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# MONDRAGÓN : A HOLDING COMPANY OF CO-OPERATIVES FACED WITH GLOBALISATION

by

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## Overview

The complex of Mondragón co-operatives, founded fifty years ago from a small company in the Spanish Basque country, today comprises more than one hundred and sixteen co-operatives and seventy thousand employees, nearly half of whom are partners. It recently bought the Brandt group, the French leader in household appliances, for one hundred and sixty-two million Euros, thereby becoming the fifth largest household appliance manufacturer in Europe. In addition, the group has gradually set up professional schools, a research centre, as well as providing social services and a bank. How has a system based on co-operatives often considered in France to be small companies without any major ambitions managed to scale such heights ? Does it remain faithful to the principles on which it was founded ? Is it exportable ? How does it face up to global competition in a sector as sensitive as household appliances ?

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## **TALK : Fernando Gomez-Acedo**

My talk is about the Mondragón co-operative complex (Mondragón Corporación Cooperativa : MCC). I shall start by giving you some economic data and then briefly explain the way in which this development came about, before defining the principles relating to co-operatives. At the end of my talk, I will discuss the recent acquisition of Brandt.

### **A few economic facts**

First of all, I should point out that the term ‘holding company’ is not appropriate in this context because each company within MCC belongs to the members of the co-operative. This is why we prefer to talk about a ‘co-operative complex’.

MCC includes three important sectors of activity : the financial, industrial and distribution groups. There are also corporate activities. MCC has a total turnover of more than ten billion Euros and employs more than seventy thousand people : approximately thirty-three thousand work in the industrial group, thirty-five thousand in the distribution group, two thousand five hundred in the financial group, and one thousand in corporate activities.

#### *The financial group*

The financial group includes the *Caja Laboral* bank which offers financial services, and *Lagun Aro*, which manages the corporation’s system of social security. Caja Laboral’s liabilities currently amount to more than ten billion Euros. It is a public bank, controlled by the Spanish Central Bank. Health insurance for members of MCC co-operatives is covered by Lagun Aro on the basis of contributions and members have a pension scheme based on individual savings. It has a capital of three billion Euros.

#### *The industrial group*

The industrial group includes one hundred and fifty-two companies, grouped into eight divisions : automotive, construction, industrial equipment, household equipment, engineering and capital goods, machine tools, industrial systems (components). Between 1984 and 2004, industrial group sales increased from five hundred to four thousand seven hundred million Euros. Before Spain’s admission to the European Union, less than 30% of its sales in 1984 were destined for the export market : today, exports amount to almost 50 % of sales.

#### *The distribution group*

The distribution group includes the Eroski hypermarkets, other retailers (such as Eroski Voyages and Forum Sport) and various companies in the food processing industry (in the sector of cattle breeding, corporate catering, and so on). Between 1984 and 2004, distribution group sales increased from one hundred and fifty million to more than five billion Euros.

#### *The corporate activities*

Corporate activities are fundamental to the creation of the co-operative system at Mondragón. Firstly, there is a university with more than five thousand students which includes an engineering school, a management faculty and a humanities faculty. This university has a good reputation in Spain and in particular works closely with industry. We also have ten R&D centres, and we have created the Garaña Innovation Centre (a high tech business zone) which encompasses our university, companies and R&D centres.

## Principles of co-operativism

Our co-operativist principles have a utopian dimension and may be applied very differently from one company to another. This dimension depends a great deal on the people implementing them on site.

The principle of *free membership* states that the co-operative is open to all those who freely and voluntarily share our principles – provided, of course, that we have work for them.

*Democratic organisation* is based on the principle of “one man, one voice”. The general assembly elects the board of directors which in turn appoints the managing director.

The principle of *sovereignty of work* means that work is recognised as the catalyst for progress of the group and as an essential source of the wealth which is created. Decisions are not taken on the basis of available capital, but according to the wishes expressed by those present at the general meeting. Capital has a purely instrumental dimension : it exists to serve the purposes of work.

