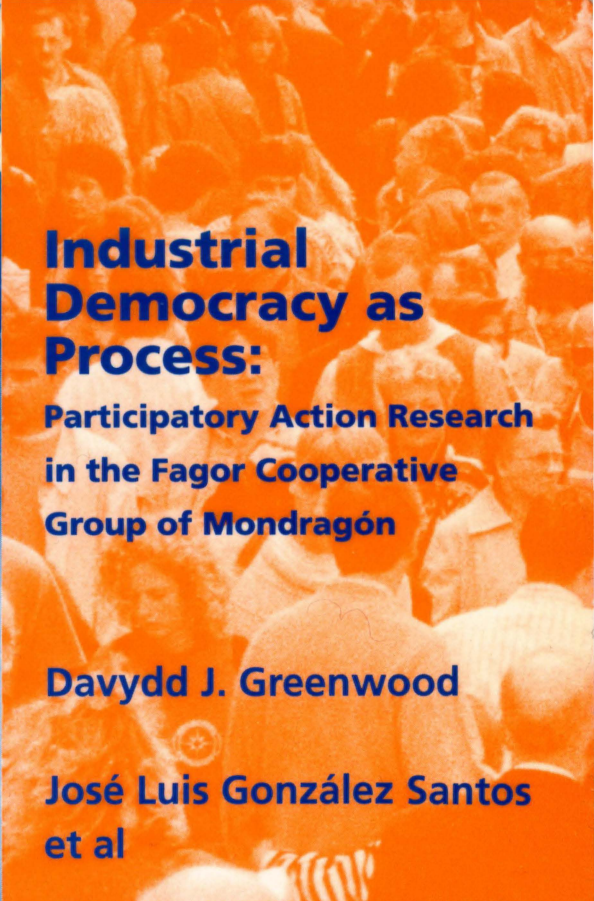# Industrial Democracy as Process:

Participatory Action Research in the Fagor Cooperative Group of Mondragón

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Social science for social action: toward organizational renewal

Volume 2

Dedication:

Alex Goiricelaya Arruza, compañero ausente

Industrial democracy as process

Davydd J. Greenwood and José Luis González Santos

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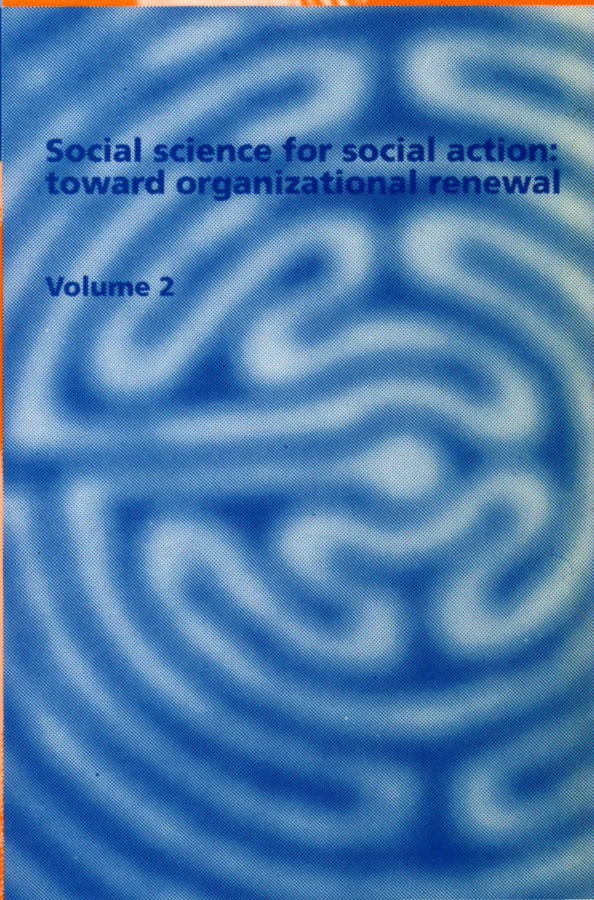Participatory Action Research in the Fagor Cooperative Group of Mondragón

with
Julio Cantón Alonso, Ino Galparsoro Markaide, Alex Goiricelaya Arruza, Isabel Legarreta Nuin, and Kepa Salaberría Amesti

Dedication:

Alex Goiricelaya Arruza, compañero ausente

Acknowledgments

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Prologue

The book you are about to read is unique in many ways. The product of a protracted process of participatory action research (hereafter PAR), it is co-authored by a professional social researcher and six members of the organization it analyzes. The book deals with the world famous industrial cooperatives of Mondragón, currently the most successful model of industrial democracy anywhere. It chronicles and analyzes the organizational cultures and conflicts in the cooperatives and makes a demonstration of their ongoing capacity to transform themselves. Given these many threads, readers inevitably will approach the text with differing interests and from diverse vantage points. We have done our best to the meet the needs of all, but not every reader will be interested in all parts of the study.

Trying to achive a balance has been quite difficult. Some readers will be most interested in a full rendering of the internal dynamics of such an extended PAR process. Others will only want to know what this study tells them about the cooperatives that has not been said before. Still others will be interested in the dynamics of organizational culture portrayed here as another example of the complexity of this currently fashionable subject.

The authors also have an agenda. We want to tell the readers what we learned together as a PAR team and this is a complex, multi-faceted matter. We learned the processes and values of PAR. We learned how dynamism, values, cooperation, and conflict all interact to make the cooperatives what they are. We learned what kinds of preconceptions many students of the cooperatives bring with them to this subject. We learned that a great many issues affecting standard firms – hierarchy, alienation, change, etc. – also affect the cooperatives and, by implication, that successful democracy is not about the eradication of difference and conflict.

Our own agenda, from the outset, centered on applied research on organizational culture from an anthropological perspective. This is what the cooperative members of the research team invited Greenwood in to work on with them. This also matches Greenwood's disciplinary background as a cultural anthropologist. Other perspectives would have been possible. Ours is the joint product of who the PAR team was and what each member had to contribute and wanted to achieve in the process.

Inevitably in trying to blend our agenda with the interests of our readers, we have made compromises that will create dissatisfaction. We limited material on the complexities of our own learning process in conducting PAR because a

number of readers were quite unexcited by this dimension – much to our surprise. This surprised us because we thought that experiments in congenerative learning and organizational transformation would seem vital to many audiences[1].

We have provided more background material on the cooperatives than economy and elegance in presentation would have required. Without it, the book would be inaccessible to that readership interested in organizational culture and PAR and not particularly concerned with cooperatives. We have displayed relatively little of the enormous amount of qualitative data we collected because it would have necessitated the writing of a much longer book. As a result, those interested in qualitative research will find the presentation thin.

To be true to our own experience, we have emphasized the dynamism, internal diversity, and capacity for conflict and change within the cooperatives. We have also emphasized certain features of current operations in the cooperatives that we have come to believe present severe threats to their future integrity as democratic organizations. Throughout we have insisted that PAR is a uniquely powerful way to co-generate useful knowledge about oranizations, far more powerful and applicable than most forms of orthodox, expert driven and controlled social research.

The end result, then, is a compromise. It describes and analyzes the cooperatives. It puts forward what we believe to be their most important strengths and defects and it tries to reproduce something of the sense of excitement and power that the PAR process gave to us. These choices will not satisfy everyone, but we hope that at least they give some flavor of the complexities of the cooperatives, the PAR process, and our own sense of the potential for self-managed transformation that exists within industrial organizations.

Things never quite work out as we expect. When we finished drafting this manuscript, we were excited by what we had accomplished. Many colleagues exhibited a similar level of excitement and we immediately sought a publisher. This process began in 1987. At this writing, it is 1992 and the delay is not accidental. An earlier version of the book found its way into print in Spanish first and has been widely circulated in Spain[2].

The English language manuscript was reviewed by 6 presses and rejected by 4. The rejections were an education for Greenwood in the state of both social research and academic/professional publication. The rejections were accompanied by diametrically opposed reader's reports, usually one praising the manuscript and urging publication and the other denigrating it in every way. Since it is now the practice in most social science presses to award contracts on the consensus of reader's reports, this situation kept a number of editors who were interested in publishing the work from being able to move ahead[3].

This is a lesson we learned after the PAR process in Mondragón ended. The process of peer review works well in fields whose agendas, methods, and parameters are agreed upon. That is to say, where standards are clear, peer reviews are predictable. This is not the case with PAR works co-authored by professional social researchers and participants from the organizations under

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study.

And the application of orthodox peer review standards to this kind of work is impossible. Orthodox social research standards do not match the PAR process well. PAR is an emergent process, with the participants changing their hypotheses, aims, and interpretations as the process develops. The much-lauded "objectivity" of the professional researcher is hard to find[4] in PAR processes. It is supplanted by the power of combined knowledge, analysis, and desire for change of a whole group of participants.

If these were not obstacles enough, our results fly in the face of much of the romanticism that abounds in dealing with these cooperatives. This too created hostility among the readers. Committed believers in industrial democracy seem to want to overlook the importance of conflict, alienation, confusion, and struggle in these cooperatives. Perhaps they want to create a picture of harmony to entice new recruits or simply to believe in harmony because it makes them more comfortable. What they fail to realize is that when new recruits experience conflict and discord in their cooperative organizations, they are going to believe they have failed and are doomed. If Mondragón continues to be presented as a paradise, then the real struggles of cooperation, the difficult process of real democracies, are lost from view. This punishes both the people of Mondragón and any who would like to follow their example.

In the end, the real problem is that we lack "exemplars" of good writing about social research for social action. To conduct social research in order to achieve social reform is a goal quite different from the goals of the academic social research apparatus in all but a few exceptional cases. As a result, we must create our own exemplars, built our own networks of reform-minded social researchers. That is how finally this book came to be published.

Near the end of the research project, González and Greenwood were invited to the planning conference leading the Einar Thorsrud Memorial Conference in Oslo, Norway. Through that activity, Greenwood became part of a growing international network of reform-oriented social researchers and institutions. Important among these are the Work Research Institute of Oslo, the Center for Working Life of Oslo, the Department of Organization and Work Science of the Norwegian Technical University of Trondheim, the Swedish Center for Working Life, Programs for Employment and Workplace Systems at Cornell University, and the Social Change Network that meets annually at the American Academy of Management. One product of these interactions, the result of a remarkable initiative of Hans van Beinum, is the book series of which the present book is the second publication. This series finally promises a more open and experimental field for the development of new international community standards for social research oriented around social action. We are grateful for the existence of this international series and for the support of the members of the international network that sit on its editorial board. In this context, we view the present book as an attempt to provide a model for the community to criticize, develop, and transcend as we move together toward social research for social action.

Part One: Introduction to the industrial anthropology of the Fagor Cooperative Group

Chapter 1: Industrial anthropology and participatory action research in the Fagor Group

Anthropology has long specialized in interpreting unusual cultures and social arrangements. It is surprising then that no full-length anthropological study of the labor-managed industrial cooperatives of Mondragón yet exists. Few systems are more unusual than a group of economically successful, democratically-organized and managed industrial cooperatives. A priest and some young engineers in a small town in the mountains of the Basque Country, founded them in the midst of General Franco's fascist dictatorship.

Yet the purpose of this anthropological study of the cooperatives is not to emphasize their unusual character[5]. The organizational and cultural dynamics of these cooperatives reveal processes and conflicts that exist in mainstream industrial organizations. They include conflicts over the quality of authority relations, participation, and corporate culture. This study of the Fagor Cooperative Group within Mondragón, while detailing many unique features of the Mondragón system, intends to illuminate generic problems of advanced industrial organizations. These are problems that even a successful cooperative structure cannot easily overcome.

An explicit intention of this study is to move Fagor out of the arena of exotic forms of industrial democracy relevant to a small universe of cooperatives. We think that what we learned in Fagor is valuable for work on labor-management participation in general. If, on a continuum of forms of industrial organization, Fagor lies near the pole of maximum labor participation, it certainly is still part of capitalist industrial society. In Fagor, precisely because of its powerful commitment to participation, we may see more clearly certain dilemmas of labor-management participation and organizational change affecting industrial organizations in general.

An unusual feature of the study, and one that gives this book an unconventional structure, is the way the research and writing were done. The book is the product of Participatory Action Research (PAR) carried on by a team composed of a professional anthropologist and several members of the cooperatives themselves. The book was written by a group which includes only one outsider to the cooperatives. Thus the study is the first full-length anthropological study of the cooperatives and an unusually extended example of PAR in industrial organizations[6].

The Central Theme

The most important and unique finding of our study centers on the sources of apathy and alienation. Fagor is undoubtedly one of the most successful experiments in industrial democracy in the world. It shows every sign of continuing to grow and develop successfully. Yet many worker-owners in the system feel that they do not control it, that it controls them. They vote the annual business plan and they can censure and fire managers. They have elaborate and effective mechanisms to deal with almost any kind of imaginable problem. Yet they also feel that many elements of the system are beyond their control, perhaps even out of control. The owners of the means of production govern the system. Yet at work, they often feel as if the system owns them.

Just what this means is a matter of considerable importance. One view would suggest that labor-managed cooperatives are a mere overlay on the fundamental contradictions of capitalism. Others would attribute this feeling of subjection to a kind of Rousseauian view of society as the dominator of the "free" individual.

We think the answer is less earth-shaking, but perhaps more immediately important. Our study of this problem revealed institutional dynamics in Fagor that separate the mechanisms of governance from the operations of the work place. In governance, Fagor members are fully equal and have elaborate process guarantees to assure that this equality suffers no abridgement. The processes of governance also highlight the values of democratic process.

In the work place, the dynamics are different. Though they have developed some participatory work forms , as we will show, social relations and production systems in the work place in Fagor are still quite similar to those found in any business environment. Hierarchical systems of command and control operate, albeit in a muted form.

The members' experience of the processes of governance and the processes of work, thus, can be quite contradictory. If life in the work place is similar to that found anywhere, a degree of tension, conflict, and alienation is likely to exist. But in Fagor, the workers are also the owners. So from whom are they alienated? From themselves? From the system which they own?

We believe that Fagor can address these problems successfully, in part through PAR[7]. While they may never totally resolve them, we came to realize that Fagor gradually had developed an institutional tendency to move many serious problems out of the work place, no matter where they arose. This "institutional reflex" causes many production problems to end up being treated as problems of governance. Our study led us to conclude that Fagor needed to reintroduce more problem-solving into the work place and to democratize production processes as they have democratized governance.

This is the central theme of our study. It also is the reason we believe the results of this study are relevant to more than just the cooperatives of Mondragón. Labor-management participation is the order of the day in the industrial world. The lessons from Fagor may well prove useful.

The Anthropological Approach Taken

A specific anthropological view of the human condition guided this work. We view humans as beset by intrinsic tensions between our social existence and the interpretive sense we continuously try to make of it. We operate in specific social organizational contexts, playing roles and performing functions. Simultaneously the complexities of our environment and the vagaries of our social lives continually challenge us to make and remake sense of the world we live in. The world must make sense for us to be able to survive. It does not have to make positive sense; it only matters that the world be coherent and that reasonable cause and effect relationships hold in it[8].

While dealing with culture in industry in recent years has become common, few studies juxtapose the social and cultural dimensions of industrial organizations in the way just described. We believe that this approach can yield rewarding results and the present work offers both findings and methods to this project.

It is also a useful corrective to homogeneous views of the Mondragón system. The cooperatives' high emphasis on basic guiding values has encouraged a unitary image of cooperative culture. Yet the cultural experiences of the members living in the system are diverse. Members are aware of the unifying themes in the system and they are also aware of their own daily experiences. Not surprisingly, these do not coincide perfectly. This lack of fit energizes cultural and organizational processes that are important to the future of the system. Further, having tension between a strong central value system and diverse experiences throughout the organization shows that Fagor, in this regard, may not be so different from Xerox, IBM, Hewlett-Packard, and other companies. Thus a study of these dynamics in the Fagor system can be relevant to the general study of corporate culture.

Participatory Action Research in the Fagor Group[9]

In Participatory Action Research, professional social researchers and members of the organization under study become a research team. This group determines the subject of the research, develops techniques, collects and analyzes the data, and then has some involvement in applying the results of the research to the organization. The professional researcher operates as a kind of consultant, teacher, researcher, and team member who accepts the team's goals.

As a research process, PAR has some advantages. It subjects normal research approaches to a special kind of test. The results must be convincing and informative to members of the organization under study. Results must also point in the direction of intelligible actions to correct important problems. While this is, in a certain sense, restrictive, it also serves to reduce complex social theories to essential and important propositions and subjects local views and analyses to

group review. In this way PAR pools the power, knowledge, and energy of many minds, all engaged in a process of reflection, discussion, and action.

The Fagor Cooperative Group, aware of tensions within, supported and participated actively in the PAR process because they wanted to understand the sources of certain negative features of their system to correct them. Specifically, they had determined that, despite their economic success, there are some internal social processes that lead to apathy and distrust.

These difficulties have parallels everywhere there are serious attempts at labor-management participation. The development of quality circles[10], "cost-study teams,"[11] and other forms of labor-management participation often create tensions and difficulties. Thus the Fagor participants sought to learn from other experiences in industrial participation lessons of use to apply to the resolution of problems within their own system. To this end they were willing to make a major commitment of time and money to the PAR process.

Elements in this Study

Fagor as representative of Mondragón: The Fagor Cooperative Group is the largest and oldest group of cooperatives in the Mondragón system. Chapter Two presents a brief history and review of the structure of the cooperatives. The Fagor Group is representative of the Mondragón system, in that its structure is typical of all the cooperatives. Fagor also manufactures a wide range of products for different markets. It may have been unrepresentative in that for a long time, it had more highly developed and consolidated institutional structures than some of the smaller and newer cooperatives. Still we believe that studying the Fagor Group permits us to learn much about Mondragón as a whole.

Capitalism and industrial democracy: The economic success of the Mondragón cooperatives argues that a more diverse set of relationships between economic and social forms is possible than much of the literature on capitalism suggests. Thus the reality and causes of the success of Mondragón are matters of theoretical and political importance. In this respect, Mondragón seems to be the perfect anomalous case: industrial labor-managed cooperatives founded in a depressed economic region in the darkest days of a repressive, explicitly fascist dictatorship. As a result, so much is at stake when analyzing this case that it is hard to bring Mondragón itself into focus because of the larger theoretical and political agendas involved. It is especially hard to see the similarities between many of the processes going on in Mondragón and those occurring throughout capitalist industry worldwide.

Even though the degree of formal democracy achieved is far greater than in most other systems, the research revealed that Fagor is dealing with the essential problem in all democracies. Are differences among members weaknesses to eliminate or opportunities to maximize? Is a democracy to be a society built on norms that suit the lowest common denominator or on the differential potentials of each member?

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In Fagor, as in most democratic systems, this is not an issue to settle once and for all but an ongoing debate. The founders and many members clearly prefer the latter view of democracy, but organizational processes in large, formal systems often lead to lowest common denominator solutions to important operational problems. These different views of democracy suggest very different future directions for Fagor.

Culture and structure in industrial organization: In recounting the organizational structure and history of the cooperatives, the study charts a trajectory of profound organizational change and increasing democratization in important institutional processes. The present research focuses ultimately, however, on the interpretive sense participants make of these changes. The character of their own experiences reveals important diversity of views, conflict, and even alienation[12]. There is a sense in which this book tries to help in setting a meaningful standard for judging what is success in democratizing a work place. We believe that democratization does not imply the absence of tension, conflict, or social change.

By linking organizational and cultural perspectives, we arrived at one of the main analytical conclusions of the book. The Fagor cooperatives have successfully democratized their organizational structures as structures of governance accessible to all members as equals. They have not yet achieved a similar degree of democratization of production organization in the work place. Members live the tension between their experience of equality in membership and governance, on the one hand, and inequality and conflict in the production process as a central dilemma of the cooperatives. The PAR team members now recognize this as a major challenge for the cooperatives to overcome in the future. It also implies that the development of successful participatory systems does not bring about a millennium after which only harmony prevails.

Corporate culture and organizational dynamics: The above, in turn, has implications for the concept of ''corporate culture'' in industry. Nearly all managers are familiar with the idea of corporate culture. Many firms have developed a self-conscious image of their own corporate culture which they try to inculcate in employees and convey to clients as a set of positive values. The diverse literature on this subject is something of a mixed bag[13].

There is a strong tendency in managerial approaches to see corporate culture as a set of basic rules that links all the members of an organization to a common vision and set of values. They see culture only as that which binds together, that which homogenizes. While anthropologists agree that culture binds groups together, anthropologists emphasize that culture is a process, a making sense of the world. Culture is always at work, responding to experience, changing, diversifying and reunifying. The hallmark of a cultural system is the continual process of interpretation a group engages in, as individuals and collectively, in the process of daily life. Thus culture is internally diverse and diversifying; it is not a series of truths to memorize and act out. Industrial organizations have culture in this dynamic sense, as this study will show.

In Fagor, corporate culture exists in both the management and anthropological senses. The general belief that the cooperatives have a cultural system is strong here because the cooperatives are intentional creations that aim to embody to certain basic democratic values. But cooperative members also have complex and diverse understandings of their experiences within the organization. To be part of Fagor is to engage in both industrial production and interpretive processes that are dynamic and diverse.

Thus we argue that one of the central features of the cooperatives is the tension between the continuing development of the culture of the cooperatives as an intentionally-created system of democratic self-management and the diverse and often conflictive cultures of the multiple work places that make up the system. This tension both energizes and frustrates members because the broader values of the system themselves provoke frustration whenever they come into conflict in everyday life in the work place. Understanding this tension is essential to understanding Mondragón.

Commitment and excitement about industrial democracy exist in profusion there, but apathy, distrust, and alienation also persist. Feelings of apathy and distance in a strongly participatory system are matters of great concern because they strike at the foundation of self-management. If something intrinsic in ''human nature'' or in capitalist industrial production causes this, it may ultimately defeat democratization. If the internal dynamics of the cooperatives are the cause, then improvements in the system may ameliorate the problems.

The Plan of the Work:

The work argues for a process view of the cooperatives in the Fagor Group. We particularly attend to the problems of maintaining a balance in the cooperatives between the socio-economic and cultural dimensions of their system. To accomplish this requires the presentation of an organizational and cultural history of the Group, followed by detailed analysis of its current operations.

The first part of the study, Introduction to the industrial anthropology of the Fagor Cooperative Group opens with the context and history of Fagor. Following this is a review of issues surrounding industrial democracy worldwide that preoccupied the PAR team. Next comes a more detailed history of the development of the research project in Fagor and a review of the concepts that guided it.

Part Two: The Fagor Group as a socio-cultural process begins our presentation of the culture and dynamics of Fagor. We review of some of the literature on the cooperatives of Mondragón. Responding to some of this literature was an essential step in developing the cultural view of Fagor presented here. Because an historical perspective is an essential element in an understanding of the Fagor Group, we devote a chapter of the work to demonstrating that the cooperatives are the result a process of continual development. They are not the result of an application of a fixed recipe.

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From this point forward, the book recounts the findings from the various stages of the research process and tries to convey the multifaceted character of this industrial system.

Part Three: Human experience in a dynamic organizational environment shows how living in a changing environment creates both opportunities and dilemmas. It also creates diversity of human experiences. We highlight the strengths and deficiencies of the cooperatives clearly. This section of the book documents the sense cooperative members make of this experience. In this section, we present the interpretative processes members at all levels engage in as part of their everyday experiences of work in the cooperatives.

This final section begins with the results a small pilot survey. Following this are the results of interviews in which we sought the most discordant views of the cooperatives from those most adversely affected by changes caused by the economic recession. We then present the results of a series of roundtable discussions with cooperative members. These roundtables dealt with themes of basic importance to the future development of the cooperatives and examine the commitment of members to cooperative ideals. The study closes with a review of the lessons learned and the effects of this process on the Personnel Department of Fagor's Central Offices.

We resist, as far as possible, the creation of a view of the cooperatives dominated by the vantage point of the Central Offices Personnel Department and Cornell University researchers. We present the internal diversity of views of the cooperatives and address the most conflictive issues for the members to provide a diverse picture of these organizations.

The readers will experience a gradual shift in voice throughout the work. Although all the sections are there result of our collaborative research and writing, the unique perspective, our special "voice," emerges most clearly from Chapter 6 on. While the earlier chapters prepare for a dynamic view of Fagor and a differentiated view of organizational culture, the perspective that leads to our concluding analysis is captured in the latter sections. In part this is because the early chapters mix the presentation of data on the setting, structure and history of the cooperatives, and relevant literature for readers unfamiliar with these materials and the elements of our own perspective. It is also because the consequences of taking an historically dynamic view of the organization and culture of the cooperatives do not become fully apparent until their impact on some key issues and controversies in the cooperatives is played out.

The present study, thus, has diverse aims. It presents an analysis of the Fagor case to show how a focus on organizational processes and pluralistic organizational cultures can aid understanding of the success of these industrial cooperatives. It also exemplifies the way industrial anthropology can help find a synthetic middle ground between formalism and generalization, participatory action research, participant observation, and the historicity of individual cases.

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In this way, an apparently anomalous case can become part of social science discourse, while hopefully we bring to bear useful perspectives from the social sciences on applied questions.

Chapter 2: The Fagor Group in context

This chapter sets the geographic and historical context for the study. It also provides a brief overview of the structure and history of the cooperatives. The portrait in this chapter dates from 1987. We debated about updating it and opted to leave the data as they were at that time. In our epilogue, developed in 1992, we will provide an updated overview of the salient changes in the structures and magnitudes affecting the Fagor Group.

The Geo-political Context

Mondragón is an industrial town of 28,000 inhabitants in the Spanish Basque Province of Guipúzcoa:
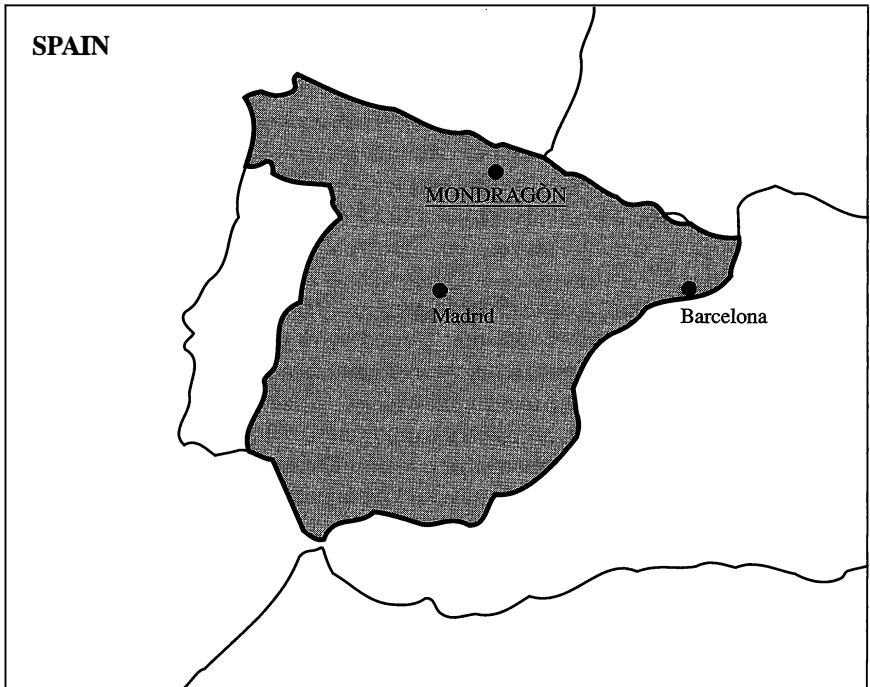
Three provinces, Guipúzcoa, Vizcaya, and Alava make up the Autonomous Community of the Basque Country. In 1986, the population of these provinces was 2,134,000 or about 6% of the population of Spain. This small land area has a population density of 294 per km2 compared with the general figure for Spain of 75 per km2.

The Basque Country is well known for several reasons. It was a center of resistance to Franco's forces in the Spanish Civil War, though not therefore necessarily republican or even left in its dominant political orientation. Picasso's painting of the bombing of Guernika, a town that symbolized the Basque region's home-rule government, dramatized its suppression. The region is now the center of on-going conflict over home rule.

While Basque culture is integrally European in social forms and cultural beliefs, the region is particularly known for continuing civil/political strife and its unique language. The Basque language is unrelated to any other language spoken in the world and has been a puzzle to generations of historical linguists. The most sensible hypothesis is that Basque is the only surviving non-Indo European language in Europe. Of course, this view lacks the romance of the more farfetched views promulgated during the past 500 years[15]. Whatever the explanation, the language gives the region a unique ideological rallying point, although it is spoken only by 25 to 30% of the population.

The most industrialized region of Spain throughout the twentieth century, the Basque Country has been a major destination for internal migration from the rest of Spain. Currently the non-Basque immigrant population is over 24% of the total of the area[16].

To a large extent, the Basque industrial base centered on smokestack industries, which have declined as much as everywhere else in Europe and the United States. The Spanish economy currently is undergoing a massive restructuring in both manufacturing and service industries and had an unemployment rate of around 20% in 1987. In the Basque Country as a region, the rate was 20% in 1982 and by 1986, had increased to 27%[17].

The Cooperatives:[18]

Founded as a single cooperative, Ulgor, in 1956 by 5 leaders and 16 co-workers, what insiders often call the ''Mondragón cooperative experience''[19] has grown significantly. The overall Mondragón complex of cooperatives now employs over 19,000 worker-owners, nearly 7% of the industrial labor force of the Basque Country. This group of institutional initiatives now extends far beyond the physical environment of the town of Mondragón and includes 173 cooperatives: 94 industrial cooperatives, 17 cooperative construction firms, 9 agricultural/food supply cooperatives, 6 service groups, 45 dedicated to education, 1 cooperative bank, and 1 consumer cooperative. Together these reach sales of 151,191,000,000 pesetas[20]. During the worldwide recession, they managed to remain solvent without laying off significant numbers of members.

The cooperatives have over 193 different product lines and thus thousands of different products. They export about 30% of their production, a percentage that

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is increasing annually. The export dimension is important to the future of the cooperatives and they actively pursue it, both in the context of the Common Market and beyond.

The organization of the cooperatives sets them apart from other firms in the industrial world. Founded on democratic principles, the Mondragón cooperatives embody the precepts of worker ownership and participation. To enter, a worker pays a fee, equivalent roughly to a year's salary in the lowest job classification. The worker receives a distribution of the profits from the cooperative as salary and an additional amount in their capital account, the same account into which they paid the entrance fee.

The amount distributed back to the members depends on two factors. First, the economic performance and future capital requirements of the cooperative in a fiscal year determines the total amount of profits available. A vote of all the members determines the actual amount shared. The functional classification of the job the member holds determines the actual amount of the distribution. Jobs rank on a scale from 1 to 4.5[21], the lowest paid members receiving one fourth to third of the compensation paid to the top manager. The skills needed, the character of the job, the environmental and other hazards associated with it, and several other indices determine the classification. This flat compensation scale is among the most egalitarian found in industry anywhere.

Organizational Structures

Each cooperative contains several social bodies. All members together make up the *Asamblea General* (General Assembly) which votes on all major issues, including the annual business plan and censure or even dismissal of managers. The *Consejo Rector* (Governing Council) is the oversight group, elected from among the membership. The *Director General* (General Manager) serves a four-year term. The *Consejo Rector* is overseen by a *Consejo de Dirección* (Management Council) which advises it on business matters. A *Consejo Social* (Social Council), also elected from among the membership, brings any issues of importance to the membership to the attention of the Consejo Rector and the General Manager.

The General Manager develops the annual business plan and then presents it to the Governing Council for review. The General Assembly votes its final approval, including implications for compensation paid to members, after review by the Social Council. Thus, the cooperatives of Mondragón are worker-owned, participatory industrial democracies.

A vitally important characteristic of the cooperative complex is the second-level cooperative organizations that link them in various ways. The basic ones developed to date are the following.

Health care – Lagun-Aro: Because of provisions in Spanish law, cooperatives were not originally eligible for participation in the national social security and health insurance system. Thus the cooperatives set up their own cooper-

ative, Lagun-Aro, for this purpose. It provides health insurance, retirement, and a host of other services out of funds provided by each member cooperative.

Credit – Caja Laboral Popular: Financing is a worldwide problem for cooperatives. The founders of the Mondragón cooperatives established their own bank in 1959 to pool resources from the whole region. In this way, they capitalized the development of cooperatives. This organization, Caja Laboral Popular, has grown to be the 22nd largest bank in Spain. It has accumulated so many financial assets that the capital requirements of the cooperatives now employ less than 30% of its resources.

The Caja Laboral Popular plays a major role financing and stimulating new cooperative projects. It has an entrepreneurial division which specializes in launching new cooperatives and in developing new products in established cooperatives. At present, the Caja is separating out the Entrepreneurial Division from the bank to operate as a free-standing entity.

Research and development – Ikerlan: Research and product development is another problem which many cooperatives have been unable to solve effectively. The cooperatives created a research and development cooperative, Ikerlan, as a research and development center. Taking a leadership role in the development of specific technologies, it is presently co-financed by the Basque Government. Its works on a contract basis for the cooperatives. It divides its activities roughly half and half between applied research and product design and development.

Education – Escuela Politécnica, ETEO, Saiolan, and Alecoop: The cooperatives were born initially from a technical and professional school opened in the 1940s by a local priest, Don José María Arizmendiarrieta[22]. He is the founding father of both of the school and the cooperative movement. This educational complex has grown to include 45 educational cooperatives, among them primary and secondary schools, a university-level technical school (*Escuela Politécnica*), a business school (*ETEO*), and several other special educational programs, e.g. Saiolan, Alecoop.

The Escuela Politécnica and ETEO are the major cooperative educational centers in the region, serving as sources of new professionals, technicians, and managers for the region's businesses. They are also an important locus for professional retraining and adult education for active cooperative members. Saiolan is an experimental center for postgraduate education that provides a nexus between industry, teaching, and research. Alecoop is a cooperative where students combine their studies with factory work. This provides them an opportunity to gain work experience and to finance their own studies.

Cooperative groups: Most of the cooperatives are organized into groups. Differing somewhat in the degree of coordination among the member cooperatives, these groups pool resources for personnel and finance, and more recently for planning, product development, and marketing. Within the groups, the cooperatives subsidize each other when launching major initiatives or going through economic difficulties. They also provide centralized services, avoiding

the need for replication of the same services in each cooperative. At present, there are 14 cooperative groups. Of these, Fagor is the largest and oldest.

A Brief History

The Mondragón region has a long history of industrial activity. In the times of Alfonso X (1252-1284 A.D.), there were ironworks in Mondragón that competed with those of Genoa. Based on the iron industry, there developed manufacturing activity specifically concentrated around locksmithing. The records of the town government of Mondragón in 1870 show there were 134 professional locksmiths. In June, 1906, several local locksmithies joined to create the Unión Cerrajera. By 1920, the Unión had 700 workers. Similar developments took place in other towns in the Province of Guipúzcoa, giving rise to considerable economic development, all without the existence of large urban concentrations. Thus there appears to be nothing particularly unique about the industrial history of Mondragón.

As the industrial population grew, the consequent labor problems and social tensions appeared in Mondragón. Before 1936, throughout the province, there had been cooperative initiatives, promoted from diverse ideological positions, including socialism and ''Basque Christian Socialism.'' The outbreak of the Spanish Civil War (1936-1939) destroyed all of these experiments.

By 1941, Mondragón had around 8,000 inhabitants and the factories were the primary source of employment. The population had doubled in 40 years. Social tensions were visible. The combination of still-active labor unionist ideologies and the post-war social situation of a community deeply divided by personal hostilities played itself out in a climate of Spanish national isolation from the rest of the world and an internal post-civil war ideology of ''winners'' and ''losers.''

That year, Don José María Arizmendiarrieta arrived in the parish of Mondragón. A lay priest, in addition to his ecclesiastical education, he had served as a newspaperman on the front during the civil war and spent a period in jail. His assignment was to work with the youth of the town.

Quickly Don José María began intense apostolic social activity focused on improving opportunities for technical and professional education. His pragmatic concern to better the lot of the youth of Mondragón by improving their opportunities through education dictated this choice. There was a professional school in Mondragón, the School of Apprentices of the Unión Cerrajera, but it practiced a policy of *numerus clausus*, limiting enrollment to sons of employees. Since it refused to open up to a broader group of students, in 1943 Don José María, with local support and financing, started an open *Escuela Professional* (the predecessor of the current Escuela Politécnica, renamed after Don José María's death). Local subscriptions financed the school, though it was not itself a cooperative.

In the beginning, it occupied some rented space.   The first generation of students reached the First Cycle of Professional Education after 5 years of study. Of these, some continued their studies to receive the Second Cycle degree of Bachelor in Science: Technical Engineering[23] . To do this, they had to combine their studies with working for a living and had to be examined for the degree by professors at the University of Zaragoza. During this time, they had taken jobs in private firms in Mondragón, so these young men had already begun to have direct experience with working life.

The good technical education they received permitted them to rise rapidly to middle management and technical positions in the capitalist firms where they worked. Their social concerns, developed in large part by their contacts with Don José María, caused their fellow workers to place confidence in them, electing them as liaisons and members of works committees. In this way, they gained a first-hand view of the problems of the firm as a production unit and as a social system, as well as of the inequalities found in capitalist firms.

After years of attempts to transform the firms in which they worked, a team of them – supported by Don José María – decided to devote their energies to the promotion of another kind of firm. They wanted to create a firm that better fit their views about the dignity of work and social solidarity. Soon thereafter, the modest but pivotal first cooperative of Mondragón, Ulgor, was born. It was, as one of the founders described it: "the fruit of empiricism and of unlimited daring." (Larrañaga, 1981: 114). The cornerstone for this first democratically-administered workshop was laid on April 14, 1956. Ulgor manufactured heaters and petroleum stoves. The cooperative idea took hold rapidly and soon other initiatives developed in the region, mobilized by a common spirit.

But these nascent cooperatives needed to create an economic and social environment that would permit them to overcome problems that historically have choked experiments of this type. Thus in 1959, four industrial cooperatives jointly created the bank, Caja Laboral Popular, as a mechanism to channel savings from the region into the cooperatives and make further cooperative development possible.

The decade of the 1960s saw a massive commercial take-off in the Basque region as part of the era of rapid development affecting all of Spain. New activities began, product lines diversified, and a significant critical mass was reached. In areas like large household appliances, cooperative products quickly became well-known national brands. These years were also important for the systematic reinvestment of capital in the factories and of continuing investments in the area of education. The achievements of the *Escuela Politécnica Don José María Arizmendiarrieta*, in part, made these efforts possible.

In 1964, the members created the Ularco Regional Group, today called the Fagor Group. The aim of this effort was to take advantages of economies of scale, structurally to reinforce inter-cooperative solidarity, and to seek higher levels of management and entrepreneurial coordination.

During the late 1970s, there was a drastic downturn in the development of the Basque Country, Spain, and Europe as a whole which significantly affected

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these activities. The recession was particularly acute because the cooperatives had such a high involvement in domestic markets.

No less important was the problematic social and political scene. The last years of the dictatorship and the re-emergence of political parties with the arrival of democracy charged the atmosphere with tension and stimulated all kinds of social experimentation. This affected the cooperatives because they were already the largest industrial firms in the area and had the youngest work force.

The decade of the 1980s began under the joint pressures of recession, industrial re-organization, and industrial re-development. These have been years of great personal efforts, improvements in the quality of management, successful maintenance of employment, and the maturation of cooperative institutions under these stressful conditions. The financial role of the Caja Laboral Popular, the education of the work force through the Escuela Politécnica and ETEO, and the roles of Lagun-Aro and Ikerlan were especially important during this period.

These were also years which witnessed the realization of the intrinsic possibilities of the regional groups of cooperatives and their capacity for inter-cooperative solidarity. The groups permitted many cooperatives to survive a crisis situation and aggressively to seek new technologies and markets. These groups learned the value of the different activities of their constituent cooperatives. At the same time, each cooperative had to continue to fulfill similar requirements about basic values and rules of operation, while facing different technological problems and distinct market sizes and positions.

Physically located in a rather homogeneous area, with many years of collaboration behind them and with the experience of continual innovation, they have learned to build on each other's strengths. The Fagor Group is the largest of these cooperative groups and is the subject of this study.

The Fagor Group: Fagor is a group of 13 cooperatives located in the area surrounding Mondragón. Fagor represents one third of the whole Mondragón complex in its volume of sales and a slightly smaller fraction of the total work force. Fagor is the most fully consolidated regional cooperative group. It contains Ulgor, the pioneer and largest cooperative.

A three division structure organizes the 13 cooperatives. The first, Consumer Goods, is a division that manufactures and sells products ranging from kitchen cabinets and furniture to refrigerators, dishwashers, water heaters, pressure cookers, and tableware for use in the home and in the hotel industry. The second is the Industrial Components Division which manufactures parts for automobiles, precision components for electrical appliances, television tuners, semiconductors, etc. Engineering and Factory Equipment forms the third division which offers everything from fully-equipped "turn key" factories[24] to full assembly lines, metal stamping equipment, automated manufacturing machinery, numerical control systems, engineering software, and information systems for management. Examples of the "turn key" concept are a refrigerator factory

recently installed in the People's Republic of China and contracts signed with India to do the same.

The Central Offices of the Group coordinate and stimulate the activities of Fagor in the areas of marketing, technology, finance, personnel, and information systems. The annual sales of 58,000,000,000 pesetas per year are distributed over 70 countries. This activity is not evenly dispersed over the 13 cooperatives since some export more than 70% of their production around the world while others center their sales exclusively on the European Community, and still others export very little. The Fagor-wide average export figure is 35% of total production.

To produce, the cooperatives must buy raw materials and products. They acquire 24,000,000,000 pesetas of annual purchases in a variety of ways. Nineteen percent come from the other cooperatives, 29% from the rest of the Basque Country, 40% from the rest of Spain,, and 12% is imported. Sourcing varies from cooperative to cooperative.

Having a total work floor area of 387,857 m2 (about 97 acres), Fagor has a high level of investment, reinvesting profits to develop competitive products and processes. They carry out this work now as much through their own departments of research, development, and engineering (539 people) as through contracts of reciprocal collaboration with Japanese or American firms or with Ikerlan.

Institutionally the Group is a collectivity of production cooperatives in which all the employees are members and workers, as in the rest of the Mondragón system. All member-workers contribute both capital and labor, and have the right to participate actively in management and oversight, and share the benefits. The final authority in the group rests with the General Assembly which now operates by means of one person, one vote[25].

Each cooperative's General Assembly approves the annual business plan and sets the rules of the game. Monthly the Manager reviews management decisions with the Governing Council. The Social Council focuses on issues participation, information, negotiation, and representation of the members as workers. Elected by work areas, the Council members meet monthly with the Chairman of the Governing Council to receive information about the progress of the cooperative, to make proposals, and to discuss matters brought to their attention by their constituencies.

The cooperatives are societies of persons because the exercise of political rights links to the individual person and not to the possession of capital. At the same time, political and religious neutrality is a basic principle. They believe that people can work together toward the realization of cooperative goals, even though they start from quite divergent ideological positions. The only requirement is that they accept and respect the internal constitution of the cooperatives.

The character of the work force of the Fagor Group is especially important in understanding the internal dynamics created by the interplay of these dimen-

sions. The 5,745 members are distributed by educational level in the following way:

Postgraduate degree holders	8%
Professional school, 2nd cycle	13%
Professional school, 1st cycle	22%
Secondary school only	57%
	100%

The median age of the work force is 38 years, 40 for males and 33 for females. Women form 25% of the total work force, a percentage equal to that found in industry throughout the Basque Country. Half of the members were born in the Mondragón area; 25% come from the surrounding provinces, and another 25% come from elsewhere in Spain, although most have lived in the region for many years. The average number of years spent working in the cooperatives is 14.

The dual commercial and social dimensions of the cooperatives demand maintaining an equilibrium between the requirements of efficiency and those of democracy. This is difficult, as we will show in our analysis of the history of Fagor's attempts to deal simultaneously with the technical, economic, and social dimensions of the cooperatives.

With this background in hand, we can now turn to the broader context into which Fagor fits.

Chapter 3: The history of the Fagor project

The Fagor project started with William Foote Whyte's visit to Mondragón in 1975 with Kathleen King Whyte. Ana Gutiérrez Johnson, a graduate student studying with Whyte, accompanied them. The Whytes stayed briefly to learn about the cooperatives, drawn there by their interest in cooperatives, participation, and labor relations[26].

Already in 1975, the Mondragón cooperatives had attracted the attention of international scholars concerned with labor-managed systems and industrial democracy[27]. Ultimately the Whytes decided to write a book about Mondragón. They wanted to provide a history, review of institutional structures, an analysis of the successes, and a review of the lessons from these developments[28].

After reviewing the literature on Mondragón, the Whytes returned for 3 weeks in 1983 to learn how the cooperatives were coping with the recession. They also wanted to pin down other necessary pieces of information for the book in a visit that they expected would be their final one. During their stay, William Foote Whyte offered to give a seminar for his hosts in Ulgor and Fagor (then Ularco) to express his views on their current situation.

