (Labiano, 2003).

Organizational structure

MCC has developed an organizational structure to enable it to contain the operations of all its cooperatives, following a federal organization model (Handy, 1992). Nevertheless, in contrast to traditional corporate models, MCC is not based on financial participation (it is not a parent company), but rather on an agreement between the parties to share some management areas. The Corporation is not the owner of its affiliated cooperatives, but rather it is these latter, along with the management structures created, that make up MCC. Because the Corporation is democratically constituted, power resides in its social base. Each individual cooperative is legally, and to a large extent functionally, an autonomous unit. Nevertheless, as the MCC President recognizes, "our system is participatory, but not anarchic" (Labiano, 2003). It is therefore necessary to choose a set of people to represent all the others in the governing bodies of the cooperative and the Corporation as a whole. In this way, the hierarchy exercises power by delegation.[7] As a consequence of the democratic structure of MCC, its organization is based on the principle of subsidiarity. Each level of the corporation hierarchy is prohibited from carrying out tasks that could be done at a lower level. The base cooperatives cede certain functions to their sectorial cluster, the clusters to their division, and the divisions to the General Council (Forcadell, 2000). The current structure of MCC was approved in the General Assembly in 1991 (Figure 2). This structure, which replaced the regional groups in which the corporation was organized previously, meant some loss of autonomy on the part of the individual cooperatives. It has guaranteed the survival and growth of the corporation but at the expense of a greater delegation of the individual cooperatives to the higher bodies. In the restructuring of the organization taking place at present, the group willrecognize more power in the coopera-
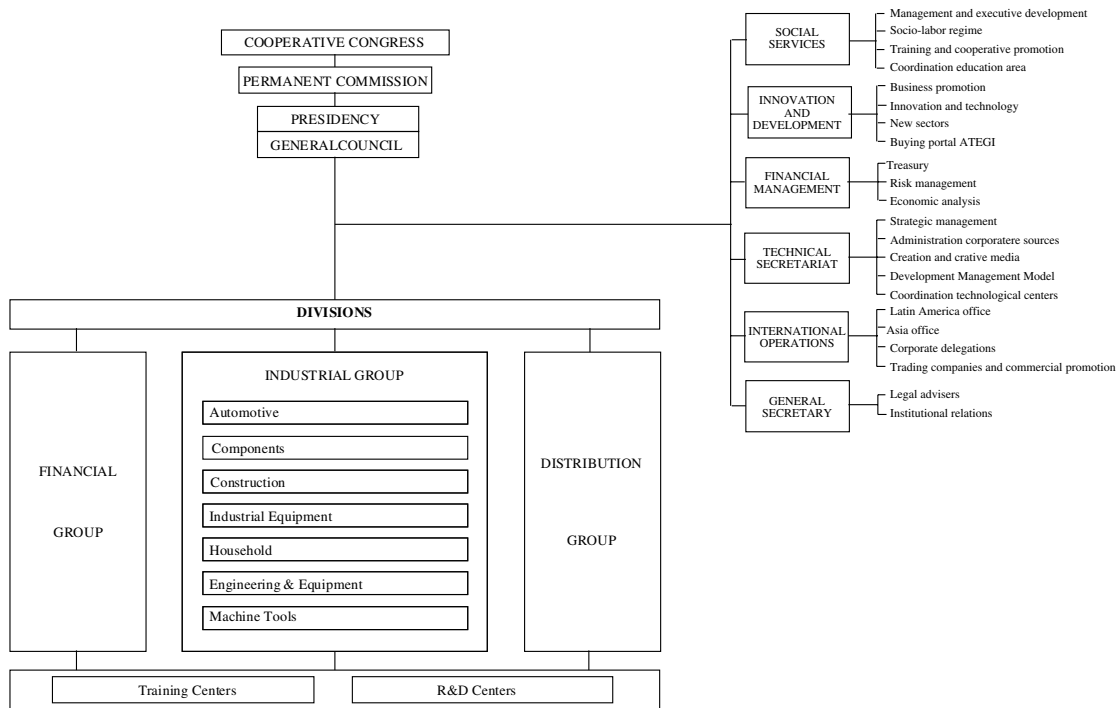

Figure 2. The organizational structure of MCC.

tives. During this period it has been accepted that the structure as a whole is incapable of acting if 'those below are opposed.'

Headquarters

The Headquarters is the visible reference point of MCC as a group, and it is where the representative and participatory bodies of the Corporation are found. In the Headquarters, there are a number of central departments offering services to the Corporation as a whole, which, among other activities, are involved in formulating the outline of the strategic plan, as can be seen in Figure 2. For example, at present the Development Management Model Department has written down a manual of 40 good management practices (and is studying another 20) in which proven successful management models are described and made available to the cooperatives. The Cooperative Congress is the supreme body of sovereignty and representation of MCC. It is composed of a maximum of 650 delegates from all the cooperatives.[8] The Cooperative Congress must approve the General Policies and the Corporate Strategic Plan of MCC. It must also update the Basic Principles and Corporate Values on which the Experience is founded. The Permanent Commission is the governing body which acts by delegation on behalf of the Cooperative Congress between its plenary sessions. It has the functions of a board of directors. It consists of 18 elected members representing the nine divisions, and its basic tasks are to drive and control the implementation of policies and agreements adopted by the Cooperative Congress, continuously monitoring the Group's development and the management of the General Council Presidency, and the coordination of the different sectorial activities; the members of the Permanent Commission are chosen by the Sectorial Clusters, by means of an election. The General Council is MCC's executive body. It is composed of the President (the CEO of the Corporation), nine divisional vice-presidents (named by the Permanent Commission at the recommendation of the President of the General Council), the directors of the central departments, and the General Secretary (these latter named by the Permanent Commission at the recommendation of the General Council). The General Council is responsible for the elaboration, proposal to the Permanent Commission

and application of the corporate strategies and objectives, coordinating and controlling the strategies of the different divisions, sectorial clusters and cooperatives.

Divisions

The divisions (Figure 3), which form the upper level of the MCC structure, are made up of cooperatives operating in the same business sector. Thus, MCC has nine divisions: one financial, one for distribution and seven industrial (automotive, components, construction, industrial equipment, household, engineering, machine tools). A Group vice-president is responsible for each division, acting under the orders of the President of the General Council, and being advised by the divisional Management Council (where directors of the sectorial clusters are represented). The division directs the strategic planning of its clusters and establishes the coherence between their plans. It controls the execution of the division-level strategic plans and also has a role in the implementation of the sectorial cluster strategies.