Those in charge of the co-operative members are involved in the *management of the company*. This is not merely a process of creating work groups, as is practised in other companies, but each co-operative forms a social council whose job is to control and assess the decisions of the board of directors. These decisions have to be accounted for each month to the social council. At the ordinary general meeting, and, if necessary, at extraordinary general meetings, the council should also report to all the members of co-operatives and explain in detail their strategy and budgetary status.

*Financial solidarity* means that co-operatives should help each other when difficulties arise, both within their sector and on a regional level. The company in difficulty should, however, attempt to reduce its salaries temporarily (the ‘advance on the results’ is the amount of money received by the company in difficulty.).

*Inter-co-operation* is a principle of partnership between co-operatives and the environment and is derived from a concern for entrepreneurial efficiency.

The principle of *social transformation* is undoubtedly the most utopian of all the principles. It implies that co-operatives contribute towards making society conform more to their own principles. Unfortunately, I do not think that we have made a great deal of progress in this area.

*Universality* implies solidarity with everyone in the world who works to encourage socio-economic democracy. Here again, this is currently a fond hope because we are a long way from reaching this objective.

Finally, co-operatives should be concerned with organising *co-operative and professional education* in order to consolidate and develop their so-called ‘experience’.

## Historical insight

What we refer to as the ‘experience’ began in 1943, when Father Don José María Arizmendiarieta founded a school of apprentices in the village of Mondragón. However, the project really took off in 1956, with the creation of the Ulgor company whose name is derived from the initials of its five founder members, and which later became Fagor Electrodomesticos. It will celebrate its fiftieth birthday in 2006. In 1959, the Caja Laboral was created to solve the problems of financing the enterprise. From the 1960s onwards, the number of co-operatives increased.

The 1980s marked the entry of Spain into the European Union and the advent of the concept of 'total quality' management, not only for co-operatives but for industry as a whole.

In the 1990s, we discovered the 'just in time' methods, and we started to become international. Today, we have six co-operative delegations and forty-eight factories throughout the world. However, 85 % of our employees remain in Spain, and half of them are in the Basque Country.

Remembering one's past is important, but one should now think of the future. As Don José María Arizmendiarieta said *'the present, splendid as it may be, carries the mark of its old age inasmuch as it detaches itself from its future.'*

The future of MCC will be different for each of its divisions, but there is one certainty: in all of the sectors, our future will be international, innovative and will be marked by the transformation of MCC into *e-MCC*, in other words, the development of communication and information systems within the company. The co-operativist function will not be sufficient to respond to all the challenges. We are particularly aware that if we do not give sufficient priority to innovation, we will inevitably cease to exist. That is why we have increased the number of R&D centres and created the Garaïa Innovation Centre.

### **The acquisition of Brandt**

Strategic reasons were behind our purchase of Brandt a few months ago : our objective was to reach a critical mass. We still do not know whether this operation will be adequate but in any case it was necessary. Not only are investments, infrastructure and R&D easier to manage when there is a greater volume of production, but in the face of a distribution sector which has become European – with the arrival of groups such as Wal-Mart, KingFisher and MediaMarkt – and even global, it is very difficult to negotiate when the company has not reached a sufficient mass.

As a result of this acquisition, the Fagor group is now fifth in the European market behind BSH, Electrolux, Merloni and Whirlpool. Fagor includes twelve commercial brands : Fagor, Edesa, Aspes, Mastercook, Brandt, De Dietrich, Thomson, Vedette, Sauter, Sangiorgio, Ocean, Samet. Sixteen factories exist in six countries (Spain, France, Morocco, Poland, Italy and China) and produce eight million large household goods which are sold in about one hundred countries.