One of his observations was that their capacity for internal social research in service of cooperative goals did not match their sophistication and success in technical and economic research and development. Stimulated by this discussion, José Luis González, then Director of Personnel for the Fagor Group, asked Whyte to submit a research project and budget proposal to pursue some of these issues[29].

Whyte returned to Cornell and consulted with Davydd Greenwood who suggested that they and Fagor together apply to the United States-Spanish Joint Committee on Cultural and Educational Cooperation for support to cover a pilot collaborative social research training project. The proposal was written in sections by both sides and received funding.

Beginning in February, 1985 mutual visits took place and we agreed that Greenwood would return to spend a month with 15 members of the Fagor cooperatives conducting a self-study of the Ulgor cooperative. In this pilot project we expected to teach social research skills, provide an example of the possibilities for social research in the cooperatives, and produce some sample social research for everyone to evaluate. If the results were useful, then we would undertake a larger-scale collaboration.

During July, we met daily and ultimately produced a 115 page monograph dealing with the Ulgor Cooperative. A product of lectures on social science research methods, analysis of documents and secondary sources, teamwork on specific research projects, and substantive debates about the cooperatives themselves, the monograph had three sections. The first evaluated what had been written about the cooperatives by external observers and researchers and by members, including a review of about 20 draft chapters of the Whyte's book on Mondragón and an interpretive paper by Whyte on the cooperatives[30]. The second section of the monograph re-examined the strike of 1974 and the third part dealt with Ulgor's responses to the worldwide recession of the early 1980s.

Since the commitment to learning social research techniques was simultaneously sincere and vague, Greenwood could not plan in advance a specific course of study. He was willing to walk into an unstructured situation to teach a course on a subject and let the interactions with the group determine the subject matter. While this did not present an insurmountable obstacle, to determine what he should teach, he found it necessary to use the seminars as opportunities for participant observation.

Since he knew much more about the Basque Country than about the cooperatives, he could ask pointed but not hostile questions about the cooperatives and how "real" their accomplishments were, based on knowledge of Basque society, culture, and history. The questions he could raise in this way and the Fagor members' worries about the future of the cooperatives interacted to open up a substantial dialogue about their organizational structures and culture.

The process was by no means smooth. The Fagor members initially came prepared with fresh notebooks to hear formal academic lectures. Greenwood came prepared to talk about the ways knowledge of Basque culture and history and anthropology could be useful in studying industry. His main job was to find out what they wanted to know so he could them help them learn how to find the answers. Working on the assumption that the hardest thing is to find out in research is anything not already assumed, he pressed them to tell him what they meant to do with this project.

The Fagor members later admitted that they initially were disappointed by Greenwood's refusal to lecture. Instead he asked them to engage in a critical reading of the literature written about Mondragón, believing that encounters with the views of others would begin the process of making them aware of their own organizational culture. This, in turn, could give them some collective insight into their goals for social research.

This difficult process was successful in part because everyone was patient and the Fagor members were able to respond effectively to the writings about them. The discussions of these were very productive, surfacing what became the key elements of the research project. None of what had been written satisfied us, yet what people have written has an impact on the cooperatives' future. Before long, it was clear that we needed to take responsibility for the devel-

opment of a view of Fagor if we intended to have an ongoing social research effort that met our aims.

Criticizing the cultural, economic, and social premises of these works provided an opportunity for lectures on anthropology, social history, and Basque culture. We heatedly debated cultural assertions about the Basques, the idea that the cooperatives owed everything to their charismatic founder, and the proper ways for characterizing any social systems. We discussed statistical research models with random samples and reliability indices and ethnographic research focused on social systems and systems of meaning. The criticism of these texts stimulated learning by making it instrumentally valuable and began both to surface existing models and forge our own view of these matters.

Our consistent major objection to the literature was its failure to capture the constant change that characterizes the Fagor experience. Together we began to focus on the notion that culture and society are complex and dynamic. We came to agree culture exists within and even sets the terms of conflict and contradiction in organizations. We decided the absence of conflict does not necessarily reflect organizational strength. Rather organizational strength requires commitment to broad goals and productive disagreement about how to achieve them. Lectures on Basque social and cultural history reinforced this focus.

Through this work, we came to conceptualize Ulgor as a process rather than as a fixed structure. Rather than being a one-time invention, the research revealed Ulgor to be a constantly-changing organization. This view is not captured well in much of the literature we reviewed. These premises set the parameters of the research and structure the chapters that follow.

Greenwood pressed for clarification of those premises by encouraging the team to draw from its own experiential resources. The point of departure in discussions was always the experiences of Fagor members. As we discussed them, inevitably differences of focus and interpretation developed which we debated. Ultimately resolving these debates required formal research. In this way the literature led to discussion which ultimately created an appetite for social research.

There was no headlong rush into research because everyone agreed early on that social research is not a something to be done lightly. Bothering anyone with questions requires a clear sense of the potential importance of the possible answers[31].

The result of this seminar was a hastily-written monograph which embodied the essential elements of what we learned in that month. We sent it immediately on to the General Manager of Fagor for his review. We agreed that if he felt that this kind of research could be of value, the research would continue. If not, we would end the project. He read the monograph with care, as did many other members of Fagor, and all felt that we should continue developing this approach.

Since we had nearly exhausted the resources of the grant, we had to make an application for a second one. The U.S.-Spanish Joint Committee was very supportive, as was the United States Embassy which gives the final approval to

grants made under the treaty. Thus the project received continuation funding for a second year.

During this year, we moved beyond the confines of the seminar room to begin observing and questioning cooperative members. González developed a modest pilot survey on key issues, had it administered, and arrayed the results. This material served as a partial basis for the next set of discussions. These permitted members of the team not already experienced with surveys to practice working with the results. Greenwood returned to Mondragón in February, 1986 to review the results of this pilot survey and to plan the next steps with the rest of the team.

In discussing these preliminary results, there was an equal distribution of confirmations of existing views and surprises. There were puzzles where the data seemed to produce highly contradictory results. By this time, it was clear that the possible results of research merited bothering cooperative members with questions, but that asking questions, particularly difficult ones about conflictive issues, created legitimate expectations that Fagor team members would take actions to correct the problems.

The decision to conduct research thus involved an acceptance of the responsibility to engage in social change. Research is not a ''free good'' or a right; we should not forget that it has a price. If we bothered many cooperative members with questions about fundamental issues and no positive action was forthcoming, then we would undermine the social research process itself.

We quickly agreed to expand the study to cover the whole Fagor Group, retaining some of the materials from the first monograph but supplementing the documentary study with surveys and interviews. This required broadening the base in social research skills in the group. Some team members were experienced survey researchers or interviewers, while others had no experience in this area. Together the team members taught each other the use of these research techniques.

We then broadened the base of the research effort. We collected documentation on the history of the Fagor Group and analyzed it in the light of the process view we had developed. It was also clearly time to engage in direct, face-to-face social research through interviews with cooperative members. We incorporated the personal experiences and knowledge of the team members into the process; now it was necessary to pose questions to a much broader sample of Fagor personnel.

From the most important and conflictive issues facing the Group, we selected an array that could serve as themes for interviews. Explicitly seeking the greatest diversity of opinion and the greatest possibility of finding negative views to counteract the glowing character of most writings about the cooperatives, we agreed to confront the most worrisome issues at close quarters. We selected problems, such as the forced shifts of workers from one cooperative to another to deal with the recession, and we elected to interview workers most adversely affected by these events.

Members of the team served as the interviewers and prepared as a group, developing the questions, doing role play to practice, and debriefing the interviewers afterwards. At the end of his visit, Greenwood suggested that the next step after the interviews should be roundtable discussions. The choice of this method had to do with our perception of the need to move responses out of a one-on-one monologue interview mode and into a more dialogical kind of group process, along with the requirement that we provide some feedback to Fagor Group members about the research process that had been occupying so much of Personnel's time[32].

The interviews were a turning point in the process. Much of the information gathered showed dimensions of conflict, diversity of opinion, and problems that we had not as fully understood before. Despite their many information sources and their undeniable devotion to improvement of the cooperatives, the amount of new information gathered in this way information impressed the Fagor members of the team, particularly at the personnel and management levels. This confirmed the utility of social research, though the plethora of negative findings also somewhat dampened enthusiasm.

This new information had a double effect. Initially the Fagor team members felt discouraged about the problems the cooperatives were facing and their ability to respond to them. But once they overcame this initial reaction to the welter of information coming from the respondents' direct testimony, it cemented their will to confront these issues[33]. The interviewing process continued and the summary results purposely pointed out all of the conflicts and contradictions any of the members could uncover.

Greenwood returned to Mondragón in July and we convened again for seminars. At this point we began to focus the overall project more and explicitly on producing both a book and a set of policy and intervention recommendations for Fagor. To accomplish this, we selected a smaller writing party from the larger team and gave it responsibility for particular research areas and for writing up the results. This is the group listed as co-authors of the study.

Greenwood's roundtable suggestion made in February had met with ready approval. This core group developed and deployed it. By this time, having analyzed the results of the interviews into major themes about organizational conflict, the Fagor team members had already selected the 3 themes that they wanted to use for the roundtables. This was an important social research decision and had a major impact on the next stages of the study[34]. We structured the roundtables to make each deal with one or two cooperatives and to bring different configurations of the work force together to get some sense of the spectrum of opinion on such issues.

We held six roundtables, two each on themes that had emerged as critical ones from the previous documentary research, the pilot survey, and interviews. These themes were the value-added of being the member of a cooperative, hierarchy and equality in the cooperatives, and participation and power. We selected these issues because the Fagor team members saw them as needing most urgent attention.

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These roundtables were invaluable. Unlike the pilot survey and interviews, the roundtables provided us with the opportunity to listen while members debated each other's views in detail. Perhaps in part because of the opportunities for membership on committees and councils and the number of public meetings where members debate issues, cooperative members are unusually adept at expressing their views in such settings. We gathered and analyzed rich information rapidly in this way.

The roundtables provided major insights. While the conveners sought and found conflict and contradiction at the roundtables, for every negative statement, positive responses also spontaneously emerged. Without whitewashing the cooperatives, the research could document the members' realistic evaluation of the weaknesses of the Group and their willingness to cooperate in solving these problems.

This was an important moment. The roundtables brought home the point that, while the researchers knew many of the cooperative members' perceptions about their system, the researchers had not previously understood the diverse contexts into which these perceptions fit. Our prior analysis of the problems of the cooperatives had attributed great importance to problems of passivity and lack of education among the membership. While these do exist as problems, the roundtables suggested that they are not the dominant causes for the difficulties of the cooperatives. Rather, the roundtables brought home the need for a variety of organizational changes that would address the very real problems members identified, changes that would help eliminate stark contradictions between legitimate cultural expectations and personal experiences within the cooperatives.

The results of this roundtable process brought the conflicts and contradictions discovered in the interviews back into perspective. All of the difficult issues were certainly real. But the roundtables also demonstrated that for every criticism offered, most members believed that the cooperatives had a strong point and were anxious to work to improve the situation.

What emerged was a view of the membership of Fagor as a reservoir of critical spirit and willingness to work to improve the performance of the Group on all levels. Thus we illustrated the heterogeneous and adaptable character of the cooperatives, rounding out the research dimension of this project. The high degree of responsiveness to cooperative ideals heard at the roundtables caused useful reformulations of some of the Personnel Department's own intervention strategies.

We devoted the remainder of the time in July to the development of an outline for the collaborative writing of this book. The writing process began in September of 1986. This process produced some unique problems related to the structure of the cooperatives. Authorship and the role of individuals is purposely de-emphasized in the cooperatives, since as a collectivity, the cooperatives resist personalism on all levels. At the same time, the book represents a vision of a particular group of people with a specific set of experiences. Like any social research, it embodies the agendas and biases of the investigators. This led

to a debate about attribution of authorship in November during an intensive week of meetings designed to convert the results into this book.

Overall, it was clear that the research process had caused a more proactive view of the possible role of Personnel to emerge in the team. The Fagor members reflected on their own previously somewhat negative view of the motives of the majority of the workers-members. They also examined the dangers in the temptation to privilege rules and procedures over attention to principles. They discussed the persistent problem of providing immense amounts of data about the operation of the cooperatives to members without structuring them well enough to provide information useful to members in making critical decisions.

The last stage of the process was perhaps the most important. Fagor team members made a variety of attempts to incorporate the research process into the structure of the Fagor cooperatives and to make it a regular part of their operations. They hired Greenwood as a consultant for an additional year and we undertook a number of trial interventions based on these methods. We will discuss the results achieved so far in the final chapter.

What ostensibly began as a joint project to teach a few social research techniques to some members of the Fagor Group broadened into a full-scale research project touching on the future of the cooperatives. In facing the economic crises of the 1980s and the transition in leadership from the founders, Fagor had much at stake. What those who were taking on increased responsibility for the management of the Group in the future thought about the cooperatives and how they developed positive organizational processes are themselves an important part of the future of the Group. Thus we felt the articulation of a heterogenous, change-oriented view of the Group could become an important element in the future of Fagor.

At the same time, portraying the research process as it developed in Fagor is an important part of the story, both as a contribution to the study of organizations and as an additional way of understanding cooperative organizational processes. The process developed in Fagor according to the same participatory, democratic principles that structures the cooperatives. Thus we converted social research into an instrument of further cooperative development and the study itself became an example of cooperative organizational dynamics.

While it may appear that happenstance played an important role in the creation and development of this project, the link between this kind of research process and Fagor is not fortuitous. Participatory action research is a technique for organizational learning, for fomenting and guiding organizational change processes. Fagor, as a large-scale organization with complex structures, operates in a dynamic and competitive environment. It is a ''socio-economic'' system, requiring that it measure the effects of social and economic decisions in relation to each other, to avoid damaging essential features of the cooperative structure while adapting to changing circumstances.

Structured internal social research is not a luxury under these conditions. Fagor members must understand the social and cultural consequences of economic decisions in advance, insofar as possible. They must attempt to anticipate

social and cultural adjustments to external economic pressures well enough to maintain member commitments to cooperative processes and ideals[35]. That is, there must exist an internal capacity for organizational learning.

The founding vision of Mondragón was sufficient at the founding but now the next generation is on its own in a very different world. A structured capacity for social and cultural inquiry and internally-generated change is essential to Fagor's future.

Chapter 4: Concepts and views that guided the Fagor research project

To understand and judge this study, the reader needs to know the genesis, intellectual alignments, and institutional base of the research process. In participatory action research, this is especially important because interactive processes set the composition of the team and the research agenda. A simple narrative of the Fagor project would not reveal the larger intellectual and organizational goals of the participants nor set them in proper organizational context. Thus we lay out the guiding ideas, key intellectual and influences, and aims of the teams out before we narrate the research process.

The Intellectual Context of the Fagor Project

Many different intellectual and methodological orientations have been important in the genesis and direction of the project. Six in particular deserve mention: participatory action research, organizational learning and reflective practice, a view of the social history and cultural anthropology of the Basque Country, general perspectives from the field of anthropology, a non-parametric approach to social and cultural systems, and views on the political economy of industrial democracy. These interacted with the actual history of the project to set its agenda and guided the overall analysis. They are not all the perspectives that could, or perhaps even should, have been used. They are simply the ones that actually affected the project. In this chapter, we review them briefly.

Types of Research[36]

Action research versus pure research: In *action research* the investigator engages in the research process to aid the organization to make desired improvements in structure and operation. In *pure research*, the fate of the research subject is not part of the agenda. Making contributions to social theory through empirical investigation is the focus.

The distinction between action and pure research is difficult to maintain, even in the basic sciences because of the highly productive and occasionally unpredictable interactions between them. In the social sciences, it is much harder to engage in abstract modeling combined with controlled experiments –

the putative paradigm for pure research. We also know that the social involvements and dislocation created by a social research process often make social research an agent of change within the groups under study. Thus the terms ''action'' and ''pure,'' as used here, refer more to the aims or wishes of the researchers than to something formally clear about the differences in research style. Action researchers *intend* their research to have an impact on the group they study. Pure researchers *intend* their research to contribute to social theory, and it is not crucial to them that the research have effects on the group studied. Action research has a long history in the social sciences which we will not review here[37].

Participatory Action Research:[38] Within action research, PAR is a variant in which members of the organization under study themselves form part of the research team. They collaborate from problem definition, to the research, discussion, and implementation of the results. This kind of research both relies on and develops the internal capacity of the organization to analyze itself.

As a social process, PAR offers both opportunities and challenges. PAR creates the opportunity to understand the organization and its problems from the vantage point of several inside participants, themselves committed to the change process. In other forms of research, outside researchers often spend much time overcoming their preconceived ideas about the organization and problems they study. They must also make up for their basic ignorance of its structure and operations. While PAR does not guarantee an avoidance of preconceived ideas and factual mistakes, it offers more opportunities to displace them with the concerns and knowledge of members of the organization. The process of interaction between members and professional researchers produces insights for both. It often generates directions of research that neither side alone would have been likely to follow up.

PAR also presents difficulties. The difference in the quality of the involvement of the members and professional researchers makes the development of a team with a common agenda an intricate project. The necessary and enduring divergence of interests between internal and external team members creates tensions in the team structure, especially early on when the research process requires great effort and the results seem quite modest.

The most important challenge for the outside researchers is converting their theories and approaches into operational methodologies that produce results both members and professional researchers agree are significant. Operationalizing theory and continually satisfying themselves and the local participants of the utility of the effort imposes considerable discipline on the research process. This rigor is healthy for outside researchers. Also the pressure to move conceptualization of local events to a higher level of generality and understanding can be a stimulus to local researchers to continue their efforts on behalf of their organizations.

Thus PAR not only democratizes the research process but offers participants unique challenges and opportunities. While this was not the first example of participatory action research within industrial organizations by any means, the

PAR project at Fagor was a very sustained example of this kind of process[39]. It also shows as well as any case yet documented how PAR does not emerge full blown[40].

Organizational Learning and Reflective Practice

Although not explicitly tied to the Fagor research process at the outset, the organizational learning perspective of Donald Schön and Chris Argyris[41] proved most helpful in the later stages of the project. It was particularly useful in providing a vocabulary for analysis of the processes studied. Their works also provided Greenwood a variety of additional cases of successful and failed organizational learning processes to compare with the Fagor experience.

Reproducing the complexity of Schön and Argyris' views here would take the discussion far afield. It is enough to point out that they characterize the ways organizations learn and the kinds of structures and processes lead to good, dynamic, and flexible organizations and what kinds do not. In talking about organizational learning systems, they particularly stress organizational systems that continue learning how to learn and that have ''good dialectics,'' that is, by organizational processes that are open and honest and promote organizational learning and positive change. Their examples well characterize positive and negative processes found in the Fagor Group.

Their work also provides a language for talking about certain dimensions of the cultural systems within an organization. In their terminology, organizational cultures contain ''espoused theories'' and ''theories in use.'' This contrasts the theories participants believe they are using in practice with those actually in use. These are often quite different, and occasionally, directly in conflict. In retrospect, much of the Fagor project revolved around challenging espoused theories with theories in use discovered during the research. The strong contrast between these theories generated much of the desire to conduct detailed social research in Fagor.

Perspectives on Basque Society and Culture

The vision of Basque society and culture that informs this project derives from a commitment to an historical approach to anthropology. Differing from the prevailing focus in the cultural anthropology of the United States and the social anthropology and ethnology of Western Europe, it stresses that a cultural analysis requires placing contemporary practices and ideas in proper historical and geographical context, to avoid reducing the subjects studied to mere moral tales[42].

We view culture and social structure as a dialectical process, as fields of activity in continual motion and tension. This accent on change is basic to a proper understanding of viable social and cultural systems. But not all is

change. Balanced against the flux of history, there are certain physical and social forms and ideas that last for long periods. While they may not be mechanically reproduced in each generation, certain continuities always emerge from the study of a changing scene. Social structures and cultural values endure where they adapt to new situations over time. Thus an ideal historical anthropology maintains a contrast between what is remembered and what is forgotten, what endures and what disappears in human situations[43].

Whatever one thinks of these views, they underpin the approach to Basque society and culture taken in this research. The emphases on the cooperatives as a process, on values as ideas and motives in motion, and on the coherence of the cooperatives only being fully comprehensible when viewed temporally perspective are central to the study.

Approaches from Contemporary Anthropology[44]

Certain general ideas from contemporary anthropology have influenced this study. Throughout, we have strived to view culture as a system, a ''web of meanings,'' a pattern held together by processes of continual interpretation. The making of meaning and coherence is an essential part of everyday life.

This in turn means that we do not separate cultural formulations from the institutional structures in which people operate. Following Clifford Geertz, the study assumes that social organizations and cultural systems have important degrees of coherence. But the integration of social systems and of cultural systems are of a different kind. Geertz, borrowing from Pitrim Sorokin, calls the coherence of social systems ''causal/functional'' which he distinguishes from the coherence of cultural systems, called ''logico-meaningful'' integration. This framework calls attention to the different kinds of activities people engage in to maintain coherence in their world.

It also presents a vision of the human condition as one in which people must strive continually to keep their experiences of social institutions and their cultural conceptions in some kind of tolerable balance[45]. This is a basic perspective for the study. The experience of coherence and contradiction between the social processes the actors participate in and their expectations about such processes are an essential dynamic of all social systems.

Fagor attempts to build the complex social processes of governance and of industrial production within a larger set of cultural meanings about industrial democracy: dignity in work, human equality, etc. In everyday life, everyone lives in a social system and continually thinks about what is happening, trying to make sense of it and keep a modicum of order in experience. When social experiences and cultural conceptions are in tension, increased efforts at interpretation, criticism, and social change result. This perspective has been an essential part of the Fagor study from the beginning. It directly reflects anthropology's concern with the relationship between social experience and cultural systems.

Anthropological structuralism has also been influential because of its emphasis on the human tendency to build systems of classification out of structural oppositions: e.g. hierarchy versus equality, authoritarianism versus democracy, cooperation versus competition. Such dichotomies structure thought and action and carry a strong moral charge. They provide a basis for classifying the world of experience and for determining courses of action. Since the poles of the dichotomies are moral opposites, classifying something in this way also justifies behaving toward it in particular ways.

Throughout both the literature and in the political discourse surrounding them, observers use these dichotomies repeatedly to gain understanding of the cooperatives. Studying the ways dichotomous thinking influences both professional researchers who write about them and insider-members who participate in their development has proved very fruitful for the project[46]. It has also lent structure to the analysis of the tensions found in Fagor members' attempts to interpret inconsistencies between their expectations and their experiences.

The "Non-parametric" Approach

The study systematically emphasizes the heterogeneity and complexity of the behavioral scene. We oppose the tendency within the social sciences to portray human realities as average values or ideal types that homogenize the diversity of behavior into a single model. Underlying the homogenizing approach is a world-view that wants to view the variation and complexity of human life as falling along Gaussian curves. It wants to treat reality essentially as a set of parametric distributions. Many social researchers must believe this because so many write as if they can capture reality by stating the average values and norms for every variable. From this view emerge statements such as:

> Basque men are obsessed with betting games.

> Basque priests support the people against the Church.

> Until recently, European nations had a modest middle class.

> Development will not occur until the rate of capital formation exceeds the rate of population growth.

This eradicates the distinction between social science and journalism by simplifying the heterogeneous reality of any group into average values which substitute for analysis. Intervention strategies are not likely to succeed when focused on averages.

The alternative is a "non-parametric" approach. Here we study social and cultural systems through the heterogeneity they can contain. "Non-parametric" is a term borrowed from that part of statistics that deals with probabilities without assuming that the statistical information necessarily falls into normal

distributions along Gaussian curves. This is the world of multi-mode distributions, a world in which mean values are deceptive.

The non-parametric approach tries to appreciate the heterogeneity of social and cultural systems without lapsing into obscurantism. We examine general themes and structures to seek out the range of diversity and variability each contains. We characterize social and cultural systems by the amount of diversity they embrace, not by mean values. We actively seek out sub-cultures and social groups because they provide differing views of the system. We value them because they contribute to an overall understanding of the social and cultural world as a diverse and yet ordered set of realities.

We pursue discrepant voices and cases. Often they are the sources of innovation within the society and provide a sense of the future. Sometimes they are the voices of past failures, aiding in comprehension of what did not happen that might have. The staying power of a system is not its static quality, but its ability to deal with heterogeneity and conflict constructively. Generalizations take on a new form because they refer to ranges of variation rather than to idealized mean values.

An action research project that seeks the heterogeneity, conflict, and alternatives within the system links them to particular groups of people. This situates the results to identify future interventions and directions of change in the world of present observations.

Industrial Democracy

Where we place a phenomenon in a system of classification determines how, or even if, we perceive and evaluate it. Conclusions about the character and importance of industrial democracy in Mondragón depend on the context we set for the Mondragón experience. When, for example, the point of reference was Franco's Spain, observers emphasized the "democratic" dimensions of the cooperatives in general and puzzled about at their survival in a repressive political environment[47]. Now that Spain is more similar to the rest of Western Europe in having a democratic government, economic growth, and high unemployment, observers are more likely to view Mondragón as a socio-economic experiment comparable to those taking place in other countries and to seek general lessons about industrial democracy by studying Mondragón.

A variety of efforts worldwide to create or at least maintain employment and economic competitiveness, in part, drives increasing interest in industrial democracy, labor-managed systems and participation in the workplace[48]. These concerns set the questions which analysts ask about the Mondragón cooperatives:

How democratic are they compared with other cooperative systems?

How efficient are they?

There can be no doubt that worldwide interest in industrial democracy had an impact on this project. As we show in the next chapter, the project had its genesis in that interest. Don. José María himself read widely on the subject, including both classic and contemporary materials. Many of the innovators in the field of industrial democracy have passed through Mondragón at one time or another, lending additional perspectives. Greenwood and González presented preliminary results of the Fagor project to the Einar Thorsrud Memorial Conference in Olso in 1987. There we engaged in discussions with people from all over the world. All of these threads are wound into the present study in some ways.

This was an action project focused on the resolution of internal problems within Fagor. We made no attempt to survey the vast literature on this subject systematically. Rather, different team members were aware of different parts of this literature or had direct experience of other cooperative systems through their own visits or, more frequently, through visitors to Mondragón. Thus we will only mention those cases that had some direct influence on our thinking.

Xerox: One case we were broadly familiar with is the labor-management cooperation to increase efficiency and competitiveness in the Xerox Corporation. We knew of this case because the Director of Programs for Employment and Workplace Systems at Cornell University, Peter Lazes, worked for Xerox and because the case had been written up and discussed in detail at Cornell[49].

In recent years, Xerox has become a premier example of the practical business sense behind fostering broad labor-management cooperation. Xerox's use of "teams" had some impact on the Fagor project. The pertinent history at Xerox began in 1980 when Local 14A of the Amalgamated Clothing and Textile Workers Union and the management at Xerox Corporation agreed to create "problem-solving teams" in their four manufacturing plants, with the help of an outside consultant. The aim was simply to increase employee involvement in the corporation, thereby improving both productivity and worker satisfaction. Though limited in scope to a restricted set of problems, the problem-solving teams worked well and succeeded in developing a basic dialogue between labor and management that later became very important.

In 1981, Xerox, after a detailed strategic planning effort, determined that some of its own component manufacturing activities were not economically competitive. They found that they could save $3.2 million by subcontracting for the work of their wire-harness plant but at the loss of 180 jobs at Xerox. The union responded by requesting that management create a joint study-action team to seek ways to save the necessary money without closing the plant. Earlier success with the problem-solving teams and the continuing presence of the outside consultant encouraged the company, after some hesitation, to try this.

The company established the team and trained the members, providing them prerogatives and resources needed to operate effectively. The start-up period was difficult because team members had to learn the techniques of accountancy, organizational analysis, and the management of a team effort. A key strategy used to keep the team motivated was to break the project down into sub-projects. This permitted the team to accomplish visible results in a relatively short-term and thus to maintain momentum.

The team efforts resulted in a plan to save $3.7 million. Xerox management largely implemented the final, integrated set of changes proposed within 8 months and the jobs were saved. Xerox and the union have since written this kind of activity into their contract and have extended these practices throughout the organization. In the aggregate, their application is gradually resulting in a substantial transformation of the corporation.

This use of teams to conduct research and serve as agents of internal change provided an important model for our development of the PAR project in Fagor.

Norway, Yugoslavia, the Kibbutz: These are only a few of a much larger number of experiments in various forms of industrial democracy[50]. They are important mainly because many of the Fagor people, the Norwegians, the Yugoslavs, and the Israelis are aware of each other's efforts. Either through direct personal interaction or via the literature, those interested in industrial democracy in Norway, Yugoslavia, and Israel form a loosely-integrated world-wide network. People from Norway, Yugoslavia, and Israel have repeatedly visited Mondragón. There have also been a few visits to those countries by members of the cooperatives. What each knows or imagines about the other and the kinds of conclusion each draws from the others' efforts have some impact on their own directions. Despite this, no systematic comparative analysis of the international cooperative movement occurred as part of the Fagor study and knowledge of these other cases forms only a general background.

Cooperatives and Political Economy of Industrial Society

Attempts to understand the role of cooperatives in industrial society often rely as much on ideology and theoretical formulation as on empirical analysis. For those who see the emergence of a "social economy" or a "communist" society as the necessary result of the working out of the contradictions of capitalism, certain kinds of cooperatives may seem to be the leading edge of the future. If observers believe that underlying principles of social economy have not developed fully in particular cooperatives, they may see such cooperatives as obscuring the contradictions of capitalism and thus contributing to capitalism's survival. For those who do not look forward to an emergent social economy, cooperatives are at best limited to some marginal market situations. They see a role for them where pooling resources makes economic sense. A few see them as the efforts of potentially dangerous dreamers to deny the realities of economic life and human nature.

Such questions about the broader importance of the cooperatives are legitimate. Everyone who works in or writes about business necessarily has views on these issues. They may be well or poorly articulated, but these views color their thinking.

Though individual members of the research team in Fagor hold diverse views on these matters, the general view that guided this study did not concentrate on abstract formulations of these issues. While general ideas are important, the ''action'' focus of the research attended principally to the cooperatives' economic viability. Their ability to compete, to provide employment, and improve the quality of labor-management relations in an industrial setting depends, in part, on economic success. While the actual structure of the cooperatives may be unique and broad deployment of these structures could bring about basic changes in industrial society, the founders did not begin the Fagor cooperatives to begin a social revolution. They wanted to provide a humane working environment and a decent living wage.

Thus we do not view the Fagor cooperatives as an alternative to capitalism; they exist within a capitalist society and operate according to many of its rules. While the cooperatives attempt to treat members with dignity and to permit them to develop and express themselves fully, a reorganized working environment alone, no matter how successful, cannot restructure society at large. Fagor's success shows that more democratic and humane relations of production are possible within capitalism. We do think that the proliferation of such systems would result in a significant improvement in the human condition in capitalist societies.

We find the meaning of cooperativism in the combined facts of economic success (both in profits and employment generation) and the greater degree of economic fairness, social mobility, and participation they provide. Performing economically at least as well as non-cooperative firms is the key concern; the cooperatives do not need to perform better than ordinary businesses or to be the wave of the future. They must survive and maintain their unique socio-economic structures.

If some futurists see economically-successful cooperatives as a source of hope, they rarely accompany these notions with economic and social analysis situating cooperatives fully within the contemporary industrial system.

How do industrial cooperatives compete with standard firms?

Can they survive such competition?

Can cooperatives link to non-cooperatives as suppliers, in joint ventures, as elements in multi-national corporations?

What are plausible paths to a future in which cooperatives play a significant role?

Is a mixed cooperative, non-cooperative economic system ideal, or possible?

This is a rich agenda for future research.

Pursuing these questions led Davydd Greenwood to some of the literature on the structure of the contemporary industrial system, especially to writings on the subject of dualism, post-industrial business organization, and shifting ideas about work life and leisure. The bookshelves contain immense amounts of such materials[51], all making assertions about the character of contemporary industrial society, the way people find meaning in work, and how different forms of socio-economic organization in firms can have important results for the future of business. After reading this material and examining some of the results of the Fagor study, Greenwood elaborated the following analysis of these issues, based on an understanding of some of the forces that have enabled Fagor and the rest of the Mondragón cooperatives to succeed so dramatically.

Pooling of capital, labor, and market position: Pooling capital and sharing risks is an essential feature of Fagor's success. When the Mondragón cooperatives were founded in 1956, the first members pooled their capital. Soon thereafter, the cooperative bank took advantage of savings deposits from around the region, again pooling capital. The Management Services Division of the bank supplied all kinds of consulting services to those starting new cooperatives. Thus the bank pooled capital from cooperatives and the region and expertise to encourage further cooperative growth.

Rather than expanding indefinitely, the early cooperatives quickly developed the notion that internal growth areas should spin-off into new cooperatives. As a result, new cooperatives arose to work in particular market sectors. These cooperatives link through contracts of association to the bank and its pooling operations, and benefitted to a degree from the financial strength and technical expertise of the other cooperatives.

As the number and diversity of cooperatives increased, many formed groups that share central services and a joint management structure, while retaining the internal independence of each member cooperative's operations. Fagor is the largest of these groups. In cooperative groups, the emphasis is on pooling resources and maintaining coordination. They do not overlook the useful diversity of the cooperatives as each faces its particular markets.

Group coordination permits risk sharing that permits cooperatives in a downward cycle or that must reorganize substantially to meet competition with a subsidy from currently profitable cooperatives until the cooperative at risk can return to profitable performance. The cooperatives can live up to their commitment to guarantee workers employment by moving workers around within and between cooperatives. They move from areas where the labor is in surplus to areas where hands are needed.

Economic Cycles, The Second Industrial Divide, and Pooling of Capital: This picture of pooling of Mondragón shares some striking similarities with the results of studies of the history of peasant family farming systems in Europe conducted by Greenwood in previous years[52]. Other analogies exist in the literature on dualism and craft economy in contemporary industrial societies.

In the early 1970s, Greenwood analyzed the sources of adaptability of peasant family farming using a framework that focused on the political economy of states dependent on peasant agriculture[53]. The model conceptualized peasant family farming as a highly flexible and adaptable set of structures giving peasant-based state systems an unusual degree of durability in the face of constant breakdowns of central governments. Peasant family farmers both provided their own subsistence and a surplus that was either extracted or sold. Thus, when the state was strong or the market active, family farmers could produce either significant tax revenues or sell a substantial amount of products on the market. When the state weakened or collapsed or when the market was disorganized, the family farm's subsistence activities ensured the survival of both its domestic groups and the continuity of the production system. National political authority or re-emergent market organization could re-integrate the system in better times.

Conceptualized this way, the highly diverse peasant family farming systems of Europe seem to play a key role in the political economy of Western world until well into this century. Diverse production systems both took care of the subsistence needs of the producers and provided a surplus to the state and market. They did not demand practically any services in return. This provided a highly stable and valuable resource which, among other things, explains how the political turmoil in European history could occur without more radically disorganizing agricultural production than it did in most areas.

To understand such systems, it is necessary to have an appreciation of their diversity, the degree to which family farming systems were each tuned to their local environment and conditions, and how each contributed some surplus to national markets and political administration. The measure of an optimal strategy in peasant family farming could only be made over time because the optimum was the amount of surplus that could be produced without compromising the basic subsistence capability of the family farm. The system did not maximize production but stability, the continued occupation of economic niches that simultaneously secured the minimum welfare of the family and the state. Viewed in this way, the persistence of subsistence production, the diversity of agrarian regimes, the diversity of institutional forms of family farming, and the possibility of pooling resources from the family farms have been key sources of the viability of the European states.

While reviewing some of the literature on European industrialism, Greenwood noted Berger and Piore's book, *Dualism and Discontinuity in Industrial Societies*[54], because of certain similarities between their model of history and the above view of peasant-states. Their views on dualism seem to illuminate the structure and operations of Fagor. While Berger and Piore's use of the terms "dualism" and "traditional firms" is misleading[55], their argument is merits further development. They claim we can only understand the performance of industrial economies like Italy and France by realizing that most industries contain two sectors, a quintessentially capitalistic sector, and a "traditional" sector. These sectors include:

a stable component which is met through a relatively extensive division of labor, utilizing highly specialized resources, and an unstable component, where production involves a less highly articulated division of labor, utilizing capital and labor which are less specialized and consequently susceptible to being shifted with fluctuations in demand to other activities[56].

From their vantage point, the instability and flux in markets in industrial societies necessarily carries with them conditions that make this kind of dualism a persistent feature of society. Large capital-intensive, specialized firms cannot, and indeed do not wish to occupy the total market for their products. For these, occupying the stable part of the market is the optimal strategy and they concede the fluctuating parts of the market to producers organized in less specialized ways. Such large firms are also unwilling to enter some product areas at all for these reasons.

Elements of this argument also are part of Michael Piore and Charles Sabel's *The Second Industrial Divide*[57], though the argument of the latter book is both less clear and less convincing. In it, they argue that the historical path taken by capitalism in the West toward large-scale, highly specialized, capital-intensive businesses was not the only possible one. What they call the ''craft'' economy provides an economically-viable and more socially-beneficial alternative.

Whether or not Piore and Sabel's arguments are right in general, there are a variety of situations in contemporary industrial society in which large-scale, specialized, capital-intensive firms and small-scale, less specialized firms do not compete with each other. Their different structural characteristics suit them for exploiting particular niches especially well.

No one is sure that ''craft'' firms can or should triumph over the large, capital-intensive firms. A romantic commitment to ''smallness'' or to a ''craft'' economy would be an error. Nevertheless, two dimensions of the arguments of Berger, Piore, and Sabel help in understanding Mondragón. First, the logic underlying their arguments about industrial societies parallels that in Greenwood's analysis of peasant family farming systems. Given a volatile structure of markets and political systems, small-scale family producers have a niche which they exploit very successfully. This explains their remarkable degree of persistence and the inability of large-scale capitalist organizations to drive them out of certain sectors.

Second, we see the structure and performance of the Fagor Group and the Mondragón cooperatives generally as a solution to some of the structural problems of capitalism that Berger, Piore, and Sabel identify. The Fagor Group and the Mondragón cooperatives are large-scale, capital intensive, highly specialized firms that often occupy a large sector of a market in direct competition with other large-scale, specialized firms. Simultaneously they are cooperatives with a capacity for pooling resources that permits them to shift labor and capital from one market to another. This addresses the cyclicity and uncertainty of their markets without disorganizing their overall socio-economic structure[58].

While they cannot survive a universally-depressed economy any more than any other businesses can, they have important adaptive capabilities. They can produce at a loss for a time, reorganize using capital drawn from other member cooperatives, agree to decrease their own wages and shares, and maintain employment through internal transfers to more productive sectors. Then they can return to full production rapidly. The success of the Mondragón cooperatives suggests that they have been able to do this better than the standard capitalist firms they compete with.

Thus it appears that the structure and operation of the Fagor Group and the Mondragón complex generally embodies the ability to deal effectively with cyclicity and uncertainty. Over and above the issues of industrial democracy and an idealized political future, perhaps the most important reason for understanding what is going on in Mondragón is that the cooperatives may have found solutions to key economic and social problems of industrial production under contemporary conditions. Further these solutions exist on an economic scale that does not require the argument that only ''small'' can be ''beautiful.'' These broader economic dimensions of Mondragón require more detailed study because they suggest that industrial democracy and economic rationality can be combined more effectively than many scholars assert.

Differing Internal Visions of the Future of Mondragón:

Finally we must to point out that the PAR team members from Fagor themselves shared a particular view of the future of the system. At the risk of oversimplifying, we believe that there are two dominant internal visions in Mondragón about organizational dynamics and the way of the future for the cooperatives. One proposes the founding concepts of Don José María and the organizational structures he helped establish as the key. By studying his thought and works and attempting to purify the existing forms in service of those ideals through the development of finely-tuned legal structures, they believe that the cooperatives can be preserved. Change is possible, but always suspect. They legitimate change in terms of its relationship to founding concepts and structures.

Another view, the one that oriented us, stresses a concept of the cooperatives as a continual process, a system in motion that must be ready and able to innovate at any time. Though respectful of Don José María's work, the creativity of the founders, and committed to the moral principles of industrial democracy, this approach sees the challenge differently. The problem is to maintain the ability of institutions to continue learning by trying new solutions to new problems.

Followers of this approach often cite a line of Antonio Machado's 1913 poem ''Proverbios y cantares'' from his series of poems, *Campos de Castilla*, dating from 1907 to 1917 that Don José María frequently quoted. It characterizes life as the process of ''building the road while you are traveling on it'' (*se*

hace camino al andar). This group sees the cooperatives as having become a great deal more ''cooperative'' since their founding. For them, the enemy of the cooperatives is technocracy, bureaucratization, and the rigidification of structures of thought and action.

These divergent views of social and cultural change are not unique to Fagor. These philosophies of social change have been locked in combat throughout Western history. Found in social contract theory, constitutional scholarship, and ordinary politics, both views seek to bring about a better future, but they differ radically about the means.

Within Fagor, these two views, though not in conflict in all situations, lead to different evaluations of the needs of the cooperatives in preparing for the future. The dynamic, becoming view stresses needs for reliable information about the state of mind of the membership, a capacity for continuous questioning of basic premises, and a positive commitment to face current defects. It is this view that carries with it the appetite for research tools to bring on different future. It led to the development of the Fagor project and lent the project its energy and urgency.

In sum, the perspectives adopted in this project are historical-dynamic, cultural-interpretive, structural-functional, non-parametric, and modestly comparative. The study tries to capture a world in motion in a coherent way, without doing too much violence to its complexity.

One of the most important results of this combination of approaches has been their effectiveness in gaining the support of the members of the Personnel Department of Fagor itself. Using them assisted the internal efforts to develop social research skills to match existing economic analytic skills These approaches did not force a level of abstraction from which the return journey to strategies of intervention seemed impossible. We only broached theoretical perspectives and methodological issues when directly necessary to examine a particular set of problems in the cooperatives. The test of a theory or a method was its contribution to the problem at hand, not the contribution of the problem at hand to the enhancement of social science *per se.* The success of this approach has created enough confidence within Fagor in the value of social research for an institutional agenda to develop in the Personnel Department that now tries to incorporate social research a normal tool in the fulfillment of its institutional mission.

Part two: The Fagor Group as a socio-cultural process

Chapter 5: Mapping the organizational cultures of Fagor

Culture does not exist because anthropologists create it. People live through multi-level cultural systems that structure their sense of what is genuinely real and of ultimate, enduring value in life. If called upon to formulate their culture, the result is a complex process because humans live culture through a combination of conscious and unconscious processes. Even knowing explicitly that we have a culture or living "as if" we have a culture is unusual. Groups who aware of their cultures often live in multi-cultural environments. There cultural differences and conflict are an element of everyday life. Even under such conditions, only certain elements of culture are brought into awareness.

Among the academic disciplines, anthropology specializes in developing the tools and comparative perspectives that make useful formulations of different groups cultural systems possible. A culture-studying discipline, it creates models of cultures and engages in the comparison and contrast of cultures without the immediate rush to moral judgement that an emphasis cultural differences usually engenders.

For anthropologists, culture is a term having multiple meanings. If the point of reference is comparison of humans with other species, then culture is defined as reliance on forms of symbolically-created and mediated behaviors as a primary mode of adaptation. This definition uses culture to set humans apart from other animals. When the point of reference is differences among human groups, we define culture as shared systems of symbols and meaning and the sense-making activities that generate and maintain them. These systems impart fundamental meanings to life and serve both as an endless source of internal debate and creativity and a source of feelings of difference from other human groups.

Cultural systems always emanate from social contexts. Indeed, the guiding anthropological perspective for this study comes from Clifford Geertz[59]. In Geertz's view, humans live within a system of social relations that imparts structure and order to everyday life. At the same time, each human also learns a system of meanings that defines what is important and imparts moral tone to human existence. Both social systems and cultural systems are dynamic, changing by quite different means. The human condition is for individuals and groups to engage continually in processes of attempting to reconcile social experience and cultural meaning into coherent personal and group living. Often social experience violates cultural expectations or vice-versa. When this happens, it creates existential dilemmas that drive individuals and groups toward continual

behavioral and interpretive processes aimed at bringing culture and society into a more coherent relationship.

The Fagor leaders spontaneously titled the first collaborative project proposal the study of the "Culture of the Ularco [now Fagor] Group" because Fagor already was already aware of elements of their cultural system that seemed problematic. Knowing that the cooperatives differ importantly from conventionally-organized businesses, the Fagor leaders wondered about the strength of the cultural understandings binding them as a group. They worried that these might be weakening from the effects coping with the recession and the increasing complexity of their technical production systems. Behind the study was the hope that learning about how their particular system works would both reinforce and improve it. This pragmatic concern with corporate culture served as the point of departure for the research project and was a prime stimulus to development of the research capacity in the Fagor Group.

The essential first step in any process of cultural study is an attempt to bring elements of the culture, the "theory in use"[60] into awareness. Having a sense that culture exists is not equivalent to having a differentiated, self-conscious formulation of that culture. Precisely because culture gains much of its power by constructing a compelling world of meanings for participants, gaining awareness of even a limited portion of a cultural system is a difficult process.

