

Case study: Fagor Ederlan Tafalla: A Multistakeholder Cooperative in the Mondragon Group

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This case study was carried out in 2022. In March 2023, there was a new episode in the cooperativization process of FET. The transformation from a mixed cooperative to an associated work cooperative was accepted in the General Assembly. The attendance of worker members at the assembly was practically 90%, and the proposal presented was endorsed by more than 70% of the votes. From now on, the cooperative is no longer a subsidiary of Fagor Ederlan and will be integrated directly into Mondragon's CHP Automotive Division. Accordingly, Fagor Ederlan and Mondragon Investments renounced their share in the cooperative's property and their positions in both the general assembly and governing council.

1 Introduction

Fagor Ederlan Tafalla (hereinafter FET) is a cooperative belonging to the Mondragon cooperative group.¹ It is located in Tafalla, Navarre in northern Spain, about 140km from Mondragon, and in an environment with little industrial and cooperative tradition. FET is an industrial cooperative that manufactures automotive components.² Today it has a workforce of approximately 700 people, of whom 455 are worker-members of the cooperative.³ It has an annual turnover that exceeds 80 million euros (data from 2020).

FET is one of the success stories of *cooperativisation* processes carried out in industrial subsidiaries of cooperatives within the Mondragon Group, though we should emphasize the process is ongoing. Originally, it was a conventional company that, over the years, was bought and transformed into a cooperative by a well-established cooperative of the Mondragon Group, Fagor Ederlan. As a result of the cooperativization process, FET is a *mixed worker cooperative*, a multistakeholder cooperative (MSC) with different types of

¹ The Mondragon group is an integrated network of cooperative companies, headquartered in the Basque Country (Spain). Starting with one firm in 1955-56, by 2021 it was composed of 95 cooperative firms (most of them industrial, worker co-ops) with a combined workforce of about 80,000 and sales of over 12 billion euros. The group is organized into four main areas (industry, retail, knowledge, and finance), and the industry area is composed of eleven different divisions. For more information, see Imaz, O., Freundlich, F., Kanpandegi, A. (2023). The Governance of Multistakeholder Cooperatives in Mondragon: The Evolving Relationship among Purpose, Structure and Process. In: Novković, S., Miner, K., McMahon, C. (eds) *Humanistic Governance in Democratic Organizations: The Cooperative Difference*. Humanism in Business Series. Palgrave Macmillan, Cham. https://link.springer.com/chapter/10.1007/978-3-031-17403-2_10

² Specifically, FET is a gray iron foundry specialized in the manufacture of blocks and cylinder heads for engines, both for automotive and industrial vehicle applications.

³ In 2020, Fagor Ederlan Tafalla had 455 worker-members, 68% of them blue-collar workers. Average age is 43.2 years with an average seniority in the company of 16.4 years. 15% of workers are female among which 70% are worker-members of the cooperative. Source: Brun, I (2020). Visualización impacto económico y social de Fagor Ederlan Tafalla S.Coop.

members in its governance structures: worker-members, collaborating members, and investor-members.⁴

Since FET is a success story of how a non-cooperative industrial firm can be transformed into a cooperative under the leadership of a long-established cooperative (Fagor Ederlan), its analysis could both provide tentative guidelines as well as inspiration for particular groups or

FET is a success story of how a non-cooperative industrial firm can be transformed into a cooperative under the leadership of a long-established cooperative...

cooperative movements in other contexts. Specifically, in this case study, we will delve into an analysis of governance of this multistakeholder cooperative firm.

2 From a closely-held private corporation to a mixed cooperative: Fagor Ederlan Tafalla's cooperativisation process

Fagor Ederlan Tafalla's current governance model derives mainly from the decisions made during its cooperativization process. For this reason, before analyzing its governance, we briefly describe the main milestones of this process.

The origin of this company dates back to 1968 when the foundry Victorio Luzuriaga S.A. decided to open a new production plant in Tafalla. In those years, Victorio Luzuriaga was a healthy company, with close to 4,000 workers distributed among the plants in Pasajes, Usurbil, Tafalla, and Huesca. However, starting in 1978, a period of industrial decline and restructuring began throughout the Spanish state, and Victorio Luzuriaga S.A. came to find itself in a very delicate business situation. During that crisis, the Mondragon Group decided to buy the company. The Fagor Group (a regional subgroup of co-ops within Mondragon) made the purchase together with Mondragon's venture capital fund, Mondragon Investments.

During the next two decades, there were no significant changes in the company. In 1999 Fagor Ederlan S.Coop joined the shareholder group, purchasing a 33% share. In 2005, it bought out Fagor Group's holding, acquiring, in all, 66% of the shares of Victoriano

⁴ As we will explain later, collaborating and investor members are both other cooperatives or entities of the Mondragon Group.

