

Case Study: Eroski S. Coop. - Layered governance in a large multistakeholder cooperative (MONDRAGON)

Case Study
2024 | 03

Fred Freundlich

LANKI Institute for Cooperative Research & Development
Faculty of Humanities & Education,
and
Faculty of Business,
Mondragon Unibertsitatea

International Centre for Co-operative Management
Saint Mary's University (Halifax, Canada)



**Saint Mary's
University**

International Centre
for Co-operative
Management

managementstudies.coop
cme@smu.ca
@CoopMgmt

The International Centre for Co-operative Management (ICCM) at Saint Mary's University excels in education, applied research and knowledge dissemination, focused on co-operatives, credit unions, and mutuals.

The Centre harnesses the extensive knowledge of our faculty, staff, students and partners to offer rigorous education and research, available to the co-operative scholars and practitioners worldwide.

The Centre's working paper and case study series publishes research papers and reports in the field of co-operative management, economics, and governance.

International Centre for Co-operative Management
Sobeys School of Business, Saint Mary's University
University, 923 Robie Street
Sobey Building, Room 330
Halifax, Nova Scotia
Canada B3H 3C3

Editors:

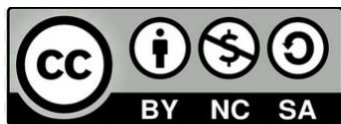
Prof. Sonja Novkovic, Academic Director, ICCM
snovkovic@smu.ca

Karen Miner, Managing Director, ICCM
karen.miner@smu.ca

Cian McMahon, Research Fellow, ICCM
cian.mcmahon@smu.ca

Editorial support:

Erin Hancock, Manager, Co-operative Management Education, ICCM
erin.hancock@smu.ca



Attribution- NonCommercial-ShareAlike
CC BY-NC-SA

Freundlich, F. (2024). *Case Study: Eroski S. Coop. – Layered governance in a large multistakeholder cooperative (Mondragón) (Case 2024-03)*. International Centre for Co-operative Management. Working Paper and Case Study Series.

The project is supported by the FWO Belgium – SBO project S006019N, KU Leuven

Introduction

“Eroski” is the name of the largest cooperative in the Mondragon cooperative group – itself an integrated network of over 80 cooperative enterprises founded the 1950s in the Basque Country of northern Spain.¹ Interestingly, in the Mondragon network, known for worker cooperatives in manufacturing, Eroski is a supermarket chain and a multistakeholder cooperative (MSC). By year-end 2022, Eroski worker-members numbered 9,500, consumer-members over 1.3 million, and the company generated €1.8 billion in sales.²

Eroski's beginnings lie in the mid-20th century. Six small consumer cooperatives operated in and around the town of Mondragon in the 1950s and 1960s, part of the tradition of consumer cooperatives that had first arisen in the Basque Country in the late 19th century. Eroski was created in 1969 out of the merger of these six cooperatives. From the outset, this new organization formed part of the Mondragon cooperative experience (MCE) and its creation reflected at least two of the MCE's central tenets – to cooperativize the local economy as far as possible and to ensure its member co-ops were managed by people with business expertise, as well as a commitment to operating the organization in line with cooperative values.

...central tenets – to cooperativize the local economy as far as possible and to ensure its member co-ops were managed by people with business expertise, as well as a commitment to operating the organization in line with cooperative values.

¹ For introductions to the Mondragon group, also called the Mondragon Corporation, see <https://www.mondragon-corporation.com/>; Barandiaran, X., & Lezaun, J. (2017). “The Mondragón experience.” In J. Michie, J. Blasi, & C. Borzaga (Eds.), *The Oxford handbook of mutual, co-operative, and co-owned business* (pp. 279–294). Oxford University Press; Whyte, W. F., & Whyte, K. K. (1991). *Making Mondragon. The Growth and Dynamics of the Worker Cooperative Complex* (2nd edition). ILR Press.

² Eroski Memoria Corporativa, 2022. It is important to point out that Eroski is also the parent company of several conventionally owned subsidiaries and a partner in a joint venture in the supermarket sector in northern Spain. In this paper, we will focus almost exclusively on the cooperative, though the combined subsidiaries are larger than the parent co-op, employing nearly 18,000 people in 2022. Eroski expanded massively from the late 1980s to 2017, initially making use of conventional ownership structures for this expansion and later introducing minority worker ownership on a large scale in several subsidiaries. This is a complex and interesting story that cannot be recounted in this space. Suffice it to say here that the widespread and successful introduction of worker ownership led to a major initiative to convert virtually all of Eroski into a networked group of multistakeholder cooperatives in 2007-2008, but this initiative fell prey to the effects of the global financial crisis (GFC) on the firm, effects which have been deep and lasting. While the company has substantially recovered, the impact of the crisis is felt to this day. The structures and processes for *cooperativization* remain prepared and of interest, but implementation would be costly and the firm's senior managers and creditors do not think it would be prudent for Eroski to initiate it in the short term.

