

Mondragon:

Could Something Like This Be In Our Future?

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My first visit to Mondragon was in 1979. I had been searching the globe for years for a modern company that had moved beyond the common wisdom of the day. My initial reaction to Mondragon was utter amazement. I had never expected to find such a mature and comprehensive example. They are now the largest corporation in the Basque Country and the 7th largest in Spain. They are also the world's largest worker cooperative. However, they are different from the worker cooperatives of the past in one very significant way: their highest priority is not the workers; it is the common good of us all.

Let me give you a short description of the Mondragon Cooperatives. Then I will share what I believe are some of the major lessons we can learn from their more than three decades of stunning success.

The inspiration behind the Mondragon Cooperative Corporation (MCC) was a Catholic priest who in his own way understood the difference between immature behavior and mature behavior. Therefore, he very self-consciously invited some young men to join with him in creating democratic organizations based on giving priority to the common good. The particular highest priority was the creation of more worker owned

jobs for others... not primarily the financial success and social fulfillment of the members of the cooperatives.

His first assignment upon leaving the seminary in 1941 was to be an assistant pastor at the Catholic Church in the small town of Mondragon which is high in the Pyrennes Mountains of northern Spain. Mondragon is in the Basque region and Father Don Jose Maria Arizmendiarrietta was Basque. This was just after the Spanish Civil War which had been won by General Francisco Franco and his fascist party.

Franco had had a difficult time defeating the Basques who had sided with the freely elected democratic socialist government against the fascists. If the democratic socialists won, the Basques had been promised an amicable separation from Spain so they could create their own nation. As a result, after the war Franco treated the Basques County like an occupied nation. He even outlawed the Basque language. As you can imagine, this forged a strong bond among the Basques. This was on top of the deep solidarity which already exists within Basque society.

The rainfall in the Pyrennes is such that there has never been a drought. Thus the Basques have never had to migrate. They have lived in those mountains for as long as there has been recorded history. Also, their farming and village life has been based on consensual democratic policies for as long as they can remember. At the same time, they have always been dominated by other people. These conditions, plus a unique language and common religion, have forged a deep feeling of family among the Basque people.

So Father Arizmendi, not only a devout Catholic but also a staunch Basque, set about meeting the needs of his parishioners. There was a need for education and jobs. He first started a high school then the first worker cooperative with five of the boys that he had become especially close to as they were going through his school. Since Mondragon was a small town very far off of the beaten paths, the people in Mondragon not only had the solidarity of history but also the immediate experience of being prisoners in a prison camp. In this setting, as is usually true of oppressed and imprisoned people, it was natural for Mondragonians to give priority to their solidarity as Basques -- the common good of the group -- over their individual self-interests. A very fertile soil within which Father Arizmendi could grow not only businesses but an entire society that gave priority to the common good.

The Philosophy of Father Arizmendi

To this fertile mix Don Jose Maria added his view of mature human behavior. Mondragon gives priority to the non-material (call it 'agreements' or 'mind' or 'spirit' or 'relationship'). The common good is given priority over a particular good. Or, said another way, people come before things.

What is the mature relationship among people? If we let go of our fear of using the word in a business setting, we all know from our personal experience that the one word answer to this question is 'love'. But how does love play itself out in the structuring of a business enterprise?

From my research on Arizmendi, I have concluded that he observed that friends (mature people) behave differently around ‘things’ than enemies (immature people). If we are friends or lovers and we have an apple which we both want, we probably will split the apple as evenly as possible and share it. If one of us has not eaten all day and the other just has had a full meal, the latter will take the smaller piece and give the larger half, or even the whole apple, to the former.

Friends behave as if they almost only have one mind and one body. With little effort they share resources appropriately as easily together as they make decisions alone.

Enemies, on the other hand, behave in the opposite manner. If we are enemies and we have an apple, one of us might try to gobble it down while the other is not noticing. Or, if the other is too smart for that, we might agree to share it by cutting it in half. Then we would both try to take the bigger piece even if one of us has just had a full meal.

