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# The Role of Workers in Management: The Case of Mondragón

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## Abstract

Independent of whatever other advantages it might have for the workers, worker ownership has repeatedly demonstrated in the real world that it is no guarantee for worker participation in management. The participation of workers in management as a first step toward worker self-management requires institutions and practices that will both allow such participation and promote it. This paper considers, in the frame of four standard issues in worker self-management, six specific institutions and practices common to the collection of co-ops that constitute the Mondragón complex that have generated meaningful worker participation in management in this large corporation.

**JEL classification:** J54, L29, M19

## Keywords

economic democracy, workers' participation in management, Mondragón, cooperatives

This is not a paper about the rich multi-dimensional subject of the economics of the Mondragón complex of worker cooperatives. This is a case study of worker participation in management and self-management at Mondragón, at the present time. Specifically, this article will briefly examine six institutional structures and practices at Mondragón that both allow and promote worker participation in management.

## I. Structures<sup>1</sup> and Practices for Supporting and Promoting Participation in Management

Before examining these six institutions and practices, four issues will be briefly indicated that should be kept in mind.

The first issue is the necessary interaction between direct and representative institutions and practices for participation in management. For all except possibly the smallest units of production, no self-management could be entirely direct. But representative participation always entails

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<sup>1</sup>The technical nature of its structure is detailed in any of the handful of book-length studies of Mondragón in English, such as Whyte and Whyte (1991) or Morrison (1991).

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the potential for the loss of authentic participation and control, with these instead devolving to the representatives.

The second issue is that what is usually referred to by the phrase “participation in management” really consists of two different types of participation. One consists of the control of management which is being executed by others, which is nevertheless an important form of participation in management. This requires the information and skills to execute monitoring and control. The other is personal participation in making management decisions. This is more direct and protagonistic, and tends to be more continual as opposed to periodic.

The third issue is that no institution has a meaning simply from its structure, separate from a consideration of its practices, and practices typically cannot exist, and especially be perpetuated, other than through some institution. Some of the six “institutions and practices” that will be considered are institutions and some are practices, but for everything that will be considered it is an institution and the particular associated practices together that are important to the issue of participation in management.

Workers can participate in management only if institutional structures and practices exist that allow them to do so. But involving workers in management often requires more than that. Many workers, conditioned by growing up and working under capitalism, do not aspire to self-management,<sup>2</sup> but rather simply to a greater share of the wealth that they produce: higher wages. This implies that to achieve broad worker participation in management, institutional structures and practices will very often need to go beyond simply allowing participation and promote it.<sup>3</sup> The fourth issue to keep in mind as this article discusses the six institutions and practices is to what extent and how they actually promote participation in management and thereby human transformation.

The first institution and associated practice important to worker participation in the management of every co-op in the Mondragón complex is the yearly General Assembly. This is a gathering of (potentially) all co-op members to both discuss and vote on the performance of the past year, and to establish the guidelines for the future. The second institution to be considered is the Governing Council. This is a group of up to twelve co-op members whose central jobs (it has some other management jobs) are to hire and fire management and continuously monitor its performance. Note the thin but very important line involved here in their role in management. On the one hand, they are formally charged with assuring that management complies with the directives of the General Assembly as they understand them. Hence if they believe this is not happening, they first discuss the problem with management, and if they cannot get a resolution to their satisfaction, they can fire individual managers or the entire management team. That clearly constitutes strong participation in management. On the other hand their job is not to, and they do not, manage the co-op. That is management’s job.

In these first two institutions central to worker participation in management, there is direct participation by all co-op members in the General Assembly and representative participation by

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<sup>2</sup>The central management of the Mondragón complex referred to this issue in an interview with the author in July, 2010. Although nearly evenly split, the majority of workers in an enterprise in Poland that was owned by Mondragón, reacting against the previous bureaucratic planned economy of that country, turned down an offer to enter the Mondragón complex as a cooperative enterprise and voted to be wage workers. The discussion with them about becoming cooperative owners of their enterprise will continue. Conservatives argue that in general workers either do not have the ability or the desire to self-manage. Among the many works that have argued against that position, see Devine (1988: 158 ff) and Albert and Hahnel (1991: 15 ff).

<sup>3</sup>The need to promote participation is seen as a necessity at the beginning of a self-extinguishing process in which workers come to participate automatically as they experience that it really can improve their lives. “... people are able to *learn* to participate by participating and are more likely to seek participation *if* they can be confident that their input into decision-making will actually count” (Held 1986: 12). For more on this issue of a continual expansion by humans of the desire to self-manage through participating in management, see the earlier work by this author (Campbell and Tutan 2008).

them in the Governing Council. Since the representatives that constitute the Governing Council are co-op members themselves, those few members are engaged in direct participation in management in the Governing Council as well, in the way that the Governing Council participates in management as discussed above. In both cases, the participation in management is in the form of control as opposed to directly making management decisions, as also discussed above.

