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The Governance of Multistakeholder Cooperatives in Mondragon: The Evolving Relationship among Purpose, Structure and Process

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10.1 Introduction

The governance of cooperative firms is characterized by cooperatives' particular conception of the business enterprise. This conception is based on membership, democracy in formal decision-making processes, and humanistic and pro-social purposes regarding work and management practices, roles in the community and sustainability. Co-ops, as a consequence, tend to reject the profit-maximizing, investor-oriented logic

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of conventional firms. Theorizing about conventional corporate governance is dominated by agency theory, and new institutional economics and transaction cost approaches, and these carry with them particular organizational and behavioral assumptions about the predominance of material incentives and control-based hierarchies for achieving corporate goals (Novkovic and McMahon, Chapter 2 in this volume). Company goals themselves are conceived exclusively in terms of shareholders' short-term economic interests. Given the differences between cooperative and conventional conceptions of the firm and its roles and purposes, theory about the governance of cooperative firms also differs markedly from the mainstream theories of governance mentioned. Alternative conceptual approaches to governance are oriented around the idea of *stewardship* and *pro-sociality* and the theories' behavioral and organizational assumptions are correspondingly quite distinct from conventional ones: motivation can derive from stakeholders' commitment to cooperatives' explicit humanistic purposes, and co-op members' goals—which might be partially economic, but also social or environmental—can be achieved by participatory processes in relatively non-hierarchical structures (ICA, 2015; Imaz & Eizagirre, 2020; Novkovic and McMahon, Chapter 2 in this volume; Sacchetti & Tortia, 2016). Though large-scale, systematic comparisons are not available, there is substantial evidence that cooperative governance is significantly different not only in theory but also in practice (Birchall, 2014; Eckart, 2009).

It is important to keep in mind, however, that the cooperative universe is quite varied and our thinking about governance should carefully consider this diversity. There are many different kinds of cooperative firms and, in recent years, the multistakeholder cooperative (MSC) has come to compose an important part of this universe, and its importance seems to be growing (Novkovic, 2020). Traditionally, co-ops have had only one particular kind of member; in credit unions, the customer-depositors have been the only type of member; in worker co-ops, it has been the people who work in the firm; and similarly in consumer, agricultural and other kinds of cooperatives. MSCs distinguish themselves, as their name suggests, as cooperatives comprised of more than one kind of member. A technology research and development (R&D) co-op,

for example, might have workers as members and also allied companies and/or customers as members. Many combinations of members are possible, but whatever these might be, MSCs present a distinct set of circumstances in which cooperatives' governance bodies must manage their dual social and business priorities amidst the challenges posed by multiple internal and external forces (Pirson, 2017; Pirson & Turnbull, 2011; Sepulveda et al., 2020).

This chapter seeks to bring MSCs more fully into discussions among scholars and practitioners about cooperative governance, in particular, as they might be informed by a well-known case of cooperative enterprise, the Mondragon Corporation in the Basque Country of Spain. Mondragon is generally perceived as a complex of *worker* cooperatives with a few notable MSC exceptions, but, as we will see, this perception is not accurate. MSCs are numerous and consequential in Mondragon. Given the extent and variety of the MSC phenomenon in Mondragon and the importance of MSCs and their governance complexities to the cooperative movement in general, our purposes in this chapter are to (1) detail the overall picture of multistakeholder cooperatives in Mondragon and try to classify them in a meaningful way; (2) examine exploratory data from questionnaires, interviews and public documents on the issues and challenges that have arisen in these cooperatives as regards their purposes, structures, processes, and dynamics over time (Eckart, 2009); and (3) discuss their possible meaning for the Mondragon experience and MSC governance more generally.

Our chapter will proceed as follows. First, since our theoretical framework, as briefly outlined above, relies on Novkovic and McMahan in Chapter 2 of this volume, we will not repeat it here, but will proceed directly with a brief description of the research context—the Mondragon Cooperative Experience (MCE). Next, the chapter will describe the methods used to collect data and address our research questions. Then, we will present our results, followed by a discussion of how they relate to prior research as detailed by Novkovic and McMahan. Finally, we offer concluding reflections, pinpoint the study's limitations, and consider how future work might deepen our understanding of MSCs and their governance for both research and practice.

10.2 The Research Context—The Mondragon Cooperative Experience (MCE)

This research project was carried out in the Mondragon cooperative group, also known as the Mondragon Corporation, or simply Mondragon, a tightly integrated network of cooperative enterprises founded and headquartered in the Basque Country of Spain. The Basque Country, *Euskadi* in the Basque language, is a semi-autonomous, political-administrative region of just over two million people on Spain's north-central coast, bordering France.

Founded in 1956, Mondragon today consists of 95 cooperative companies and 138 affiliates and subsidiaries on four continents with a total workforce of nearly 80,000 (Corporación Mondragon, 2021). Mondragon companies' total revenue in 2020 was €12.2 billion, about 40% from advanced manufacturing firms, slightly more from retail and allied enterprises, and the rest from finance and knowledge businesses. The Group's history, functioning, and many of its challenges have been described and debated extensively elsewhere (Altuna Gabilondo, 2008; Barandiaran & Lezaun, 2017; Basterretxea et al., 2019; Bretos & Errasti, 2017; Freundlich et al., 2013; Kasmir, 1996; Ormaechea, 1999; Ortega, 2021; Whyte & Whyte, 1991); hence, here we offer only a summary.¹ Even in summary form, the group's history clarifies its founding social purposes, and the reasons many of its foundational multistakeholder cooperatives were created. We can also see a number of the changes it underwent in response to the evolving political-economic and cultural environment, suggesting challenges for MSC governance that we address in later sections.

¹ The summary here is based on these sources, unless otherwise noted; hence they will not be cited repeatedly throughout the section.

10.2.1 The Roots of the Mondragon Cooperative Experience

The MCE begins with the arrival in Mondragon of a newly ordained priest, José María Arizmendiarieta, in 1941. He was a determined proponent of Catholic Social Doctrine (Azurmendi, 1984; Molina, 2005), which, beyond formal religious practice, called on believers to do *good works* in their community and to put into practice the values of solidarity, hard work, and mutual responsibility. In the context of the poverty, repression, and division in the Basque Country during the immediate aftermath of the Spanish Civil War (1936–1939), these beliefs led the priest and, soon, his followers to focus their efforts on community organizing and education. In 1943, with local help, he started a small vocational-technical school, though he also continued to pursue all manner of community educational activities outside the classroom, with youth and adults, until close to his death in 1976.

The priest developed a certain following in the town, particularly among young people, and they became the nucleus of the future cooperative experience as his critical thinking turned toward the economy and the values and practices of conventional business.² Five young men were among his closest disciples and by the early 1950s they had begun to work in the large industrial company that dominated the local economy, the *Unión Cerrajera*. They grew dissatisfied with the firm and, after their proposals for reform were rejected, they decided, in discussions with the priest, to embark on their own venture, one whose nature would reflect their general purpose of integrating business into a broad, pro-social approach to human and community development. Thus, in

² It is interesting to note that while Arizmendiarieta viewed conventional capitalist business as excessively materialistic, individualistic and exploitative, he was equally, if not more, critical of the socialism of his day (Azurmendi, 1984; Molina, 2005). He saw it as overly collectivist and centralized, authoritarian, dehumanizing, bureaucratic and, of course, anti-religious. To his mind, it negated individual freedom, even individuality itself, diminishing individuals in the fulfilment of their responsibilities as well as in the exercise of their rights. It upset, on the opposite extreme to capitalism, what he viewed as this essential balance between the individual and the community, between the rights and responsibilities of each with respect to the other.

1955–1956, these five followers of Arizmendiarieta and roughly twenty others created *ULGOR*, the first enterprise in what was to become the Mondragon cooperative group.

Within a few years, twenty-some people grew into hundreds (and later thousands), and the few, simple products initially manufactured evolved into a broad range of standard domestic appliances. In the late 1950s, friends, and acquaintances of the founding group, generally inspired or advised by Arizmendiarieta, followed suit, creating two other worker cooperative manufacturing firms.

10.2.2 The Consolidation and Expansion of the Model: Inter-Cooperation

The next phase of Mondragon's development, beginning in the 1960s and 1970s, involves what became one of its most distinctive features, and is especially crucial for the topic of multistakeholder cooperative governance. During this period, the Mondragon cooperatives initiated what is known in local parlance as “inter-cooperation”—formal and substantial cooperation among Mondragon cooperatives. Inter-cooperation in the MCE is multifaceted, involving a multitude of inter-firm organizations and policies. Below, we will present a summary; here, though, we attend to its first, specific facet in the economic sphere, that is, the creation in 1959 of the group's first multistakeholder cooperative enterprise, a bank called *Caja Laboral Popular* (today, *Laboral Kutxa [LK]*), whose members consisted of two stakeholder groups—Mondragon cooperative firms and the work force of the bank itself. This multistakeholder organization played an absolutely vital role in the development of the Mondragon cooperatives, particularly during their first generation.

This period is also characterized by substantial growth in the number of industrial cooperatives and worker-members. Business, technical and financial support came from the initial cooperatives, *Caja Laboral* and other institutions they jointly created. By 1980, the group had expanded to 18,733 worker-members in 96 cooperative organizations (*Caja Laboral Popular*, 1986). The cooperative called *Eroski*—mainly a chain of supermarkets—also deserves special mention since it came

to account for roughly half of Mondragon's economic activity in later years. It was created in 1969 as a consumer co-op, but in the mid-1980s converted itself into an MSC: half its governance bodies consisted of worker-members and half of consumer-members. It grew substantially over the next 20 years and became the largest cooperative in the group,³ though it weathered a major economic crisis and restructuring that started in the Great Recession in 2009 and lasted several years.