Luzuriaga, thus becoming the majority shareholder. At this moment, Fagor Ederlan begins to consider the possibility of the cooperativisation of Victoriano Luzuriaga S.A.

In 2006, Fagor Ederlan S.Coop decided to start the process. It was not a solo project. It was part of a broader attempt by Fagor Ederlan to cooperativise its production subsidiaries, beginning with those geographically closest. The most dynamic phase of the cooperativisation process occurred between 2006 and 2008, and Fagor Ederlan sent a person from the headquarters to coordinate. The point of departure was a legal, social, and economic analysis of the company. The results were clear: it was necessary to make a significant investment (more than 50 million euros) to improve the factory's productivity and guarantee its economic viability. Fagor Ederlan's position was also straightforward: it was committed to making this investment, but on the condition that the majority of the workers also committed to the project, becoming worker-members of the cooperative. In 2007, Victorio Luzuriaga Tafalla's work force was 875 people. Of these, 517 had a permanent employment contract, 150 had an interim contract, and 173 were temporary. Workers with permanent contracts and interims (667 in total) were offered the possibility of becoming worker-members of the cooperative. In December 2007, definitive membership was considered, and 351 people out of 667 (52.6%) decided to accept.⁵

Fagor Ederlan's leadership was vital throughout this process. It proposed the idea, offered technical advice, sent a person for two years to carry out the process, and invested in the plant to improve productivity. This is how one of the protagonists remembers it:

The message that was given from Ederlan was 'that if we bet on you, you also have to bet on us'. . . . If we had not taken the step, we would not be here today. I am sure of it. It was decided to either become a cooperative or be left with no future. Because there was no other way to make that investment.

Finally, on 5 January 2008, the General Assembly for the transformation of Victorio Luzuriaga Tafalla was held, and Fagor Ederlan Tafalla S.Coop was created in the form of a mixed worker cooperative. Mixed cooperatives are a type of cooperative whose uniqueness lies in the existence of a group of partners called "holders of social shares with a vote",

⁵ In this vote, the age of the workers played a fundamental role: in the group over 50 years of age, only 17% of the workers decided to become work partners, while in the group of 30-50 years 80% voted in favour. An even higher portion, 94%, of those under 30 voted in favour. We should keep in mind the age range of 50-60 years represented 48% of the permanent staff, and this group had its sights set on early retirement through a special contract in Spain that could be activated at 60 years old. Source: Ugalde A., Arrizubieta J., Elcano C. (2009). *Cooperativización de Actividades y Empresas: Aspectos procedimentales y motivacionales*. Mondragón: Mondragón Unibertsitatea.

whose right to vote in the General Assembly can be determined based on the capital contributed. By law, there is a maximum share of 49% of the votes in the General Assembly for social shareholders. From the legal point of view, the Law of Cooperatives of Navarra had to be modified through due process so that it incorporated the figure of a mixed cooperative, which was absent previously.

In summary, and to close this section, below are the main milestones of the FET cooperativization process:

- 1968. Victorio Luzuriaga S.A. creates the Tafalla plant
- 1980. Restructuring of the steel sector and crisis of Victorio Luzuriaga S.A.
- 1990. Fagor Group and Mondragon Investments buy Victorio Luzuriaga S.A.
- 1999. Entry of Fagor Ederlan into shareholder group with 33% ownership
- 2005. Fagor Ederlan buys out Fagor Group and acquires 66% ownership
- 2006. The cooperativization process begins.
- 2008. Fagor Ederlan Tafalla S.Coop was created as a mixed worker cooperative, effectively an MSC with ownership among worker-members (12%), Fagor Ederlan S.Coop (60%), and Mondragon Investments (28%)

3 Governance of the multistakeholder cooperative: structures, processes, and dynamics

In this section, we describe the governance of FET; its structure, processes, and dynamics.⁶ To begin with, Fagor Ederlan Tafalla is a mixed worker cooperative and one of the local subsidiaries of Fagor Ederlan S. Coop. Fagor Ederlan S. Coop is a worker cooperative operating in the automotive sector and operating globally. Fagor Ederlan S. Coop is, in turn, part of the Fagor Group, a second-tier cooperative composed of eight autonomous worker cooperatives. All are part of the Mondragon Group (see Figure 1).