Sectorial clusters

Each division is made up of a varying number of sectorial clusters, in which the different cooperatives are integrated. The sectorial clusters (Figure 3) are composed of a group of cooperatives with a narrower scope than that of the division as a whole. Through these bodies, economies of scale and synergies can be achieved, while in the social area, a homogeneous socio-labor regime has been promoted, including the gradual reconversion of profits, and allowing for the transfer and promotion of worker-shareholders.[9] There are 23 sectorial clusters in MCC. Among the responsibilities of the sectorial clusters are: defining the cluster's strategy within the divisional strategic framework; complying with the objectives assigned by the division; and coordinating and globally managing the cooperatives. The governing bodies of the sectorial clusters are similar to those of the individual cooperatives. They have a General Assembly as their supreme body for expression and sovereignty (Figure 3), formed by delegates appointed by the General Assembly from the individual cooperatives. It approves the strategic
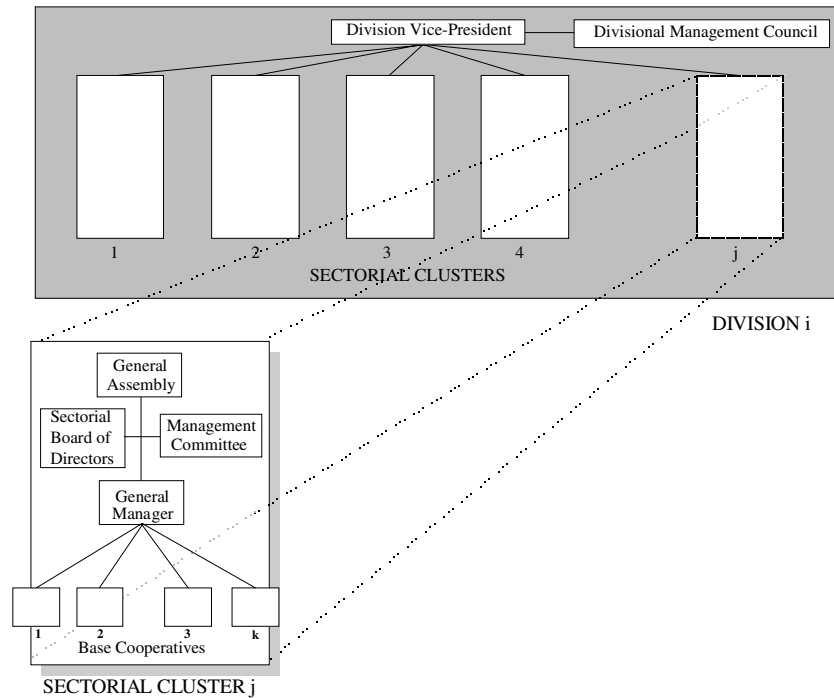
Figure 3. Structure of a division and a sectorial cluster.

guidelines of the sectorial cluster. There is a Sectorial Board of Directors comprising one member from each cooperative in the cluster, and the board elects one of its members as general manager of the cluster. In addition, there is a Management Committee composed of the managers of all the cooperatives.

Cooperatives

The cooperative (Figure 4) represents the base level of the organizational structure of MCC. The worker–shareholder is linked with his or her cooperative via a cooperative contract. The cooperative has three main governing bodies. At the top level is the General Assembly, which is the supreme authority expressing the social will of all the members. It is composed of every worker–shareholder of the cooperative and it meets at least once a year. Every member of the cooperative has the right to vote at the General Assembly and each vote has the same weight. The General Assembly approves the strategic plans of the cooperative, nominates the Board of Directors (or Rector Council), the Audit Committee, and the Social Council. The Board of

Directors is the body of representation, administration and governance of the cooperative. It is made up of a subset of three to 12 cooperative members elected for four years, with half the members replaced every two years. Decisions made by the Board of Directors are subordinated to the policies and strategies fixed by the General Assembly. It supervises the management, nominates the manager[10], and periodically controls his or her performance. The Board of Directors meets once a month for monitoring and presents the annual operational plan to the General Assembly for approval. An odd number of accounts auditors, normally three, form the Audit Committee, which has the basic role of auditing the accounts and financial documents presented to the General Assembly. The Committee has the power to obtain supplementary information if this is required by cooperative members. The Social Council performs the functions of a labor union and acts as a consultative body representing the members before the internal authorities of the cooperative. It has an advisory character concerning working conditions, and acts as a communication channel between management and workers. The Management Committee is a consultative body, consisting of the
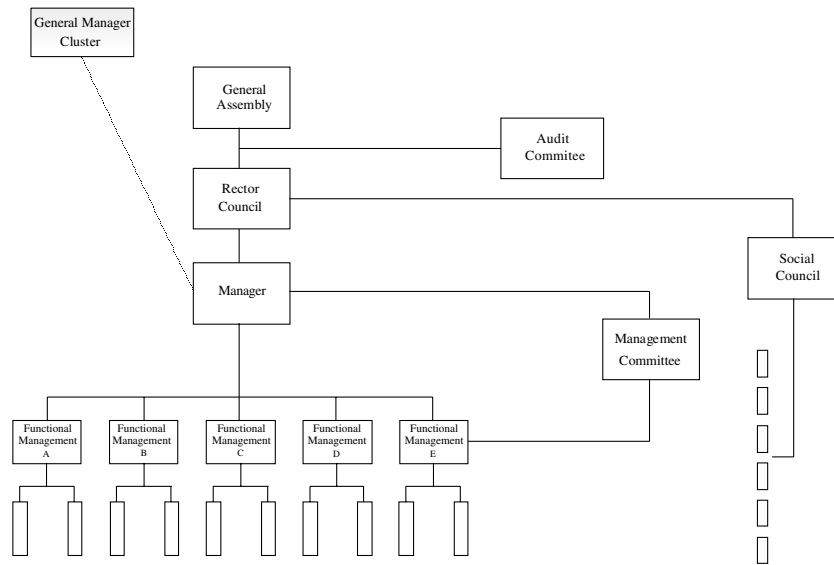
Figure 4. Structure of a base cooperative.Source: Adapted from Gorronogoitia, A. 1994. *La organización interna de una cooperativa.* Otalora, Aretxabaleta.

most important managers of the cooperative; its composition and functioning varies between the cooperatives. The Manager occupies his or her post for four years and can be re-elected several times. Any cooperative member can, with the support of at least 20% of the members, petition the convening of the General Assembly, for example to dismiss the manager. The manager is the chief executive for all functions relating to the business and works under the supervision of the Board of Directors and the respective sectorial cluster. The internal organization of the cooperative is similar to any firm. There are departments and directors for each department or function. For large cooperatives, there are business units and managing directors for each. This is the case of *Fagor Electrodomésticos* (one of the most important cooperatives, with more than 4600 workers and dedicated to the manufacture of household electrical appliances and kitchen furniture). This firm has been made up of seven business units since 1997.