Even though in Europe, where we have a turnover of one thousand eight hundred million Euros and employ eleven thousand people, we are only the leaders in the Spanish and French markets : our European market share is only 6 %. To make our future more secure, we probably need to increase this to 10 %. To achieve this, we will have to be very innovative. 50 % of our investments are devoted to research and development : we are developing the home automation sector, integrating not only systems which automatically turn on appliances but also control energy or even security systems. This is our 'Fagor Digital House' programme.

### **TALK : Jacques Prades**

I always admire the way in which MCC directors present the story of this co-operative complex as if it were a relatively ordinary experience ! I wonder if they are not just saying this to please us ... Without falling into the trap of blissful idealism, I shall try to demonstrate that this is not such an ordinary venture, and I shall highlight the difficulties which now face MCC.

### **A fascinating experience**

MCC comprises more than one hundred co-operatives which represent almost all the industrial, commercial and financial sectors, an important part of which is concentrated in the same region. This region has an unemployment rate of approximately 3 %, compared to 7 % for the Basque Country and 11 % for Spain as a whole. Co-operative statutes forbid trade unionism and redundancies. The number of jobs has increased from eighteen thousand in 1983 to sixty-eight thousand in 2003.

Larger co-operatives exist elsewhere in the world, in India for example, but to my knowledge, the MCC experience of the agglomeration of socio-economic activities is the largest in the world.

It is not surprising that this unusual configuration intrigues observers. I was asked by the *Caisse des dépôts et consignations*' (French public and investment organisation) research institute to carry out field research on MCC and I visited the site seven times to study Fagor, Eroski, Caja Laboral, and the co-operative university. I shall use my findings to analyse the change currently taking place in MCC's strategy.

### **A complex relationship with Francoism**

I think the change took place over a relatively long period of time between 1964, the year in which the Ularco group was created (later to become the El Grupo Cooperativo Mondragón), and 1991, the advent of MCC.

Between these two dates, one date stands out, 1975, the death of Franco. Relationships between MCC and Franco's regime were always complex. Francoism represented the basis on which the experience of Basque co-operatives was founded and the economic protectionism imposed by Franco undoubtedly encouraged the development of MCC. Similarly, the Basque language, which was still spoken in Mondragón despite the fact that it was officially forbidden, constituted a powerful means of unifying the region during the Franco period. With the death of Franco, the opening-up of Spain to the European market became inevitable. The new regime, which permitted all regional languages, loosened the bond which linked the population to its co-operatives.

A year later in 1976, the founder of the Mondragón experience Don José María Arizmendiarieta died. He was a figure in the Catholic Worker Movement which found an echo in France in the form of Emmanuel Mounier's 'personalism'. The Basque priest was characterised by the same important attitudes to work, the same '*neither-nor*' (neither liberalism, nor collectivism), and the same faith in the pragmatic construction of an experience. One element which remains from this heritage is the concept of the marked reduction in the salary scale whose ratio had remained for a long time as one to three.

Arizmendiarieta's death coincided with the decline of Catholicism. This is true for all the European countries and North America, but whereas countries such as Italy or France are experiencing today the beginning of a revival, the decline continues in Spain. The Basque Country was an exception for a long time because the Basque clergy sided with the Republican camp (sixteen Basque priests were assassinated in 1936), whereas the great majority of clerics elsewhere in Spain chose Francoism. Arizmendiarieta himself was arrested and imprisoned in 1937 and was saved solely by the intervention of the bishop of Bilbao. The slow erosion of left-wing Catholicism has a much stronger importance for the Basque Country than for the rest of Spain.

### **Schism or shift ?**

The death of Franco and the death of Arizmendiarieta, both important symbols, provoked widespread change. Spain's admission to the European Union, for example, damaged the 'personalist' principle of the small difference between salaries : in order to prevent co-operative executives leaving to join the more lucrative sectors, the salary ratio of one to three

gradually increased to one to six, and finally to one to nine, so that today, in certain cases, it is even one to twelve. All the same, it is worth noting that the salaries of executives at MCC today are still 30 % lower than salaries of rival companies, whereas workers' salaries are, 15 % greater than those in lucrative, non-cooperative sectors. Does this situation demonstrate a schism or a shift in MCC's principles?