⁶ Novković, S., Miner, K., McMahon, C. (2023). Cooperative Governance in Context. In: Novković, S., Miner, K., McMahon, C. (eds) *Humanistic Governance in Democratic Organizations: The Cooperative Difference*. Humanism in Business Series. Palgrave Macmillan, Cham. https://link.springer.com/chapter/10.1007/978-3-031-17403-2_4

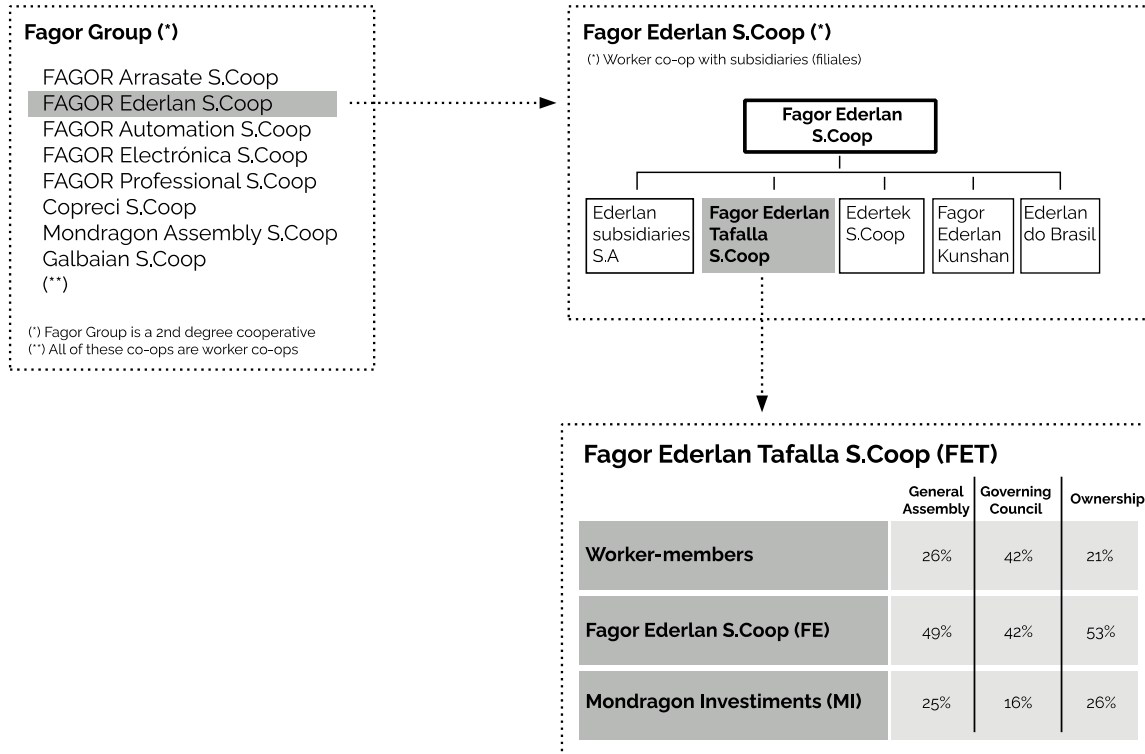


Figure 1: Composition of the Fagor Group, Fagor Ederlan S. Coop, and structure of the governance bodies and ownership structure of Fagor Ederlan Tafalla (by the authors).

3.1 Structure

As mentioned in the previous section, after the conversion into a cooperative society, the main partners of Fagor Ederlan Tafalla were i) worker-members, ii) Fagor Ederlan S. Coop, and iii) Mondragon Investments. Fagor Ederlan and Mondragon Investments participate as “collaborating members” and shareholder partners. This section describes the central bodies that compose FET’s governance structure: the General Assembly, the Governing Council, the Delegated Commission, and the Social Council.

3.1.1 Composition of the governing bodies

The General Assembly is the main governing body of the cooperative. Its composition reflects the ownership structure of the company. However, the representation of the different actors in the Assembly is not directly proportional to their ownership share. The Assembly is composed of worker-members (26% vs. 21% ownership), Fagor Ederlan (49% vs. 53% ownership), and Mondragon Investments (25% vs. 26% ownership). The Governing Council is comprised of 12 members, distributed as follows: five worker-members, five

members from Fagor Ederlan, and two from Mondragon Investments. Also, the Presidency of the Governing Council belongs to Fagor Ederlan. Since FET's transformation into a cooperative society in 2008, Fagor Ederlan delegated the Presidency of the Governing Council to a worker-member of FET.

The following table shows the composition of the General Assembly and the Governing Council of FET:

General Assembly	Governing Council	Ownership
26% worker-members	5 worker-members (42%)	21% worker-members
49% Fagor Ederlan	5 Fagor Ederlan (42%)	53% Fagor Ederlan
25% Mondragon	2 Mondragon	26% Mondragon
Investments	Investments (16%)	Investments

Table 1: distribution of votes and ownership among members.

We observe that, in both bodies, the worker-members have significant representation (26% in the General Assembly and 42% in the Governing Council), but in neither case do they hold a majority. However, although they do not have enough votes to control decision making, note that their voting power is disproportionately high in the Governing Council relative to their ownership share in the cooperative.