An effective, though not foolproof way do so is through contrast. In anthropology, the diverse ideas and social arrangements of distant human groups are used to create a sense of surprise. Properly handled, this surprise eventually can be converted into a sympathetic understanding of other cultures and the awareness that our own culture is indeed only one of a variety of possible human designs for living.

To accomplish an analogous degree of surprise in Fagor as a basis for an industrial anthropology research project required a different approach. Fagor members all develop a formulation of Fagor culture through implicit and explicit contrasts with private businesses. But these contrasts, while important for everyday life in the cooperatives, are based, for most members, on a homogenized, stereotypic vision of private firms and rely on global contrasts with the cooperatives of Mondragón, an equally homogenized point of reference. For many cooperative members who never worked in private industry, the contrasts serve as expressions of belief, not summaries of experience. Pursuing them does not lead to a desire to conduct research or to create a more differentiated view of the system.

The key to developing an analytical view of Fagor culture was a systematic analysis of some of the books written about the cooperatives of Mondragón. By concentrating on what professional researchers and cooperative members have written about the cooperatives themselves and analyzing the structure of their arguments, the requisite sense of contrast was created that permits the articulation of the more analytical vision of Fagor culture, a vision that is one of the contributions of this study.

In what follows, a variety of the most important analyses of the cooperatives are presented and criticized. The purpose is a double one. First, readers need to be aware of the dominant trends in the analysis of the cooperatives up to this point. Second, through presentation of the criticism of these materials and the statement of counterposed views, the Fagor research team's model of the culture and history of the cooperatives is presented in detail.

We enter two important and sincere caveats here. The use we made of some of the studies of Mondragón has seemed unfair and mean-spirited to some readers. We used these works as springboards for critical discussion, as ways of trying to bring about the collective development of an approach to the study of Fagor. This lent a critical bias to our whole approach, one essential to the process we had begun but one that does not in the least deny the importance of the works we read.

Readers knowledgeable about Mondragón will also note the omission of many important works. We did not purposely slight some authors. As pointed out earlier, the July seminar that began this process was not planned in advance. When we decided to examine works on the cooperatives, we had to rely on what was locally available and most of it had to be in Spanish. We could have examined other works profitably, but those discussed in this chapter are the ones we actually used in the July seminar. They conditioned our approach. To add other works to this list now would be bibliographically responsible, but would misrepresent the research process as it developed.

Differing Views of Mondragón

Foreign visitors have been a frequent feature in Mondragón over the past 15 years. Nearly all have been attracted by an interest in the successes of the cooperatives and the social benefits that could be derived from creating industrial cooperatives elsewhere in the world. Given this point of departure, their central focus has been the description of the basic features of the cooperatives' structure, data to prove the economic viability of the industrial cooperatives, and the identification of the keys to Mondragón's success.

The outside views analyzed here by no means exhaust the pertinent literature[61]. The materials were selected both because of their importance and because they embody diverse viewpoints. The discussion begins with foreign views and then moves to one written by a founder of the cooperatives and two others written by Basques with an interest in the cooperative movement.

The foreign studies include Oakeshott (1973), Campbell, Keen, Norman, and Oakeshott (1977), Thomas and Logan (1980), Bradley and Gelb (1983), and Whyte and Whyte (1991). These writings include journalistic accounts, works by promoters of cooperativism, neo-classical economic analyses, and one comprehensive study from the vantage point of organizational behavior and labor/management participation. The viewpoints differ greatly, ranging over a spectrum from cultural, historical, and economic determinism to a sociological and

anthropological perspective that is intentionally eclectic. We identify the basic contributions made and also comment on them critically. This body of work forms a significant part of the background for our subsequent formulation of a model of the corporate cultures of Fagor.

Robert Oakeshott: With his article "Mondragón: Spain's Oasis of Democracy," (1973) Robert Oakeshott initiated the extensive foreign interest in the cooperatives of Mondragón. Written to praise the system, the article emphasizes the role of Don José María and the importance of basic Christian values. Composed during the final years of the Franco regime, Oakeshott's approach centers on the notion that in the dictatorship with its prohibitions on labor union organization, the Church had become the social mobilizer of the working class. Thus Oakeshott saw a symmetry between Christian values, a priest founder, and the ideas and institutional forms of the cooperatives. Oakeshott did not chart the historical development of the cooperative institutions, although at the time, the cooperatives were already 18 years old.

This work appeared to us as a portrait of the cooperative system as a nearly perfect design from the outset. While there is no doubt about the importance of the founder in the early process, a great deal of structural change has been undertaken over the years by the members. Oakeshott's analysis caused us to discuss the"dynamic" properties of the cooperatives at length. It showed us that the notion of dynamism and on-going process was a key element in the PAR team's developing view of the culture of the Fagor Group.

The Anglo-German Foundation for the Study of Industrial Society: A team, including Oakeshott, conducted a more differentiated analysis in 1977. Its title is *Worker-Owners: The Mondragón Achievement.* The study examined the possibility of applying elements from the cooperative system of Mondragón to the cooperative movement in Great Britain. It found many features capable of being imitated. Of these, they emphasized the democratic structure of worker management, the capital contributions made by the workers, the reinvestment of profits, contracts of association, the role of the Managerial Division of the Caja Laboral Popular, and the principle that new cooperatives only should form around worker-generated initiatives.

Their analysis, like most others, was ambivalent because it sensed a tension between the exportability of these elements and idiosyncratic features of Mondragón's social, cultural, and historical make-up. They emphasized the role of the charismatic founder, Basque nationalism, and Basque religiosity. They also stressed the solidarity of after-work social groups that engage in the *chiquiteo*[62]. They referred to the "propensity to save money" in the Basque Country and the Basque "industrial tradition" as sources of this success. They also mentioned larger structural conditions that aided the cooperative movement – Spain's relative isolation from international markets, the illegality of labor unions under Franco, and fiscal structures that favored cooperative development.

We found the message of the work unclear. It makes a fundamental distinction between social inventions made in developing the cooperatives and the

unique conditions – personal, cultural, historical, and economic – that permitted them to develop in Mondragón. Ultimately it is unclear if the authors thought the Mondragón system had a future in other countries or not. The underlying this vision is a timeless portrait of the cultural foundations of the cooperatives and the character of their development, **e.g.** the *chiquiteo*, Basque religiosity, and the Basque industrial tradition – all important anthropological topics. For the PAR team, this view contrasted strongly with the considerable amount of social conflict the cooperatives have experienced, the strong role of secular, political values in the development of the cooperatives, and the important role of non-Basque immigrants in the system. In this way, it helped us to specify a number of the topics about which we needed additional data.

Henk Thomas and Chris Logan: A detailed and quite interesting study is that by Henk Thomas and Chris Logan: *Mondragón: An Economic Analysis* (1980). Taking a very different point of departure, Thomas and Logan based their analysis firmly on economic models. Their study contains the most detailed economic analyses of Mondragón to date by foreigners.

The analysis began with a theoretical overview in which the fundamental question was whether or not the Mondragón cooperatives fit the theory of labor-managed systems. After a lengthy review, the authors concluded that Mondragón is a true example of a labor-managed system and thus merited more detailed consideration. From this point on, the work develops an economic analysis which led Thomas and Logan to the positive conclusion that there is no *a priori* reason not to form cooperatives in other countries.

They clearly emphasized the economic bases of the system, treating social and cultural characteristics as secondary. Yet Thomas and Logan's views about the local context played some role in their analysis as they recounted the history of the cooperatives narratively, pointing to the contextual features they think influential. In this regard, Thomas and Logan emphasized the role of Basque nationalist ideologies, the lack of integration of the Basque Country in the Spanish state, and the character of the Basque oligarchy and its relationship to the central government as elements conducive to the formation of cooperatives.

The analytical weight given these dimensions is unclear. The reader concludes that the Mondragón cooperatives invented a set of structures that are viable under the general laws of neoclassical economics. Yet these were invented in Mondragón because local conditions perhaps made social experiments of this sort possible.

While the depth and detail of the economic analysis is admirable and more such analysis is needed, the PAR team reacted negatively to the authors' concern about whether or not the cooperatives should be judged ''true'' examples of labor-managed systems before acceptance as models for emulation. Our study, rather, emphasizes issues of job creation, economic viability, and survival, not whether or not Fagor is a proper example of cooperative forms.

The judicious combination of economic and structural analysis and Thomas and Logan's attention to historical context are important contributions. Still their analysis tends to separate the cooperatives as a continual process of exper-

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imental development and change from the structural characteristics that were invented in this process. It appears, then, that the economic and sociocultural dimensions of the cooperatives can be separated. This, in turn, leads to the notion that a set of economic structures might be developed without simultaneously unleashing an important set of cultural processes as well.

This issue was particularly important to us. One of the key elements in our perspective is treating social and cultural processes as inextricably intertwined. We conceptualize the cooperatives as an interaction between economic and social conditions, cooperative institutional structures, and cultural systems.

Keith Bradley and Alan Gelb: In their book, *Cooperation at Work: The Mondragón Experiment* (1983), Keith Bradley and Alan Gelb rest their analysis on a more sociological foundation than the previous works. Centering attention on principles of organizational structure, the authors generally advocated a mixed capitalist economy as a global social goal. At the same time, their perspective remains strongly economic because they conceived the cooperatives mainly as creative responses to the economic problems of advanced capitalist societies.

After a well-developed comparison between Western private capitalist enterprises, Japanese firms, and the cooperatives of Mondragón, Bradley and Gelb analyzed the key elements in the cooperatives, which they identified as community, consensus, reinforcement, and social responsibility. Their image of the cooperatives was highly favorable throughout.

The authors then faced explaining why there are not more cooperatives in the world. Bradley and Gelb appear, unintentionally, to assume that economically-viable and socially-beneficial structures will prevail in the capitalist marketplace. This caused us many hours of interesting debate. In the end, we decided that Bradley and Gelb's overall view of capitalism as perhaps more benign than ours.

The authors turned to local conditions as a source of additional explanations for the emergence of the cooperatives in Mondragón. The conditions mentioned are familiar from the works already discussed:

Basque ethnic solidarity,

the outside threat of the fascist regime

the strength of the concept of community among the Basques

the relative unimportance of class struggle in the Basque Country

the importance of the relative isolation and small size of Mondragón as a community

Fagor members' own experiences are formed very much around a struggle to keep the cooperatives afloat in a national and regional environment dominated by more ordinary capitalist interests and often quite hostile to cooperativism. We came to feel that the local conditions found in Mondragón apply nearly

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everywhere in the Basque Country but the cooperatives only arose in Mondragón. Ethnic nationalism, oppression, community, isolation, etc. are features found throughout the Basque Country. This makes it difficult to invoke conditions that apply throughout the Basque Country as causes for the emergence of the cooperatives. We also felt that the creativity of the individual actors who invented the system in Mondragón and those who have come after, adding their own contributions, require more emphasis. Our own developing vision of the cooperatives emphasized a continual, collective process of social invention and struggle, one which might have occurred elsewhere but did not because the people in Mondragón made it happen there.

We also discussed ethnic nationalism's specific role in the cooperatives. It is by no means clear, among other things, because so many non-Basques have played an important role. The widely-accepted notion that class struggle was muted in the Basque Country simply seemed wrong to us. The intensity of class struggle was one of the essential motivations for establishing the cooperatives.

William Foote Whyte and Kathleen King Whyte: To date, the most comprehensive and detailed analysis of the history and structure of the cooperative complex is the book by William Foote Whyte and Kathleen King Whyte: *Making Mondragón: The Growth and Dynamics of the Worker Cooperative Complex* (1988 and 1991). The Whytes' material was reviewed by the research team when their manuscript was in first draft form during the summer of 1985. The manuscript subsequently underwent basic revisions, many in response to the team's criticisms. Many drafts of the chapters have been read and reread by some team members. As a result, many of our critical reactions, which were important in the research team's development, refer to problems corrected in later revisions of the manuscript.

As indicated earlier, the Whytes' book provides a comprehensive overview of the cooperatives, their history and structure, and an analysis of the exportable lessons of Mondragón. Based on a combination of reading, research on the history of Mondragón, interviewing, and years of experience with other systems of labor-management collaboration elsewhere in the world, the Whytes draw on three periods of research in Mondragón and on some of the research in Mondragón of Whyte's student, Ana Gutíerrez Johnson.

They provide a general perspective on the Mondragón system and emphasize the continuing processes by which the most important structural characteristics of the cooperatives have developed. The Whytes offer an analysis of the possibilities of transferring the social inventions of Mondragón to other industrial contexts. The Whytes view the cooperatives as a mix of social inventions of international significance and characteristics arising within the Mondragón context that give the cooperatives their particular attributes.

The book begins by reviewing the most common causes of the collapse of cooperatives in general. Among them are the difficulty of acquiring and retaining high-quality business leadership, the general preference in such organizations for present income over reinvestment of earnings, and a weakness in most

cooperatives of research and development infrastructure. One of the reasons the Mondragón cooperatives are an important case is that they have made "social inventions" that resolve these problems.

Among the most important of these social inventions are the methods for financing individual cooperatives; the managerial structure of the cooperatives; the balancing of economies of scale, local autonomy, and industrial democracy; the approach to financing research and development of products; and the institutionalization of management activity on a collective basis. The Whytes narrate the history of the system, showing how these features were developed and explaining why they believe them to be so important.

The early versions of the manuscript contained descriptions of idiosyncratic local conditions thought to be propitious to cooperativism. Among these were Basque support for the Republican cause in the Spanish Civil War, Basque nationalism, the link between the Church and the local community, the importance of Don José María as a leader, and the social and industrial conditions of the area. The Whytes affirmed that the Basques are very independent, geographically isolated, that they have important historical traditions of egalitarianism and so-called "associative tendencies", and that communal traditions as important elements in the development of the cooperatives.

They also stated that the Mondragón system makes use of some elements of Basque culture, but rejected others. It was not clear to us if these cultural and historical factors are to be understood as determinants in the development of the cooperatives or as conditions that only influenced their trajectory. The relationship between these factors and the social inventions made in Mondragón is unclear, with the consequent confusion about the transferability of the cooperative model of Mondragón to other parts of the world. The idea of social inventions and the emphasis on a continual process of cooperative development accords well with the our own sense of the cooperatives. That some of these structural innovations could be transferred elsewhere makes sense, though this simply remains to be seen.

On the negative side, the characterizations of Basque culture and social conditions were too general and, occasionally, incorrect. The cultural analysis, especially in pre-publication versions of the manuscript, offered no explanation why cooperatives emerged in Mondragón rather than elsewhere. The early version also relied on a narrow view of Basque political history as dominated by republican sympathies, Basque egalitarianism and communalism, and other such idiosyncratic factors. This was both inaccurate and underestimated the importance of ethnic diversity and social conflict in the genesis and continuing development of the cooperatives. Many of these features were corrected in the subsequent version.

As part of the revision process and to deal with these criticisms, William Foote Whyte wrote an additional chapter which examines the relationship between institutional processes and values more closely. To accomplish this, Whyte distinguishes between basic values, organizational goals, orienting principles, and operating structures. The basic values he identifies are equality,

solidarity, dignity in work, and participation. These are supported by organizational goals, including employment creation, security of employment, human and social development, self-government, and economic development. To institutionalize these values and goals, certain organizational principles are followed: equilibrium, organizational self-evaluation, openness, and an unwillingness to involve the cooperatives in national and regional political movements. Specific organizational structures are created in the cooperatives, such as the Caja Laboral Popular, to guarantee meeting these ends.

This differentiation of analytical categories complicates the Mondragón scene in a productive way and resolves a number of the problems found in the other works. It is effective in creating space for the continuing development of the cooperatives, and thus maintaining a dynamic view of the cooperative complex.

Still, the PAR team felt that the basic values were treated in a too aprioristic fashion. Not only do these values have complex historical origins, but the values themselves are multidimensional and dynamic. Culture, just as much as social organization, needs to be understood as a process in order to capture the key dimensions of Fagor.

These are some of the key works by foreigners. Others have been written by people from the Basque region. We selected three of the most important for review. One a thesis written by Iñaki Gorroño who subsequently joined the Caja Laboral Popular. He is now its Executive Staff Assistant. Another is by one of the founders of the cooperatives, Jesús Larrañaga. The third is a work commissioned by Caja Laboral Popular and written by Joxé Azurmendi, a priest and scholar, interested in the cooperative movement.

Iñaki Gorroño: La experiencia cooperativa en el País Vasco (1975), a work published in 1975 by Iñaki Gorroño, was not an internal study since Gorroño had not joined the Caja Laboral Popular when he wrote it. Perhaps for this reason, the argument and focus of the book show some parallels with the foreign studies reviewed above. After analyzing cooperative experiments undertaken in different countries and in other sectors of the economy, Gorroño concluded that certain limitations have generally made production cooperatives non-viable: the lack of sufficient financial capacity and intrinsic limitations on the ability to attract and keep qualified personnel capable of meeting the technical and management challenges of the businesses.

In his judgement, the innovative capacity and dynamism of Mondragón was to be found in two dimensions. The first was the continuing reinterpretation of cooperative principles by which the cooperatives have been pragmatically adapted to the specific reality of Mondragón. Their historical innovativeness resides, not in the idiosyncratic conditions at their disposal, but in having been able to utilize these prior conditions effectively.

The second dimension was the rapid creation of the superstructural entities that resolved problems of coordination, financing, education, and social services, problems have historically destroyed industrial cooperative experiments

elsewhere. He considered the role of entities like the Caja Laboral Popular particularly significant in bridging between personal savings and the financing of community development projects.

The elements that generated expansion and that explain the level of development achieved by the cooperatives were provided by the interaction of various factors. Local conditions including the industrial history of the area, the relatively developed economic infrastructure, and a social environment favorable to the idea of worker participation were important. There were external economic factors as well, including the strong increase in demand during the 1960s, a situation well exploited by the cooperatives.

Entrepreneurially, the cooperatives' emphasis on self-financing of production was particularly important, as was the human factor of direct involvement of the members in the production process. Yet Gorroño believed that the notion of management by the membership as a whole was utopian if the cooperative in question is even minimally complex. Under these circumstances, participation should be understood as the exercise of control by the members over the honesty and efficiency of those who are professional managers, the periodic election of managers, and collective agreement to the rules of the game.

Not surprisingly, the highly process-oriented view of the cooperatives made good sense to the PAR team. However, we found the view of participation insufficiently connected to the explicit socio-economic goals of the Mondragón cooperatives. In certain respects, this analysis evokes legitimate concerns about technocracy and managerialism in the cooperatives. While the problems of participation under these conditions are quite real, we viewed them as problems requiring analysis and creativity that leads to solutions, an orientation reflected in our subsequent study.

Jesús Larrañaga: Buscando un camino is a work by Jesús Larrañaga (1981), one of the founders of the Mondragón cooperatives and thus a person who knows the cooperative experience well. Larrañaga played a major role in the history of the cooperatives, serving as the General Manager of Ulgor and a current assignment as head of the International Division of Fagor.

It must be remembered that his book was written on the heels of the first negative economic results in the cooperatives, those that began with the recession in 1979. Writing with enormous respect for Don José María and yet with a demystifying view of the cooperative experience, Larrañaga stressed adaptive processes in the cooperatives. He insisted on process, on the ongoing experience of cooperation as the key dimension. The road to social and economic innovation was portrayed as difficult, one traveled only through successive experiments.

Larrañaga emphasized that for Mondragón, one could not speak of an overall plan that was conceptualized from the beginning within a global structure, nor did he think that development followed pre-ordained steps. He saw Mondragón as a progressively-developing experience, responsive to circumstances, open to new ideas and approaches, but within the constraints of a fundamental ethical vision, a view close to that we developed.

In this view, the Mondragón experience does not arise as the natural result of local culture and environing conditions, even though it might seem intellectually comforting to think so. Larrañaga characterized the situation in the period before the birth of the cooperatives as one of disquiet and uncertainty, differences of opinion, controversies, and resentments. Mondragón was a community profoundly disfigured by civil conflicts summed up in the terminology of "winners" and "losers" in the Spanish Civil War.

The early activity of Don José María was aimed specifically at overcoming that situation, at getting the community to unite its efforts around a shared project. He insisted "ideas separate, but necessities unite."[63] In this context, the cooperatives were born without fanfare and without a legal base, creating products that Larrañaga characterizes as the "fruits of empiricism and of limitless daring"[64].

Don José María was presented as a charismatic leader and Larrañaga's admiration for him is evident[65]. He is portrayed as a great observer of an ever-changing reality; free of dogmatism; equipped with few truths and with a strong dose of pragmatism; tenacious, open, and in constant dialogue with the most diverse elements of society.

Larrañaga realized that this image and its influence would become fainter over time with the accession to managerial responsibility of generations who did not know the founder. There were also changes brought by the internal dynamics of the cooperative experience that increased the distance from the founder. And this was as Don José María expected, since he believed that no person is indispensable to any meaningful social project.

From Larrañaga's point of view, institutions could not operate through the efforts of the minority; they required the support of the majority: community commitment. Community institutions gradually supplanted the personal intervention of the charismatic leader; faith in a person is gradually replaced by faith in a group of people.

Writing in depressive atmosphere of 1980 at the beginning of the recession, Larrañaga's views of the future were harsh. Since the cooperatives are a voluntary social project, he believed it would be of little interest to others within the capitalist system. The cooperative experience did not offer possibilities for people to make fortunes or to satisfy their desires for personal power. Larrañaga also judged that none of the major political parties includes an interest in cooperativism as part of their strategy and thus, the cooperatives were not part of a larger social project.

He believed that the desire for autonomy and self-management of the cooperative units conflicted with the increasing orientation of the world economy toward concentration and the creation of high technology enterprises which are generally multinational. This presented a particularly ominous environment for the cooperatives. He worried that there was a tendency to make a fetish of egalitarianism, falsely confusing it with solidarity. This could bring about such a lack of differentiation that bureaucratic attitudes and depersonalization would result.

Larrañaga's analysis was certainly correct in its strong emphasis on process and his understanding, as a founder, that the cooperative idea has grown far beyond what was initially conceived. His vision of Don José María's lack of dogmatism and his openness helped us to understand how a such an open model of organizational development was begun.

Yet we felt that the book, at certain points, gives way to negativism. Many of the difficulties Larrañaga discussed are not specifically limited to cooperatives, e.g. technological development undercuts many capitalist firms. The multinationals are, by no means, the only path to the future. Although money and power are classic motivations, it is not clear that they threaten the cooperatives so deeply. The PAR team felt it equally plausible to believe that, having taken care of certain basic needs, many individuals will be attracted to a combination of professional success and an ethical lifestyle difficult to match outside of the cooperatives in technologically-advanced societies.

Joxé Azurmendi: El hombre cooperativo by Joxé Azurmendi (1984) synthesizes the thought of Don José María Arizmendiarrieta, giving it an accessible structure. It also succeeds in placing the development of Don José María's thought in its philosophical and political context.

While the title appears consider Don José María as an atemporal, mythical prototype, the contents do not. The book makes the evolution of Don José María's thought explicit. Azurmendi repeatedly cautioned against the temptation to cite the founder without setting the proper temporal context.

Don José María did not invent social theories. A synthesizer and a pragmatist, he was engaged in the continual critical review of his own ideas; he was engaged himself in a dialectic between reflection and action. His concept of the person was set by the religious, philosophical, and social ideas of his era. His particular concern was to clarify the role and responsibilities of persons in contributing, with others, to the creation of a more humane society. This development of persons required freedom to take control of one's own destiny and be involved in the self-management of society. This, in turn, implied intense efforts in continuing professional and social education. Don José María visualized the challenge as converting the possible into the real: "The ideal is to work toward the good that is possible, and not toward the good that can only be dreamed about.[66]"

For Don José María, the standard concepts of proletariat and class struggle were transcended through mechanisms of direct emancipation in work. This emancipation established the material foundations for a social development process better suited to human beings.

Of the three most common forms of worker organization and action – trade unionism (presumably with an adversarial orientation); political action (the conquest of the state); and cooperativism or access to self-management), he elected the latter. This was not a simple matter because he recognized that cooperativism was the least prestigious of the three. He knew that it was not suited to a radicalized climate because it lacked programmatic euphoria and was individually demanding. However, it was his choice.

While the three paths did not necessarily exclude each other, the political ferment of the 1970s saw much criticism of the cooperatives as insufficient solutions to social problems, as examples of an ''aristocracy of labor,'' with a limited capacity to transform society. These attacks came from the left, from the elites, and from the diocesan church. They were accompanied by distrust in the official political sphere as well.

A firm made to the measure of human beings was his goal, and he aimed to begin by reforming industrial firms. For Don José María the industrial firm was vital: as a source of work and the economic mainstay of the employees, as part of the social and public life of the community, and as an economic environment at the center of social life that created a particular kind of cultural milieu. It was too important for its structure to be a matter of indifference.

The ideas of a fair wage, participation in the firm (in the profits, property, and management) appeared in labor union literature of the period. Even in 1961, in the encyclical *Mater et Magistra,* there was express reference to reforming the business firm. But these views conflicted as much with the ideologies of the owners as with those of the workers. Thus the Mondragón experience was not born comfortably and naturally in a propitious environment. It was a counter-intuitive attempt to make a theory into reality.

Cooperative management would have to be different. The management teams needed a deep sense of responsibility, personal involvement in the economic process, and should be subject to social control by their own community. It was their obligation to offer efficient management while serving as a self-conscious minority committed to breaking up deadening routines. They had to demonstrate the capacity to prepare for the future and to create new management teams. The indispensable man had to disappear, performing a moral duty to open the way to those capable of surpassing him.

For both efficiency and realism, the leaders should worry about the temptations and demagoguery created by exaggerated forms of egalitarianism. A society without classes did not mean a society without differences; it was crucial to be sufficiently flexible to accept and utilize differences as sources of dynamism.

Don José María respected heterogeneity of perspectives and knew that they created conflict. He saw this as a sign of vitality, although not always of maturity. He wanted differences to be dealt with in a climate of dialogue, within the appropriate organizations and with involvement commensurate with one's own capacity to take on responsibility.

While Azurmendi's book is not exempt from criticism, its aim was to lay out the scope and development of Don José María's thought, not to present an analytical vision of the cooperatives. The lack of dogmatism, a dynamic view, and a willingness to experiment highlighted in Azurmendi's book are all features the our sense of the cooperatives. It confirmed our view that the cooperative experience is a reality lived and built daily, not a theory to be learned or an atemporal socio-economic prescription.

One point that we particularly fastened on is the common phraseology in the book that describes the cooperatives as a ''socio-economic'' system. We thought this perhaps slips by too easily. It does not focus sufficient attention on the significance for the cooperative effort of maintaining a difficult equilibrium between the economic and social dimensions of a complex system, perhaps the central human dilemma of the cooperatives.

Common Approaches in the Literature: The Role of Dichotomies
A prominent common feature in writings about Mondragón is reliance on sets of dichotomies to distinguish the cooperatives from private firms. This drives many other dimensions of attempts to understand the cooperatives. It creates a matrix that situates the cooperatives in a way that routinely over-emphasizes or ignores particular features of the system. It polarizes cooperatives and ordinary forms of business organization. In our view, developed as a response to this feature of the literature, they share important features. Such dichotomies are characteristic of the rhetoric of moral argument, not of empirical social analysis and the team was impressed by the elision of moral argument and social research.

This theme of dichotomies in thinking about the cooperatives came to occupy a great deal of the PAR team's attention. We did not want to escape from one polar image by retreating to the other. As a result, we attempted, in a modest way, to triangulate the main dichotomies used to contrast cooperatives and non-cooperative firms. In this way we hoped to avoid certain rigidities in our formulations.

The PAR Team's Map of Fagor

What follows details the components of our own view of Fagor. This is the map of Fagor from this process of analysis and literature review. + guided our subsequent research.

Hierarchy and equality: The cooperatives continually struggle with problems associated with the relationship between hierarchical and egalitarian elements in their structure; yet even Don José María did not seek to eliminate hierarchy from the cooperatives. He wanted every individual to be free to develop to the fullest extent possible, which explains why the cooperative compensation scale was not based on equal pay. The hierarchical system of job classifications and a clear chain of command reflects the opportunity for individuals to develop their unique capacities.

Equally important, the cooperatives are based on every individual's right to receive respect as a human being. While pay is not equal, the compensation scale is highly ''equalized'' and discourages social competition through the accumulation of money. Foreign observers, impressed with these features, understandably characterize the cooperatives as egalitarian; but this is a description team members reject. We believe that the cooperatives should be under-

stood, not as egalitarian, but as solidary; as organizations in which the links of common humanity are institutionalized in the workplace[67]. The emphasis is on the development of organizational incentives to create a work environment that respects the individual and the group simultaneously.

Dichotomous treatment of hierarchy and equality also distorts life in private firms. Despite the clear legitimacy of hierarchy and the existence of exploitation in such firms, equality also exists at similar staff levels and in particular functional groups. Without teamwork, no firm succeeds[68].

Thus trying to understand the cooperatives as egalitarian, against a backdrop of private firms that are hierarchical, does empirical violence to both and does not advance the analysis of the differences between the cooperatives and private firms. This is especially important because such a view makes the cooperatives appear utopian precisely to those potential cooperativists elsewhere that might have the most interest in understanding the character of life within the Mondragón cooperative system.

They also affect the lives of cooperative members negatively. Such dichotomous thinking is often met in the cooperatives themselves, as the research project revealed. In later chapters, it will be clear that many cooperative members conceive of private firms as rigidly hierarchical. They feel that the persistence of any hierarchy in the cooperatives is a sign of the weakness or at least immaturity of the system.

Cooperation and conflict: Another dichotomy driving much thought about the cooperatives is that between cooperation and conflict. By trying to understand cooperation as the opposite of conflict, analysts unintentionally saddle the cooperatives with utopian standards to meet.

There is no persuasive reason to conceive cooperation and conflict as opposites. There are good reasons not to. Cooperation may, but does not necessarily, imply an absence of conflict. Conflict, unless it extends to the breakdown of social relationships, does not prevent cooperation. Yet the assumption that cooperation and conflict cannot occupy the same space leads to a characterization of the success of the cooperatives as the result of their elimination of internal social conflict.

This view does not accord well with the results of our research. Conflict is a prominent element in the life of cooperative members. Debate, disagreement, persuasion, and the regular enforcement of the will of the majority over minority views are everyday occurrences. The key is that such conflicts generally energize the cooperatives rather than immobilize them. Members are free to express their disagreements and to debate decisions, so long as they remain faithful to the operating rules of the cooperatives, rules themselves arrived at through a similar process. Nor are private firms characterized by unremitting conflict and a total lack of cooperation. Indeed, the literature on the most successful firms shows how important cooperation is to their competitiveness.

Thus the cooperation/conflict dichotomy is misleading and distorts the structure and operation of both the cooperatives and private businesses, and yet the literature is rife with such imagery. Groups trying to found new cooperatives,

when faced with the outbreak of internal conflicts, are likely to think they have failed, when in fact, the Mondragón cooperatives have succeeded by institution-alizing and legitimating the role of conflict as a motor for positive change.

Ethnicity and social class: Another dichotomy pervading the literature on Mondragón is that between social class and ethnic identity. Particularly in the older social science literature and in current political polemics, it is made to appear that ethnicity and social class cannot coexist. This, in turn, suggests that an important part of the secret of the Mondragón cooperatives is shared eth-nicity that mutes class conflict.

As appealing as such a vision is, it does violence to the real world. In the Basque Country generally, a complex and dynamic relationship exists between social class and ethnicity. The same persons or groups simultaneously pursue social class and ethnic group interests. To explain the origin and successes of the cooperatives because the Basques are an ethnic group creates a grave dis-tortion of the reality of the Basque Country and ignores the complexity of the cooperatives.

Logically such an analysis would also demand that cooperatives be the dom-inant form of economic organization in the Basque Country, which is decidedly not the case. It is also inconvenient for this view that more than 25% of the cooperativists are immigrants from outside of the Basque Country. It turns out to be impossible even to predict political affiliations on the basis of being a Basque, a non-Basque, a cooperativist or a non-cooperativist.

Charismatic leadership and member activism: The tendency to over-empha-size the charismatic leadership of Don José María and to ignore the incremental changes the members have wrought in the system is pronounced in much of the literature. Don José María plays the starring role as the creator of the system. This view is not incorrect since his contributions were obviously crucial, but the collective contributions have also been enormous. Even though the cooper-atives may not have exceeded the dreams of Don José María, they surely have exceeded his legitimate expectations through the many contributions made by members over the years.

To over-emphasize charismatic leadership denies the process of historical development and the powerful role played by the members in creating the Mondragón complex. It also conveys a disheartening message to others who wish to begin cooperatives elsewhere, since they do not have Don José María to count on, a point made earlier by Gorroño.

The perfect system and historical development: The cooperatives are not a fixed system, but a moving equilibrium. Their viability is measured in the amount of change that they can incorporate without compromising basic princi-ples. This historicity is not emphasized in much of the literature on the cooper-atives[69]. In the most egregious examples, it appears that what was said in 1956, 1974, and 1986 forms part of a coherent and fixed whole: the ''cooperative complex of Mondragón.'' To see it thus makes the founders geniuses and relegates the role the rest of the members have played in the years of struggle, definition, and redefinition of the cooperative system to the dust bin. Their

contribution appears to have been no more than small adjustments to an initial, nearly perfect plan.

The failure to appreciate these dynamic features is inimical to an understanding of the cooperatives as a project undergoing continual development. The founders themselves affirm that what the cooperatives are now and what they founded differ in important ways. They are not offended by this; they generally find it heartening. The process of continual social invention is precisely what they take as the key feature of the cooperatives of Mondragón.

Unity of values and internal diversity: Underpinning this model is the notion that basic values do not necessarily unite a group by putting the same ideas in every head. Far too often, culture is viewed unproblematically as that which is shared within a group. While some basic values obviously must be shared, absolute uniformity is not necessary; a set of 10 tenets that every member of the group mindlessly repeats each morning is not a sufficient model of "culture."[70]

Values are as much the stuff of conflict as of unity. Key cultural values are things deemed important enough to fight about within a society, and not just with outsiders. Thus a commitment to democracy makes debate about what constitutes democracy and violations of it a core debate in a society, not just a principle worth going to war with another country about.

From this vantage point, the basic values incorporated in the corporate cultures of Fagor are institutional commitments so important that they generate continual debate and tension within the system. Values interact with each other, changes in understandings of one causing changes in the others. Values drive change, even when the attempt is to preserve certain values in the face of change.

The Fagor Group is an arena in which certain practices and values are simultaneously used and debated. What appears to hold the Group together is one overarching value: that every member must abide by the procedural rules of the cooperative system. While even these have been both modified regularly and occasionally violated in practice, serious violations have been punished by expulsion.

This "map" of Fagor developed out of the confrontation with the literature and analysis of the dichotomies underlying many approaches to the cooperatives. It became the set of concepts, the cultural model of Fagor, that guided us in the development of the historical data on Fagor and the interviews and roundtables that constitute the balance of the study.

The First Use of the Model: The Pilot Research Project

The above vision of the Fagor Group cooperatives articulates the most significant elements in the cooperatives and a vision of the cooperatives that served as our point of departure. But this model was produced in a conference room

during weeks spent reading and debating the work of others. While it sums up a significant part of the experiences of the participants, it was not the result of direct social research. In its initial form, it was conceived as a trial formulation, though here it has been presented in a more refined form. To examine its worth, we undertook a pilot research project to apply it. The test of the model's value was to be its utility.

To avoid claims that the research romanticized or whitewashed the cooperatives, two highly conflictive periods in the history of Ulgor were selected. The first was the only strike in the cooperatives' history: the Ulgor strike of 1974. The second was a study of the way the Ulgor Cooperative dealt with the severe dislocations caused by the recession beginning in 1979, dislocations that were indeed profound.

We divided ourselves into two smaller research groups, each given responsibility for the development of data and analysis on these two subjects. Archival and statistical research were carried out quickly and the results were summed up in a pilot monograph which was co-authored in a marathon session ending on the last working day before the August, 1985 summer closing[71].

The purpose of this writing exercise was to assess the value of the model of the corporate culture developed during July of that year. We wanted to know if these analytical perspectives offered useful insights into subjects that had already been debated and studied at length. It was also necessary to show the management team of the Fagor Group what had been done and to elicit their judgement whether this effort was worthwhile. If it was deemed useful, then we proposed to continue developing the social research capacity of the Fagor Group by expanding the pilot study of Ulgor into a larger study of key issues in the Fagor Group as a whole. If not, we would stop the process, continue the development of inter-institutional ties with Cornell, and let the grant run out.

Though raggedly written, the monograph served its purpose. It confirmed our sense that the model did help reveal dimensions of the cooperative experience that were otherwise not easily perceived and that had been missed in many previous analyses. In particular, it supported the view that the successes of the cooperatives arise from their ability to withstand rather than to eliminate conflict and their ability to maintain organizational flexibility in the face of major challenges.

The reaction of managers who read the monograph was generally positive. This model of the cooperatives seemed to them worth developing and justified a continuing commitment of staff time to this project.

Chapter 6: A process view of Fagor's development

The Fagor Group is an on-going experiment, an organization consciously engaged changing and developing itself. To grasp its organizational structure analytically requires an emphasis on process over forms and on aims over rules. An effective institutional analysis must capture these dimensions of Fagor's history. It helps explain Group members' strong feelings of living in dynamic tension – meeting challenges, making innovations, experiencing satisfaction and frustration – feelings that are essential dimensions of their experience of Fagor. Our perspective on Fagor also emphasizes the linkage between practical business and broader ethical concerns revealed in processes of institutional self-criticism and change. In what follows, we show these processes to have caused organizational changes permitting Fagor to meet its economic goals while pursuing specific ethical objectives.

This chapter is an essential part of the industrial anthropology of Fagor. Our anthropological perspective builds on the linkage and tension between the organizational processes that characterize the system and the cultural processes of explanation and ordering that all members go through individually and collectively. The activities of the members tie organizational change and cultural process to each other. Members operate in a variety of institutional contexts (e.g. production and governance) in Fagor and must make sense of their everyday experiences through cultural processes. To get at these dimensions of Fagor, an institutional history is a key part of the model.

The Process View

As shown in the previous chapter, most foreign analyses of the cooperatives have created inventories of cooperative institutional solutions to the problems of internal structure and operations. The understandable desire to transfer the successes of Mondragón elsewhere or to bring its uniqueness into some kind of perspective drives the inventory focus. These treatments are often static, giving the explanations a deterministic feel.

Our view of Fagor holds that, while specific institutional solutions are important, only a focus on the social goals, ethos, and institutional change processes in the Group provides a basis for lessons transferrable to other places. The way to apply the lessons of Mondragón successfully is through the reinterpretation

of the Mondragón experience. In different places under different conditions, the experiences of Mondragón will serve as useful points of reference, not as a recipe for success.

This process view is important for the members of the cooperative Group. As most institutions, Fagor has to deal with its own tendency to think in terms of fixed institutional structures and solutions. This general institutional proclivity quickly leads to fixity in cultural and social forms and an inability to continue changing in a positive way.

Dynamic equilibrium: Reality, as experienced at each moment, does not establish final solutions; it is a corpus of information about what has been done and to what effect. Knowing the history of previous solutions provides a basis for the search for new ones.

It is common for organizations to lose temporal perspective and to view early years with unjustified romanticism or to perceive the organization as if, from the beginning, it was planned and created in its current form. This is as true in Fagor as it is in other successful businesses. Our study revealed clearly that Fagor, in the early going, was very different from what it has become. There is no reason to expect it to change less in the future.

To understand Fagor, the most helpful model is that of a system in dynamic equilibrium. This is the core of our view of Fagor. A combined business and social experiment, Fagor did not try to create the perfect system once and for all; it has moved through time by a continual, if uneven, process of organizational development. This perspective understands existing institutions as a sequence of responses to a series of successive, specific scenarios that began in 1955.

To portray this process, one must balance an analysis of the key changes occurring in the environment, especially in the economic and socio-political spheres, with analysis of Fagor's institutional responses[72]. We use four periods to tell the story: the latter half of the 1950s, the 1960s, the 1970s, and the first half of the 1980s. This rough periodization makes it possible to analyze the most significant changes the Group has made in the technical, economic, social, and organizational areas, while maintaining a sense of the Group's relationship to the surrounding economic and social environment.

Becoming more "cooperative:" Our view emphasizes two particularly important dimensions of the process: continual organizational change and the increasingly participatory character of the cooperatives over time. The organizational change perspective reflects the commitment in Fagor's "corporate culture" to continuing experimentation and to concern about the dialectic between centralization and autonomy of cooperative action. The analysis of participation over time shows that the cooperative effort began with a highly individualistic philosophy and that the key ideas of cooperation only developed over time through institutional change. It also demonstrates that heterogeneity of opinions and personal commitments have fueled the development of Fagor, not commitment to a single social model. This re-emphasizes the complexity and diversity of the "corporate culture."

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The History of the Fagor Group

An organizational history of the Fagor Group remains to be written. It will be a rewarding project for anyone who undertakes it. Documentation is abundant, the history is short enough for researchers to consult many key actors directly, and so much organizational change has taken place in such a short time.

Period I: Creation 1955 – 1959:
The latter half of the 1950s witnessed the beginning of Spanish economic redevelopment after Spain's emergence from the depths of the post-civil war and World War II economic collapse. During these years a multiplicity of entrepreneurial initiatives accompanied the beginning revival of the Spanish economy. The national market assimilated almost anything the suppliers were able to produce. The inauguration of the first cooperatives of the Group thus occurred at an opportune moment.

According to a Bank of Bilbao report, the active population in the Basque Country at that time was 46% of the total while the level of unemployment was practically nil, under 1%[73]. This population was distributed over the economic sectors as follows:

Primary:	25%
Industrial:	36%
Construction:	8%
Services:	31%

In the Province of Vizcaya, the pre-war industrial concentration around the greater Bilbao area remained and this zone began to develop at a more rapid rate. The Province of Guipúzcoa always had a less concentrated form of industrial development. Some towns (*e.g.* Eibar, ṭrún, and Mondragón) have considerably more industrial development than others, but there was no single, major urban focus of industry.

The working climate was one in which labor/management disputes existed but were highly circumscribed. Class differences had clear, external manifestations. No one publicly challenged them. Access to university education was, for all practical purposes, limited to children (generally male) of wealthy families.

Although this global description fit Mondragón in 1955, it did not prevent a group of young men who, through combined work and study, had received Bachelor of Science degrees in Technical Engineering from beginning the cooperative experiment that led to Fagor. They began by setting up a democratically-organized shop called Ulgor.

At the outset, Ulgor was not a cooperative; developing its legal status as a cooperative took time to arrange. This occurred in November 1, 1958. Legal structure aside, what mattered to the founders was their attempt to develop a business model that matched their belief in the free and autonomous character

of human beings. Their decision to leave ordinary business and to begin such a new initiative was not unprecedented. Many people held such hopes and aims. Nor did they set out explicitly to create a ''cooperative.''

Since they did not know of the existence of a legal structure capable of embodying their ideas, to begin, they simply registered the firm as a private enterprise belonging to one of the founders. In the meantime, Don José María searched through the law books, looking for structures that would suit their needs. He ultimately identified the ''cooperative'' as the entity closest to the ideas underlying their efforts[74].

Since there could be no cooperatives without a product line, the members had to make practical decisions early. The search for the initial product line was multidirectional, highly tentative, and strongly conditioned by the specific educational backgrounds of the founders. Their ultimate selection of petroleum stoves, grills, automotive accessories, and heaters reflected their particular engineering expertise. What they lacked in infrastructure, they made up for with a combination of imagination, enthusiasm, effort, local industrial contacts, and attendance at the industrial fairs of Europe.

Until 1959, Ulgor oriented its industrial activity along three main lines: household appliances, metal forging and casting, and electronics. The early development of all three began with the signing of production licenses with the European firms that held the patents, that is to say, with foreign technology. In 1957, Arrasate, another cooperative effort, began. As of 1959, Ulgor itself had 176 member-workers.

The patent licenses signed with foreign firms – Italian licenses for electrical appliances and German ones for electronic products – permitted the cooperatives to make a successful start. Their early growth would have been much slower had they limited themselves to the activities of the foundry, the one production area that not did need patent licenses at that time. Subsequently, the creation of the cooperatives' own departments of research and development permitted them to end dependence on licenses. They began to develop their own product lines and to free themselves from the payment of royalties and from export limitations.

During these first years, concerns about technical manufacturing problems primarily occupied the cooperatives. There were few marketing or economic problems and cash flow[75] rapidly reached 23%. The general atmosphere surrounding the effort was upbeat and the small number of members permitted openness, flexibility, and informality in relationships.

Although participation was mainly direct, the creation of a Social Council as the channel by which the members as workers could deal with their problems took place early. Don José María instigated it. To demystify this early period, however, it is worthwhile to inventory the themes dealt with in the meetings of those first Social Councils. They are surprisingly similar to those found in ordinary businesses, despite the cooperative structure in which the members operated.

Among them were:

1) economic issues: wages, working hours, travel allowances, vacation days, the factory dining room, compensation for absences due to illness.

2) communication and institutionalization problems: the need for rules and for the institutionalization of the Social Council, the organization of lectures to educate members, the creation of a library, the importance of having the minutes of the Social Council circulated to inform the membership better.

