



PRESENTATION OF MCC IN CANADA

Cooperative democracy

(oct_06)

0. INTRODUCTION

1. THE FULL PICTURE AT MCC

2. KEYS OR DRIVERS BEHIND THE DEVELOPMENT OF MCC

3. DEMOCRACY IN MCC'S COOPERATIVE COMPANIES



COOPERATIVES WITHIN MCC

INDUSTRIAL	87
CREDIT	1
CONSUMER	1
AGRICULTURAL	4
EDUCATION	8
RESEARCH	11
SERVICES	8
TOTAL	120 cooperatives

Structure in MCC

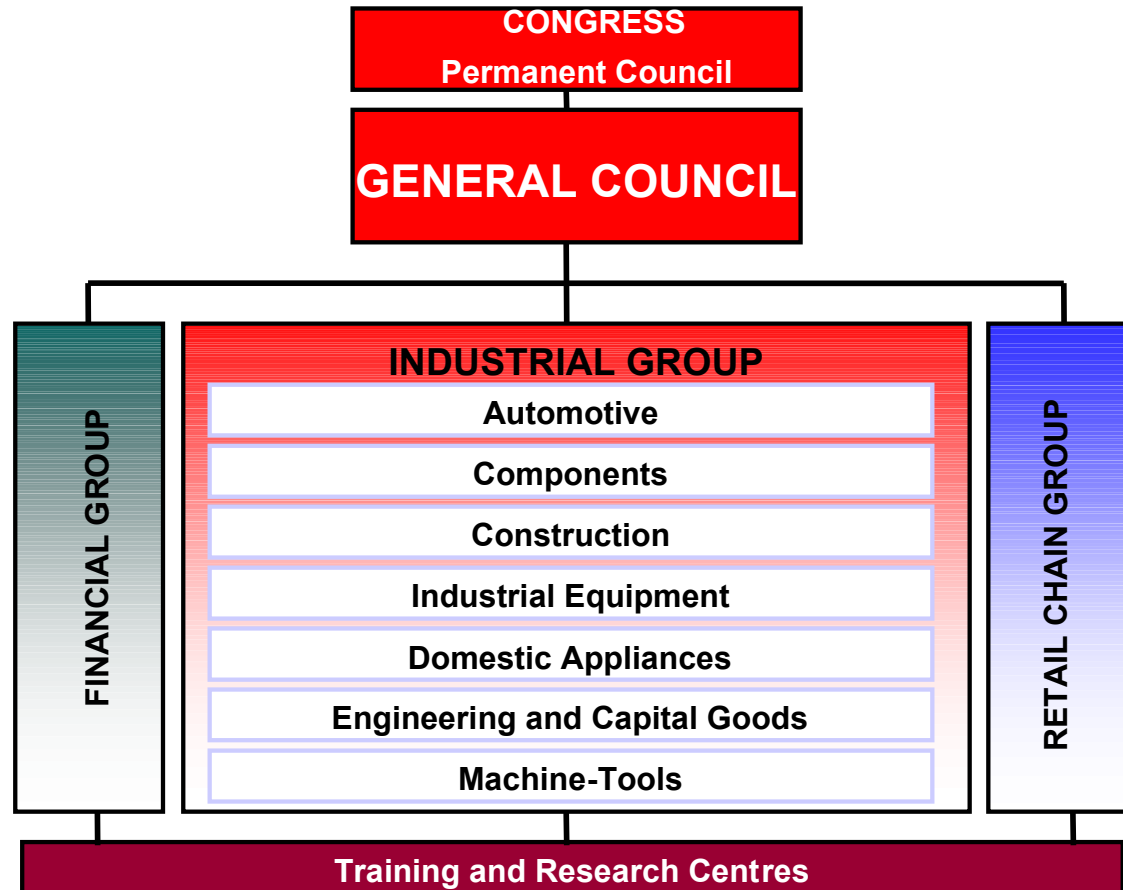
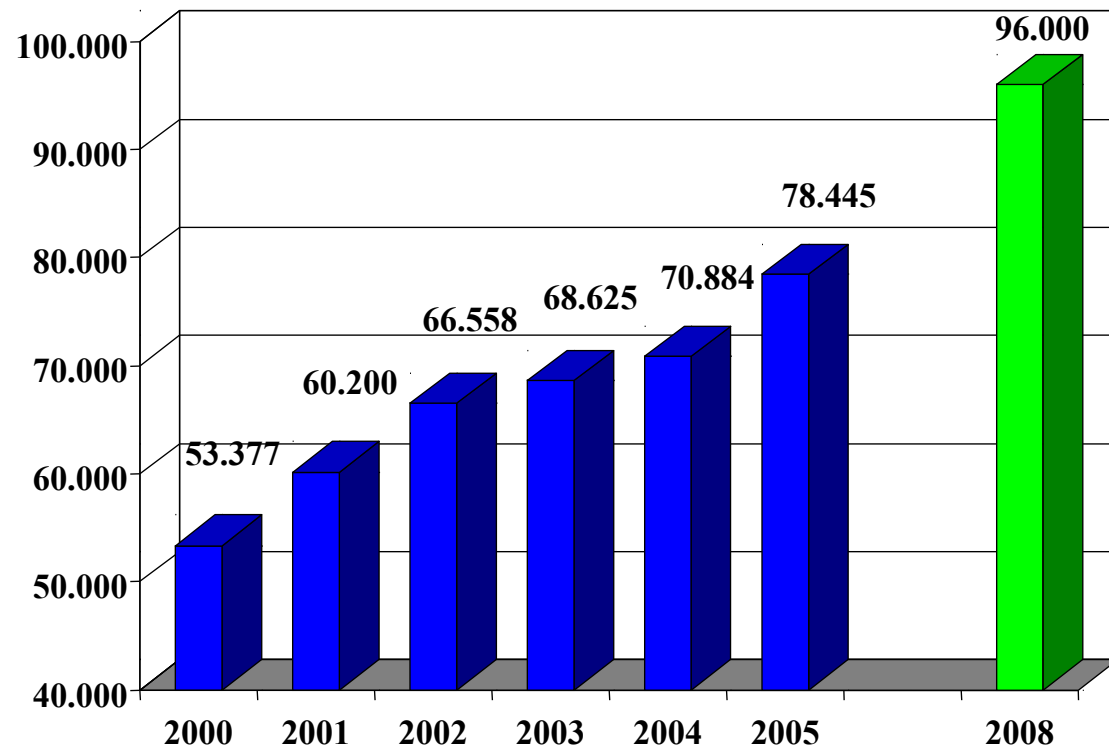