Enemies behave as if they have two separate minds and bodies. This is because they think ‘things’ are most important. There being only so many things around at any one time, they try to acquire as many of them as they can. Life for them is a process of competing and taking.

The difference between friends and enemies lies in the fact that the relationship among friends can be timeless and spaceless. For instance, if we make a mistake with a

friend, apologize and are forgiven, it can be as if it never happened. Yet it did happen. A human relationship can be timeless and spaceless; things, on the other hand, exist in time and space. *If the relationship is truly mature, I believe Father Arizmendi would have argued, there can be an absence of conflict around things.*

Arizmendi simply extended this relationship of the feeling of oneness known by all in friendships and between lovers into the relationship with all things, even with those who see themselves as our enemies - like Franco and his Guardia Civil soldiers which were nearly always in view when moving about town.

Arizmendi pointed out that they were powerless to decide what people were thinking.

Thus, rather than confront them, which would be acting as if they could, Arizmendi separated what people were doing from the language and belief system within which they were doing it. 'Let's do what we want to do and then simply talk about it in their language and ideas,' is the kind of thing Don Jose Maria might have said. 'Since in their worldview they think we are prisoners, by not confronting them they will think we accepted our role as prisoners. Oh, we will confront them politically but in all other areas we will be free to do exactly what we want right under their noses. They will think political freedom is the only game in town and we know it isn't. Thus, with them we will act like it is not only most important but also the only important issue. They will be happy and we will be happy without confrontation in all other areas of life.' Using this

strategy they were able to be happy and prosperous. They were also able to build a society of their own design; this is what was most important to them on a day to day basis. They also knew it would outlast the political disagreements.

Stated another way, they discovered that they had the choice of whether or not to give their power to the soldiers. Don Joes Maria convinced them that they could keep their power and use it to build wonderful lives together. His non-violent or loving method of dealing with an oppressor did not even necessitate confrontation. (This makes me think that perhaps Father Arizmendi took non-violent political action to another stage of maturity beyond where Mahatma Gandhi had taken it ... to post-confrontation.)

The lesson here for managers is that in one way or the other we all have an explanation for how life makes sense. They will surely differ, but we all agree that it makes sense to do one thing rather than another at all times. We also each have an explanation of how our thinking all fits together into a whole. This means we all have a sense of our responsibility to that larger whole as well as to ourselves. When we discover that by giving priority to the whole we can have both the needs of the whole and the part fully met, we have moved up to the higher layers of human maturity. This is where we give priority to the common good; throughout history this has usually been described as 'moral behavior.' If managers genuinely ask all to give priority to the common good, not just of the team but of us all, there is no better basis for uniting people in productive activity. Each of us has our explanation of why it makes sense to give priority to the common good, the whole. By speaking to it we tap this natural unifying force. In a

publicly traded corporation where Wall Street has determined that the highest priority is the financial interests of a few, the shareholders, it can be difficult to even give priority to the other local stakeholders, the customers, suppliers, communities, environment, and so on, much more the common good of us all. However, in a context of accepting whatever prison walls exist as the Mondragonians did, it is still always possible to give priority to the common good wherever and however we can. That is being realistic and that realism neutralizes its power and allows the intuitive priority of the common good in us all to be tapped.

The History of Mondragon

In 1943 Father Arizmendi assisted the students in his youth group to start a cooperative technical high school using funds donated by the community. There were parents, students, teachers, administrators, and community members on its Board of Trustees. He became head of the school. He taught his students and many in the community through his evening adult study group classes and conversations in bars his philosophy as the way up and out of their predicament. He was not charismatic - people fell asleep during his sermons - but he was sure of his views, consistent, and persistent. The question for which he is most remembered is, 'How can we do this in a way which works fully for those in the enterprize and those in the community rather than for one more than the other?' He never let them believe that it was necessary for someone to win and someone to lose. Giving priority to the common good *within an acceptance of conditions as they are until they can be changed for the better* allows all to win.