Among the co-op's governing bodies, there is also a Workers Delegates Committee, made up of the five worker-members on the Governing Council plus the cooperative's president. This Committee meets monthly. Over time, the function of this body has been changing. At the beginning of the cooperativization, it was an informal body: it existed, but had no formal mandate. It later disappeared for a time, but was restored in October 2020, and it gained official status as a standing committee of the Governing Council. The Governing Council has delegated some functions to it, most of them related to labor and personnel issues. A worker-member of the Governing Council values it as follows:

Now we are very happy with the dynamics of the [Workers] Delegates Committee, and it helps to build a team since we have a space where we can focus more on what is happening in the plant, and the manager also participates as an invited guest.

The Social Council of the cooperative is another key component of the co-op's governance. This body represents all the cooperative's workers, whether they are members or not. In the case of

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Fagor Ederlan Tafalla, though it is a MSC, its structure and functioning are not very different from Social Councils in Mondragon's "traditional" worker cooperatives. For example, in other MSCs of the group (i.e. Eroski), the Social Council, although a consultative body without formal decision-making power, has a voice in decisions affecting only worker-members. In FET, similar dynamics occur in the Governing Council, but not regarding the function and role of the Social Council vis-a-vis other governing bodies and, in particular, the Governing Council.

3.1.2 Distribution of surplus

The distribution of surplus is an essential component of the analysis of the governance in Fagor Ederlan Tafalla, as it speaks directly to its ownership structure. Following the rules of the Mondragon Cooperative Congress – the overall governance body of the full Mondragon Group – before the distribution of any surplus within the cooperative, a portion of the co-op's surplus (or loss) is pooled with that of other Mondragon cooperatives in its industrial sector.⁷

Congressional rules define amounts/ranges for distribution of surpluses (and losses) among cooperatives in these shared sectoral groups, and also contributions to Mondragon group-level entities (i.e., corporate superstructures, foundations, solidarity funds for co-ops in difficulties, etc.). Finally, within maxima and minima established by legislation, Mondragon Group regulation and policy set criteria that individual co-ops' Governing Councils use annually to determine the distribution of surplus among individual members' internal capital accounts, collective and voluntary reserves, and donations to public-interest entities such as non-profit organizations.⁸ These decisions tend toward strengthening a collective, pro-investment, future-orientation within the Group's co-ops.

⁷ In the Mondragon Group the cooperatives of the industrial area are organized in sub-areas or divisions according to their business sector. Divisions are also the level for profit distribution among cooperatives.

⁸ Basque cooperative law requires that 10% of a co-op's post-tax surplus be donated to non-profit organizations. "COFIP" is an acronym used in the Mondragon group that designates "Contribution for Cooperative Education and Promotion and Other Purposes of Public Interest".

In the case of FET, since it is part of Fagor Ederlan, a superstructure composed not only by several companies (i.e. local and international subsidiaries) but also by different business units, a level of complexity is added. Indeed, the surplus/loss pooling is double: first, among the units at the level of Fagor Ederlan, including FET; and, second, Fagor Ederlan within its Division (each Area, in this case Industrial, has many Divisions).⁹ Once the pooling and the surplus distribution criteria established by law and the Mondragon congressional regulations have been applied (mandatory reserves, voluntary funds, COFIP,¹⁰ etc.), the rest of the surplus would be allocated to workers, members, and collaborators as dividends.

3.2 Processes

3.2.1 Decision making

Decision making at FET intends to be consensus-driven. This requirement is not established by law (or Mondragon policy). According to the Navarre Cooperative Law (14/2006), a simple majority is needed for ordinary governance decisions and a super-majority (two-thirds) for decisions of particular importance, for example, the closing of a plant. However, consensus is sought as a means to ensure effective functioning of its governing bodies over the medium to long term, given the particularities of their composition. In the Governing Council of Fagor Ederlan Tafalla, decisions are based on voting only on rare occasions. This is how a worker-member, and member of the Governing Council, explained it: "In the Governing Council, a consensus is normally sought, and if there is none, a vote is taken. In four years, we have only voted once. Voting is bad; you have to seek consensus".

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This desire to seek consensus can be identified in the composition of the Governing Council. As we have seen in the previous section, we can observe that the composition of the Governing Council is not proportional to the capital share of each type of member: the worker-members have 21% of the capital; however, their representatives make up 42% of

⁹ The cooperatives within the Fagor Group constitute a special case within the Mondragon Group too. Surplus pooling operates not only at the level of the industrial division of each cooperative of the Group. But, also, among the different cooperatives of the Fagor Group.

¹⁰ It should be noted that to date Fagor Ederlan Tafalla has not distributed the COFIP funds generally earmarked for different social and cultural projects in the area, because, to date, the financial thresholds established by law to allow their distribution have not been reached.

the GC. This could be interpreted as Fagor Ederlan's desire to promote worker-member participation in the cooperative's governance. Moreover, Fagor Ederlan's desire to uphold worker sovereignty and promote participation is revealed by two significant events: the decision to increase its equity capital in 2010, and the ten-year Presidency exercised by a worker-member. Let us look at each of these in detail.