Table of figures

	2000	2001	2002	2003	2004	2005
SALES	7.065 MILION EUROS	8.106M	9.232M	9.638M	10406M	11.859 M
INDUSTR INTER - NATION SALES	10945M	2.165M	2.455M	2.555M	2.699M	3.136M (54,4%)
INVEST - MENT	738M	872M	683M	836M	784M	1.081M
PERSO - NNEL	53.377	60.200	66.558	68.625	70.884	78.455
NET PROFITS	367M	335M	370M	411M	502M	545M



PERSONNEL MCC





Mission (I)

Mondragón Co-operative Corporation (MCC) is an entrepreneurial socioeconomic entity with deep cultural roots in the Basque Country, created by and for the people, inspired by the Basic Principles of our Co-operative Experience, committed to the community, to the improvement of competitiveness and to the satisfaction of customers , to create wealth within society through entrepreneurial development and job creation, preferably membership-jobs in co-operatives.



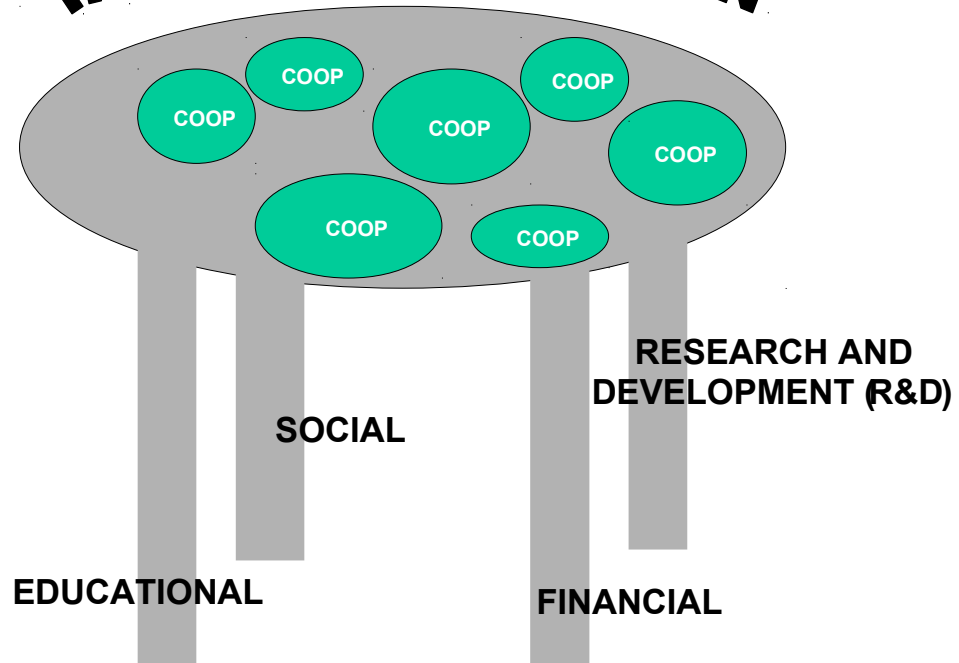
Misión (II)

MCC is based on a commitment to solidarity and uses democratic methods for its organisation and management