That Mondragon's first cooperative companies were created in the late 1950s, and 1960s turned out to be a stroke of good luck in several ways, as the Spanish economic context was, in general, a very positive one in this early period in Mondragon's history. During the late 1970s and especially in the 1980s, though, the general business environment became problematic as a whole for the first time in the co-ops' history. While there have certainly been sustained periods of economic boom for the co-ops since then, overall, operations have only become increasingly challenging over the decades due to the march of globalization and ever more competitive and volatile international markets.

The Mondragon cooperatives adapted to their evolving context in different ways, both at the level of the individual firms and at the level of the whole group. Inter-cooperation has been a vital part of this adaptation, and MSCs have played key roles, but the challenges have been and continue to be many and varied. The overall work force has grown in recent decades, but growth has been markedly slower in general terms, and there have been moments of contraction. In the face of intense global competition, often with large multinationals, the co-ops dedicated a larger and larger portion of their resources to strengthening and innovating their existing operations and smaller portions to creating new cooperatives. Investment focused on internationalization, both to reach

³ It is important to underline that *Eroski's* history as a cooperative is complex. Its rapid expansion, starting in the late 1980s, was based mostly on creating or acquiring conventionally owned subsidiaries, thus only 8,000–9,000 of its over 40,000 employees were worker-members by 2007. The company initiated a substantial shared ownership and *cooperativization* program for its subsidiaries in the late 1990s and again in 2006–2008, but it was forced to long-term pause due to serious financial troubles during and after the Great Recession (Arando et al., 2015; Freundlich et al., 2013).

new markets and to lower production costs (and is now quite substantial⁴), and on new technology, as firms sought to specialize in highly tailored, high-value-added products and services.

The group also restructured itself “as a group” several times during its history, endeavoring to better meet business and cooperative needs. In early configurations, the co-ops were grouped by region and overall group governance took place in the formal bodies of the *Caja Laboral* as all the co-ops were formally associated with it. By the mid-1980s, however, spurred especially by Spain’s entrance into the European Economic Community, co-op leaders concluded that the group needed new and different coordinating arrangements outside the structures of a bank; hence, the co-ops jointly created the Mondragon Cooperative Congress in 1984 as their umbrella governance structure. Its first formal session was held in 1987, and it immediately began to discuss re-organizing the regional subgroups. In 1991, a new structure was created—the Mondragon Cooperative Corporation—based on a new organizing principle: business sector. The regional subgroups were largely (though not fully) replaced by sectoral ones, and corresponding governance and management bodies were created for the sectoral groups and for the group as a whole. With relatively minor adjustments, these structures delimit the organization of the Mondragon Corporation of today. They are described in more detail in the next section and pictured in Fig. 10.2.

This history, while greatly condensed and, by necessity, having largely left out any number of major processes and milestones,⁵ still fulfills our objective here. It lays out the basic contours of the context of Mondragon’s development. This will help us understand MSCs and their governance in the Mondragon group—their original social purposes,

⁴ A large majority of Mondragon firms’ 138 affiliates and subsidiaries are manufacturing operations in foreign countries which, in 2020, employed over 14,000 people. These operations have caused controversy among cooperative activists, academics and many Mondragon members, but it is not our issue in this chapter.

⁵ These include the Great Recession and responses to it, the bankruptcy of the largest industrial cooperative, Fagor Home Appliances, increasing internationalization, the milestone Congress of 2016 and many others.

their diversity, and their evolution in the face of challenges posed by increasingly competitive markets, changing regulatory regimes, and broad social and cultural trends.⁶

10.2.3 Multistakeholder Governance(s) in the Mondragon Cooperative Experience

Several dimensions of Arizmendiarrieta's and other founders' thinking led to their giving primacy to the worker cooperative form (Azurmendi, 1984; Ortega, 2021). The first cooperative business in the Mondragon experience was a worker cooperative, as were the businesses that immediately followed. Dozens of worker cooperatives were created in subsequent decades, and most Mondragon cooperatives today are worker cooperatives. Mondragon is generally known among researchers and practitioners in the cooperative sector as a *worker* cooperative experience. Therefore, our point of departure for assessing the governance structure and decision-making processes in the MCE and its MSCs is the standard Mondragon worker cooperative.

In worker cooperatives, control, by law, rests with the full body of worker-members. Ultimate control of the company is democratic; decisions are made based on the principle of one worker-member, one vote. In short, worker-member democracy structurally enacts the primacy of labor over capital in the governance of worker cooperative enterprises. However, in practice, the relationships between labor priorities and business priorities, and democratic ownership and professional management, are always challenging ones, and in Mondragon, they remain a matter of concern (Azkarraga et al., 2012).

In the case of the MCE, one response to this challenge has been a fairly strict separation of business management and democratic membership in two distinct sets of structures in the firm. "Management" refers

⁶ Other major challenges exist, as well. The introduction of shared ownership structures and processes in overseas subsidiaries is one we have already mentioned. The content of work and its increasing capital intensity is another. The evolution of broader cultural values and practices in the direction of greater individualism and leisure around the West, even around the world, toward greater materialism and individualism is still another. See Freundlich et al. (2013), Azkarraga et al. (2012), Basterretxea et al. (2022), and Bretos et al. (2020).

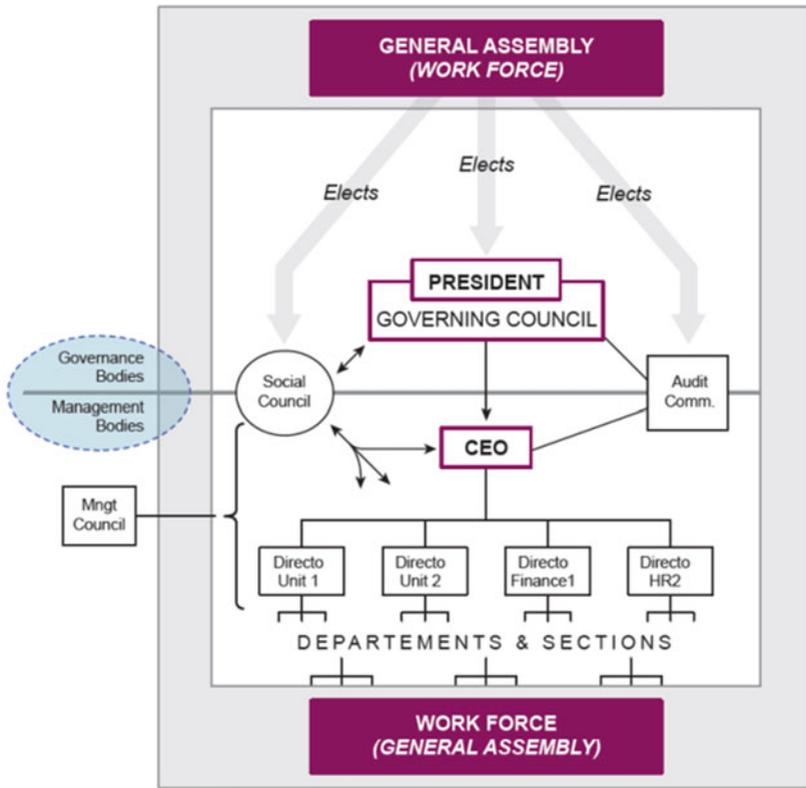


Fig. 10.1 The structure of a Mondragon worker cooperative⁷ (Source Freundlich [2015])

to the coordination of a company’s day-to-day, month-to-month operations, through its business units, departments, sections, etc., under the direction of the firm’s senior management body (see below). “Democratic membership,” on the other hand, refers to the governance side of the company; it is comprised of the firm’s elected governance and other bodies that ultimately oversee the management of the company: the General Assembly, Governing Council, Social Council, and Audit Committee. In these bodies, worker-members exercise their rights and

fulfill their responsibilities through democratic rule. These structures are depicted above in Fig. 10.1

The General Assembly (GA) is the highest authority in the company, and it is composed of all cooperative members. The Governing Council (GC) and its President are elected by the General Assembly and the GC is legally responsible for the fate of the cooperative. It represents the General Assembly and is the highest authority in the firm when the General Assembly is not in session. The GC appoints the firm's senior manager, who is prohibited from simultaneously serving on the GC, and it must approve that person's choices for the senior management body, called the Management Council (MC). This Council is the senior operations management body mentioned above and, again, it plans for, coordinates, and directs the company's daily activity. The MC

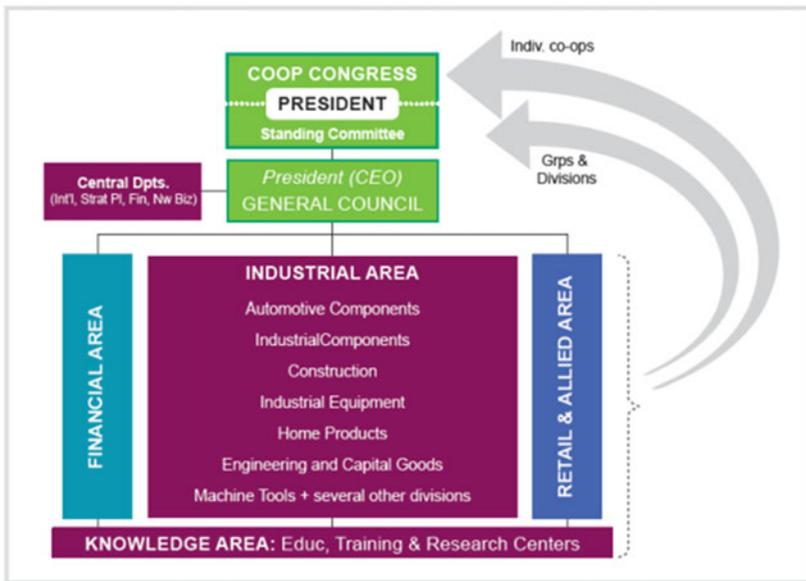


Fig. 10.2 The structure of the Mondragon Corporation (Source Freundlich [2015])