These two tenets were fundamental to the priest who originally inspired and guided the creation of the Mondragon cooperatives, José María Arizmendiarieta. He arrived in Mondragon in 1941 and brought with him a view of the world in crisis, as evidenced by the near constants of widespread poverty, entrenched economic exploitation and social inequality, ideological extremism and, of course, war. The Spanish Civil War had recently ended, and the world was immersed in World War 2. Arizmendiarieta firmly believed that many social institutions needed fundamental reform to address the general crisis and, as part of his parish duties, he dedicated his first 15 years in Mondragon to community organizing and education. Gradually he came to the conclusion that basic changes in business must be integral to any

social reform effort. Business, he believed, was too important to individual and community life to leave unreformed; he held that if

...basic changes in business must be integral to any social reform effort.

the values and behavior one sought to develop – solidarity, responsibility, etc. – were not extensively practiced in the economic sphere, then the broader values project would stumble and fall. He had become quite critical of conventional capitalist enterprise as excessively individualistic, materialistic and exploitative of large numbers of frontline workers, and even more critical of Soviet-style state socialism as overly collectivist, bureaucratic and tyrannically centralized, resulting in the smothering of individual freedoms, aspirations and, equally importantly, individual and community assumption of responsibilities for their own affairs. His and his followers' response was rooted in *cooperation*, both in local, civil society organizations and in business, seeking a balance between solidarity and economic initiative, personal and mutual responsibility, individual gain and community well-being.

Thus, emerged the first tenet of the MCE – that as many basic social and economic activities as possible in the local area should be cooperativized.

... seeking a balance between solidarity and economic initiative, personal and mutual responsibility, individual gain and community well-being.

He and his followers' first business priority was in manufacturing, given the industrial tradition in the area, but, as we have pointed out, he thought it fundamentally important to spread cooperative values and practices to as many kinds of basic business activities as

possible. As a consequence, in addition to industrial cooperatives, they founded a cooperative bank, a cooperative social security system and, following this logic, they also sought to introduce cooperation into the retail sale of food and consumer goods. Thus, the Eroski supermarkets were born.³

Arizmendiarieta and his group also became forceful proponents of what became the second key tenet of the Mondragon cooperative experience that we mentioned earlier: sound business management. The importance of good management might sound obvious, but the priest and his disciples had discovered that, in fact, businesses of all kinds, including many co-ops, frequently failed as result of a lack of management expertise. This challenge also spurred Arizmendiarieta's and his circle's involvement with the creation of Eroski. They felt that the existing consumer cooperatives were too small and needed both to consolidate and greatly strengthen their

understanding of business. They, and later the Mondragon group generally, went to great lengths to try to ensure the co-ops affiliated with the group relied on advanced

They felt that the existing consumer cooperatives were too small and needed both to consolidate and greatly strengthen their understanding of business.

technical, business and management knowledge. A wide variety of education and training institutions and policies were developed and remain to this day.

The priest firmly believed that organizations with a new, values-based approach to enterprise needed to be at least as knowledgeable about business and technology as their competitors if not more so. He had read widely about cooperative enterprise and, as mentioned, he knew many cooperative businesses had experienced serious problems as a result of a lack of business

expertise. Their commitment to values had been strong, but their understanding of business management had often been relatively weak, and he and his

Their commitment to values had been strong, but their understanding of business management had often been relatively weak, and he and his colleagues were determined that this would not be the case in Mondragon.

³ Mondragon also cooperativized other activities: technical-vocational education, as we have seen; higher education; technology research and development; venture capital investment; consulting; purchasing; and new business development, among others.

colleagues were determined that this would not be the case in Mondragon. Their intense focus on this issue became a widespread expectation and cultural norm among his followers and in Mondragon cooperatives generally. The initiative to consolidate the several small consumer co-ops into what became Eroski grew in part out of this focus on sound management. The founders of Mondragon and the leaders of these consumer cooperatives began to work together so that the, by then, more experienced managers in Mondragon co-ops could introduce more advanced management techniques into the stores, put them on more solid economic footing and thus help assure that scarce resources would not be wasted in the short-term and that the co-op would survive in the medium-to-long-term.

In summary, the combination of these two basic beliefs – cooperativize as far as possible a community's most basic economic activities (including, naturally, consumers buying food at the retail level), and ensure the adequacy of co-ops' business expertise – led to the creation of the Eroski supermarket chain.