3) provision of social services: social security, the pharmacy, health and hygienic conditions.

Don José María, having no direct business responsibilities in the cooperatives, devoted his attention to anticipating future needs. In 1959, he repeatedly suggested the creation of the bank, Caja Laboral Popular, aware that it would be impossible, in the long run, for the cooperatives to depend on financing from internal resources. He also knew that resistance from ordinary financial institutions to a cooperative socio-economic system could make external bank financing impossible. He believed that the cooperatives would only become more economically self-sufficient if they captured savings from the region directly. The bank could then channel the funds into cooperative enterprises.

The cooperative members received his suggestions about the Caja skeptically, doubting the bank's ability to affect anyone in an important way. But Don José María persisted and on July 28, 1959, the Boletín Oficial del Estado published the approval of the statutes of the Caja Laboral Popular. At this time, the total number of cooperativists was 200.

In June of that year, the central government denied cooperative members the right to belong to the national Social Security system. The legal justification was that, as cooperativists, they were owners rather than employees. This required them to create their own social security and social service system, one that would ultimately link back to the national system[76]. To accomplish this, the cooperatives established a second-level cooperative, Lagun-Aro, to which all members belong. Payments to Lagun-Aro provide medical care, insurance, and Lagun-Aro serves a conduit to the Social Security system.

By the end of this period, what had started so modestly already had grown to employ more than 200 workers and developed characteristic internal structures like the Social Councils. It had seen the innovative development of the Caja and Lagun-Aro to deal with the unique financial and legal problems of cooperatives.

Period II: Rapid Growth 1960-1969:
The Sixties saw enormous general industrial growth. The whole Spanish economy experienced the euphoria of repeated, successful development plans and a number of regions achieved significant industrialization. The flow of migrants from the countryside increased greatly, producing an unprecedented decrease in the active agricultural population in Spain.

Mondragón received many rural migrants, its population doubling in ten years. An immediate local effect was overcrowding, which soon resulted in the rapid construction of poor-quality dwellings. The basic lack of space created by Mondragón's topography reinforced land speculation. The lack of space also affected the construction of new factories, often forcing them to clear land in the countryside or to dike riverbank areas for factory sites.

During this period, the members created new cooperatives – Ederlan, Copreci, and Fagor Electrotécnica[77] – the latter by spinning off of a division of Ulgor which then took separate charge of its own product-market relations. This rapid process of cleavage, combined with the creation of other new cooperatives, led to the creation of the Ularco Regional Group in 1964, today called the Fagor Group. Its aim was to provide coordination, integration, common services, and mutual support to the member cooperatives.

Ularco's first efforts in export sales complemented the considerable growth of the Ularco sales networks within the Spanish market. Although the numbers of units sold and the profitability of exports were not very impressive over the short-run, Ularco's management believed in its strategic long-run importance.

During these years, a high level of investment activity was essential to the Group's ability to increase the size of the factories and to launch new technological and business initiatives. Among the initiatives launched were a division of precision tools, a factory for washing machine components, a new stove factory, new enameling processes, new factories for water heaters, the manufacture of catalytic screens, a new factory for hotel equipment, and many others.

Such rapid processes could not occur without raising two classic problems. By the second half of the decade the Group suffered from the lack of sufficient financial and human resources. Further the Group clearly recognized the need for measures to coordinate industrial activity that would avoid unbalanced development. As a result, the cooperatives put an array of financial measures into action, especially during 1966 and 1967. Among them were the following:

measures to control capitalization

the conversion of revenues returned to the cooperative members into capital accounts rather than cash payments

a proposal not to pay interest to members as a way of dealing with fiscal needs

closer planning of purchasing and stocks to gain greater control over circulating capital

tighter control over new membership and investment policies[78]

For the first time, a cooperative within the Group suffered business losses, raising questions about how to pay these off and how to invest in the redevelopment of that cooperative.

With so much attention given to collective financial planning, the individual members as workers made these joint decisions with little enthusiasm. During this period, the cooperative leadership, not surprisingly, stressed their role as partners in the management effort and de-emphasized their role as workers. Despite this, the application of these measures caused significant tensions among the membership. The Social Councils heatedly debated the whole situation.

Nevertheless, members accepted most of the business measures suggested, including solving some problems by inter-cooperative transfers of workers, a measure developed to deal with declining sales in some of the cooperatives[79]. The work week, which had been 50 hours, was reduced by eliminating work on Saturdays. Simultaneously the cooperatives became conscious of and committed to the need to educate the many new members who had so rapidly been joining the cooperatives in the ways of cooperativism.

By the middle of the decade, after 10 years of experience and with considerable increase in size of the cooperatives, the membership updated the Social Statutes and the Internal By-laws. For the first time, the cooperatives put into use a job evaluation manual based on a factor analysis process and a point system for scoring the factors.

The acquisition of new technology occurred simultaneously with the creation of technical departments within the cooperatives, permitting the longer-range guarantee of cooperative technological independence. This important step also opened up the possibility of exporting freely, an option generally excluded when the cooperatives were dependent on the licensed use of other manufacturers' patents.

The need for qualified personnel became immediately evident, as did the important role that the Polytechnical School had to play in supplying such persons. The cooperatives translated this awareness into a variety of efforts in education, health, and other areas. The cooperatives, through their Social Works Fund, channeled significant amounts of money into financing the additional educational infrastructure.

Many students from the Polytechnical School joined the cooperatives through Alecoop, a student cooperative offering the possibility of combining work and formal study. It gave the cooperatives the benefit of students who already had knowledge of the working world. It also permitted students to finance their own studies and stay longer in school, gaining access to higher education without becoming a burden to their families. The development experienced by the cooperatives opened up professionally-attractive options for these youths, who, in turn, reinforced the dynamic character of the cooperative business structures.

Despite this influx of youth, needs in certain technical fields meant that some cooperatives still faced difficult problems in attracting and retaining qualified personnel. These difficulties led some members to insist that the cooperatives treat 1 to 3 pay structure, not as a dogma, but merely as an alterable functional criterion. Despite this debate, the cooperatives maintained the pay scale, with

efforts going instead in the direction of more investment in education and proper utilization of merit ratings to encourage performance.

The cooperatives complemented contributions to the creation of a better educational infrastructure in the region with cooperative donations to create a local health clinic, both efforts supported by subsidies from the cooperatives. Everyone recognized that public authorities, in that period, ignored Mondragón, a community located in a valley distant from the provincial capital. Thus the cooperatives contributed to the overall betterment of the town.

By 1968, many of the household appliance manufacturers in Spain found themselves in serious financial difficulties; fully half of the productive capacity was under-utilized. In response, the Spanish Ministry of Industry developed an industrial concentration plan. Some voices from within the cooperatives argued for collaborative agreements with non-cooperative businesses because the process of industrial concentration was irreversible. Others rejected these notions. Faced with the choice of opting in this direction or fully maintaining the cooperative legal structure, the membership decided not to renounce or dilute the cooperative structure: "If there is something un-renounceable and non-negotiable, it is precisely the basic principles of our legal structure."[80]

Period III: Growth with Consolidation and Conflict: 1970 – 79:
Changes in the business and social climate had a considerable impact on Mondragón. By 1975, it was a predominantly industrial town, employing 74% of its active population in industrial activities. These were heavily concentrated in the manufacture of metal products, machinery, electric and electronic materials, the latter being the exclusive preserve of one of the cooperatives. During this period, unemployment practically did not exist in Mondragón; under 2% in Guipúzcoa, only 4% in the Basque Country, and 5% in Spain as a whole.

These were years marked with political and social tension. The last years of the dictatorship and the beginnings of democracy in Spain were rife with mobilization activity; unions and political organizations in the late 1970s all sought to discover their constituencies and define their roles.

Development in the Basque Country significantly slowed in the first half of the 1970s, with particularly dramatic effects on sectors such as household appliances. The cooperatives passed through the 1970s with uneven luck. In one, a downward adjustment of production was necessary, causing a temporary surplus of 94 persons. They immediately relocated 69 of these in another cooperative. They placed the other 25 in an adult education program covering their period of unemployment. The members of the Group directly financed this by agreeing to the subtraction of 1% of the gross income from their monthly paychecks to cover these costs.

Before this time, there had been much discussion of the possibility of organizing the entire group around a single business focus: electrical appliances. There was division in the cooperatives about this. The experience of losses and the less euphoric general business climate caused the Group to reject integration around a single, dominant business focus and opt for a three sector organiza-

tion: electrical appliances, machine tools, and electronics. Although the Group reinforced mechanisms for joint action, it adopted this policy of greater diversification to bring about a distribution of risks and better inter-sectoral balance of business activities.

The need for new product lines, business activities, and markets caused the cooperatives to pursue a double strategy. They signed several patent license contracts for the manufacture of certain products and simultaneously launched activities and products based on the Group's own patents in automated systems and numerical control. In the midst of this intensified effort at product development, they created the cooperative industrial research center, Ikerlan, with financing supplied by the Caja Laboral Popular and the interested cooperatives. The Management Council of Ularco put forward this initiative and each cooperative Manager proposed it to their respective Governing Councils.

Inside the cooperatives, management made improvements in planning, quality control, and in the handling of human resources. In the former, those responsible for quality control and for personnel joined the Management Council in 1973. In the latter, they brought into play a strategic and future-oriented approach.

Among some groups of technicians, particularly in Ulgor and Copreci, signs of dissatisfaction began to appear because of the clear slowing of the pace of growth of the various cooperatives. For them, some of the challenges they had hoped for failed to materialize and they developed a sense that the cooperatives limited their possibilities for professional growth. To address these problems, to obtain better performance from members, and to mobilize further the human potential of the membership, the cooperatives put a far-reaching educational plan for technical teams into motion. It covered the subjects of participative management, management by objectives, and general management skills. Logically this program had different emphases in different cooperatives. Ulgor stressed organizational decentralization. Copreci replaced functional organization with product-based organization, thereby increasing responsibilities and challenges on the work floor.

The cooperatives made attempts to carry these ideas directly into the work process. These were years of experimentation in the areas of section level production committees, job enrichment efforts, the creation of work groups, etc. They sought greater stability and integration in the work groups, and put education and information programs into place to permit greater understanding of the business side of the cooperatives at the production line level. They recognized the need for good middle managers, along with the necessity of changing management roles to make the workplace more genuinely cooperative.

A cyclical upswing of the regional economy again created full employment in the region and the growth requirements of the cooperatives began to confront the limits of the local work force and geography. As a result, the cooperatives began to develop a multi-locational policy, creating production facilities in neighboring areas needing employment. Among its virtues, this policy avoided continual work-related travel and excessive concentration in an area so in-

frastructurally unprepared as Mondragón. In 1973, Copreci built a plant in Villafranca de Ordizia, about 35 kilometers northeast of Mondragón. Some years later it became completely independent and joined another regional group of cooperatives in that zone (the Goilan Group), though it remains part of the Mondragón complex. This change occurred through a request by its membership and with the approval of the General Assembly of Copreci and the Governing Councils of both Fagor and Goilan.

By 1974, the necessity of developing an overarching organization capable of setting policies about cooperativism for the Group had become evident. Caja Laboral Popular forwarded a proposal for the creation of a Council of Cooperative Groups and a Cooperative Congress. These structures were to organize the overall development of the cooperatives, develop and apply a multi-locational policy, reinforce inter-cooperative collaboration, and foment the development of regional cooperative groups. The proposal took 10 years to come to fruition. The General Assembly of Caja Laboral initially approved the constitution of these bodies and their operational rules. Each member cooperative then debated this document. Each cooperative, through the Governing Councils, informational sessions, and so on, discussed the option to join or not and then voted in each General Assembly. These organizations finally came into being with the creation of the Consejo de Grupos (Council of Regional Cooperative Groups) in 1984. They celebrated the first Cooperative Congress in 1987.

Debates over this development, combined with the political unrest in the Basque area, meant that divergent conceptions of the proper role of the cooperatives in the region would develop. During the discussions, many different views became evident, some insisting that the cooperatives play a much greater role in municipal governments. Others felt that the role of the cooperatives was to offer society an alternative path to development that was at once democratic and self-managing. Still others believed that the cooperatives should play no public role, and that individual members, according to their own personalities and political convictions, should carry on pro-cooperative activities through existing political and labor union structures.

These debates did not occur in a vacuum. As the largest industrial enterprises in the area, the cooperatives had a young work force and a strong sense of social commitment, making their support for causes important and leading to internal political mobilization in the cooperatives. Although internal strikes are illegal in the cooperatives, sympathy strikes are not and follow rules the cooperatives developed for this purpose. In 1971, the cooperatives held a sympathy strike. In 1973, a group of 264 persons held a 1 hour sit-down strike to express solidarity with the workers of a private firm in Mondragón.

In 1974, partly the result of the application of new job classification system, the only internal strike in the history of the cooperatives took place[81]. This strike was extremely traumatic for the system. In response to it, the Group attempted to increase member integration in the activities of the cooperatives and their knowledge of the existing problem-solving mechanisms and processes. The cooperatives closely examined the increasingly rapid incorporation

of new members and their role within the cooperatives. One result was the development of an extensive socio-managerial education program carried on during working hours[82].

Another response to the strike was the restructuring of the Social Councils, attempting to improve their dynamics and the information channels through them to the membership. Among other things, Ulgor set up plant-based Social Councils in addition to the general Ulgor Council. They also reinforced the role of the Standing Committee of the Social Council of each cooperative, as well that of the Central Standing Committee of the Ulgor Social Council. They began informational sessions and small-group briefings.

Any view of these years would be incomplete without reference to the role of women. The initial concept of the role of women in society, set out by the cooperatives at their founding, was that women had to stop working in the cooperative system upon getting married. The ostensible basis for this was the scarcity of employment. In this view, equity demanded that each family have at least one wage earner; women working after marriage were taking up jobs that should available to others who needed them. While this is undoubtedly one of the motivations, there was more to it than that and it gradually became a source of basic conflict within the system.

Sporadically through the 1960s, and more emphatically during the 1970s, this issue resurfaced in different guises. Some women, after various failed attempts to change the norms, accepted the situation, left work upon marriage, and then created a cooperative for married women, Auzo-lagun (1970). Another, far larger group, continued to fight for the modification of the rules, sometimes suggesting formal solutions and other times, pursuing their cause politically. In one case, women as a group abstained in the elections for members to the Social Council. A third group opted to leave work and showed a greater interest, while working, in deriving benefits from the ''advantages'' for women found in labor law, e.g. prohibition of work on machinery, night work, etc.

This pressure, combined with the Group's general sense of the need for cultural change and realism about the importance of this workforce's labor, caused modification, in 1973, of the norm that prevented women from continuing to work after marriage. Within a few years, nearly all female members continued working after marriage. By the end of the decade, women represented 25% of the total work force of Fagor, a percentage very close to the Spanish and Italian mean, though clearly lower than the rest of the European countries. Nor was the active presence of women limited to the struggle for their own rights; it was also crucial in other areas. For example, in the solidarity strike referred to above, of the 264 persons who participated, 96% were single, 72% were women, and the median age was 22 years.

Period IV: Economic Crisis: 1980 – 85:

A profound recession and unemployment rising to 21% in Spain were the two characteristic dimensions of this five-year period. This was true in Mondragón,

in the rest of the Basque Country, and throughout Spain. Affecting the consumer goods area first and most seriously, the crisis then extended progressively to the capital goods sector. The decrease or stagnation in demand created excess productive capacity, unleashing a price war that caused major declines in profitability in whole industrial sectors.

Concurrently, the crisis created a significant opportunity for the development of the cooperative group as a system. These economic pressures caused the consolidation of the Group, analysis and action on issues ignored in better times, and the development of an overall sense of resiliency the cooperatives have.

From the onset of the crisis, Fagor had felt an urgent need to broaden markets. Those cooperatives in the Group already well into the export market had balanced books and their growth rate permitted them to cover the losses of other cooperatives going through greater difficulties. The inter-sectoral dispersion of the cooperatives of the Group acted as a temporary shock absorber, permitting the loss of more than 500 jobs in some cooperatives, the transfer of these workers to other cooperatives, and no net unemployment. Although this process was fraught with difficulties and personal discomfort – especially when it affected large groups and those unaccustomed to labor mobility, the capacity to absorb these transfers was and remains a key feature of the regional group system.

While the processes of industrial readjustment continued in the various member cooperatives, having to react to a difficult set of economic conditions evoked a positive institutional response from the Group, one that worked toward institutional change and consolidation. It significantly reinforced inter-cooperative solidarity. There were consistent improvements in business management practices and personal recommitment to the cooperatives on the part of the membership as a whole.

During these years, the advantages of belonging to a Group and being able to count on support structures like the Caja Laboral Popular became dramatically evident. The Group perspective in making business decisions became primary and though it caused tension among the cooperatives, it solidified the cooperative group.

The group adopted a significant set of new statutes after broad debate and final approval by all the General Assemblies. These legal changes reflected a new approach, both in their content and the processes that brought them into being, because they made more integrated social management possible. The realism and openness that accompanied the development, debate, modification, and final approval demonstrated the continuing vitality of cooperative institutions, even under extreme conditions[83]. Because these changes form the basis for the current operations of the Fagor Group, we will briefly present them below.

Changes affecting working conditions: New rules regulating inter-cooperative transfers sought to rationalize the processes. They created options to alter work schedules as an alternative to the reduction of the work force in a partic-

ular area. They also defined the structural requirements to meet before making transfers and improved the social support given to those transferred. The vantage point for these changes is that of the entire Fagor Group.

The Group recognized that flexible work schedules and inter-cooperative transfers were related, and in come cases, alternative measures. Nearly everyone agreed that inter-cooperative transfers should be a last resort, because they multiply the need for training and generate dissatisfaction and discomfort for all. The use of flexible work schedules adjusted the length of the work week with the triple aim of minimizing the level of stocks and financial costs, bettering market response, and reducing the need for inter-cooperative transfers.

The new bylaws adopted both approaches, after an extensive participatory process involving all the units of the cooperatives in the debate. As it turned out, the bylaws finally approved were quite similar to those initially proposed.

Changes affecting personal income: The decrease in revenues and its impact on the balance sheet induced the Group Governing Council to propose measures directly affecting payments to members. Among these were the adoption of a new model for the distributions to member capital accounts, obligatory increases of capitalization requirements in relation to job classifications, and changes in the handling of the fund used to make up for business losses.

These members broadly discussed these measures and they met with initial opposition from the Social Councils and "organized opinion groups".[84]. The General Assembly rejected the capitalization measure in 1980. It considered it again in 1981, this time backed up with better developed arguments, and approved it with only minor amendments.

To complement these measures, the Group put other management techniques directly affecting the whole membership into practice. Because most of them had important impacts on the membership, they were widely and actively debated. Among them were zero-based budgeting oriented around the control of short-run structural costs and strategic planning to give the Group a broader temporal perspective for longer-run strategic decision-making. The Group oriented the cooperatives specifically toward international markets, which required measures to make technological capabilities more dynamic. This export emphasis complemented the insistence, throughout the recession, on increased internal productivity, lowering of financial costs, and making employment structures more flexible and responsive. Regional and national industrial redevelopment plans themselves also created opportunities, via market and production reorganization, to rethink and restructure production processes in ways that responded to increasing concerns about the quality of work life. Fagor regrouped the cooperatives by sectoral divisions and again reorganized the Social Councils. These changes, together with the extended process of discussion and the final approval of the new Social Statutes, constituted a comprehensive re-thinking and re-establishment of patterns of institutional behavior by the Group as it moved toward the future.

Organizational Change in the Fagor Group

Since the emergence of Ulgor in 1956, simultaneous organizational processes of differentiation and integration have characterized the cooperatives that would come to make up the Fagor Group. We see the former in the development of independent cooperatives centered on specific product/market relationships and the latter, in the formation and development of an increasingly consolidated regional inter-cooperative group.

The Process of Differentiation:
Differentiation within the cooperatives has been a key dimension and arises from many different sources. To begin with, differentiation follows from a basic principle in the philosophy of the cooperative movement. The cooperatives are partly attempts to create businesses large enough to be competitive but small enough to permit ease of participation and management by the members. Each unit must operate its own legal, participatory, and management structures, within the framework set out by the cooperative system. The success of the cooperatives as cooperatives depends on these functioning effectively.

Differentiation also arises directly from technological and economic forces. Economic success requires specialization of effort linked to specific product-market relationships. These are the greatest guarantees of having an effective market position. These relationships reinforce the internal development of the cooperatives and their reliance on internal entrepreneurial initiatives.

Fagor has experimented with ideas about differentiation through a diverse set processes over time. Cooperatives have been created in many ways and for different reasons. One way is by spinning off a new cooperative from a pre-existing one. Ulgor gave rise to Fagor Electrotécnica (1966), Fagor Industrial (1974), Leniz (1982), and Fagor Clima (1984). Fagor Electrotécnica spun off Aurki in 1981. Orkli developed from within Copreci, itself founded as a free-standing cooperative. In 1983, Orkli became part of a different regional group of cooperatives because of its geographic location at some distance from Mondragón. A much less frequent path to the creation of cooperatives has been the transformation of private businesses in the region into cooperatives, the cases of Ederlan[85] and Radar.

The development of services within the cooperative Group has itself given rise to new cooperatives through decisions to market externally services originally created for the Group. This is the case of Uldata, centered on data processing and information management. Ulmatik, which focuses on process engineering and turn-key factories, is now an enterprise unit within Fagor. Both originally developed as providers of internal services for the Fagor Group.

A final path to the creation of cooperatives is by bringing together existing professional expertise from within different cooperatives. This occurred in the case of Leunkor, a cooperative focused on light machining work, indexing drivers, and wire welding, an entirely new cooperative created in 1982.

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Although it has been quite important, differentiation is not the only approach to growth in Fagor. It could not be in any business enterprise that hoped to be successful because it is both a slow and complex process. Another route is through the creation of new factory-product links under shared marketing umbrellas. In these cases, the Group aggregated existing elements in various cooperatives in new ways, creating new product lines and marketing arrangements, but without reorganizing the constituent cooperatives. An example of this response is the creation of the divisional structures, e.g. the Consumer Goods Division, the Division of Industrial Components, and the Division of Engineering and Capital Goods.

While these approaches to differentiation sound rational and effective, Fagor's launching of new activities in the early 1970s, driven by the business requirement to do so, caused significant problems for the Group. Fagor learned with surprise how slowly new initiatives reached the threshold of profitability, the time-line being considerably longer than the Group had imagined. This experience in turn created the risk that some cooperatives would prefer to remain centered on businesses they already knew well, refusing to take on the risks and costs of new business initiatives.

To deal with these problems, they needed new institutional measures. In 1976-77, the Group created a sort of "enterprise unit" called the "Center for Independent Development." The initial motive for this creation was the complex process of launching Aurki as an independent cooperative. Made up of existing elements in Fagor and therefore not a freestanding unit, the enterprise unit functions to foment, coordinate, and support new initiatives on behalf of the Fagor Group. It frees both the source cooperative and the newly-created one from the some difficulties associated with getting started. Since the Group of cooperatives that form Fagor co-finances losses generated during the first three years of a new cooperative project's development, this Center requires significant Group backing to fulfill its mission effectively[86].

At the same time the creation of new businesses and novel intra-cooperative links produces differentiation, with each constituent business is also becoming organizationally more complex, having specialized internal departments and structures. Ulgor itself is a good example of this process.

In 1956, Ulgor had a simple functional structure and only a few specialized departments. A few projected services developed in embryonic form largely by individual efforts. By 1965, its various departments had grown both quantitatively and qualitatively, and substantial institutional changes had taken place. Among these was the development of a divisional organizational structure which differentiated three activities that later gave rise to independent cooperatives. The first was the Division of Household Appliances, itself divided into two departmental units. Its Technical Department was responsible for product design, purchasing, process engineering, and quality control. The Marketing Department dealt with sales, client services, logistics, publicity, and commercial administration. The Group created the Electronics Division, containing a group of departments preparing for imminent spinoff. The Foundry Division

developed with an organizational structure much like that in Electronics. And finally, there was a Department of General Administration, which included Accounting, Budget Management, and Economic Analysis. By 1970, the anticipated spinoffs had occurred, new production facilities were in place, and the product catalogue included many new and more sophisticated items.

This whole process brought with it an increasing sense of the importance of decentralization, an openly discussed topic. At the same time, the process of differentiation and specialization continued with the creation of new organizational structures including the Departments of Quality Control and the Executive Secretariat. The Group created a capacity for value analysis in the Technology Department. Product development and process engineering became more sophisticated. The Group re-organized the Personnel Department in 1973. By 1980, they had spun off hotel-related activities, the manufacture of dishwashers had begun in a new plant, and kitchen cabinet manufacturing was operating as a separate division. The Fagor had also created a group-wide Department of Organization and Computing.

In response to a widely-felt need for plants to have integrated responsibility for the management of their production, Ulgor initiated the process of decentralization by plants and products. They gave each plant its own departments of product engineering, process engineering, quality control, personnel, purchasing, etc. Commercial decentralization, however, seemed inadvisable, given the confluence among the various products in the market and the economies created by collective marketing services.

By 1985, further changes had affected key areas. The position of Manufacturing Manager disappeared, thereby completing the decentralization of the management of individual manufacturing facilities. Plant department heads in turn became members of the Governing Council. This was particularly significant because these department heads are responsible for directing the industrial redevelopment projects in each factory.

They formed a Materials Production and Control unit which was to integrate purchasing, planning, logistics, and management of stocks within one department. They upgraded and reoriented the Financial Department. Finally they created a Product Development Department, responsible for working out linkages within the existing product array and looking into the development of new product lines.

Processes like these in Ulgor were occurring in other coöperatives of the Fagor Group, though the intensity varied according to their size, volume, and other characteristics. Together these process generated a clear tendency in the direction of the development of differential characteristics within each cooperative and a strong sense of individual cooperative identity.

The Process of Integration:
Balancing this decentralization and specialization have been processes of integration which provide economies of scale and maximize synergies and complementarily of efforts. This permits greater survival capacity in the face of

crises affecting individual units, and enhances the capacity for strategic management decisions. This process has occurred throughout the history of the Group.

Alfonso Gorroñogoitia, Chairman of the Fagor Group Governing Council, referring to processes of centralization, said:

> Basically we are trying to take advantage of the utilities of business integration; however we are not dealing with a group of capitalist firms, but societies of persons who have the capacity for independent decisionmaking...A modern business conglomerate tends to be associated with a decisionmaking capacity that emanates from the holding company, since this is and acts as the majority stockholder for the different businesses that make it up and it exercises total control over them. This scheme is not translatable to the cooperative world, since cooperatives are formed by individuals and authority resides within each of the Cooperatives. It follows that taking advantage of the benefits of managerial coordination without invading autonomy creates, at the very least, a problem not often dealt with in the ordinary business world... This forces us to attempt practically unknown and untried solutions (possibly without legal precedent) suited to and consistent with our identity. This constitutes a challenge and responsibility that we must face with confidence.[87]

This quote from the Chairman of Fagor, who, with the General Manager, Javier Mongelos, have been the main protagonists of the process of consolidation of the Group, gives a sense of the spirit underlying efforts at centralization. The events described below reflect the difficulties, the trial and error processes, and successes alluded to by Gorroñogoitia.

In 1964, lacking a suitable legal structure, but compelled by necessity to create one, the members created the Ularco Group

> ...as an association, based on a regime of mutual commitment and community solidarity, having as its goal the promotion of the optimum and dynamic linkage of the needs of genuine work communities and the requirements of a modern business enterprise with adequate technical, financial, and marketing forces.[88]

In December of this same year, they constituted the Group Governing Council as the structure responsible for developing the Group at this level. It included two representatives from each of the four cooperatives that formed part of it (Ulgor, Arrasate, Copreci, and Comet – later called Ederlan), one from the Governing Council and the other from the Management Offices. Subsequently, the Group created a single, full-time General Manager's position.

In 1965 the Group created the Department of Central Services consolidating at the Group level services that already existed in some cooperatives but which were more logically organized as shared services. The first services integrated this way were industrial medicine, job evaluation, and recruiting. The members debated the advisability of doing so in the patents area and in advertising. They rejected creation of a collective purchasing service but agreed to the creation of a collective system of data management.

By 1966 the members felt it was advisable and necessary to unify work rules across the cooperatives. It was important to make the statutes and bylaws of the

member cooperatives internally consistent and for the financial planing systems of each cooperative to use a similar general format and receive approval by the Group Governing Council.

This coordination of activities across the cooperatives went hand in hand with an agreement in 1966 regarding the launching of new initiatives: "When the Cooperatives...decide to begin new manufacturing operations that can affect another cooperative, they should submit the project to the General Council, without whose approval, they will not be permitted to initiate it."[89]

In 1967, a cooperative within the Group suffered the first business losses. This caused the Group Governing Council to undertake a critical self-examination of its own management structure and performance. As a result, it saw the need to improve its own operation and to place the problem of profitability differences among the member cooperatives on the table. This, in turn, led to questions about the independence of each cooperative, since greater inter-cooperative linkages and redistribution of profits logically meant increased interdependence and less autonomy for each. The led to questions whether or not the Group should move toward a diversified system or a single Governing Council. The proper formula for centralization of the Group was not clear but had to be found.

Between 1967 and 1970, the members discussed the possibility of creating a robust, overall linking structure, the Ularco Group, the aim being to link the basic cooperatives and simplify relationships and decisionmaking. There was a desire to move in this direction, but they also entertained other possibilities as well. Among them was the possibility of creating a new "second-level" cooperative, on the organizational model of the Caja Laboral Popular or Lagun-Aro, to link the base cooperatives. Throughout all of this, there was a clear desire to provide integration and while respecting member cooperatives' autonomy.

The Group Governing Council was reorganized. The representatives of Management Offices left, meaning that thereafter the Group Governing Council only had members coming from the Governing Councils of the cooperatives. The Group created a single General Manager position and a Management Council. In the years that followed, the legal structure of the Group remained unspecified, the previous status continuing without alteration. As new cooperatives arose, their representatives simply joined the Group Governing Council. Nevertheless, during these years, leadership in the Group clearly came from the executive part of the general management.

Relations between Central Services and the different cooperatives developed in a variety of ways. Among them were task forces which the Central Services supplied with methodological expertise in the relevant business disciplines and to which cooperative members contributed their knowledge of the concrete realities of each business. Central Services also developed or acquired planning and management instruments that they transmitted directly to the cooperatives. Specific committees – the Inter-cooperative Personnel Committee, the Finance Committee, the Marketing Committee, etc. – carried out coordination of policies and areas of action. The General Manager and the Department Heads of

the Group joined a newly created Management Council, different from those of the base cooperatives. This provided a broader vantage point and aggregating their collective experiences, while maintaining a focus on the specific problems of each component business.

This broad array of inter-relationships through Central Services was co-financed with contributions from each of the cooperatives in the Group, and supported by movements of personnel among the different cooperatives at all levels, from top management to production lines. This contributed to a greater sense of being part of a group, although at this point, the Group was still more a sum of parts than a whole. The members had taken important steps in the development of Ularco as the linking organization, but the cultural framework that necessarily underpins such an organizational model took shape more slowly.

The latter part of the 1970s saw the beginning formalization of the Group structure in statutes and rules regarding personnel and financial operations. Ularco felt that the key way of facing the economic crisis was through interrelatedness and solidarity among cooperatives. Legal obligations to the members facing transfers from one cooperative to another required that criteria of action be uniform across the whole Group. This process finally culminated in 1986 in the approval of one set of Social Statutes for all of the cooperatives in the Group.

The process developing them was both complex and important for the future well-being of the Group. Widely debated, modified, and ultimately approved in each of the General Assemblies of the cooperatives, these Statutes now constitute the basic rules of the game for Fagor. They had to satisfy member cooperatives, fit with the new Basque Law of Cooperatives, and attempt to bring together what was learned during thirty years of cooperative experience.

Because of their importance, we document their general content and the process of their approval. In June of 1984, a ''Project for Restructuring the Group'' was presented to the various social bodies in an open spirit. The presenters designed the discussion to be lengthy because the final result needed to grow out of full reflection and debate at all levels of the Group.

Initially they proposed the following changes in the Group:

1) change in the composition of the Group Governing Council. The basic objective was to increase this body's capacity to make business decisions, thereby enabling it to manage the strategic planning dimensions of the Group.

2) restructuring of the General Assembly of the Group to have equal representation from the Governing Councils, the Social Councils, and the Management Councils.

3) greater clarification of the functions of the General Manager, the Chairman of the Group Governing Council, and of the other units.

4) regrouping the cooperatives into three divisions: Consumer Goods, Industrial Components, Engineering and Capital Goods.

All organizational levels and each of the cooperatives analyzed these proposals. Members proposed amendments, expressed doubts, and developed a variety of new positions. At the outset, there were fundamental differences between different groups. Fears about the degree of centralization of decision-making with the possible loss of autonomy or efficiency in each cooperative were an important issue. Some wondered if the current degree of integration of the Group was not already excessive. Others insisted on the need for greater clarification of the areas of organizational responsibility of each of the new structures. Still others basically supported the initial proposals and devoted their time to the formulation of compromises between the necessarily-strong Group structure, the concepts of a community of work, and the importance of autonomy of action within the cooperatives. In the end, the members made a number of important revisions.

After all of the debate, the drafters revised the project and submitted it to a vote of the General Assemblies in the Spring of 1986. It received approval and went into effect immediately. During the latter part of the process, it is important to note that in some of the General Assemblies, the theme of centralization and decentralization continued to provoke debate. There were different degrees of support for the restructuring project among the different cooperatives, even after the project had gone through the two-year revision process.

Peter Taylor's research in 1986 focused specifically on this issue (Taylor, 1986). In it, he interpreted the motives underlying the different positions of each of the cooperatives. Taylor formulated a variety of possible causes: economic differences among the cooperatives, different philosophies of management, unique characteristics of the products, the influence of particular personalities, the culture of each of the cooperatives, etc. He concluded:

> [The] Fagor Group's development has been an unusual combination of change and equilibrium. The Group has experimented and adjusted in a continual search for the best organizational responses to a changing environment. Nonetheless, it has strived to maintain an equilibrium between pressures by business efficiency priorities and its commitment to a cooperative system of worker-owners. The basic purpose of the equilibrium has been to preserve the viability of the system as a provider of benefits to its members and to the community.[90]

Progressive Participation:
Cooperatives are a radical option within industrial democracy. Because the workers themselves are the owners of the means of production, power resides in a General Assembly which operates by the most direct and egalitarian system: one person, one vote. Nevertheless, experience teaches that institutional frameworks represent a necessary but not sufficient condition for inducing the broad and active exercise of democracy. No organization ever reaches the complete development of democracy once and for all; it is always unfinished in an ideal sense. But industrial democracies have other more specific problems than those simply caused by the distance between the ideal and real. A common problem is the tendency to limit attention to the development of the institutional possi-

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bilities of participation without paying attention to every-day working relationships and decision-making processes.

In the following pages, we briefly review the steps taken to make participation into a reality, both through changes in the institutional environment and in the organization of work. The attempt to bring the implicit potentials of the cooperative project to fruition has been the principal stimulus in this effort, although there are clear limits on what was achieved to date.

Institutional Participation:

The General Assembly of the worker/members is the point of reference and basis for the exercise of sovereignty in Fagor. Although it is true that capital has never had autonomous power in the Assembly, the Assembly has not always carried out its work in the same way. The one worker, one vote system did not begin with the founding of the cooperatives. Until 1971, the vote was a qualified one, the impact of a vote being in proportion to the job classification of each member. The measure of his/her contribution to the work of the cooperative was the job classification and the vote matched that. In June of 1968, the Social Council of Copreci put this issue on the table, causing months of debate, reflection, and alternative proposals within the Group. Ultimately the Group modified the statutes.

One of the most constant efforts of the General Assembly has been to determine the general framework of statutes and regulations that control internal functioning. The process for making these rules is characteristic of the Fagor cooperative model, as is their periodic revision to adapt them to changing circumstances. So too is the high degree of compliance to these rules once approved.

But things other than legal frameworks come before the Assembly for consideration. Annual business plans, the distribution of income, capitalization processes, expulsion or readmission of members, and participation in the second-degree cooperatives are typical issues for this body to treat.

The complexity of some of the issues to decide and the breadth of the forum that the General Assembly creates in the larger cooperatives might inhibit the collectivity's ability to act. To minimize this risk, the Group developed informational sessions prior to the Assembly. They hold these in small groups which make it possible to go into detail, use appropriate teaching techniques, and to debate more freely than in the larger sessions. This leaves presentations of a more general sort and the actual decision-making process for the meetings of the General Assembly.

The direct election, by the General Assembly, of the members who will govern the cooperative for 4 year periods is another the right and responsibility of the Assembly, one exercised in a responsible manner historically. Thus far, the Assembly has not fallen prey to facile populisms or demagoguery.

A socio-commercial enterprise like Fagor, based more on faith in collective human capabilities than on the attributes of specific individuals, demands the devotion of enormous amounts of time and effort to informational and educa-

tional processes. It is not sufficient to exercise democratic rights once or twice a year. The Social Council itself constitutes recognition of this. Initially created in 1957, it has the aim of providing a channel for the concerns of the members as workers. Since its members are elected by work areas, communication occurs naturally. The Social Council is particularly suitable for dealing quickly with subjects that affect the whole cooperative.

Within ten years, by about 1967, there had been a notable increase in the time devoted to information about the economic activity of the cooperatives. The provision of monthly information gave the membership greater proximity to the economic realities of the cooperative, a subject otherwise limited to the annual General Assembly. This improved participation and facilitated the process of socializing members to the values of the cooperatives.

Collective oversight by the Social Council was a reasonable next step after this initial phase, since the informational sessions required the development of greater analytical capacity provided by the then-formed Standing Committee of the Social Council. This is a small nucleus of the Social Council charged with making the ever-larger Social Council – up to 50 members – function with greater agility.

Though in 1971, the Group recognized the Social Council as having general cooperative oversight responsibility, making it necessary to keep it informed on a variety of subjects, the identity crisis and breakdown it suffered during the events of 1974 brought about a process of reflection, experimentation, and restructuring. The effects of this process differed from one cooperative to another.

In 1982, the Social Council of Ulgor undertook a self-study, including proposals for organizational changes to improve its functioning. In 1986 Ulgor significantly augmented its capacities with the capacity to engage in negotiations with the Governing Council, a capacity whose ultimate importance and role is not yet known.

Throughout the entire historical process and now, three dimensions have always been basic to the effective functioning of the Social Councils: the election of members, their active participation, and the communication of the results to the members represented. The election of members from the different areas of the business is a measure of the degree of interest in the Social Council. Regardless how suitable and proper its structures are, clear interest in its activities must exist for it to operate successfully. Being a member of the Social Council requires an increased workload, dedication to its goals, and a degree of utopianism. The only repayment is first-hand knowledge of decisions made and the sense of participating in the realization of something that transcends the immediacy of everyday work.

The quality of participation in the sessions of the Social Council differs greatly according to the subject under consideration. It depends on how well prepared those attending are, the attitude and climate created by the Chairman, the ability of the particular members to work in a group, and the time available. But a key unmet objective, or at least a dimension susceptible of substantial

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improvement, is the transmission of information to the whole membership and gaining their involvement in the participatory processes. Clarity in exposition and proper adjustments in language can help to make the briefings – monthly sessions among members of the Social Councils and those they directly represent, more effective.

Participation at Work:

Work redesign: The desire to optimize the possibilities of participation implicit in the cooperative model and the belief that any form of direct democracy applied to labor relations should operate with small teams gave rise, during the 1970's, to several experiments with work groups and work redesign. The collaboration and evaluations of Einar Thorsrud from the Work Research Institutes of Norway contributed to the development of these initiatives, though they had arisen spontaneously. By 1977, this process involved 632 persons. The different objective conditions of the productive processes, the economic situation, and the unequal interest of key actors gave rise to different results across the cooperatives[91].

Over the years, these studies and experiences have occurred in the manufacture of components, in the foundry, and in larger products such as white-line appliances. The early attempts to generalize these changes were too optimistic. The source of this optimism and the consequent pressure for change came from above, from the central management and the personnel departments, who felt obligated to establish conditions that would make possible a greater degree of participation in daily working life. Significantly neither the production engineers nor the Social Councils got involved deeply in the process. In the few occasions that they did, successful models emerged and positive change resulted.

A review of these attempts permits us to inventory some of the lessons learned. Among these, we would emphasize the following. First, the evolution of work redesign experiments has gone through the periods of development, stagnation, and recent take-off seen throughout Europe as a whole. Second, between the end of the 1970s and the beginning of the 1980s, there is a general stagnation of these efforts in Fagor as a consequence of the recession in Europe. This created the need to give the highest priority in the cooperatives to the maintenance of employment and subtracted attention from work redesign.

This period has also witnessed considerable technological change and rapid automation of manufacturing processes. Basic rethinking of the focus on autonomous work groups flows from these changes. Finally, many felt that they had exhausted the potential of the particular work redesign experiments they had undertaken.

Technical-organizational change: The passage from a functional system of production organization to product-based organization generated a fundamental internal change. The instability of these efforts and of the production teams themselves has made the development, autonomy, and the achievement of qual-

itative improvements in the groups difficult. Self-management is difficult to achieve when the team's composition is unstable.

The structured rotation of positions within specific product areas has contributed to improvements in product quality, social relations, a sense of belonging to a group, and the ability to respond flexibly to cases of absenteeism. Unfortunately, the inclusion of qualitative functions, originally the responsibility of other areas – e.g. quality control, maintenance, etc. – has frequently remained a conceptual rather than a genuine change. This has occurred generally because of resistance to these programs from the production support services whose responsibility these matters used to be, coupled with lack of an appropriate, continued educational effort to alter their attitudes.

The occasional application of these experiments in objectively unsuitable production contexts has frustrated the process and given it a poor image among some segments of the work force. The lack of conceptual clarity among those pressing for the application of these ideas can lead to development of paternalistic relationships and attitudes that are difficult to correct. These in turn create problems extending into other production areas. Still, the Group achieved significant improvements in quality, use of materials, and fulfillment of production programs, the fruit in part of an increased sense of responsibility among the work force.

The tension between the social and the technical dimensions of the system: The tension implicit in conceiving of a production organization from a rationalizing, scientific vantage point while trying to create room for freedom and creativity at work has become evident. Actions taken that focus exclusively on manual labor are blocked. Changes must involve the technical services, planning, and the manufacturing management, or they will not work.

It is necessary to be conscious that important changes are slow and that it is counterproductive to create overly high expectations. The selection of objectively unsuitable contexts in which to experiment frustrates the participants, whether they be line workers or managers. Group cohesion is reinforced when the objectives, the evaluation process, and pay results affect the team as a whole. The cohesion of the team gives each individual a supportive affective environment and a sense of belonging that stands midway between individual liberty and the larger collectivity.

The continuous learning process: Many people value highly the very experience of living through a process of improving something. There is an appreciable difference between those who have participated directly in a process of change and those incorporated into the situation after the improvements are in place. Important are the feelings of being alive, of learning, of having to solve problems when before one could only pose them, and the perception that one is advancing and growing, These all create the obligation to think of new ways to unblock the bottlenecks, since these bottlenecks create anew the risk of accumulating yet another set of routinized behaviors.

Conclusions

The diversity of scenarios and circumstances lived out during the 30 years of the cooperatives' existence have forced the Fagor Group to deal with almost all the problems faced in the development of any major businesses:

technological dilemmas

financial organization

markets and marketing

motivation and re-education of the work force

the management of increasingly complex organizational structures periods of accelerated development and ones of economic crisis

The specific ways Fagor has faced these diverse situations provide a sense of what the system really is. The history of these adaptations together give insight into the Fagor Group's organizational dynamics and its commitment to change processes.

Fagor has consistently adopted a medium and long-term temporal perspective. The solidarity of the Group has permitted adaptiveness and internal flexibility in responding to change. Its openness to externally-developed technologies and management techniques as a complement to internal efforts has been sufficient to permit the adoption of many innovations at a more rapid rate than in the non-cooperative businesses in the area. This occurs in spite of the complex decision-making processes that characterize the Group.

The long-term temporal perspective may be practical because it also permits a cumulative development of techniques of institutional change through the recognition that certain questions arise repeatedly, albeit with new shades of meaning and under different conditions.

We believe that Fagor has become an increasingly participatory system over time. The modest demands of the first Social Council, the existence of a qualified vote, and many other early features show a system that has altered a great deal in 30 years. Most, though certainly not all, of these alterations have been in the direction of increased information, participation, and enhancement of the concept of cooperativism.

Despite the complexity and breadth of participatory processes in Fagor, it has not taken away the capacity for effective decisionmaking. If anything, participation appears to have made possible multiple approaches to problems and effective enactment of solutions once they agreed upon. It appears that the higher organizational complexity and greater professionalization of management have not significantly impeded change initiatives arising from many different locations within the Group.

None of the above argues that this process has been lineal, uniform, fast, or unambiguously successful. Doubts, perplexity, tension, and contradictions have always been present. Indeed they could not be absent in a collectivity of 6,000 persons engaged in different activities while trying to develop a democratic model of business. The lack of comparative points of reference and the requisite legal frameworks has forced continual innovation. The only real defense for the system under these circumstances has been self-criticism, pragmatism, and the decision to keep trying to realize the potentialities of participation.