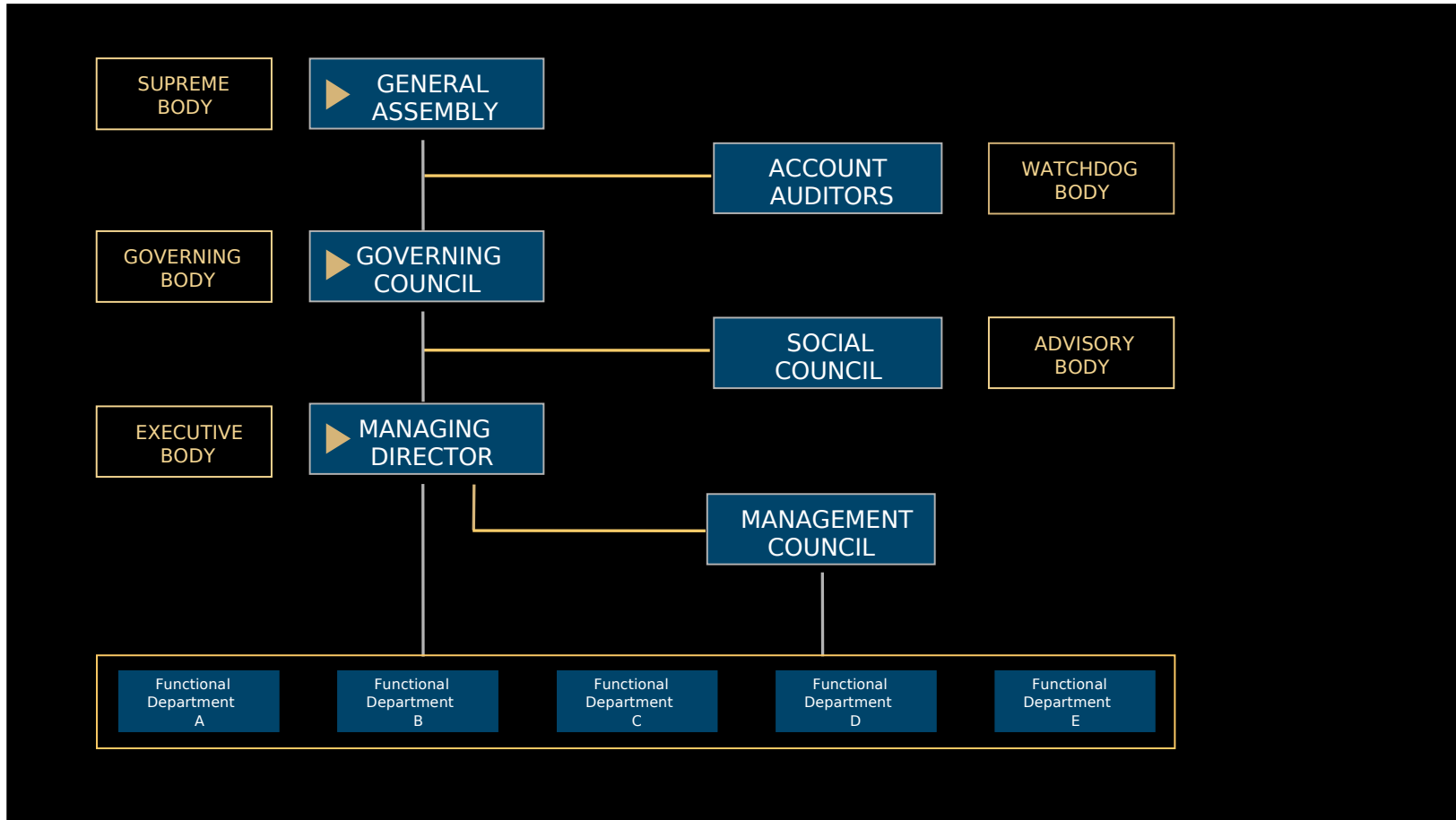
MCC encourages the participation and integration of people in management, profits and ownership of their companies, to develop a joint, harmonising project aimed at social, business and personal development.



