Case Study 8.6

Converting to a co-operative business: lessons from Mondragon

The Mondragón Cooperative Corporation (MCC) was established in the late 1950s by five engineers, heavily influenced and guided by the local priest, after they were denied the opportunity to invest in the company that employed them. In 2003 the United Nations celebrated the social and economic achievements of the corporation they created. By 2009, this had grown to over 100,000 staff, with over 80 per cent of ownership by staff on the basis of one person, one vote. During a field trip, Mikel Lezamiz – the director of the Management School in Mondragón – described how staff in the MCC work with staff in a newly acquired company to transform it into a cooperative. He discusses this as a gradual transition:

1. A move from private to employee ownership
2. A shift from employee ownership to participative management etc.
3. The introduction of cooperative management (elected councils)
4. A vote to transfer the business into cooperative ownership

Employee ownership is seen only as the start of a much longer process. The main goal is cooperative management and ownership (which can take many years to achieve). As an example, he talked about eDesa, a company the local council asked MCC to buy (to save 1000 jobs). It took from 1989 to 1994 to educate and prepare the workforce to take a vote on their own future. In 1994, the workforce voted by 87 per cent to 13 per cent to convert to a coop (via a vote in a General Assembly). At eDesa, the reaction of trade unions was interesting. Two were supportive; two were sceptical but eventually came around. With the backing of all four unions, the company eventually converted to a cooperative. Even now the unions still have an 'ambiguous' attitude to the MCC. Nevertheless, many union members (about 100 people) are active in disseminating information on the values and principles of the cooperative.

Source: R. Ridley-Duff and M. Bull*, Understanding Social Enterprise: Theory and Practice* (London: Sage, 2011), pp. 49-50.