To this point, the study has described the institutional processes as manifested externally, as we documented them from secondary and primary sources. The essential dimension not yet touched upon is character of the integrating force capable of synthesizing perspectives and unifying individual efforts around these processes. With all the organizational innovation and change that has occurred, what has kept the cooperative effort conceptually and personally coherent for the members? Systematic research on this subject has been lacking until now, perhaps because these experiential dimensions of the cooperative system are both heterogeneous and difficult to make explicit. The particular aim of the anthropological orientation of this study is to link the organizational dynamics already discussed to the ways the members experience these organizational realities. What are their different perceptions of these processes? What degree of heterogeneity can coexist with a cooperative effort like this? How much have basic ideas changed over time? This is the challenge that th third section of this study, ''The Human Experience of a Dynamic Organiz: tional Environment'' attempts to meet.

Part three: Human experience in a dynamic organizational environment

Chapter 7: Shared beliefs and divergent experiences: interviews on the corporate cultures of Fagor

To this point in the project, the breadth of our own experiences, supplemented by archival research, supplied the answers to the social research questions posed. From this process, an overall vision of Fagor had emerged, stressing its open characteristics and willingness to experiment. At the same time, everyone was aware of the various conflicts that had emerged in the history of the cooperatives and of the existence of cooperative members who were either actively unhappy about particular issues or had become deeply apathetic.

Nothing in the materials reviewed helped explain these problems. Individual manifestations of these problems all seemed idiosyncratic, the results of a particular circumstance or specific personal problem. Yet the research project's earliest trial formulation of the subject matter referred to corporate culture and problems in the experience of cooperation. We felt that research on the cooperatives had to include their human meaning, their experiential dimensions.

Systematic cultural research involving with Fagor members directly was the necessary next step. The Fagor team members were familiar with survey research because numerous surveys had been conducted over the years, including a major attitude survey on the quality of the working environment. The results of these surveys had an influence on the setting of new objectives. Anthropological ways of working with structured and unstructured interviews designed to get at members' conceptualizations and experiences of the world were less familiar.

An active and productive debate emerged over the proper ways to extend the perspectives put forward in Part Two of this study. Team members familiar with quantitative research believed that culture needed to be captured by sampling and other forms of quantitative rigor. Greenwood, as an anthropological researcher, though hardly opposed to quantitative research and having written a book making extensive use of quantification, was dubious about the ability of survey instruments to capture the existential dimensions of cooperative life that Fagor wanted to understand.

We were seeking to learn how the experience of the institutional environment was processed in the heads of people differently placed throughout the cooperatives and to understand the patterned properties and diversity of their experiences. Emphasis on patterned diversity of experience would be directly useful for the development of new policies and action plans.

This direction was reinforced because other circumstances. While the Fagor project was being conducted, an extensive survey focused on the Social Councils was being carried out, using a modified version of the instrument developed for the *Industrial Democracy in Europe* study[92]. This laborious study caused some negative reactions to survey research to surface. The structure of the IDP questions is such that the respondent is asked repeatedly how much he/she participates in different contexts and then how much he/she would like to participate. Because of this format, the respondent necessarily comes away thinking in negative terms about the organization. In addition, because the relevant software packages were not locally available and the data analysis was laborious, the results were not available quickly to be fed back to us or to the respondents.

Another reason for the decision not to conduct survey research relates to the social relations existing in the cooperative system. A team with local members cannot conduct research on other cooperative members without creating obligations to them. Research is not a right; it creates obligations. The very concept of members as equals has consequences limiting unnecessary invasions of their privacy to those situations were such invasions are clearly in the collective interest and where the bother can be repaid with useful information. A large-scale survey involving many members, both as respondents and as organizers would have required substantial and rapid reciprocity, lest social research be discredited and the collaboration of the membership in solving the problems discovered be weakened.

The Pilot Questionnaire

To initiate the process and to focus the cultural issues, we agreed that a very modest pilot survey should be conducted, after which decisions about the next research steps would be taken. José Luis González took charge of this process, developing the survey, applying it, and writing up the results for us.

As a first approximation to direct fieldwork, this pilot questionnaire was applied to a very small sample. It sought to provide a first examination of the impact of the recession years on different segments of Fagor, at both the institutional and personal levels. Another aim was to inventory the particularly unsatisfactory and conflict-producing dimensions of these problems. The aim was to learn about Fagor's capacity to deal with diversity of opinions and experiences, thereby clarifying those dimensions to be studied in detail. It also sought to make a first approximation to the traits and values seen as significant by the members, ones that should be taken into account when new policies are made.

Methodologically, the survey was a very simply conceived list of questions. It was administered to 70 persons in different cooperatives, seeking respondents with different levels of responsibility, professional backgrounds, and personal

situations. The focus was not on statistical validation, but on opening up subjects that could be studied in greater detail subsequently.

Survey results: The results showed that the respondents highly valued businesses with a secure future, those providing employment security and a pleasant working environment. They also sought a balance of business efficiency with attention to the social dimensions of work-life. Members highlighted the following as positive characteristics of Fagor: self-criticism, dynamism, and commitment to the membership, though these benefits were paid for in a degree of sluggishness in decision-making. Lengthy decision processes, however, seemed to them to eliminate many sources of internal conflict.

Medium and upper-level technical personnel having less than 2 years experience in the cooperatives attributed great importance to employment security and the possibilities of promotion within Fagor. The long-term members emphasized problems associated with business efficiency as central. Those from the Governing Council strongly emphasized the importance of having balance between the aims of cooperation and business efficiency.

According to the respondents, the traits differentiating the cooperatives from other firms were: internal democracy, freedom of information, participation and social supervision by the membership, employment security, educational opportunities, promotion possibilities, and closeness among members at different organizational levels including open social relationships and limited pay differentials. Among the characteristics they considered essential to the cooperatives and not negotiable were the sovereignty of the General Assembly by means of the ''one person, one vote'' system, freedom of information, and employment security.

Under the heading of weaknesses, opinion was much more diverse. Sluggishness and bureaucracy bothered some, while others were concerned about too sudden changes. Some saw too much emphasis being given to the economic dimensions at the expense of cooperative social relations, while others believed the cooperatives were operating without sufficient attention to purely economic rationality. Complaints were voiced about the lack of training for those serving as members of the various social bodies. Sentiments were expressed that the general membership feels inhibited in taking advantage of their members rights to engage in direct supervision of cooperative affairs. Concerns were expressed about forcing individual cooperatives to conform to the structures of the Fagor Group.

The consequences of the economic crisis were evaluated ambivalently. During recent years, according to the respondents, the attention given to economic considerations had increased, the degree of managerial coordination had improved, as had the efficacy of the Fagor Group as a whole, and inter-cooperative solidarity had increased substantially. To the respondents, there were costs to this: lessened autonomy in each cooperative, less personal identification with the individual cooperatives, and a decrease in the strength of cooperative social relations, possibly even a sense of anxiety about these relationships. While there were some differences in viewpoint, it was generally thought that the

crisis had not affected the level of information and participation nor supervisor – worker relationships.

The emergent inventory of changes important to the membership that have taken place is large; they can be grouped into structural changes, management changes, and social changes. Among the structural changes noted, respondents placed particular emphasis on the restructuring of the Group, the creation of a divisional organization simultaneously with the reinforcement of the identity and image of the Group as a whole, both inside and outside of Fagor. Industrial and organizational restructuring in some cooperatives was seen as having profound effects and these accompanied general increases in regulations and in jointly administered Group functions.

Among management changes noted were the increasing demands of management tasks which both required and permitted an increase in professionalism and the development of more formal planning and management techniques. Respondents perceived more efficient use of all resources with special emphasis on the flexible work formulas used to maintain employment in the Group and increasing attention to financial matters, especially visible in more consistent attention to marketing.

A variety of social changes were pointed out. The respondents realized that employment security had been maintained but without an increase in the number of jobs available. The overall educational levels of the membership were higher. A clear loss of buying power was noted and it was noted that transfers may have caused disillusionment, loss of confidence in the system, and less clarity about the meaning of the cooperative model.

Unexpected results: We were surprised by the small importance respondents attributed to the political dimensions of cooperative life and by the lack of almost any concern with the role of the cooperatives in society at large. The lack of responsiveness to questions about conflictiveness and passivity in the cooperatives was also surprising. We had expected that respondents would identify these as important problems, but neither was evident in the results.

Members of the Governing Council emphasized collaboration, solidarity, and commitment; veteran members called attention to collaboration; recently-hired technical personnel emphasized solidarity. Only members of the personnel departments emphasized the importance of self-criticism.

Semantically, the following words flavored the responses: challenge, enthusiasm, daring, responsiveness, tension, adaptation, evolution, commitment, future, identity, solidarity, integration, sacrifice, fatigue, and effort. Their generally positive tone did not match well with the sense of disillusionment and lack of collective commitment that appeared in some of the responses and that worried Fagor from the beginning the project.

Conclusions: Three fundamental concerns were seen to be important to the membership: information, participation, and the defense of employment. Since these have been maintained throughout the economic crisis, the recent history of Fagor could be considered as a success story. What was accomplished bears a close relationship to the nucleus of cooperativism as perceived by the mem-

bers. But it was also clear that the process has been uncomfortable and difficult at the personal level. The survey left us with questions about the personal and social costs of maintaining these essential features, while placing the cooperatives economically in a secure position.

As we examined the results together, our persistent feeling was that the general tone seemed too positive to be real in an organization containing 6,000 persons. This could have meant that the sample was not very representative or that the formulation of the questions was too loose and permitted the respondents to give superficial answers. It also became clear that the comparative evaluations members make of the quality of work life in private firms and in the cooperatives have important repercussions in the cooperatives. Member ignorance about how such businesses really operate can induce both facile "mythification" and debunking of the cooperatives, neither particularly helpful.

The high degree of agreement about how essential member sovereignty is the cooperatives caused us to reflect that many problems await the cooperatives when commercial collaboration with non-cooperative businesses takes place. The agreed-upon core characteristics of the cooperatives – participation, information, and employment security – emerged clearly as the three elements to be studied in depth in the next phases of the study.

After evaluating the results and reflecting on the process, it was felt the defects of the pilot survey resided in the excessively conceptual character of the questions, even in the questions asked about everyday activities. We needed to get beyond "party line" responses by contextualizing broader questions with references to respondent personal experiences and to concrete incidents that had tested the outer limits of the system. The base of the research needed to be broadened by contacting those who directly experienced the effects of the changes made and who themselves might be less committed to or at least more ambivalent about cooperative institutions. Thus we decided that we needed to interview a much more diverse group of people in Fagor, to identify conflicts, divergent positions, and contradictory perceptions in order to deal with the heterogeneity that underlies the Fagor Group.

The Interviews

The decision was made to pursue an extensive set of interviews, rather than a more elaborate survey. The pilot questionnaire served as a point of departure by setting the thematic agenda for the interviews and the results of this questionnaire also permitted the forging of some hypotheses about the major strengths and weaknesses of Fagor. But the need for further research was evident.

The selection of the structured interview approach also centered on certain cultural characteristics or values of the cooperatives themselves. In the cooperative context, interviews seemed more suitable because members are accustomed to being consulted and to expressing their opinions openly about their work roles and about the cooperatives as a whole. Through information ses-

sions, work group meetings, and one-on-one discussions, and assemblies, they constantly express themselves. Thus it was reasonable to anticipate a certain degree of openness and capacity to respond in face-to-face interviews without great inhibition. We hoped that the interviews would capture, through personal contact, the perceptions and experiences of the membership in a more precise and lively way.

Elaboration of the interview schedules: We began by structuring the interviews thematically. This was followed by practice sessions on interviewing techniques, selection of the participants and control groups, and development of the actual questions.

The subjects that came up during the pilot questionnaire were the point of departure for the thematic development of the interviews but it was necessary to define which themes should be included or emphasized in the interviews. To this end, some teaching workshops were undertaken, with the attendance of representatives of the personnel departments of all the cooperatives of the Group, representatives from the Department of Personnel in Fagor Central Services, and members of the Central Social Council. The composition of this group played an important role in the interviewing process. The predominance of Personnel and of the Social Council in its composition influenced the research trajectory and gave an orientation to the interviewing project. Both of these perspectives necessarily stress the a vision of the cooperatives as ''human'' enterprise and the need to maintain an equilibrium between the economic performance and personal experience of the cooperative system.

While we came to share a vision of Fagor, the team was not a homogeneous group. It had the participation of representatives from Personnel from all the cooperatives and the personnel viewpoint was complemented by the presence of the members of the Central Social Council from different cooperatives and different professional areas. Working as a committee, it brought sets of themes encountered in analysis of the pilot survey into focus. The object was to see possible interrelationships among important themes, and by successive approximations, to focus in on factors which deserved closer study. Through this process, the various larger themes to be studied in detail were gradually brought together.

Theme 1: Participation and Power
''The cooperative is participatory by definition'' said one pilot survey respondent, but how completely this concept is embodied in the everyday reality of the cooperatives is not clear. Who participates, to what degree, and in what capacity? Do the members, simultaneously workers and members, have more power than workers in capitalist firms? What is understood by ''power'' in the cooperatives and who has it?

This theme continued a topic that had arisen earlier in the study and added attention to the repercussions of the increasing role of highly-trained technical experts in the cooperatives on both power and participation. We also decided to assess the repercussions of the higher educational levels of members joining in

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recent years on the distribution of power among members, on expectations for promotion, and on participation generally. It seemed important to examine whether participation is viewed as a right or an obligation by trying to define what makes the cooperatives a viable system both for members who participate actively and those who do not.

These subjects served as the frame of reference for the development of the interviews on this topic. The overall aim was to see if, with the passage of time, the ideas of participation and power had developed in the cooperatives in any particular direction and, if so, how.

Theme 2: Relations between management and the membership
Linked directly to the previous theme, this theme centers on the sources of the authority exercised by individuals in the cooperative and members' attitudes about differences in power. In a very few years, a cooperative founded by a group of friends, was transformed into a social system with nearly 6,000 members. Growth was rapid and a transition was made, in the wink of an eye, from a system where the details of the lives of all members were known to each other to an organization in which people only knew each other on sight, and now to one where many do not even recognize each other.

Years ago, in individual cooperatives everyone was located on the same work floor in a small workshop. Today there are thousands of square feet of installations and manufacturing zones and thousands of square feet of office space. Not everyone goes to work at the same time or enters through the same door or even enters the same building. The communication of information, originally by word-of-mouth, was soon being done by megaphone, and then by written notices copied for distribution.

While everyone knows that some members serve as the manager and others as part of the management team, what management does is no longer well known and many members do not know them personally. A significant number of members work in offices handling paper, while many others spend their ways in workshops, at work tables, or on assembly lines manufacturing thousands of large and small items. Each is immersed in her/her own world of responsibilities and concerns and most have little knowledge of the others' duties, lives, or sentiments.

In this regard, today's cooperatives may seem very similar to capitalist firms. Are there differences and, if so, where? Is the character of the relationship between management and the membership a factor that differentiates the cooperatives from private firms? Has increasing scale affected these relationships in fundamental ways? Since it is possible to confuse having many responsibilities with having power, it seemed especially important to examine attitudes about power, responsibility, leadership, and authority closely.

Theme 3: Employment Security and Transfers
Employment security generates a great sense of satisfaction and stability among the members, but the price of this security is inter-cooperative transfers. Con-

fronting the recession of the past few years, cooperatives in difficulty have transferred members to cooperatives experiencing growing demand for their products. These relocations are accompanied by apprenticeships in the new jobs, changes of environment, and getting acquainted with new co-workers. This process often generates feelings of dissatisfaction and instability for both the transferee and the receiving group.

In an era when work has become scarce, employment security is one of the strongest cooperative values and everyone interviewed recognizes it. But if employment security exists for all members, only some – those who are relocated – feel that they are paying for the maintenance of this value on behalf of the collectivity. As a result, their sensation of being abused, of being treated unequally, can be acute, giving inter-cooperative transfers an exceedingly high social cost for the cooperatives.

For this reason, we wished to pursue questions about these matters and to try to get a sense of the social cost of the relocations. How are these measures perceived by the affected members, by the non-affected members? How can the process be improved? Are there alternatives that, achieving the same objective, would have lower social costs and be more acceptable to the collectivity?

Theme 4: Concentration and Autonomy in the Cooperatives

Solidarity is one of the pillars of cooperativism; solidarity within the cooperative, solidarity within the cooperative group, and between groups. Yet all the cooperatives of the Group, over their history, have gone through good and bad periods. All, at some moment, have had to look outside themselves for support, and at other times, have supported other cooperatives.

What advantages or disadvantages are there for a cooperative in being independent or associated with others? In particular cases, in the short-run and long-run, what advantages or disadvantages do members perceive in cooperative autonomy versus grouping of the cooperatives? Does the ordinary member feel him/herself to be a member of a cooperative or of the Group?

Theme 5: Compensation

Everyone is a member, all contributing the same amount of capital at the outset. Yet some earn the lowest pay, others twice that, and still others more than three times that amount. Why do these differences exist? How are these differences perceived by the ordinary member?

Those who earn the lowest pay in the cooperatives would earn about the same in a private firm. Those who earn the highest could earn a great deal more in a private firm. Why do the lowest paid members stay, since they can earn the same in a capitalist firm? Why do the highest paid stay if they could earn much more in a private business? Is compensation not a motivating factor in the cooperative environment? If so, what are other motivating values?

Thus "participation and power", "relations among management and the collectivity", "relocations", "concentration and autonomy", and "compensation" were the five areas we wanted to understand through deeper, more direct-

ly experiential information. Judging from the pilot survey and our own experiences, these were the areas of greatest debate and conflict within the system.

While all five themes seemed equally likely to evoke meaningful reactions from the respondents, after putting together the results of the interviews, we discovered that some themes and sub-themes did not have the expected relevance, and that some (for example, compensation), were not perceived to be problematic at all by the respondents.

Having laid out the 5 broad topics for this phase of the study, we proceeded to refine them, establishing the directions to be taken in each by developing the sub-themes to structure the actual questions to be asked. With the active participation of all the members, we produced an enormous number of ideas, drawing on direct experiences of the realities of the different cooperatives of the Group. From these discussions, an inventory of sub-themes was developed.

This was an important element in the research because each research team member's contribution to the effort arose directly from his/her own experience. This process of collective reflection enhanced the quality of the interviews greatly. At the end of this phase, we prepared the actual interview schedules.

Role play: Among the participants, only those whose jobs involved interviewing, such as the members of the Recruitment and Job Selection Service, had any experience with this process. Thus, to provide some practice, we engaged in interviewing ''role play'' sessions. Everyone knew it would be difficult to anticipate the actual responses to questions, but role play exercises served to practice interviewing techniques and to establish collective guidelines for the conduct of the interviews.

The role play experience itself had a surprising twist, because when the results of the first actual interviews were collected, we were surprised to learn how accurately some of us had played the roles assigned in the role play. This initial substantiation was important because it reaffirmed the proximity existing between the world of the interview and social realities we experienced, something that had not happened in the pilot survey. In later interviews, however, the discovery that some of the themes and specific questions yielded next to nothing and that others provided surprising results made it clear that introspection would be no substitute for empirical research.

In this process, the Fagor members of the research team discovered that the best tool of research is the researcher him/herself. The interviewing process, with its reliance on the wits and knowledge of the interviewer, helped to demystify research itself and the Fagor members started to gain a sense of confidence as researchers.

Structuring the interviews: For the conduct of the interviews, we developed explicit guidelines. Among them were:

> Proceed from the general to the specific – from the third person plural to the second person plural and finally to the second person singular: ''They''?, ''All of you?'', ''You?''

Do not accept general conclusions without specific confirming examples: "For example..."

Question the use of words; ask "why", seek specification, specific situations.

Press questions to their limits to specify and quantify the affirmations made.

Clarify the concepts used in the questions.

Learn to listen; listen actively and be more than a mere listener.

Take notes; tape the session, if this does not inhibit the respondent.

Selection of participants and the control group: Based on experiences of the different cooperatives of the Fagor Group and their trajectories, we used the repertoire of themes to determine which cooperatives, because of their history or current situation, could provide the most interesting locations for the interviews. To get balanced information, and to ensure a degree of professionalism in the research, three basic criteria were taken into account in choosing cooperatives. We sought a cooperative that was strongly affected by the problem under discussion – the one experiencing the most conflict over it, if possible. Another cooperative was selected as the one most remote from the subject under study, and lastly, a cooperative in whose situation might be defined as "normal" or standard was chosen. This cooperative would serve as a simple *control* for each of the interviewing themes.

Using criteria similar to these, we selected the persons to be interviewed (a total of 6 per theme plus one control). We tried to reach a diverse array of people, one that would reflect the multiple opinions and feelings about each of the themes. For each theme, there was also an attempt to include people at different professional levels because we expected different reactions from these different groups.

The group of interviewers was also chosen at this time. These were formed into teams of two. Some were chosen because of their detailed knowledge of the theme or of the selected cooperative and others according to their interests or impartiality in the subsequent analysis of the themes.

As an integral part of the pre-interviewing phase, the interviewers agreed to contact each of the respondents individually prior to the interview, to inform them about the research project underway, and to break the ice between the interviewer and respondent. During this pre-interview discussion, the rules for conducting the interview were made explicit, as well as the voluntary character of participation. The majority of respondents showed genuine interest in participating in the research project and expressed the wish to receive feedback about the conclusions arrived at from the whole set of interviews.

Development of the Questions – Interviewing Teams: The development of the actual questions to be asked in the interviews became the responsibility of the teams dealing with a particular theme. Proceeding from the general to the specific, the first repertoire of questions was constructed and tested through role

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play. The required corrections were then made. Throughout this process, periodic meetings between the different teams were held to compare and contrast what they were doing, in order to compare the questionnaires and eliminate any rough spots that could be detected before the first interviews. Prior to initiating the interviews, we set a calendar to permit all the interviewers to meet in between the actual interviews with the aim of exchanging impressions, commenting on facts and important themes, and/or modifying the protocols, if necessary.

We decided to conduct one or two interviews a week on each of the 5 themes. In parallel, we were to complete a control interview each week according to the following program: Week 1 – Theme 1 ''participation and power;'' Week 2 – Theme 2 ''relations between management and the membership;'' etc. On the last day of each week, we held a group meeting to integrate the results of the interviews and the impressions of the different interviewing teams.

Throughout the interviewing phase, despite having structured them to last about an hour, all the interviews tended to run somewhat longer. It became evident that the respondents utilized the session as a catharsis and hoped that their contributions or criticisms would make a difference. The respondents clearly believed that the cooperatives have a capacity for improvement and were willing to contribute their time in that spirit.

Bringing the Results Together: Methodological and Content Problems: The first synthesis of the results was carried out in a didactic manner. Greenwood continued to coach the interviewing teams about following up sequences of questions that further specify the meaning of the respondent's replies. In this way, the interviewers learned to link the interviewing process with analysis.

A work plan for bringing the results together was developed, containing the following distribution of responsibilities:

1. For interviewers:

> Expound and recreate the content of the interview in the most vivid manner possible.

> Underline the elements, words, and phrases with the greatest importance relative to the theme.

> Portray the general tone of the interview as accurately as possible.

> Present impressions and general conclusions.

> Self-criticism and suggestions for improvement.

2. For other members of the research team:

> Ask questions and seek clarifications about the interview results presented.

> Make comments and contributions.

> Offer criticism and suggestions.

3. For the whole research team:

> Work toward trial formulations of general conclusions.

> Pick out the themes of greatest relevance, of least relevance.

> List the lessons learned.

> Suggest adjustments or modifications in interviewing method.

Despite intense demands on members' time, these joint work sessions were carried out as scheduled without fail. Some of them had a singularly revelatory character. We began to hear certain themes repeated with a greater insistence than expected. We began to capture new shades of meaning and gain a more specific sense of the character of the issues. Perhaps most important, we began to see a clear difference between the kind of opinion sharing that took place during the first year of the project and analytical discussions based on systematically-collected data. Easy generalizations ended and we began to move to the level of details, collecting all the words, expressions, and tones of voice that could help to specify each situation.

An explicitly critical focus: Throughout the research process, our explicit aim was to seek out problems and weaknesses in the system. We steadfastly believed, and continue to believe, that the cooperatives are strong and viable and that research did not need to confirm this. Rather the point was to understand the sources of conflict and difficulty in the cooperatives, to appreciate the heterogeneity of experiences within them, and to seek future action agendas that would continue the process of cooperative development.

In this spirit, the focus of the whole set of interviews was intentionally critical. Consequently the presentation of the results will focus on conflicts and weaknesses. The reader should not misunderstand this to mean that we developed a negative view of the cooperatives. The truth is the opposite. The cooperatives are strong because they can withstand conflict and because they build improvements out of gradual conflict resolution. We were engaged in social research to discover those areas where the cooperatives should devote change efforts in the future.

We selected the cooperatives for these interviews that were expected to show the maximum degree of conflict and heterogeneity of opinion in relation to these issues. Within these, we systematically chose respondents who were likely to have been most adversely affected by the conditions under study. Given this focus, certain topics, especially those that pose questions about conflicts between cooperative values and everyday experience, have been especially fruitful.

As the systematic search for this information proceeded, these conflicts came to be a central frame of reference for all of the interviews, primarily because having this information both in detail and in social context was new to all of us. The complaints were not new, but the clarity with which this process defined

the arena where future improvements must be made caused the results to be extraordinarily important to us.

The Results of the Interviews

The analysis of the interviews was one of the most productive parts of the study, both in analytical conclusions and agendas for future action. These agendas emerged because the success of the interviews imposed on us a sense of duty to respond to the problems identified, over and above the ordinary research responsibility to make the results known to others.

This linkage between findings and action is a hallmark of participatory action research and from this point on, the social research and social action agendas began to compete with each other for our attention. The research team was both a group of social researchers and a group of cooperative members learning social research techniques to improve the operation of the cooperatives.

The analysis of the results of the interviews include subjects that have important repercussions for the future of the cooperatives. The principal ones are the following: the members' views of the social bodies; problems of participation and power; "those above" and "those below;" divergent visions of the Fagor Group; inter-cooperative transfers; conflicts between the economic and social dimensions of the cooperatives; disillusionment; and problems of information and face-to-face relationships.

Members' Views of the Social Bodies

The social bodies are a principal means of participation in the management and decision-making processes of the cooperatives. The Governing Council, the governing body over both the management and the Management Council, and receiver of advice and information from the membership through the Social Council, doubtless plays a preponderant role in the government of the cooperatives. Nevertheless, it is curious that, in speaking about the social bodies, the respondents referred almost exclusively to the Social Council as the voice of the membership. It appears as if the Governing Council and the Management Council are hardly perceived, as if they were not involved in the daily dynamics of the cooperatives.

This is not because of any consensus about the effectiveness of the Social Councils, there being diametrically-opposed positions about their merits. Many respondents severely criticize them, using expressions such as "inefficiency," "lack of credibility," "lack of seriousness," "lack of confidence," etc. to describe their operations. One respondent even stated that "if it [the Social Council] did not exist, nothing at all would happen."

Regarding the social bodies in general, we discovered that those respondents, who have been involved at any time with a social body, agree that all cooper-

ativists should take on some formal social responsibilities, even if only for a short time. "Only from this viewpoint," they argue, "is it possible to acquire the complementary vision needed to avoid tightening the rope when it should be loosened, or loosening it when everyone should be pulling on it together." Examples were given of persons who would have been called "chronically against social bodies" who later, after having discharged a formal social responsibility, changed their position to a positive one because of the experience they had.

One of the greatest difficulties the social bodies face, according to the members, is the lack of professionalism of the persons who fulfill these duties: "When they begin to know how to do the job, they are nearly at the end of their term." One option would be to make some members specialists in these duties, and in fact, on various occasions, this was proposed by the respondents.) According to them, this would guarantee greater time availability for the involved persons and also perhaps a greater continuity in the subjects dealt with. At the same time, respondents realized that this would deny the opportunity and obligation to participate to many other members. The rotation of social duties causes discontinuity and a lack of professionalism but increases possibilities of participation and shortens distances between the ordinary member and those in charge. The debate is whether the cost is greater than the benefit, a debate that has a long history in representative democracies.

The strongest negative position on about the social bodies affirms the Social Council in particular "has completely failed." Curiously, when this affirmation is made, the respondent making it generally recognizes his/her role in this failure through the purposeful election of garrulous representatives instead of competent ones, irresponsible ones rather than responsible ones.

> The theory of the Social Council is fine, but without rhyme or reason, we sometimes elect the most talkative person ... the most recent one who has joined the section to screw him; what happens is that we often don't take this whole business seriously.

How can this contradiction be explained? On the one hand, the Social Council is criticized and on the other, the respondents recognize that they contribute to its failure. Those who are highly critical find it easy to speak of the way the Social Council should operate to meet their expectations:

> The Social Council should be a means of communication and a means for improving relationships...it should be the link that makes the relationships between the management and the membership more agile and the motivator of participation by all the members.

Yet these same respondents find it very difficult to answer the question: What should I, as a member, do to participate? Should or must I participate? Do I have the right or the obligation to participate?

Members have a moral obligation to participate in the life of the cooperatives, but what exactly does it mean in this context? Can it be said that a member who works eight hours a day, with a high degree of professionalism

and dedication, participates less than another who may or may not fulfill work duties as professionally, but dedicates part of his/her time to social responsibilities? Answers to these questions are scattered across the whole map of possibilities.

In reviewing this material, we examined these diverse answers and the chapter of the Social Statutes of the Cooperatives devoted to "the rights and duties of the member". The Statutes expressly include certain social rights and duties. It is explicit that the member *has a right* to elect and to be elected to responsible social positions. An explicit counterpoint is the duty that goes with this right, the "obligation to accept and diligently fulfill formal social duties." Does this mean that everyone has an obligation to serve? Is it not anti-democratic to obligate participation? If there were the freedom to not accept posts, would volunteers come forward to occupy them?

It is clear from the interviews that a consensus regarding these questions currently does not exist within the cooperatives. Thus one of the characteristics of the corporate culture of Fagor is to debate whether or not participation should be a right or an obligation. An important part of the difficulty facing the Social Council is that consensus is lacking on precisely these issues.

Participation and Power

There are close links between this theme and participation in the social bodies, since the social bodies are one of the important avenues of participation in the cooperative system. But other routes also play an important role. Members exercise their participation through their votes in the General Assemblies, the weight of each vote being identical, regardless of the post the member holds or the professional role he/she plays.

Nevertheless, problems of power are very subtle. For example, in a cooperative where the majority of the members work in a mill, it might appear that power is concentrated entirely in that mill. Although theoretically and numerically this makes sense, in practice, members feel that power resides outside the work site. Quoting from a respondent who works in a mill, members feel that "The important decisions are imposed on us, without asking for collaboration nor permitting participation."

A most striking fact is that all respondents, regardless of how high or low their job classification or the content of their specific job, perceive power as something distant from them. Some stress the concentration of power: "Power is concentrated in the Management, in the Central Departments; neither consults us at all, and so it is very difficult – even impossible – to participate." Others see power as diluted: "The sluggishness with which decisions are made in the cooperatives is owed in part to the fact that everything has to be explained, shared, consulted about, modified, consulted about again, and finally submitted to a vote by everyone." No one attributes power to him/herself. The

membership thinks that power resides ''in the Management'' and management thinks that power ''is shared by all the members.''

This generalized feeling of distance from power may arise precisely because power is well distributed in the cooperatives. It also may be that, given a strongly democratic ideology, it is inappropriate to think of oneself or one's position as having power associated with it. This kind of tacit understanding makes the effective discussion of problems of power quite difficult in Fagor. Whatever the cause, the feeling of not having power and the facts of having a good deal of voting power, as well as power to control work situations, co-exist in Fagor.

Through the interviews, it also became clear that the existing ignorance about the functions of some departments and roles reinforces the idea that power is ''out there,'' in the hands of those people who do ''whatever it is that they do.'' Yet as interviewers spoke to those persons in the departments who do ''whatever it is that they do,'' these respondents perceived that everything they do is subjected to analysis, review, and approval by everyone. That is, they feel powerless.

Thus in speaking of participation and power, the internal heterogeneity of the cooperatives is clearly seen. For some, power is concentrated; for others, it is diffused throughout the system. For some, mechanisms of participation have been developed to such a degree of sophistication that they cause the sluggishness of decision-making. For others, participation does not occur at all; decisions are imposed.

We tried to link these affirmations to the social positions of the respondents or tried to group them in other ways, but it did not work. Even within a single group of people, both views are found. At the very least, this demonstrates the existence of opposed positions within the same cooperative environment and within the same job classifications, validating our emphasis on heterogeneity within Fagor.

These apparent contradictions merit more detailed study in the future. Power comes in many forms. It is possible that some of the asymmetry of perspectives comes from differing views about what significant power is. The feeling of powerlessness among those both at the bottom and in the higher parts of the chain of command is a common feature of many other organizations. In this regard the cooperatives are not unique. But this general feature of organizations causes much greater problems in a system committed to fully-participatory industrial democracy.

''Those Above – Those Below'' *(Los de arriba; los de abajo)*:

Throughout the interviewing process, the words ''above'' *(arriba)* and ''below'' *(abajo)* were heard many times, but when speaking of ''participation and power'', these words came forward frequently and forcefully. ''Above'' is associated with the management and power in decision-making; ''below'' is the

realm of the victim and the drudge – those who do not have power. Even though this is contradicted by the legal realities of cooperative membership, respondents stated that:

> He (the member) has neither voice nor vote.

> We, the underlings, have neither voice nor vote. *Yes*, we vote, but since we aren't told everything, in the end, we vote for what they want, what the bosses want.

Who are "they", "the bosses?" Does anyone identify him/herself with this hierarchical position? What situates some "above" and others "below?" These questions moved us into new areas of systematic research that had not been explored in detail in the history of Fagor.

When speaking of participation, power, equality, inequality, regulations, transfers, and skepticism, indeed of nearly everything discussed in the interviews, the discourse of "those above" and "those below" appears repeatedly, not so much as a careful social analysis but as a moral contention and an expression of sentiment. Some say that: "Power is found above" while others argue that "...although they say in the cooperatives, we are all equal, it is not true, because I am here, below."

In this moral geography, everything seems clear until more precise questions are put. Who is below? "The membership is below." And above? "The management is above." "The supervisor is above." "Central Services are above." But it turns out to be nearly impossible to locate the dividing line between "above" and "below" organizationally. Sometimes the Management is above; other times middle managers or the foreman are the "above" being referred to; and still others, the reference is to the Central Departments of Fagor, (i.e. non-manual labor – those who work in offices). The only thing that is clear is that all of those who are "above" are non-manual laborers, but not all non-manual laborers are "above."

The greater the ignorance of the function a particular body, department, or person performs, the more "above" they are perceived to be. Thus it appears that a close relationship exists between distance, ignorance, superiority, and attributions of power. "Above" is associated with those who "decide, order, and direct," and "below" with the subordinate, the inferior. That which is distant has power, that which is distant is "above," that which is distant is little known.

The discourse of "above" and "below" is not a cooperative invention; it comes from the world of labor relations, politics, and economics. While they occasionally carry a charge of resentment, these terms are mainly used as commonplaces, as substitutes for analysis. Having vague meanings, these words permit generalization and are familiar to everyone. They can substitute for proper names, for large and small groups of people, and they are extremely flexible when it is time to "choose up sides" on an issue.

This is not to deny their importance, only to emphasize their evocative, rather than analytical power. That so many cooperative members utilize them and feel the need for the moral tone they confer on cooperative relationships already makes it clear that they are important. This discourse resonates with important dimensions of the personal experience of the cooperatives.

In the context of an ordinary capitalist firm, these words would surprise no one. But in the cooperatives, even keeping in mind that they often arise to express very specific personal resentments, they have a unique importance. These ideas collide with one of the basic principles of cooperativism: equality.

A tempting conclusion might be that, in the cooperatives there is a well-delimited hierarchy in no way different from that in capitalist firms. This would be both analytically and empirically wrong. The interviews show that, these critical voices are accompanied by others coming from all levels in the cooperatives that speak of the ''wretched administrative processes in the cooperatives and their sluggishness in making decisions.'' These voices, including many coming from ''below,'' attribute the cause directly to excessive dilution of power and the participatory character of the decision-making processes. Thus it is essential to realize that the discourse of about ''those above, those below'' in Fagor is not tightly linked to particular groups in the cooperatives; it is found on all levels.

This concern with hierarchy is a core element of the culture of Fagor. The debate about hierarchy itself constitutes a key arena in which the cooperative self-conception is forged and continually re-negotiated. Being a cooperative member creates a preoccupation with the proper role of hierarchy within the system, but it does not determine what view a particular member will have. Everyone agrees that problems of hierarchy are vitally important to the fate of the cooperatives but they do not therefore agree what the key problems of hierarchy are or what should be done about them.

In exploring this subject, we began to understand some of the limitations of the interview as a technique. Many respondents used the interview as a catharsis, a need that points to problems within the system, since the need for expression on these issues is apparently not sufficiently fulfilled elsewhere. As a result, the interviewers, partly because of lack of experience with the process, occasionally lost the opportunity to take up emerging sub-themes in necessary depth or to probe the rather lapidary, ideological statements being made by respondents.

Fortunately, through our comparison of results, subjects that should have been probed more deeply became obvious. For example, during these sessions, the intensity and importance of the discourse of ''above'' and ''below'' was transformed from an individual surprise to a subject for further research. It was followed up in the roundtable sessions and is on the agenda for future research in Fagor.

Divergent Views of the Fagor Cooperative Group: Association/Autonomy

The whole Fagor Group is seen by some members as a large, distant cooperative and for them, the discourse of "above" and "below" applies to the whole Group as well. This vision of cooperative association and autonomy expresses the negative feelings of some members about a Group they perceive as large and distant and, therefore, associated with the centralization of power. For them, autonomy of cooperatives within the Group is highly desirable. Others see advantages to the Group structure. For them, risk spreading, support in difficult times, and the bargaining power of a large group are major benefits and essential features of the cooperative system. So once again, divergent positions about a key issue exist within Fagor.

For cooperatives going through periods of economic crisis, association with the Group is often positively valued. The choice between association and independence is the difference between survival or disappearance. This feeling is expressed in the phrase, "Today my turn, tomorrow yours."

Association with the Group also permits the sharing of common resources not obtainable in other ways. It helps to solidify the position of the cooperatives in the face of an ever-more competitive market. The Group guarantees: "...greater economic capability to make decisions, [and thus the cooperatives] defend themselves better." The Group also offers "...the possibility of counting on a team of experts in various technical areas, etc." Beyond the economic factor, which has garnered a very high degree of importance during the recession, the advantages of belonging to the Group are seen to include the sharing of human resources, increases in efficiency, a broader identity, collective future planning, all mentioned in the interviews.

Nevertheless, some members of those cooperatives having considerable internal resources and successful economic performance believe that the cooperative group structure has more disadvantages than advantages. Among the disadvantages they list are the risk of diluting management responsibility, inhibition of initiatives, loss of motivation to improve administration, excessive bureaucratization, etc.

As with hierarchy, these views are not uniformly distributed, supporters and detractors of the Group structure being found in different cooperatives and at different levels in the job classification system. Nevertheless, it appears that the "strong" cooperatives, though recognizing some advantages, advocate greater cooperative autonomy. The "weak" cooperatives generally defend the association and underline the many successes achieved thanks to the Group, particularly with respect to maintaining employment in a period in which no other business in this sector has done it: "The Group *did*. The cooperatives by themselves could not have done so."

Despite these differences, one view shared by all the respondents is that, whatever the advantages and disadvantages of the Group, the feeling of overall social closeness has been lost. With over 6,000 members, Fagor is a very large organization, one in which membership is no longer lived out in terms of close

interpersonal relationships. Members spontaneously feel that he/she belongs to a particular cooperative; their home cooperative is the touchstone for their identity as members. Membership in the Group is practical, but does not confer a strong identity. ''Advantages of belonging to the group? Many but because of them, I shouldn't stop being a member of my cooperative.'' Thus members experience their own cooperative and the Group in quite different ways.

Transfers

Thanks to inter-cooperative transfers, the Fagor Group has responded successfully to the problem of maintaining employment. Those affected by transfers, when discussing them, recognize that their moves have permitted the cooperatives to deal with an economic situation that other firms in the region have been overcome by. But while objectively the transferee recognizes that inter-cooperative transfers are a successful measure against unemployment, he/she does not therefore forget the dislocation it causes nor expresses approval about the way they are carried out:

> They don't tell us anything; they transfer us as if we were objects.

> Every time there are transfers, there are some serious disputes; I think it is necessary to talk to people, to inform them.

Thus the social cost of transfers is high. The transferee feels himself/herself to have been ''managed'' rather than consulted; feels less a cooperative member than the rest, as if he/she were a second-class citizen:

> If we all are equal members, why do I have to move and not him? Why aren't the transfers done by means of a rotation?

These commentaries and their tone show that transfers generate frustration, rejection, and ill will. They are beginning to be perceived by some, not as a measure conceived to secure a job for the member of the cooperatives, but as a management technique, not unlike layoffs, used to deal with economic problems because management lacks the imagination to deal with these problems more creatively. Management then wraps itself in the cooperative flag, claiming that transfers show the strength of the cooperative system and its social values. Thus suspicions about the necessity of transfers compared with other options that. might be employed if management were more competent, are often expressed.

  Members complain about not knowing why he/she and not another member had to move. A surprising number of those transferred claimed not to know the regulations governing transfers. Knowledge of these regulations and more adequate information about the process might have helped them to accept, if not fully support the transfer process.

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They point out that those most heavily affected by transfers, the members who have been transferred more than once and have lost the opportunity of returning to their original cooperative, no longer consider employment security as one of the value-added dimensions of being a member of the cooperatives. These members say: "Here, as in the capitalist firms, economics prevails over society."

None of these transferees suggested the elimination of transfers, nor did they suggest other, more suitable alternatives. Fundamentally they express a rejection of the way the transfers are carried out, feeling that basic cooperative principles have been violated by handling the transfer process poorly. In this way, they are insisting that cooperation is not just a structure of rights and duties, but its unique social dimensions should be evident in the way important processes like these transfer are actually handled on an interpersonal level.

Thus one of the key resources in the cooperative Group's ability to respond effectively to economic cycles is recognized to fulfill its function of maintaining employment. At the same time, those experiencing transfers have many complaints about the non-cooperative way the actual process is carried out, insisting that cooperation is more than a set of norms, but must be embodied the everyday operations of the Group.

Conflict between the Economic and Social Dimensions of the Cooperatives

During the period of extraordinary growth, called the time of the "fat cows" – years in which demand always outstripped supply, when there was less competition in the market, years of bonuses – the economic dimensions of the cooperatives seemed to take care of themselves. Looking backwards, this era is remembered with satisfaction as a beautiful time. The Mondragón cooperatives were then synonymous with success. To be a cooperativist was definitely "something more" than just having a job.

Today, a very different environment prevails. Competition among suppliers is intense. Members are called upon to make more frequent sacrifices, such as increased member capitalization requirements, freezing of take-home pay levels, flexible work schedules, and transfers. These sacrifices put the sense of responsibility and identification of the member with the cooperative to the test.

When there are profits, it is understood and accepted that they are for everyone. When it is necessary to make sacrifices, they too must be shared. This point, though easily accepted in theory, costs a good deal more in practice. To the degree it is necessary to make repeated sacrifices, questioning of the fundamental operating measures of the cooperatives begins.

Curiously, some members assert that even in the cooperatives, the economic dimension prevails over the social: "If it is necessary to sacrifice the social for the economic, they don't think twice about it." But others blame the depressed

situation of some cooperatives on the excessive social protection given to the membership:

> The cooperative is running the risk of achieving great social successes and entrepreneurial inefficiency.

> More and more, the cooperative is becoming more like a university than a business.

The evident ideal is to maintain a perfect equilibrium between the economic and the social dimensions of the system, but reality is neither so coherent or harmonious.

Though moments exist when the economic and social dimensions operate together smoothly, others arise – as in the recent recession – during which all sacrifices appeared to be insufficient to achieve the continued successful operation of the system. When these unusual efforts or sacrifices are intermittent, it is possible to continue living the dream, but when the moment arrives in which the sacrifices are superimposed on each other, it is easy to lose perspective. And even though it is understood that to continue, the cooperative has to be profitable as a business, the temptation arises to ask: ''At this pace, how long can we last?''

Disillusionment

Like a familiar refrain, the word ''disillusionment'' is heard often in the interviews. Disillusionment in life is generally caused by deceit – the detection of an unpleasant difference between what one hopes for in a situation and what one finds. Disillusionment is not necessarily an objective phenomenon.

Two different sources of disillusionment appeared among the respondents. One arises from the distance between cooperative theory and practice. The other speaks of the changes in the cooperatives, the contrast between what the cooperative was *before* and what it is *now*, after some years of operation. In the former case, disillusionment is based on comparisons between the cooperatives and capitalist firms. The respondents argue that in the capitalist firm, the worker knows *beforehand* that he will merely be a number, that speaking too freely, expressing opinions against something or someone in particular, or making negative remarks can cause immediate reprisals. The worker in the capitalist firm knows that he must submit, no matter how much it pains him, to the hierarchical boss/subordinate game. For these reasons, the worker can revolt or complain, but not really speak of disillusionment because he could have no other legitimate expectations.