INTERCO-OPERATION



The Basic Structure of a Co-operative

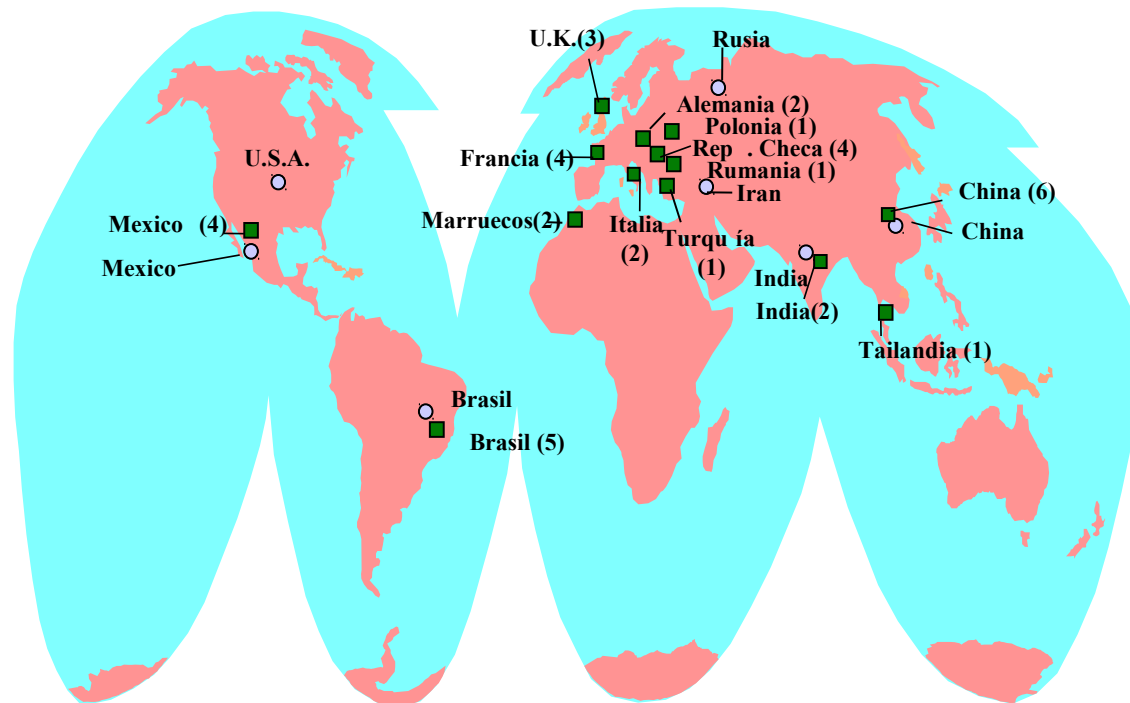


Democratic Organisation of Cooperation between Co-ops



MCC Worldwide

(At the end of 2005)



○ Corporate Delegations (7)
■ Production Plants (57)



BASIC CO-OPERATIVE **PRINCIPLES**

- 1. Open Admission.**
- 2. Democratic Organization.**
- 3. Sovereignty of Labor.**
- 4. Instrumental and Subordinate Nature of Capital.**
- 5. Participatory Management.**
- 6. Wage Solidarity.**
- 7. Interco-operation.**
- 8. Social Transformation.**
- 9. Universality.**
- 10. Education**



CORPORATE VALUES OF MCC

CO-OPERATION

“Owners and protagonists”

PARTICIPATION

“Commitment to management”

SOCIAL RESPONSIBILITY

“Distribution of wealth based on solidarity.

Involvement in the community”

INNOVATION

“Constant renewal”

II. KEYS OR DRIVERS BEHIND THE DEVELOPMENT (SUCCESS) OF MCC

1. ORGANISATIONAL EVOLUTION: ONGOING ADJUSTMENT
2. TRAINING
3. FINANCING
4. TECHNOLOGICAL DEVELOPMENT
5. INTERNATIONALISATION
6. INTERCOOPERATION
7. COOPERATIVE VALUES AND PRINCIPLES
8. INVOLVEMENT OF MEMBER WORKERS

1. ORGANISATIONAL EVOLUTION

The Mondragón Cooperatives have been constantly adapting their organisational structures to the needs of the cooperatives, and to those arising from the environment and through globalisation.

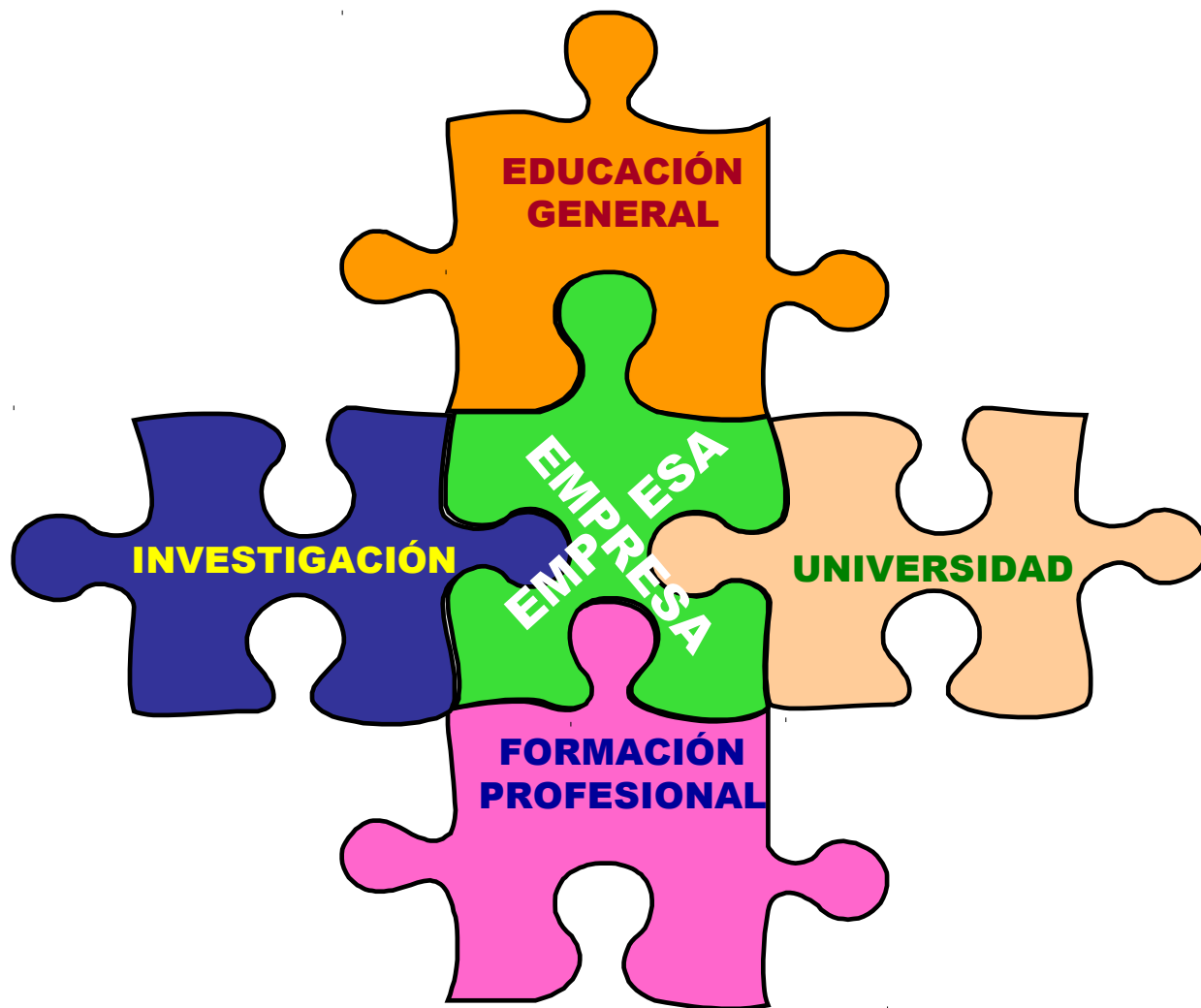
- Cooperatives are founded individually
- They create Caja Laboral Popular (CLP)
- CLP contributes to the creation and development of new cooperatives through:
 - The Business Division
 - Contract of Association
- District groups
- Sectorial groups
- Corporation (MCC)
- The Corporation itself modifies its structures and services.

