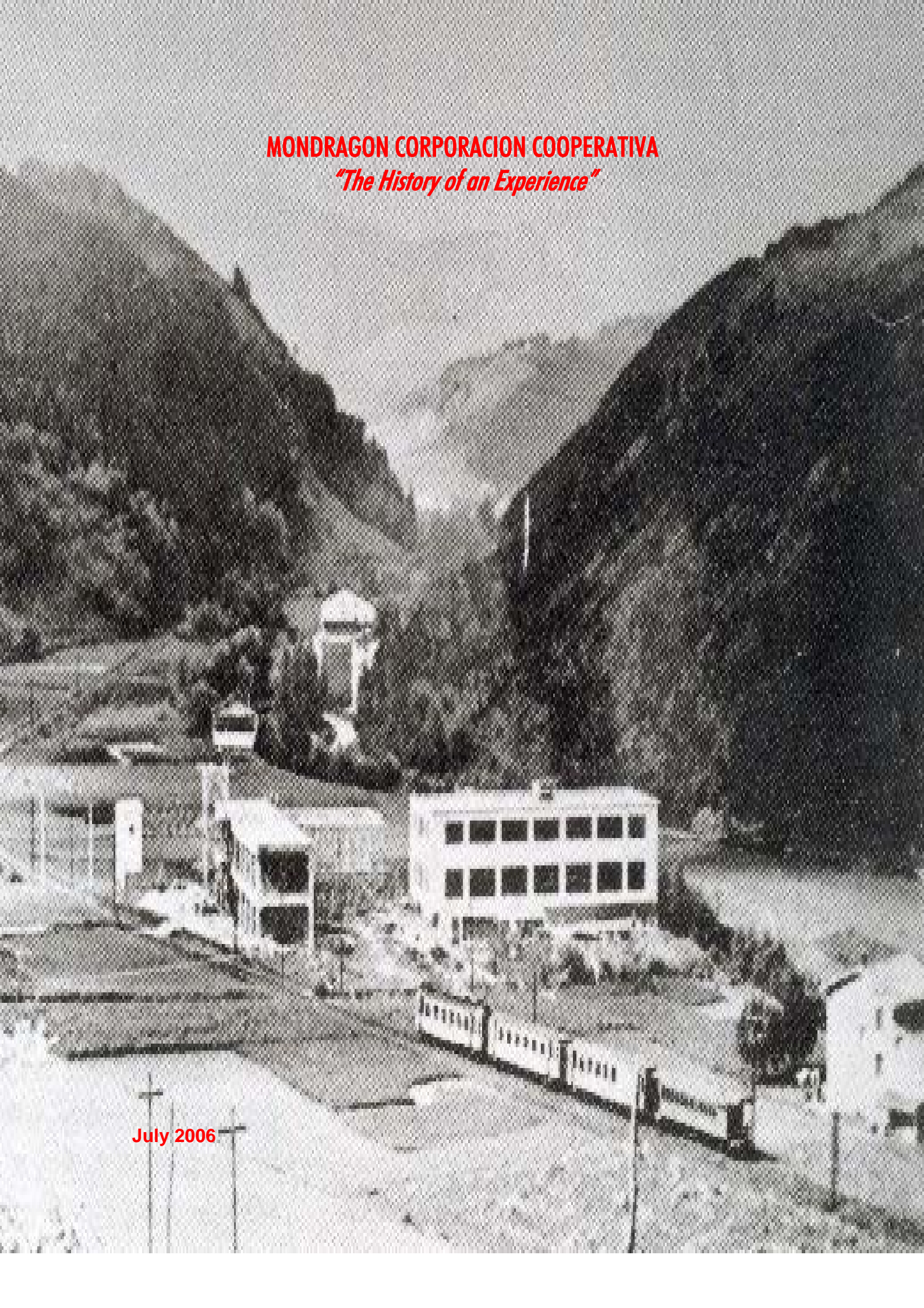


**MONDRAGON CORPORACION COOPERATIVA**  
*"The History of an Experience"*

July 2006



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## INTRODUCTION

The development of what is now known as the Mondragón Corporación Cooperativa has, throughout its long history, been based on the firm conviction that the “Experience”, as it is commonly called within the organisation, is a phenomenon in constant evolution, in tune with what occurs in its social environment, to which it aims to make a positive contribution. It has therefore been obliged to continually reinvent itself.

Adaptation to the environment in which it carries out its activities, an environment in constant economic, social and political evolution, is seen as a vital necessity, not only in order to ensure survival, but also to enable the Corporation to continue pursuing its established objectives.

In the effort to turn this theory into a reality, MCC has always, and continues to strive for balance, albeit tenuous, between apparently paradoxical aspects of the co-operative business environment such as:

- *Efficiency and democracy*
- *Economic and social concerns*
- *Equality and hierarchical organisation*
- *Private interests (of staff and the companies) and the general interest*
- *Identification with the co-operative model and co-operation with other business models.*

And yet, it is from this tension created by the coexistence of a co-operative business culture and the pressing need to adapt to an ever-changing reality that the Corporation’s innovative approach to organisation springs, an innovative approach that influences each co-operative, the organisation as a whole and its relations with the outside world.

- *striving for business efficiency in ever-changing markets*
- *discovering ways of resolving conflicts through co-operation, not confrontation*
- *experimenting with original management styles in keeping with the Basic Corporate Principles*

This process of constant adaptation that characterises the Corporation’s history has demonstrated its worth time and time again during the periods subsequent to its implementation. Yet there is a price, sometimes very high, and we have often had occasion to discover for ourselves just how hard it is to leave the well trodden path and embark on an adventure into the great unknown.

## THE FIRST STEPS

The event which laid the very first stone of the building now known as MCC was undoubtedly the arrival in Mondragón of a young priest named José María Arizmendiarieta.

With some projects it is almost impossible to identify the single spark which lit the flame, often because such a spark simply does not exist. In this case, however, the writing is on the wall and even those of us who were not lucky enough to have played an active role in the group's initial development can clearly see that Father José María was indeed the fundamental driving force behind the whole experience.

Despite being an unverifiable hypothesis, all of us at MCC share the firm conviction that without his influence, the so-called Mondragón co-operatives would never have been formed.

Such was the ability of the young 26-year-old priest who, dynamic, enterprising and bursting with ideas, arrived in Mondragón in 1941 to look after the youth of the parish.

Fourteen years passed between the date of his arrival in the town and the appearance of the first manufacturing company, which demonstrates that his primary concern was not the development of business activity but rather the welfare of his parishioners and his desire to provide opportunities for all and to correct the acute social deficiencies of a population still suffering from the disastrous consequences of a civil war.

During the period between his arrival and the constitution of Talleres Ulgor, now called Fagor Electrodomésticos, Father José María worked tirelessly with the young people of the parish, organising a multitude of sporting, cultural and educational activities.

Gradually, some of those young people began to stand out as a result of their collaboration in the activities organised by Father José María, making a concerted effort to combine work and study and gaining the knowledge and values that would later lead them to become the instigators of a complicated and admirable undertaking: that of turning the often vague and sketchy ideas of their mentor into tangible and successful business realities.

The essence of the formative task undertaken during these initial years constitutes an ideal towards which many entities still strive today: the ability to combine the presentation and definition of an idea with a method that ensured that those to whom a theory was explained later became the people responsible for its application. People learned through listening, debating and doing.

Two years after his arrival in Mondragón, Father José María founded the Professional School, the seed which would later become Mondragón Unibertsitatea - the University of Mondragón. This institution has played a vital role over the decades, training many of those who later became key figures in the development of the co-operative project.

Their many years of organisational experience and educational training meant that the young people attained an extraordinary degree of maturity and the preparation they required to face the next stage, in which they were to play a central role. Under the guidance of their mentor and undisputed leader, they decided to embark on an original business development project.

## EVOLUTION

The history of the Corporation can be divided into the three principal stages outlined below, each one being intrinsically intertwined with the organisational models adopted.

### FIRST STAGE: 1956-1970



The first fifteen years were characterised by a development boom which, in response to the long awaited revival of the Spanish economy during the second half of the 50s, resulted in the creation of a large number of co-operatives following the incorporation of Fagor in 1956, at that time manufacturing paraffin stoves and heaters.

The intuition, a quality often overlooked, and bravery of those pioneers met with a favourable response from a domestic market that, being isolated from the outside world, readily absorbed all that the manufacturing industry could offer.

At that time the possession of manufacturing licenses was central to all production activity, since the know-how required to develop own makes was simply not available. This unwanted and restrictive dependency did not pass unnoticed, and before long the co-operatives began to set up their own R&D departments with the aim of developing their own products, thereby avoiding both the need to pay royalties and the limitations imposed by the obligation to export to specific countries.

As their commercial networks spread throughout Spain, the co-operatives began to make tentative gestures towards expanding into foreign markets, well aware that, despite the low profits involved in the short term, internationalisation was the way of the future.

This conviction led to a greater involvement in international fairs and the setting up of commercial networks in Europe and Latin America. At the beginning of the subsequent decade, in 1971, this approach was further reinforced with the signing of the preferential treaty between Spain and the European Community.

The dynamism of this first stage is evident in the fact that by the end of the 1960s, the total number of co-operatives had risen to 41. Some of these were spin-offs from Fagor, others had their origins in the Business Division of Caja Laboral and yet others were formed by autonomous groups or as a result of the transformation of public limited companies, etc.

We should also underline the proliferation of groups of people concerned about the development of their town or region that approached the organisation with the aim of identifying products that, after being subjected to the corresponding viability studies, would then form the basis for the constitution of a co-operative.

Some important initiatives from this period which would later play a key role in the development of MCC were:

➤ **ESKOLA POLITEKNIKOA**



The project initiated in 1943 by Father José María with the creation of the Professional School was further developed during the 60s with the construction in 1962 of a new Polytechnic School, attended by over 1,000 students studying mechanics, electricity, electronics, casting, technical drawing and automation. The centre was officially recognised as an Industrial Engineering School in 1969.

Linked to this initiative, the Alecop (Co-operative Educational and Working Activity) Co-operative was formed in 1966 in an attempt to promote equal opportunities combining work and study within a single project.

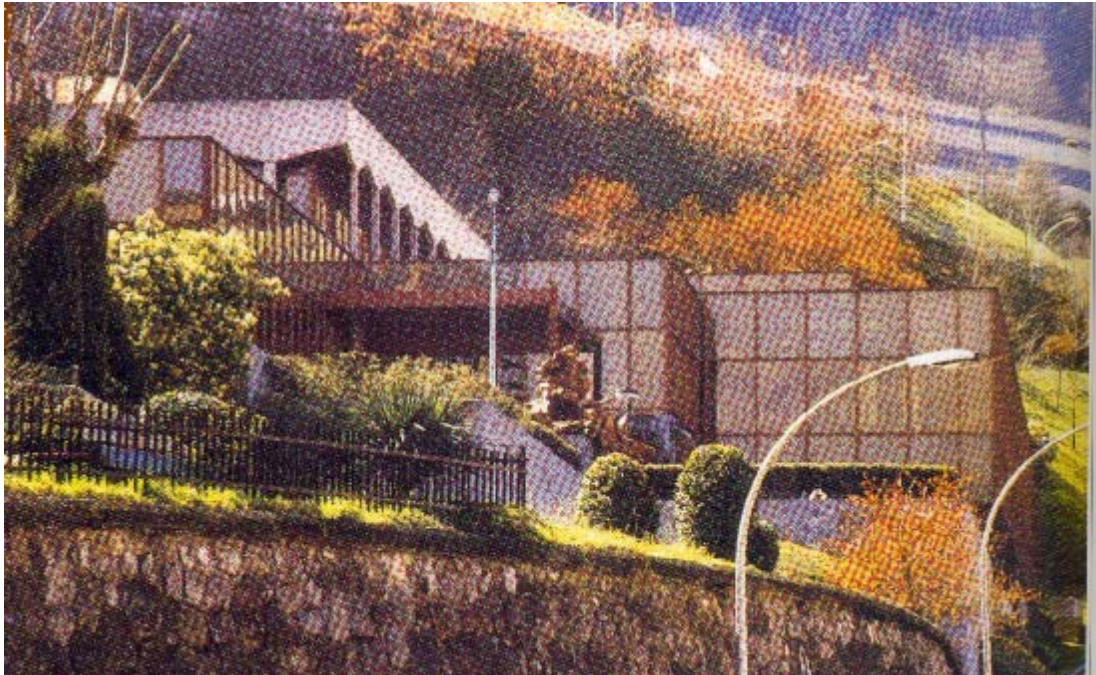
➤ **CAJA LABORAL**



In 1959, four years after the formation of the first co-operative, Father José María proposed the idea of creating a financial entity which would channel public savings into co-operative development. This stroke of genius resulted in the constitution of an entity which became the backbone of the co-operative project, enabling a growth rate that would have otherwise been impossible with just the internal resources of the different initiatives.