The third central institution concerning participation in management at Mondragón is the Social Council. The initiator of Mondragón, Father Arizmendi,<sup>4</sup> felt that direct individual ongoing participation was necessary not only to make the control of management more authentic, but for the purpose of developing the workers' human capabilities. He wrote:

[If the Governing Council] were the only organ for representation, our participation in the firm would be very little, at least regarding ordinary matters [of working life]. To avoid this passivity and to facilitate direct experience with many problems, what we call the Social Council came into existence.<sup>5</sup>

As many people who have worked with or written about co-ops and self-management have asserted, workers are most ready to transcend their passivity and actively participate around management issues that they experience directly. Hence the purview of issues to be addressed by the Social Council included conditions on the job such as safety and health conditions, and issues of remuneration such as social security and compensation itself. In addition to promoting participation by the nature of the issues involved, participation was promoted by using a different system of elections to the Social Council from the collective-wide elections to the Governing Council. To facilitate the direct personal contact that would elicit the active use of this channel by regular cooperative members, groups of 10 co-workers who worked together elected their own representative to this council. This body was only advisory to the Governing Council on such issues, but the Governing Council was mandated to seek its input on all the designated issues, and given the environment of cooperation and balance that exists in Mondragón, such input had real weight in final decisions. Hence the Social Councils served to draw workers into a more individual and continuous participation in their co-op management around these issues that they saw directly impacted them. Specifically, this is an example of the channel discussed above of "participation in management beyond control," directly making management decisions<sup>6</sup> as opposed to the monitoring and control of management that is being conducted by others which was involved in the first two institutions discussed.

With the increased integration of the co-ops with the formal establishment of the Mondragón Cooperative Corporation (MCC) in 1991,<sup>7</sup> the need was felt to clarify, unify, and update the management practices across the co-ops in the system. This gave rise to the development of a fourth central institution that is important for allowing and promoting participation in management: Mondragón's endogenously developed management model.<sup>8</sup>

<sup>4</sup>The usual shortened form of José María Arizmendiarieta.

<sup>5</sup>Arizmendiarieta, writing in the monthly publication of the Mondragón system, *Trabajo y Unión*, cited in William Whyte and Kathleen Whyte (1991: 39-40).

<sup>6</sup>They constitute direct management decisions notwithstanding their limitation to an advisory (with important weight) status.

<sup>7</sup>Recently the corporation changed its legal name to "Mondragón. Humanity at Work." Many people in Mondragón still refer to the organization that consists of all the co-ops as MCC, and that will be used in this paper.

<sup>8</sup>A compact graphical presentation of the management model is at <http://www.mondragon-corporation.com/language/en-US/ENG/Who-we-are/Management-Model.aspx>. If one clicks on the various parts of this graph one can get a terse description of what Mondragón considers each of the model's components to signify and involve.

There are six parts to Mondragón's management model. The four "inner" or basic parts together present the view of humans and of work, and the related value system, that are the basis for Mondragón's commitment to worker participation in management. Paraphrasing these four parts in two sentences: people are social beings and hence they cooperate as the actors in production, and that action which they take should be in accord with basic principles that reflect justice and equity, and will promote human development. These people will then collectively decide what they want to do, what project they want to undertake, and then create an organization to effect that project, and that organization should be managed participatively.

If one reads through the brief descriptions of all the parts and sub-parts of this core of its management model, one will see that its heaviest stress is on joint activity and cooperation at all levels. At two places, however, this model also specifically makes clear that this cooperation should be managed by the participants themselves. At the very heart of the model, one of the ten "Basic Cooperative Principles" that are officially accepted as the basis for the whole Mondragón project, is "participation in management." Then the same idea is also expressed in the model again even more strongly as "self-management," appearing as a sub-category of the concept of "participative organization."

While this management model is more a conceptual framework than a recipe for management, the framework it presents opens the door wide to participation in any aspect of management, and even full self-management. As opposed to the Social Councils, it thus has an open purview. Keeping in mind that Mondragón is constantly changing and re-inventing itself, exactly what forms this "participation in management" and "self-management" that is part of Mondragón's management model will take over time is a question that will only be answered concretely by history.

The importance of these last two institutions needs to be stressed. There is no claim made here that these are the only or even best ways to facilitate and promote active participation in management beyond control. The best vehicles to do that for a given situation could well be specific to the culture, history, and other particular conditions. Their importance, rather, is as evidence that the Mondragón experiment has recognized the necessity to do so if one aspires to authentic self-management, and that it has formally built this recognition into the core of its system of management.