2. EDUCATION AND TRAINING

- Cooperative: there are no cooperatives without cooperative members (“the socialisation of knowledge, socialisation of power”).
- Entrepreneurial, professional, management systems, leadership.
- Interaction: business, higher education, technology centres.

In the origin of MCC lie the creation of a Professional College and the social and professional instruction of a group of young people who were the original founders.

This aspect has been ongoing and subsequently developed, and it is now the Group’s educational reality:



SISTEMA EDUCATIVO

curso 2003 / 2004

	alumnado
Mondragón Unibertsitatea	3.995
Arizmendi ikastetxea	2.909
Formación Profesional (Txorierri,Goierri,Lea Artibai,etc)	1.250
OTALORA	4.500

The University of Mondragón (2nd degree coop.) has three faculties (Advanced Engineering – Humanities and Education – Business Sciences).

Professional Training Schools and Primary and Secondary Schools.

Otalora: Cooperative and managerial education for members.

They all have a cooperative structure (where the teaching staff and all the other workers are also members).

3. FINANCING: “in the bank or under the mattress”

- Caja Laboral Popular
- Self-financing:
 - Contributions to Share Capital.
 - Obligatory Reserve Fund).
 - Capitalisation of results.
 - Pooling.
 - The Corporation’s collective funds

Contributions to Share Capital (there is no self-management without a financial commitment).

Share Capital and Distribution of Profits

SHARE CAPITAL

- Initial Contribution
- Compulsory Cooperative Contributions
- Capitalised dividends
- Negative dividends charged

Interest shall be paid annually on members' contributions to Share Capital

When a member leaves the cooperative these contributions will be returned

Obligatory Reserve Fund (self-sustaining collective wealth).

Share Capital and Distribution of Profits

NET PROFIT

▢ Gross Profit



▢ Net balance from that contributed and that received Pooling of Profits

▢ Company Tax

Profit Distribution

▢ Education and Cooperative Promotion Fund 10 %

▢ Obligatory Reserve Fund 20 % minimum

▢ Cooperative Dividends 70 % maximum

Capitalisation of results. Pooling.

Economic System

Pooling of Profits at the divisional level

CO-OPERATIVES

- When there are profits a % of these profits are pooled:
- When there are losses double the: %

%

Depends on the level of convergence of the divisions

- It varies between 15% and 40%



The Corporation's collective funds:

- Investment
- Support for Cooperatives in difficulties

- New activities
- Social work

Economic System

FCI - Central fund for Cooperation between Cooperatives

AIMED AT:

Reinforcing the financial capabilities of the cooperatives
Internationalisation
Overcoming temporary difficulties

RESOURCES

- | | |
|-------------------------|--|
| ▶ Initial Contribution | ▶ 110.000ptas Per member/co op . |
| ▶ Annual Contribution | ▶ Depending on annual results |
| ▶ Caja Laboral: | ▶ 18,40% current year results
(80%Sub and 20% investment) |
| ▶ Rest of Cooperatives: | ▶ 10% results from previous year
(100% investment) |

Economic System

FEPEducation and Intercooperative Promotion Fund

AIMED AT:

Channeling part of the resources from the education and social promotion funds of each cooperative for which 10% of profits are earmarked by law

RESOURCES

▶ Caja Laboral:

▶ 50% of FEPS

▶ Rest of Cooperatives

▶ 20% of FEPS

Othe Intercooperative Financial Instruments

- **DEVELOPMENT CAPITAL FUNDS**
- **AGREEMENTS WITH MUTUAL GUARANTEE COMPANIES**
- **COOP. EDUCATION AND DEVELOPMENT FUND (FEPC)**
- **CENTRAL INTERCOOPERATION FUND (FCI)**
- **INTERCOOPERATIVE EDUCATION AND DEVELOPMENT FUND (FEPI)**
- **MONDRAGÓN UNIVERSITY CONSOLIDATION FUND**
- **CORPORATE SOLIDARITY FUND**

4. TECHNOLOGICAL DEVELOPMENT

- “Independence”
- Technology Centres
- GARAIA
- Innovation
- Management systems: quality, strategic plans...