The decision to require an increase in members' equity capital in 2010 is a clear example of the will to seek supermajorities in Fagor Ederlan Tafalla. As a result of the business situation of the cooperative in 2010, it was necessary to build members' equity. These were complicated years, since, to the capital contribution made by each partner at the time of the cooperativisation of the company (2008), we must add the consequences of the financial crisis two years before. Sensitive to this situation, Fagor Ederlan decided that the additional members' investment was only to be carried out if the majority of worker-members were in favour and the other participants left the decision in the hands of worker-members. A FET worker-member explained this moment and its significance as follows:

There have been decisions, where the decisions have been made only by the worker-members. An example is the mandatory members' capital contribution of 2010, where the decision was not made in the Governing Council or the Assembly.

The second event is the Presidency held by a worker-member for almost a decade. The Presidency of FET's Governing Council, and, therefore, of the cooperative, corresponds to the "parent" co-op, Fagor Ederlan, and the vice-presidency to a worker-member who is a member of the Governing Council. The significance of the Presidency is not only symbolic; he or she is the face of the company vis-à-vis outside institutions and the general public. It is also functional, so far as presidents hold a tie-breaking vote. Nevertheless, for ten years, Fagor Ederlan ceded the Presidency of the cooperative to the vice-president, a worker-member of FET. This delegation lasted until 2017. Since then, the president of Fagor Ederlan has also assumed the Presidency of FET.

3.2.2 Candidate nomination processes for social bodies

There is no systematized procedure in FET for nominating candidates for election to governance bodies. Terms last four years, and half of the members of a given body are renewed every two years. To that end, an open call is issued, and volunteers present

themselves as candidates for the different institutional bodies of the cooperative. As a member of FET states:

For the Governing Council, we do not have anything systematic, the call for nominations is opened, and it works based on volunteers. Fortunately, or not [laughs] at the moment, there have always been candidates for the Governing Council and the Social Council.

On the part of Fagor Ederlan and Mondragon Investments, there is no established procedure either, but, in general, they opt for more experienced executives for the Governing Council:

For the five representatives of Ederlan, there is nothing written either, but, from Ederlan, they always tend to choose executive profiles. Today, the five Ederlan representatives are three of its executives, the president of Ederlan, and one member of the Ederlan GC. The same thing happens with the two from Mondragon Investments; they have an executive profile.

Although this orientation allows for greater "expert knowledge" within the Governing Council of FET, worker-members interviewed disagree with it, insofar as they perceive it is in tension with FET's by-laws. The by-laws state that the General Director, or Senior Manager, of the cooperative cannot also serve on its Governing Council. However, given the peculiarities of the cooperative, it turns out that the manager of Fagor Ederlan, the parent, is a member of the Governing Council of Fagor Ederlan Tafalla on behalf of Mondragon Investments.

With this composition, in our opinion, there are inconsistencies. In our case, we have included in the statutes that the manager cannot be elected as a member of the GC, and, in practice, what has happened is that the manager is not on the GC, but the boss of our manager is (and also the boss of the boss of our manager). That complies with the rule, but it is not consistent.

The worker-members interviewed value the expertise that these directors provide, but they also consider that this, in turn, can cause contradictions, and they observe a risk of mixing roles.

I do not see it as positive that there are executive profiles in the GC, because contradictions arise. Sometimes, the "expertise" of executive profiles comes in handy, but it risks mixing roles. I would ask Ederlan to put leadership profiles in Tafalla, not executives. Everything would be more coherent.

This is a clear example of what is recognized in the academic literature as the Birchall trilemma,¹¹ which emphasizes the importance and challenges of balancing voice, representativeness, and expert knowledge in cooperative governance. Although we do not have consistent data to confirm this, the hypothesis may be emerging from this testimony that, beyond Birchall's trilemma, factors related to the management of power between different types of partners may also be emerging. It seems an interesting aspect to deepen in future research.

3.2.3 Other communication channels

The main channel of communication for the worker-members is the Informational Sessions. These talks are held every one or two months. Given the large volume of worker-members, different groups/talks are organized based on the work area. A member of the GC, a member of the Workers' Delegates Commission – that is, a worker-member of the Governing Council – and a member of the Social Council participate in each Informational Session. In these Sessions, the governance body representatives review the social and business situation of the firm and its progress relative to the company's annual objectives, and then open up the floor to questions, comments, or proposals for new topics to discuss and debate.

In addition, the new senior manager of FET sends a monthly email message to all worker-members. The progress of the business is explained in plain language. This note is signed by the manager and the president of the cooperative. The members interviewed value this new initiative very positively, as one described, "because the situation and the news regarding the business are explained quickly and easily."

3.3 Dynamics

Three aspects deserve our attention regarding dynamics: the change in the cooperative culture, the transience of the mixed co-op formula toward a worker co-op structure, and the influence of the context.