The structures of the cooperatives, of the sectorial clusters, and of the Corporation itself, are similar. It is for this reason that the operation of the Corporation can only be understood by analyzing the base cooperative, since the philosophy of this institution is carried over to the higher levels. The origin of the Corporation was in a single cooperative, with others gradually joining it, and then yet others, each new entry taking on the organizational model developed by the incumbents. In the democratic system of MCC, the representativity of the members of the individual cooperatives in the bodies at the different levels of the Corporation is assured: each worker-shareholder has one vote in the General Assembly of the cooperative to which he or she belongs, taking part in the election of the Rector Council and cooperative manager. The sectorial cluster Assembly, like the Cooperative Congress of the Corporation, is made up of representatives of all the Group's cooperatives. It is the same procedure for electing the Rector Council and the general manager of the sectorial cluster, as well as for the Permanent Commission and the MCC President.

The predominant legal form of the firms making up MCC is obviously the cooperative, and there is no participation of one base cooperative in another. It is worth pointing out that the training centers, the R&D centers and even the different departments of the headquarters are also organized in this way; these are second order cooperatives within which the base cooperatives participate.[11] Through holding companies, convertion cooperatives sometimes participate in limited liability companies, such as is mainly the case in the international expansion of the convertion, or in the company *Erosmer Ibérica S.A.*, part-owned by the

distribution group cooperative *Eroski*. However, and in accordance with the Basic Principles, Mission and Corporate Values of MCC, there are various initiatives within the Corporation trying to extend the Management Model to the firms acquired in this way, especially internationally. It is noteworthy that Eroski has, from 1997, through the company GES-PA, offered an option to its non-member workers to participate in the management and capital of the firm, thereby treating them at least in part like the members of a cooperative. In MCC there are no labor unions, since the workers have the General Assembly in which they can vote and decide freely. This is complemented by information about their opinions, since as the president of MCC asserts, "we carry out a lot of surveys and we seek to find out what our workers are thinking about their superiors in the hierarchy" (Labiano, 2003).

Making the corporate strategic plan democratically

The process of making the corporate strategic plan in MCC shows how it is possible to take decisions democratically within a large corporation. In 1993, the Business Policy for MCC was approved for the first time, as a global framework within which the activity of all the cooperatives is construed. Within this framework the first Corporate Strategic Plan (CSP) for the period 1994--1996 was designed. In 1996, the second CSP was formulated for the period 1997--2000. The current CSP covers the period 2001--2004. Likewise, the Corporation considers that internationalization is a key objective, so it formulated a Strategic Internationalization Plan for the period 2000--2004. During 2004, the CSP for the period 2005--2008 is being designed. During all this time steps have been taken towards the design of a Management Model that brings MCC closer to its aim of fully implementing its Mission, Basic Principles, and Corporate Values.

The Management Model of MCC

The Management Model developed by MCC is a way of implementing a democratic and participatory management. In the definition of the elements making up the Management Model the criteria used by the EFQM[12] have had an influence; these are similar to those proposed by Bartlett and Ghoshal (1995). The Management Model of MCC is based on three key elements: enablers, strategy, and results. The overall strategic direction is developed by the enablers towards the attainment of results:

- The *enablers* aim to provide guidance about how to manage the company and include the following factors (in italics): *leadership*, which is seen as the best means of managing *people*, *partnerships* and other *resources*, with a commitment to social *responsibility*; *processes* are highlighted in the way all the agents are managed; *innovation* is seen as the differentiating factor that provides backing for *customers*, and is considered to be the key to focusing resources in the right direction to achieve results.
- The strategy includes the development of the business unit management for each business unit making up the MCC, integrated in the strategic reflection of the cooperative, sectorial cluster, and division it forms part of, in keeping with the MCC's Business Policy and inspired by the Basic Cooperative Principles.
- The Management Model aims to attain *results* as a way of validating "what we do and how we do it", and considers strategies are not well established or resources well managed if they do not lead to business results. MCC has a panel of Corporate Basic Objectives, which guide the indicators and goals to be established, trying to maintain a balance in each of the following areas: customer satisfaction, profitability, internationalization, development, innovation and social involvement.

The process of making the strategic planning

Within the context of the Management Model developed in MCC, the main element in the definition of strategy is the CSP, which guides the Corporation in the medium term. All MCC cooperatives participate in its formulation, according to their basic functions at each of the corporate levels. The process of making the CSP combines bottom-up/top-down actions and decisions, a pro-

cess that can be seen in other cooperatives such as *Rabobank* (Smits and Groeneveld, 2001). However, this planning process goes further in MCC (process with a basic ''V'' form), discussed in the shape of a motion at the different levels, which is eventually approved in the Cooperative Congress, in a process that lasts approximately one year.

The inspiration for the CSP comes from the Basic Principles of the Mondragón Cooperative Experience, its Mission and its Values, which constitute the MCC Vision (Figure 5). The CSP develops through the sequence shown in Figure 6. The strategic planning process starts with an evaluation of the strategies followed in the previous period (Phase 0), at sectorial, divisional and corporate levels. The MCC's Business Policy is then formulated by the General Council (Phase 1). The Business Policy includes the Corporate Basic Objectives (six in the case of CSP 2005–2008 and gathered together in the Management Model) that express the major management keys or areas where the Corporation wants to make significant advances over the period.[13] The General Policies (Figure 5) set down the course of action for MCC in key areas, serve as the basis for making the CSP and are designed to achieve the Basic Objectives in the framework of the CSP. In the CSP 2001–2004, these areas are the following: competitiveness, internationalization, communication, innovation, business promotion, employment, people, and financing.

After its formulation, the MCC's Business Policy has to be approved by the Permanent Commission (Phase 2 in Figure 6).

The Business Policy guidelines are then used to design the sectorial cluster strategic plans (Phase 3) within the divisional strategic framework; these include the cooperatives and business units plans (Figure 7). These guidelines for each cluster are synthesized (Phase 3.1), after which the different business units making up the cluster are defined (Phase 3.2), including those that existed in the previous CSP and those that have been developed during the last planning period.[14] After the identification of the different business units the cluster Mission is defined (Phase 3.3), which if there are no changes in the business configuration is not altered. In the framework of the cluster Mission, the Mission and the business management model of the cooperatives are defined (if the cluster comprises various cooperatives) and/or of the business units (if a cooperative contains various) (Phases 3.4, 3.5). After that, the strategic analysis is carried out (Phase 3.6), along with the definition of the competitive position of each cooperative/business unit (Phase 3.7). Taking the competitive positions of each business, the cluster objectives and strategies are integrated (Phase 3.8) and defined (Phase 3.9), from which the objectives and strategies to be followed in each business are defined (Phase 3.10). The final result is the strategic
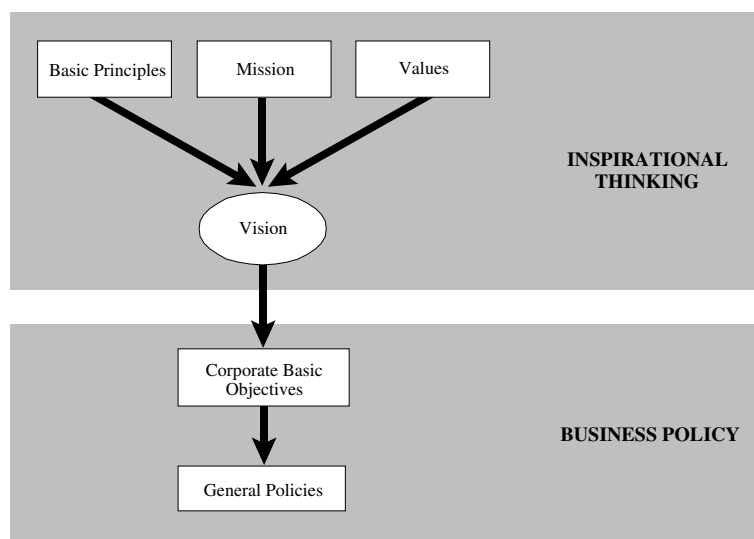