⁷ Note that although the figure might suggest the GA directly elects SC members, SC members are nominated by work area and the GA ratifies their nomination.

has substantial autonomy in its management of the firm, although it acts under the supervision of the Governing Council, to whom it reports at least monthly and by whom any or all of its members can be dismissed. Another body, the Audit Committee, required by law for co-ops of over 100 members, is also elected by the General Assembly. It is composed of three members who are responsible for guaranteeing “sound management,” that is, compliance with company by-laws, rules, and regulations, and approving the annual closing of the company books. Finally, the Social Council (SC) is a consultative body representing the members vis-à-vis governing and management bodies. It is not mandatory but is recommended for larger co-ops. It is composed of worker-members, nominated by work area (approximately one for every 25–30 members), and nominations are approved by the General Assembly. Its functions are to advise the GC and MC on issues affecting members and to ensure multidirectional communication among members and co-op bodies. The issues it addresses often have a less strategic impact than those that would be take-up by the GC or are local to a particular work area, but the SC is consulted and can offer its views on any question that might arise in the co-op. Together, these bodies make up the basic structure of the standard worker cooperative in the Mondragon group. Over time, this basic structure became defined in law almost in its entirety, though co-op internal regulations can differ in significant ways.

We have described the internal organization of standard, individual worker co-ops in the Mondragon group. In later sections, we will discuss multistakeholder cooperatives, but it is also crucial here to underscore the *group*; it is essential for understanding Mondragon in general and also for understanding its MSCs. The Mondragon group is not merely a loose collection of individual firms; it is a complex of firms that form an integrated network. And the network—the Mondragon Corporation—is itself a large, multistakeholder cooperative organization. This structure has been described in detail previously (Freundlich, 2015), so, again, here in Fig. 10.2, we offer a summary.

As outlined in the figure, Mondragon firms are organized into four broad areas—industry, retail and allied, finance, and knowledge—and, within the industrial area, into thirteen divisions. Mirroring individual co-op governance, each of these areas and divisions has its representative,

democratic governance bodies, and appointed management structures, as does the overall network. The group as a whole is governed by the Mondragon Cooperative Congress, made up of 650 representatives from all the co-ops in the group, the number of representatives for each firm is calculated in indirect proportion to its size, such that the largest few firms cannot dominate voting. A Standing Committee and its President form, in effect, the governing council for the group, and it is the highest governing authority in the group when the Congress itself is not meeting in formal session. The Standing Committee is not elected directly from Congress, however, but rather from the elected governing councils of the Areas and Divisions. The Standing Committee appoints the Mondragon group's senior manager—the President of the General Council—and must approve of the President's choices for other members of this General Council, which is made up of the Vice Presidents/Directors of the Corporation's Areas and largest Divisions, as well as the Directors of its key staff departments, including Finance and Management & Social Affairs.

It is important to emphasize in a cooperative context that the General Council does not have traditional executive authority over Areas and Divisions and their member co-ops. General Council members are senior figures with long trajectories in the group and certainly have significant influence, but final authority rests within the individual cooperative companies. They voted in their General Assemblies to join the Corporation and can vote to leave at any time. Further, the General Council's role is decidedly not to supervise the operations of the many cooperative firms, but rather to provide (and generate multilevel discussion about) general strategic orientation and a series of services to the Areas and Divisions and their member companies. For example, it initiates and coordinates a strategic reflection process every four years that involves all co-ops; it oversees and promotes inter-cooperation to support co-ops in difficulty, stimulate co-op-to-co-op business collaboration and complement new investment; it provides tools to help the co-ops manage risk, develop new businesses, promote organizational development and pursue social transformation initiatives, etc.

In summary, the governance structure of the corporation is an inverted conglomerate, or as Freundlich et al. put it, “[u]ltimately, Mondragon's

management structure is that of a traditional conglomerate turned on its head” (Freundlich et al., 2009). This arrangement implies that its governance is defined by dynamics of ongoing communication, persuasion, and negotiation, not by supervision or executive control from the top. Ultimate authority lies at the “bottom,” with the individual cooperative companies and their worker-members. The Corporation’s central management body has very limited capacity to enact policies on its own. The network is composed of its cooperatives and, as we can see, these many and different stakeholders are closely linked in a variety of ways.

10.2.4 The Missing Link: Individual Multistakeholder Cooperatives in the Mondragon Cooperative Experience

We can conclude from our description up to this point that Mondragon should be broadly characterized as a mixed worker and multistakeholder cooperative experience. Along with its “standard” worker cooperatives, the group is composed of a diverse set of stakeholders, and all of them come together, each with its share of voice and votes, in the Corporation’s layered, multistakeholder governance bodies. There is a missing link in this chain, however, that we will discuss here: the case of “individual” multistakeholder cooperatives in the Mondragon cooperative experience. These cooperatives are directly linked to the development of inter-cooperation mechanisms within the Mondragon group; they are, in their origins, cooperatives created or supported by other cooperatives in order to provide for the basic needs of the cooperatives themselves or their surrounding community. Most of these multistakeholder cooperatives fuse in their governance structures the receptors of their services (for example, consumers in consumer co-ops, students in education co-ops) together with worker-members, shaping a distinct kind of co-op within the MCE.

Despite Mondragon’s worker-co-op emphasis, recall that multistakeholder cooperative initiatives emerged in Mondragon in the group’s earliest years and assumed a variety of centrally important roles. The

vocational school umbrella body was effectively a multistakeholder organization starting in the 1940s. Then, and crucially, as mentioned previously, only three or four years after the first industrial worker cooperatives were created in the mid-to-late 1950s, one of Mondragon's most important multistakeholder experiences was initiated, as these co-ops joined forces and gave birth to a cooperative bank in 1959, the *Caja Laboral Popular* (today *Laboral Kutxa [LK]*). Though the Caja was, and LK is, in legal terms, a credit union, it is important to note that, unlike in conventional credit unions, individual consumer-users were not members in its early decades; rather other cooperatives of the group were members, along with the bank's workers. The users who had majority control in its governance were *the cooperative firms* that created it (together with other worker cooperatives that joined or were created by the Mondragon group in subsequent years). While the organization certainly did provide financial services to private consumers, that was not its principal purpose; its main mission was to gather in one entity as substantial a portion of the community's financial resources as possible to support the creation and consolidation of worker cooperatives.

Multistakeholder cooperative development continued apace with the development of the Mondragon group. Another multistakeholder vocational school, that later gave rise to *Mondragon Unibertsitatea's Faculty of Business* (today and hereinafter, "*Enpresagintza*"), was formed in 1960. Further on in the 1960s, Mondragon added an MSC that became centrally important to the group, *Lagun Aro*, a social security organization (i.e. for health insurance, pensions, and related benefits). It was born as a service inside the bank but became an independent cooperative-like mutual organization in 1967. As in *Caja Laboral*, *Lagun Aro's* governance bodies combined workers and users, though, again, users were and remain today the cooperative firms, not individual consumers-beneficiaries, and its by-laws assign the controlling voice to the user stakeholder group. *Ikerlan*, a technology research and development cooperative, was founded in 1974 and its governance bodies included workers

and users-customers.⁸ The *Eroski* retail chain, as we saw earlier—the largest single contributor to Mondragon business activity by the early 2000s—began as a straightforward consumer cooperative, but converted into a multistakeholder company involving consumer- and worker-members in equal portions in its governance bodies. *Mondragon Unibertsitatea* was founded in 1998, in essence, as a multistakeholder cooperative consisting mainly of other multistakeholder cooperatives—its Faculties.

Indeed, multiple MSCs have been formed in recent decades covering a diverse range of business and support activities. While there has been a significant amount of scholarly treatment of a variety of aspects of the Mondragon Cooperative Experience, little attention has been paid to this particular, and important, type of cooperative in Mondragon. In this chapter, we aim to begin to fill this gap by describing in detail the purpose, governance structure, and decision-making processes of MSCs in the MCE, and how they evolved over time in response to external as well as internal challenges.

10.3 Multistakeholder Cooperatives in Mondragon Cooperative Experience: A Case Study

Most cooperatives that make up the Mondragon Cooperative Experience, as mentioned, fit the standard model of a worker cooperative. However, as we have also pointed out, a good number of them are, indeed, multistakeholder firms, and many of these are significant in various ways. By focusing on these cooperatives, we seek to understand: (i) What is the extent of multistakeholder cooperativism in the MCE? What is its nature and purpose? (ii) How do the nature and purposes of MSCs in the MCE take shape in the relationship among different stakeholders? What are their governance structures? (iii) How has the

⁸ The user-customer members were initially Mondragon cooperative firms, though, later, conventional firms were also admitted into this stakeholder group.

relationship among Mondragon's MSCs' purpose, structure and processes evolved in response to internal and external dynamics?

10.3.1 Methods

We responded to these research questions using a variety of methods in four phases. First, we reviewed publicly available documents, Mondragon co-ops' internal documents and our own databases in order to establish the ownership-membership structure of all the cooperatives within the Mondragon group, and to identify the MSCs among them. We identified 21 different MSCs.