I note three factors that characterise the current change. Firstly, the growth in the number of people employed is taking place to the detriment of the proportion of members of co-operatives : in 1995, 68 % of employees were *socios*, whereas today they represent less than 50 %. Secondly, the growth of MCC is due more to the acquisition of existing companies, such as Brandt, than to the creation of new co-operatives. Finally, the size of co-operatives is no longer limited to five hundred people : this breaks away from what Italian co-operative members call 'the strawberry field strategy'. Traditionally, once a co-operative became too large, it subdivided in order to give way to a new structure.

Does this represent disloyalty towards the co-operative model ? The entire social movement is constantly caught between two forces : on the one hand, attempts by the market to standardise (illustrated in France by a majority of co-operatives), and on the other hand, the process of institutionalisation by the State, (seen in France in the mutualist movement).

### **Permanent characteristics**

Nevertheless, a number of residual characteristics can be seen in MCC when compared to its original model.

#### *Regional location and ambiguity*

The first is the importance given to the local region which inevitably brings with it a certain number of ambiguities. In France, one tends to think that local development is a game where everyone stands to win. However, local development conceived by MCC derives from an economic ethnocentrism, in other words, it uses other regions to serve the purposes of its own development. Mondragón executives can be heard to say, for example, '*we should develop our presence abroad in order to keep our jobs here.*'

The following is another example of this ethnocentric concept of development : MCC signed several co-operation agreements with the Basque government, including an agreement which was implemented between 1996 and 1999 and which supposed that MCC would invest eighty-three billion Pesetas and would create three thousand one hundred jobs, of which at least one thousand six hundred were in the Basque Country alone. If one looks at these facts from another angle, they become less attractive : in order to be competitive, MCC needs to use local taxes to create one thousand five hundred jobs outside the Basque Country.

#### *The challenge of self-financing*

The second residual characteristic is the group's strategy of self-financing. This allows MCC to steer clear of any important Stock market battles. According to José Maria Ormaetxea, one of the five 'musketeers' present at the very beginning of this experience, '*the complex will remain loyal to its principles as long as we are not quoted on the Stock Exchange*'.

It is likely that the difficulties which MCC encounters today in order to finance its development are linked to the changes in the costs of creating an additional job. When a new *socio* is hired, he is asked for a sum of approximately ten thousand Euros : today, however, ten thousand Euros only covers about 7 % of the cost of the creation of such a job. This situation tends to raise doubts about the model.

#### *Inter co-operation*

A third characteristic is inter co-operation. No two co-operatives develop their activity in the same sector : co-operatives exist in extremely varied sectors, including heavy industry, the tertiary sector and retailing, and they complement each other rather than create competition.

#### *A common culture*

The last characteristic which I have noticed concerns the culture at MCC. The director of Eroski France once said to me *'when you have met one director of a Mondragón co-operative, you have met them all.'* I would be willing to bet that they all went to the Mondragón co-operative university but in fact this is only true for 15 % of them. I then imagined that recruitment favoured young people from families which were members of co-operatives, but this priority is only true for Fagor. Finally, I thought that there was a common political undercurrent but this is only partially true. Therefore, one has to conclude that despite the change which has marked the past fifty years, there exists a very lively cultural base which is transmitted from generation to generation within MCC because each person is a member of a co-operative of several organisations, such as the primary school, sporting associations, the university, and so on.

### **Resist and innovate**

In view of these residual characteristics, it is hard to imagine any sort of schism or rupture. In order to survive, any company which has a social conscience should combine two aspects which at first sight appear to be contradictory. These are the capacity to resist and the capacity to innovate.

For many years, MCC's resistance to external factors centred around the Basque language, resistance to Francoism, social exclusion and unemployment. As Spain became democratic and underwent economic development, these so-called 'resistance' factors started to fail. What remains, is a shared faith in the co-operative movement.