¹¹ Birchall, J. (2014). *The governance of large co-operative businesses* (pp. 1–120) [Research study]. Co-operatives UK.

3.3.1 Cooperative culture

The first aspect that we observe is the change that has taken place in the cooperative culture. Worker-members point out that since the transformation to the cooperative model, the group of workers, especially that of the worker-members, has developed towards a greater sense of co-op membership. Worker-members, who were also employees in Victorio Luzuriaga Tafalla S.A., recognize the evolution and maturation of the group. In their words,

In these years, there has been maturation in the group towards co-responsibility. The collective has always shown maturity.

The commitment and trust placed by Fagor Ederlan in the group of worker-members has had its effect and led to a greater sense of co-responsibility and a greater cooperative culture among the worker-members.

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3.3.2 Transience of the mixed formula

A second relevant aspect rests on the provisional intent of the mixed co-op formula. At the time of cooperativization, the will of Fagor Ederlan and Mondragon Investments was to take steps towards greater sovereignty for worker-members. A gradual advance was estimated in worker-members' participation in capital, the General Assembly, and the Governing Council. Specifically, they estimated that by 2017, worker-members would hold a 49% stake in the cooperative's share capital, 53% of the General Assembly seats, and seven members (out of 12) in the Governing Council.¹² However, to date, none of these changes have occurred. This is how a worker-member interviewee explain it:

Cooperativization was done through the mixed cooperative formula, but with the idea of gradually evolving into a worker cooperative. So, it was expected that the change to a worker cooperative could occur in about ten years. However, today, the governance structure is the same as in 2008.

¹² Ugalde, A., Arrizubieta, J., y Elcano, C. (2009). *Cooperativización de actividades y empresas. Aspectos procedimentales y motivacionales*. [Unpublished report]. Mondragon Unibertsitatea. Eskoriatza (p. 35).

In fact, in the interviews, it can be seen that the issue of cooperativisation concerns worker-members. Indeed, they dream aloud about the day they will fully become a worker cooperative in which workers will hold full sovereignty.

We dream of being a worker cooperative. The mixed formula has to be transitory. The commitment to the cooperative model has to be with all the consequences. If not, in the beginning, Arizmendiarieta¹³ would not have created worker cooperatives, but rather mixed cooperatives.

Indeed, it is an aspect that deserves attention. On the one hand, worker-members at FET value their relationship to Fagor Ederlan and the contribution of Fagor Ederlan members to the ruling of the cooperative. In a sense, worker-members at FET underline the positive contribution of collaboration between co-ops in the regular functioning of their governing structure. However, they understand the mixed worker cooperative formula as an intermediate step towards their ideal formula: a fully autonomous worker cooperative.

3.3.3 Dynamics in context

Finally, Fagor Ederlan Tafalla has no formalized mechanisms to articulate its relations with other actors of its environment other than those of the Mondragon Group. However, most of the local cooperatives that are members of the Mondragon Group are geographically close to FET in the same valley. For this reason, FET is part of a recently created forum composed of cooperatives of the group in the territory of Navarre, including: Mapsa, Fagor Ederlan Tafalla, Embega, and Copreci-Altsasuko.

A few years ago, we began to hold meetings among the GCs of the Mondragon cooperatives in Navarre. I think it is an exciting forum, and in the future, if people think it's worthwhile, that relationship could be consolidated (in the style of a [Mondragon] regional/county group). There have been cases of relocation of workers in these cooperatives [to avoid layoffs].

Regional/county groups are not part of the current structure of the Mondragon corporation, but they were until the 3^o Mondragon Cooperative Congress in 1991. Prior to the current organization of co-ops by business areas and divisions, Mondragon cooperatives were organized by regional/county groups. Most disappeared with the restructuring by business

¹³ Jose Maria de Arizmendiarieta was the founder of the Mondragon Cooperative Experience.

sector in 1991, but three important ones remained¹⁴ and the Congress of 2016 put emphasis on reviving these regional groups to strengthen co-ops connections to their communities. Therefore, this forum in Navarre might represent an interesting example of hybridization of both logics regarding grouping criteria operating historically in the Mondragon group: geographical proximity and business sector.

4 Discussion and results

The description of the case of Fagor Ederlan Tafalla presents a particular variety of multistakeholder cooperative – the mixed worker cooperative. These cooperatives have the particularity of allowing “collaborators” and “holders of social shares with a vote”, in their ownership and, therefore, governance structure. These “investors” have voice and vote in the General Assembly and Governing Council, although they cannot be majoritarian in either of them. On these bases, we have identified specific critical points for discussion:

- The importance of the cooperative's roots and its historical trajectory (path dependency).
- The importance of the legal form: mixed worker cooperative.
- The varied nature of worker-members' perception of the advantages and disadvantages of the model.
- The relevance of participation, trust, and dialogue as the backbones of governance processes.