Figure 5. Basic references in the strategic planning process. Source: Adapted from MCC. 2002. *Política empresarial 2005–2008. Proyecto ponencia presentado por el Consejo General.*
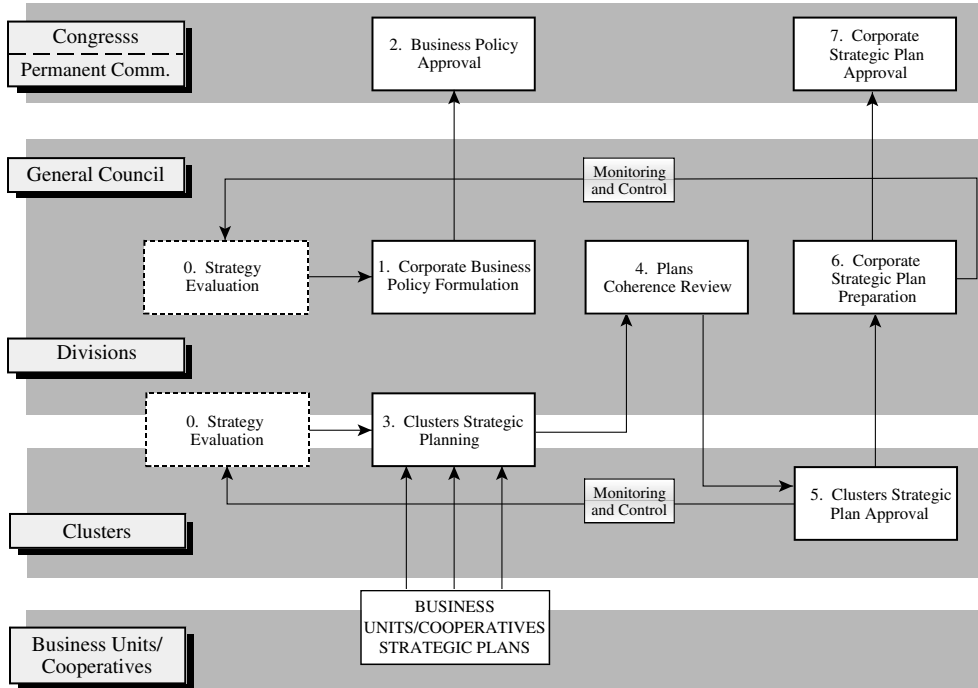
Figure 6. Strategic planning process at MCC. Divisional and corporate levels. Source: Adapted from MCC internal document

plan of the cooperative or business unit which must be approved in the General Assembly (Phase 3.11). Integrating the different strategic plans of the businesses makes up the cluster strategic plan, which is sent to the division (Phase 3.12).

The sectorial cluster reviews the coherence of the plans of the business units/cooperatives. If there are any aspects to revise the plan is returned to the business units/cooperatives and once reformulated takes up the established route once more. If a plan is
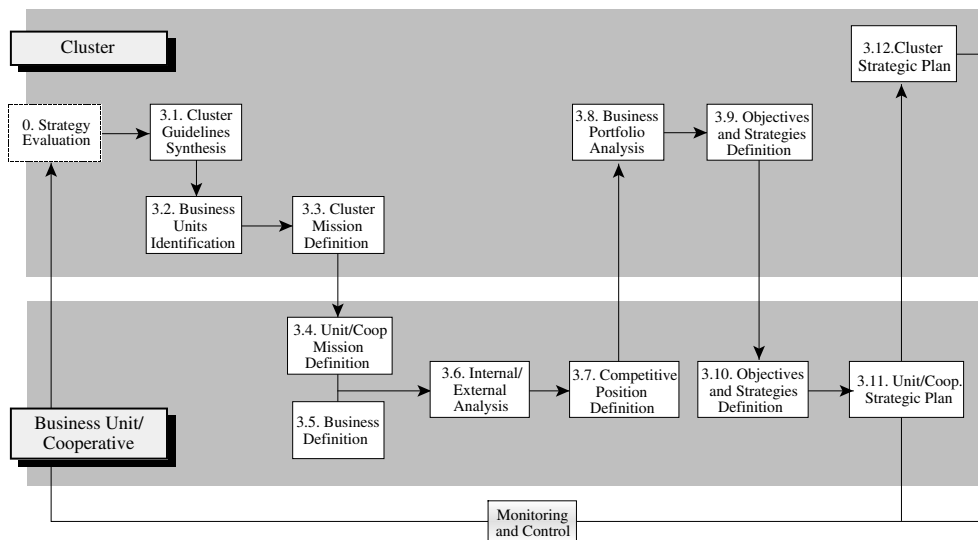
Figure 7. Strategic planning process. Cluster and business unit level. Source: Adapted from MCC internal document.

returned for revision, one must bear in mind that power resides in the cooperative base, so that the real capacity from the sectorial cluster or divisional level is much more limited than in an ordinary corporation. In fact, the only capacity to impose from above is provided by leadership; the real power of influence of the executives of a group over a cooperative is their leadership capacity, since "if an executive has this leadership capacity he or she can influence and stop plans, while if this is not the case they cannot influence against plans, since the power they possess is ceded by virtue of a pact."[15]

A revision is carried out within each Division in the light of the strategic approaches included in the Business Policy to check the cluster strategic plans' coherence (Phase 4 of Figure 5). The final versions of the cluster strategic plans must be approved at the cluster General Assemblies (Phase 5). With regards to possible revisions of the plans of the sectorial clusters, we can say the same as for the case of the cooperatives: power is held at the base, so that leadership is required if possible modifications are to be accepted by the clusters (Phase 6). Finally, the CSP is created from the individual cluster plans. The definitive approval of the CSP is made by the MCC Cooperative Congress (Phase 7). The CSP has always been approved in the different strategic planning processes carried out to date. There have been no serious conflicts, which is reflected in the inexistence of total rejections of plans. However, in each process there are so-called Interventions, by those members considering it necessary to change some aspect of the CSP. In each Cooperative Congress there are various Motions or topics to deal with. The CSP is simply one more Motion. Before a Congress a Board of Congress Delegates is set up, and this begins to deal with the process of amendments, corrections and revisions of the Motions, which must be presented in writing. There are amendments of form and of content. The Board attempts to negotiate these latter, resulting in the so-called transactional amendments with those presenting them, which means arriving at a compromise solution satisfying the parties in dispute. In MCC "there is a culture of arriving at formal acts with the issues very well prepared in advance"[16], so that in these there do not tend to appear any significant conflicts. In some cases where amendments to Motions have not achieved the desired consensus, these

may be withdrawn and not presented to the Congress; the content of the amendment is then prepared more thoroughly for the next opportunity.