Second, for those co-ops initially identified as MSCs, we returned to the sources described above and analyzed them through more specific lenses, that is, according to different factors indicated in the theoretical framework as relevant for understanding the structure, processes and dynamics of governance in cooperative firms (outlined by Novkovic and McMahan, Chapter 2 in this volume).

Third, we distributed a 19-item questionnaire⁹ to the 21 selected cooperatives to refine our description of their governance structures and processes. The profile of respondents is varied, but we sought senior managers or members of governing bodies. The 21 MSCs responded to the questionnaire, though the level of detail provided differed substantially. Follow-up email correspondence and phone calls and inquiries with the Mondragon headquarters' Department of Management & Social Affairs contributed additional information.

Finally, to begin to approach the more complex and potentially varying dynamics of the relationship between purpose, structure and processes of governance, and nuances regarding the meaning of transformations that have taken place, we conducted a series of in-depth interviews with key informants in high-ranking positions within these cooperatives—either members of their governing councils or senior

⁹ The questionnaire form is available from the authors upon request.

managers. A total of five interviews were conducted, most of them virtually, in the Spring and Summer of 2021. These interviews were recorded and their contents were reviewed and coded with ATLAS.ti 9.0.

10.3.2 Results

We organize our results here in two sections. First, we present a summary of our most basic findings including; the number of MSCs, their evolution, distribution by areas, size, and purpose. Second, we analyze the structure of these MSCs including; legal form, ownership structure, and decision-making bodies.

Basic Data: Incidence, Evolution, Distribution, Size and Purpose

The Mondragon group is composed of 95 cooperatives (Mondragon, 2021). Of these, 83¹⁰ have a vote in the Mondragon Cooperative Congress and, to date, we have determined that 21 of them are MSCs.¹¹ We can see, then, that over *one-quarter* of all cooperatives in the Mondragon Cooperative Congress are multistakeholder firms. These include two of the largest three cooperatives in the group (*Eroski* and *Laboral Kutxa*¹²), and a number of the most symbolically important co-ops in terms of the history of the MCE, firms such as *Lagun Aro* (social security) or *Ikerlan* (technology R&D) and others. Simply put, MSCs represent a quantitatively substantial and qualitatively significant part of the MCE.

Historically, the creation of the first multistakeholder organization of the MCE precedes even the first industrial cooperative. It dates back

¹⁰ The official number is 95, for example, on the corporate webpage. However, the typology of firms included in the group is varied. Therefore, for the sake of clarity, we took as a reference the number of cooperatives that have a vote in the Mondragon Cooperative Congress.

¹¹ This number is provisional insofar as it is the outcome of several interpretive decisions that affect the course of the investigation.

¹² *Eroski* is mainly a chain of supermarkets and *Laboral Kutxa*, a cooperative bank / credit union.

to 1948, with the foundation of a local non-profit, umbrella association—the League for Education and Culture. On the other end of the spectrum, the newest MSC was created as recently as 2012, with the transformation of *Maier Ferroplast*, an industrial firm in the automotive sector, into an MSC. In between these two dates (1948–2012), we find MSCs in all phases of the development of the MCE: in the creation and expansion period (1959–1975); the phase of industrial restructuring (1975–1990); and the consolidation and internationalization period (1990–2012) (see Table 10.1).¹³

In terms of Mondragon's four areas, 9 MSCs are in the Industrial Area (43%), eight in the Knowledge Area (38%), two in the Finance Area (9%), and one in the Retail Area (5%) and, finally, one is for the staff of the Corporation's central offices (5%) (see Table 10.1). All cooperatives in the Knowledge and Finance areas are MSCs and the largest MSC (*Eroski*) is in the Retail Area. Of the nine in the Industry Area, note that only three (*Ederlan Tafalla*, *Maier Ferroplast*, and *Loramendi*) are manufacturing cooperatives strictly speaking. Five of the other six are situated in the area's Engineering & Business Services Division. The sixth, *Ideko*, is a machine tool R&D firm in the Machine Tool Division.

In terms of size, 17 MSCs of the 21 have fewer than 500 workers, and 8 of them have fewer than 100 workers. *Mondragon Unibertsitatea*, the smallest, has only 9 workers,¹⁴ while *Eroski*, the supermarket and retail chain, is by far the largest with 11,255 workers in the co-op. The mean size of the MSCs listed is 830 workers, due to the distorting effect of *Eroski*. The median is much lower, at 309 workers. With regards to worker-members, we can see that the mean size of MSCs (206 workers-members, excluding *Eroski*) is slightly lower than the mean size for the group (214). Also, the average percentage of the total work force

¹³ We have taken as the year of creation, the year in which an enterprise was officially registered as a cooperative. We have made an exception in those cases in which, although full cooperativization came later, this did not affect the definition of the original purpose of the organization (i.e. *Ikerlan*, *Ideko* or *Lagun Aro*).

¹⁴ This number could be misleading. The four faculties of *Mondragon Unibertsitatea*, taken together, have over 700 employees, but each is a separate MSC and they come together to form the MSC that is *Mondragon Unibertsitatea*. The number nine represents the number of workers in the University President's office and related support staff who coordinate the four faculties.

Table 10.1 Multistakeholder cooperatives in Mondragon in chronological order by name, founding year, employment, percentage of worker-members in the workforce, Mondragon Area designation* and sector

Co-op	Year	Size***	Worker-member (%)	Area	Sector
MGEP	1948	450	70	Knowledge	Higher education
Laboral Kutxa	1959	2089	81	Finance	Finance (banking)
Enpresagintza	1960	125	55	Knowledge	Higher education
Alecop**	1966	89	93	Industry	Education services
Lagun Aro Services	1967	72	86	Finance	Social security services
Eroski	1969	11,255	74	Retail	Retail food
Ikerlan	1974	360	50	Knowledge	Technology R&D
HUHEZI	1976	119	63	Knowledge	Higher education
Lea Artibai Ikastetxea	1976	59	81	Knowledge	Post-secondary vocational education
Politeknika Txorierrri	1979	46	61	Knowledge	Higher education
Mondragon lingua	1981	200	22	Industry	Language services
Ideko	1986	112	70	Industry	Technology R&D
Mondragon S. Coop.	1991	50	92	Corporate offices	Business services
Mondragon unibertsitate	1997	9	66	Knowledge	Higher education
Ategi	2001	22	77	Industry	Purchasing services
Osarten	2001	48	60	Industry	Health & safety services
Arizmendi	2003	237	64	Knowledge	Primary & secondary education

(continued)

Table 10.1 (continued)

Co-op	Year	Size ***	Worker-member (%)	Area	Sector
GSR	2003	1000	50	Industry	Eldercare services
Loramendi	2003	150	83	Industry	Foundry
Ederlan Tafalla	2008	700	60	Industry	Auto components
Maier Ferroplast	2012	235	60,8	Industry	Auto components

*The Mondragon Corporation's firms are organized into four areas: Industry, Retail, Finance, and Knowledge, see Sect. 10.2

**This co-op was created principally to provide work-study opportunities for students in order to help them finance their studies. Its products and services have varied over the decades

***Total work force of the co-op, excluding subsidiaries

(excluding subsidiaries) who are workers-members (68%) is modestly lower than that of, for example, the industry area overall (75.9%).

In terms of their “foundational purpose,” all the MSCs studied have a common baseline: they were founded to serve other Mondragon cooperatives, or their communities, or the wider society. However, differences arise regarding their understanding of the relationship between the cooperative, the community and the wider society, as well as their understanding of how to serve them. Examining the list on these bases, we have clustered the 21 cooperatives into three main groups¹⁵:

- a. Service to other cooperatives & inter-cooperation: These are multi-stakeholder cooperatives that were founded by existing co-ops in the group to provide themselves and future co-ops with key services (six co-ops in the sample¹⁶). In this group, we include cooperatives that were created to strengthen or promote the expansion of the cooperative movement, and such as *Laboral Kutxa* (banking), as well as others that provide a series of services, such as Mondragon S. Coop. (the

¹⁵ The definition of the groups, as well as the assignment of a particular cooperative to a group is not objective and definitive in many cases as it depends, mainly, on the authors' interpretations.

¹⁶ *Mondragon S. Coop., Laboral Kutxa, Ategi, Ideko, Ikerlan and Osarten.*

corporate offices' staff for coordination and business services), *Osarten* (health, safety, and well-being) or *Ategi* (purchasing). These co-ops provide much of the foundation of inter-cooperation in Mondragon, the network. They are co-ops in which many, if not all, the group's co-ops participate/contribute and from which all benefit. The services they provide and their governance structures serve to integrate and coordinate Mondragon as a network.

- b. Service to the community: Here, we placed cooperatives that were founded to provide useful services to the broader, local community (11 co-ops¹⁷). Their founders were variously community members/potential users and existing co-ops. In this group, we include, mainly, education cooperatives, but also *Lagun Aro* (social security) and *Eroski* (supermarkets) because they were created to respond to a vision, or a need, of cooperative members in the MCE and their neighbors in the community.
- c. Services to other cooperatives or the community by pursuing business opportunities: In this category, we find cooperatives that were founded to serve worker-members and/or specific cooperatives by pursuing new business (four co-ops¹⁸) through the creation of a new cooperative (GSR—elder care) or the transformation of conventional companies into cooperatives (*Ederlan Tafalla*, *Loramendi*, *Maier Ferroplast*). In some cases, protecting local employment was a central part of the motivation.