But Caja Laboral's achievement far exceeded its initial, mainly financial purpose, and for many years its Business Division not only provided fundamental support to co-operatives expanding into new areas and new organisations that emerged in a wide variety of geographical locations, but also offered vital advice and backing.

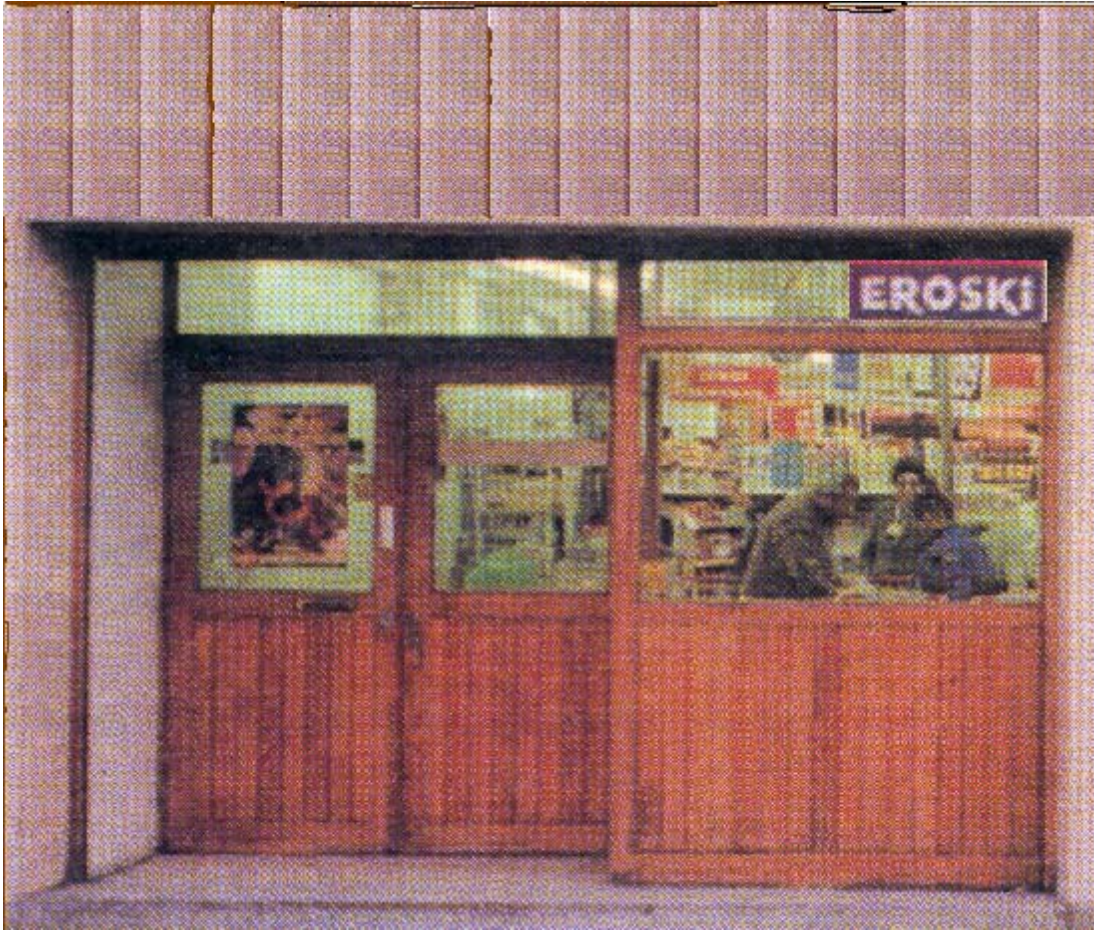
➤ **LAGUN-ARO**



1959 was also the year in which Lagun-Aro was created with the aim of resolving the problem that arose when the government refused to allow co-operative members to qualify for Social Security benefits, maintaining that they were owners as opposed to employees.

Making a virtue of necessity, the co-operative members formed Lagun-Aro, which in addition to fulfilling its specific function admirably, also became a valuable learning experience. By managing their own quotas and benefits, the co-operative population obtained a greater degree of responsibility and realism, a logical result of the realisation that all benefits entail their corresponding costs.

➤ **EROSKI**



The end of the 60s, 1969 to be precise, saw the creation of Eroski, which despite having little impact on the period in question, is worth mentioning as a result of its later importance.

Fruit of the merger of nine small local co-operatives, its creation opened the door to a new sector in much need of transformation, in which isolated co-operatives were out of their depth and, as history has shown us, ultimately doomed to extinction.

➤ **ORGANISATION**

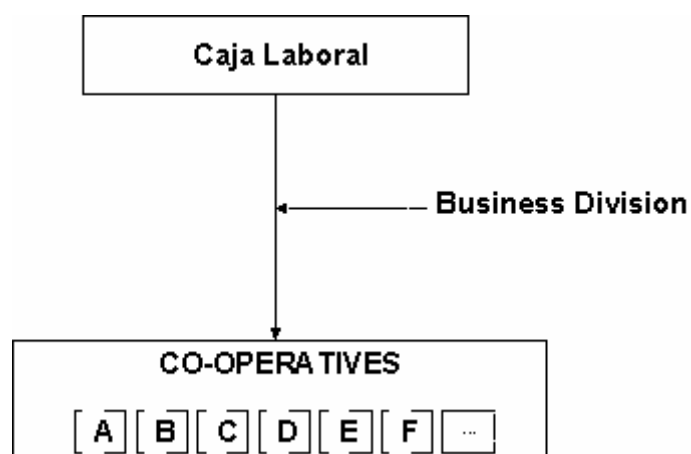
During this period, the different co-operatives had no common ties except that of their association with Caja Laboral, which was regulated by articles of partnership detailing the group's only common requisites.

This was, incidentally, another of the functions carried out by Caja Laboral for many years, i.e. that of head of the group and sole common reference.

In light of this, some co-operatives felt the need to establish links between themselves, and in 1964 the Ularco Group was formed in the Mondragón area. This Group would later serve as a reference for other co-operatives, although the seed would not bear fruit for many years to come.

The Ularco Group was governed by a multilateral contract based on “a system of mutual commitment and solidarity with the community whose objective is to promote the optimum and dynamic merging of the needs of the working community and the demands of modern trading companies with adequate technical, financial and marketing forces”.

Nevertheless, the group’s organisational set-up remained essentially uncomplicated, with each co-operative facing the future as an individual entity with financial backing and management support provided by Caja Laboral and its Business Division respectively.



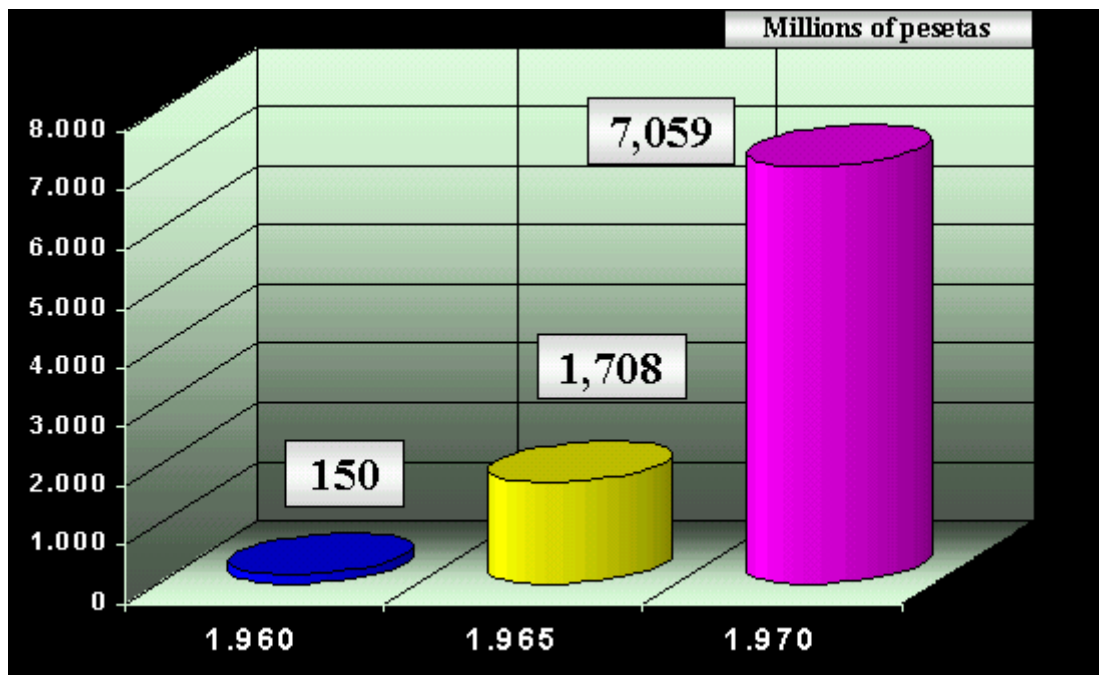
The group’s achievements at the end of the period are reflected in the table below:

Millions of pesetas

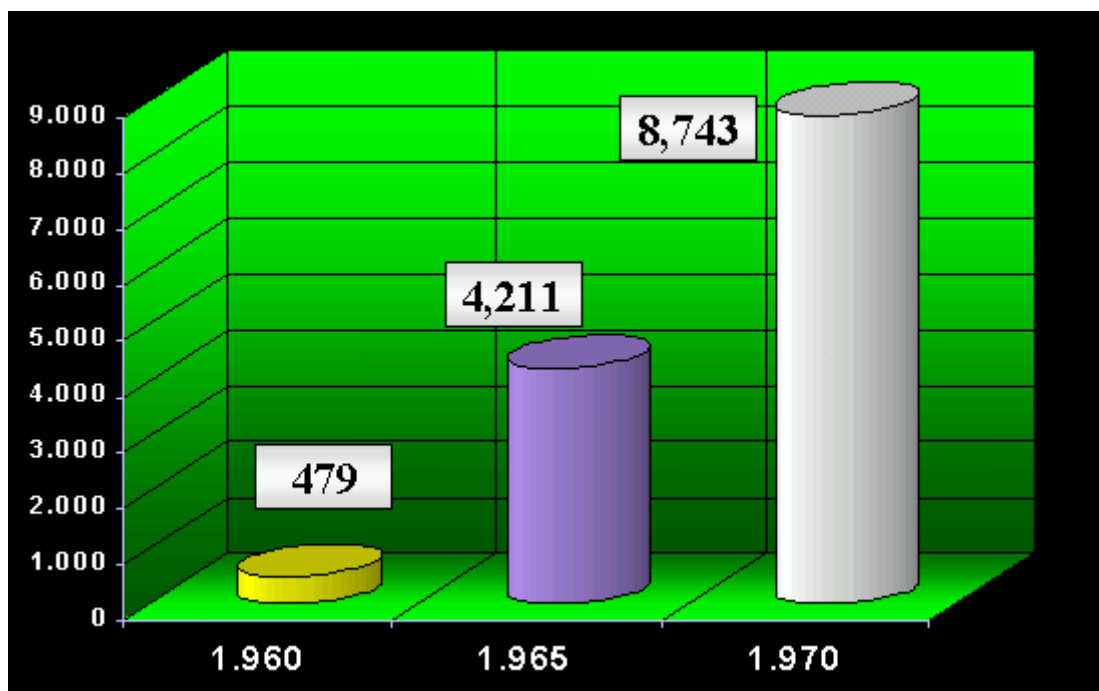
1970	
<b>Sales</b>	<b>7,059</b>
<b>Exports</b>	<b>786</b>
<b>Assets under Administration - Caja Laboral</b>	<b>3,204</b>
<b>Equity Fund - Lagun-Aro</b>	<b>147</b>
<b>Num.Co-operatives</b>	<b>40</b>
<b>Jobs</b>	<b>8,743</b>

Exports for the Industrial Group were recorded at just over 11% of the total sales, a by no means insignificant sum for the period in question.

## Sales



## Jobs



## **SECOND STAGE 1970-1990**

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Initially, the second stage was characterised by the same dynamism as the first, with extraordinary increases in sales and employment rates as well as in the number of co-operatives themselves.

It was during this initial period, in 1974, that IKERLAN was founded as a research centre whose objective was to study technological advances for their eventual use in industrial applications.

Once again, the far-sightedness of the co-operative members becomes evident in their realisation that the future would demand the permanent offer of a wide range of options capable of satisfying all customer requirements and expectations.

Based on the needs of the individual co-operatives, the IKERLAN project was made possible by the support provided by Caja Laboral and the professionals supplied in part by the Mondragón Polytechnic School, whose activities now included technological development.

Otalora was also created during this period as a centre specialising in management studies and co-operative training and dissemination. The centre was to play a vital role in ensuring a constant supply of management staff who, in addition to essential professional experience, also possessed a deep sense of responsibility, were fully committed to both the business project and the co-operative principles and were aware of the obligatory social control to which their community was subject.

The boom which, in general terms, the co-operatives had enjoyed since their creation came to an abrupt and brutal end at the beginning of the eighties with the onset of the economic recession. One of the most distressing symptoms of this period was the emergence of the hitherto unknown concept of mass unemployment, which rose to over 20%.