By 1954 five of his original eleven youth group boys who had gone to college had worked their way up to management levels at the large industrial company in town, the Union Carrejera. However, they became frustrated in their efforts to apply Father Arizmendi's ideas. So they left and formed a new company (Ulgor) where they could implement his teachings. They raised funds from local townspeople, just as they had when they had started the technical school. In 1956 they opened a small paraffin stove factory with 24 people. When butane gas arrived in Spain, they converted to butane stoves and caught the industrial wave entering Spain. Within one year, they had 117 owner-workers and had bought two nearby foundries.

Today, the 'Mondragon Cooperative Corporation' is an association of 150 cooperative enterprises, more than 100 of which are owner-worker industrial cooperatives. In 2006 they contributed 3.8 per cent towards the total GDP of the Basque Region. Beautiful, clean, and modern factories stretch out along the valley for several miles and are scattered throughout the Basque Region of northern Spain. More than 20 per cent of sales are for export and they now own factories in other parts of the world. They are not cooperatives; this is a concern to many who study them. Many believe that this reveals that their priority is no longer the common good of us all but now it is of the Basque people. Some of us think Father Arizmendi is continually rolling over in his grave because of this loss of original priority. They argue that people outside the Basque Country do not have the same natural inclinations toward cooperation that is nurtured in their society; yet they treat their workers extremely well in these factories. As someone who has assisted in the development of worker cooperatives and microloan programs in

the USA, I would have to agree that the high priority on individual freedom here and in many other areas of the world makes it extremely difficult for cooperatives to be successful.

There are more than 50,000 members whose jobs are virtually guaranteed for life. In downturns, pay cuts are preferred over layoffs. And if workers are laid off, they are given preference in the hiring at other cooperatives. And during the deep European business recession of the late 1970s and early 1980s, when 20 per cent of the employees in the surrounding economy lost their jobs, the cooperatives increased employment by 36 per cent! They tend to be consistently expanding.

The association of cooperatives is governed by a 650-member cooperative congress, its delegates elected from across the individual cooperatives. The annual general assembly elects a governing council which has day to day management responsibilities and appoints senior staff. For each individual business there is also a workplace council, the elected president of which assists management with the running of the business on behalf of the workers.

More than half of the Mondragon companies are focused on industry, producing the full range of consumer and industrial goods, ranging from plastic rulers to bicycles to robots. Collectively, they are Spain's top producers of industrial machinery and major home appliances--refrigerators, stoves, washers and dryers, machine tools, and so on. In addition, the Mondragon enterprizes lead the way in heavy construction, furniture

production, farming and high technology. Spain's first producer of computer chips was a Mondragon firm. Its supermarket arm, Eroski, is the largest retail food chain in Spain and the third largest retail group in Spain.

Coop members have a broad health insurance plan for their families, a private unemployment program which pays 80 per cent of take-home pay if an owner-worker is ever laid off, and a pension program, separate from their accumulation of profits, paying 60 per cent of their salary on the last day of work until death. Upon retirement, most members are also offered a plot for a vegetable garden if they don't happen to have one where they live.

They have their own cooperative bank, The Caja Laboral Popular (The Bank of the Working People). As might be expected, all the members and businesses do their banking with their own bank.

I believe that the major lesson here is that all the needs of employees and their families can be met in the private sector rather than to rely on government. They have proven that it can be done. Good government programs should not be duplicated, but they also do not need to be relied upon.

Mature Entrepreneurship

I was amazed when I learned that the Entrepreneurial Division, which provides venture capital for developing new cooperatives, has close to a 100 per cent success rate! In other words, nearly every cooperative it has capitalized has succeeded. By contrast, venture capitalists in the United States consider a 20 per cent success rate respectable, with 80 per cent of all new businesses failing within the first five years.

The secret of Mondragon's success is that they have a unique approach to business development that virtually guarantees success every time. It not only assumes every new business will succeed, but it also makes a commitment to the business until it does and it backs this pledge with a highly-skilled staff at the corporation's Entrepreneurial Division (ED). Managers can learn from this when building teams to do projects.