### **The criteria of the social economy**

However, I do not think that the MCC model is exportable. One of the differences between a social company and a profit-making company is that the former is embodied by a particular history and geography. In the case of MCC, it is the Basque way of life, characteristically founded on work, the family, and political resistance. By contrast, the market model does not belong to the state, is formalised and is fragmented : if you know how to win money in Tokyo, you will certainly know how to win money in Madrid. However, it is not because you know how to make a social company work in Mondragón that you will automatically succeed in Warsaw. This is why social economic researchers (like me) have so much difficulty in creating models from these experiences.

However, there are ingredients to add to the gathering of social activities which one can find in the majority of experiences.

Generally speaking, civil society is the basis of these initiatives and it carries out its actions in an historical context which is advantageous to it. In the case of MCC, the pressure which Franco exerted and the civil war in the Basque Country were favourable to the bringing together of social activities, as in a similar way was the dissolution of the ecclesiastical presence in Quebec.

The second ingredient of the social economy is a common feature : this role is often played by a particular language.

The third ingredient is the presence of a charismatic leader. The fact that Arizmendiarieta was a priest and because of this he had the people's trust which was very useful to him when the Caja Laboral was created in order to collect 'grand-ma's savings'. He had very upright

moral principles and money was not one of his preoccupations. He was never paid for the work which he accomplished in this venture. The call for savings poses a great number of difficulties for social banks created today such as the Banca Etica in Italy or the Risq (*Réseau d'investissement social du Québec*) in Quebec.

The down-side of this need for a leader is the difficulty in the subsequent succession. It is even debatable whether the charismatic founder should not disappear relatively quickly from the stage so that the movement becomes easier to manage : many associations have been destroyed by a dubious transfer of power.

The fourth ingredient, maintaining a presence in the industrial sector, is undoubtedly one of the strengths of MCC. In many regions, and in particular in northern France, from the moment that the initial industrial crises appeared, it was thought that the time had come to enter a tertiary society. This theory has been proved false by facts which show that the most competitive countries are those in whom industry still has a place. MCC took the risk by keeping a presence in the industrial sector, while at the same time modernising and notably computerising industry. This allowed MCC to retain an industrial influence which today is its driving force.

Another criterion of the social economy and notably of the bringing together of social activities is the system of co-operation between co-operatives. The main internal conflicts at MCC seem to come from decisions about the way in which co-operatives can be complementary rather than competing against each other. At the same time, MCC is establishing itself with a very entrepreneurial approach, by taking head-on the question of international competition.

Training is always a priority for MCC. As a comparison, the co-operative complex devotes eight times more resources to training than that recommended by French law.

The existence of a financial tool is also a major ingredient contributing to the success of an agglomeration of social activities.

For MCC, its wish to remain apart from the State has its origins in the history of the Franco period. It is unusual by comparison with the French practice of the united economy which is much more dependent on public aid.

The last criterion of the social economy is that the key to efficiency should not reflect individual interests but group interests.

## **Conclusion**

What appear to me to have fundamentally changed in MCC's approach is something quite different. Don José María Arizmendiarieta believed in the possibility of another world, a co-operative world. Current managers at MCC appear to consider themselves as the last Gauls standing up to the invader, and wonder if they can keep going much longer. Their struggle is essentially economic and seems to have lost its political dimension. Yet, recent events in French suburbs make us stop and think. For the past thirty years, public policy has abandoned the notion of housing co-operatives, local service co-operatives and independent financing co-operatives which might well offer a solution.

Essentially, the discussion tonight is the same debate which excited the nineteenth century. Marx thought that in the absence of ownership he had found the answer to the injustice exerted by a single social class in appropriating the means of production. He forgot Proudhon's lesson that the solution to the problem lay in ownership which was neither private nor state, but collective.