The co-operatives did not escape the effects of the economic crisis. A significant number showed negative profits and labour surpluses became, for the first time, a variable to be taken into account. A few companies were even forced to close down. Luckily, not all the co-operatives were affected to the same degree, and those who had had the foresight to develop their exportation activities now found themselves in a position to weather the storm with relative ease.

It was a period of setbacks and vexations during which the co-operatives were forced to operate in unknown circumstances, vigorously applying the techniques outlined in the model and creating new instruments, such as unemployment cover, which had been unnecessary in the past.

One positive aspect of the recession was that it served to highlight the far-sightedness demonstrated by the founders in creating institutions such as Caja Laboral and Lagun Aro, since they constituted a fundamental basis from which to combat the ever increasing problems experienced by the co-operative business world.

Indeed, on the whole, co-operative companies weathered the recession better than the area's private companies, demonstrating once again the advantages of a model in which the involvement of the workforce is intrinsic to the company's makeup.

Among the many policies that contributed to the survival of the Mondragón co-operatives, the following are some of the most important:

➤ ***Capitalisation of Profits***

The policy of capitalising profits enables the co-operatives to constantly reinforce their resources, strengthening resistance in some cases and enhancing development possibilities in others.

It is important to remember that of the total profits, only the 10% earmarked for the Social Works Fund actually leaves the company. The remaining 90%, including the members' share (dividends), is capitalised. Members may not cash in their dividends until they either leave the co-operative or reach retirement.

Profit pooling, another generalised practice, also helped alleviate the situation of the worst-hit co-operatives by enabling the transfer of resources from other organisations in a less critical position.

➤ ***Flexible calendars***

A practice which attempts to adapt the annual working calendar to the varying work load. The excess or deficiency of accumulated hours from the first half of the year are compensated for during the following six months. If, after the end of this period, a balance has not been reached, then the equivalent economic sum is paid, capitalised or subsidised.

➤ ***Relocations***

Surplus members are given preference for, and have the obligation to accept, a position in another co-operative, either as a temporary or definitive measure, depending on whether the situation of their former co-operative is transitory or permanent.

➤ ***Remuneration policy***

Since the remuneration policy is intrinsically linked to the economic-financial situation of the co-operative, during the recession annual dividends in some companies were actually negative.

There were also many years when either one or both extra wage packets were capitalised.

➤ **Financial Restructuring**



Accumulated losses caused such a decrease in company assets that in some cases measures had to be taken to replace lost capital. In a system where the worker members are the sole owners, it fell to them to deal with this financial restructuring.

Given that the members relied entirely on wages received from the co-operative, wages that were often affected by the policies mentioned above, it was not uncommon for them to apply for individual loans, granted by Caja Laboral on very generous terms, in order to cover the cost of replacing lost capital.

The intervention of Caja Laboral proved more decisive than ever during this period of crisis. In addition to subsidising loan interest, sometimes by as much as 100%, in the most extreme cases it also wrote off the original debts, either partially or entirely, although all such activities were dependent on an initial Viability Plan which justified the effort expended by all parties.

It is important to note that all the aforementioned measures, some of which were fairly harsh, were adopted during General Assemblies attended by all members under the principle of one member one vote. At this point we would like to pay tribute to the wisdom, responsibility and commitment of those that did not shrink from their assigned role in the face of difficult circumstances.

The application of all these policies, the improvement of management techniques, the introduction of strategic planning as a complementary element to annual management plans and the modification of the economic scenario during the second half of the eighties enabled the co-operatives to recover from the crisis and enter a new era of positive growth.

Nevertheless, the experience of the past decade seemed to affect the development of new co-operatives and gradually, activity in this area ground practically to a halt. Instead, the co-operatives began to incorporate non-co-operative companies from the sectors in which they were based into the Mondragón group, with the aim of reinforcing their position on the market and reducing the immense size difference that separated them from their main competitors, the majority of which were multinational organisations.

International development was characterised by an increase in exports, the entrance into new markets through the establishment of commercial delegations in a variety of countries and even an initial step towards internationalising production activities with the creation of manufacturing plants in Mexico and Thailand.

Meanwhile, Caja Laboral continued to develop, increasing its number of branches and, despite its relative youth, making its presence felt among the other financial entities within the Basque Country. It also opened branches in Madrid and Barcelona, thus sparking an interesting debate about the validity of developing co-operative activities outside the initial area of origin.

Eroski expanded rapidly throughout the Basque territory leaving its competitors trailing far behind and becoming the undeniable market leader. It opened its first hypermarket in Vitoria and towards the end of the eighties began to look to the future, reflecting on its chances of maintaining its position as a leading company within a reduced market in which it would inevitably have to compete with international organisations.

Teaching activities were reinforced by both the expansion of existing institutions and the creation of new ones.



- *ETEO, for Administration and Company Management training*
- *IRAKASLE ESKOLA, University Teacher Training College*
- *TXORIERRI Polytechnic School*
- *LEA-ARTIBAI Polytechnic School*

Training continued to be one of the cornerstones of the development of the Mondragón Co-operative Corporation.

### ➤ **Organisation**

At the end of the seventies and beginning of the eighties, the seed sown by the Ularco Group (later to become Fagor) began to take root in the other co-operatives, who eventually formed Regional Groups, although the level of consolidation was extremely varied. The importance of this process lies in the general realisation of the need for organisations which would unite the co-operatives, enabling them to engage in joint activities that would optimise results far better than individual ventures.

During the eighties, debates about the future of the Group intensified as Spain joined the European Community and opinions abounded about the consequences this would have for the Spanish economy in general and our Corporation in particular.

A number of different studies were conducted and countless debates organised in order to determine the way in which the Corporation could remain true to its underlying Values yet still respond to the demands of the modern market. Finally, in December 1984, the Co-operative Congress was created to give definition to the group as a whole. During the founding session, the Basic Articles of the Congress and the Basic Articles of the Group Council were approved, and the members of the Standing Committee appointed to act during the intervals between Congress meetings.

This was an important step forward, since for the first time the co-operatives had common bodies to discuss and co-ordinate the transformations required to enable the group to respond successfully to the changes occurring in both the markets and society as a whole

The role played by Caja Laboral until that time now changed, and its activities became increasingly orientated towards specifically financial concerns much more in keeping with the new organisational model being implemented by the group.



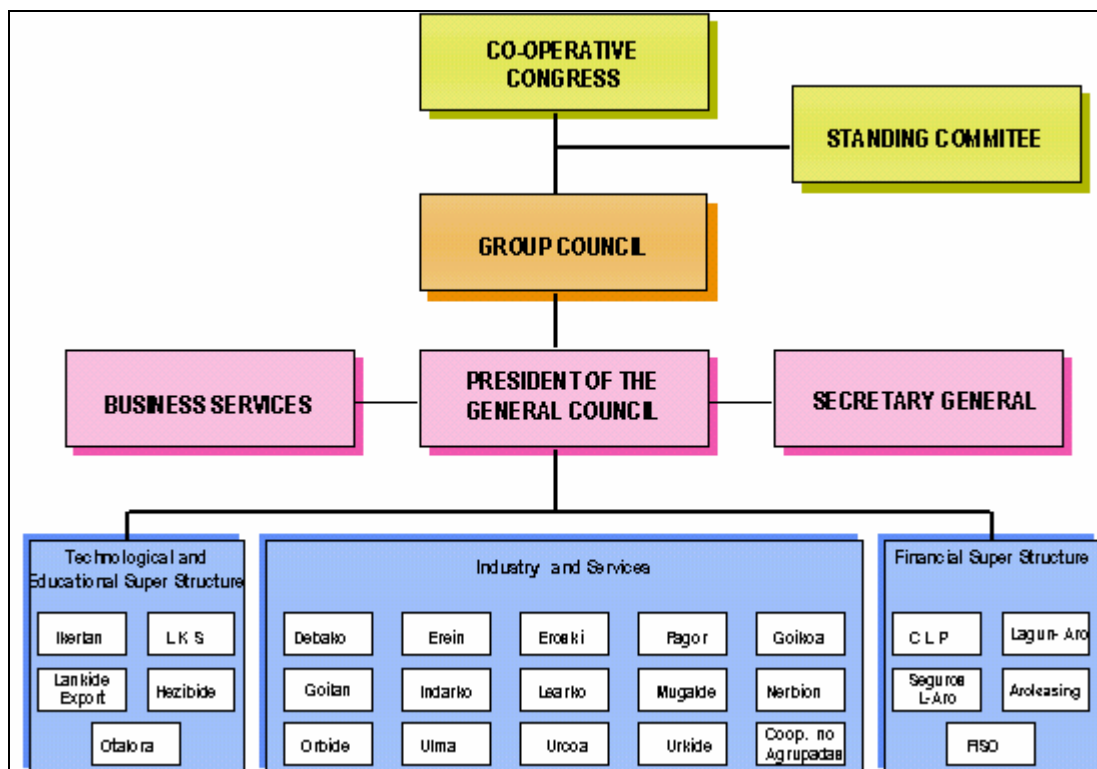
Despite these changes, the co-operatives' core organisational element continued to be the Regional Groups, which were based on geographic proximity. However, the group gradually began to understand that the future was going to require a more business-like and less sociological approach.

Two new Congress meetings were held during this period, one in 1987 and one in 1989, during which the Basic Principles that underpin the whole co-operative experience were approved, as well as the Principles governing the Treatment of Capital. The first interco-operative funds (FISO and FEPI, etc.) were also established at this time.

The approval of the Basic Principles constitutes an important milestone in the Corporation's history, since it marked the end of a period in which doctrines were created by individuals and governed by a single moral authority, and the beginning of a period in which they were established by a more complicated process of proposal, debate and democratic approval.

From hereon, the Principles, which bring together the ideas developed by Father José María, international co-operative thought and the perspective of our individual co-operative community, served as the cornerstone of the entire project. Whereas up until then the experience had been based on shining ideals and moral guides, their official approval provided the co-operatives with definite, binding principles which accurately expressed the community's convictions.

### Organisational structure of the Mondragón Co-operative Corporation (Regional)



#### ➤ Significant variables

Millions of pesetas

1990	
Sales	303,363
Exports	47,918
Assets under Administration - Caja Laboral	311,112
Equity Fund – Lagun-Aro	90,917
Num. Co-operatives	109
Jobs	23,130

### THIRD STAGE: 1990

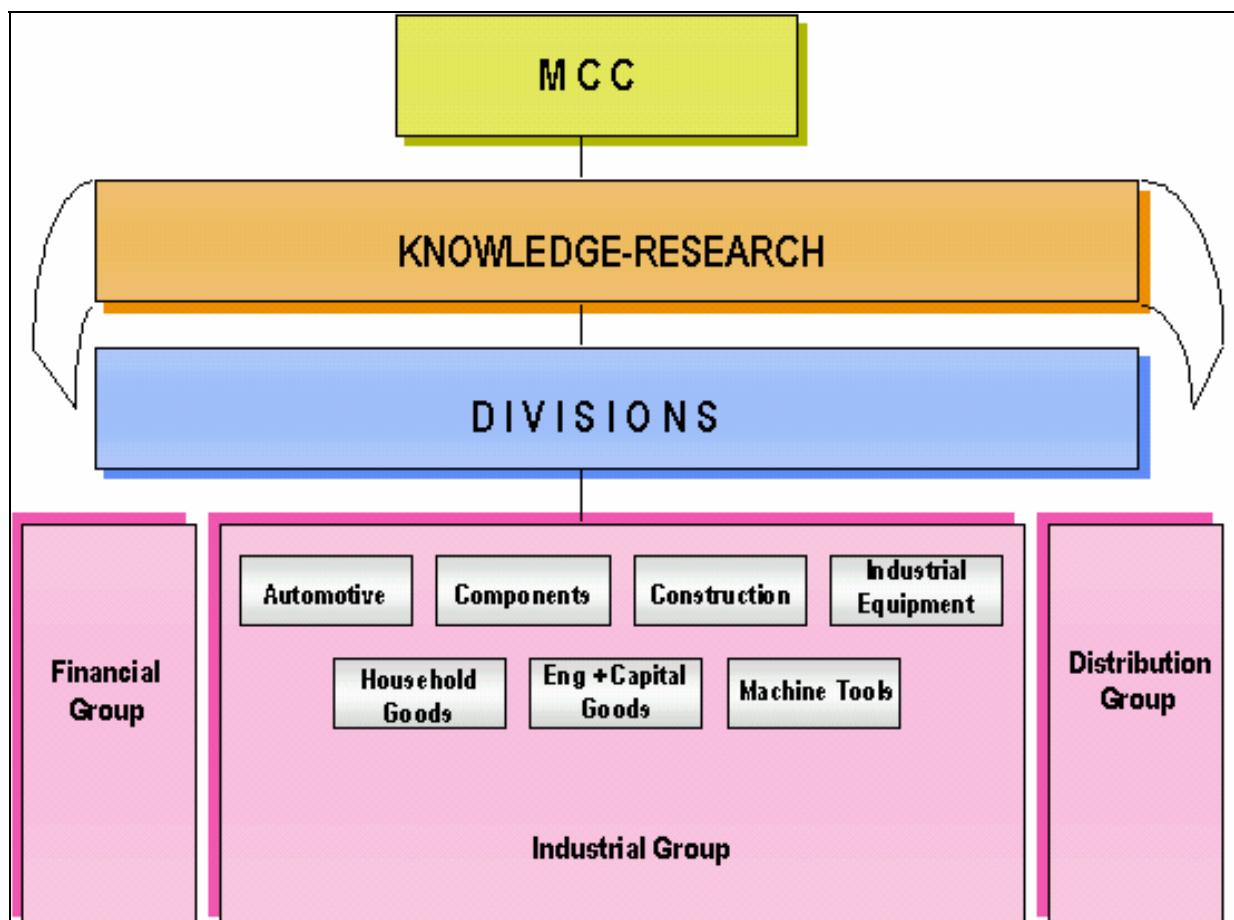
The third and current stage in the development of MCC is strongly influenced, and perhaps even characterised by, the organisational process that turned the Group into a Corporation, structuring its business areas according to sectorial criteria as opposed to geographical location.