They only begin with a group of people who are already friends, never with one individual. They view these natural bonds of friendship as the bedrock upon which the new firm is built. Then the ED and the founding group agree to stay together until the business is profitable. The members of the founder group put up twice the membership fee others will invest and the ED loans the business the rest of the capital at approximately 13 per cent. If the business has difficulty, the ED loans any additional capital at 8 per cent. If more trouble, 0 per cent. If still more trouble, the Bank will donate capital to the business. In other words, *the riskier the loan the lower the interest rate!* Eventually, even if they have to switch managers or even their product line, the business

becomes successful and is able to repay much if not all of the loans, although the bank often uses a portion of its profits to reduced the size of the loans of all of its cooperative businesses.

You may think this is a very unusual relationship. However, it is not as foreign as you might think. The ED is simply relating with these new businesses in the same way any large company relates with a new division it has created to produce a new product. The only difference is that the ED itself is a division of the one conglomerate called the MCC and this is its particular task. The circle defining our 'we' has simply been extended by all beyond the new corporation to include not only the ED but the entire community.

Unlike conventional businesses that rank their priorities capital-product-managers-workers, Mondragon ranks its priorities in exactly the opposite order: workers-managers-product-capital. People are given the highest priority and 'things' the lowest.

Because capital is mainly stored labor and since the entire community is behind the creation of any business, nothing - not even capital - is ever abandoned. As long as the community is willing to put labor into the formation of a business, there will be capital available. This way the ED never has defaulted loans, interest rates can be lower for riskier loans because the ED will never abandon the business (so it's better to not overburden it), the owner-workers get guaranteed jobs for life, the community gets a stable commercial sector, and the consumers get high quality, inexpensive products.

Everyone wins. This is all the result of thinking in the more mature way Father Arizmendi taught them and having their priorities be different as a result.

In Mondragon, the venture capital to finance new businesses comes from the savings accounts of bank depositors! This is virtually never done elsewhere. Does this scare depositors? Apparently not. The Caja Laboral Popular is one of the fastest growing and most successful banks in the world, with a branch in nearly every Basque neighborhood and more than a two million depositors. As of 2007 it had USD 20 billion in total assets. To assure that the businesses remain strong, the seasoned business experts at the ED monitor the performance of every cooperative on a monthly basis. They are quick to recommend action if any difficulties emerge.

Mondragon's Commercial and Community Businesses

The MCC has not limited its activities to business and banking. Its total approach includes the needs of workers, their families and the surrounding community. They have participated in nearly every realm of community development. They have built over forty cooperative housing complexes, many incorporating grocery stores and other retail shops. They have created the equivalent of private day care, grade school, high school, and higher education facilities. The Mondragon educational system includes over forty schools and the University of Mondragon with over 4000 students. In addition, there is a student cooperative which allows working students to fully cover their tuition and living expenses for their private high school and college while offering the experience of running their own cooperative. Looking at all these benefits, it is no wonder that people

brought up in the system usually stay. To support this, children of members go to the head of the line of those seeking positions in Mondragon cooperatives.

In a study done in the early 1990s the profitability of the Mondragon cooperatives was found to be twice that of the average corporation in Spain. Of even greater significance, worker productivity in the cooperatives is higher than in any other organization in Spain. While much of their success in this area is the result of Mondragon's innovative management approach, it can also be attributed to their aggressive use of high-technology production methods, such as robotics. And casting all conclusions about the management performance aside, in a study by the Anglo-German Foundation for the Study of Industrial Society, the management was found to be some of the most aggressive and innovative ever seen by the Foundation's staff. Also, the members were found to be highly motivated and personally fulfilled by their jobs.

In light of the MCC's extraordinary success record it should come as no surprise that the MCC became the Basque's model for the future. What is surprising is that the cooperatives were built in spite of suffering through over forty years of repression under General Francisco Franco - a testament to the wisdom of Father Arizmendi. The Spanish dictator died in 1975 but the Basques were not granted local autonomy until 1982. Then, in the 1989 meeting of the Basque National Congress, Mondragon's 'third way' was adopted as the official economic policy of the new Basque nation. This may be the first nation in modern times to commit itself to the development of cooperative economics.

The Structure of a Mondragon Enterprize

Having articulated his philosophy, Father Arizmendi asked his young students and the men and women in the bars and drinking clubs, 'If these ideas are true, what kind of an organization does it suggest?'