Irizar: success based on people

A firm that has experienced particular success in applying the principles of democracy and participation within MCC is Irizar. We now describe how this cooperative has introduced a successful strategy based on the previous premises, and we then extract a series of factors of success from its process of change.

Irizar is a workers' cooperative devoted to the assembly of luxury coaches. It has belonged to MCC since 1962, although it was founded in 1889 and became a cooperative in 1956. Irizar has taken the democratic principles of MCC to extremes. Its success is associated with the development of strategies and tools of democratic management within the context of MCC. Irizar has been recognized internationally for its management and for the quality of its products. As mentioned earlier, for the Economist Intelligence Unit, Irizar was probably the most efficient coach builder in the world in 2000. Irizar was awarded the *Coach of the Year Award*, 1994, in the UK; the *Gold Worldwide Transport* prize (coaches), 1998; in 2000 the European Quality Prize; and finally the *Coach of the Year 2004*, in Europe. The firm has aggressively pursued international expansion, and has implemented a strategy based on knowledge management, at the same time as seeking continuous innovation. Irizar can be considered an innovator in products, processes and management. Its manufacturing system is very flexible, largely due to its own innovations, adapting to multiple chassis types, markets (complying with varying safety regulations and approval regimes from different countries) and customer requirements.

Irizar has undergone spectacular growth over the past decade: sales in 1991 were €18 m, and by 1999 they had reached €163 m (with an average annual growth of 25% during this period of strategic change). In 2000, sales reached €227 m (+40%); in 2001 €245 m (+7%); in 2002 €281 m (+15%); and in 2003, sales were €305 m (+8.5%). Especially noteworthy has been its growth in average productivity of 18.4% in the 1993–2000 period.

Similarly, the added value per person rose from €16,800 in 1991 to €73,900 in 1999; the maturity time dropped from 38 days in 1991 to 14 days in 1999; and the production rate increased from 1.2 coaches/day in 1991 to six coaches/day currently. The firm has 630 workers in its Ormaiztegui factory (in the Spanish Basque Country). It is commercially active in 65 countries and has shareholdings in five other companies with 2800 people, via the Irizar Group: Irizar Tianjin (China 1995); Irizar Maghreb (Morocco 1997); Irizar Brazil (1998); Irizar Mexico (1999), International Hispacold (Spain 1997), Irizar TVS Ltd (India 2001), and SA Masats (Spain 2002).

Irizar ranks first within its sector in Spain (with 40% market share) and second in Europe since 1998. Sales of luxury coaches in the European market are around 9000 units/year, but only seven companies sell more than 400 units/year. Irizar produces more than 1200 units/year for Europe (2250 units worldwide by the Irizar Group). The sector is strongly concentrated as a result of agreements between the bodywork and chassis makers for both coaches and trucks (DAF, Iveco, Man, Mercedes, Renault, Scania and Volvo).

Irizar began its process of strategic change in 1991, coinciding with the founding of MCC. The firm was in a critical situation, having accumulated major losses almost to the point of bankruptcy. This led to most worker-shareholders losing their own personal financial wealth after assuming Irizar's debt, and some members were reallocated to other cooperatives. Faced by this situation, Irizar's closure was discussed. However, MCC follows the philosophy of ''better to die than to close a business, a criterion that has led to us having some magnificent cooperatives today that 10–15 years ago would have closed following more expeditious criteria – e.g. Irizar would have closed in 1980.''[17] Given the critical situation faced by the cooperative, the new manager of Irizar, Koldo Saratxaga, an executive with vast experience in managing and saving cooperatives and named by the General Council of MCC to save the company,[18] decided, with the support of all the workers in the General Assembly, to develop a new strategy, beginning with an emergency plan. This involved diversifying markets in order to succeed in a global market and focusing only on the assembly of luxury coaches (it had previously also produced urban buses). The implementation of the new strategy was supported by a global process focusing on the building of a strong culture, in which all the members of the organization were to be involved – this led to the definition of the process as ''a project based on people.'' The culture and values that Irizar was trying to promote were clearly founded on the cultural principles of MCC, although stressing its internal democratic management to an even greater extent.

Following the principles outlined in Table II, the new strategy adopted by Irizar centered on three main areas: customer focus, shared leadership (Pearce, 2004), and the adoption of a model of radical change. A shared leadership was encouraged (which entails shared objectives and fluid communication). All workers are encouraged to direct and coordinate, on a temporary basis, some part of the work team, so taking on a certain leadership of the enterprise. The firm's democratic system of decision-making means that all workers participate and assume responsibility for shared objectives. Words such as ''worker'', ''employee'' or ''wage-earner'' have been removed from the cooperative's vocabulary. For Koldo Saratxaga, this new strategy is a project based on the freedom and responsibility of all its participants. Irizar knows no control or hierarchy. There is personal responsibility and the thrill of shared experiences. This fosters the flow of knowledge within and between self-managed teams.

Factors of success of Irizar's strategy

Irizar's corporate culture is the core factor explaining the success of its strategy, due to its influence on other factors. Among these factors, of critical importance are the organizational structure, management of human resources, and leadership style. In accordance with its corporate values, the firm has adopted a flat management structure with decision power devolved to shop-floor work teams, and it invests heavily in its employees (Forcadell and Guadamillas, 2002). This is coherent with the company's focus on individually designed solutions (Johnston, 2002).

Corporate culture. The overriding factor affecting the culture of Irizar is the fact that it belongs to MCC. The most important cultural values assimilated by

TABLE II
Mission and values in Irizar

Mission

"We are seeking a project based on people who work in teams, making Irizar an excellent firm in which, through continuous customer satisfaction, the workers of the cooperative, external collaborators and our surrounding factors (society and environment), allow us to obtain profits that make possible a growing generator of wealth and new jobs in a cooperative environment, with communication and active participation."