The regional concept had resulted in a wide-spread dispersion of the various business groups, one extreme case being that of Intermediate Goods, which was composed of 29 co-operatives spread throughout 14 different regional areas.

The concept of sectorial organisation met with substantial resistance, since its implementation involved the restructuring of personal and business relationships that had been firmly rooted for many years. The most unfortunate result of the implementation of the sectorial organisation principle was the separation of a number of co-operatives that refused to accept this new structure.

Nevertheless, experience has since demonstrated the clear advantages of this organisational model, which has enabled the development of synergies that have strengthened and reinforced the companies involved.

### Sectorial Organisation



The organisational structure, approved during the Co-operative Congress held in December 1991, comprises three Groups:

- *Industrial*
- *Financial*
- *Distribution*

The Financial and Distribution Groups each consist of a single Division, while the Industrial Group contains seven different Divisions. Each Division is in turn divided into a certain number of Sectorial Subgroups, made up of companies operating within the same market sector.

The Subgroups constitute one of the basic management elements, being responsible for strategic planning within their particular area, although it is the General Council's task to ensure that these Plans coincide with current corporate policies.

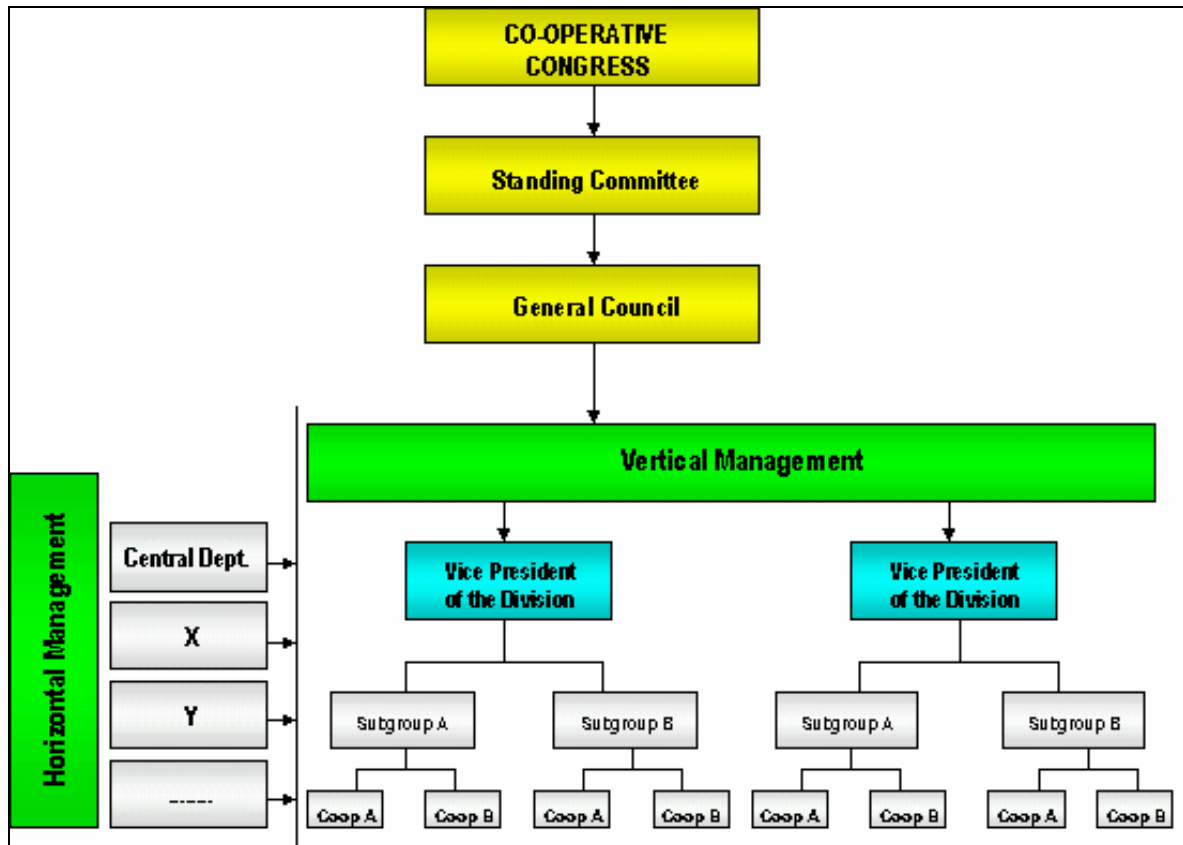
Training and research activities are grouped together under the concept of Corporate Activities, although the Corporation is currently attempting to find them a new position more in keeping with the importance of their present and future role.

Unlike most company models in the modern business world, our Corporation is not based on equity holding, but rather on an agreement between all parties to join forces with regard to certain management areas that either go beyond the limits of individual capacity or provide more efficient results when dealt with as a team.

The Corporate Centre, the most visible element of MCC as a whole, is fundamentally, although not exclusively, a service centre which supports the development of co-operative businesses within the Subgroups and Divisions.

In other words, the Corporation does not own the co-operatives. Rather, it is the co-operatives themselves, along with the various complementary structures, that make up the Mondragón Corporación Cooperativa.

The MCC management model combines vertical and horizontal administration, overseen by the Division and Subgroup management teams and the Central Departments and Corporate Centre, respectively. These latter organisations promote the implementation of corporate policies and attempt to make the most of existing synergies.



The Co-operative Congresses held between 1984 and 1995 served to establish MCC's legal regulations and the Principles governing its functioning. The list of current Regulations given below offers a global vision of the corporate configuration.

**1. Basic Principles of the Mondragón Co-operative Experience.**

**2. MCC Company Configuration Regulations.**

*Basic Articles of the MCC Congress.*

*Principles governing the Election of the Standing Committee.*

*Principles governing Infractions and Disciplinary Measures within MCC.*

*Basic Articles of the MCC General Council.*

**3. Institutional Configuration Regulations for Key Co-operatives and Subgroups.**

*Basic Principles governing the Organisation of Sectorial Subgroups.*

*Basic Principles governing the Organisation of Regional Groups.*

*Basic Principles governing the Company Structure of Key MCC Co-operatives.*

*Basic Principles governing Remuneration Policy.*

*Basic Principles governing the Treatment of Share Capital and Profit Pooling.*

#### **4. Interco-operative Regulations.**

*Basic Principles governing Profit Pooling in MCC.*

*Basic Principles for the Constitution of the Interco-operative Solidarity Fund (FISO).*

*Basic Principles governing the Creation of an Education and Interco-operative Promotion Fund (FEPI).*

*Holding Company.*

#### **5. Business Policy Regulations.**

*MCC Business Policy for 2001-2004.*

*Principles and criteria governing MCC employment management.*

#### **6. General Regulations for defining the Organisational Project.**

*Basic Criteria, Strategic Measures and their Application during the First Stage.*

*Reference model.*

In addition to the regulations approved during Congress meetings, another set of rules were established by the Standing Committee and the General Council within their relative areas of authority.

With the aim of outlining the role played by the corporate bodies within the organisational structure, a description of their main objectives and a summary of their principal responsibilities are given below:

- **The MCC Co-operative Congress:** Its aim is to maintain, perfect and promote the Corporation's harmonic development through the planning and co-ordination of the various activities carried out under the principle of gradual and effective business consolidation and a common management strategy.

In the process of complying with its duties, the Congress determines the general guidelines and criteria governing MCC, in keeping with both current requirements and the basic principles that underpin the Co-operative Experience.

Decisions adopted by the Congress in a plenary session are mandatory and cover, among others, the following areas:

- Definition of the general framework for dealing with basic productive factors (Work and Capital) in the MCC Co-operatives.

- Approving basic policies on fundamental areas of common interest, such as:
    - *Promotion of new Co-operatives*
    - *Scientific and technological research*
    - *Basic financial and labour policies*
    - *Business and co-operative training*
    - *Social Security for co-operative members*
    - *Organisational structure of MCC as a whole*
  
  - Analysis and definition of the role of MCC in the resolution of problems affecting the society in which it is based, establishing collaborative relations with other social movements.
  
  - Analysis and up-dating of the co-operative principles which underpin the Experience, with the aim of maintaining their current role as a dynamic source of community development.
- **The Standing Committee:** a body which operates between Congress sessions and is made up of representatives from the different Divisions elected by their respective Group Councils. The Committee's responsibilities include:
- Promoting and controlling the carrying out of the policies and agreements adopted by the Congress, monitoring MCC's business development and overseeing the activities of the President of the General Council.
  
  - Presenting projects and proposals to the Congress for approval.
  
  - Monitoring and controlling the work carried out by the General Council, and presenting the corresponding report to the Congress.
  
  - At the instigation of the President of the General Council, approving the definition of corporate strategies and objectives.
  
  - Designation, suspension and establishment of the salary corresponding to the President of the General Council and, at his/her instigation, that corresponding to the Vice Presidents, Department Directors and Secretary General also.
  
  - At the instigation of the President of the General Council, approving financing rates and proposals presented by the Central Departments and submitting them to the Congress for ratification.

- **The General Council** of the MCC Corporation is a management and co-ordination body which operates within its specific area of authority in relation to the co-operatives represented by the Congress.

It is made up of:

- President
- Vice Presidents, responsible for the Divisions
- Directors of the Central Departments
- Secretary General of MCC

Its basic functions can be divided into the following six areas:

### **Policy**

This area includes the compilation, presentation before the Standing Committee and application of the corporate strategies and objectives that form the strategic global policy framework in the following areas:

- Industry
- Innovation
- Investment
- Socio-labour
- Financial
- Promotion
- Social Security

### **Control**

To compile, prior to approval, the strategic plans of the subgroups and co-operatives, monitoring and supporting the fulfilment of the objectives established for each Sectorial Subgroup.

### **Co-ordination**

The Council's responsibilities in this area include the co-ordination of Division, Subgroup and Co-operative policies, harmonising individual interests with the general objective of common development.

### **Promotion**

Promoting the Corporation's business evolution and ensuring compliance with established development objectives.

Establishing social, human, physical, technological and financial infrastructure elements that contribute to the Corporation's harmonious development.

### **Intervention**

Presenting intervention proposals to the Standing Committee regarding co-operatives in critical situations, determining the extent of intervention required and taking the necessary measures.

### **Functional**

Compilation of internal General Council operating principles within the general precepts established. Presenting proposals to the Standing Committee regarding the up-dating of the Statutes and Regulations governing the Sectorial Subgroups.

Another milestone reached during this period was the approval of the MCC Business Policy in 1993, thereby introducing for the first time in the history of our co-operative experience one of the basic functions of common management: the definition of General Policies as a global framework on which to base the activities of each Subgroup.

Within this framework MCC compiled the first Corporate Strategic Plan for the 1994-1996 period, outlining the strategies and objectives established to ensure the fulfilment of the Basic Objectives:

- Customer satisfaction
- Profitability
- Internationalisation
- Development
- Social Involvement

In this first Strategic Plan, the Subgroups laid the groundwork for a management approach more geared towards business units, an approach which, over the years, has resulted in substantial organisational restructuring in response to the individual characteristics of each different market.

The development of the new organisation required that the Corporation as whole begin to deal with areas that had, until now, been the exclusive responsibility of each individual co-operative. One such area was the development of a Management Model designed to help improve management performance and establish common references which would give coherence to general analyses.

The Management Model was, of course, based on the principles and values that have shaped our development right from the start. However, it also made use of modern management concepts, as well as cutting edge techniques employed by state-of-the-art organisations.

All these considerations contributed to the emergence of the definitive Management Model, whose most important characteristic is probably the fact that its Results section includes not only economic profits, but Customer Satisfaction, Social Commitment and Staff Satisfaction also, a clear indication that economic results alone are not considered sufficient to constitute positive management.