## DISCUSSION

### A few corrections

**Fernando Gomez-Acedo :** On the whole, I agree with Jacques Prades' analysis which seems fair to me with just a few exceptions. One cannot deny that the salary range is greater today than in the past. The ratio is one to three gross and not net. Today, the equivalent would be a ratio of one to five. At Fagor, this ratio is currently one to six. There are seven jobs which do not conform to this ratio and exceed it, the maximum being a ratio of one to seven-and-a-half, but this is an exception and was approved thirteen years ago by the general council.

It is also true that the proportion of jobs not based on a co-operative is on the increase, but in the Basque Country there is a law which forbids the proportion to exceed 25 %. Of course we would like to develop the co-operative idea in the foreign companies which we have acquired, but this is not very straightforward. In Poland, for example, co-operatives have a very poor image and are synonymous with failure. This is a real problem for us because acquiring companies which are not co-operatives has an effect on the entire system.

It is likely that in the coming years, we shall have to change and the catchphrase will be pragmatism. Would this have been different if Don José María Arizmendiarieta had still been alive ? You'd have to ask him ! One thing is certain : with regards to the market, being a co-operative had no advantage as such. We still have to be competitive and make profits if we want to survive.

### The language

**A speaker :** *What language is spoken at MCC ?*

**F. G.-A. :** It depends on the co-operative. In Bilbao, for example, one tends to speak Spanish. In the region of Guipúzcoa, everyone speaks Basque at home so there is no reason not to speak Basque at work. As far as I am concerned, I learnt Basque when I was twenty-six years old and my son and my daughter studied Basque at the Basque school (*ikastola*). I do not think that the Mondragón experience is specially and uniquely linked to the Basque language but more to the Basque region. Undoubtedly, co-operativism played a role which encouraged the language at a time when attempts were being made to suppress it.

**Jacques Prades :** I am currently studying the case of a operative company of collective interest (*société coopérative d'intérêt collectif*), WebSourds, which is located in the area around Toulouse and which decided that the company language was sign language. This language is not straightforward and trying to explain something even relatively simple takes a great deal of time. Meetings are very long. The choice of this language is based on the idea that language constitutes a very important element of unity. There have been co-operative experiences in Quebec which would undoubtedly have expanded if they had not met resistance from the surrounding Anglo-Saxon world. Clearly, this does not mean that one cannot have a social economy without an independent language, but simply that language creates an additional bond.

**Speaker :** *I was a Fagor associate for a long time and I visited Mondragón about thirty times. During my first visit, I was officially presented with Arizmendiarieta's book which was written in Spanish. It is very clear that the Basque Country's identity is very strong but I believe that the launching of this venture by the priest was similar to that of the creation of the German co-operatives in the 1870s stemming from a feeling of revolt against the poverty which was rife in this Basque valley.*

*One day, as I was stepping out of the lift, I was surprised to see a poster which listed the times of lessons in the Basque language. As I showed some surprise at this, I was told that if just one of those taking part in the meeting did not speak Basque, then everyone started speaking Spanish – a bit like in a group where there is one English person and eighteen French people, everyone starts speaking 'globish'.*

## Redevelopment

**Speaker :** *You mentioned that redundancies were forbidden. What happens if it turns out that redevelopment is essential ?*

**F. G.-A. :** It is impossible to force someone to leave the co-operative because he is an associate. In some cases, we can negotiate early retirement. When there are major difficulties, people receive a sort of internal unemployment benefit, paid with help from the mutual system to which all the co-operatives contribute. On the other hand, associates are forced to accept any position which they are offered in another co-operative. At Fagor Electrodomesticos, for example, employees move from one company to another. In the 1980s I have even seen someone who had worked in the administrative office accept a job in the workshop.

**Int. :** *It is probable that people who are not members of co-operatives are most concerned by this ...*

**F. G.-A. :** Exactly. The law allows us to recruit 25 % of salaried workers who are not associates. When there is no more work, they are the first people to leave the company.