4.1 The importance of the cooperative's roots and historical trajectory (path dependency)

The case of Fagor Ederlan Tafalla is the case of a company with a past rooted in the local territory and the people of the cooperative. Even today, when you interview members of the Governing Council of the cooperative, a good part of the conversation refers to the process of cooperativization and the changes that took place then. For this reason, it is essential to highlight the key issues, the motivations, and the main changes in the cooperative in order to analyze the governance structures, processes, and dynamics of the cooperative.

¹⁴ The groups FAGOR, ULMA, and Danobat were accepted as groups within the divisional structure of the corporation. The integration mechanisms differ from one group to the other and respond to the particular features of each.

As we have seen in the first section, the first key is the leadership exercised by Fagor Ederlan. The cooperativization process results from an institutional culture and inter-cooperation mechanisms rooted in Mondragon's cooperativism. In this leadership role, we can highlight two fundamental aspects: the investor-as-facilitator; and technical assistance for cooperativization. In short, without the conviction and commitment of Fagor Ederlan, today, we would not be talking about the case of a FET.

Nonetheless, a more nuanced analysis of the case shows that other factors intervened. To the trust placed by Fagor Ederlan in FET, we must also add the commitment shown by FET's worker-members. During the cooperativisation process and afterwards, workers have shown a high degree of participation at work and commitment to the cooperative model. In a study carried out to analyze workers' motivations as regards their commitment as members of the new cooperative, the authors concluded that the main motivations were job security, followed by the psychology of becoming co-owners and participating in the company:

[W]orkers have shown a high degree of participation at work and commitment to the cooperative model.

[T]he main motivations were job security, followed by the psychology of becoming co-owners...

Messages that motivated [us] when acquiring the status of worker-member: On the one hand, it is mainly about job stability; almost all respondents talk about job security, obtaining a permanent job, and a future. . . . [A]nother of the most recurring themes is [that of] owning and participating in the company. Here we find messages such as being part of the company, common decision-making, taking part in important decisions, one person / one vote, not depending on multinationals, integration in MONDRAGÓN. (Ugalde et al., 2019, p. 112).

The latter shows that the cooperativisation process was not a mere shift in the company's formal ownership. It was a process in which changes were made in the management, culture, and social dimension of the cooperative. According to the interviewees,

The main changes in this transformation are: (i) The management team. Most senior managers were changed. The new managers came from Ederlan. There was also a change in leadership style, more communicative, not so much one of command and control; (ii) The company's culture. Before, the culture was different, more accustomed to the social conflict between the union local and the employers' association. The union local was powerful, and if it wanted, it would stop production; (iii) Socially, changes in the organization. The unions lost influence, and now they only represent the non-member workers. The GC and

the SC [were] created, with all the change that this entails for the workers. With the transformation, social conflicts are also reduced.

However, path dependency in the case of Fagor Ederlan Tafalla shows the relationship between the different actors taking part in its governance structure is a middle way between the relationship between two companies (the parent and the subsidiary) and the kind of relationship between two partners within a multistakeholder cooperative. True, in comparison to other conventional subsidiaries, Fagor Ederlan Tafalla is characterized by greater autonomy or democratic representation for workers-members. Still, as we have seen above in the distribution of votes on governance bodies, the different partners in the governance structure are not equally autonomous as is the case in a standard multistakeholder cooperative.

There was also a change in leadership style, more communicative, not so much one of command and control...

4.2 The centrality of the legal form: the mixed worker cooperative

In mixed cooperatives, worker-members do not have full sovereignty, nor are they ruled by the principle "one person, one vote". As we can see in this case, the mixed cooperative is a concrete response to a situation of change, where financial investment is crucial and an opportunity exists to secure it through inter-cooperative collaboration. The fundamental need for investment, and its provision by cooperative sources, explains the composition of FET's governance structure. The particular legal formula of the mixed cooperative is not given *a priori*; rather, it results from a process marked by the motivation to promote *inter-cooperation* in business activity. As mentioned in the first section, to carry out this kind of cooperativization, changes had to be made to the prevailing legislative framework, the Law on Cooperatives from Navarre.

In this case, the mixed cooperative formula is considered the most feasible way to carry out the kind of cooperativization process that took place in FET. It is conditioned by one overriding factor: the need to make investments large enough that they would be impossible for the worker-members to undertake by themselves. As reflected in a study carried out by, among others, the Chairman of the Governing Council of Fagor Ederlan Tafalla, Jesús Arrizubieta, the mixed cooperative formula was considered the best alternative in a complicated set of circumstances. It opened the possibility of a significant degree of worker self-management. In his words:

We must recognize that the mixed cooperative that is proposed is not a cooperative model of full sovereignty of the worker-members; but, at that moment, it is the only one that is considered feasible since, first, it is economically impossible for the workers to take charge of the company as a whole, and, second, an initial period in which Fagor Ederlan supervises the process is considered appropriate, necessary to guarantee unified strategic decision-making in Fagor Ederlan. Likewise, the alternative presented allows for a possible transformation in a complex context. It opens from the beginning the possibility of a high degree of self-management of the worker-members of Tafalla, leaving open the possibility of a later evolution towards full cooperative sovereignty, as the business and social factors that make it possible evolve favorably (Ugalde, Arrizubieta, and Elcano, 2009, p. 32).