At first glance, the most prominent group, in terms of the number of cooperatives and work force, is the one whose co-ops aimed at serving the community. However, if we exclude *Eroski*, by far the largest cooperative in the Mondragon group, the MSCs whose purpose is inter-cooperation, that is, serving other cooperatives, represent the largest portion of the MSC work force (43%). Moreover, this balance has evolved over time. The purpose of serving the community was more prominent among MSCs founded in the early period of creation and expansion of the MCE

¹⁷ *Arizmendi*, *Enpresagintza*, HUHEZI, *Lea Artibai Ikastetxea*, MGEP, MU, *Politeknika Txorierrri*, *Eroski*, *Lagun Aro*, *Mondragon Lingua* and Alecop.

¹⁸ *Ederlan Tafalla*, GSR, *Loramendi* and *Maier Ferroplast*.

(five out of seven are from that period), though the “service-to-other-co-ops/inter-cooperation” orientation was also central in this period. This service-to-the-community motive becomes dominant among MSCs created in the context of the industrial crisis and restructuring in the late 1970s and 1980s. All four MSCs aimed at pursuing new business opportunities date to the consolidation and internationalization period (1990–2012).

Structure

The term *structure* refers to the main formal organizational bodies and the ownership arrangements (Eckart, 2009) that are legally defined in the by-laws of the cooperatives: are there basic structures that characterize this group of cooperatives? What are the main organizations and organizational bodies involved? What is their ownership structure? To respond to these questions, we have analyzed the legal form, ownership structure, and main decision-making bodies in the MSCs in Mondragon.

Legal Form

MSCs in Mondragon take a variety of legal forms¹⁹ (see Table 10.2). Although it is the standard in the full MCE, only two cooperatives took the form of a worker cooperative: *Mondragon Lingua* and *Alecop*. *Alecop* provides consultancy and equipment in the technical education sector. *Mondragon Lingua* provides language services including interpretation, training, and translation. The most numerous group is composed of education cooperatives (HUHEZI, MGEP or *Arizmendi*, for example). They are non-profit primary/secondary or post-secondary educational institutions and “integrated cooperatives”; namely, they integrate into their ownership structure, workers, users, and “collaborators” (other co-ops). Next in terms of prevalence are mixed cooperatives. A mixed

¹⁹ The legal form was found in the official Cooperative Registry, the official documentation archive for cooperative firms of the Basque Government.

Table 10.2 Mondragon MSCs by the cooperative's legal structure

Legal form	Cooperatives
Second degree	<i>Ikerlan, Mondragon Unibertsitatea, Ideko, Osarten</i>
Consumer	<i>Eroski</i>
Credit	<i>Laboral Kutxa</i>
Education	<i>MGEP, Enpresagintza, HUHEZI, Lea Artibai Ikastetxea, Politeknika Txorierra, Arizmendi</i>
Mixed	<i>Ederlan Tafalla, Maier Ferroplast, Mondragon S. Coop, Loramendi, GSR</i>
Services	<i>Lagun Aro Services, Ategi</i>
Worker cooperative	<i>Alecop, Mondragon Lingua</i>

cooperative allows for the participation of a minority of “investor-members,” with limited governance rights, that is, members whose right to vote in the general assembly, according to the Basque Cooperative Law (2019) “may be determined, exclusively or preferentially, based on the capital contributed” (art. 155/2019). The law allows for these members to be physical persons or legal persons, but in Mondragon’s case they are always legal persons—organizations—either other cooperatives from the group or the group’s venture capital fund. The greater an investor member’s investment, the greater its formal voice in governance bodies, but investor-members are prohibited from exercising majority control regardless of the size of their investment relative to the total equity in the firm.

The 2nd-degree cooperative is another legal form adopted by a number of our MSCs. Four of them use this legal structure: *Ikerlan, Mondragon Unibertsitatea, Osarten*, and *Ideko*. This kind of cooperative’s membership is composed, at least in part, of other cooperatives of any kind. Usually, these are the co-founding cooperatives and often other cooperatives join later. In Mondragon, there is also always a specific membership class for workers. *Mondragon Unibertsitatea*, for example, is a second-degree cooperative made up of its four different faculties, three of these, autonomous education cooperatives, and one, a foundation. Several of its staff members are also worker-members. Finally, apart from the consumer and credit cooperatives, *Laboral Kutxa* (banking) and *Eroski* (supermarkets and other retail stores), the remaining cooperatives are, in legal terms, *service cooperatives*. A service cooperative is a particular

legal form defined as a cooperative constituted to facilitate, guarantee or complete the business or professional functions, the activity, or the operational results of its members who may be professionals or enterprises, regardless of their legal form (art. 127 and 128/2019).

Ownership Structure

The legal form of the Mondragon MSCs can be explained at least in part by the sector in which the MSCs operate. This is obviously the case for education, credit, and consumer cooperatives. Similarly, the ownership structure and control rights are defined, to a certain extent, by the legal form; consumer cooperatives include consumer-members, and service cooperatives include user-members. However, deviations from this general rule inform the way in which Mondragon's MSCs have tried to adapt the ownership structure of their cooperatives in relation to their purpose, history, etc. For example, all the cooperatives in our study include worker-members, as mentioned, regardless of their legal form, area, or sector of operation. This is also the case for the credit and consumer cooperatives; both include worker-members, which is only very rarely the case in other consumer and credit cooperatives around the world.

This, we believe, reflects the primacy of labor that permeated Mondragon's founders' thinking (Ortega, 2021), and is an attempt to mirror in this key respect the "standard model" in Mondragon, that is, the industrial worker cooperative. Indeed, this is the principal finding regarding the ownership structure of Mondragon MSCs; the figure of the worker-member is the only one common to all of them. All Mondragon co-ops have a specific class of membership for workers-members. The ownership structure of MSCs is, in significant ways, also organized around the core figure of the worker-member, even though, in most cases, they do not have majority status in governance bodies.

Besides worker-members, the most common membership category is the "collaborating-member" (17 out of 21 MSCs include this category). Collaborating members are organizations with an interest in supporting

Table 10.3 Legal form, percentage of worker-members, and types of members by MSC

Name	Legal form	Collab. members	User, legal ²⁰	User, physical	Investor, legal	Investor, physical
Ikerlan	2nd degree	Yes	Yes	No	No	No
Ideko	2nd degree	Yes	Yes	No	No	No
Mondragon Unibertsitate	2nd degree	Yes	No	No	No	No
Osarten	2nd degree	No	Yes	No	No	No
Eroski	Consumer	No	No	Yes	No	No
Laboral Kutxa	Credit	Yes	Yes	Yes	No	No
MGEP	Education	Yes	No	Yes	No	No
Enpresagintza	Education	Yes	No	Yes	No	No
HUHEZI	Education	Yes	No	Yes	No	No
Lea Artibai Ikastetxea	Education	Yes	No	No	No	No
Politeknika Txorierrri	Education	Yes	No	Yes	No	No
Arizmendi	Education	Yes	No	Yes	No	No
Mondragon 5. Coop	Mixed	Yes	Yes	No	Yes	No
GSR	Mixed	No	No	No	Yes	No
Loramendi	Mixed	Yes	No	No	No ²¹	No
Ederlan Tafalla	Mixed	Yes	No	No	No ²²	No
Maier Ferroplast	Mixed	Yes	No	No	Yes	No
Lagun Aro Services	Services	No	Yes	No	No	No
Ategi	Services	Yes	Yes	No	No	No
Alecop	Worker cooperative	Yes	No	No	No	No
Mondragon Lingua	Worker cooperative	Yes	No	No	No	No

the MSC's activity, who are often not direct, continuous users. In for-profit cooperative enterprises, collaborating members consist of local businesses, primarily but not exclusively Mondragon co-ops. In non-profits, usually education co-ops, collaborating members, in addition to

²⁰ "Legal" refers to legal entities and "physical" refers to actual physical persons (users, students).

²¹ The questionnaire completed by this cooperative referred to investment providers (*Mondragon Investments*) as collaborators.

²² See note 21.

local businesses (co-op and other), also generally include local public institutions, one or more local foundations, and Mondragon Corporation central offices. In Table 10.3, we summarize these and related data in order to have a more clear and more complete picture of membership categories and their frequency in Mondragon MSCs.

The next most common is the “user-member”²³ category (13 out of 21 MSCs include user-members). Credit, consumer, and education cooperatives include physical persons (customers-depositors, consumers, and students or their parents, respectively) as users in their ownership structures, while the rest (second degree and service cooperatives) include only legal persons (organizations) as user-members. For example, user-members in the MSC service cooperatives *Osarten* (health, safety, and well-being) and *Ategi* (purchasing) consist of several dozen cooperative customers. In these service co-op MSCs, non-cooperative companies can generally be customers, but they cannot become members. In these MSCs, cooperatives that are customers take part in the firm’s ownership structure as users, not as collaborating members as in other MSCs, for example, second-degree or education cooperatives.

Finally, some MSCs reported “investment providers” among their members, but all of these refer to Mondragon co-ops or Mondragon group investors, generally through *Mondragon Investments*, a venture capital fund created by the Corporation.²⁴ Indeed, only three out of 21 MSCs reported investment providers in their ownership structure: GSR, *Mondragon S. Coop.* and *Maier Ferroplast*. However, *Mondragon Investments* is included as a collaborating member (not an “investment provider”), participating in the governing council of at least, to our knowledge, three other cooperatives: *Ategi*, *Loramendi* and *Ederlan Tafalla*.²⁵

²³ User-members refer here to consumers in a consumer cooperative (i.e. *Eroski*), students in an education cooperative (i.e. HUHEZI) or cooperative firms in a service cooperative (i.e. *Ategi*) but NOT to workers in a worker cooperative. In this sense, the use of this term differs from the use of the concept of ‘usership’ by other authors in this volume.