**J. P. :** There is a compensation fund between co-operatives. When new jobs are created by a co-operative, it starts by employing members from other co-operatives who are unemployed. Next, it regulates salaries. In 1976, following a restructuring plan, about one hundred people who were not co-operative members were made redundant. Co-operative members decided to reduce their salaries in order to reemploy these people.

## A Greek city

**Speaker :** *I have taken part in general meetings at Fagor, and I can confirm the adoption of this system by the socios. For example, I saw them reject certain projects, and also reject salary increases or agree to be transferred elsewhere. These people are real citizens : one has the impression of going back in time to a Greek city. I was also struck by their capacity to have misgivings : as far back as 1983, some of them already questioned the future of the co-operative. And yet, everyone knows that being sceptical leads to the development of intelligence.*

**Speaker :** *If your general meetings make you think of the Greek market place (or 'agora'), then that undoubtedly means that the art of speech has an important place in your estimation.*

**F. G.-A. :** I quite like the comparison with the Greek city-state or *polis*. Once the manager has provided an explanation, anyone in the room can ask a question and the manager has to respond publicly. I was president for two years and then managing director for five years, and I can assure you that it is a formidable experience. Some co-operatives have only one hundred and fifty members but others have five thousand. In this situation, one can find oneself in front of an audience of one thousand people and one has no idea what might happen. One prepares the meeting with small groups and one tries to anticipate the questions. But if in the end the public votes to reject something, then one has to accept this.

**Speaker :** *So people can be excluded from the company ?*

**Speaker :** *No, they can be downgraded, which is even worse...*

## Faced with globalisation

**Speaker :** *In view of your decision-making system, I imagine that it is difficult for you to launch surprise take-over bids ?*

**F. G.-A. :** Once the operation exceeds a certain percentage of the co-operative's capital, one has to call a general meeting. If not, the council can take the decision itself.

**Speaker :** *I work with co-operatives in the food processing industry which have the same problems as you. In general, decisions to acquire companies, especially foreign companies, are very difficult to take. Everyone knows that firstly this acquisition will enable us to save jobs, but that in the long-term, these operations may endanger the survival of local companies. Is it really possible to take this process of globalisation right to the end on the basis of democratic decisions ?*

**F. G.-A. :** Even the most strategic decisions can only be taken if everyone is convinced. Some decisions can be taken by the council, but if necessary a general meeting should be called straightaway. Even then certain choices are not very easy to make. Globalisation frightens us because we cannot copy our rivals who can close half their factories in the West in order to go to set up factories elsewhere. It may appear paradoxical to say that one has to decentralise in order to save jobs at home, but it is nevertheless the truth. If we do not make enough profit, we will lose our investment capacity and we will be threatened in the short-term. Therefore, we should analyse carefully which area of production should be retained in Spain and which should be decentralised. I completely understand the discussions in France about job security and permanence of sites. However, in practical terms, how do we achieve this ?

**J. P. :** As far as I am concerned, one of the characteristics of MCC is the trust which the *socios* have in their co-operative system. In the beginning, when someone explained to me that it was the *socios* who decided on the salary structure, I wondered how they would avoid pushing their luck. Naturally, it is based on 'advances on the results' and consequently at the end of the year they have to reimburse the excess. But, I still think that the trust which the *socios* have in their co-operative is one of the major strengths of Mondragón.

Presentation of the speaker :

Fernando Gomez-Acedo : engineer and member of a co-operative for twenty-six years. He was successively engineering director, factory director, industrial manager, president, managing director and sector director for Fagor/MCC. In 2006, he became president of the Fagor-Brandt SA supervisory board.

Jacques Prades : senior lecturer in economic science at Toulouse II-Le Mirail University. He runs the Master's degree course in research and the Professional Master's Degree in social economy which he founded, as well as the CERISES study centre. He is the author of L'énigme de Mondragón : comprendre le sens de l'expérience (The Mondragón enigma : understanding the meaning of experience) (RECMA n° 296), published in May 2005.

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