Values

1. Customer satisfaction is our guarantee for the future, and therefore must be our main objective
2. Always achieve maximum professional competitiveness
3. Foster and manage change, take initiatives and risks
4. Work in teams providing ideas
5. Trust in people and merit their trust
6. Be open to communication and information. Create and share knowledge
7. Respect customers, suppliers, workers, society and the environment
8. Embrace responsibilities, accepting the results of our actions
9. Seek excellence. Make it work properly first time. No defects
10. Quality, Service, Cost, Innovation, Security and shared experience as keys of our activity

the firm are (Table II): shared vision, trust, favoring knowledge flows from shared experience, shared learning in self-managed teams, autonomy for taking decisions and tolerance of mistakes. The democratic decision-making system encourages participation in establishing goals and strategies for the firm. At Irizar, participation implies people's active participation in knowledge management in work teams as an essential and fundamental part of their normal work. Trust, participation, enthusiastic and participative leadership explain the success achieved. This success is rooted in the degree to which these values have been assumed by the people in the organization.

Structure. The work teams. At Irizar, a functional structure was replaced by an organization based around processes. Irizar has a very flexible organization, with no hierarchy and an almost flat organizational chart, built around a group of working teams. A static chart is first set up, built around a group of teams with specific tasks which remain stable, in which all the workers are included. This coexists with a dynamic chart, which includes another group of teams devoted to supporting the strategic objectives (Forcadell and Guadamillas, 2002). In addition, the work is divided into processes, including a core self-management process in which more than 90% of workers are included, together with customers and suppliers. Everybody is

involved in different working teams which have relations with their environment and which manage the whole process of manufacturing, from receipt of the customer order to vehicle delivery. Among the work teams, the line-customer teams are of particular note: these teams manage most of the production process phases, from supplies to process engineering. All teams are inter-related. There is even a "steering team", led by the Manager, whose members are called executive coordinators. There are more than 180 teams and 140 leaders. Each team has a nominated leader with a great degree of autonomy and acts as a mini, semi-independent firm.

Trust and relationships are crucial, both between the workers and with customers, suppliers and complementors. The work teams have been one of the main tools through which Irizar has achieved continuous, intensive cooperation between different professionals, with very different knowledge, which characterizes the process of technological innovation and the process of knowledge management. Strategic decisions are made by as many people as possible. The work teams periodically set objectives relating to productivity, quality, compliance with customer deadlines and other operational improvements.

Leadership style and human resources. The role of shared (participative) leadership has been essential for the success of Irizar's strategy. More than 20% of employees have led and coordinated a team at one

time. Participation in the development of strategy is also high, in accordance with the principles of the MCC, which strongly encourage the values of participation and democracy. Irizar's General Assembly meets three times a year (most other MCC cooperatives hold their General Assembly once a year) to fix the strategic objectives, and there is always practically 100% attendance.

Work teams are the system through which participation is expressed. The structure around work teams motivates the workforce, at the same time as it depends on them, making the workers feel that their participation is important and that they are involved in their company. Because of their importance, worker participation is massive, despite there being no compensation for involvement.

Operating in work teams evens out salaries in the organization (the pay scale at Irizar is among the flattest in MCC, with a post-tax pay ratio of 1:3) and makes similar the involvement of all workers in reaching strategic objectives. Teams have freedom to organize their activities as they most see fit. There are no time controls at the firm, and supervision is carried out within the teams in relation to their work (improvements obtained, meeting of time limits, etc.). The only restrictions are forced by the need to synchronize processes with other teams. Teams are reviewed annually. Work targets are agreed upon democratic consensus. About 80% of Irizar's personnel contributes to the setting of annual targets. Also, some changes have been made to the physical workplace to facilitate knowledge transmission and communication: offices and shop floor spaces have no physical walls.

The MCC experience: implications for the implementation of organizational democracy

We have outlined the mechanisms MCC has used to put its democratic and cooperative principles into practice, making social and profitability objectives compatible on the basis of value creation. MCC has shown that cooperativism is a valid road to take in order to achieve democratic and successful organizations. MCC's experience is unique, and this uniqueness is a consequence of a number of factors that have arisen in a particular place at a particular time. But can the experience of MCC be trans-

planted to other organizations? The answer is yes.[19] Part of MCC's success is the unique culture of the Basque Country. Nevertheless, much of its success is organizational, not ideological. Many of the elements of the MCC Experience can be extended in two spheres: (1) improving the democratic practices within single organizations; and (2) developing business groups of small and medium-sized firms founded on democratic principles. With regards the first aspect, it is possible to identify a series of key factors susceptible of being introduced into other organizations. As for the last point, MCC has exerted some effort.[20] MCC is trying at the present time to extend its Management Model worldwide to its international interests. These throw up a number of distinct contexts, which makes it a significant challenge.

The challenge for MCC: The internationalization

For the president of MCC the only way to ensure the survival of the Corporation is by being present in the rest of the world; MCC has always had the will to grow (Casadesuss-Masanell and Khanna, 2002). However, internationalization poses the dilemma: "either preserve the group's identity and act in coherence with it, or alternatively lose it and advance more quickly".[21] This entails the problem of disseminating the Cooperative Experience to countries and diverse cultures all around the world. MCC, through its latest Strategic Internationalization Plan 2000–2004, has tried to confront the progressive globalization of the world economy. According to the Strategic Internationalization Plan, one quarter of the Industrial Group's workforce will be in international plants by 2004. Development abroad is giving rise to a dual Corporation, in which there is a core of cooperative societies, still in the majority, but with an increasing number of limited liability companies (all acquisitions outside Spain are limited liability companies, not cooperatives, and because almost all partners are limited liability companies, MCC opts for the equity joint venture as its main mechanism of internationalization), which means that today around 40–50% of MCC workers are non-members.

Trying to make the cooperative model universal runs up against problems, since there is no cooperative culture in many of the countries in

which MCC is active − neither organizations nor organizational models democratically organized that embrace these cultural values. There are occasionally difficulties to export the cooperative model to countries lacking a tradition of democracy. Some countries lack laws on cooperatives, and it is sometimes impossible to legally constitute cooperatives there. According to José María Aldecoa, vice-president of MCC, it is difficult to transform the firms that MCC invests in into cooperatives since "the creation of cooperatives is a bottom-up process and it is only possible to supply the means to carry it out it, not impose it. "It is, in his opinion, more feasible at first to try to introduce democratic practices in the limited liability companies to raise their level of democracy.[22] For this reason, MCC is seeking mechanisms that allow it to apply most of the cooperative values to the limited liability companies. In the Distribution Group they have demonstrated that it is possible to treat non-member employees very similarly to members (GESPA project).

The MCC Experience is known throughout the world for its successful cooperative approach. MCC now faces the challenge of implementing a globalization paradigm coherent with its cooperative principles and values (Casadesus-Masanell and Khanna, 2002), leading to the creation of a *democratic multinational enterprise* (Errasti et al., 2003). Cooperativism works in small and close groups, but it is more difficult in large and widespread ones. In this respect, Henry Mintzberg, in a recent visit to MCC, recommended the "mass production of MCCs around the world", producing for example an "MCC2" in a particular country with a sense of physical proximity and generalizing it in a type of world organization, because "in order to preserve the fundamental concept of the system, which is a community experience, it is necessary to start up MCCs around the world"[23]. In the Corporation there is a lively debate on this issue, and in the next Cooperative Congress a proposal is expected to be put forward on it.

