

Notes on the Mondragon Cooperative Experiment

Management Structure

1. Company is owned by the co-op's employee/members only, because taking on outside investors who are only concerned about profits is fatal.
2. The co-op adheres to political and religious neutrality.
3. At least once a year, owner/employees all meet in a General Assembly, which wields supreme power – one man, one vote.
4. The assembly elects a Board of Directors from each department, which is delegated the power to decide policy.
5. Board Members are elected from each of the 9 departments, regardless of job rank, for 4 years.
6. The Board Members elect the Board Chairman.
7. The General Manager or CEO also sits on the Board for advisory purposes, but has no vote.
8. Half of the Board Members are replaced by vote of the General Assembly ever 2 years so that Board positions are staggered so as to preclude a 4-year long regime of the same board members.
9. The Board appoints the General Manager (or CEO) for 4 years, who is accountable for executing Board policy.
10. Board Members are not paid extra for being Board Members.
11. Upon conclusion of Board meetings, Board Members return to their respective jobs within the company.
12. At the General Assembly, the department also elects a Social Council from among their employees to represent their respective departments.
13. The Social Council deals with the Board on personnel matters – discipline, wages, conditions of work, employee welfare.

Ownership Structure

14. Upon joining the cooperative, each owner/employee member makes a fixed capital investment in exchange for common stock so that they have some skin in the game (for example, \$5,000).
15. These capital holdings are held in a credit union owned by the cooperative for investment in, and incubation of, sub-cooperatives and thus more jobs within the community.
16. If necessary, a new member can be borrowed from the cooperative at favorable rates. This precludes any external takeovers of the cooperative.
17. Each owner/employee is paid a monthly salary according to their job description. The greater the responsibility, the larger the salary. But the highest paid never gets paid more than 3X the lowest.
18. Annual interest is paid on each capital holding at a fixed rate of 6%.
19. If at the end of the year, the co-op makes a profit it is divided in fixed proportions:
 - a. 10% must be given back to the community for schools or cultural activities.
 - b. 20% must go to the co-op's reserves or re-investment fund.
 - c. 70% can be divided among the owner/employees as shares of stock, proportional to their salaries, but earns cumulative interest.
20. If the cooperative has a loss, 30% of that loss can be absorbed from co-op's reserve or re-investment fund, but the balance has to be recovered from the capital holding accounts of the owner/employees.
21. An owner/employee must withdraw his accumulated capital holdings upon leaving the company.
22. No cooperative to exceed 500 employee/owners, whereupon it spins off and incubates a new cooperative (like cells split in Nature), thus precluding bureaucracy and corruption.