²⁴ This entity’s funds come from initial and annual investments made by Mondragon cooperatives as an obligation that arises from belonging to the Mondragon group.

²⁵ To date, the authors have not been able to uncover in a definitive way, the reason for this difference.

In addition, almost half of the MSCs in this study include more than one kind of member other than the worker-members in their ownership structure. For example, in the case of research centers *Ikerlan* or *Ideko*, the Mondragon Foundation and the Engineering Faculty (MGEP) of *Mondragon Unibertsitatea* (MU) are collaborating members. *Ikerlan* includes, also, *Laboral Kutxa*, and *Ideko* has other collaborating entities (i.e. ZEISS or RUFIN). In both cases, though, these co-ops also have user-members consisting of Mondragon cooperatives and other local businesses in the case of *Ikerlan*, and cooperatives of the Danobat Group (Mondragon's machine tool division) in the case of *Ideko*.

Overall, besides a worker-member category in all cases, we can say that the ownership structure of MSCs in the MCE is characterized by heterogeneity. Variety is high and it is difficult to identify patterns. However, if we look at the concrete entities taking part in the ownership structure of Mondragon MSCs, either as users or collaborators, we can identify one other noteworthy regularity, the centrality of other Mondragon cooperatives and/or corporate-level or group-level superstructures. For example, the FAGOR Group²⁶ participates in the governing council of nine MSCs, and the ULMA Group in five. Moreover, Mondragon corporate structures take part in the governing council of 10 MSCs out of the 13 that reported the participation of external entities in their governing councils.

Governing Councils and General Assemblies

The balance of power between the different stakeholders in the main governing bodies of Mondragon MSCs reflects the heterogeneity of their ownership structures, though their legal form provides a template from which to approach their composition. For example, worker-members do not hold a majority position in the governing bodies of most MSCs. User-members hold strong, at times majority, positions in the governing

²⁶ The FAGOR Group is a regional subgroup within Mondragon consisting of several industrial co-ops in and around the town of Mondragón. The ULMA Group is a similar structure in the nearby town of Oñati.

bodies of service and consumer cooperatives. Finally, overall, collaborators are not insignificant but not majoritarian. Besides, each MSC's composition reveals the particular path the co-op chose to advance its purpose in combination with its perceptions of how best to manage internal and external circumstances. As we can see, differences are considerable within each legal category and reflect co-ops' different understandings of the role and function of the various stakeholders participating in their ownership structures (see Table 10.4) and, likely, leaders' and advisors' experience with, or perceptions of, the governance of other MSCs. Given the lack of clear patterns beyond the ones mentioned, these understandings and perceptions seem idiosyncratic to some significant degree.

To begin, in eight MSCs (*Ategi*, HUHEZI, *Politeknika Txorierrri*, *Enpresagintza*, MGEF, *Arizmendi*, *Eroski*,²⁷ *Maier Ferroplast*.²⁸) no stakeholder group has a majority in the general assembly or the governing council; an agreement among two or three different stakeholder groups is necessary for decisions to be made. Most of them are education cooperatives where, together with students (users) and staff (workers), equal weight is given to collaborating entities; mainly other cooperatives, but also, for example, public institutions. In *Ategi*, user-members (cooperatives) and collaborating members (*Laboral Kutxa* and *Mondragon Investments*) have equal influence and, similarly, in the case of *Eroski*, consumers and workers each hold half of the votes in the general assembly and the governing council.

In 13 of them, user-members hold more than half of the votes in the general assemblies and the governing councils (*Osarten*, *Laboral Kutxa*, *Lagun Aro Services*, and *Mondragon Unibertsitatea*) and worker-members hold a similarly strong position in the governing bodies of *Mondragon Lingua*, *Alecop*, GSR, and *Loramendi*. Indeed, these latter four are the

²⁷ In *Eroski*, the GC President is, by unwritten rule, a user/consumer member and has a tie-breaking vote.

²⁸ In *Maier Ferroplast* the distribution of votes is equal (33.3% each) among workers, collaborators, and investor-members in both the General Assembly and the Governing Council. However, both collaborators and investment providers in this case refer to the same entity, MAIER S. COOP., the parent co-op as described earlier.

Table 10.4 Percentages of different categories of members of Mondragon MSCs' General Assemblies (GAs) and Governing Councils (GCs) by MSC legal structure

Coop	Kind	Worker-members		Collaborating members				User-members		Investing-members	
		GA (%)	GC (%)	GA (%)	GC (%)	GA (%)	GC (%)	GA (%)	GC (%)	GA (%)	GC (%)
<i>Ikerlan</i>	2nd degree	45.0	33.0	3.0	20.0	51.0	46.7				
<i>Ileko</i>	2nd degree	40.0	40.0	10.0	10.0	50.0	50.0				
<i>Mondragon Unibertsitate*</i>	2nd degree	2.6	0.0	18.3	29.3						
<i>Osarten</i>	2nd degree	24.0	18.0			76.0	82.0				
<i>Average</i>		27.9	22.8	7.8	14.8	44.3	44.7				
<i>Eroski</i>	Consumer	50.0	50.0			50.0	50.0				
<i>Average</i>		50.0	50.0			50.0	50.0				
<i>Laboral Kutxa</i>	Credit	33.0	33.0	8.0	8.0	59.0	58.0				
<i>Average</i>		33.0	33.0	8.0	8.0	59.0	58.0				
<i>MGEP</i>	Education	33.3	33.3	33.3	33.3	33.3	33.3				
<i>Enpresagintza</i>	Education	33.3	33.3	33.3	33.3	33.3	33.3				
<i>HUHEZI</i>	Education	33.0	33.0	33.0	33.0	33.0	33.0				
<i>Lea Artibai</i>	Education	45.0	43.0	25.0	29.0	30.0	28.0				
<i>Ikastetxea</i>											
<i>Politeknika Txorierr</i>	Education	33.3	33.3	33.3	33.3	33.3	33.3				
<i>Arizmendi</i>	Education	35.0	35.0	30.0	30.0	35.0	35.0				
<i>Average</i>		35.5	35.2	31.3	32.0	33.0	32.7				
<i>Mondragon S Coop</i>	Mixed	30.0	43.0	1.0		25.0	28.5	43.0	28.5		
<i>GSR</i>	Mixed	64.0	57.0					36.0	43.0		

Coop	Kind	Worker-members		Collaborating members		User-members		Investing-members	
		GA (%)	GC (%)	GA (%)	GC (%)	GA (%)	GC (%)	GA (%)	GC (%)
<i>Loramendi</i>	Mixed	60.0	60.0	40.0	40.0				
<i>Ederlan Tafalla</i>	Mixed	26.0	41.6	49.3	41.7			24.7	16.7
<i>Maier Ferroplast</i>	Mixed	33.3	33.3	33.3	33.3			33.3	33.3
<i>Average</i>		42.7	47.0	24.7	23.0			27.4	24.3
<i>Lagun Aro Services</i>	Services	37.0	33.0			5.0	5.7		
						63.0	67.0		
<i>Ategi</i>	Services	10.0	25.0	45.0	37.5	45.0	37.5		
<i>Average</i>		23.5	29.0	22.5	18.8	54.0	52.3		
<i>Alecop</i>	Worker cooperative	66.7	80.0	33.3	20.0				
<i>Mondragon Lingua</i>	Worker cooperative	70.0	80.0	30.0	20.0				
<i>Average</i>		68.3	80.0	31.7	20.0				
Overall average		40.0	43.0	24.0	22.0	27.0	27.0	5.0	5.0

*Mondragon Unibertsitatea does not report collaborating members and user-members as such but refers to other member cooperatives holding 79% of the votes in its General Assembly and 71% of votes on its Governing Council

only ones in which worker-members hold a majority vis-à-vis, other stakeholder groups.

Heterogeneity is the main feature of other cases. Either one group has a majority but only in one governing body (*Ederlan Tafalla*, *Ikerlan*, and *Mondragon S. Coop.*) or one stakeholder group has a plurality, but not a majority and cannot make decisions on its own (*Ideko* and *Lea Artibai Ikastetxea*). In the case of *Ederlan Tafalla*, for example, worker-members share voting power equally with collaborating members in the Governing Council, but not in the General Assembly, and the *Mondragon S. Coop.* case is similar. Worker-members have a plurality in the governing council (43%) followed by collaborators and investment providers, each with 28.5%. However, this balance shifts in the case of the general assembly where it is the investor-members who have 43% of the votes. Again, we cannot detect clear patterns, beyond the minimal ones discussed, and believe, in each case, arrangements are idiosyncratic, responding to the different financial and market circumstances extant in each case, along with personalities and decision-makers' perceptions of previous MSC experiences in the MCE.

Other Decision-Making Bodies

Besides the General Assembly and the Governing Council, several MSCs reported the existence of complementary bodies that play important roles in governance decision-making. Among these are Audit Committees, Executive Committees, Collaborators Committees, and/or Social Councils.

The Audit Committee and the Social Council are defined by law (see Sect. 10.2 and Fig. 10.1). All Social Councils, by law, and most Audit Committees, are composed exclusively of worker-members. Most of the MSCs in this study must have an audit committee since they have over 100 members, but two cooperatives with fewer members report having one (*Alecop* and *Osarten*). Fifteen out of 21 MSCs report having a Social Council. Less common are the other two bodies reported by certain MSCs in our sample: the Collaborators/Users Committee and the Executive Committee, explained below.