The MCC Experience. Implications for the implementation of democracy in organizations

Witnessing the success of MCC and its affiliated cooperative Irizar, we can say that implementing a democratic system of management in an organiza-

tion must be founded on three key elements, all of which should be mutually coherent: corporate culture, organizational structure and strategy[24]. Based on these three elements we now outline a set of strategies for implementing democracy in organizations[25]. The democratic system must be holistic, must cover all aspects of an organization and its management (Manville and Ober, 2003).

Create a democratic culture. This factor constitutes the context within which the rest of the factors and measures are developed. No formal system of participation works without shared values of democracy, trust, responsibility, and respect, so that what is needed is a civic culture with commonly held values (O'Toole, 1995). The system of values to support the democracy includes aspects such as (Slater and Bennis, 1964): full and free *communication* between all levels; a reliance on *consensus* rather than on coercion or compromise to manage conflict; *influence* based on technical competence and knowledge; a basically *human* bias. MCC and Irizar are characterized by a strong corporate culture and a clear commitment to training, which is related to innovation, dynamism, and growth. In a democratic organization, establishing a mission founded on democratic values is key, so that a shared understanding can be developed among the members (and the rest of the stakeholders) about the *raison d'être* and the goals of the organization.

Democratization of the organizational power and ownership. Participation is a necessary condition for democracy, but it is not sufficient, so that participative management is not synonymous with democratic management (Cheney, 1995; O'Toole, 1995, p. 148). MCC has managed to create a system (and a democracy requires this) that recognizes both the individual (individual ownership) and the collective (participation in the management and decision-making). From the MCC Experience, democratic management entails two dimensions:

(a) Participation in the ownership and in the results. There are three levels through which progress is possible: (1) Non-participation (classical); (2) participation in the results and/or minority participation in the ownership; (3) majority ownership in the firm (e.g. cooper-

ative). MCC itself is making efforts to advance in this dimension in order to get the non-owner workers to participate.

(b) Participation in the management, decisions and governance of the firm. Again, there are three levels through which progress is possible: (1) autocracy (traditional firm); (2) participation in the operational area (operational tasks); and (3) participation which extends to the strategic area (decision-making bodies, board of directors). Within MCC there are differences between cooperatives on this dimension, despite the fact that the common framework is the same and efforts are still being made to improve in this aspect.

Design an organic organizational structure based on association. Increasing democracy should be implemented at all levels of the organization. A democratic organization is a common project designed and set up with the participation of all corporate levels. The implementation ranges from the creation of democratically organized work teams at the base of the firm, to the strategic decision-making throughout the whole of the Corporation, which is carried out following a democratic process. In small firms participation is much easier. However, in order to compete in increasingly global markets a large size is required. MCC has demonstrated its capacity to be both big *and* small, from the work groups to a corporation of more than 70,000 people, carrying out the practice of ''networking networks'' (Manville and Ober, 2003). It is possible to construct great corporations based on the association of small units on the principle of free association and democracy, such that the common bodies represent and serve all the units, creating a great community. If an organization is built on this principle, beyond the firm webs of association with the environment tend to be created (suppliers, customers, other firms, society in general), as has been done in MCC.

Build self-managing teams. The intense, face-to-face interaction required by real, direct democratic participation cannot be maintained in something larger than a small group. These are the basic units upon which a democratic organization should be founded. These groups are based on democratic values and

participation is encouraged in them. The groups should operate as minute firms that collaborate with other teams and even with the outside. Irizar and MCC have developed an organizational context in which the teams act, which influences the possibility of taking responsible decisions. Within MCC more and more of the firms are introducing these teams.

Create a shared leadership. In the case of Irizar, much of its success has been based on involving all the members of the organization in participating in the leadership. Democracy is built from the shop floor, designing the firm based on work teams in which leadership rotation is encouraged. From the positions of most responsibility in the organization, in a flat structure, there is an attempt to develop a leadership that favors participation, something that becomes essential insofar as it is a leader elected by the organization members. However, as MCC has shown throughout its history, it needs to combine this shared leadership with a vertical leadership that embodies and transmits its values and that helps to introduce democracy in the organization. We should not forget that democracy increases a leader's power (O'Toole, 1995).

Democratic processes. In a democratic organization the processes should be open and collaborative, both in decision-making and in operational issues. This is a way to include everybody in the evolution of the organization. MCC has demonstrated that a democratic strategic planning process is a way to build a common future among all the levels of an organization comprising 100 cooperatives and 150 businesses. As the case of Irizar has shown, it is managed on the basis of processes developed by self-managing teams, which allows the members of the organization to change and improve the processes in function of the requirements and in agreement with the other groups.

Training and education. Both are required to develop democracy in an organization. Employees need to be trained in professional aspects so that they are useful to their organization, their opinions are taken into account in the decision-making, and the workers become more flexible for the firm. Education in democracy is also required, so that the workers assume values such as respect for the opinion of

others, trust or participation, all elements which are vital in democratic processes. In order to achieve this, financial resources are required for training, departments need to be developed for promoting training, and internal promotion needs to be encouraged to give people avenues to develop personally and gain experience in the organization.

Freedom of information and transparency. In any organization, and especially in a democratic one, information must be shared and the opinions of the members sought, so surveys must be regularly carried out. The role of surveys in a democracy is key: for staff (to inquire into aspects such as their satisfaction or opinion concerning the leaders), for suppliers, customers, etc. Transparency requires that all information relevant to making a particular decision be available to members either involved in the decision-making or affected by it. It is also critical to make the basic economic figures of the firm available to all the workers. The flat organizational design of the firm contributes to this, as does the organization based on work teams and the suggestion system. There is a need to maintain a dynamic, self-reflective and comprehensive communication system, which rises from the group to the corporate level.

Membership and staff selection. The particular nature of work in a democratic organization means that special care needs to be taken in the staff selection process. In this type of organization there must be free access to employment, without any form of discrimination. However, a probationary period of one year was instituted in MCC, to ensure not only that new members are appropriately skilled, but that they also possess the necessary capacity for cooperative and democratic work. The new members of a democratic organization must be citizens, with all that this concept implies. In the specific case of a cooperative, a member must assume the rights and duties of membership, with regards to deductions in the salary to constitute the capital, participating in the decision-making, accepting the opinion of the majority, etc.

Relations with stakeholders. Starting from a democratic relation with the environment of a firm constitutes the context within which to develop a democratic organization. A balance is required between the different stakeholders regarding the definition of the objectives of the firm, for which the cooperative will be responsible for accomplishing. The creation of webs of association entails collaborating with the main social agents from the firm's environment, since democracy implies developing the environment, where it operates and attracts its workers. This is related to the support for the regional economic development provided by MCC in its expansion via a conception of growth through horizontal exchange and service relations, the integration of the social agents in the development of its strategies or the maintenance of employment in times of crisis. In Irizar, democracy has reached a point where customers and suppliers participate as one more member in the groups charged with designing and developing new products. It is also necessary to collaborate with other institutions and firms to share knowledge, as is advocated in cooperativism and management models such as EFQM. Finally, we should not forget the necessary political support for the development of firms that are owned by their workers[26].