In 1996, the second Strategic Plan was compiled for the 1997-2000 period, reinforcing the tendencies of the previous plan and establishing ambitious training, communications, development, internationalisation, investment and employment objectives, among others. Although at the time some doubts were expressed as to the possibility of achieving some of these objectives, as we approach the end of the period we are in a position to affirm that, in the majority of cases, the results have exceeded all expectations.

Once again we are reminded of the deep commitment and profound sense of responsibility shown by so many of our members with regard to the fulfilment of established objectives.

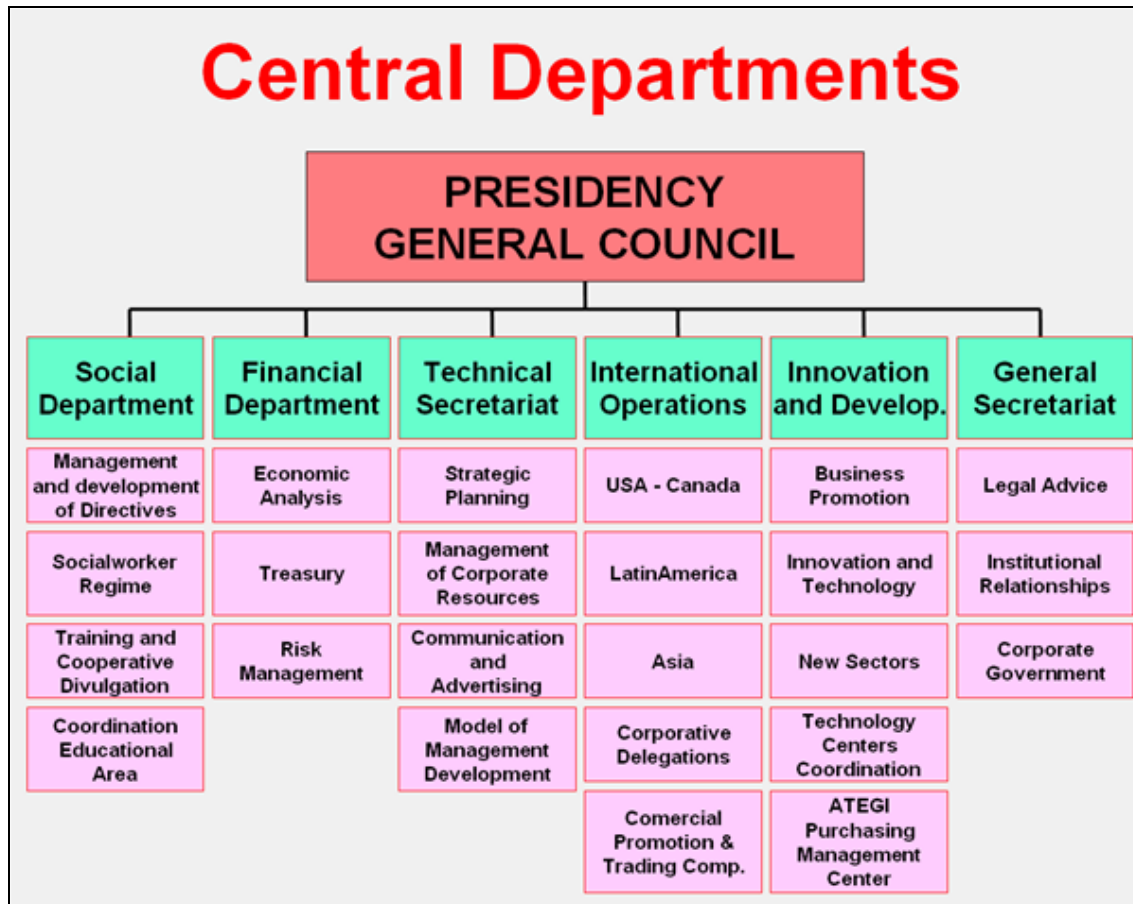
Another hugely significant event that occurred during the nineties was the founding of Mondragon Unibertsitatea / the University of Mondragón in 1997. The project, instigated by the Mondragón Polytechnic School, Irakasle Eskola and Eteo, marked the pinnacle of a long development process and cleared the way for a bright future in a whole new area.

Given that training has played a vital role in our experience right from the beginning, the creation of a University seems a fitting development, which in addition to other advantages, enables the Corporation to work towards achieving its own training objectives within the general educational framework.

The nineties also saw the growth of the financial entities previously described in this document as well as the creation of new ones such as MCC Investments and MCC Development. This growth considerably enhanced the co-operatives' development capacity, since it meant that they were backed by an investment policy that became increasingly ambitious in response to the country's various economic changes.

These events serve to highlight once again the many advantages of interco-operation as an expression of the founding concept of solidarity that enables companies to develop beyond their own individual limits.

The Corporate Centre continued to carry out its established functions during this period, engaging in supporting activities which enabled it to optimise Subgroup and Co-operative performance within each different area.



The latest modification of the general structure was the creation of the Promotion Department after a lengthy debate in the General Council and Standing Committee. The new Department aims to boost the promotion of new activities, a task which affects all levels of the Corporation.

### ➤ Significant variables

With the exception of 1992 and 1993, the rest of the nineties was a period of positive economic growth, enabling the development of activities which, within the Industrial Group at least, were accompanied by increased activity in foreign markets in accordance with established objectives.

In addition to enjoying a period of growth and development, the Financial Group also expanded into bordering Autonomous Communities, meeting with a favourable response from savers in those regions.

The Distribution Group underwent a significant period of growth, expanding throughout Spain and the south of France – a project which required a huge creative effort in response to the different demands made by this accelerated development.

## THE CURRENT SITUATION

Thanks to its accumulated growth over the years, MCC is now the seventh largest business group in Spain with regard to sales volumes. However, on the basis of employment, the Corporation occupies third place in the national ranking, a difference that serves to highlight the characteristics of its various activities and the vocation behind the experience as a whole.

(millions of Euros)

CONCEPT	2004	2005	ANNUAL VARIATION
<b>BUSINESS DEVELOPMENT</b>			
MCC Total Assets	18,593	22,977	23.6
MCC Equito	3,757	4,226	12.5
MCC Consolidated Results	502	545	8.6
Caja Laboral Assets under Administration	10,042	11,036	9.9
Lagun-Aro Funds	2,995	3,303	10.3
Total Sales (Industrial and Distribution)	10,459	11,859	13.4
MCC Total Investment	730	866	18.6
<b>EMPLOYMENT</b>			
MCC workforce at end of year	70,884	78,455	10.7
% members over co-operative workforce	81.1	81	-0.1
% women over co-operative workforce members	44.3	41.9	-5.4
Industrial Group accident or incident rate	62.3	58.3	6.4
<b>PARTICIPATION</b>			
Worker-member Share Capital	1,500	2,010	34
No. of worker-members in Governing Bodies	826	835	1.1
<b>SOLIDARITY</b>			
Resources earmarked for activ. of social content	25	33	32
No. students in MCC Education Centres	8,154	7,642	-6.3
<b>RESPONSIBLE ENVIRONMENTAL MANAGEMENT</b>			
No. of ISO 14000 certifications in force	38	42	10.5
No. of EMAS certifications in force	4	4	
<b>FUTURE COMMITMENT</b>			
% Resources earmarked for R&D&i / I.G. Value added.	5.1	5.5	7.8
No. of Technology Centres in the MCC	10	11	10

Having strong roots in our native territory, MCC has become a significant factor of the Basque economy, accounting for 3.7% of the GDP and employing 3.8% of the working population. These percentages are considerably higher with regard to the industrial sector.

# MCC in the Basque Country 2004

In millions of euros

Heading	Basque Country Total		MCC Total		% /total	
	Total	Industrial	Total	Industrial	Total	Industrial
G.D.P.	47,940	**13,692	1,807	1,130	3.8	8.3
Employment *	938,600	252,300	34,768	20,867	3.7	8.3
Exports	13,521	***12,257	–	1,747	12.9	14.3

\* Number of people

\*\* Of which 1,193 million euros are not purely industrial as they correspond to the Energy and Water sector

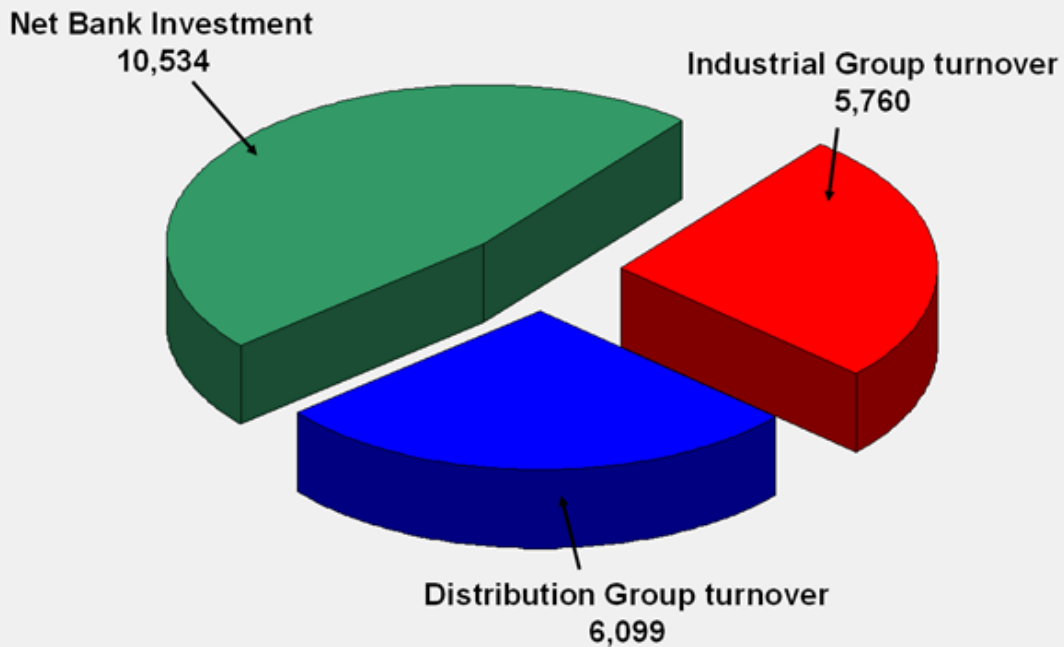
\*\*\* Without exports of energy products.

The relevance of history should not be underestimated and MCC's Gipuzkoa origins are the main reason behind the Corporation's above-average presence in that province. MCC accounts for 7.6% of Gipuzkoa's GDP, employs 6.8% of its working population and is responsible for 32% of its industrial exports.

The internal distribution of activities is illustrated in the diagrams below:

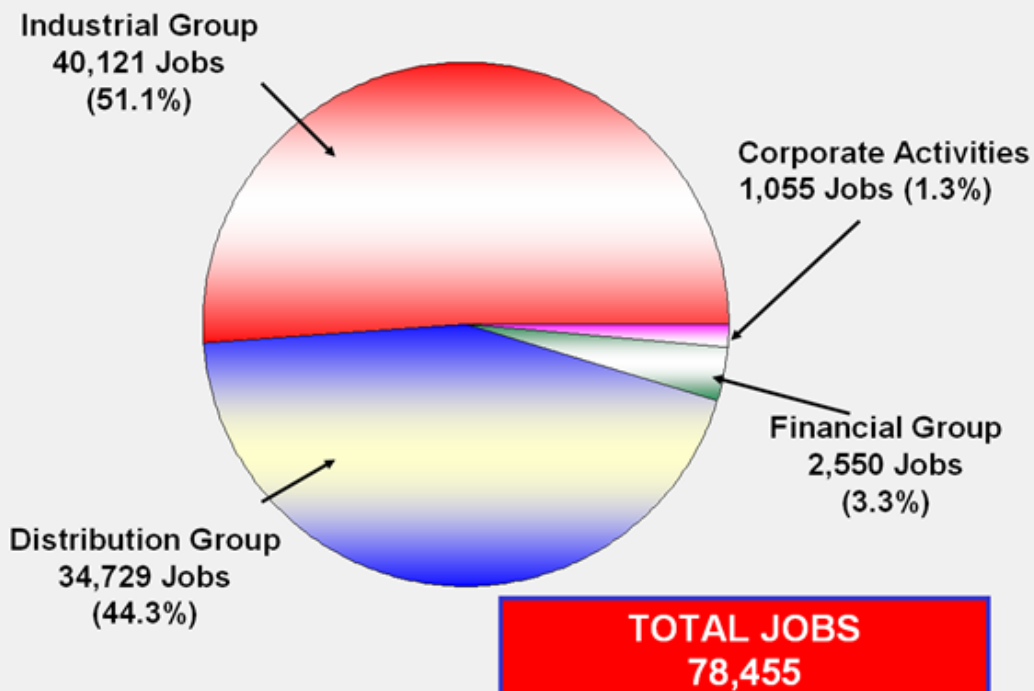
## Operations 2005

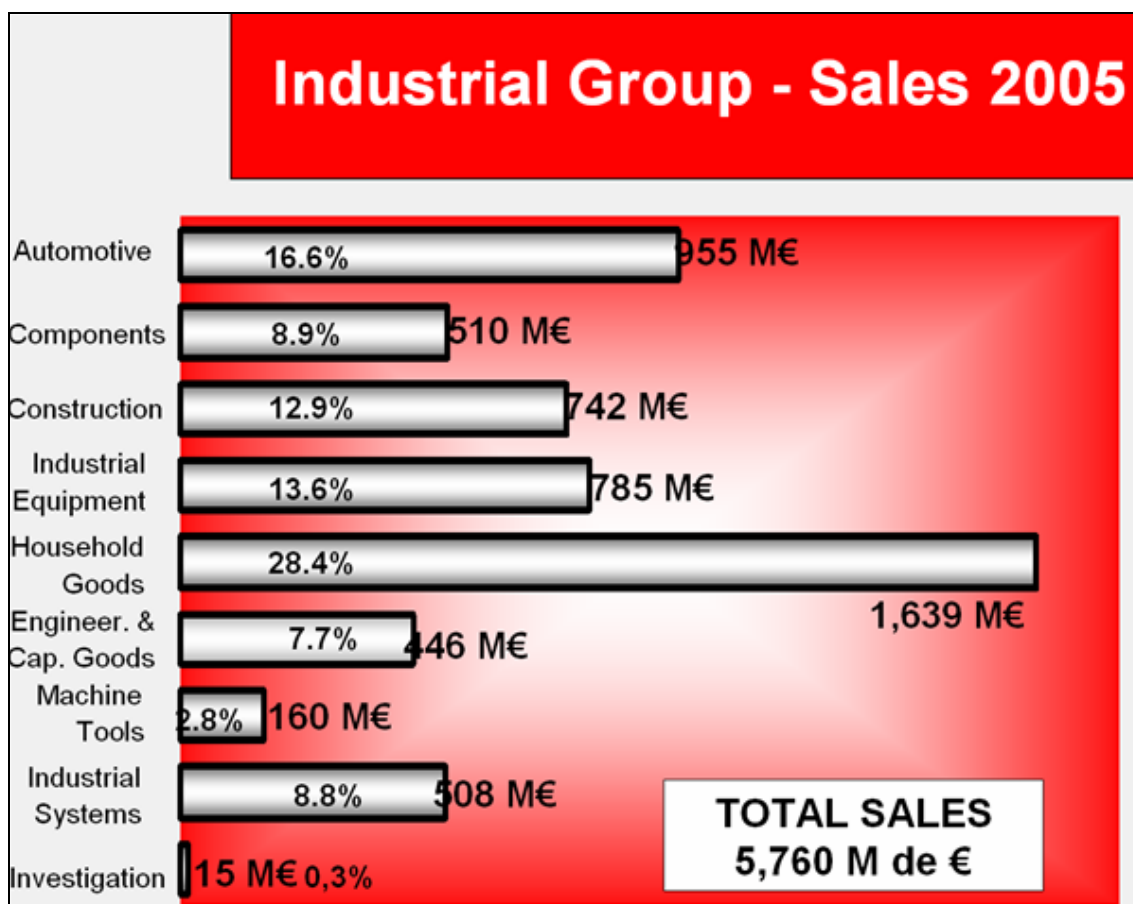
(In millions of €)



## MCC Personnel

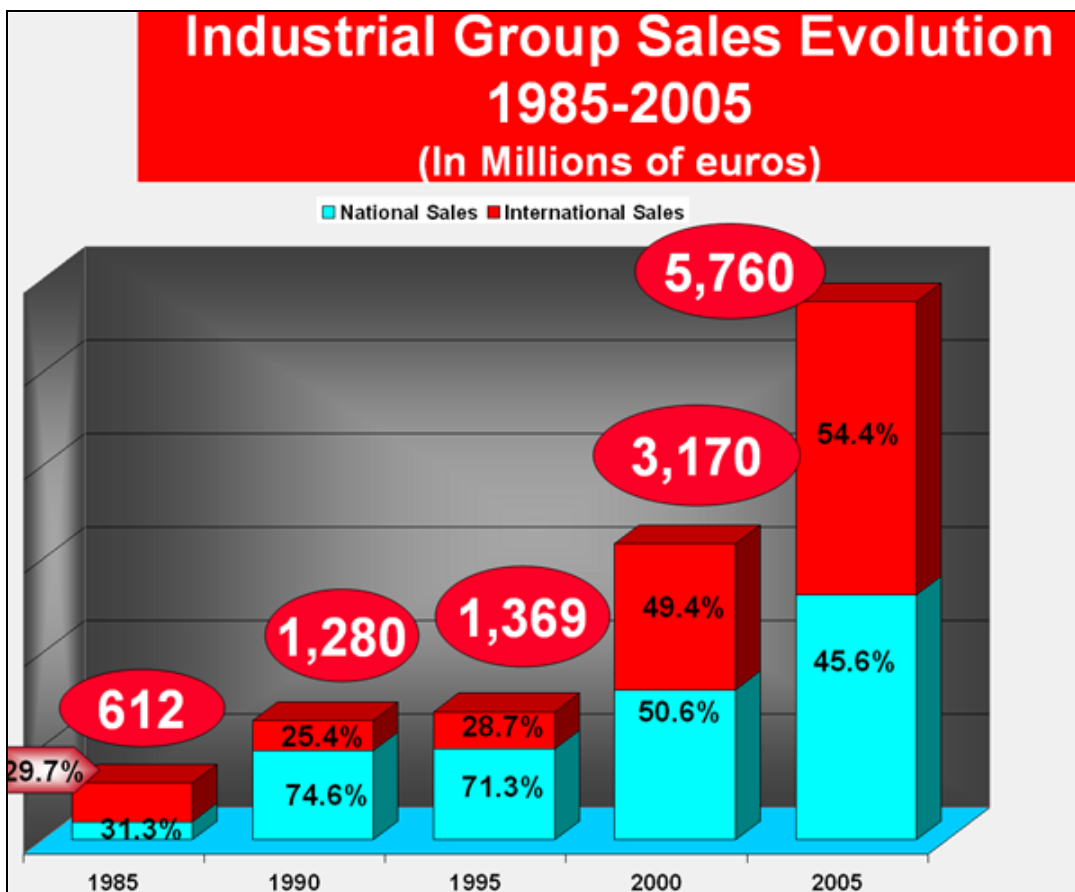
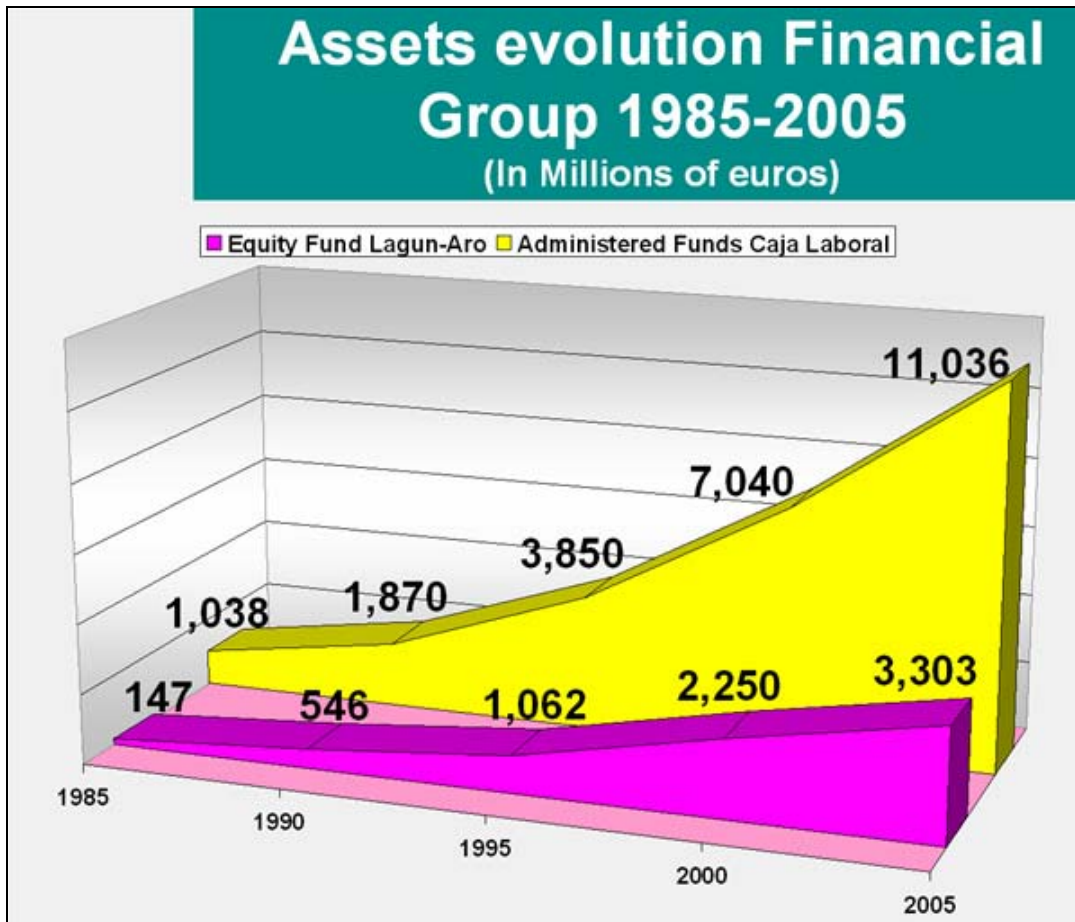
(at the end of 2005)



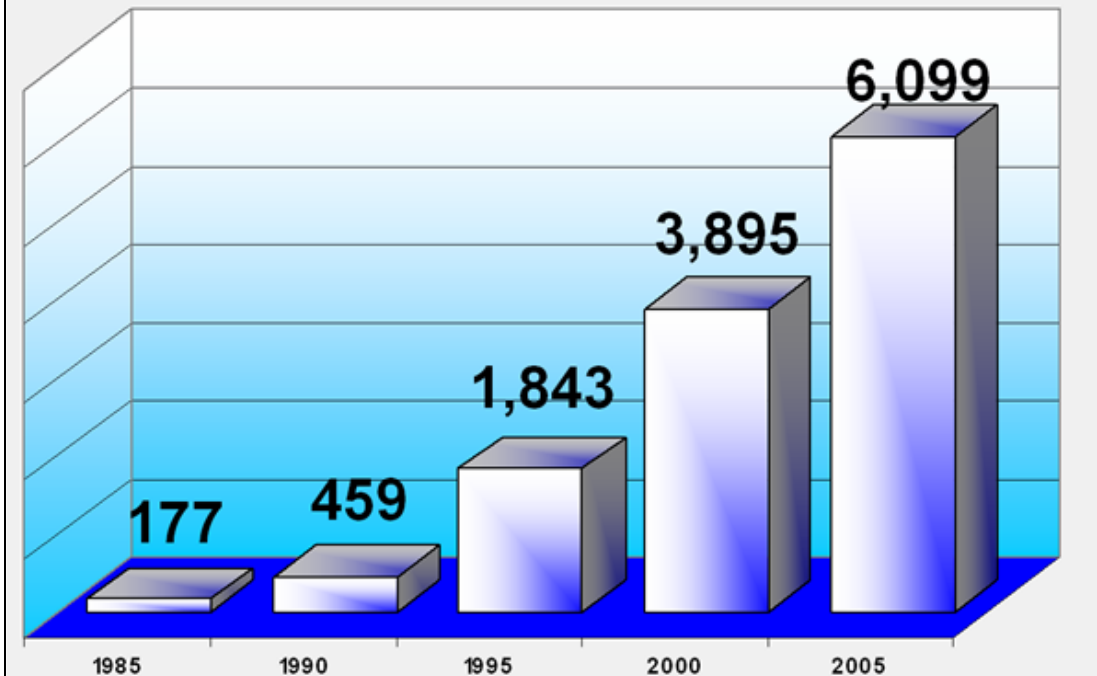
*Participation percentages*

The period of growth and development which, despite a number of economic, social, political and technological difficulties, MCC has enjoyed over the last years, serves to underline the truth of the affirmation made at the beginning of this document regarding the Corporation's capacity for constant change and adaptation and the advantage of learning from experience.