First, they realized that if they wanted to have a 'loving organization,' they could not define seemingly opposite roles, for example workers and owners, as the responsibility of different people, as if these roles could be separated. After all are not we all both full co-owners and co-workers of the planet at all times before we are anything else?

To have easy and freely chosen one-mindedness, it is best if the owner and the worker in a business are the same person. If I am the person who decides what movie to go to and you are the person who goes to the movie that will seem ludicrous to us. In this example, we easily can see that to separate the *choosing* and the *doing* from one another in time and space (into different bodies) brings fear into the relationship. We will each fear that the other will not be sensitive enough to our needs and wants. The potential for conflict is great.

If I am the chooser *and* the doer, however, I have no fear at all. I know I will be sensitive to my needs and wants so the relationship between the chooser and doer, being both in me, is peaceful. This inner peace is the result of my freedom; the capitalist in me is happy.

If you and I are going to a movie together and we both are the chooser and the doer, then our relationship can be timeless and spaceless. If we are lovers and you want to go to movie A and I want to go to movie B, we will talk about it. If you want to go to movie A more than I want to go to movie B, we will decide to go to movie A. *We will both be happy — yet in the material world I did not get anything I initially wanted while you got everything you first wanted.* We are happy because we freely acted as if we had one body and mind. The limitations of the material world are fully accepted; we could only go to one movie together. There is peace in the relationship. This peace is the result of solidarity; the democratic socialist in us is happy.

Then Father Arizmendi rose above and beyond the current immature capitalism and democratic socialism by identifying this as not only the loving relationship between the roles of owner and worker but also between the enterprise and everyone outside the enterprise. The individual freedom of others is honored and the good of all is given priority. Thus, this democratic enterprise is also unlike most other democratic workplaces which explains why it is so successful and most other cooperatives have more often than not struggled or failed. In a 'mature cooperative' all share the same top priority - the common good. In an immature cooperative, each has a different highest priority - each individual's self-interest. Conflict, not cooperation, is still the basis of the philosophy. Thus, as at Mondragon, Father Arizmendi's mature worldview will eventually allow a plethora of democratic workplaces to emerge and flourish within a free market economy.

So, the first rule of a mature cooperative is that the chooser and the doer, the owner and the worker — must be the same person. This merger of roles must go beyond titles and become the actual inner and outer (operational) experience of each member.

Each worker not only invests in the business by working all day but also, for the business to succeed, the worker must also become equally invested as an owner. Mondragon believes there is only one thing that will assure this investment as an owner and that is risking capital (stored labor). Everyone knows what ownership is. It is being at risk if something which is ours gets damaged or lost. People can be fully invested in something without being financially at risk. However, Mondragon wants everyone in the community to be equally invested to be members. So they need to make sure everyone becomes invested 100 per cent as an owner. To ensure this, every member is required to loan the cooperative a substantial sum (without collateral) which is the equivalent of the lowest annual salary (about USD 30,000).

New members do not have to possess this capital on day one. They simply sign a note and it will be withheld from their salary over time with no interest attached. Membership, thereby, is open to all, regardless of financial circumstances. If the business goes bankrupt the next day, however, the owner-workers will still need to pay off the loan to the bankruptcy courts. In other words, even though the capital was not loaned on day one, the owner-worker is fully at risk and invested as an owner from the beginning.

The rest of the structure of a Mondragon cooperative is equally insightful as it provides interesting perspectives on human nature. Only members of the cooperative can be on its Board of Trustees. This assures adult-adult psychology patterns. Many owner-worker cooperatives in the past have invited non-members to be on their boards, like the lawyer and financial investor who were helpful, resulting in parent-child psychological patterns.

Each board has two main committees: the Management Council and the Social Council. The manager is an owner-worker who is hired as manager for a four-year term. During that time the manager cannot be told what to do; he or she can only be demoted. This unique aspect of the Mondragon design is based on the recognition that management is a specialty skill. So Mondragon hires skilled managers and then gets out of their way and lets them do their jobs. This has solved perhaps one of the greatest problems of all other owner-worker cooperative experiments.