An essential part of supporting and promoting worker participation in management is to create a culture where both the workers want to participate and the managers expect, and even welcome, such participation. While we saw that participation in management was one of Mondragón's basic principles, it is thoroughly rejected by the neoliberal ideology that dominates the capitalist world that their members grow up in. Hence a fifth practice that is important to allowing and promoting participation in management at Mondragón is the necessary permanent activity of creating and sustaining a culture of participation. They refer to this as *formación*.<sup>9</sup> Formation at Mondragón includes skilling in both technical production issues and business methodology. But beyond that, it includes education in morals, ethics, and values. Formation includes the development of the skills for collective and cooperative interacting that are essential for successful co-ops. Among many other things, people work at learning how to respectfully criticize and be criticized, to be open to change, to make mutual support of each other a basic instinct, and how to balance your own ideas and point of view with the differing ones of other co-op members. On the one hand Mondragón uses standard lectures, seminars, and practical laboratories. But

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<sup>9</sup>*Formación* is basically a combination of "skilling and building a culture." There is no good single word for this in English, and so like several other authors I will use the literal translation of "formation" to avoid frequent repetition of some appropriate but clumsy descriptive phrase.

beyond that it promotes experiential learning, supportive monitoring, and mentoring. All cooperative members are exposed to numerous programs of formation in an ongoing way. Additional programs are open to those that are interested, and are expected of anyone who will be part of management.

Jacquelyn Yates (2001), a long time pillar in the Ohio Employee Ownership Center, tersely summarized the effects of this formation on Mondragón's management procedures.

Decisions take place after intense discussions at all levels and fine-tuning of management ideas. The necessity to make profits in a free and competitive market is never far from the center of any decision, but concern with profits must be balanced by respect for the basic principles. The goal of discussion is the development of sound business decisions that are understood and supported by all members.

The discursive and broadly consultative process by which management makes decisions makes clear a major important part of member participation in management. The institutionalized nature of formation is barely mentioned in far too many discussions on the nature of the various dimensions of Mondragón that have been necessary for its success.

A sixth practice at Mondragón that allows and promotes participation in management concerns the much debated issue in co-op literature of "domination by experts," or "domination by a technocracy." Having a job as a manager in a modern business enterprise usually requires education and training in management, and having a job as a manager in a sizable co-op competing in a capitalist environment usually requires education and training in co-op management. While large numbers of people who are excluded from management throughout the capitalist world are excluded for reasons of class and associated education despite their abilities to master a management education, others are excluded from management because they do not have the ability to develop the expertise to become a good manager. This is the root of the problem for the goal of broad self-management of the possibility of domination by experts.

At Mondragón the large majority of new managers come with advanced education. This can be either in management itself or, especially for particular management jobs, with technical education such as engineers that would qualify them, when combined with particular personal traits, for particular management posts. If, however, a non-management co-op member wants to become a manager, then if the co-op believes that he or she has the combination of intelligence and determination to be educated for management and will make a good manager, they will support the person's efforts, often including financially. So part of the answer to this problem of "domination by experts" is that Mondragón is open to "skilling up" those members without the skills to manage, provided that they have the ability to learn the necessary skills.

Of course, the solution to the problem of domination by expertise is not only this individual channel of a willingness to "skill up" anyone not in management who desires to be part of it. It is not just a question of making management an open body in that sense. An even larger part of the solution is the institutions described above for assuring the control of management by the entire body of workers, most of whom are not management. A really effective channel for the possible individual entry into management by any co-op member, however, is an additional important practice for allowing and promoting participation in management.

## **2. Conclusion**

Co-ops in themselves do not guarantee participation of any type, and certainly not the concern of this paper, participation in management. An outstanding example of this is the large

number of mutual life insurance companies in the United States, which to most of their members function almost indistinguishably from their normal corporate counterparts. Co-ops do, however, make it possible for participation in management in a way that is essentially impossible in a normal capitalist corporation, which legally has fiduciary responsibility to only its stockholders.

If a co-op's general membership meeting merely rubber-stamps the dictates of management, then worker participation in the enterprise is largely meaningless<sup>10</sup> and there is no authentic participation in management. As opposed to this, what is necessary is a collection of institutions and practices, both direct and representative, that both establish control of management by the collective members and which facilitate direct universal participation in management. Mondragón has a number of such structures and associated practices that could be usefully used, often with appropriate modifications in various possible different environments, to allow and promote participation in management, understood as first steps toward the more distant goal of worker self-management.

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### Bio

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<sup>10</sup>This holds under these conditions regardless of the percent of the membership that attends the general membership meeting, though of course if the meeting is nothing more than a rubber-stamp attendance itself will usually be very low.