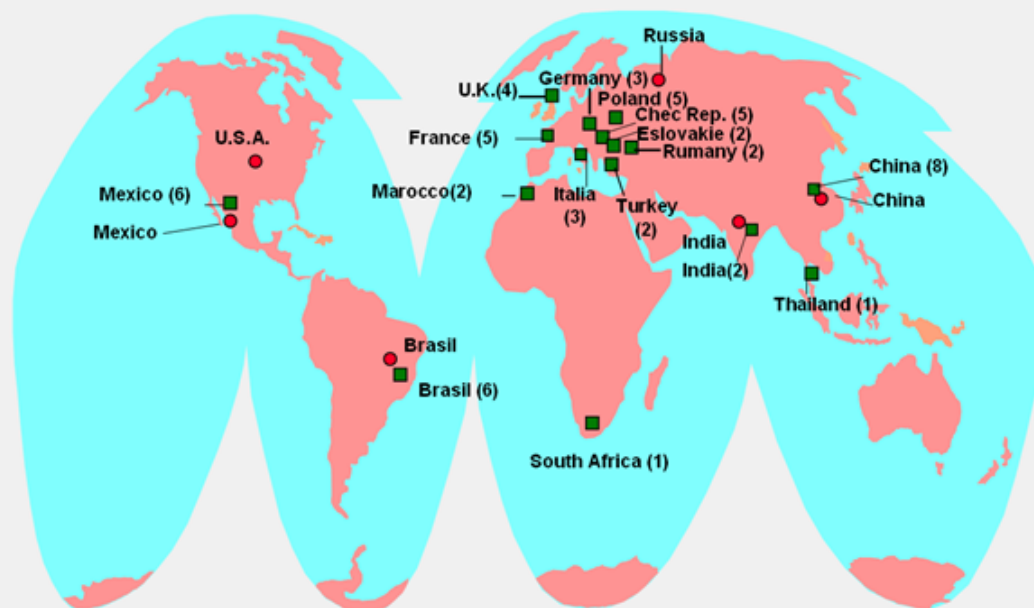
In general terms, we can confirm that the last five years have been characterised by the outstanding growth of all areas of the Corporation.



## Distribution Group Sales evolution 1985-2005 (In Millions of euros)



## MCC Worldwide (2005)

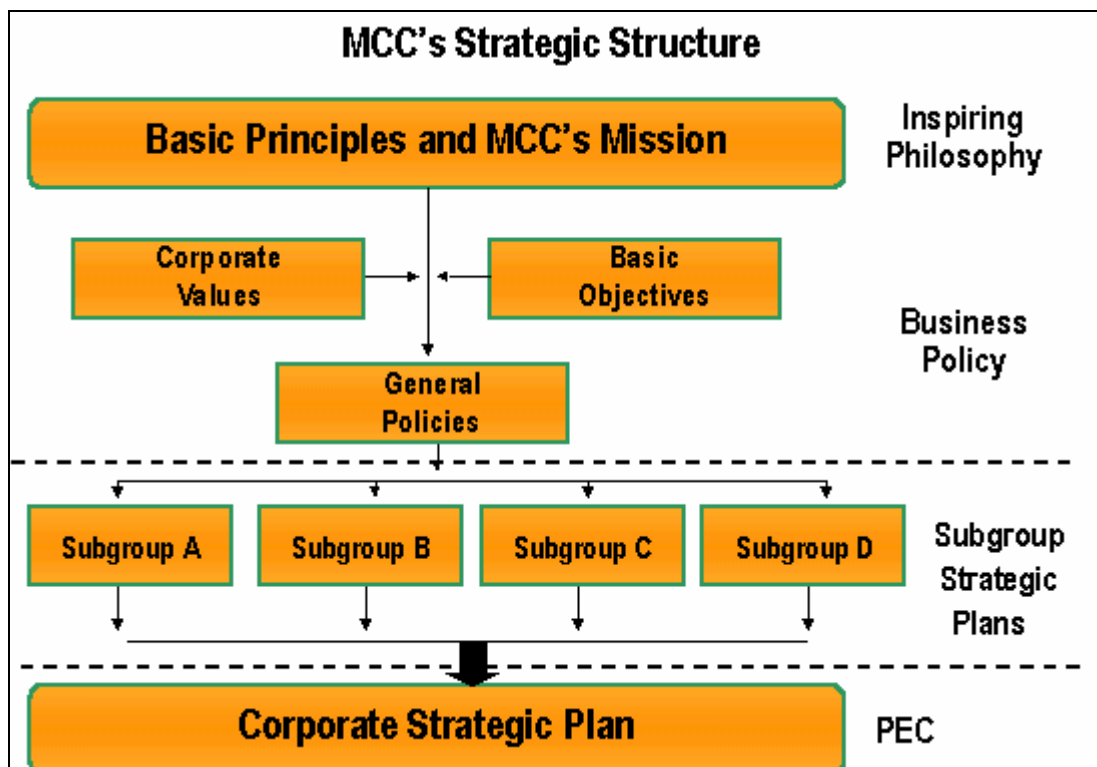


- Corporate Delegations (6)
- Manufacturing Subsidiaries (57)

## IDEOLOGICAL BASE

The development charted over the preceding pages would not have been possible if not for MCC's unique outlook and way of doing things, in other words, its unique corporate culture.

Our individual culture and the way in which it coincides with the specific actions outlined in the Strategic Plans is illustrated in the diagram below:



### ➤ Basic Principles

These principles are the cornerstone of the Corporation's guiding ideology, and have been developed over the years on the basis of both personal experience and the experience of others in similar situations within the universal co-operative movement. They therefore incorporate a number of elements common to the majority of co-operative organisations, although others are specific to MCC.

There are ten basic principles:

1. *Open membership*
2. *Democratic organisation*
3. *Worker sovereignty*
4. *Instrumental or subordinate nature of capital*
5. *Participation in management*
6. *Wage solidarity*
7. *Co-operation between co-operatives*
8. *Social transformation*
9. *Universal nature*
10. *Education*

#### *Open membership*

This principle declares that we are open to all men and women, regardless of religion, race, gender, political convictions or origin. The only criteria for acceptance are professional capability and a willingness to accept existing regulations.

#### *Democratic Organisation*

All members are equal and have equal rights within a democratic organisation governed by the concept of “*one person one vote*”.

Each person’s vote carries the same weight, regardless of seniority, position within the company, professional category or accumulated capital, etc.

#### *Worker sovereignty*

At MCC, work is placed top of our scale of priorities, since we believe that it is the key to transforming nature, society and even people themselves.

As work is held to be the principle generator of wealth within the co-operative company structure, the corresponding distribution model should coincide with the degree of labour provided.

Given the importance attached to the concept of work, the co-operatives are committed to widening the scope of job opportunities for all members.

#### *Instrumental and subordinate nature of capital*

While its value is acknowledged and its presence considered necessary for business development, capital is always considered subordinate to labour.

It is considered worthy of just remuneration that, although limited and not directly linked to the results obtained by the co-operative, is nevertheless sufficient to ensure the accumulation of the necessary resources.

Contribution by any means to the share capital does not give members the right to participate in the management of the co-operative.

#### Participation in management

The democratic nature of the co-operative organisation extends to all members, and implies their active participation in the management of the company.

The development of appropriate channels for participation requires a departure from traditional organisational structures, professional and social training for members, transparent information policies and internal promotion.

#### Wage solidarity

Wages should be sufficient, comparable with those of other salaried workers in the region and in keeping with the means of the co-operative.

Payment should correspond to an internal framework based on solidarity, reflected in a smaller difference between the top and bottom of the pay scale than is commonly seen in the business market.

Wages and work hours should also be comparable throughout the Corporation as a whole.

#### Co-operation between co-operatives

Another specific expression of solidarity that also constitutes a basic requirement for efficient business practice.

One aspect of this principle is direct co-operation between co-operatives through the creation of profit-pooling subgroups with homogenous socio-labour systems, the transfer of worker-members and the development of potential synergies derived from overall size.

Other aspects include the creation of mutually beneficial inter-subgroup superstructural entities and bodies, as well as the collaboration of MCC with other co-operative organisations from the Basque Country, Spain, Europe and the rest of the world through agreements aimed to promote joint development.

### Social transformation

In solidarity with movements in other countries, the MCC Co-operative Experience aims to contribute to the social transformation of the region in which it operates in the hope of building a freer and more just society.

Reinvesting the majority of its profits, supporting community development initiatives, co-operating with other Basque social and economic institutions and promoting local culture and a social security policy based on solidarity and responsibility, are just some of the ways in which MCC contributes to social development.

### Universal nature

MCC's strong local roots are compatible with its universal vocation, which proclaims its solidarity with all those who work towards economic democracy in the field of "Social Economy" and share the common objectives of the international co-operative movement: Peace, Justice and Development.

### Education

The development of the above principles is only possible if sufficient attention is paid to education and the necessary human and economic resources are provided for both co-operative and professional training.

Special attention should also be paid to young people, on whose shoulders the future development and consolidation of the MCC Co-operative Experience rests.

### ➤ **Mission**

A second element in the Strategic Structure of MCC is its Mission, a combination of primary objectives that turn the abstract ideas of the Principles into a tangible project that serves to focus efforts and contribute to the overall progress of the organisation.

The Mondragón Corporación Cooperativa is a socio-economic business organisation with deep cultural roots in the Basque Country. It was created by and for people and is based on the Basic Principles of our Co-operative Experience. It is fully committed to the environment, competitive improvement and customer satisfaction, as well as to the generation of wealth in society through business development and the creation of jobs. Furthermore, it:

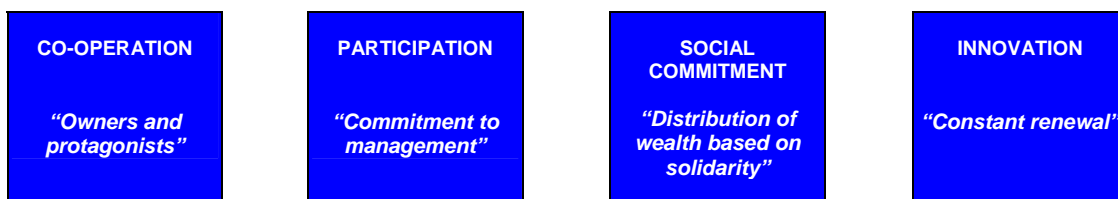
- is based on a firm commitment to solidarity, and uses democratic organisational and management methods.
- promotes the participation and involvement of its worker-members in the management, profits and ownership of its companies, which strive together for harmonious social, business and personal development.

- fosters training and innovation through the development of human and technological capacity.
- applies its own Management Model, aimed at improving the market position and general development of each Co-operative.

### ➤ Corporate Values

The Corporate Values are the heart of MCC's business culture, providing a common sense of direction for all worker-members and a set of general guidelines for the everyday working of each company. They represent the fundamental nature of the organisation and create a specific sense of identity.

The last Congress meeting, held in May 1999, reduced the list of Corporate Values to just four in an effort to facilitate their communication, absorption and application.



#### Co-operation

As owners and protagonists we work for a company which we consider to be our own. We treat its ups and downs, problems and triumphs as things that depend on us and that affect us both directly and personally.

Our organisations are designed to accommodate our co-operative ideals and are based on our common Management Model, which enables corporate cohesion and promotes efficiency and dynamism, while at the same time ensuring that the concept of a shared set of ideas, objectives, means and interests, in other words our "Common Project", remains the backbone of the whole experience.

Development needs and the desire for improvement have forced us to re-evaluate independent initiative, channelling this valuable resource towards co-operation in management in accordance with our conviction that the good of the group as a whole should outweigh individual concerns.

Worker-member training is also a key element of our philosophy, both as regards professional knowledge and courses focusing on the Experience's Basic Principles and Corporate Values.

Worker-members are given the opportunity to develop their potential as expert professionals, combining experience, prudence, seriousness and dedication in the assumption of the responsibilities inherent to their position.

A meticulously programmed and monitored integration process is initiated every time a new worker enters one of our co-operatives. Individual goals are the best means of fostering personal development and evaluating professional capacity, which should always be combined with the internal transfer of knowledge and active participation in problem solving activities.

The Corporation should be considered as a single unit, and the development of any of its autonomous elements should result in the global development of MCC as a whole, since this general progress in turn generates value for its member co-operatives.

In order to improve the performance of each individual co-operative, it is necessary to foster co-operation, searching for synergetic constants both within the heart of the Corporation and through collaboration with customers, suppliers, competitors and social institutions.

### Participation

At MCC we believe that people are the only guarantee of the success of our co-operative project. This is why we base our philosophy on a firm commitment to participation and integration, since the essential element of the socio-business model employed by our co-operatives, and at the same time, the element that sets us apart from other models, is the participation of members in the company capital, profits and management.

Participation in the building of the company is not just a right, but an obligation and demand for mutual commitment also. It enables us to channel personal potential and place it at the service of the common interest, thereby increasing staff satisfaction and fostering a sense of belonging.

The concept of workers as participating members of the company with corresponding rights and obligations is not, however, confined to this area alone, but rather permeates throughout all areas of the company, influencing labour organisation and operating processes in order to ensure that everyone is given the opportunity to contribute their knowledge and ideas for improvement.

Participation based on the concept of the worker as a responsible person actively involved in the establishment and fulfilment of company objectives requires that all members be both properly informed and attentively listened to.

Our worker-members are characterised by their potential for development and creativity, their ability to assume responsibilities and their willingness to commit themselves to resolving the problems experienced by their company.

The democratic-institutional processes which result from the legal status of the co-operative and our individual business culture should be kept alive, since they serve as effective instruments for personal, social and business participation.

Thanks to the convergence of the basic objectives and the participation of worker-members and other employees, specific business initiatives permeate through all levels of the company, constituting a distinct and permanent competitive advantage.