In past efforts, managers were suspect because the workers had come from capitalist enterprises where the hierarchy was used as a power tool. As a result managers often did not have specialized training and, even if they did, the other owner-workers used their influence to demand changes in management's business plan without sensitivity to the sophistication of its design. Because of these tendencies toward ineffective management, it has been widely believed that democratic ownership could never compete in a capitalist society.

Mondragon has solved this problem by identifying the essence of hierarchy. They discovered that its essence is *efficiency and not power*. A hierarchical division of labor is the most efficient way for a group of people to do a complex task; and *if the relationships among the people are of the timeless and spaceless variety described earlier, then hierarchy is only an efficiency system*.

Thus, Article 4 of the Social Statutes of Ulgor (the first cooperative), as written by Father Arizmendi, reads: ‘Work is the means adopted for attaining a higher level of satisfaction for human aspirations and demonstrating collaboration with the other members of the community to promote the common good. To ensure that it is contributed freely, productively, and in a manner that makes everyone’s collaboration viable, the members shall respect its discipline, namely a hierarchy . . .’

At the same time, the Social Council provides the equivalent of a union *within* the cooperative structure and also serves as a forum to provide workers the opportunity for full participation in management.

Every division of 20 to 50 owner-workers in each business conducts at least a monthly work-group meeting to discuss any issues which have arisen. Each division has a representative who will meet with all the other representatives in the Social Council. The Board of Trustees delegate to the Social Council all the issues with which unions are normally concerned: job descriptions, salary scales, fringe benefits, safety, and so on. The Social Council is also responsible for donating 10 per cent of any annual company

profits to charity. (This compares very favorably with the average American corporate contribution to charity of less than 2 per cent.)

Management and the Social Council representatives are part of each division group. There could also be a member of the group who has been elected to the Board of Trustees. Through this system every owner-worker can be involved in managing every aspect of the enterprise. During these meetings, the owner-workers can discuss anything they choose. Whether an owner-worker becomes enthusiastic about management issues or traditional union issues, his or her substantial capital investment keeps the commitment - as an owner and a worker – both 100 per cent present in his or her mind. All owner-workers have one share of voting stock. This keeps them all equal in power. Thus, their relationship within themselves and among each other, as well as with the rest of society, is the pattern of ‘one-minded cooperation’ for the common good.

The structure of the cooperative reflects this one-mindedness. The capitalist system’s equivalent of management and union are each present in the MCCs and distinct; however, they both are inside the ‘*us*’ of the cooperative, and are subservient to the Board which assures their total integration and coordination. If the board ever fails in this task, the general assembly of all the owner-workers, which wields the ultimate power within each cooperative, can overrule the board.

Each cooperative elects representatives to the Cooperative Congress. The Congress in turn elects the board of the secondary cooperatives, such as the bank, the

research institute, the entrepreneurial division and the insurance and social security institutions. The main focus of the Cooperative Congress in Mondragon is the creation of owner-worker jobs to expand the opportunity for people to participate in the cooperative economy. There probably is no better service to themselves as well when you take a hard look at it. Job creation gives the current owner-workers greater job security and allows them to be enthusiastic about automation. They are very aggressive in robot development. They recognize that it both eliminates repetitive and dirty jobs and increases productivity, which is important in an international marketplace.

At the same time, they view owner-worker job creation as the best service to the community at large. Once a person has an owner-worker job in a Mondragon cooperative, best efforts are made to guarantee it for life. Thus the person's family will never be dependent upon public assistance but will continually contribute to the needs and development of society. Therefore, every act of each owner-worker every day is experienced as providing for one's self and serving society, both simultaneously and both 100 per cent. The for-profit versus non-profit personality split with which we are so familiar in our society is absent in the attitude of the Mondragon member. And when you walk through a factory, you feel like you are visiting with someone in their kitchen or working at a church fund raising event and yet their productivity is the highest in Spain.