By contrast, in the cooperatives, beyond the role that each person plays, the hierarchical framework of labor/management relations is supposed to be minimized as far as possible. Broad rights and duties are equal for all; all are members and owners with identical possibilities for participation. In the cooper-

atives, depending on the responsibility a person has, there exist, just as in the private firm, different job titles. The person with most responsibility in a group can be called ''boss'', but the rest of the members of his/her team cannot be called subordinates. They are ''collaborators.''

This is where disillusionment begins.

> What use is it to me to be called a collaborator if I am treated like a subordinate; in a private firm they call you a subordinate because they recognize that is what you are.

In a similar vein, another person commented:

> Here everyone takes part in decisions through the General Assembly (1 man, 1 vote), but the majority of the subjects are too complex for most of us to understand and we end up accepting what *they* want.

> This is becoming more and more like a capitalist business.

When pressed the respondents to try to discover the ''whys'' of this and to elicit elaboration of some of these affirmations, the majority of the respondents recognized that, despite their harsh criticisms: ''Obviously, great differences exist between the capitalist firm and the cooperative''. They provided examples of the higher level of participation and interpersonal relations in the cooperatives: ''Here you can speak without fear of reprisals.'' Nevertheless, disillusionment is real and they often repeated that ''...in the private firm, you know what is waiting for you, but here democracy is talked about but autocracy is acted out.'' This contradiction is most evident in relationships in the workplace, a subject taken up in detail later.

It is interesting that none of the respondents expressing disillusionment about the relation between cooperative theory and practice had direct experience in private firms, in spite of basing all their affirmations on explicit comparisons with them. The abstract model of the quintessential capitalist firm plays an enormously important role in the cooperatives. But it is a ''moral'' formulation of the differences between cooperativism and capitalism, not a description of actual capitalist businesses.

The second kind of disillusionment can be summarized in the phrase that nearly every interviewer heard more than once and in many different contexts: ''Before we worked harder, but we were happier.'' To understand this, the accelerated pace of growth in the cooperatives must be kept in mind. In a few years, they have been transformed from a few small businesses where everyone knew each other and were friends to firms that today are geographically-dispersed and so large that maintaining efficient communication has become a problem.

> Now you don't even know the fellow who works in the Department next to you.

> Before we were true cooperativists.

> Everyone was prepared to work hard.

> People now are less cooperativist than they were then.

> The new managers have university degrees and they think they know it all, but they don't really have a feeling for cooperativism.

In making these remarks, some of the respondents look back with a certain nostalgia and forward with fear, anxiety, as if to say: "What will become of our cooperativism?"

Undoubtedly the rapid growth of the cooperatives has brought with it a loss of proximity, has complicated communication, and has distanced people. It has led to the professionalization and depersonalization of information-sharing and management, all without time for people to react and adapt to the changes. During this "transitional" period, members have felt detached, out of place, and surprised. They did not expect it and reject it, consciously or unconsciously.

Another less explicit element, which has great influence when members make comparisons between the better "before" and the worse "after," is the economic factor. After the long period of "fat cows," the cooperatives passed through moments of great stringency and uncertainty. When profits were high, problems were minimized and even ignored, but as profits have declined and some cooperatives have sustained serious losses, the opposite effect has been produced. An important part of the current disillusionment is, thus, simply the response to the economically-depressed situation.

The tone of disillusionment and frustration is always linked with a desire for things to be different. Members speak of the differences between what is and what they hope can be; there is a wish and will to improve and a belief that improvement is possible.

Information and Direct Social Relations

As already noted, many members believe that sharing and direct social relations have degenerated over time. However, others still see these today as the pillars of the cooperatives.

When the "value-added" of being a member is spoken of, among the first values included is freedom of information and directness of relationships between supervisor and collaborator, between management and membership.

With regard to both information and social relations, just as with all the other subjects in the interviews, there is a wide spectrum of opinions. Sometimes they are complementary and other times, contradictory:

> The fact of not being informed makes you feel out of it. The truth is that here they don't tell you anything.

Information? There is too much. It should be culled and we should be given only what is necessary.

So much information creates confusion.

It is the same with the quality of social relations. While clear differences are recognized between the ''ought to be'' and the ''is,'' in practice divergent opinions are expressed, ranging from utopianism to harsh criticism. Yet, in discussing social relations, none of the respondents had an overall analytical view of the cooperatives. In this realm, each member responded in terms of his/her personal experiences. Generally, it seems that the majority believe that social relations, especially between management and the membership, are deteriorating. This is attributed, in some cases, to the current economic problems.

Despite the negative tone that accompanies these opinions, the value attached to freedom of information and direct social relationships is highlighted when comparisons are spontaneously made between the cooperatives and capitalist firms. Roundly and without exception, even the most skeptical and negative respondents apply a corrective filter to their views in this context. Without forgetting the existing weaknesses, they affirm almost unanimously and optimistically that ''there is a difference that runs in our favor.'' This reply comes as much from those who have had direct working experience in capitalist firms as from those who only know the cooperatives.

Once again, what is most valued causes conflict. Freedom of information and direct and open relationships are highly valued and the cooperatives are seen as falling short of the high standards the members apply. Yet, when the point of reference is the rest of the world, there is a nearly unanimous sense that the cooperatives offer a better social and working environment.

Duality or multiplicity of views within the cooperatives was amply documented through the interviews. On nearly all issues, there existed quite different, even opposed views. Cooperation is not born of homogeneity and the culture of the Fagor Group is not a simple web of unifying ideas. Rather it appears to be a set of agreements about what issues are important enough to worry about: hierarchy, power, fairness, participation, security, autonomy. Everyone believes these to be important; they do not therefore agree about the ways they should be dealt with. General principles and structures may be agreed upon by all members but they are lived by each member individually, as a personal reality. It is this personal experience that confers the moral and emotional tone on cooperative membership and that provides the material each members uses to make sense of his/her experiences.

After analyzing the information and grouping it into subject areas, we shifted attention to an attempt to evaluate the importance of some of the critical voices and to identify the sources of their feelings. Precisely because there is no uniform ''voice of the cooperatives,'' it is necessary to understand the incidence of complaints and assess their gravity. The interviewing phase, by its

structure, could only be a first step in this direction, but the monographic study of these particular problems extended considerably beyond the immediate aims of this research project. So the project served to define some subjects that must be worked on in the future in Fagor.

If the results of the pilot survey seemed too positive to be real and made it necessary to seek out more negative dimensions, the results of the interviews seemed too negative. Consciously we had set out to find out the most negative things possible about the cooperatives. Believing in the strength of the cooperatives, we felt that if the worst problems could be identified and resolved, lesser problems could be solved as well. Thus the subjects that would most bother the members, the cooperatives where those most adversely affected would be found, and the persons or ''victims'' who would be able to share with us the worst experiences were selected for special study. This was balanced somewhat by including some control interviews and working in some cooperatives where the problems under study had not been too acute. As an ''action'' team, when putting the results together them, we focused on those subjects meriting greatest concern, those which definitely would require some kind of active response.

But even accepting this purposely negative approach, we soon began to realize that some of the lapidary, non-analytical negativism evident in the interviews did not give an accurate or useful picture of the cooperatives. This led to an examination of the interviewing method and to the realization that the interview as a technique invited this sort of problem in the Fagor context.

The one-on-one interview about difficult issues with an emphasis on criticism invited cathartic and extreme responses. While many of the problems identified are serious, it was clear that the oversimple statements and the facile generalizations were invited by the very structure of the interview itself. To the extent that the interviewer responded by challenging or requesting a more differentiated analysis, the respondents replied with more complex views, ones that may well be closer to ideas they would be willing to act on.

Thus we came to feel that further interviewing or the elaboration of a comprehensive questionnaire would only elicit further responses of this sort. We wanted to find ways of developing a more differentiated and complex picture and this led to the next phase of the study: the roundtables.

Chapter 8: The Fagor roundtables: positive dialectics in action

When the analysis of the interview results was complete, we had a clear sense of some major causes of dissatisfaction within the cooperatives, along with important doubts about the reliability and representativeness of the interview results. While no one disbelieved the results, the polemical and lapidary quality of the interview responses made them less than useful as guides to action. We also felt we had little sense what respondents would be willing to say publicly about these problems, in contrast with what they were willing to say in one-on-one situations. The link between private formulations and the public discourse that gives rise to major decisions in Fagor was unclear.

The choice of a next step: This dilemma is typical in social research generally and placed us at another decision point in the research process. One option, with a respectable genealogy in the social sciences, would be to multiply the interviews using random sampling techniques until the results were statistically defensible. Another would be to devise a full-scale survey instrument based on the material and apply it to a very large sample in Fagor. A third would be to engage in participant observation to discover how respondents would manifest their ideas in behavioral context.

Our general feeling was that the interviewing technique lent itself to polemical statements, both positive and negative, which did not provide the required sense of the behavioral world of primary interest in the research and subsequent action plans. Survey research was discussed and rejected because the complex apparatus involved did not promise greater approximation to the experiential world of the cooperative members, the now clearly-identified ultimate goal of the research in Fagor. As before, an important objection to both methods was the degree of imposition on the membership they would require. The results must be worth the effort, the results must be fed back to the members, and action plans must be developed and carried out.

The other standard option would have been participant observation. We believed this would be the best path because, through it, conceptualization and action could be linked in a variety of specific social contexts. But extensive participant observation was impractical. No member of the team was officially assigned to it and thus everyone had to fulfill all their ordinary job responsibilities. The number of different contexts in which participant observation would have to be done was also very large. It would have required a year of anthropological fieldwork by an individual or significant efforts by more than one per-

son over a period of months to complete. Since one of the important constraints on research in this action context was that it had to be practical and produce useful results in a timely manner, this option was unacceptable.

Coupled with this were stresses being put on us to get some results of the ongoing research project back to the Fagor Group immediately. The process had been underway for over a year and the pilot study had been produced and had been read and liked by a few of the top managers. Beyond that, there were no concrete results. The dedication of so much time by so many people without more concrete feedback could compromise the effort or at least dampen enthusiasm for research in Fagor.

The roundtable approach: This was a conundrum for Davydd Greenwood, because the results of the work so far had to be contextualized, and yet the momentum and positive attitude toward research could not be endangered. Greenwood, as an observer, had been impressed throughout the process by the high degree of discipline the research team itself had exhibited in sitting around a table for long hours, debating, modifying, and reformulating basic positions. The ability to discuss and develop issues in dialogue was an essential feature of the study to this point and had been crucial at every stage.

By analogy, Greenwood noted that such group processes were often at work throughout the cooperatives. In the Social Councils, General Assemblies, Governing Councils, Management Councils, etc. the common approach was to gather around tables with materials to discuss and debate until a collective view, capable of being acted upon, was developed. Greenwood was also impressed by the amount of conflict of views possible in such settings, conflict that seemed to stimulate further discussion rather than to derail it.

The combined pressures to take the next logical step in the study under so many constraints and the observation about these group processes led Greenwood to suggest that the next phase be structured roundtable discussions. First, the roundtables, focusing thematically on the major issues that had arisen in the study, could serve as feedback sessions to some of the membership, thus answering the need to tell the membership about the results of the project so far. Second, the roundtable format would overcome the weakness of the survey and interviews in collecting the unmodified, unanswered results of personal catharsis. Third, the roundtables, themselves a social process that could be structured systematically, offered a modest context for a modest form of ''collective participant observation,'' using a mode of operation typical of the cooperatives in general. This suggestion met with rapid and complete approval and it became the central feature of the next research phase in the Fagor research process.

The roundtables idea proved to be a happy inspiration. It was well accepted by the membership, far better than a questionnaire or interviews, because in Fagor, group meetings and debates are essentially cooperative working methods. We believed that through debates in a roundtable environment, it would be possible to deepen the analysis of themes to see how the apparently contradictory views expressed by individuals in interviews co-exist in the complex and diverse culture of Fagor.

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We also wanted now to correct the intentionally negative focus of the survey and interviews. No longer concerned that the we might be inclined to diminish the importance of fundamental problems in Fagor, our aim was to put these problems in the appropriate context so that realistic plans of action could be developed to solve them. This, of course, meant that the concern to intervene and act as members rather than as researchers began to assert itself more strongly than interest in pure research, something that should be expected and welcomed in action research. The roundtables satisfied this need to find a reasonable first bridge between research and intervention.

Themes for Roundtable Debate

Over the course of the whole study, we had come to focus on certain thematic concerns. This sense of the Fagor's major problems was the ongoing result of the process, a thematic sense that continued to be developed in each research team meeting.

At this point, the Fagor members of the team asserted their ownership of the research process. New statements of the issues had to be developed for the roundtables because the inventory of themes developed for the interviewing phase were too detailed and specific to be useful for the roundtables. In addition, the interview themes had been an academically well-fashioned set of issues and the influence of the facilitator in their development was strong. Now, the Fagor members of the team took the initiative and selected, in an academic spirit, but with a practitioner's decisiveness, the themes that should be dealt with in the roundtables. Although offered many thematic suggestions by Davydd Greenwood and William Foote Whyte, they listed their own research priorities and selected themes most important to the internal Fagor agenda.

Three themes were selected, all linked to the subjects dealt with in the research process but they were the ones that really concerned the Fagor team members directly. The themes were formulated as follows:

The value-added of being a member of a cooperative: This theme brought together a variety of dimensions of the earlier research. The sense of what it means to belong, how worthwhile such membership is, and whether or not membership has dimensions beyond the economic ones are the core concerns.

Equality and hierarchy: Issues about equality and hierarchy, though always present as background element in Fagor, had impressed themselves on us throughout the interviews. The dialectic between ''those above'' and ''those below'' needed much closer examination.

The economic crisis: The research up to this point had created a sense that the crisis itself had important costs for the cooperatives as cooperatives. We wondered how high and how important these costs were.

In retrospect, it is clear that these themes accurately summarize the key findings from the earlier phases: the dynamic character of the cooperatives, the pluralism and heterogeneity of experiences the cooperatives are capable of

containing, and the degree to which basic values themselves set the terms of the fundamental internal debates.

Methodology

Once the themes had been selected, we chose a moderator and an observer for each roundtable. These individuals were in charge of selecting participants and preparing the themes for discussion. They were to write up the reports and generally be responsible for this phase of the research process. Greenwood sat in as an observer at all six roundtables.

Certain common criteria of action were agreed upon. People were selected for the roundtables who could offer a diverse set of opinions based on direct personal experience. We did not want more abstract theorizing from the members at this point. The roundtable leaders endeavored to formulate open-ended questions. They tried not to direct the debate, but to stimulate it and evoke the full expression of views.

The roundtable leaders briefly interviewed the selected participants prior to the roundtables, expressing interest in their frank views and trying to address any inhibitions they might have. This also permitted potential participants to opt out of the process if they wished.

One and a half hours was the agreed duration for each roundtable. This made the imposition on the participants minimal and also assured the leaders of a disciplined discussion and a manageable amount of material to analyze and write up. It was agreed that the debates should be taped, though only with the prior explicit permission of those participating in the roundtables and with the agreement that the tapes would be erased as soon as the results were analyzed. In reporting the results, statements would not be attributed to individuals.

Basing the effort on these general criteria, six roundtables were planned so that each theme would be discussed in two different sessions by differently-composed groups. The roundtable groups were then structured systematically to bring different cooperative experiences and different roles within the cooperatives to bear on the issues.

The differences between the roundtable groups were of various sorts:

1) differences between the cooperative to which the participants belonged: large, small, medium cooperatives; those that had not suffered in the economic crisis, those on their way to overcoming their economic problems, and those going through the worst phase of the economic crisis.

2) differences in the positions that the participants held in the hierarchical structure: workers in a workshop, those occupying management positions, members of a work crew, technicians.

3) differing particular characteristics of the individuals: their involvement or lack of it in the social bodies, their professional commitments, etc.

Applying these criteria, we composed the roundtables as follows. The round-table on ''the value-added of being a member'' was held in two different

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cooperatives. In both, members from different levels in the hierarchy participated. The key difference was that the participants in one were selected from people who had expressed commitments to and had a history of activity in the social bodies of the cooperatives (*e.g.* they had been elected at some time for the Social Council, Governing Council, etc.). The participants in the other roundtable were selected from among those members who had been known for their professional commitments and not for their presence in the social bodies.

The two roundtables dealing with the theme of ''equality/hierarchy'' were very different. One was made up of members who worked in a particular shop in order to get at the specific group dynamics surrounding this issue. The other was composed of people holding middle or high-level positions in the hierarchical structure of a major cooperative.

The participants in the two roundtables on the economic crisis were drawn from three cooperatives. One cooperative had not experienced the crisis in a significant way, although it suffered its consequences through membership in the Fagor Group. Another just had begun again to show profits after having undergone basic restructuring and a physical transformation of the means of production. The third was in the worst phase of the economic crisis.

In one of these roundtables, members from different levels of the hierarchical structure, some from the cooperative in the depths of the crisis and the others from the cooperative that had felt no direct effects of it, were brought together. The other roundtable was composed of members of one cooperative, the one in the process of overcoming its economic problems, but persons from the opposite ends of the hierarchy were brought together to discuss the issues.

In all six roundtables, participation was excellent. All participants selected and who received a personal explanation of the motives behind them, attended. The atmosphere, except for a few moments at one of the roundtables, was characterized by cordiality, progressive opening up of dialogue, and the free expression of personal opinions. At the end of each, the participants expressed satisfaction for the opportunity to state their opinions and discuss these issues. Participants felt need for such meetings to continue and for the results to be used to ''change many things'' in the cooperatives.

Preparation of the actual questions to be used was the job of the selected moderator and observer. The guiding criterion was that the questions be open and non-directive.

The General Environment of the Roundtables – The Recession

Although the recession itself was the subject of two roundtables, we now realize that it constituted the general environment in which all of the interviews and roundtables took place. Thus it makes sense to lay out our view of the effect of the crisis on the results, before moving through the various themes that emerged in the roundtables.

Earlier in this work, the most recent stage of the history of Fagor was characterized as one of recession and crisis. The need to survive as firms caused the membership to have to live with difficult measures, such as inter-cooperative transfers of personnel, capital disbursements from the members' personal capital accounts, the loss of buying power, and shifting work schedules. All of these measures were taken by means of specific regulations approved in the General Assembly, or were discussed at length and accepted by the social bodies. It was not easy for the managers, accustomed to less demanding times, to adapt to these new circumstances. For some, the rigors of the present situation forced them to resign; others were relieved of their duties.

During this period, the Fagor Group did not lose jobs, even though unemployment generally has been the most pernicious effect of the crisis in the immediate region. As mentioned earlier, in Euskadi in 1975 there was full employment. In 1987, nearly 27% of the active population did not have jobs.

The urgency and the absolute priority given to economic dimensions of cooperative operation in these critical years "has stressed the machine to its limits" and has tested, not only the entrepreneurial capacity of the Group from a technical and management point of view, but, above all, has tested the participatory capacity of the membership. In this struggle, utopianism and romanticism about cooperatives now has been left aside.

But the question remains how far the cooperatives can "tighten the rope without breaking it?" To what degree has this participatory process been too onerous? Have the hardships been unfairly distributed, causing a loss of interest in participation or a lessening of the sense that it is valuable to be a member?

This stressful context makes sense of the themes we selected. Basically we asked, given the difficulties Fagor has gone through, is it still valuable "to be a member?" Does the proclaimed equality that all the members enjoy really exist? Are cooperatives truly competitive with private firms? As of this writing (1989) the Fagor Group economically is once again profitable and looks to the future with some optimism, even though some of the member cooperatives have not yet been able to overcome the effects of the recession.

It is worth remembering that the core of the Fagor research team itself is composed of Section Heads of the Central Personnel Department and by Directors of Personnel from the member cooperatives. Though by no means the only ones involved, these people are deeply involved in this change process. Many of the most oppressive measures taken to deal with the crisis had to be acted on by the personnel departments. Thus the team members were individually concerned about the role of the Personnel Department in the cooperatives during the crisis and the role it should have played. All parties to the roundtables were interested parties.

Analysis of the Results of the Roundtables

Because of the close relationship among the three themes, all of them came up at all the roundtables. This creates some difficulty for the presentation of the results. After analyzing the contents of each, we elected to list the key subjects that emerged and to develop these in an expository manner, using relevant textual quotes to support the analysis. This provides better insight into the subjects discussed than a simple review of the each of the roundtables as they developed.

There is no overall conceptual scheme linking all the pieces in Fagor. There are irreducible differences of viewpoint and experience; counterposed cultures exist within the Group, precisely as expected. In what follows, an effort is made to represent the relevant diversity of views about the following subjects that were discussed in all of the roundtables:

the value-added of being a member

equality/hierarchy

participation, power, and authority

information/communication

rules and regulations

The Value-added of Being a Member

From a legal point of view, one becomes a member by means of a membership contract and the obligatory payment of a quantity of capital to the cooperative. This carries the following basic rights and obligations with it:

the right to vote in the General Assembly

the right to vote as an elector of the representatives to the social bodies

right to monthly pay from the profits as remuneration for work

the right to receive the "returns" or profits that correspond to and are accumulated by his/her initial capital

the obligation to supply his/her own personal work as a contribution meeting the objectives of the firm

the obligation to assume personal responsibility in the case of negative economic results

the obligation to accept the responsibilities of an elective or appointed social role if asked to serve

How does a member perceive his/her status as a member, or to express the question as it was posed at the roundtables: ''Is there any 'value-added' in being a cooperative member, compared with being a normal worker?'' Even though the question seems clear, it was not easy for all members to answer from direct experience. ''The majority of those who work here did not select a cooperative...we came because the supply of jobs in the cooperatives was great, more than 50% of the total jobs in the region.'' It is also difficult to evaluate what it is to be a member ''when... [many of us] have no experience with other kinds of firms.'' Thus, being a member is the only work experience that many have had.

This moved the issue of the value-added of being a member to a conceptual plane as well as to the realm of commonplaces. Whatever stereotype the person has or what the relevant experiences of friends and relatives in ordinary firms have been becomes the basis for judgement about the value of cooperative membership. Those who worked before in other firms perhaps are better able to perceive some of the peculiarities of the cooperatives: ''I had worked in another capitalist firm, although not for long, and on entering the cooperatives relatively recently, I noticed a clear difference...here it is possible to participate, even if we don't exploit that possibility, even if this is not working as it should.'' Thus the ''possibility of participating'' is clearly considered to be the fundamental value-added of being a member by those with experience outside and by those who have only an abstract understanding of capitalist firms. Other membership values are derived from this root value, *e.g.* the possibility of ''informing your-self and making yourself heard'' and that of ''promoting yourself as a function of your aptitudes and personal efforts.''

In addition to these dimensions of membership, one especially appreciated in the recent times of crisis is security of employment. This value has been strongly confirmed because the cooperatives of the Fagor Group made it through the recession without losing jobs, although this has not happened in all of the cooperatives in the Mondragón system. This value is a direct consequence of a participatory system because it is not possible to rescind membership contracts with the ease that ordinary work contracts are broken.

It is worth noting that not participation, but the ''possibility of participation'' is spoken of and that the speaker added ''even if this does not work as it should.'' This caveat does not mean that participation does not happen in reality. Participation is real and is exercised by the majority of the people. The obligatory contribution of capital ''is a way of participating that makes sense.'' In the General Assemblies, especially in the extraordinary sessions ''when things important to the members are decided, there is massive participation.'' Remuneration for work is not conceived as ''salary'' but as a ''projection of the profits to be earned.'' These concepts are not different just in theory, but in practice, *e.g.* as ''when we proposed the possibility of reducing our pay in the face of negative economic results.''

But then what does the often-heard caveat about the kind of participation that ''ought to exist'' mean? The roundtables were rich in harsh criticism of the

management of the cooperatives, not from the business viewpoint, but from the perspective of cooperativism. These criticisms allowed us to infer what is being asked for, what the "ought to be" of participation is in the minds of the members.

It was often asserted that past times "were better" because the "social interests" of the members were taken into account. Now, in these times of the "skinny cows," concern has shifted exclusively to productivity and profitability. "Sacrifices and endless discomforts are imposed without any thought." While these statements might be interpreted as nostalgia for a golden past in which paternalistic management was enjoyed, this is probably not true. Statements like the following tell a different story:

> We would be prepared to participate now too if they would really take us into account.

> We need them to treat us like members and there would be a positive response.

Thus the complaints were quite specific and, if directed against the discomforts that created by the current circumstances, they especially are directed at a management style that may have evolved under these difficult conditions, a management approach which perhaps maximizes economic values while no longer thinking of the workers as members.

Some of the criticisms acquired especially bitter tones. At one point, a speaker complaining of the "feeling of being made a fool of" because they were formally treated as members "when really the cooperatives do not function as if we were." Profound disillusionment was manifested: "There is today such a degree of discontent that if there were job opportunities in the private firms nearby, as there were at other times, there would be an exodus...the people would leave...even if it were to worse conditions, but they would go, in order to change." Other, more moderate words describe a worrisome situation: "A great portion of those who work here do not feel like members, they act as if they were working for someone else."

Clearly the degree and quality of participation now is unsatisfactory. Truly participating does not mean operating as a member on solemn occasions; it means habitually living the fact that the members own the business: "being concerned about your own work and about that of the others." In this way "yes, there would be participation if, in addition to the general possibilities [cf this system], other conditions were met..." especially a climate of real communication, in which "the people can feel treated as a member" while at work.

Why "don't we achieve the participation we would like? What makes it difficult for us to make that leap from the unsatisfactory minimum to the desirable and possible level?" Certain explanations were put forward to account for this. One was that "our cooperatives have become too big." It should be kept in mind that many of the members of Fagor have lived through the growth of the cooperatives from the beginnings of Ulgor in a tiny workshop to the present

in which Fagor has 6,000 members. Work relations cannot be the same as they were in the past.

The roundtable participants realized that the Fagor Group has been positively reinforced as a group by the recession. The Group assured the survival of the cooperative firms and the employment of the members, but it makes participation more difficult because of the intricate hierarchy of representative bodies that it requires and because of the distancing of power that goes with it.

In the cooperatives, information is abundant, "everything is known: the good management decisions and above all, the bad ones, the incorrect ones." This is experienced, surprisingly, as rather frustrating and motivates "pitiless criticism, that is positive [i.e. well-intended] but not very realistic." Some members believe that authoritarian management is easier than participatory management. One work crew member said: "It is understandable that especially in difficult situations, we fall into the temptation of the 'I order, you obey' approach. I believe that the cooperative requires greater professionalism and capability of the supervisors and managers to do things as is required." Despite all this, the aspiration to full and meaningful membership is not renounced; it is felt to be worth fighting for. "It would be better for us to be thinking how this could have happened and put ourselves to the task [of changing it] rather than spending time constantly talking about how badly we do things."

Throughout these discussions, we were impressed by the degree to which the harsh criticism and the expressions of frustration and disappointment accompanying them dramatized how deeply rooted and powerful the attraction of the idea of full participation is. The idea of cooperativism remains vigorously alive. It is truly a unifying theme in the culture of Fagor.

Thus the value-added of "being a member" is found in the participation that is possible in a cooperative. Together with this fundamental value, others can be considered important as well, such as the security of employment, freedom of expression, and the possibility of promotion as a function of personal aptitudes and efforts. There is a degree of direct participation already through the obligatory contributions of capital, the vote in the Assembly, and indirectly through the social bodies.

However, this value placed on participation causes the members to feel that the quality of participation is currently unsatisfactory. There is a strong sense of alienation provoked by a management style that, although it may well provide required direction and information, has not achieved an atmosphere of dialogue and communication in which people feel themselves to be treated as members. Roundtable participants partially attributed this to the fact that participatory management is more difficult than authoritarian management. These problems are multiplied by the consolidation of the Fagor Cooperative Group, which, because of its size, makes participation more indirect and power distant from the daily loci of work. Despite these difficulties, the aspiration to be a member and the hope persists that, by means of dialogue, there will be a change toward a greater degree of participation.

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What was characteristic of these roundtables was the expression of conflicted views on the same subject. The commitment to the cooperative idea of membership and participation itself seems to engender a strong focus on precisely those areas where it appears that this commitment is not being lived up to. While complex organizations often have such dynamics, the ideological commitment to participation creates a special degree of alertness to ways in which the value-added of being a member is diminished. There is a kind of ideological purism here that holds the cooperatives accountable to continual and legitimate scrutiny about the degree to which they live up to their announced social ideals.

The failures in this area are obvious. Participation in the workplace and in working relationships is much less well developed than in the social institutional structure of the cooperatives. The value-added of being a member as an owner is clear, but to the member as a worker, (other than guaranteed employment, of course!) it is far less apparent. While it might be possible for management and for theoreticians interested in the social structure of cooperative systems to overlook this discrepancy, the human experience of the various contradictions between one's own role as a member and as a worker cause this issue to remain alive. It also makes possible what has been seen in the interviews and roundtables: the sincere and well-founded expression of apparently diametrically-opposed views.

Equality/Hierarchy

In having clear hierarchical dimensions, the cooperatives do not differ from other firms. Within Fagor, hierarchy is accepted as a necessary outcome of organizational requirements driven by the need to be efficient and competitive in the real world. Yet from the point of view of compensation, the cooperatives of Fagor distinguish themselves from other firms because of the modest differences between diverse pay levels. And, of course, since everyone is a worker-member, a co-owner, there is a guarantee of a certain kind of equality.

How, then, do the apparently opposed concepts of equality and hierarchy fit together in the cooperatives, or repeating the question as posed by the roundtable moderator: "Traditionally we have thought that in the cooperatives we should be equal...and we all are more equal than in other firms. Does this equality really exist among us?" Two quite different views appeared at the roundtables.

Because this subject was dealt with in two roundtables whose composition was quite different, it is necessary present the distinct dynamics of the two groups separately. In one there was virtually no evolution of ideas throughout the hour and a half. It was an exposition of firm positions based on coherent, structured concepts. When contradictory positions were stated, there was no disagreement from others. No one made an effort to defend his/her own position, perhaps being silenced by the absolute certainty with which all opinions

were expressed. At this roundtable, the value of utopian egalitarianism was discarded, because in fact:

> At work, in everyday life, in our own personalities, we are all very different, as is natural.

> But it is clear that we are relatively more equal than in other kinds of businesses.

Instead, the fundamental equality embodied in the Social Statutes was insisted upon:

> We are co-owners of the firm, we are equals in the General Assembly when we approve the business plans and make other important decisions or elect our representatives to the social bodies that hold the power delegated to them by the sovereign Assembly. We are equal before our laws and regulations.

This fundamental equality is not considered to be theoretical, but is reflected in reality in

> ...the limited remunerative spread or the type of relationships found among us more of one equal to another, and the fact that the individual member in any category is more protected from the possible arbitrary behaviors of a supervisor.

Participants asserted that a different concept of equality is found in the Fagor cooperatives from other kinds of cooperatives (*e.g.* agricultural cooperatives, consumer cooperatives, etc.) in which equality makes fewer demands on the individual member. ''There is a more appropriate and suitable concept that expresses our type of cooperative relationship which is compatible with social hierarchy, and that is *solidarity*.''

Solidarity is understood as the ''union of wills and efforts to solve problems and to achieve common objectives.'' Solidarity is ''less romantic than equality'' but solidarity is real in the Group. ''It has been manifest especially in times of difficulty,'' referring to the current recession. The last years have made manifest the solidarity that exists, not only among the individual members, but especially among the cooperatives of the Group.

The participants in this roundtable were familiar with the expressions ''those above, and those below'' and intensely disliked them. ''We don't like them, they bother us...because they are not true...they separate me from others with whom I feel united.'' They asserted that these terms arise from the non-cooperative surrounding environment and are also explained ''by the excessive size of the cooperatives'' that makes difficult ''the mutual acquaintances among persons; where there are stronger personal relationships, these expressions are heard less and they lose their pejorative sense.''

They were aware that sometimes radical and exaggerated criticisms are heard such as ''those above made the regulations and those below obey them'' or ''here we operate by 'I order, you obey.''' Those dominating the discussion felt

that such assertions should not be dignified with a response because they are clearly false.

This roundtable was a collection of monologues. There was no confrontation of discrepant voices to move the discussion forward. It was not a conscious decision taken by anyone, but it shows some of the lack of communication alluded to in the interviews. The importance of the discourse of ''those above'' and ''those below'' was obvious in the vehemence with which it was rejected.

The other roundtable developed very differently. Here participation was broad, debate was lively, and ideas developed over the session as each position was modified in response to others. Confronting the question of *de facto* equality in the cooperatives, the first unanimous answer was clear and passionate:

> No, of course we are not equal. We are in no way different from other businesses.

> No matter how equal we are in theory, in reality we are not.

> I believe that we are less equal among ourselves than the workers in a capitalist firm: being members, many of us often have to put up with things that workers in other firms would not tolerate.

Spontaneous expressions about ''those above'' and ''those below'' manifested the inequality for this group. These two ''estates'' were perceived as clearly separate, although in response to the question ''who are those above,'' no one at the roundtable could mark the dividing line easily. A first response was to identify those above with the apex of hierarchical power: ''The Management, the Governing Council, the Management Council.'' But, as the issue was analyzed more in the debate, ''those above'' were expanded to include immediate supervisors.

The relationship between ''those above'' and ''those below'' was asserted to be alienating for the latter: ''Those above make the rules, those below obey them.'' It was clearly felt that this inequality between ''those above' and ''those below'' is experienced as a wrong caused by the unequal distribution of sacrifices caused by the measures taken to meet the economic crisis. Past times were described in which ''if you saw a piece of scrap on the floor, you picked it up because it was worth a *duro* [a 5 peseta coin]. Today you give it a boot, because today the cooperative doesn't belong to all of us.''

The atmosphere in this roundtable was open and passionately sincere in the expression of these complaints and criticisms. The repetition of the same ideas in different words with different shades of meaning manifested the need to speak out and be heard on this subject. This was a message the members wanted to get across to us.

Yet, as in most of the roundtables, after a first phase of expression of purely negative criticisms, the mood of the discussion spontaneously changed, with criticism and self-criticism alternating. As a result, concepts were made more precise. For example, the participants began by affirming the possibility of achieving greater equality: ''Our statutes and regulations permit us to achieve a

greater·share of equality.'' Yet the equality sought was defined as limited: ''We cannot be equal, that is a utopia.'' What, then, is being asked for when the right of equality of being claimed or when it is being demanded in complaints about not being equal? It is not a favor or a prebend: ''Being equal demands being responsible.'' And at this point in the discussion, there was an important self-critical moment: ''Aren't we afraid of responsibility. Do we really respond to it as equals?''

A specific reason the participants gave for the failure to satisfy aspirations for greater equality was that ''work groups'' where there is greater liberty to organize work, to negotiate objectives, are not more widely deployed in Fagor. Thus they identified a key problem as the failure to extend participatory processes more broadly in the production arena itself.

Another cause offered for the lack of equality was the development of an authoritarian management style that takes little account of the person: ''To be responsible, we have to feel that we are being treated like men. If dialogue is lacking, how are you going to respond?'' Thus, the essential constituent of equality is not the rights and duties that the statutes give members. That dimension of equality was called ''theoretical'' by the roundtable participants. Equality, more than a particular legal right, is the recognition of the personal dignity of the worker. Such recognition is gained only through good human relations at work and a dialogue between equals.

The participants in both roundtables judged the importance of the legal and statutory bases of equality differently. For some, equality is based on the rights and obligations that the Social Statutes recognize for all. They are not just ''paper'' rights but translate into realities, *e.g.* the limited remunerative spread, the legal security of membership, relationships ''between equals.'' For others, equality based on the statutes, though important in making real equality possible, is only formal and ''theoretical.'' In spite of it, relationships that often are alienating for the inferior strata of the hierarchical structure are permitted to persist.

The inequality between ''those above'' and ''those below'' is experienced as an injustice caused by the differential distribution of the efforts and burdens imposed by the recession. Human relations of mutual commitment and the dialogue among equals are important for all, but for some, it is the essence of real equality. All agreed that total equality is a utopian idea. A more suitable concept than equality for the cooperatives is solidarity, understood as ''the union of wills and efforts to achieve common objectives.''

The different dynamics of the two roundtables merit consideration as well. Starkly different views of the key problems of the cooperative existed, and these were magnified by very different styles of discourse. While in one roundtable, all flat assertions were contested and modified; in the other, bald statements were allowed to stand and were emitted with a degree of self-satisfaction that itself demonstrated serious problems of communication about key issues. This is particularly important because some of those involved were among the important cooperative leaders.

Finally, the asymmetry between the attention given to cooperation among members as members versus that given to members as workers was starkly clear. The future of Fagor lies very much in the fuller development of the participatory workplace.

Participation, Power, and Authority

From the point of view of the culture of the Fagor group, the concepts of participation, power, and authority, beyond their formal legal meaning, manifest themselves in concrete forms. Legally ultimate power resides in the General Assembly formed by all the member-workers on an equal basis via the principle of ''one person, one vote.'' The General Assembly elects the Governing Council, the everyday governing body of the firm and which, in turn, designates the management. The management is subject to the Governing Council. The membership also elects the Social Council, the body that represents the members as workers. It has responsibilities for information, advising, and social oversight.

The business organizational structure is very similar to that found in other kinds of firms. It is a hierarchical structure, although subject to unique controls. Officially participation is the management philosophy. Work groups operate, although they are not widely distributed at present, for reasons discussed in Chapter 6. External observers, like the Whytes, have emphasized that Mondragón has developed original avenues for participation within the membership-related social structures of the system, but that by contrast, a parallel development has not occurred in its productive or business organization (Whyte and King Whyte, 1991).

It is obvious, however, that power in an organization with democratic roots must legitimate itself outside the exclusively legal realm through its effectiveness in the development and operation of the organization. The way power is exercised in accord with the values of the organization and how it contributes to the development and extension of industrial democracy are crucial.

The structure employed for these roundtables started with the cultural concepts underlying the Group. Specifically the questions focused on assessments of the existing degree of participation and the obstacles to it; the possible dichotomy between power and participation and between rules and realities; the level at which decisions are made; the degree of dispersion or concentration of power and where power resides; the legitimation of power on the basis of the authority and efficiency of management; and means to increase participation and member control.

To begin with, the participants described a number of internal and external obstacles to participation. To explain why people do not make use of the legal possibilities of participation, one answer offered was that these possibilities do not relate directly to the everyday life of the firm, to the workplace. Another was that participation means implicating oneself personally in the management

of the cooperative and taking on responsibilities: "We are afraid of taking on the areas of equality and self-management."

The lack of appropriate education was felt to be an obstacle to participation because to participate, it is necessary to have knowledge and to be well informed. As in the interviews, some expressed doubts whether the information that is given is really intended to inform: "You have to decide if they really want us to understand what is said."

It was thought to be very hard to achieve participation at the level of individual members because "It requires idealizing [about human beings]; and human beings are very individualistic." They pointed out that if the cooperative aim is to create a utopia eventually, this message has not been widely received. Their experience has been that most managers, when pressed for decisions, clearly felt that only the economy has logical and rational laws and that economic logic must be obeyed. They generally see social considerations as utopian, something a luxury to be indulged in good times.

In some work groups, there is a high degree of participation, but doubts were expressed about how widely these groups could be spread: "If everyone took this path, how far would those above let them go and to what degree are people prepared to take on these responsibilities?"

While fear and dissent mitigate participation, but personal limitations also seemed important to the roundtable members: "If we didn't become so stubborn, we could achieve many things." They also felt that society at large with its current, more individualistic values, works against participation: "Earlier it seemed that [we were backed up] by a greater...social movement, but today individualism predominates." They generally felt that "the cooperatives cannot resolve problems that are generated outside and crystallize here."

From these roundtables, we learned that members believe there is not as much participation as is possible within the structure of the existing system. Part of the reason is that participation implies responsibility and a fair number of members shun these responsibilities, because of their personal characteristics and/or because they lack the appropriate education and information. A general social environment that strongly stresses individualism does not help to solidify the cooperative movement either.

In spite of the obstacles, people do want to participate; the roundtables and interviews made clear their strong attachment to this ideal. Most seemed to believe that participation in the minutiae of operations could lead to inefficiency in the cooperatives as well as to a lack of attention to the larger issues. Even so, to give up any area of participation seemed risky, even if participating in trivial areas would be counter-productive.

This is a classic problem of democracy. Both extremes, managerialism and massive participation in every decision, are unattractive. Within the cooperatives themselves, just as in the Fagor Group as a whole, there is a continual balancing act between the values of participation and efficiency in which criticisms such as those reported here play a critical role.

> Why should I vote on useless things (work schedules)?
>
> A person should participate in the big decisions and not in deciding the diameter of the sheet-metal.

Yet, they also stated that participation is not exhausted by involvement in the big decisions; it must occur in all areas that affect the individual. For this to happen, people must be consulted and informed in a timely manner, not after decisions have been made. If such consultations occur, they produce valuable results.

> People know how to think and reason on their own level and you have to get to it.

And

> In my cooperative, job-related problems are negotiated a bit and the experience has been a positive one.

If participation is possible at the every-day level and within the reach of all members, what does this mean about the locus of decision-making in the cooperatives? The participants felt that regardless of the locus of decision-making, in a participatory system, decisions must always take the involved people into account. Doubts were expressed that this is the case now:

> The making of decisions is getting farther away from the base, yet from inside things can be seen that cannot be seen from outside.

And

> When orders come from 2 or 3 steps higher, that causes mistakes.

Some of the roundtable participants felt that the exercise of power is strongly conditioned by the quality of the information available. As a consequence, whomever has more control of information has more power. This person is usually the manager, the one above: ''Power is above us.'' Yet the opposite view was also expressed. For some the attempt to democratize the use of power throughout the whole structure is precisely what makes the cooperative system unique:

> Power is much more widely distributed [than in another kind of business].
>
> The one giving orders is subject to a continual, ironclad control by his workers.

Basically these differences in views corresponded to the different positions the speakers held in the structure. For those at the lower levels, power is not widely distributed enough. For those in positions of authority, power is experienced as

highly diffused and subject to tight controls. These are classic differences of perception and would be found in most large organizations.

It is interesting that such perceptions persist within the cooperative structure and are linked to the "those above, those below" discourse which generally starts with the assertion that "Power is above us," and that "above" means "fundamentally...the supervisors." Although it is undeniably true that power increases as one moves up the hierarchical pyramid, in the roundtables this translated into the idea that the harsh measures have devolved upon "those below," as if they did not vote directly or through representatives on these measures.

Whatever the cause, there is a lack of sense of ownership of these tough decisions. At the same time, the participants recognized that this process also affected those above by causing increasing "demands for improved management" and by worries that the efforts of managers were insufficiently appreciated by the general membership. They believe there is broad ignorance of the character of managerial work, while the general work-force lives with a sense that there is a lack of understanding or attention to their problems. This asymmetry of perception creates proto-typical barriers to communication.

The participants rejected the notion that this set of positions – "those above" and "those below" – corresponded to class warfare, though they recognized similarities in the discourse. "Some have tried to transplant class warfare to the cooperatives, without realizing that this is a different context." Nevertheless, it was obvious from the roundtables that the differences in perceptions correspond closely to differences in interests that arise from the functions that the individuals perform in the cooperatives.

It became clear again through these roundtables that power itself is neither easily discussed nor legitimated in the cooperatives. The ideology supporting the cooperative system makes the open recognition of power differentials and the exercise of power in the group difficult to accept ideologically while, at the same time, the business structure demands the timely and effective use of power. The linkage between management and power is problematic and leads to harsh criticism of management, occasionally simply because managers are perceived to have power. In the cooperatives, in addition to the normal problems of management, managers must deal with the generalized ambivalence about power itself that pervades the system.

This problem has been exacerbated by recent experiences with management. The rotation and expansion of management teams caused by economic growth and then the recession has moved people with good basic education but lacking in experience into management positions. To the extent that they have had problems, they fall prey to criticism and to questioning of the legitimacy of concentrating power in management.

The recession has made evident some supervisors' incapacity to adapt to the changing conditions. Cases were alluded to also where cooperatives in a good economic situation were operating poorly, thus discrediting the legitimacy of management's exercise of power. Power is only given to managers on the

condition that they manage well; if they do not, the power they have is illegitimate.

"I don't understand an operation that has many millions in losses while we are working at full steam." Sensitivity to poor management is highly focused and "the membership is waiting to see poor management sanctioned." The lack of such sanctions is experienced as a weakness in comparison with other types of firms, the assumption apparently being that private firms must operate according to thoroughly rational economic principles.

Inadequate management carries with it a lack of credibility: "We are tired of seeing restructuring plans that never go forward [in one specific cooperative]." This in turn "burns out the membership unnecessarily...then try to tell them that everyone has to put their shoulder to the wheel together, but the one who has to come to work on Saturday is me."