4.3 Mixed worker-members' perception of the advantages and disadvantages of the model – its temporary nature

Conditions seemed favorable to cooperativization in FET: the combination of a highly motivated group of workers and the interest of the investing cooperative in advancing the cooperativisation. Yet, the process, while not a failure, has been incomplete for many years and FET remains a mixed cooperative with a substantive presence of Fagor Ederlan in its ownership and governance structures. This situation has led to varied perceptions of the advantages and disadvantages, according to the protagonists, of a mixed worker cooperative.

Regarding the advantages, the interviewees, both members of the Governing Council, highlight the learning and cultural change process that being a member of a cooperative facilitates. They emphasize that it is learning based on practice, on the participation on the different representative bodies of the cooperative, and especially on the Governing Council.

I valued it very much as a learning process and cultural change. The best way to learn to function as a cooperative is through practice operating as a cooperative. The GC is continuous learning as a cooperative member.

The second advantage they point out concerns the importance of belonging to a "larger group", of not being alone. Another cooperative is a part of yours. Both are also members of a long-established cooperative network – the Mondragon Group – which gives the feeling of support that you can depend on when things are difficult. This is also reflected in the how the company is viewed, both in the local territory and in the market.

Having an older brother as a backup. It is always an advantage, but above all, in bad times. In addition, the image that we project abroad is more powerful and solid, as a group.

Finally, the interviewees point out the importance and the opportunity of having gotten to know other social-business experiences that were nurtured in environments where cooperativism is deeply rooted, unlike the environment of Tafalla.

[We] learn about other experiences of people who have learned a lot from the cooperative spirit. Here, our environment is not cooperative, and this is not like the Mondragon region.

We turn now to the disadvantages, or the challenges to overcome. The interviewees point out that, although very significant progress has been made towards a culture of co-responsibility, being a mixed cooperative can also impede the development of a membership culture and the taking on of greater responsibilities. As mentioned in the previous section, it is perceived that, in this case, the mixed cooperative must be a transitory formula towards a full worker cooperative model.

It prevents you from maturing as a group, from taking steps towards co-responsibility, maturing as cooperative members, and assuming our responsibilities, because most of the responsibility is held by Ederlan-Mondragon. Many times, the members say, 'Why should we even vote if Ederlan can come later with its majority and decide to do what they want?'

As a result, participants pointed out that during hard times the mixed nature of the company becomes the target of collective discomfort and, to some degree, the company's internal dynamics fall back on the logic of the conflictual relationship between unions and employers that characterized the previous period. "For the collective, all evil comes from Ederlan/Mondragon, and union/employer logics in bad times are reproduced". In short, they point out that, when difficulties arise, virtues fade away, and "it gives the feeling of being neither one thing nor the other and having the worst of each model". These are serious challenges for cooperative governance, but they have been recognized by the co-ops involved and both are committed to making progress through communication, cooperative ownership education, and connecting these virtues to governance processes.

4.4 The relevance of participation, trust, and dialogue – the backbone of governance processes

Finally, the case of Fagor Ederlan Tafalla shows us the importance of the participation of worker-members to cultivate a cooperative culture and facilitate good governance.

On the one hand, dialogue and the search for consensus reveal essential ingredients for cultivating a healthy cooperative culture based on trust. In governance bodies, efforts have been made to make decisions by consensus and not merely by simple majority voting – which would just leave decisions to be dominated by investor-members. Also, worker-members have their own space (the Workers Delegates Committee) to advance their particular agenda. Moreover, note that, in the face of certain strategic decisions, such as the increase in members' equity in 2011, the decision is left in the hands of the group of worker-members, considered the main stakeholders regarding this particular decision. Both mechanisms foster a cooperative culture based on trust (Ugalde, Arrizubieta, and Elcano, 2009, p. 117).

The combination of roots, legal form, perception, and trust show that change from a conventional company to a cooperative cannot be reduced to a change in the company's legal suffix to "PLC" (public limited company) or "Inc." (incorporated), but is much more profound. In FET, while there have been unexpected twists and turns on the road and challenges still exist, the company is transforming itself towards a culture based upon co-responsibility. The ability of the process to endure is due to the trust placed in the group of worker-members, and the disposition of worker-members to assume higher levels of responsibility. Alternatively, as Ugalde, Arrizubieta, and Elcano (2009, p. 6) put it: "the change in ownership from a conventional firm to a cooperative corporation does not a cooperative make, nor cooperative members; the company's labels do not change its soul".