Alecop, *Eroski* and MGEP refer to a specific committee for users or collaborators. In the case of *Alecop*, our MSC questionnaire reports the existence of a joint representative council of collaborating members and worker-members that seems to parallel the role of the Social Council. Both types of members are present on its Audit Committee, although with different weights (66% worker-members and 33% collaborating members). *Eroski* also reports the existence of a consumer (i.e. user) council in parallel to the Social Council, and both play a similar consultative/advisory role among user-members, the Governing Council and the Management Council. Finally, in MGEP (the Engineering Faculty of MU), together with the Social Council, user-members (students) also have their own representative body in the form of a student council.

One-third (7 out of 21) of Mondragon MSCs report having an executive committee (*Ikerlan*, *Ideko*, *Ederlan Tafalla*, *Mondrago S. Coop.*, *Politeknika Txorierri*, MGEP, and *Enpresagintza*). In most cases, it is composed mainly of worker-members who also serve on the Governing Council, although user and collaborator Governing Council representatives also take part, to a certain extent, in the cases of MGEP, *Enpresagintza*, and *Ikerlan*. Overall, the definition of the Executive Committee's role is somewhat varied—although a number of study participants emphasized its connection to work and management decision-making in relation to internal matters of particular interest to its worker-members relative to collaborating or user-members.

10.4 Discussion: Processes and Dynamics of Governance in Mondragon MSCs

In the previous sections, we have described multistakeholder cooperative in the Mondragon Cooperative Experience (MCE). First, we laid out the basic contours of the experience. We wanted to understand how MSCs emerged in the MCE and we defined their nature and original purposes. Next, we described in detail how different MSCs accommodate different stakeholders in their structural setup and how these arrangements articulate decision-making processes. However, while the structural arrangements of Mondragon MSCs speak to their origins,

how these arrangements address present challenges and how they might affect the future of the Mondragon cooperative experience remain open questions. Here we begin an analysis of these issues. By necessity preliminary, our analysis is based on interview results and written responses to open-ended items on the questionnaire.

To begin, our interview respondents suggested that MSCs' structural setup remains in place to fulfill their original service role. For example, the respondent from *Eroski* underlined the role to serve its users by providing a fair price for a quality product with trustworthy service *aimed at educating* its consumers to live healthier lives. *Ategi* stressed its service role as encouraging, in parallel to its business operations, *the value of inter-cooperation* among cooperatives in the group. The respondent from *Laboral Kutxa* emphasized that the organization "is not an end in itself, it is an instrument that aims to promote the Mondragon Cooperative Experience" (LK). In other words, most interview participants frame their business operations and governance arrangements in terms of instruments for achieving a greater end.

However, it is important to note that most respondents also recognize that this service role has evolved over time in response to changes in their external and internal contexts. In the case of *Laboral Kutxa*, for example, the service role to other cooperatives remains, but its operationalization has been modified by external pressures, mainly evolving banking regulation that sought what regulators perceived to be better risk management. *Eroski's* conception of its purpose also has changed, but in this case in response to both internal pressures to attend to worker concerns and to enhance GC and management effectiveness.

Laboral Kutxa (est. 1959) was developed to provide financial, technical, and social services to other cooperatives and is a foundational pillar of the Mondragon Cooperative Experience itself. Though formally a credit union, it might have been more accurately described in its first generation as a cooperative development finance organization. Today, however, the share of its loan portfolio in Mondragon cooperatives is, by law, strictly limited and cooperatives currently represent only 4% of

its lending business.²⁹ To maintain its service role to the group despite these lending restrictions, *Laboral Kutxa* arrived at a legal agreement with the group to donate/invest funds annually in other Mondragon financial entities. All Mondragon co-ops share this obligation, but LK's obligation is 15 percentage points higher than in any other cooperative in the group.³⁰ Still, it is important to emphasize that banking regulators do not permit LK to make Mondragon co-ops its primary customer base.

Eroski's case is different, not surprisingly, showing evolution in governance due to internal as well as external forces, and in this case not regulatory ones. It was created in the 1960s out of a merger of several small consumer cooperatives. Therefore, in the beginning, its governance structures were composed exclusively of consumers. The merger had a dual purpose: first, to assist the stores (the original consumer co-ops) to build a new management infrastructure that would provide business expertise to address shared problems, and thus, second, to serve the community, as supermarket consumers. However, internal pressure from workers and managers and other Mondragon institutions to create a membership category for workers led to a major debate in the early 1980s, and *Eroski's* General Assembly decided to alter its own governance structures to include worker-members. In addition to philosophical claims about the primacy of labor in Mondragon firms, the argument was that consumers would be better served by a work force of worker-members than of ordinary employees.

In both cases, LK and *Eroski*, purpose evolves and adapts in response to external or internal pressures. However, adaptations can be interpreted to be more consistent or less consistent with their cooperative nature. For example, with respect to the inclusion of the worker-member in the ownership structure of *Eroski* or *Laboral Kutxa*, in both cases, our respondents argued that other cooperatives that operate in their sectors are, at some level, their natural model. They explain that other credit

²⁹ The regulator considers the Mondragon corporation as a single entity in terms of risk concentration; thus, the regulatory framework establishes that the bank can only share risks with co-ops in the Mondragon group up to an amount equivalent to 25% of its equity. In practice, this means only 4% of *Laboral Kutxa's* loan portfolio can be with cooperatives in the group.

³⁰ All co-ops in the group, through a Mondragon Cooperative Congress decision, obligated themselves to dedicate a portion of their post-tax profits to various Corporation support funds and other organizations.

or consumer cooperatives rarely if ever include worker-members in their ownership structures. However, in the case of *Eroski*, “[i]t was natural, because of the context of the Mondragon cooperatives” (*Eroski*). And in Laboral Kutxa: “The workers are members, and this comes from the model of the industrial worker cooperative; that is, if we are working from a model that is based in the local environment, we are looking for replication [of that model] in the sector” (LK).

In both cases, changes in the ownership structure based on a close relationship with other cooperatives in the group promoted adaptations to help them maintain their original purposes, enhancing diversity and inclusiveness in their governance bodies. In other words, both present interesting examples of *congruent isomorphism* in response to external or internal challenges affecting their capacity to hold true to their original purpose.

However, this is not necessarily always the case, and perhaps especially when business needs and social/cooperative purpose pull possible responses to external pressures in opposing directions. In the case of *Ederlan Tafalla*, for example (but among others), our respondent remarks that the mixed cooperative legal form originally adopted was intended to be transitory.³¹ The structural change from conventional firm to mixed cooperative provoked a more profound transformation than expected toward the cooperative culture and values of the workers. However, after the cooperativization began, the firm experienced a number of financial crises and these have thus far precluded the fulfillment of the original purpose of the operation—full transformation of the structure to a worker cooperative.

In the literature, this kind of practice is defined as *non-congruent isomorphism*, meaning the tendency to mirror conventional practices that do not meet cooperatives’ standards and thus contribute to cooperative degeneration. Isomorphic pressures and degeneration can be countered, though (Bretos et al., 2020), with processes that reach beyond

³¹ Recall the history of *Ederlan Tafalla*. The Mondragon automotive components co-op, *Fagor Ederlan*, together with the FAGOR Group (a Mondragon regional subgroup) and *Mondragon Investments*, bought a failing conventional firm, *Victorio Luzuriaga*, intending to make a transition over time to a standard worker cooperative. Though many years have passed, the transition has not fully taken place.

formal governance bodies and out into social-communicative relationships (Stacey & Mowles, 2016).

Responses to these degeneration dynamics are shared among many cooperatives and focus on value regeneration through cooperative identity education. For example, in *Lagun Aro*, our interviewee described the lack of disposition among worker-members to volunteer as candidates for election to governance bodies, and how this speaks to their lack of understanding of their duties and responsibilities as members of a cooperative. The respondent at first refers to new members in this connection, but then also comments on the veterans in the co-op and next underlines, “We are working on that. Okay, we don’t have ‘natural born cooperators’, but we will work so that they become cooperators. There, we are doing a lot, we do training... we are going to hold mini-ADITUs³² for our members” (LA).

Further, most of our informants speak about the challenges that accompany the complexity of their structure and how these affect the normal workings of governance processes, although most of them, overall, seem to believe that governance processes function adequately. A potential explanation here speaks to other factors that address the relationship issues that arise between different stakeholders. Our respondents refer to a set of unwritten rules that facilitate the handling of tensions resulting from an imbalance in the representation of the different interests in a particular decision at the Governing Council of the cooperative. For example, in the case of *Ederlan Tafalla*, interviewees explain that, given the critical economic situation of the cooperative in 2010, they increased the company’s equity capital through additional contributions from worker-members. Still, the way the stakeholders “put together majorities” for these decisions did not correspond to *Ederlan Tafalla*’s actual structure. In this case, given that those most directly affected were *Ederlan Tafalla*’s worker-members, the other stakeholders in the governance bodies, concretely, *Fagor Ederlan* and *Mondragon Investments*, decided not to take part in the decision-making process.

³² ADITU is an intensive, eight-month graduate certificate in cooperative enterprise and cooperative identity offered by *Mondragon Unibersitatea* to Mondragon co-op members each year.

Indeed, these unwritten rules are leading to structural changes affecting the definition of decision-making processes. In the case of *Ederlan Tafalla*, concern about the need for a particular governance space to tackle issues exclusively or mainly of interest to worker-members explains the creation of complementary bodies—in this case, the Executive Committee—as part of the structure of governance of the MSC (see description of this body in section “[Other Decision-Making Bodies](#)”). But this strategy is not exclusive to *Ederlan Tafalla* and, roughly, similar patterns are reported by *Eroski*, *Ategi*, *Enpresagintza*, *Lagun Aro*, and *Laboral Kutxa*. In short, in all these MSCs, the different stakeholders understand which of them is most affected and, accordingly, but informally, they decide which of them should have the final word in a particular decision.