It also became clear in the course of the roundtables that many of these attitudes toward higher levels of management arise from the experience of small management mistakes at the lower levels, mistakes which were not resolved or sometimes even attended to. Poor foreman/worker relations often seemed to serve as the paradigm for general thinking about management and power relations among the workers. They simply extrapolated these inter-personal experiences to the higher levels, making virtually no distinction between middle and upper management. That middle managers themselves might be subject to contradictory pressures from above and below did not seem to be clearly perceived.

Interestingly, there was also widespread recognition that the quality of management in the cooperatives has improved a great deal over time. Proof of this were the unanimous statements that, in spite of the bad times gone through, a climate of economic security has been generated that is incomparably greater than that in the surrounding area and is highly valued. It was also recognized that many, even painful, measures have contributed to the preservation of jobs during the recession. Yet it was not clear that the participants thought good management should have higher rewards than it receives. Nor did this recognition legitimate the concentration of arbitrary power in management roles.

The sensitivity of the membership to the quality of management is clear and nothing brought forth ideas about the illegitimacy of concentrated power more than doubts about the quality of management. This is not surprising, given the circumstances the cooperatives have gone through, but it would be dangerous to deduce from this that business management in the cooperatives is of poor quality. The cooperatives are famous among researchers for having better than average managers, and in the roundtables, this reality was recognized. Indeed the quality of management seems to be widely recognized, along with its highly positive effects on morale: "Insofar as the decisions are correct, the people gain confidence and it doesn't bother them so much not to participate in these decisions."

But another dynamic also seems to be at work. From the roundtables and interviews, it appears that ambivalence about power in the cooperatives is a

basic feature of the Fagor culture and creates an internal dynamic focusing constant attention on power differentials and problems of power. On the one hand, the members recognize that they live in a highly democratic system over which they have ultimate control and often feel that management has achieved important successes in the face of major obstacles. On the other, some participants felt that there is a cooperative crisis because:

> People feel themselves subject to certain measures, they tolerate them, and they have the feeling of not having intervened in the decisionmaking process, in arriving at the solution employed. This makes us like all the others, it is not the cooperative formula for resolving a crisis.

But in the face of this statement of crisis,

> I observe a tremendous cooperative spirit in many people, but this sector does not manifest itself. There is no organization with the necessary capacity to foment cooperative militancy, rather there is isolation. [With this missing organization] participation would be increased.

When asked how these problems might be overcome, they suggested a variety of approaches:

> Participation should go in tandem with educational and other processes that need to be developed to foment commitment to the cooperative experience. ... We must search for a way out, of ending the blockade – and not that of striking – when there is no consensus.

They felt it was necessary to stimulate communication processes, to organize work so it increases interest and participation, and to create new businesses within the cooperative: ''If you are not part of the solution, you are the problem [popular phrase after the events of May, 1968 in Paris].'' This statement sums up nicely the degree to which their criticisms were complemented by an active desire to improve the situation.

An important tool would be improvement in the quality of dialogue:

> I am a member just like the manager; you have to dialogue with people, treat them like people. ... I had a supervisor who I couldn't say no to about coming in on Saturday or Sunday; it was that he spoke to you like a person.

Being a cooperativist should cause ''the important decisions to be debated by the largest possible number of people.'' This, in turn, leads to an analysis of the current malaise: ''There has not been any dialogue ... Dialogue is lacking and that creates ill will.'' As attractive as this view might be, the roundtables and interviews simultaneously provided the opposite picture as well. Referring to a wide variety of major cooperative decisions, the observation was repeatedly made that broad consultation had brought about consensus: ''By the time you approve of something, there is a pretty clear consensus.''

In sum, participation is not all that it could be because of the lack of sufficient education and information and because participation demands effort and

the taking on of commitments. It appears that relatively few members are prepared to assume these responsibilities, even if they recognize that through participation, they can achieve greater quotas of self-management. At the same time, many are prepared for and seek a greater degree of participation, if it means that they can decide on subjects that affect their work directly and that their contributions would be taken into account. That is to say, participation in the workplace is felt to be inadequate while it is highly valued.

The legitimacy of managerial decision-making is recognized, but there is considerable ambivalence about the exercise of managerial power. This is especially evident when decisions are made without taking into account those affected by the results and when decisions do not have the desired results.

Where power resides is not clearly articulated. On the one hand, the sovereignty of the General Assemblies is recognized. On the other, power is thought to reside principally with the executive group. Both observations are true and are not incompatible. But in the internal discourse of the cooperatives, these nuances often are lost in their fundamental ambivalence about the concept of power itself.

One product of ambiguity in thinking about the exercise of power is the creation of the dividing line between ''those above'' and ''those below.'' Another is that the exercise of power, even power exercised at an excessive social cost to some members, is legitimated through its global efficacy. If the decisions work out and the economic results are good, the exercise of power may not be liked but is likely be accepted. If they do not, the exercise of power will be rejected. To overcome these kinds of dissatisfaction, the participants articulated the need for better human relations; for respect for basic equality; for open, communicative dialogue; and lastly, for negotiation as a way to conciliate interests that are recognized to be different.

But these are vague formulas. The fact remains that power itself is an intensely problematic concept in the cooperatives. The exercise of power, coupled with the existence of internal hierarchy, although considered necessary, creates internal discourses about these subjects that differentiate greatly the existential experiences of the cooperatives for people located differently within them.

Information/Communication

The exercise of participation and the distribution or concentration of power is directly linked to the information the members have at their disposal. In turn, the quality and effectiveness of communication mechanisms, as vehicles of information, play an essential role in the members' perception about how well informed they are, about the decisions that are made, and about their control over them.

Member rights to information are guaranteed in the cooperative Social Statutes, both to individuals directly, as well as to the membership through the Social

Council. This information refers to all aspects of the cooperatives and the actual flow of information is tremendous. At least trimestrally, the Social Council and the membership are informed about the movements of the key economic variables in the business over that period, as well as about other internal, operational matters. In preparation for the annual General Assemblies, multiple informational meetings are held. Throughout the hierarchical structure, formally established work area meetings, taking place monthly, transmit general information about the cooperatives, as well as information about the particular department or section where the meeting is being held.

But as noted before, flow of information is not the same as communication. One of the most difficult problems of the cooperatives is to convert masses of information more successfully into effective communication. For some participants in the roundtables, information is in excess. They see the avalanche of information as an index of "excessive bureaucracy," since there are "a huge number of consultative bodies," all of them needing to be informed. While this means that there is a sufficient degree of diffusion of information, it also points out that many members believe this process is not very nimble.

The opposite view was also expressed clearly:

> ...excessive openness? You are more likely to find out what is going on at the Portalón [well-known public plaza in Mondragón] than in the factory.

> You hear in the street about things that are not discussed in the Social Council.

This produces very negative effects, to the point that "in my cooperative, the people don't have faith in anything."

This is even more noticeable in certain groups: "the people in the workshop generally have little information, they find out about things at the Portalón, and this takes away their desire to do anything." In addition, the depth of the information provided was questioned: "Do they give information to people about the problems the people themselves have?"

The way certain supervisors pass on information is highly valued because a few are able to establish authentic information channels. When supervisors are successful at this, dialogue is recognized to exist and satisfaction about communication follows. Overall members feel that dialogue of this sort is lacking.

It is difficult to reconcile these differences of perspective. On the one hand, there appears to be a huge amount of information, but poor communication. When communication skills are present, complaints about information are lessened. When communication is poor, all the larger concerns about power and "those above" versus "those below" are provoked by the very process of providing information.

This is particularly disturbing in the cooperative context, because the cooperatives are characterized by the openness of all information to the membership and yet, communication problems continue to exist. Indeed, it appears that, in

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spite of the efforts made, the solution to the problem of ''informing'' the membership has not been found.

Rules and Regulations

The legitimation of power, insofar as it is possible in the cooperatives, is accomplished by its efficacy and by the way in which it is exercised. One mechanism for controlling the arbitrary use of power is to regulate it. One set of rules properly applied to everyone can guarantee fairness. But too much regulation can lead to the paralysis of the means to resolve conflicts generated within the organization.

The basic regulatory framework of Fagor is constituted by the Social Statutes and the By-Laws, which are approved in the General Assembly after full debate. In addition there are multiple regulations, some also approved in the General Assembly and others approved by a governing body with prior review by the Social Council. The overall compilation of regulations is highly structured and covers the most important social and work relations. The recession gave the process of developing regulatory structures a major impetus.

In the roundtables where this subject came up, one of the most striking facts was perplexity about the regulations that exist. A degree of unhappiness was expressed over the many actions taken to deal with the economic crisis, but as this discussion developed, a contradiction emerged. It was recognized that the actions taken followed regulations approved by everyone, directly or indirectly. At the same time, there was a genuine sensation that participation in this process was insufficient. This perplexity materialized in the affirmation that ''all these measures have been approved by the collectivity, and yet there is no dialogue; this is one of the contradictions that we have.'' Thus there is a simultaneous recognition of the role all play in making the rules and yet a feeling of being subjected to rules in an undesirable way. While this is true to a degree in all social systems, it appears to be much stronger here.

Why do the members not feel ownership over the rules they themselves have approved? Certainly it is not because the cooperative response to the crisis has been poor. Indeed the roundtables affirm the general conviction that the cooperative economic response to the crisis has been very good, with special emphasis placed on the unflinching defense of jobs. While the negative impacts of the measures taken are thought to be felt more by the less-skilled workers, everyone recognizes that they have had important consequences for the more professionally-skilled workforce as well. While these impacts could have been lessened through greater attention to the interests of the individuals, the adopted measures have been oriented toward the economic recuperation of the cooperatives without the loss of jobs.

All of this said, there remains a feeling of alienation from the complex structure of regulations. Everyone recognizes that regulations can help prevent the arbitrary exercise of power. They also see the process of developing regu-

lations as a process of collective thinking under democratic control. Yet the vast body of regulations is seen as a negative force. Part of the answer to this dilemma is perhaps to be found in the connections between this issue and those of power and communication. To the extent that power is not exercised in an acceptably participatory manner and information is substituted for true communication, the regime of regulations can be an instrument of social distance. Fair rules impersonally or unpleasantly enforced may be experienced as coercive or at least as alienating. Fair rules, properly applied, can be compatible with cooperativism.

Once again a core debate in the culture of the Fagor Group is apparent. To achieve the goals of a truly participatory democracy, a great many regulations have been democratically created; yet these very creations cannot guarantee a high quality of participation in decision-making and transparency in communication. To the extent that these are lacking or felt to be lacking, a democratically-developed body of regulations can be experienced as (and can be) an alien imposition and substitute for dialogue and strong human relationships.

Conclusions

Since this is the last substantive chapter of this work, the broader conclusions and policy implications will be reserved for Chapter 9. Here the intention is to summarize only the dimensions of the culture of the Fagor Group that the roundtables succeeded in bringing forward most clearly.

The roundtables provided the needed balance to the purposely negative emphasis of the interviews. Without any intervention from the conveners, the participants in the roundtables nearly always countered extreme statements in either positive or negative directions with balancing views from the other side. Often in this dynamic, those who initially articulated the extreme position modified their views and occasionally even posed the opposite of what they had said as being equally plausible.

It would seem that Fagor is a dialogical environment, a place that lives significantly through infinite conversations and meetings. The experiences of individuals are affected by the production activities and fashioned by social discourse they participate in. Only the roundtable method succeeded in providing a sense of this.

The importance of this dialogical dimension goes far beyond any curiosity about discourse. The energy evident in the discussion and contrast of views demonstrated clearly why the cooperatives of Fagor continue to succeed, despite everyone's recognition of the existence of important problems. The differences of position center on evaluating the success or failure, the possibility or impossibility of improvement of dimensions of cooperative life that everyone agrees are vitally important: solidarity, participation, communication, and social justice. Their deeply-shared values set the terms of the debates and focus attention on the areas that must be improved.

This provides a demonstration of the meaning of the concept of corporate culture articulated early in this study. Culture is not that which is homogeneous, that which unites, the ''ten commandments'' of Fagor. Culture is an arena of shared commitments to broad principles, a set rules of the game for the participants to use, and the sum of the diverse experiential worlds of each of the members. The core of culture is debate about means to accomplish highly valued, even transcendental ends. The experience of culture is a continual process of comparing and contrasting personal experiences with the larger goals the group is supposed to stand for.

Finally, these roundtables demonstrated another important feature of all cultural systems, one often forgotten in writings about corporate culture. Culture is a system; it has patterns. The parts of culture hold together through the consistency between the elements, by the power of the total world of meanings they create to convince and motivate people. Thus, while it is possible to inventory the problems of Fagor, it is not possible to treat them as neatly separable. Issues about power elide with those of communication and information. Equality links to these, and so on.

At any given moment for a particular person or group, one of these dimensions may be the most prominent, but Fagor Group action plans must deal with systems, not discrete problems. Intervention must take account of the overall pattern of the culture of the Fagor Group.

Chapter 9: Conclusions

Through the Fagor research project, a variety of structural and process features of the Fagor Group have been clarified. Some problems identified during the research have become priorities for future study and action in Fagor. These emerged as a result of the interviews and roundtables, rather than through documentary and survey research. Only after combining members' personal views of the experience of living in the Fagor with the documentary and survey results were we able to form the view of the Group laid out in this work.

Essential to this view is a conception of the Fagor system as a set of institutional processes and cultural discourses that promote both solidarity and conflict. Every core value has its attendant debate and all institutional processes contain important alternatives. The experiential quality of Fagor can best be understood by the debates it causes, debates about efficiency, participation, authority, power, communication, cooperation, and many other issues and by the variety of institutional means it uses to change itself.

Implied in this study is a daunting future agenda for the Fagor system. In an environment of increasing international economic competitiveness, the cooperatives must work to enhance scientific, technical, and managerial expertise while increasing effective participation. They must communicate more effectively about increasingly complex institutional and economic issues. They must bring participation more successfully into the workplace to match the sophisticated democratic processes existing in the social bodies. We hope that ongoing research in Fagor will contribute to the search for and implementation of solutions.

In retrospect, it is clear, and not surprising, that Fagor's institutional approach to problem-solving conditioned the research process. While by no means limited to research in cooperative systems, participatory action research worked particularly well in Fagor because it mobilized familiar organizational processes. The collaborative research into the history and dynamics of Fagor and the roundtables were carried out by participatory teams in group contexts, just as important dimensions of the everyday business of the cooperatives are. Thus the research process itself is, in fact, another exemplification of organizational and cultural features of the cooperatives. Fagor members' willingness to conduct this sometimes burdensome research process and to accept conclusions that required changing the Group itself in miniature, helps explain

how the cooperatives of Mondragón have remained innovative and successful over the years.

Fagor as a Process

It is difficult to capture the varied and processual character of life in any organization. Because diversity and process are essential themes of this study, this difficulty has been particularly acute for us. The organizational structures and cultural systems of Fagor are linked historical processes. Conceptualizing them as fields of activity, rather than codified rules or rigid structures, has been the challenge throughout[93].

Core Values and Limits to Permissible Change:
A critical dimension of Fagor's success is the separation between general principles of cooperation and specific organizational forms, a distinction that permits institutional change without the necessary sacrifice of fundamental values. Despite the importance of general commitments to industrial democracy and due process, Fagor members aim to create better work situations, without insisting that the system be a perfect one. The guiding vision measures practical possibilities against industrial democratic ideals and focuses on ways to achieve successive approximations to the ideals in an environment of continual economic and social change. This is coupled with the heterogeneity of member beliefs and experiences, a diversity that provides sources of criticism and suggestions for alternative courses of action. Working with these materials, Fagor members strive to succeed economically as industrial cooperatives and are willing to engage in some of the far-reaching change processes documented in earlier chapters.

Yet it would be a mistake to over-emphasize Fagor's commitment to change because while change is prominent, it is not unrestricted. The basic equality of every member, achievement of industrial democracy through cooperation, the application of one set of rules to all members, and the maintenance of a balance between economic performance and democratic values in the workplace are core values which underlie Fagor's operations. While negotiation and debate are important, they are limited to discussions of the organizational means for living up to the core values in the context of a changing, and not particularly hospitable, environment.

Process Rules:
One feature of Fagor as an organization that helps explain the link between democratic management and organizational learning is the overarching agreement that every member of the cooperatives must abide by the procedural rules of the cooperative system. Obviously, having a rule that applies to everyone does not create a democracy, but in the Fagor context, commitment to one set of rules for everyone becomes an organizational expression of the core value

that treats every member as a full member. Member equality organizationally means that all members are identically subject to cooperative rules.

One of the lessons of the strike the cooperatives went through in 1974 is that refusal to follow the process rules of the cooperatives results in expulsion. The strike was brought on by a minority that had failed to achieve their objectives through the existing participatory structures in the cooperatives. By striking, they asserted a right to step outside the boundaries of the processes everyone in the system followed in order to achieve their goals. The ultimate reaction of the membership was a repudiation of this option for members.

A focus on process also helped us in evaluating the contributions of the founder to the cooperatives. We came to emphasize Don José María's attention to values rather than structures, to ideas rather than forms. He imparted a set of ethical and conceptual guidelines to a small group of people and encouraged them to work to embody these values; he did not create a set of fixed structures for them to live in. Thus from the very beginning, the aims of the Group were separated from the current structure of the Group. Since then, Fagor has generally kept its structure negotiable, within the bounds set by general basic values, and scrutinizes its institutional forms see how well they embody cooperative values.

"Good Dialectics":
Reading some of the influential works in current organizational theory helped focus the research effort[94]. The approaches of Schön and Argyris, for instance, captured some of the processual properties of Fagor we had come to believe were important, permitting a more analytical presentation of the case. Schön and Argyris' emphasis on organizational learning corresponded closely with our sense that key features of the Fagor cooperatives are found in their ability to change structures in response to shifting internal and external conditions, while maintaining commitments to key cooperative values.

We found that the Fagor cooperatives often exhibit what Schön and Argyris call "good dialectics"[95] in core institutional areas (*e.g.* compensation, voting rights, revision of by-laws). At the same time, negative forces in organizational dialectics, which suppress certain problems or cause problems arising in one place to be shunted off elsewhere in the system were also highlighted through this approach. The character of some of these problems will be discussed below.

Fagor as an Environment for Discourse

Fagor is an organization that carries out its operations through discussion and debate. While free and perfect communication does not exist, a great amount of the business of Fagor and the members' understandings of what is going on develops in an environment of dialogue. Work groups, Social Councils, General Assemblies, Governing Councils, commissions, task forces, and committees

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abound in Fagor, occupying a huge amount of member time. Rarely is anything of importance acted on without hours of meetings in which discussion and debate is prominent, in which arguments both for and against particular actions are arrayed.

The meeting process does not always work perfectly nor does it always produce good results. It does permit members as members to contribute to the analysis and resolution of issues and can mobilize the diverse experiences of different members (from their private lives as well as from their jobs) in the development of different courses of action. Through such discussions, general understandings – which sometimes do not resolve, but identify important disagreements – are arrived at. Through discourse, elements of the corporate culture of Fagor are developed. These, in turn, become the point of departure for the inevitable reconsiderations that will follow in the future.

Heterogeneity and Organizational Culture:

Simultaneous attention to organizational process and to discourse caused us to recognize and emphasize the heterogeneity of the Fagor scene. Our emphasis on social and cultural heterogeneity did not arise from a belief that Fagor is more diverse than other systems, but from a conviction that all systems must be understood in terms of the diversity within them. Only through a knowledge of internal diversity can the scope of a system, its potential for change, its limitations, and its historical trajectory be understood[96].

The connection between heterogeneity and the ongoing elaboration and redefinition of institutional structures is an essential element in the ''organizational culture'' of Fagor. Deeply-held values set the terms of discussion and cause members to focus their attention on particular areas where improvements are to be expected. The quality of participation must be improved; communication must be clearer for members to cast their votes effectively; economic efficiency must be balanced against social values; etc.

In this sense, the ''corporate culture'' of Fagor should be conceptualized as an arena, bounded by shared commitments to one set of process rules for all members, in which the ways to embody basic values better are debated. For each member, an important part of the internal experience of Fagor's organizational culture is the continuing process of comparison and contrast between personal experience and the larger goals that Fagor is supposed to stand for.

This analytical approach rests on a view of culture at odds with what has generally been meant by ''corporate culture''[97]. The Fagor study shows that a strong corporate culture, even in a cooperative system, does not have to involve a depressing degree of cultural uniformity. Guiding ideas do not have to be the same in every head. Strongly-held values should be understood as the ones so important that they cause members of an organization to debate over them; they are the very stuff of conflict. We identified the basic values of Fagor as those important enough to the membership to generate continual tension, debate, and change in the system, *e.g.* power, efficiency, equality, etc.

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As a view of culture, this makes good anthropological sense since anthropologists generally treat culture as an active force in life, believing that people live out their cultures in an active mode. Humans are not robots equipped with a cultural "piano roll." When anthropologists describe culture as a set of beliefs, they mean that, to the extent something is cultural, it is "real" and existentially vital. Culture is about that which is "truly real," of transcendent value in life and people spend their lives within multi-leveled cultural systems which they both build and which shape the realities they live out.

Culture also has system properties; it is patterned. Values are not gathered together in some kind of heterogeneous bouquet of cut flowers. Belief in some things implies belief in others and tension and conflict about still others. There is continual pressure for consistency between the elements of culture. Humans spend a great deal of time working to make sense of the world by tidying up cultural categories. Without some consistency between the parts and unless expectations are in some way met by what happens in the world, people continue altering their cultural systems until the pieces fit better[98].

This is a far cry from the "ten commandments" approach to corporate culture often found in the popular and business press and literature where corporate culture is portrayed as the force which unites and homogenizes groups. To think about Fagor in this way does violence to our observations.

The Fagor case also suggests that managers elsewhere who are tempted to strengthen organizational culture in order to eliminate internal conflict are likely to be disappointed. Either they will fail by creating a pseudo-corporate culture that is only an internal marketing image, or they will succeed in getting creative cultural processes under way and then be quite unhappy about the amount of debate and dynamism this creates.

Mapping the Corporate Culture of Fagor:
One of the productive processes early in our research effort involved the use of the literature on Mondragón as a foil to bring our views about the Group into awareness and to make them debatable. This process of "mapping" is alluded to in Argyris and Schön (1978) and is, thus, not unique to this research. It was, perhaps more systematically carried out in this case than in most others, through a month's seminar with Fagor members[99].

Contrast not only played an important role in the research process, but it is vital to the cooperatives themselves[100]. The dialogue between members and the professional social researcher resulted in the development of a collaborative project which offers a view of Fagor that shows some balance between internal experiences and external perspectives.

Contrast was also at work on other levels. During the research, we became aware of the importance of members' own comparative evaluations of cooperatives and private firms for morale in the Group. Repeatedly, we were faced with members' totalizing statements about the similarities and differences between the cooperatives and other firms, views often based on no personal expe-

rience in non-cooperative firms. Even so, these contrasts were important to the members.

The Mondragón cooperatives were created as a response to dissatisfaction with standard capitalist organizations. They were and remain counterposed to ordinary private firms. Under these circumstances, it is no surprise that members develop a contrastive model of the ordinary capitalist firm. Often frustration with the cooperatives is expressed by assertions that they are too much like private firms. At other times, especially when efficiency of management decision-making is being criticized, members state fears the cooperatives may be too unlike private firms to survive[101].

There is also an internal dimension of contrast. Members compare the expectations that the cooperative system creates and the goals that underlie it with the actual achievements they experience. No matter how contrast is handled, it is an important element of the organizational culture of Fagor.

Fagor as a Set of Institutionalized Debates

Through the research process, we encountered counter-posed internal visions, institutionalized debates about basic issues that together give Fagor some of its vitality. To link participant conceptualizations with an analytical view of the social systems and their dynamics, we found it necessary to understand these counterposed visions of key values, place them in context, and analyze their implications for Fagor as an organization.

The commitment to debate about equality and solidarity, efficiency and equilibrium, authority and power, cooperation and conflict and to measure the performance of the Group against standards (themselves set through debate) is an essential feature of the Fagor cooperatives. Portraying this has been one of the main contributions of this study. Understanding this dynamic, without falling prey to the same dichotomies was a challenge, a problem especially acute when dealing with nettling issues from the recent recession years. In what follows, these core debates are reviewed.

Equilibrium/Imbalance:
Equilibrium was found to have has a variety of meanings in this study of the Fagor cooperatives:

Efficiency/participation: Members often remind each other that Fagor is a "socio-economic" experiment, meaning that the economic values of efficiency must be balanced against the social values of cooperation and democracy. Efficiency and good management are valued, as are cooperation and industrial democracy. The debates always center around finding the balance point that permits Fagor to be competitive while remaining humane. Members differ greatly in their views about the proper balance, causing this issue to surface repeatedly when the business plan is being discussed, cooperative performance is evaluated, and any time fundamental problems are under discussion.

Integration/decentralization: Simultaneous group integration and cooperative differentiation have been one of the main sources of Fagor's success. To achieve it, decentralization and the willingness to manage quite diverse operations has been important. At the same time, this process presents a challenge to the overall system's need for an integrated, effective general management that takes advantage of the benefits of coordination and pooling of efforts in making strategic decisions. As difficult as it is to maintain, this equilibrium keeps Fagor viable, permitting it to deal with the uncertainties and cyclicity of the markets and the product differentiation required for success. It is never a stable equilibrium, but a continual effort to balance the positive and negative features of centralization and differentiation.

Homogeneity/heterogeneity: A third meaning of equilibrium is the balancing the homogeneity and heterogeneity that characterizes the Group. Heterogeneity of opinions, backgrounds, and personal commitments has fueled the development of the Fagor system. It is unlikely that a commitment to a single social goal could have achieved this because it could not have mobilized the talents and enthusiasms of such a diverse group of people. The diversity of the organizational culture of Fagor is one of its strengths, so long as enough common ground exists for members to share broad understandings of the aims of the Group.

Solidarity/egalitarianism: A benefit gained by having a social researcher and Fagor members on the research team was a clarification of the concept of egalitarianism as it applies to the cooperatives[102]. The bulk of the literature on the Mondragón cooperatives stresses their egalitarianism or at least the equality they have achieved. This conception does not resonate with member views. They insist that the purpose of the Fagor system is not to produce equality and that the egalitarianism that provokes so much outside interest is not prominent in the member's conception of the system. Pointing to the existence of well-defined hierarchies from the work-floor to the central management offices and to the lack of an appetite to abolish hierarchy as a principle of organization, they argue against ''egalitarianism'' as a good description of the aims of Fagor.

When issues of equality are raised in Fagor, the discussion almost immediately turns to the permanent employment policy, the Social Council's watchdog role, and authority relations in the workplace. The cooperatives do not erase hierarchy but they do guarantee employment, offer everyone an equal vote in the system, and are committed to non-coercive authority relations in the workplace. The aim is not to create an egalitarian system, but one in which all members have rights and obligations that recognize their basic ''human'' equality; their rights to be treated as human beings, regardless of the specific work role they play.

When pressed to describe the difference between these aims and equality, members stress that their system is built around a concept of social solidarity. People are not and cannot be formally equal due to differences in capacity, education, and the roles they play. But they deserve to be treated as human

beings due equal consideration; that is, human relations are ideally solidary and based on equal respect.

This explains why the focus on the exercise of authority is so important. To the extent that relations between a foreman and a worker are not solidary, they violate the notion of the proper kind of relationship between human beings. The foreman may be better educated, have more responsibility and more experience, but he/she does not therefore have to right to treat a worker as a human inferior. It is no accident that foremen call those who work under their supervision "collaborators" rather than "subordinates."

Having solidarity as a goal does not mean that authority relationships function properly or that significant tension is absent. Since an ideological aim of the cooperatives is to create social solidarity, any incident that compromises it – and there are many, as has been shown in Chapters 7 and 8 – immediately sets off debate and recrimination about *los de arriba* and *los de abajo*. This commitment to solidarity fuels the debate about inappropriate hierarchy in the system.

The corporate culture of Fagor focuses attention on the issue of equality and solidarity and makes it controversial. It does not resolve the issue or homogenize opinion; it tells the membership what it is important to debate about.

Authority/power: In the Fagor cooperative system, power and authority are difficult subjects to broach directly. Most members intuitively view power as something that is both coercive and distant from them. No member, whatever their role, appears to feel "powerful" within the system, making open discussion of power relations difficult.

One finding of the research is that production workers' ignorance about the character of the work done in the various technical and management offices contributes to their belief that technicians and managers are powerful people. At the same time, these production workers equate productive work with the manufacture of objects, thereby defining technical and management work as distinctly secondary. The technical and management people, thus, are seen as making the decisions and rules without producing physical goods. This is an indicator of power in the eyes of many workers, an attitude they seem to share with workers in most manufacturing systems.

The technical and managerial members, however, do not experience themselves as powerful. While there may be some duplicity or desire to ignore the facts, we think this sense of powerlessness among technical and management personnel is genuine. For them, the democratic processes, the need to communicate about all decisions, the threat of General Assembly censure or investigation by the Social Council subjects them to a degree of scrutiny that makes them feel powerless.

Thus, on the basis of the interviews and roundtables, we found that everyone in the system attributed power to everyone else and felt they had little power themselves. This situation can produce inhibitions to action, the "passing of the buck" to others when the responsibility to act is clear, and other dysfunctional behaviors. The amount of ferment found surrounding *los de arriba* and *los de abajo*, hierarchy, dissatisfaction with the quality of management, and mis-com-

munication has been exacerbated by the recession. Yet, the ideological foundations of the cooperatives make it difficult to talk about the power differentials that the recession and increasing economic competition have brought forward.

Cooperation/conflict: Cooperation and conflict are not opposite poles on a continuum. Conflict, so long as it is not so severe that it breaks down many social relationships, does not destroy cooperation; it can actively enhance it. The agreement that certain issues are so important that they must be debated is a functional element in any system.

Understanding this makes is possible to recognize that the cooperatives did not arise from some pre-existing *communitas* in the Basque Country that made the cooperatives a mere business application of Basque culture. It is also clear from the history of Fagor that the same individuals or groups do pursue more than a single social goal in their everyday lives. There is room in life to pursue class interests, ethnic affiliations, and quality of work-life simultaneously. These interests may conflict at various points, but hardly more than the roles of worker, father, uncle, and member of the local sports team do for people anywhere.

The study led us to understand that the degree of community currently visible in Fagor is a product of the cooperative process and that a degree of individualism is not the incompatible with cooperation. Working through issues and problems together over time has created a community where little existed before. These lessons are particularly important for those who wish to develop cooperatives elsewhere, since they imply that pre-existing idiosyncratic cultural features are not necessarily essential to the success of cooperatives.

Dynamism/stability: As has been repeatedly stated, we were impressed by Fagor's willingness and ability to continue changing basic structures. One of the long-term trends identified is a tendency in Fagor toward a broader and more differentiated view of participation. We concluded that Fagor has become an increasingly participatory system and that the problems and conflicts found in it now provide opportunities and energy for continuing change in the direction of greater future participation.

From this vantage point, Fagor is, as members like to say, an on-going experiment. It is self-consciously an organization that attempts to change its own structure and prides itself on the ability to change in fundamental ways. There is as much fear of too little change as of too much.

The recent recession affecting most of Europe has been a real test because it required the elaboration of new administrative and economic measures to return the cooperatives to a stronger economic position, while it has exacerbated the problems of distributing unpalatable results within a democratic system. Though everyone is affected by the crisis, for those who have been transferred from one cooperative to another and those who now have to deal with flexible work schedules, the sacrifice for the many falls to them. The ''collectivity'' receives the benefits of these sacrifice.

This puts the whole notion of an industrial democracy to the test. It was relatively easy to distribute profits and growth, but distributing decline, as

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everyone knows, is a different matter. This process, while it has produced evident tensions and conflicts, does not appear to have weakened Fagor. It has brought issues of personnel policy, the handling of members, authority relations, and others to the fore and made them part of an agenda for future change.

The Process View/The "Epic" View:
As noted in the literature review, myths about founders and the early days play important roles in many kinds of organizations and Fagor is no exception. We found it necessary to debunk these myths to a certain extent because they can be used in support of dis-enfranchising ideas. If the founders created a perfect system in the beginning, then the difficulties of the present are either the fault of current members or signs of immanent death of the cooperative system.

The founders did not create a perfect system; they created a flexible system with built-in structures of self-criticism and evaluation. The historical study showed that many key ideas were either half-formed or entirely absent (*e.g.* one member, one vote), that social revolutionary zeal was less apparent in the beginning than they expected, and that the founders themselves have been surprised by many of the developments that have taken place. Successful cooperative development in Fagor did not come from some kind of charismatic intuition. It is the result of experimentation and collective effort to embody in practice a few basic ideas about social process and solidarity: a democratic firm that respects human dignity, work processes that are non-coercive, and the egalitarianism of Christian values.

While in the context of Mondragón in the 1950s, these were "revolutionary" ideas, the cooperatives were not begun intentionally to foment a revolution. The cooperatives arose to create employment, to establish a better social environment at work and in the community, and to make money for the membership. This adds up to a rejection of the "epic" view as historically incorrect and as a bad lesson to teach current members. Whatever the cooperatives are now, what they will become is the responsibility of the current generation, not a simple inheritance from the past.

Communication/Information:
In the Fagor system as it originated and as it has evolved, devoting a great deal of time and resources to informational and educational processes is an intrinsic necessity. Industrial democracy cannot function without an informed membership; without information the votes they cast on key issues would not be based on understanding what is at stake. While this principle is easily articulated, it is difficult to practice. Educational differences, the technical character of many processes, the complexity and necessary unpopularity of some recent managerial decisions all make communication both important and more difficult.

Freedom of access to information does not assure that members will be well informed. Cynics know that one can bury the truth in an avalanche of information; educators know that arraying data by itself does not constitute com-

munication. To be communicated, information must be taught, *i.e.* adapted to the educational background and everyday experiences of the audiences. The complexity of economic operations and the human diversity within Fagor increases the difficulty of these processes.

Within the cooperatives, a great amount of time and staff effort is invested in this process. There is considerable sophistication in developing materials and strategies for communicating about complex subjects, such as the revised Internal By-laws and the Social Statutes. In these cases, more than 6,000 members were convoked in informational meetings during working hours. They met in groups of 15-20 to hear the proposals, debate them, and prepare themselves to vote knowledgeably. Important efforts and resources are expended on these key issues, as well as on communication about everyday matters within the cooperatives.

Despite this, there is significant dissatisfaction with communication and information in Fagor. The interviews and roundtables showed clearly that many members feel uninformed and sense that impersonality in the communication of key management decisions and personnel actions has increased greatly. Thus the commitment and the desire to communicate, statutory freedom of information, and significant communication efforts do not necessarily produce an open and effective communication system. At the same time the legal requirement and ideological commitment to freedom of information encourages the general membership to hold management and personnel accountable to a high standard regarding information, a standard currently not being met to member satisfaction.

Acquiring the "Culture" of Fagor/ "Being" a Cooperativist:
We repeatedly heard members state that they had not joined Fagor because they were interested in cooperativism; the availability of a job in a growing or at least stable enterprise was the overarching reason given by most. Whenever this point was made, a clarification almost always followed. Though they did not join out of commitment to cooperativism, many members stated that, once inside for a period of time, they became convinced of the value of the cooperative idea and structures. For some this simply meant they would not easily be convinced to leave; for others, it implied their willingness to turn their criticisms of the system into positive action to improve it.

This is an important dimension revealed in the study of the Fagor system because it shows that the basic ideas and institutions of Fagor have the capacity to take relatively uncommitted individuals and gradually convince them of the value of cooperativism. This is a key test of any organization. To the extent an organization is well adapted to its environment and is capable of stimulating the loyalty and effort of members, it remains viable.

The experiences of voting in the General Assembly, attending other meetings, and the character of the daily working environment evidently cause many uncommitted members to become supporters of cooperative processes and ideas. Some of the most critical voices we heard came from these sources.

People who initially were not impressed with the cooperative idea and only over time became committed to it now want to improve the system. This also supports the view of Fagor as a process in which the founders had an important, but by no means the dominant role. The cooperatives have succeeded because new members have become committed to the ideas and process of the cooperative system.

Participation as a Right/ Participation as an Obligation:
This study showed that Fagor, like many democracies, is divided about the obligation to participate. Members are now institutionally obligated to attend the General Assembly on penalty of the temporary loss of voting rights. At the same time, the members believe that true democracy cannot be forced; it must be spontaneous. The failure to participate spontaneously is seen by some as the result of a management failure to involve people properly in the cooperatives. Others see it as a sign of the times, an indication of the passivity of an ever-more individualistic and egocentric membership.

The former see the problem as arising from defects in the cooperative institutional structure and its management, while the latter tend to blame the members themselves and society at large for the lack of participatory zeal. Whenever poor levels of participation or measures regarding more obligatory participation are discussed, these opposed views surface.

Participation in the Workplace/Participation in the Social Bodies

Perhaps the most important overall result of this study of Fagor is the clear realization that participation is institutionally structured to occur in two quite different dimensions. As a society of legally-equal members, Fagor is built around structures of participation in governance that contain significant guarantees: one member, one vote; employment security; due process; etc. These guarantees are elaborately safeguarded through a structure of by-laws, regulations, and statutes and are· maintained, revised, and safeguarded by bodies created for that purpose. Here members participate as members.

At the same time, Fagor is a collection of manufacturing and service industries that engage in· production processes requiring organizational forms found everywhere in industrial society. Members participate as workers, technicians, and managers in Fagor as a set of production systems with physical plants, markets, product lines, authority systems, etc.

The clearest ''value-added'' of being a member of a cooperative, according to the members, is the degree of participation possible in Fagor. Complementing this are values placed on employment security, the ability to express one's opinions freely, and possibilities of rising in the system through effort. Members also contribute capital to the system and vote on key issues.

But our study showed that very considerable dissatisfaction exists with the levels of participation achieved in the workplace. Members as members have

the capacity to participate actively, and despite problems of communication, are generally able to exercise that capacity effectively. But many members feel stymied in participation in the workplace. For those who operate on the work-floor, the sense of not participating in key technical and production decisions, the feeling of being subject to technical and managerial whims, and the consequent belief that they are not being taken into account as equal members is pervasive.

The issue is not whether this is objectively true; the strength of the feeling itself points to the existence of an important problem to be solved. These observations led us to examine these issues closely and to draw the following conclusions about the institutional dynamics of the Fagor system.

A substantial number of different participatory workplace projects have been undertaken in Fagor, as has been documented earlier. Some of them have succeeded, others are currently underway, and more are planned. Thus participation in the workplace has not been ignored in Fagor. More is possible and the quality of the efforts can be improved, but that is true of any organization anywhere in the world.

Despite these efforts, Fagor has unconsciously developed a peculiar organizational "reflex" that leads away from the resolution of important problems of participation in the workplace where they arise. Whenever important participatory problems emerge in the workplace, the immediate institutional reaction is to extract them from the workplace and pass them to the social bodies for resolution. Thus the problems of members as workers are often transferred to mechanisms designed to solve the problems of members as members. As a result, nearly every important workplace problem generally goes either to Personnel, which often transfers it to the social bodies, or directly to the social bodies themselves. Rather than dealing with the problems of the participatory workplace in the workplace, nearly everyone in the system is involved in a process whose unintended consequence is shunting these problems to the social bodies and other locations in the system for resolution by acts of governance.

We detected in Fagor an increasing institutional preference for trying to solve what are essentially production organization problems by means of statutes, by-laws and rules, an approach that partially accounts for member perceptions of the cooperatives as increasingly bureaucratic and technocratic. The workplace problems that are extracted from the workplace and pushed into the social sphere are dealt with by a group of generally slow-moving, rule-bound bodies that deal with them in a bureaucratic, though not therefore insincere manner. Among other things, this means that the individual problems are often not solved as such; they are generalized as a category of problem to be dealt with administratively, as befits a democracy. This often leaves the initial situation that gave rise to the specific problem unresolved, giving the involved individuals the legitimate sense that the institutional structures are not working for them as persons.

There has been a subtle but profound development in the organizational culture and processes of Fagor of the notion that all non-economic problems of

the cooperative workplace are problems to be dealt with by the members as members and not by members as workers. Perhaps there is an intuitive fear that resolution of workplace problems in the workplace would cause confrontation with issues of hierarchy and conflicts of interest that are more muted in the social bodies. Trying to solve the problems of supervisors who treat their workers in an authoritarian manner because their plant managers in turn are making unrealistic demands on them could involve potentially uncomfortable conflicts about economic planning, power, and authority.

Whatever the cause, Fagor is now caught in an institutional dynamic that does not give sufficient attention to the active development in participation in the workplace and the members are aware of it. The majority of the criticisms of the operation of Fagor reported in this study arise from the workplace vantage point. The dissonance between the experience of being a member with equal rights and being a worker, technician, or manager operating in a hierarchical system with important power differentials is experienced as an inconsistency. Perhaps the most important social challenge for the future of Fagor is to harness the energy generated by problems in the workplace for the further development of this participatory experiment.

The Future of PAR in Fagor

Since the completion of the study reported here, a number of attempts have been made to incorporate its results into action plans for the future. This is an unfinished process, and its success will have to be evaluated over a longer period of time. Moving from Participatory Action Research to ''action'' is not a simple matter. Findings have to be winnowed and communicated, priorities set, and appropriate action plans designed and implemented [103].

Incorporation of research into strategic planning: One of the first results of the research was writing some of the key problems identified in the study into the 5-year plan for Fagor in the form of objectives of the Department of Personnel. This was done even before the study itself was completed.

Changes in personnel procedures: Another result was a specific and important shift in Department of Personnel procedures. One of the themes that emerged often during the research was the impersonality and technocratic character of the treatment of members. On reflection, the Department of Personnel recognized that it has gradually permitted itself to slip into processes in which important actions affecting individuals were often taken by means of memoranda and letters. It was decided that, in the future, all such important actions, though formalized in writing, would be initiated by direct face-to-face discussion with the affected members, as befits a society of equals.

Pilot intervention projects: To train research team members further and enhance their capacity to run projects on their own, some of the members were deployed as internal consultants to engage in small-scale intervention projects aimed at studying and resolving specific problems in the workplace. Attempts

of this sort, supervised by Davydd Greenwood, have been made in Ederlan and in Copreci focusing on issues of authority relations and due process that are currently quite important in both cooperatives.

In both cases, they set up a combination of roundtables and study teams and they held meetings cooperative members to discuss and debate issues. These interventions showed that such processes highlight issues effectively, but that the connection between the well-focused issues and the requisite changes in operations of the cooperatives is difficult to achieve.

Attempted deployment of PAR across the Fagor personnel system: Another approach to the deployment of PAR involved the members of the Central Personnel office and the directors of personnel from all the Fagor cooperatives. This group met to examine ways to institutionalize PAR as part of personnel operations. The aim was to integrate PAR into everyday operations, rather than to treat PAR as another, separate activity to be engaged in from time to time.

To accomplish this, the group laid out the general objectives of all the personnel offices for the year and then attempted to distribute relevant PAR activities over these projects. An intellectually satisfying approach, it was quite unrealistic because it would have required a fundamental reorganization of personnel operations and the devotion of significant effort to PAR in work schedules that are already overburdened. Progress in this area has been made in the new member education programs where the results of the PAR study are used and the roundtable approach itself is employed. The attempt to deploy PAR immediately across all Personnel actions has been abandoned as impractical.

Total quality and PAR: Fagor, like most major businesses, is now very much concerned with the concepts of ''total quality.'' Just as it has dealt with ''quality of work-life,'' ''quality circles,'' ''just-in-time,'' etc., Fagor will develop its own approach to ''total quality'' as well. The analysis developed in the Fagor study is likely to be helpful in this regard, because it helps anticipate and focus the major concerns that ''total quality'' will raise.

A ''total quality'' organization is one that is almost super-humanly responsive to changing external and internal conditions. This ideal is a response to concerns about an increasingly competitive international economic system. But this ideal raises familiar issues for Fagor. How responsive should Fagor be? At what point does efficiency and managerial authority compromise equilibrium and solidarity? How far can and should Fagor go toward this ideal? What are likely to be the most important social implications of this effort and how can some of them be addressed in advance?

These issues have already been dealt with by members of the research team in a meeting with some of the Fagor staff who have responsibility for the ''total quality'' effort. As the effort continues, some of the team members will seek ways to use the findings of the study to bring up the relevant issues for consideration in the various management and social bodies.

The future: Ever since the attempts to deploy research more broadly through Fagor began, we debated what to do and how to measure success. Certainly pursuing individual projects and utilizing new intervention techniques (especially the roundtables) is a useful focus and will continue. In retrospect, the Fagor study resulted, not so much in a specific set of techniques as in the development of a vision of Fagor. This vision serves as a point of reference for the evaluation of new issues as they arise and helps raise useful questions that might not otherwise be taken into account. It also provides some methods for pursuing them.

In this connection, the present book itself, when translated into Spanish, was a useful tool. The necessary delays in developing and translating the book slowed the process more than we would have liked, causing frustration along the way, because hopefully it will be read and debated in many contexts in Fagor. From this, the analytical perspective may continue to be developed and its action consequences for Fagor further specified.