Finally, the uniqueness of Mondragon is demonstrated in the way profits are distributed by a cooperative. Fifty per cent is distributed among the owner-workers based on salary scale and the number of years with the cooperative. However, these profits are

not given out in cash. They are allocated to the owner-worker's *internal capital account* and regarded as a loan from the member to the company. Each year, just before Christmas, the member receives, in cash, the 6 per cent interest paid annually on his or her internal account. Thus, the owner-worker's investment in the cooperative increases and the cooperative reinvests the worker's profit to create more cooperative economy jobs. The business receives capital without collateral at a low interest rate, normally the most difficult and expensive capital to borrow.

Ten per cent of the annual profits are donated to charity and the remaining 40 per cent is retained in the *collective internal account*. If the cooperative ever ceases to exist, this collective account will be donated to charity because it is regarded as the portion of profits which is collectively owned and managed for the common good. So, even the profits escape the time and space material axis by seeming to go in two directions at the same time. The owner-worker has the use of his or her portion of the 50 per cent because it can be used as collateral at the bank for a loan which will be at an interest rate only a point or two over the 6 per cent it is earning. Yet the cooperative has the use of the capital at the same time.

As you can see, there is great power in a mature understanding of the nature of human relationships. By giving priority to the common good we can capitalize on the fact that all humans naturally prefer to give it priority. This can allow for a very high level of self-conscious collaboration and co-creation, for easy and high productivity, for using hierarchy as primarily an efficiency system instead of a power system, and for uniting the

priorities of a worker, an owner, and the community into each action by each participant. This results in enhanced personal fulfillment, great morale, and financial and social security.

Mondragon's Five Guiding Principles

Don Jose Maria prepared the first by-laws and social statutes which extended his worldview into every aspect of the agreements upon which the business was based, making sure to leave no opening for an easy unraveling into the immature method of operation. This is evident in the five guiding principles upon which the company operated for more than a year before he could break it down into specifics in the by-laws and social statutes:

1. Solidarity
2. Individual economic contribution
3. Labor contribution by all members
4. Democratic government
5. Progressive expansion to incorporate other workers

‘Solidarity’ was their word for ‘the common good.’ It was given highest priority. The original by-laws and social statutes created by Don Jose Maria have been used by every subsequent cooperative.

The significant difference that is Mondragon is the way the founders looked at the situation in the first place. They started from a different place. Everything else was a result of that.

The people at Mondragon believe they are all in business together - the owner-workers, consumers, bank depositors, and community. They arrange it so each owner-worker business is ultimately successful, the owner-workers will have jobs they can control for life, the businesses will avoid wasteful crisis management, the bank depositors will feel secure about their savings, and the community will not have to worry about disruptive plant closings or absentee owners. Finally, they have the joy of knowing that they all share the same top priority in all they do: the common good. This allows for the feeling of a safe, known, and loving context for the sorting out of all relative differences.

Many today are now coming to agree that cooperation is a fundamental aspect of human nature. Competition, compromise, agreement, and love can be seen as forms of cooperation: the different ways cooperation can operate. Competition is not possible without a cooperative context: without a context of agreement it is not possible to have competition. If no one cares who gets the last piece of blueberry pie, there is not a basis for competition. If two people want it, competition, compromise, agreement, or love are the possible ways of deciding who gets how much. Without the agreement that who gets it is important, competition would not be possible. Without agreement to not kill, not steal, drive on one side of the road, and so on, it would not be possible to build a factory, produce a product, distribute it, and collect payment day in and day out in a free market

economy. A basketball game is not possible without the cooperative agreement called ‘the rules.’ Cooperation cannot be escaped. When this is understood by managers in any situation, they can master the skill of harnessing the natural life force flowing through every human being as Don Jose Maria did. In a few words it is quite a simple philosophy: ‘Freely agree to accept the facts of your situation, give priority to the common good, and enjoy the adventure of co-creation together.’

As we mature, I believe that Mondragon, and organizations that may not be structured as cooperatives but are based on the same understanding of human maturation, are our inevitable future. Mondragon has revealed the path to it. Now that we know the way, that it works, and is far more enjoyable than other ways, it is up to us to choose to walk it.

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