The development of participation requires flexible organisational structures that foster a good working atmosphere, efficient inter-functional process management, team work and continuous training.

### Social Commitment

Work is not only a means of obtaining income. It also constitutes a source of satisfaction that fulfils a personal and collective need for development. For this reason, we try to ensure that personal aims are compatible with those of the company, and that company objectives coincide with its social commitment.

The internal distribution of generated wealth should prioritise common interests as a way of guaranteeing the survival of the company and as an expression of solidarity, since this approach excludes the possibility of improving individual economic assets.

The effects of our activities go beyond the personal limits of those involved to have a notable impact on our immediate surroundings. We are therefore committed to the improvement of the area in which we operate and to the development of our country as a whole.

Another aspect of our social commitment is respect for the environment, evident in our efforts to render business development compatible with the protection of our natural heritage.

Activities designed to promote and disseminate our Co-operative Experience also constitute an ideal basis for business and social development. The sharing of know-how and accumulated experience, both within and outside the Corporation, is another example of distribution of wealth based on solidarity.

### Innovation

Commitment to an ongoing search for new opportunities in all areas is vital to business development, as well as being the key to ensuring an efficient response to the expectations generated in society.

Our customers, and society in general, perceive and evaluate our companies according to the quality of our products and services, the end result of the efforts and expertise of our staff, one hundred percent committed to innovation and continuous training.

We should accept change as a necessary and essential part of our business lives, and therefore foster the search for and experimentation with new developments and solutions within our company.

Innovation is a fundamental element of our business structure and the creation of an environment that encourages and stimulates it is one of our priority objectives, never forgetting, of course, that customers themselves are a vital source of ideas providing we learn how to listen to them.

Our universities and educational centres reflect our commitment to investing in human capital and utilising intelligence to generate teams capable of integrating innovation into the management of our companies.

Our training activities will focus on the acquisition of assimilation techniques and on encouraging learning habits, on the basis that “learning how to learn” is a vital element in fostering adaptation and constant renewal.

### ➤ **Basic Objectives**

Being more closely connected to everyday company activity, the Basic Objectives outline the key areas in which the MCC Corporation, both as a whole and through its individual co-operatives, aims to carry out significant improvements during the stipulated period.

They are deeply rooted in, and indeed form the basis of, both the strategic and operational plans.

#### Customer satisfaction

Based on the following guidelines:

- Maximum customer awareness: striving to provide an efficient service to both external and internal customers, as well as to MCC personnel themselves. Customer relations should be characterised by transparency and honesty and based on trust and ethical behaviour.
- Management Model: MCC’s unique method of managing its staff and companies identifies customer satisfaction as one of its key objectives.
- Customer loyalty: as a permanent objective and key indication of maximum business efficiency.
- Continuous improvement: commitment to innovation, efficiency and constant change.
- Products and services: our companies are perceived and evaluated according to the quality of our products and services.
- External and Internal Communications: projection of an image that highlights corporate potential, and development of instruments designed to involve staff and adapt our organisation to specific customer needs.

### Profitability

The Corporation aims to increase profitability by following the general guidelines listed below:

- People: committed to meeting the business objectives of their company.
- Quality: in the widest sense of the word, affecting all company areas and staff.
- Organisation: aimed at ensuring the effective management of the different business units, simplifying structures, implementing process-based management and striving for general efficiency and productivity.
- Supplies: a key area in the company's cost structure, with interesting new opportunities provided by the opening up of foreign markets and internationalisation.
- Optimisation of resources: accurate gauging of assets, making more of less and in general, increasing turnover.
- Selecting investments: prioritising management improvements and always selecting the best alternatives in terms of performance and balance of resources.
- Rethinking of non-profitable activities: either through restructuring, re-launching or closure.
- Wage systems: in accordance with the corresponding sector and the internal situation of each company.
- Social Welfare: the efficiency of our Welfare system as a source of competitive advantage.

### Internationalisation

This Objective is based on the following guidelines:

- Foreign expansion: improving our competitive position by increasing commercial, operative, production and supply activities on international markets.
- Winning target customer loyalty: as a way of meeting their requirements and gaining a larger market share in globalised sectors.
- Shared development: joint exploitation of competitive advantages based on collaboration agreements, joint-ventures, alliances and purchase groups, etc.

- Share purchases: acquisitions for strategic reasons or as a way of expanding into new areas or reinforcing existing activities.
- Staff recruitment and training: greater involvement of people and organisations in the internationalisation process, with the corresponding adaptations.
- Corporate backing: to support the entrance into new markets or to increase activities in current areas by fostering commerce and joint projects.
- Outward focus of knowledge-related activities: using our accumulated experience in the field of knowledge (co-operation, management, education, teaching, engineering, advice, etc.) as a springboard for international activities.
- Corporate Image: strengthening MCC's international image and its relations with Governments and Institutions as a way of attracting opportunities.

### Development

Progression, growth and expansion will be based on the following guidelines:

- Competitive positioning: attaining the required size, depending on the nature of each individual company.
- Generating employment: in accordance with MCC's Basic Principles and Mission.
- Convergent autonomy: combining autonomous management with co-ordinated strategic activity within each Subgroup and throughout the Corporation as a whole.
- Local development and foreign expansion: by combining individual and joint local and foreign business projects.
- Globalised sectors: achieving status as providers of development.
- Financial platforms: through new instruments and figures aimed at financing development.
- Mondragon Unibertsitatea / University of Mondragón: generating an area of economic development and influence based on the innovative application of knowledge.
- Commitment to the environment: in business facilities, working methods and end products.
- Business co-operation: adapting the corporate structure to the strategy of collaboration with other companies and groups in joint development projects.

- New products and services: integrating innovation and development into our products and services in order to respond to the current needs of our customers-markets and to contribute to the growth of existing co-operatives.
- Incorporation of technological developments: paying special attention to emerging technologies.
- Assumption of promotional risk: as an integral part of our individual and collective commitment to development and the promotion of new projects and activities.

### Innovation

- Innovation Culture: promoting organisational changes and activities designed to foster creativity, intuition, the generation of ideas and the exploration of new fields.
- New products and services: development and innovation of our offer in order to respond to customers-markets and promote growth.
- Strategic alignment: reinforcing innovation in strategic approaches in order to develop new business models and theories and to manage innovation in a strategic manner.
- Innovation spaces: intensification of activities designed to create environments conducive to developing new outlooks and original visions in organisations.
- People and Teams: setting up of Human Teams specialising in different areas, with a strong inclination for creation and discovery.
- Corporate Inter-cooperation: ensuring the co-ordinated use of knowledge and innovative initiatives between companies, universities, research centres, engineering and consultancy firms and corporate platforms.
- Training: alignment of the teaching contents of our educational and training programmes with current needs in the area of innovation development.
- Technological challenges: constant technological monitoring of trends and changes in the environment and the impact of new information and communications technologies.
- Innovation Management: structuring and systemisation of innovation management as a key process in business management.

### Social Involvement

The guidelines underpinning this Basic Objective are:

- A joint project: the challenge accepted by MCC can only be met through the equal and sustained participation of capable and enthusiastic people.
- Communication: as a means of identifying the prospects of both individuals and the business project. Relationship with society based on honesty and an open channel of communication with other groups and institutions.
- Ethical behaviour: underpinning all areas of corporate relations.
- Responsible people: willing to honour their commitment to the business and corporate project.
- Satisfied people: happy with their level of involvement and the training and promotion opportunities available.
- Pride in belonging: willing participants in the Corporation's Mission.
- Wage coherence: in accordance with each person's individual contribution, based on equality, internal solidarity and external competitiveness.
- Acknowledgement: of effort expended and a job well done.
- Training: source of constant renewal and the joint responsibility of the company and workers.
- Membership and job stability: promotes better results and improved performance of individual tasks.
- Health in the workplace: safe and healthy working conditions.
- Social Welfare: our welfare system as a source of satisfaction thanks to the quality of its cover and social benefits.
- Responsibility: fulfilling our social obligations as a company and supporting community initiatives aimed at developing the local area.
- Environment: ensuring environmentally-friendly business activities and collaborating in the development of protection initiatives within a framework of sustained quality.
- External communications: outlining our commitments and key achievements.

➤ **General Policies**

The General Policies govern the Corporation's activities in certain areas of particular importance and serve as a basis for the compilation of the Strategic Plans.

Their aim is the achievement of the Basic Objectives through the application of specific guidelines designed to lay the foundations for facing the competitive challenges of the future. Given that the areas involved are similar to those covered by the Basic Objectives, a simple list should suffice to give a general picture:

- *Competitiveness*
- *Internationalisation*
- *Communication*
- *Innovation*
- *Business Promotion*
- *Employment*
- *People*
- *Financing*

## LOOKING TO THE FUTURE

The new model of participatory and humanitarian company that emerged 50 years ago as the brainchild of Arizmendiarieta, being nurtured by the selflessness of the first members and the efforts of thousands of cooperative workers, has now, half a century on, become the foremost experience worldwide in the development of cooperation, standing at the head of the business ranking in the Basque Country and seventh in Spain overall.

The humble training college in Mondragón, the Escuela Profesional, and Ulgor, the tiny workshop producing domestic appliances, were the seed for a socio-business reality that now extends throughout the five continents and provides work for over 80,000 people in 264 firms and businesses involved in finance, industry and distribution, as well as in research and teaching centres of both an occupational and general nature, including a Cooperative University.

Over the course of these years and in “a dynamic progression of experiences”, in the words of Arizmendiarieta, Mondragón Cooperativism has led to the creation of efficient, humanitarian companies, focusing on the Individual and the Sovereignty of Labour, with the main aim being the creation of jobs and equitable wealth for the surrounding area.

These are cooperative firms that have furthered equal opportunities in the workplace and in education, reinvested the profits forthcoming and learnt how to forge close ties of inter-cooperation within the financial, educational, technological and organisational spheres, thereby strengthening both the individual Cooperative and the Corporation as a whole.

The changes have been huge over this half century, but we are in no doubt whatsoever that now, as in the past, the success of the Mondragón model requires reconciling the founding spirit – based on the Society of People, participation and solidarity – with the demands of an increasingly competitive and globalised market.

We believe, and shall continue to believe, in the individual as the driver of all progress although, logically, the knowledge and skills required for the task ahead may well change. Yet we shall continue to uphold our faith in cooperative values, generosity, commitment, hope and decency, etc.

Looking to the future, the creation of jobs will continue to be one of the Corporation's primary objectives. This will involve fortifying business development at all levels within the organisation and focusing on innovation as a vital tool for developing products of greater value added and more highly-skilled jobs, preferably of a cooperative nature. This was the view taken by the 9th Cooperative Congress held in October 2005, which revealed a clear commitment to innovation and business development as the best way of assuring the future.

It is founded on a twin strategy: reinforcing the pooling of efforts to attain leadership in those business areas in which the Cooperatives and Divisions are currently immersed, and responding to the opportunities arising in other sectors, especially those MCC has tagged as priorities: Aeronautics, Energy, Health and ICTs.

A key role in this process will correspond to the Development Centre, approved also at the 9th Congress, which has its own legal status and a major budgetary allocation. Its activity takes place within the sphere of the new Industrial Council, a body that coordinates cooperative industrial policy, seeking to identify interdivisional synergies and, especially, to boost and monitor innovation and development.

A decision was also taken at the Congress to update the industrial organisation prevailing since 1991: eliminating the intermediate Group level, imbuing the performance of the Divisions with greater flexibility, empowering Mutual Interest Groups for channelling synergies between Cooperatives through specific or permanent agreements and setting up the Industrial Council.

In terms of innovation in knowledge and products, MCC has other extremely important platforms: a Cooperative University focusing on studies in engineering, business administration and education sciences; Executive Training Centres; a corporate Science and Technology Plan, whose aim is to incorporate high impact technological know-how into the Cooperatives' companies and businesses, and a network of sectorial Technology Centres closely linked to our companies' business areas.

A significant role is also to be played in this entire process by the Garaia Innovation Park in Mondragón, which seeks to develop innovation and technology, using a single site of excellence to interweave technology centres, companies and higher education, thereby bolstering the adoption of new technologies in companies and helping to create highly-skilled employment.

Another key area for the future of the MCC Cooperatives involves their international deployment, which has undergone major development in recent years and requires further expansion. This trend is giving rise to a new Corporation, in which the foundational core of the Cooperatives coexists alongside a growing number of subsidiaries in the form of stock companies.

This circumstance requires serious thought, focusing on the development of new ways of sharing property, management and profits, which may be applicable to our stock companies and suitably reflect our defining traits and cooperative values. Regarding the gradual application of this model of "participatory company" to our subsidiaries, we already have the successful experience undertaken a few years back by the Eroski distribution group, through the firm Gespa.

Throughout their first 50 years of existence, the MCC Cooperatives have been characterised by their consummate skill in adapting to their changing environment, creating the right organisational and management tools to address each situation. Today, just as before, the building blocks of the future are in place, with the assurance that there will be no shortage of expertise available to cement them sturdily and accurately onto their corporate values.