Beyond what has been described, it is difficult to determine where the process will go. Fagor has developed an internal social research capacity and is now grappling with its effective deployment. Whatever the outcome, we believe that this study of Fagor has found a ''proper distance,'' a ''productive middle ground'' between theory and action. In addition to the action results reviewed above, this study has produced some useful modifications in views of ''organizational culture,'' organizational dynamics, and of the Mondragón cooperatives. In meeting the needs of the cooperative members, the process did not have to abandon important larger issues. If anything, the process mobilized insider knowledge about these processes to clarify how the cooperatives work more effectively than could have been done in a standard social research mode[104]. The supposed conflict between pure and applied social research is not evident in this case.

Chapter 10: Epilogue, 1992

This epilogue is the result of three days of meetings in March, 1992 in Mondragón with the members of the writing party and seven other members of the PAR team. It can thus promise little in the way of systematic follow-up on the project. Still, after the four years required to find an English-language publisher willing to take on this unusual manuscript[105], much has happened in Mondragón. Thus we wanted to provide the readers a sense of what has occurred in Fagor socio-economically and in the use of PAR since 1987 when the study was completed[106]. We also wanted to satisfy our own curiosity about the implications of this study for the cooperatives and the PAR method. While the picture of the cooperatives that emerged contains some new information, the basic lessons of our earlier research have stood the test of time well.

General background

As a community, Mondragón has grown very little since 1987. The population has not increased and the percentage of non-Basques living there has been relatively constant. The level of unemployment has decreased to approximately 16% from its previously considerably higher level.

The overall number of cooperatives has changed considerably. At present there are 102 production and service cooperatives, compared with 126 in 1987. There are 45 educational cooperatives and 10 housing cooperatives. What were previously called the second-level cooperatives – those in finance, social security, health care, and research and development – now number 12. Through a combination of fusions, regroupings, and closings, the total number of cooperatives is now 152, compared with 173 in 1987. While a few production and service cooperatives have closed, the reduction in numbers of cooperatives is due mainly to fusion of cooperatives to form single cooperative units.

The number of jobs in the system has increased considerably to 21,024 and Fagor's purchase of two private firms, Victorio Luzuriaga and Fabrelec, added 2,135 more. This represents an 18% overall increase in jobs during this period. The educational levels of the membership have not changed much and the gender balance is roughly the same.

Only a month after our earlier study was completed, the Mondragón cooperatives as a whole began meeting as a Cooperative Congress to restructure their

statutes and overall relationships[107]. This process has continued over the past four and a half years.

The first Cooperative Congress took place on October 2-3, 1987 and again on January 9, 1988. During this first congress, representatives from all of the cooperatives debated the basic principles of the Mondragón cooperative experience, the norms to be used in handling the social capital of the members (partial or complete monetarization of the capital accounts, etc.), the pay scale differentials that are appropriate to the cooperative system, and the basic norms for the creation of an inter-cooperative fund for mutual support.

The second Congress took place on December 1-2, 1989. At this congress, the cooperatives debated the basic norms for the creation of a fund for inter-cooperative education and cooperation, for the organization and management of cooperative groups, for job creation, and worked on the development of inter-cooperative agreements regarding application of certain basic concepts about work and worklife.

The third Congress took place on December 19-20, 1991 and involved the organization of the *Grupo Cooperativo Mondragón* (The Mondragón Cooperative Group) which is now called the *Mondragón Corporación Cooperativa* (Mondragón Cooperative Corporation). This involved the development of basic definitions, instruments, and laws and bylaws. Mondragón Cooperative Corporation was then created, linking all the cooperatives and dramatically changing the internal structure of the system and its way of articulating with the rest of the world.

The Mondragón Cooperative Corporation contains the Congress of Mondragón Cooperatives (*Congreso de Cooperativas de Mondragón*) with representatives from each of the cooperatives and the Governing Council of Cooperative Groups (*Consejo General*).

The Congress has a President and a Permanent Commission with representatives from the major cooperative groups. It meets every two years to review the overall structures and to consider changes in the operating system. The Governing Council is responsible for the development of overall strategic business plans. Its membership includes a President, a Vice-President, a Secretariat, an Entrepreneurial Services Division, and a representative of each of the cooperative groups and superstructure support organizations. The cooperatives devoted to technical and educational issues are now grouped together under the Governing Council in a section called the Technical and Educational Superstructure. The financial institutions are linked under the heading of Financial Superstructure.

In 1987, the Caja Laboral Popular was on the verge of spinning off its Entrepreneurial Division as a separate unit and restricting its activities to financial functions. This process has been completed and, by all accounts, has been a success. The entrepreneurial services cooperative that was spun off is well regarded and the banking portion is getting good results and managing its narrower role well. At present, the cooperatives are utilizing only 40% of the Caja's available investment capital.

Internally the member production cooperatives are grouped under the title of the Industrial and Service Area. It includes groupings of cooperatives by economic sectors: machine tools, parts for the transportation sector, electrical appliance components, capital goods, construction, products for the home, and sales/distribution. The most recent annual report shows that the overall complex had an annual growth of just under 9% and sales of 315,172,000,000 pesetas. This is a 66% growth in sales since 1987.

It will take considerable time to evaluate the overall impact of these organizational changes. From any perspective, the integration accomplished is truly remarkable. To bring such a diverse group of cooperatives together in a common project, to develop laws and bylaws to support this, and to put this in motion is an astounding effort, another example of the innovation and determination of the membership. It gives Mondragón a unique potential for negotiating its relationships with clients from a position of strength, for being a "full service" supplier, and for eliminating a labyrinth of duplication and inefficiencies. At the same time, it creates more administrative and cultural distance between the individual members and the upper management, thereby opening up the possibility for further tensions about hierarchy and disenchantment that we have described in this book.

Economic change in the last five years in Fagor and Mondragón generally

In Fagor, there are now 12 cooperatives, but they differently configured. Fagor, as part of its long-range business plan, adopted a grouping by industrial sectors to link like activities to each other. This involves four divisions: Consumer Products, Industrial Components, Automotion Components, and Engineering and Machine Tools. This resulted in the fusion of some cooperatives and some renaming. These fusions have involved Fagor Clima, Fagor Mueble, Fagor Minidomésticos, and Fagor Electrodomésticos, together now called Fagor Electrodomésticos. Fagor Leunkor and Copreci have now been united under the name of Copreci. A number of inter-cooperative transfers have taken place as a result. The product lines have been also been regrouped, rendering comparisons of the numbers of product lines between 1987 and 1992 meaningless. Fagor also has bought two private firms.

The membership in Fagor has grown to 6,214 (plus 2,135 workers from the private companies recently acquired) for an increase in cooperative members of about 8% or a total increase of 31%. 1991 sales were 110,200,000,000 pesetas, an increase of 47% over 1987.

The economic growth which was beginning to reassert itself in 1987 continued to be strong through 1990. In 1991, there was a significant downturn and a number of the cooperatives are under pressure because of poor profits. In addition, some cooperatives have seen major economic improvements in these years and others have fallen on hard times. As always, transfers of members and capital continue to soften the impacts of these changing conditions.

The full opening of the European market was a major concern in 1987 and affected many policy decisions at that time. In 1992, the moment has nearly arrived. While the cooperatives have been preparing for a long time, export a good portion of their production already, and are certified suppliers to major original equipment manufacturers in Europe, there is much at stake. This tension of this situation is exacerbated by the general sense of reserve about Spain's problematic historical and cultural relations with the rest of Europe.

While the concerns certainly are legitimate, it is equally possible that the cooperatives will have competitive advantages on a European scale which are not yet fully appreciated. The cooperatives' ability to transfer capital and personnel in response to business needs is well understood and is a significant element in their competitiveness. Financing is still relatively easy for the cooperatives to secure because of the strong development of financial institutions in the Mondragón system. These are considerable sources of comparative advantage.

Issues of size in relation to the European market are a key element in the current business strategy of the cooperative system. In Mondragón, they have decided that survival, under intensely competitive conditions, depends on having a sufficient market share. Much of Fagor's recent economic strategy, as well as that of the Mondragón Cooperative Corporation as a whole, centers on increasing market share in key markets.

On the other hand, though being small may be maladaptive in some market situations, very large business organizations do not have an inherent advantage over the cooperatives under highly competitive conditions. The combination and recombination of activities possible in the Mondragón system may well prove an adaptive advantage. The creation of the Mondragón Cooperative Corporation offers a unique platform from which to launch an overall economic strategy of the sort that ordinary private sector companies will find hard to match.

Thus there is a rational basis to be hopeful about the future of Fagor and the Mondragón Cooperative Corporation as a whole. Yet concern about these matters persists and is a force in the cooperatives in 1992. Of course, these problems are exacerbated by the coincidence of the transition to a European market and a major international recession. This makes a necessarily complex process that much more difficult.

The purchase of private companies by Fagor: In the period between 1987 and 1992, the Fagor Group bought two private companies, Victorio Luzuriaga and Fabrelec, for similar reasons. In both cases, the leadership of the Fagor Group's cooperatives became convinced that, in key areas, the Group held too small a market share to remain competitive. For this reason, Fagor has complemented Ederlan's size by buying Victorio Luzuriaga. Ulgor's market share was augmented by the purchase of Fabrelec. With these purchases, the Fagor cooperatives now cover about a third of the relevant markets and thus are positioned for continued growth.

There is a good deal of economic analysis in support of the notions that market share is a key part of a competitive strategy, though the PAR team cannot render an expert judgement about the merits of the arguments. The key fact is that a majority of the members of Fagor supported the acquisitions when they were proposed.

The purchase agreements gave both companies' workers the freedom to decide to join or not to join the cooperatives as members. Though it was assumed that the new workers would decide to become members, as yet they have not done so. In part, this derives from the coincidence of difficult economic times with the purchases. Cooperative membership would be quite· costly to the unionized labor force. To join the cooperatives, they would have to pay the entrance fee and also be subject to the kinds of capital contributions and compensation sacrifices that are standard in Fagor during difficult times. During this transition, the economic and social management of the Fagor Group faces complex management challenges in the integration of these companies into the system.

Understanding this process is important because outsiders interested in Mondragón fear that the cooperatives are in the process of becoming ordinary private companies. The PAR team rejects this view. The ˙challenges involved in incorporating these companies are real, the business reasons for taking them on seem sound, and the membership agreed to the purchases in the General Assembly. Fagor made these decisions in the way they have made other major decisions in the past, decisions which outside onlookers viewed as destructive to the cooperative cause. Whose view is right will only become clear over time. Still the record of Mondragón's past achievements should lead us to resist rushing to simple interpretations.

The "eventuales": During this period, the Fagor Group has hired a significant number of *eventuales*, that is, employees who are not regular members of the cooperatives. Nearly all of these employees are children of active cooperative members who did not acquire the status of cooperative members on being hired. This practice was the result of an explicit business and governance decision.

The Fagor cooperatives needed increased production, but only in the short run. Higher levels of production were needed to retain market position, but there was no reason to believe that the overall size of the cooperatives in question would rise by very much. The reorganization of the Fagor Group and of the Mondragón Cooperative Corporation made commitment to a larger number of members seem unwise. In view of this, the membership decided to hire the *eventuales*, though not without debate.

This issue is important precisely because many cooperatives around the world have been diluted by the creation of two-class systems in which the non-members become an increasingly important part of the workforce but do not have a voice in management. In the case of Fagor, the PAR team members feel reliance on this approach does not signal the end of the cooperative concept. Over the last four years, more than 300 of these *eventuales* have become

regular members of the cooperatives. Now the number of *eventuales* has again decreased to only 3% of the Fagor workforce. This percentage is unlikely to increase much in the future, just as the business plan that led to hiring them to begin with stated. Again the rush to judge should be tempered by a somewhat more balanced perspective.

The Social Councils: There is a striking change in level of activity in the Social Councils. Everyone sees them as much more active and adversarial. People differ in their views about the merits of this, but there is no doubt that the old passivity of the Social Councils is now gone. We spent some time trying to decide whether the incorporation of the private companies and the hiring of the *eventuales* had any bearing on these changes. There appears to be no direct connection. The Social Councils have been slowly gaining momentum as a result of the major changes taking place in the cooperative system as a whole. This seems to account for their higher level of activity.

Leadership: This organizational change also coincides with a generational change in the leadership of the cooperatives, which took place shortly after the last Cooperative Congress. The remaining founders have retired and have been replaced. The leadership of the Fagor Group has also changed, in part because a significant number of former Fagor leaders moved into major roles within the Mondragón Cooperative Corporation as a whole.

This is not an easy situation because the present leaders are compared with the founders, even though the conditions under which they are operating, both economic and organizational, are very different. The current generation of leaders worked closely with the founders, but must create their own path. Whatever the future is like, it necessarily will be different in tone and content from what came before.

These changes have had a major impact on the Fagor Group. Always in vanguard of the cooperative system, Fagor fully supported the changes leading to the creation of the Mondragón Cooperative Corporation. Many Fagor leaders have now moved into positions of authority within the Mondragón Cooperative Corporation. At the same time, the changes in the structure of the cooperative groups away from regional groupings into business groups, changes in cooperative leadership, and the reorganization of cooperative group services involve enormous adjustments in Fagor.

Economic versus social-cultural integration: The scope of these changes in Mondragón as a whole is tremendous and the rhythm of economic change may be proceeding faster than the processes of socio-cultural integration that necessarily accompany them. In part, the tension shows up in discussions that emphasize how differently these processes are understood and experienced in different cooperatives and at different levels within them.

This is very much in line with the analysis of heterogeneity we make in this book. Many of the changes taking place now, though good for the system, will either have no direct positive impact on most members or will have genuinely negative effects on some of them personally. For those adversely affected, this

can lead to a further separation between managerial rationales and their experience of cooperative life.

When we began our project, the initial goal was to increase the social research capacity of the cooperatives so that they could manage the social dimensions of their organizations with a degree of sophistication comparable to that shown in economic and governance matters. Our study showed that the cooperatives were not as successful in dealing with the human side of cooperative integration as with the economic and governance dimension. This dynamic persists.

This is not to say that the members reject the changes because it is obvious that they do not. We only wish to emphasize that when major change occurs, even when it is change for the best, individuals and groups experience confusion and a sense of loss. Dealing with this more effectively is a major challenge that the system still must meet.

Member apathy: Between 1984 and 1987, there was a good deal of talk about member apathy. These views persist, despite our frontal attack on them in the book. While there has been a significant increase in absenteeism in Fagor to just over 5%, in most respects, the membership does not show the usual signs of apathy and depression. Basically the "apathy view" runs directly counter to the results of our work. It also flies in the face of an excellent piece of internal survey research carried out in 1990 by the Gabinete Sociológico of Otalora that shows just the opposite to be the case[108].

Despite the work we did together and an array of contrary data, the view that member apathy is an essential problem of the cooperatives still endures. The durability of this notion, against so much contrary information, demands further analysis.

PAR in the cooperatives

The meeting of the remaining members of the PAR team had a bittersweet tone for many reasons. Much has changed. Our colleague, Alex Goiricelaya, has died and we have dedicated the book to him. One team member has left the cooperatives. The others have new and challenging roles to play. Only Greenwood still holds the same position he had in 1987. This brief meeting, thus, did not recreate the dynamic of the PAR team because that team is gone. Thus we can report the results of a brief reunion, not the deliberations of an ongoing research group.

Positive results: Determining the impact of any process on the overall operations of a complex system is no simple matter, least of all on the basis of a few days of conversation. From the interviews he conducted, Greenwood was able to document the use of our study in some areas. In Otalora (previously called Ikasbide, the management and new member training center of the Mondragón Cooperative Corporation), the Spanish edition of the book is used in the courses given for new members and during refresher courses for managers. They also

make continuing use of roundtables. Within Otalora, the Gabinete Sociológico (Sociological Research Unit) has been created and it has used PAR methods in a number of its studies. In Ederlan, where we had begun pilot PAR interventions, the Director of Personnel has continued to use PAR techniques as an instrument in his management of human resource problems. PAR team members knew of examples of the use of some of our techniques in human resource management, in total quality management work, and in evaluating the aims of the Social Councils.

Javier Mongelos, formerly General Manger of the Fagor Group and now President of the Governing Council of Mondragón, and Alfonso Gorröogoitia, a recently retired founder who was President of the Congress of Mondragón Cooperatives, have made public use of many of the formulations from our study.

Since the initial intent of the PAR project in Mondragón was to increase the internal capacity for social research, it appears that the PAR project made a modest contribution to meeting this goal.

Regarding Fagor in particular, it was clear that our analysis has stood the test of time well. No one felt that major changes in the analysis were needed. The kinds of problems and processes we had analyzed were as much present now as before. Of these, our focus on heterogeneity, dynamism, systematic doubt, and the dialogical character of cooperative processes still stood out for everyone as the key strengths in our work.

Shortcomings: Despite these positive outcomes, during this short visit to Mondragón, it became clear that the PAR team did not develop an effective enough internal dissemination strategy for the results and methods of our work. One example of the problem will serve to make the point.

A key member of the management team in charge of the Mondragón Cooperative Corporation, who had been a participant in our PAR work before, is now developing materials and processes to assist in explaining the new forms and their socio-cultural implications to the members. In reviewing this initiative, Greenwood noticed that elements in the plan were likely to produce the opposite effects from those intended, because they did not take into account the heterogeneity and dynamism of the cultures of the cooperatives. This criticism was taken seriously and the plan was revised.

It, however, teaches us an important lesson about PAR. It shows that managers, who were participants in the PAR work and had read and accepted our core notions, did not find it obvious how to translate our results into concrete management actions. This is a key failing in our PAR strategy. In writing the book, we did only one of the two things needed for dissemination to be successful. We analyzed the cultures of Fagor. We did not write another type of document that would assist in the translation of our results into advice for cooperative members with management responsibility. To do so would not have been difficult for the PAR team members, but making such extrapolations is very difficult for those who did not participate in the final write-up of the study.

Impact on the PAR team members: Ironically, the person most affected by the PAR process was Greenwood. In the time since the project ended, he has become involved in the international action research movement, collaborating with U.S., Scandinavian, Dutch, German, and English groups that are trying to move the action research agenda forward in Europe and the United States. The book series in which this study is now being published is one of the efforts carried out by those groups. The net effect of the Fagor experience was to convince Greenwood, who had not been working in this way before, that the combination of participation and action is essential both to the development of the social sciences and to the increased integration between the personal and the professional dimensions of research.

The effect on the Fagor team members has been much less clear. All agree that the process was good in assisting them to develop valuable new perspectives and capacities as individuals. PAR did not have positive or negative effects on their individual careers. Their participation in this project was not taken into account when they were called upon to take on new responsibilities within the system.

This outcome may be due to our lack of clarity about strategies for following up the study and building more pragmatic useful versions of what we learned. Still, to a degree, it reflects the fundamentally different interests the inside and outside PAR researchers have and will continue to have, no matter how well a PAR team collaborates. Would Fagor members of the team have undertaken this project if they had known what was involved and what the organizational and individual results would be? In March, 1992, the answer was no.

How are we to judge this reaction? From other major change projects elsewhere, we often hear negative reactions, even from those involved in major successful change processes. "If we had any idea what was involved, we never would have begun." Would the PAR team reaction have been different if we had developed a better dissemination strategy and had seen the effects of our efforts deployed more fully? We cannot say.

Conclusions

We have great confidence in the essential correctness of the results of our study. We are also well aware of the uniqueness of the conditions that enabled the project to take place and for a team of close collaborators to develop and work for so a long time. Yet a question remains. What standard should be used to judge the effectiveness of PAR? Many consultants and new techniques parade through organizations like Fagor at the cost of much money and time, without leaving obvious positive results. It probably is most reasonable to judge PAR in the context of other external interventions and techniques.

Viewed this way, PAR in Fagor has had some lasting, though not necessarily major, effects on the cooperatives. The lack of a well-designed dissemination strategy cost a good deal in terms of further application of our results and

processes, but the on-going deployment of certain PAR-based social research techniques and the modest use of some of our analysis suggests that the project was not a failure.

Finally, unlike other kinds of interventions, PAR projects face unique difficulties. It is impossible practically and morally incoherent to demand that an intervention be defined as a PAR project from the outset. The invitation to participate and the tools and opportunities to achieve participation are essential ingredients, but no one can order an organization to become participatory. PAR is thus always a process that begins somewhere in the organization. Attempts are then made to open up the process to greater levels of participation over time. This always occurs within the limits set by the economic, social, and political conditions and the capabilities of the participants in the process.

In the Fagor project, we began with the limited goal of having some professional social researchers teach some basic social research techniques to members of the Fagor human resources departments. Over 4 years, we involved more than 50 members in the research teams and wrote a major report and book collaboratively. Clearly the PAR process had the power to move some people. That it could have been more and that we could have done it better is obvious. Participatory action research, like democracy itself, is never perfect and is always open to improvement.

Notes

1   In view of this, Greenwood has proceeded to write more about this process with other professional colleagues interested in PAR. See Whyte, Greenwood, and Lazes (1989 or 1991), Greenwood (1991), and Greenwood, Whyte, and Harkavy (forthcoming).

2   It was published as *Culturas de Fagor: Estudio antropológico de las cooperativas de Mondragón* in San Sebastian by Editorial Txertoa in 1990 (Greenwood and González *et al*, 1990).

3   Greenwood served for a number of years on the Editorial Board of the Cornell University Press. The experience with this manuscript paralleled what he observed with other innovative studies that did not fit dominant paradigms.

4   This objectivity appears to us to be a sham notion. As it turns out in most orthodox studies, objectivity is simply the result of approaching a situation with a preconceived notion, unilaterally controlling data collection and analysis, failing to tap the immense amount of analytical expertise within organizations, and publishing the results without regard for the thoughts of insiders to organizations or the possible applications the knowledge might have. This kind of objectivity is suspiciously convenient for social researchers who can parachute into situations, do as they wish, take the data and run, and enhance their professional status with the resulting publications.

5   Anthropology, after all, is not the study of exotic cultures. It is the "study of humanity": human origins, human diversity, cultural systems, and cultural processes. Its aims are holistic and comparative. In recent years, anthropology has begun a significant return to research on Western subjects and on industrialized societies.

6   There have been a number of PAR projects over the years. Indeed, they form a very heterogeneous group. Among them are the work in educational development by Paolo Freire (Freire, 1970) and Budd Hall (Hall, 1975, 1981), community development by Miles Horton (Horton and Freire, 1990) and John Gaventa (Gaventa, 1980; Gaventa and Horton, 1981), Third World development by Fals-Borda (1981, 1987), L. David Brown and Rajesh Tandon (Brown and Tandon, 1983), urban community development by Ira Harkavy, Lee Benson, and John Puckett (Harkavy and Puckett, 1991), and industrial development by Max Elden (Elden, 1983, 1985, 1986; Elden and Levin, 1991; Elden and Taylor, 1983) Bjorn Gustavsen (Gardel and Gustavsen, 1980; Gustavsen, 1985, 1992; Gustavsen and Engelstad, 1986; Gustavsen and Hèthy, 1986), Morten Levin (1980, 1990), William Foote Whyte (Whyte, ed., 1991), and many others.

7   The PAR process in Fagor was intended partly to create internal capacity for internal social research and organizational transformation. It was our hope that experience with PAR would increase the ability of key cooperative members to solve their own problems.

8   Many years ago the anthropologist Anthony F.C. Wallace formulated the notion of "cognitive non-sharing" as a key feature of cultural systems. In Wallace's view, while certain general sharing is necessary for cultural systems to work, it is important to remember that the division of labor in society is only possible because we do not share everything in each others' minds. Each of us has different experiences, different knowledge, and unique capacities (Wallace, 1970). To overlook this in a view of culture is to reduce culture to a simple script that everyone enacts. It also leads to pressures for conformity and the denial of the value of difference within societies.

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9   The Participatory Action Research (PAR) process is laid out in detail in William Foote Whyte, Davydd Greenwood, and Peter Lazes, (1989 or 1991) and throughout William Foote Whyte's edited volume on the subject (Whyte, ed., 1991).

10   See, for example, Guillermo Grenier (1988) and Carmen Siriani, ed. (1987).

11   See Sally Klingel and Ann Martin, eds. (1989).

12   This study draws anthropological inspiration from a variety of sources. The work of Clifford Geertz is the point of departure for the general attempt to link social process and cultural experience anthropologically. In approaches to conceptualizing cultural systems, Geertz's view of cultural systems as systems of meaning characterized by logico-meaningful integration has been important and is summarized in Geertz (1973).

     The continuing urge to clarify, classify, and clean up conceptual frameworks is strongly evident in Fagor. Useful perspectives on this continuing process and its importance in human affairs come from Mary Douglas (1966, 1973).

     Cultural systems are always characterized, and perhaps are themselves structured, in opposition to other cultural systems. People define who they are by who they are not. This perspective conditioned much of the way the initial approach to the culture of Fagor was developed and is consistent with that put forward by Roy Wagner (1981).

     The notion of internal cultural dialectics, the strong tendency within a cultural system to generate opposing images of key elements and to oscillate between these images, owes something to the stimulation provided by Claude Lévi-Strauss' structural anthropology, particularly in *The Elementary Structures of Kinship* (1969) and *Structural Anthropology* (1963). The perspective is fully developed in Davydd J. Greenwood (1984).

13   Examples of useful literature on this subject are Gareth Morgan (1986), Peter Frost, Larry Moore, Meryl Reis Louis, Craig Lundberg, and Joanne Martin, eds. (1985 and 1991).

14   *Panorama of the A. C. of the Basque Country.* (Basque Government Statistics Office, 1985), pp. 10-11.

15   Among the claims made are those stating that Jesus Christ spoke Basque, that there is a link between Basque and Japanese, and that there is a link to proto-Indo European in the Caucasus.

16   *Panorama of the A.C. ..., op.cit.*, p. 26

17   *ibid.* p. 103.

18   Our colleagues, William Foote Whyte and Kathleen King Whyte, have published a comprehensive study of the history and structure of the cooperatives of Mondragón, *Making Mondragón: The Growth and Dynamics of the Worker Cooperative Complex* (Whyte and Whyte, 1988, second edition revised, 1991). In that work, they detail the history and the structure of the cooperatives fully. Thus what follows presents only enough background material here to permit the reader to follow the argument. For a more comprehensive source of general information, the reader should turn to the Whyte's book. Some dimensions of the analytical framework of the Whyte's book are discussed in Chapter 5.

19   In Spanish the word *experiencia* has a double meaning important to those in Mondragón. It means both "experience" and "experiment". When they speak of the Mondragón *experiencia,* they intend to conjure up both meanings at once.

20   As of March, 1992, the exchange rate was 102 Spanish pesetas to $1.00 U.S.

21   The mandated pay scale is from 1 to 3 with a large number of intermediate steps. There are a variety conditions attaching to jobs which can add a "premium" to the basic job classification, among them noise, pollution, etc. A 50% increase over 3 is available to a few top people who have full-time responsibilities and ordinarily work more than the 42.5 hour work week. However, since virtually no job is classified as 1, the *de facto* scale is 1.5 to 4.5. This matter is currently (1992) under discussion with the likelihood of an important change in the direction of linking compensation to a percentage of the average salary in similar positions outside of the cooperatives.

22   In his name, the "Don" is a term of reference and address used to indicate respect for persons of important professional, social, economic, or religious standing.

23   This is the current translation for the *Peritaje Industrial* degree.

24   This refers to a new, completely equipped factory, designed, built, and delivered to a client by

the seller.

25   As will be seen in Chapter 6, the cooperatives began with a complex system of proportional representation that gave greater weight to the votes of those in higher job classifications. Only later did the one person/one vote system come into being.

26   Gutiérrez Johnson stayed longer, gathering materials first for a Masters' thesis and subsequently for a doctoral dissertation in 1982 under Whyte's supervision (Ana Gutiérrez Johnson, 1976, 1982).

27   Professor Jaroslav Vanek, also of Cornell University, whose writings on labor-managed systems were already widely known, had visited Mondragón earlier.

28   William Foote Whyte and Kathleen King Whyte (1988, 1991).

29   This was, by no means, the first time social research had been undertaken in Fagor. Extensive surveys had been conducted before on member attitudes. Shortly before this project began, a major study of member attitudes toward the organizational environment had been completed and amply discussed. Most of this activity was carried out by professional social researchers on contract.

Internally, in addition to continual attempts within the Personnel Department to analyze the sources of the most important problems being brought to their attention, innovations in the organization of work and in administrative structure were regularly engaged in. These innovations, because of the accountability to the membership, are always subject to review and evaluation.

Thus, while nothing paralleling the complexity and degree of internal involvement of the PAR process had occurred before, social research was already valued and deployed in Fagor.

30   One immediate result was the Whytes' receipt of detailed criticisms of their manuscript and suggestions for improvement.

31   Professional social researchers have developed the idea that research is some kind of ''right'' that they have. Except for the modest protections offered for human subjects involved in sponsored research projects in the United States, there is very little in the way of discussion of the ''right'' to do research.

Social researchers often conduct research on subjects of interest only to them. While they generally secure permission to conduct such research, they often conduct the research for their own sole benefit. They study what is of interest to them, in the way they deem appropriate. They write up and publish the results and they garner the professional benefits of the resulting professional reputation. When challenged about this, most professional researchers claim that their research will lead to a better understanding of the workings of society and ultimately will benefit everyone. But they take on no direct obligations to their subjects in the process.

Many of us in the PAR community see these matters differently. We do not believe that social research is a ''right.'' If anything, the professional researcher and/or a PAR team immediately develops a set of obligations to the organization being studied. These obligations include the obligation to study matters of importance, not just to the professional researchers, but to the members of the organization and to study them in ways that members of the organization find meaningful.

In the case of PAR in Fagor, the interests and rights of Fagor members were the primary concern from beginning to end. The research agenda, methods, and efforts were all linked to the issues that some significant part of the Fagor membership deemed important. Further, we did not feel we had the right to conduct research without providing rapid and comprehensive feedback because our subjects were our social equals and because we were asking them to spend time with us on this project.

32   The details of the decision to use roundtables are explained in Chapter 8.

33   Information overload is a common experience for all social researchers. It was not merely the fact that the information was negative that affected team members; it was also the very welter of new information itself.

34   There was a lengthy exchange of correspondence between Fagor and Greenwood and Whyte about themes for the roundtables. Both Whyte and Greenwood made numerous suggestions. The Fagor team members selected a different set of themes from those that Whyte or Green-

wood would have chosen, yet the suggestions stimulated the Fagor team members' thinking. The Fagor team members' decisions were clearly wise ones. This process is an example of the ways a team structure enhances the quality of research.

[35] We are indebted to Donald Schön for formulating the issue in this way.

[36] These perspectives are more fully developed in William Foote Whyte, Davydd Greenwood, and Peter Lazes (1989, 1991).

[37] William Foote Whyte and Kathleen King Whyte's book, *Learning From the Field*, places these issues in context (Whyte and King Whyte, 1984) and David Penny's field manual, *Hints for Research Workers in the Social Sciences*, (Penny, 1984) articulates the methodology of action research effectively.

[38] See Whyte, Greenwood, and Lazes, *op.cit.*, Greenwood, Whyte, and Harkavy, forthcoming, and Whyte, ed. (1991)

[39] See references cited in footnote 6.

[40] In a paper devoted to this topic, Greenwood, Whyte, and Harkavy specifically make the case that PAR should always be treated as an emergent process. It is impossible to state unilaterally at the initiation of a project that it will be a PAR project. Participation must be achieved, not legislated. In the course of a project, the participatory dimension can always be enhanced and under the right conditions, highly participatory action research projects are possible. Still all projects will range on a continuum from less to more PAR depending on the skills of the participants, the external and internal conditions affecting the organization, the time available, and the moral/political commitments of those involved. See Greenwood, Whyte, and Harkavy, (forthcoming).

[41] Greenwood had read Schön's *The Reflective Practitioner: How Professionals Think in Action* (1983) when it came out and had been very impressed by Schön's approach. Well into the late stages of the Fagor project, he read Chris Argyris and Donald Schön's, *Organizational Learning: A Theory of Action Perspective* (1978). The latter book described many of the organizational processes that had been revealed in Fagor and confirmed strongly the team's sense that the cooperatives are characterized by unusually successful learning systems.

[42] Julio Caro Baroja has been influential in articulating this perspective. See Davydd Greenwood (1971, 1978).

[43] This anthropological approach has informed Greenwood's work from the beginning. In writing about the commercialization and demise of agriculture in a Basque coastal town, he compared the past management of family farms with the present situation, showing the interplay of change and continuity that gave rise to both new conflicts and exacerbated old ones. This study was written up as *Unrewarding Wealth: The Commercialization and Collapse of Agriculture in a Spanish Basque Town* (Greenwood, 1976). In subsequent work on ethnicity and political conflict and on the legitimation of ethnic rights, a similar process perspective has been central. See, for example, ''Continuity in Change: Spanish Basque ethnicity as an historical process'' (Greenwood, 1976), ''Community-region-government: Toward an Integration of Anthropology and History'' Greenwood, 1978; and *The Taming of Evolution: The Persistence of Non-evolutionary Views in the Study of Humans* (Greenwood, 1984).

[44] Some of the sources of these perspectives are laid out in Chapter 1.

[45] Clifford Geertz, *The Interpretation of Cultures*, 1973.

[46] Relevant sources are E.R. Leach (1976), Mary Douglas (1970), Roy Wagner (1981), and Davydd Greenwood (1984).

[47] See for example, Robert Oakeshott, 1973.

[48] The reader should understand that formal knowledge of the variety of experiments in industrial democracy around the world played a very minor role in the Fagor PAR project. The Fagor members of the team were aware of some of the efforts of Thorsrud and knew about the Tavistock Institute. Greenwood knew next to nothing about these issues when project began. His education in these matters began at the planning conference for the Einar Thorsrud Memorial Conference. Since then, his involvement in these matters has become the central focus of his professional work.

Of course, what one does not know at a given time always is a disadvantage. Had Green-

wood been fully aware of the Norwegian, Swedish, English, Dutch, Canadian, and U.S. efforts in this area, the Fagor project would have probed some issues more deeply. Certainly some additional techniques for moving group processes forward would have been used.

Still, the subjects studied and the angles from which we looked at them stand up well in the context of this broader literature. In particular, our emphasis on the conflictive and dynamic character of democratic processes in the industrial cooperatives seems as relevant to the general literature as it did to our PAR team in the Fagor context.

[49] This project is described in Peter Lazes and Tony Costanza (1984). The most complete review of the case is found in Sally Klingel and Ann Martin, eds. (1989).

[50] For relevant studies and bibliographies, see Colin Crouch and Frank A. Heller, eds. (1983), Bernhard Wilpert and Arndt Sorge, eds. (1984), Robert N. Stern, ed. (1985), and Björn Gustavsen, (1992).

[51] Among them are Suzanne Berger and Michael Piore (1980), Michael Piore and Charles Sabel (1984), Richard Schonberger (1982), Edward Lawler III (1986); and in a popular vein, William Ouchi (1982) and Thomas Peters and Robert Waterman (1982).

[52] Greenwood (1974, 1976, 1978, 1980).

[53] Greenwood (1974).

[54] Berger and Piore (1980).

[55] It turns out that by "dualism", they do not mean two unitary and separate economic systems, but two sectors, each differently organized. The "traditional" sector has a multiplicity of firms and strategies within it. I also object to the term "traditional" because no amount of redefinition can eradicate the semantic association between "traditional" and fixed or static. This association is in direct contradiction to the essence of their argument.

[56] Berger and Piore, *op cit.*, p.7.

[57] Michael Piore and Charles Sabel (1984).

[58] A valuable analysis of this process in the Fagor Group has been prepared by Peter Taylor, a graduate student in Development Sociology at Cornell as part of an internship within this larger project. Peter Taylor, *The Fagor Group of Mondragón: Equilibrium and Centralization of Decision-making*, unpublished manuscript, October, 1986. A revised version is being prepared for publication. Taylor's dissertation carried this work forward and compared two Mondragón cooperatives to a cooperative in Cataluña in a remarkable combined analysis of the relationship between political economy and discourse (Taylor, 1991).

[59] Geertz (1973).

[60] This term is taken from Chris Argyris and Donald Schön (1978).

[61] An excellent English language bibliography on Mondragón has been prepared by the Industrial Cooperative Association (1985). Whyte and King Whyte (1991) contains additional more recent references.

[62] These are mixed social class groups that walk from bar to bar conversing after work.

[63] Arizmendiarreta cited by Larrañaga, (1981), p. 215.

[64] *ibid.* p. 125.

[65] This admiration is reflected in the phrase: "The Mondragón experience is not a spontaneous one, rather the fruit of a long personal and charismatic effort by Don José María and the group of men who were dragged along by the ideas of a man who was a leader in every sense of that word" (*ibid.,* 114).

[66] Arizmendiarreta quoted by Azurmendi, (1984), p. 728.

[67] For a full discussion of the distinction between solidarity and equality, see Davydd Greenwood (1988).

[68] Indeed, a commitment to hierarchy necessarily brings with it particular forms of equality, as Louis Dumont so creatively pointed out years ago in *Homo Hierarchicus* (1970).

[69] The most notable exception is the Whyte's book (Whyte and King Whyte, 1991).

[70] At the time the study was conducted, the literature on organizational culture was not very helpful to us in this dimension. While the works of Schein (1987), Frost, Moore, Louis, Lundberg, and Martin (1985), and Morgan (1986) were helpful, the dominant view of organizational culture was still as a monolith. Now Frost, Moore, Louis, Lundberg, and Martin have produced a new book that deals much more effectively with the complexity and dyna-

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mism of organizational culture (1991). We hope this is the beginning of a trend in this literature.

71 The result was an unpublished manuscript: Mikel Alzola *et al.* (1985).

72 Throughout the analysis uses the name Fagor for convenience. The Mondragón cooperatives began with Ulgor, which spun off other cooperatives, some of which became part of what was called the Ularco Group. The name was changed to the Fagor Group in 1986.

73 "Renta nacional de España y su distribución provincial. Serie homogénea 1955-1975", *Banco de Bilbao*, quoted in Josu Irigoyen, (n.d., p. 125).

74 Data from a conversation with Jesús Larrañaga, September, 1987.

75 In the cooperatives, this figure is calculated as net profits plus debt services. Both figures are laid out in the monthlies and can be examined easily by the social bodies and governing organizations of the cooperatives.

76 The solution worked out ultimately did link the cooperatives to Social Security through the aspect of Social Security designed to deal with those who are self-employed, *e.g.* small businessmen, authors.

77 Ederlan initially specialized in founding, casting and parts machining for electrical appliances and the automobile industry and subsequently concentrated on the automobile industry. Copreci manufactures precision components for electrical appliances, beginning with mechanical components and then moving into electro-mechanical devices such as thermostats, electrical valves, and timers. Fagor Electrotécnica manufactures semiconductors and signal devices, beginning with selenium plates, moving into semiconductors and later adding tuners for conventional satellite and cable televisions.

78 These measures were discussed in the Consejo General of October 3, 1966 in view of the financial data and were put forward by different members of the Consejo General on November 3, 1966 in response to the problems formulated the month before. They were all put forward as "recommendations", to be applied in each cooperative as conditions warranted. Subsequently these "recommendations" were made more concrete as the Group itself created a centralized management structure in 1969 and its Department of Central Services. At this time, there were 5 cooperatives in the Group.

79 "Instrumentación de los traslados intercooperativos del personal", 1967.

80 *Acta del Consejo General*, July 8, 1968.

81 As a trial run in developing social research capacity, the PAR team studied the strike of 1974 closely. Lessons learned from this study were important in the formulation of the overall view developed in this chapter. The story of the strike is narrated in detail in William Foote Whyte and Kathleen King Whyte, 1991. and in Alzola, *et. al* (1985).

82 This comprehensive course included a review of concept of the "firm", its creation, functions, and dissolution. It then set the firm within the context of the economic system and its operations. This was followed by a review of all the functional areas of the firm, followed by an analysis of the cooperative system in this broader context. It ended with an examination of central services. The course took 92 hours.

83 Typically the process followed begins in a particular department (*e.g.* Personnel, Finance, etc.) where a draft regulation is developed. The Director General and his Management Council analyze, modify, and approve it. It then passes to the Governing Council, Management Council and the Social Council of each cooperative, where amendments can be suggested. These return to the *Consejo General* which, according to the subject and its socio-economic implications either approves it for action or passes it along to each cooperative for approval within the General Assemblies. If the subject requires it, a referendum can be used, summing up the votes from all the General Assemblies, making the results obligatory for all.

84 This refers to members who have a specific personal commitment to labor unions. They have the right to appear before the General Assemblies and present proposals different from the ones presented by the Social Council. The creation of this option was designed to permit individual and groups actions by members who shared specific ideological perspectives. It has been little used.

85 Ederlan was formed by the combination of the transformation of an outside firm and the spinning off of Ulgor's foundry.

[86] In this particular case, the General Assemblies of each of the Fagor cooperatives had to approve.

[87] *T.U./Lankide,* 295, September, 1986. This monthly magazine has been published by the cooperatives for decades. It is a useful source of information and is available to anyone who wishes to subscribe. It is distributed by Otalora, Aretxabaleta (Guipúzcoa), Spain. Fax: (34) 43-77-07-88.

[88] *Reglamento del Complejo Industrial Cooperativo Ularco,* Artículo 2, April 2, 1966.

[89] *Acta del Consejo General,* April 2, 1966.

[90] Taylor (1986): 98-99.

[91] The details of this process in Fagor are available in the Whyte's book (Whyte and King Whyte, 1991). Anyone wishing more information on this subject should consult that source.

[92] The work was conducted by Sally Klingel of Cornell University, under William Foote Whyte's general supervision (Klingel, 1991). It utilizes the instrument developed by the Industrial Democracy in Europe Research Group (1981).

[93] This focus on organizational dynamics is not new, but has gained a great deal of ground in recent years. These perspectives are essential to the work of Donald Schön (1983, 1987), Chris Argyris and Donald Schön (1978), and Edgar Schein (1987). The Fagor study was influenced by these views, particularly in the later, analytical phases.

[94] In particular the frameworks of Donald Schön and Chris Argyris were important in the later stages of this study in providing systematic ways for thinking about organizational learning in Fagor. See Schön (1983, 1987) and Schön and Argyris (1978).

[95] "In good organizational dialectics, new conditions for error typically emerge *as a result of* organizational learning. Good dialectic is not a steady state free from conditions for error, but an open-ended process in which cycles of organizational learning create new conditions for error to which members of the organization respond by transforming them so as to set in motion the next phase of inquiry." (Argyris and Schön, 1978: 60, emphasis theirs)

[96] Of course, Fagor members are also similar in some senses. They share certain expectations and experiences and are not so radically dissimilar that they cannot communicate and cooperate with each other.

While this view is not unique to the current study, it is principally based on Davydd Greenwood's anthropological work (Davydd Greenwood (1976 and 1984).

[97] An example of the view being criticized here is Terrence Deal and Allen Kennedy (1982). For other references on this subject, see Chapter 1.

[98] The Fagor team's framework links two main approaches to the study of organizational culture. The first focuses on culture as part of a dynamic process. The second emphasizes the "sense-making" dimensions of cultural systems, their construction out of symbols, images, and metaphors and the continual processes of interpretation that are essential to them. These perspectives link to some of the literature on organizational culture. Among the major works examined by the team are Peter Frost, Larry Moore Meryl Reis Louis, Craig Lundberg, Joanne Martin, eds. (1985), Marian Jelinek, Linda Smircich, and Paul Hirsch, eds., (1983), Gareth Morgan (1986), and Louis Pondy, Peter Frost, Gareth Morgan, Thomas Dandridge, eds. (1983).

[99] Such an approach involves the application of a theory of education involving a process of laying our a model, criticizing it, debating different views that come up in response to it, and then motivating a reformulation. This process has much in common with the "mapping" processes described by Argyris and Schön (Argyris and Schön (1978), though the team was unfamiliar with their work at the time.

[100] The general focus on contrasts and dichotomies arises from dimensions of the anthropological approaches of Claude Lèvi-Strauss, Edmund Leach, and Mary Douglas.

[101] In this context, members mean that the cooperatives are too inefficient to survive economically.

[102] My own development of these ideas is contained in Davydd Greenwood (1988).

[103] Since the end of the PAR study proper, Davydd Greenwood spent a year as a hired consultant to Fagor, working on the book and helping in the process of developing action plans.

[104] For an analysis of the social scientific merits of PAR in general, see William Foote Whyte,

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Davydd Greenwood, Peter Lazes (1991), and William Foote Whyte and Kathleen King Whyte (1988, 1991).

[105] The saga of getting this book published is not unusual in the annals of action research. Publishing standards set by academic peer review homogenize in structure, theme, authorship, and style what is acceptable. Willingness to step beyond this situation is why the present effort of Van Gorcum's Editorial Board for the series ''Social Research for Social Action'' is so important.

[106] See also Whyte and King Whyte, 1991 for an update.

[107] For more information, see Whyte and King Whyte, 1991, pp. 201-204.

[108] This survey research was carried out by Mikel Lezámiz, now Director of the Sociological Research Unit of Otalora (formerly Ikasbide). This research is proprietary and not yet available for distribution and so we cite it only indirectly here. Lezámiz was an active member of the 1985 PAR team and a co-author of our first monograph.

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