Self-criticism and dynamism. Democracy is a process that must never cease: within MCC the revision of the system is constantly being considered, in order to improve the practice of democracy, to satisfy those groups calling for change or to adapt to changes in the environment. The democratic system must allow for self-criticism and must be receptive to its own continuing evolution. In addition, it is also necessary to channel the criticisms and dialog and to allow conflicts to rise to the surface in order to resolve them. The values of the organization and the extent to which they are achieved must be open to critique and debate by both members and outside observers.

Progressive and ''democratic'' democratization. The evolution towards a democratic organization must also be democratic; an organization cannot be obliged to change to a democratic organization. We have been able to see this in the evolution of MCC itself and in the strategic change carried out in Irizar. Managers can foster a participative environment, but they cannot and should not force it; hence the cooperatives that make up MCC differ in their democratic practices. The experience of Irizar shows that strategic change towards a greater democratization should be carried out progressively, in gradual

stages. The transition to a more democratic business organization will take time. A plan of implementation and design should be formulated and agreed upon with as much consensus as possible among the members of the organization. Change towards increasing democracy is led from the upper management at first, but is supported by all the members of the firm. In subsequent stages, when ideas for change are assumed shared leadership is crucial, so that the responsibility for designing and implementing changes is shared by all the members. This ensures that the changes are adapted to all the members, who feel involved and who accept the end results.

Acknowledgement

Notes

[1] Today, cooperatives are present in numerous industries, such agribusiness, generation and distribution of electrical power, financial services and insurance, or industrial, throughout the European Union and the United States (Katz and Boland, 2002).

[2] Jay Forrester in 1965 revealed how our corporations do not practice the basic democratic ideals that we espouse as fundamental to Western society: worth of the individual; power from the bottom up, not top down; local control; leaders elected by the people (interview with Peter M. Senge, in Meen and Kenough (1992). And "without organizational democracy, there can be no fully effective system of political and social democracy, just as without political and social democracy, there can be no fully effective organizational democracy" (Cloke and Goldsmith, 2002, p. 276).

[3] Interview with Iñaki Dorronsoro, Coordinator of education, research and processes of interchange of internal experiences at MCC, Mondragón, April 2, 2004.

[4] Similarly, Levering and Moskowitz (1993), in their survey of the "best companies to work for" in the U.S., find them characterized by participation and/or democracy to some extent.

[5] The European Excellence Model is used by more than 20,000 organizations across Europe, and permits comparison of the organization against European norms and high performing organizations. The company is informed about

its strengths and areas for improvement are recommended. Companies can apply for the award after implementation of organization-wide improvement programs has led to organizational improvements during a period of 3–5 years.

[6] For MCC, the term Cooperative Experience, inherent in the Group since its foundation in 1956, aims to label internally the total set of businesses interconnected by their cooperative nature, as an unfinished, dynamic business project which is open to innovation. The term Experience reflects the succession of changes which have taken place over almost 50 years, and which have allowed adaptation to new situations and led to the existing MCC.

[7] The characteristics of the organizational model of MCC are: each cooperative is autonomous and free to join or not; the Corporation is made up of a series of autonomous bodies; there is a high tolerance of disorder; cooperatives are required to genuinely share in the common objectives, values and mission; the whole is made up of the parts (Forcadell, 2000).

[8] Their members are representatives in proportion to the size of the cooperative, although this is smoothed insofar as the smallest cooperatives are allocated a minimum representation. The same occurs with the representation in the boards of Congress delegates, where the Congress is prepared and where amendments to the draft motions and motions can be presented.

[9] In recessions, worker-shareholders are transferred from low-performing to higher-performing cooperatives in the sectorial cluster, and even to other MCC cooperatives outside the sectorial cluster. In addition, there is a redistribution of profits among the cooperatives in each sectorial cluster. The cooperatives contribute (although this varies from cluster to cluster) up to 70% of net income to a common pool that is redistributed among all the cooperatives (Casadesus-Masanell and Khanna, 2002).

[10] Thus, management is not directly elected from the floor. For Benello (1996), experiments that have tried this elsewhere have not worked.

[11] The members of the second order cooperatives are the worker-members and the cooperatives participating in them.

[12] The EFQM model includes the following elements, with their relative importance expressed in percentage in parentheses: *Leadership* (10%) that includes *people* (9%), *strategy* and *Policy* (8%), *partnerships* and *resources* (9%); *processes* (14%); *results* (15%) that includes *results in people* (9%), *results in customers* (20%), *results in society* (6%).

[13] In the annual report, each MCC group reports the level of achievement of each of them, apart from the corresponding financial situation.

[14] In the case of the electric home appliances cluster, which belongs to the household division, the cooperative

Fagor Electrodomésticos occupies the entire cluster, but this is the exception.

[15] Interview with Iñaki Dorronsoro.

[16] Interview with Iñaki Dorronsoro.

[17] Interview with Iñaki Dorronsoro.

[18] When there is a crisis in a particular cooperative, the corporation intervenes appointing a director to rectify the situation; the director is given financial resources and support. Interview with Iñaki Dorronsoro.

[19] This coincides with the view of other authors as Malone (2004, p. 64)

[20] MCC developed a business plan in 1999 that was presented to the regional Basque government for the possible development in the region of groups of democratically-organized small and medium-sized firms following MCC tenets. This model was based on a set of cohesion forces, among which the most important were as follows: (1) Ideology, culture, philosophy, image and brand; (2) Power and structure; and (3) Strategic management. All these aspects are based on the idea of worker participation, both in the ownership/results and in the management/decision-making (MCC, 1999).

[21] Interview with Iñaki Dorronsoro.

[22] Interview with José María Aldekoa, vice-president of MCC and president of components division. Madrid, April 26, 2004.

[23] Interview with Iñaki Dorronsoro.

[24] The ancient Athenian democracy encompassed three elements that can be identified with these: structures, values and practices, according to Manville and Ober (2003).

[25] Some of these proposals and implications coincide with those mentioned in other works: on organizational democracy in general: Cloke and Goldsmith (2002); Manville and Ober (2003); on Mondragón: Whyte and Whyte (1991).

[26] Rousseau and Shperling (2003). The Spanish Constitution (Art 129.2: "The public authorities shall promote effectively the various forms of participation in the firm and shall foster, by means of the appropriate legislation, cooperative societies. They shall also establish the means required to facilitate workers' access to the ownership of the means of production") reflects the support of cooperatives, which is specified in the Law of Cooperatives of Spain and the Basque Country. This latter has been designed in many cases adapting to the needs of MCC in order to favor its development.

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