Technology Centres

- Cooperative structure
- Mainly sectorial
- GARAIA is a highlight

RESEARCH CENTRES

- ✚ IKERLAN (R+D projects)
- ✚ MIK (know-how and management)
- ✚ IDEKO (machine tools)
- ✚ KONIKER(machine tools for shaping)
- ✚ MAIER TECHNOLOGY CENTRE - M.T.C. (thermoplásticos)
- ✚ ORONA- E.I.C. (lifts)
- ✚ MODUTEK (modules for cars)
- ✚ U.P.T.C. (packing machinery technology)
- ✚ GARAIA (innovation centre)

GARAIA



**area of excellence
catering for the
furtherance of research**

**building bridges between
the different players in the
innovation process**

**fostering the introduction
of new technologies**

**underscoring the creation
of skilled jobs**

**UNIVERSITY
+
BUSINESSES
+
TECHNOLOGY CENTRES**



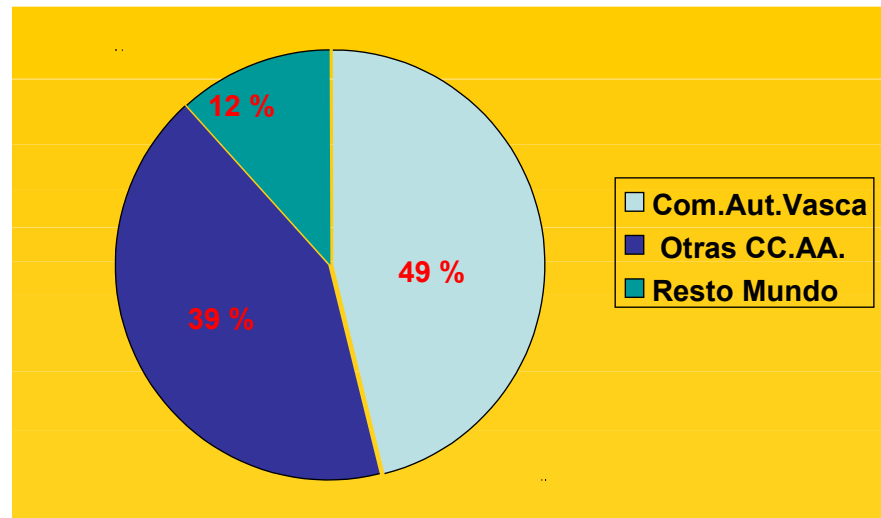
INNOVATION

- activity of R+D Departments
- launching of several Business Research Centres
- development of the 10 technological projects framed within the Science & Technology Plan
 - budget of 15.5 million euros
 - investment in infrastructures to the tune of 4.4. million euros