These measures—namely, education, unwritten rules, scaffolding bodies—and the resulting division of labor on what are effectively governance decisions, show how MSCs in Mondragon try to balance power dynamics among the different actors in their governance structures. In this sense, they represent a tailored solution to a problem that is particular to MSCs. In the standard industrial worker cooperatives of the group, there is no need for these measures since only one stakeholder group is involved. Interestingly, some respondents suggest that it might be useful to extend this discussion on what different stakeholders’ roles, perspectives, and contributions, etc., might add to other (single-stakeholder) cooperatives as a potential measure to help them address one of their main challenges, the expertise dimension of the so-called governance trilemma (Basterretxea et al., [2022](#); Birchall, [2014](#)).

Regarding the balance between expertise and representation, specific difficulties in Mondragon have been identified in previous research. For example, the *Good Cooperative Governance Guide* (2019), published by the Department of Management & Social Affairs of the Mondragon Corporation addresses the need to balance expertise, voice, and representation to deal with the complexity of decision-making. It suggests a potential solution through the inclusion of independent, outside governing council members. However, almost no Mondragon cooperative makes use of this figure and, when asked for the reasons, the

answer can be summarized by a reluctance to “let outsiders arrange our furniture” (LANKI, 2019).

In MSCs, on the contrary, this option is valued, and our respondents, again, also suggest it as a potential yardstick for rethinking the governance model of Mondragon cooperatives in general. In the case of *Laboral Kutxa*, all candidates for the Governing Council need to fulfill knowledge and competency criteria defined by banking regulatory authorities. This condition is not exclusive to financial entities. Similar processes are described in *Lagun Aro* or *Eroski*, though they are not as stringent. All our respondents acknowledge that this measure challenges a fundamental principle of cooperative governance regarding representation: that each and every member of the cooperative has the right to be elected to the cooperative’s Governing Council. However, when asked about non-worker-members’ contributions from the perspective of the cooperative governance model, all our respondents emphasize the positive contribution of expert, independent members to the governance of these cooperatives.

In *Eroski*, for instance, our respondent suggests that the social dimension of governance is better guaranteed by including user/consumer-members as, in a sense, “independent” board members, “independent” in the sense that they do not have nearly as full or direct an interest as worker-members do. *Eroski* has about a million user/consumer-members. This is more or less half of the entire population of the Basque Autonomous Community and makes the organization of the election process and ensuring representativeness challenging. Our respondent believes the company is keenly aware of the representative gap regarding users in the Governing Council, “There is a flaw there. It does not represent consumers.” To bridge this gap, their strategy is more focused on developing *soft* mechanisms of participation to give voice to consumers, rather than creating formal mechanisms to enhance user/consumer-member representation. The co-op has also established certain specific criteria aimed at guaranteeing that user/consumer-members play a genuinely independent role on the Governing Council and are highly sensitive to the cooperative nature of the firm. We asked about the possibility of compensating user/consumer-member GC representatives for their GC work in order to help ensure they have sufficient time for

it. Our respondent emphatically rejects this option because, if there is compensation, there is a potential conflict of interest; user/consumer-members on the Governing Council might no longer feel as free to contribute in an independent way. The interviewee also emphatically emphasized that the independent (i.e. user/consumer) members need to be members of other cooperatives of the group, to help guarantee a high level of understanding of the implications for GC work of the cooperative nature of the firm.

Laboral Kutxa appears to exhibit a roughly similar pattern. The inclusion of independent members does not respond here to a perceived representativeness gap, but a pragmatic need. Other cooperatives provide senior managers to act as independent GC members who fulfill criteria established by banking regulators for membership on the GC of a bank. Our respondent defends this as a good measure to avoid conflict where worker-members on the GC have to decide on matters concerning their particular interests. He further stresses that diverse points of view make the decision-making process richer and, therefore, more effective. In other words, as in the case of *Eroski*, in *Laboral Kutxa*, respondents underscore the practical necessity of overcoming a purely representative logic; the contribution of skilled, “independent” board members is highlighted as a virtue, but the firms also value their strong links to the cooperative model, helping to ensure their governance work is carried out from a cooperative perspective.

10.5 Conclusions

In this chapter, we aimed at responding to three main sets of research questions:

- i. What is the extent of multistakeholder cooperativism in the MCE? What are its nature and purpose?
- ii. How do the nature and purposes of MSCs in the MCE take shape in the relationship among different stakeholders? What are their governance structures?

- iii. How has the relationship among Mondragon's MSCs' purpose, structure, and processes evolved in response to internal and external dynamics?

Our investigation has led us to respond to the first question in two ways. First, it is clear that MSCs represent a quantitatively and qualitatively significant part of the MCE. It is quantitatively significant insofar as MSCs make up roughly a quarter of the cooperatives in the group and represent a substantial part of the total number of worker-members in the MCE. They are a qualitatively significant part of Mondragon because they are distributed among all four of Mondragon's different business areas, are dominant in three out of four, and include some of the most symbolic cooperatives from the perspective of the genealogy of the Mondragon cooperative experience itself.

Second, all MSCs have a service role in common. In other words, they were not created only (or mainly) as profit-oriented enterprises, in line with classic cooperative principles (ICA, 2015; Novkovic & Miner, 2015), although, the orientation of this service role changes from co-op to co-op (or among categories of co-ops) and over time. We have identified three groups: those whose purpose is serving the community; those whose purpose aims at helping other cooperatives; and, finally, those whose purpose is to serve working people and particular co-ops through facilitating the pursuit of a business opportunity and creating or maintaining employment.

Regarding the second question, nature and purpose find their place in the structural arrangements of these cooperatives. Indeed, this group of multistakeholder co-ops is very heterogeneous, but all MSCs, without exception, have a specific, formal stakeholder category for worker-members. In a significant sense, worker-members are the central figure for all Mondragon MSCs. This centrality, more obvious in certain cases (mixed and worker cooperatives, for example) than others (credit and consumer cooperatives), speaks to their membership in the Mondragon group and their relationship to its standard model, the worker cooperative.

Further, the most common stakeholders, *other than* worker-members, are cooperatives in the Mondragon group (as user-members) and

Mondragon corporate structures (as collaborating members). Only in education, credit and consumer cooperatives do individual persons have votes as user-members. Together with the centrality of the worker-member, this second feature common to Mondragon MSCs—*Mondragon-ness*—speaks to the close ties among cooperatives in the group, to the general notion and practice of networked inter-cooperation that dates back to the group's founding era and explains the original impulse behind the creation of most of these cooperatives.

Finally, we have seen that, although the service role of Mondragon MSCs remains, it appears that how it is defined in terms of purpose has evolved in response to internal and external influences. We have also found these dynamics affect not only MSCs' purpose but, inevitably, also their governance structures and processes. For example, changes in the membership structure of the cooperative can be explained as a consequence of congruent isomorphism among cooperatives sharing a common purpose, though not a common business. External influences can also push governance processes toward greater inclusiveness, even when congruent isomorphism follows a business-oriented logic. Hence, changes in the ownership structure of cooperatives can result from congruent isomorphism among cooperatives sharing a common purpose, or among co-ops sharing a common business.

Further, MSCs do not differ markedly from other worker cooperatives in the group in terms of the well-known, (non-congruent) isomorphic-degenerative dynamics that can negatively affect their governance processes. Again, though, there are dynamics specific to particular MSCs that, in our view, could help MSCs in general address this kind of governance issue. For example, we have found that scaffolding bodies, in terms of structure, and unwritten rules regarding the process, show MSCs seeking to balance the power dynamics among the different stakeholder groups taking part in their governance structures. Moreover, we have suggested a number of these measures could help conventional single-stakeholder co-ops in the group manage well-known governance dilemmas.

According to the protagonists of our MSC story, this is a path worth exploring, although somewhat distant from current discussions of governance in the Mondragon group. Still, in these regards, we think the

importance of Mondragon MSCs and their distinctive features could provoke discussion of the implications of multistakeholder governance for other cooperatives in the network. These cooperatives were obligated to include other stakeholders in their governing bodies, because of internal and/or external pressures, and thus, in a sense unwittingly, they became an arena of experimentation that even its protagonists recognize might have been difficult to create otherwise. Further, as cooperatives with worker-members, and as central players in the Mondragon network, these MSCs provide a model that is close enough to the group's standard co-op model that, again, they could eventually bring the standard co-ops closer to a real debate about governance and multistakeholder issues, one that currently might sound a bit esoteric in most worker cooperatives.

In order to encourage these cooperatives to re-examine this experimental path, however, more thorough research is needed. First, we need to compare the most basic features of Mondragon MSCs regarding structure and process with non-MSCs. Finding common trends regarding structures and decision-making processes among non-MSCs might facilitate a more nuanced characterization of MSCs in the Mondragon group. Second, we must enhance our understanding of governance dynamics within MSCs. Our findings cannot be extrapolated, given the most in-depth research thus far has only covered the points of view of one or two cooperatives from each of our purpose categories and only with a very limited number of participants. Enhancing the corpus of interviews on which our analysis is based is critical to aspire to more robust and potentially generalizable conclusions. Further, it would be important to extend this inquiry into MSC governance dynamics, for example, to the members of non-MSCs who take part in the governance of MSCs. They would provide a natural opening for inquiry and be a rich source of data to further these analyses for scholars and practitioners alike.

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