5. INTERNATIONALISATION

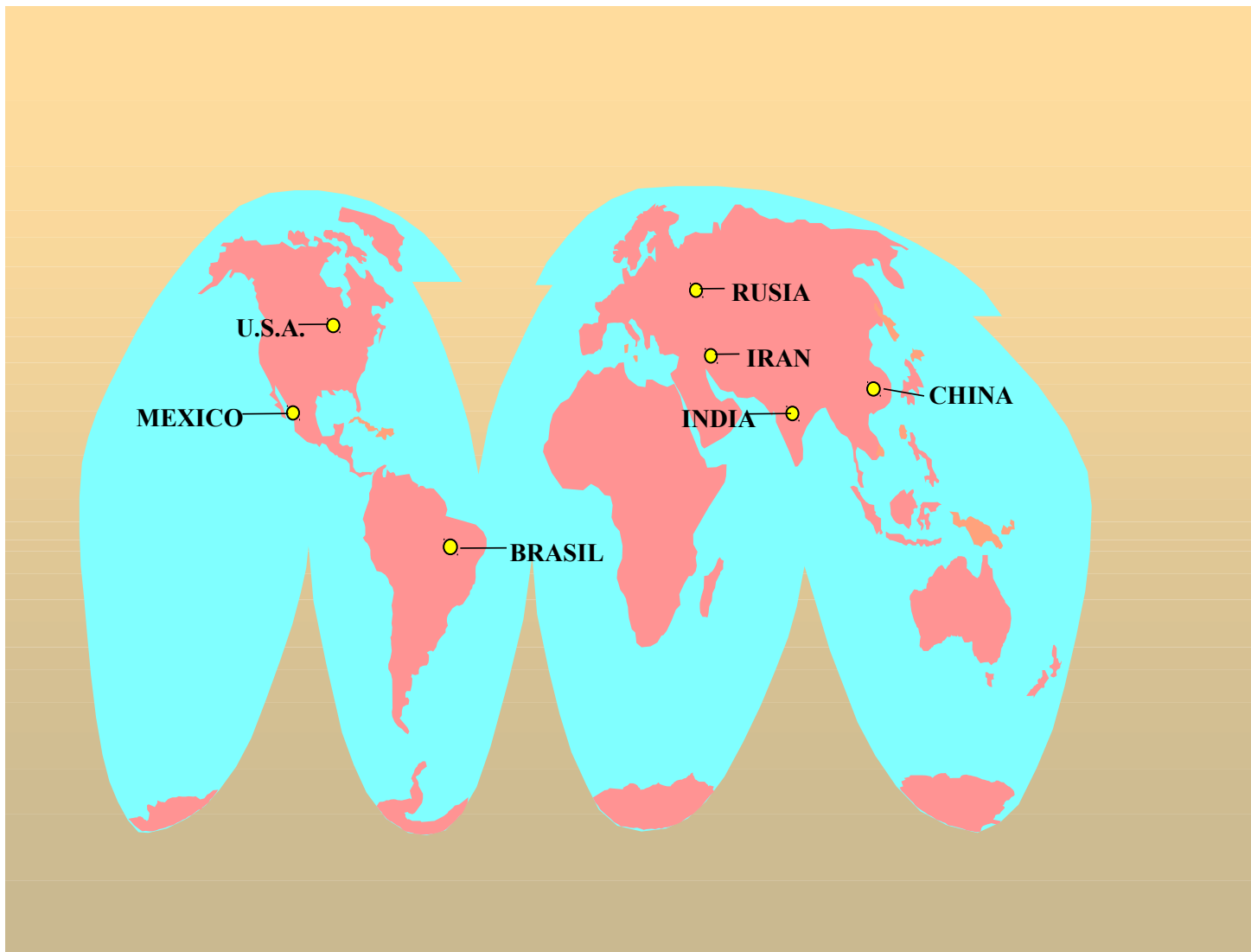
- 53% of Turnover: Export
- MCC Worldwide:
 - Distribution of employment

DISTRIBUTION OF EMPLOYMENT ***(70,884 people at 31.12.2004)***



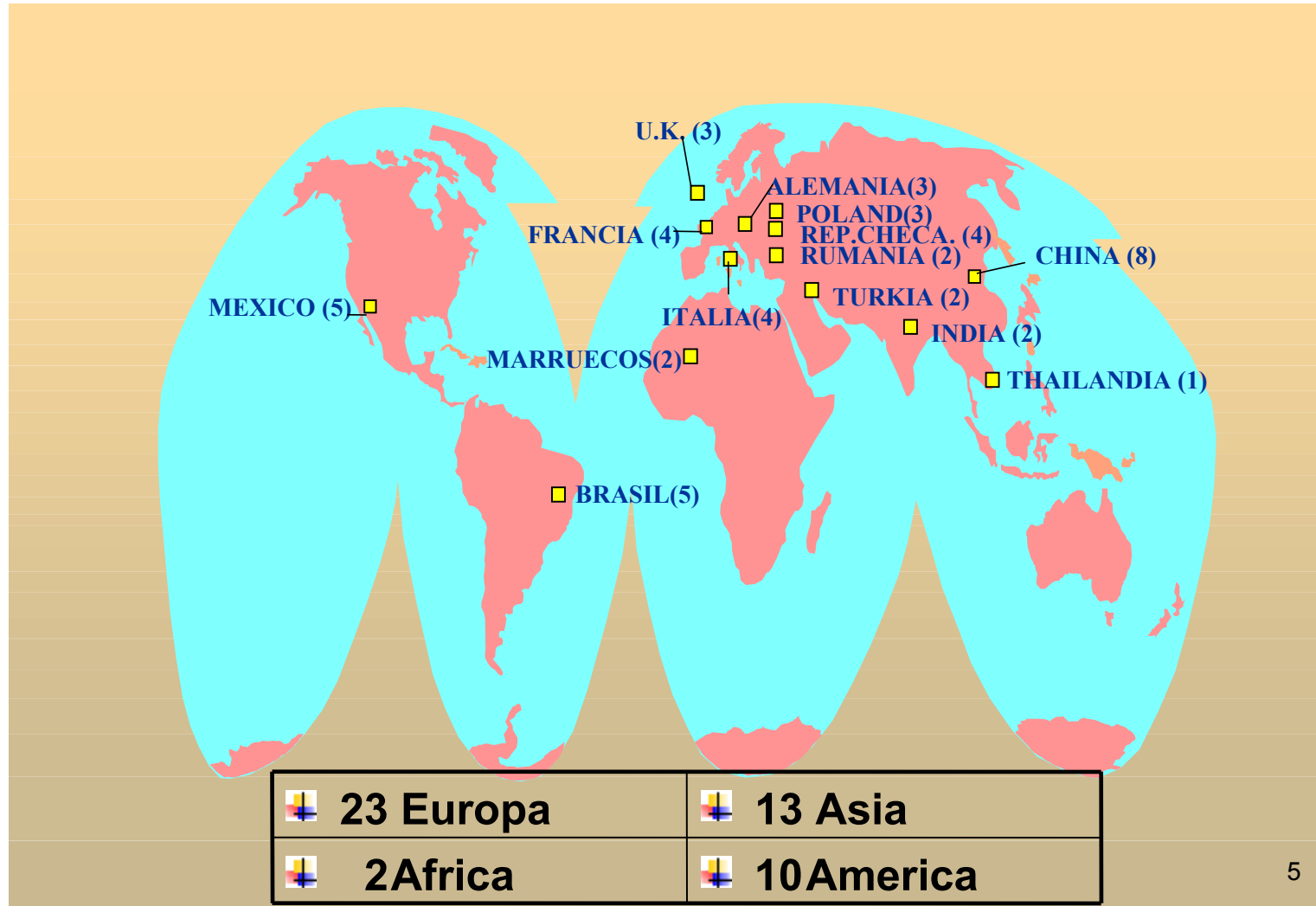
MCC WORLDWIDE

7 Corporate Delegations



MCC WORLDWIDE

48 Production Plants



1. 5. INTERCOOPERATION AND SOLIDARITY

- a. In the Cooperative:
 - Remuneration system
 - Pooling
- b. District groups
- c. Sectorial groupings
- d. Inter-sectorial
- e. Spheres:
 - Personal
 - Social development
 - Education and training
 - Financial
 - R+D
- f. Assignment of competencies and business integration

- **7. COOPERATIVE VALUES AND PRINCIPLES**

- a. (Seen before)
- b. Their importance

- **8. INVOLVEMENT OF WORKER MEMBERS**

- a. This is what drives and moulds the entire Mondragón Experience.
- b. It has paved the way for intercooperation and integration.
- c. We shall address it in the next chapter.

III. DEMOCRACY IN MCC COOPERATIVES

The Mondragón Group has two mainstays:

- Business intercooperation: a fairly uncommon trait in companies as a whole, as well as in cooperatives.

(Cooperatives have a long-standing tradition of federative associationism as representative organisations and have developed powerful representative bodies at domestic and international level; yet they have been incapable of joining forces for business purposes).

- The cooperativisation of labour: Mondragón workers are members not only in associated work cooperatives but also in other types of cooperatives: consumer, credit, teaching, agricultural, services, etc.
(A unique case in the cooperative world).

- Let us focus on this second trait:

III. DEMOCRACY IN MCC COOPERATIVES

- Member workers participate in the Cooperatives' ownership, decisions and results:
 - Exclusively (except for collaborating members) in associated work cooperatives
 - Proportionally in other kinds of cooperatives: jointly with consumer members, savers, cooperatives...
- Participating on an equal footing:
 - One member, one vote
 - Regardless of their contribution to share capital

III. DEMOCRACY IN MCC COOPERATIVES

- Participating in the cooperatives' decision-making
 - 1) Institutional
 - Articles and Internal Bylaws
 - Election of Governing Bodies
 - 2) Rules and system of employment
 - Remuneration
 - Training
 - Promotion
 - Rules of employment
 - Functional and geographic mobility

III. DEMOCRACY IN MCC COOPERATIVES

- Participating in the cooperatives' decision-making
 - 3) Financial
 - Strategic and annual planning
 - Policies and goals
 - Investments
 - New activities
 - Shareholdings
 - 4) Management
 - Organisation of labour
 - Working parties and teams

III. DEMOCRACY IN MCC COOPERATIVES

- Conditions of participation
 1. Seamless information and reporting
 - General assembly
 - Preparatory sessions: general and specific
 - Social Council
 - Sub-committees (members of the Social Council)
 - Regular information sessions (Management and senior executives)

(Example: Fagor Electrodomésticos' decision to acquire Brand)

2. Training
3. Channels of participation: Social Council, ...
4. Cooperative leadership teams (internal promotion)

III. DEMOCRACY IN MCC COOPERATIVES

- The participatory structure at MCC pervades through into the upper echelons

G.A.
Cooperative

Governing
Council

M.D. And MC

G.A.
M.C.
Group

G.C.

G.M. and

Group

Group

Congress
and
MCC

Standing Committee
MCC

Chairperson
General Council

(GA General Assembly/GC Governing Council/MD Managing Director/GM Group Management/MC Management Committee)

III. DEMOCRACY IN MCC COOPERATIVES

The number of delegates from each cooperative in the General Assembly of each Group and in the Congress is calculated in proportion to the number of member workers in the cooperatives.

No account is taken of turnover, share capital, assets or any other business parameter (society of people).

- Problems affecting participation
 - Lack of information
 - Apathy of members
 - Instruction in diverse and complex issues (in general, “political” decisions are taken)
 - Dimension of the cooperative?
 - Need for intermediary channels (Social Council, Trade Unions?)

III. DEMOCRACY IN MCC COOPERATIVES

- Difficulty in reproducing the cooperative model:
 - Acquisition of companies
 - Setting up companies abroad
- Possible solutions are
 - Transformation into cooperatives or
 - Drawing closer to the cooperative model by involving non-member workers in ownership, results and decision-making.

There are many other aspects of participation that could be analysed (financial involvement, socio-structure / techno-structure relations.....) but perhaps we might address these in the discussion we are now going to hold:

Thank you very much.