Cooperative values and principles into practice

Eroski is, legally, a consumer cooperative, but since the 1980s, has been a multistakeholder enterprise, with both worker-members and consumer-members. The company was founded with a cooperative mission front and center – to serve the community through cooperative business – however, it

has evolved a great deal since its founding in the late 1960s and in recent decades has had to wrestle with how a very large organization, with many thousands of worker-

Eroski is, legally, a consumer cooperative, but since the 1980s, has been a multistakeholder enterprise, with both worker-members and consumer-members.

and consumer-members in dozens of locations, can pursue cooperative values and principles vigorously while competing successfully with its conventionally owned rivals. While the challenges are enormous, Eroski seeks to put cooperative philosophy into practice in a variety of ways, some more oriented toward the consumer-member / community side of its activities and others more toward the worker-member side.

Consider the consumer/community dimension first, setting aside governance issues which we will describe in more detail in a later section. As part of its cooperative mission, one of the company's principal goals from its earliest years, has been to provide easy access to

high-quality, relevant consumer education – good nutrition and a healthy lifestyle combined with careful management of a household budget. Local consumers over 50 often say that Eroski is really the organization responsible for introducing modern consumer education and protection to the retail food sector in the Basque Country and nearby provinces in the 1970s and 1980s. In its early decades, this was done mainly through in-person workshops at Eroski stores and in community centers and through the printing of a monthly magazine called *Consumer*. Naturally, in the last 20 years, this educational activity has been carried out in a variety of formats and increasingly online,⁴ though face-to-face sessions remain important for certain consumer groups.

The co-op has undertaken numerous other initiatives in this realm, pursuing cooperative ideals from the consumer-members' viewpoint. Eroski senior staff are heavily involved in the governing bodies of institutions of the consumer cooperative movement in the Basque Country, Spain and internationally. The co-op pioneered the creation of an in-house food, health, and safety research and development laboratory, one of whose many projects has involved "nutri-score" labeling, now required by the company to appear on all Eroski-brand products.⁵ Not surprisingly, environmental and other health issues have also come to figure heavily in its social commitments.

We work to improve our environmental impact, through the eco-design of products and packaging... measures to promote eco-efficiency, the circular management of waste from our stores and logistics processes, reducing our carbon footprint... emphasizing transparency and [providing] education to consumers to help them make responsible purchasing decisions.⁶

Continuing a policy in place now for years, Eroski carried out "recyclability/plastics analysis" on over 3,300 products from nearly 400 suppliers in 2022 alone.⁷ The firm created the Eroski Foundation (Fundación Eroski⁸) in 1997 to more effectively organize and develop pro-consumer work and communication. The Foundation's activities have for many years also involved promoting Basque culture and, in the last decade and a half, have branched out into development assistance in emerging economies and environmental sustainability, as

⁴ See, in Spanish, www.escueladealimentacion.es

⁵ This is a color and letter-based scoring system from "A" to "E" that indicates the nutritional value of the product based on levels of saturated and unsaturated fats, sugar, salt, and other ingredients relative to expert recommendations.

⁶ Cristina Rodríguez, Sustainability Manager. "Contigo más que nunca: Memoria Corporativa 2022", p. 25.

⁷ "Contigo más que nunca: Memoria Corporativa 2022", pp. 25-26.

⁸ <https://corporativo.eroski.es/quienes-somos/fundacion-eroski/>

mentioned. In this vein, Eroski has also made substantial efforts to promote locally/regionally produced food, focusing increasingly on sustainable and organic agriculture (over 1400

organic/eco-friendly products are now on offer), fish and livestock protection, responsible consumption, local economic

...Eroski has also made substantial efforts to promote locally/regionally produced food, focusing increasingly on sustainable and organic agriculture...

development and resilience in the food supply. Part of Eroski's mission statement now reads that the co-ops must continue "to integrate into its strategy a firm commitment to the health and well-being of consumers and to the sustainable development of the society."⁹

Turning our attention now to worker-members, Eroski has also put significant energy into pursuing its cooperative ethos on the worker-member side of the ledger. This began with the conversion of the company in the 1980s from a straightforward consumer cooperative into a multistakeholder cooperative that gives equal participation in governance to worker-members and consumer-members. (More on this below.) Though the inclusion of workers in governance took place only after significant debate, it was a natural event in the Mondragon context, where primacy is generally given to worker-members over other possible types of members. *Sovereignty of labor* is

one of the Mondragon group's ten Basic Principles (see the Appendix for links to videos discussing these principles). Still, it is important to point out that this principle has not

Though the inclusion of workers in governance took place only after significant debate, it was a natural event in the Mondragon context, where primacy is generally given to worker-members over other possible types of members.

prevented the creation of multistakeholder cooperatives for a variety of reasons and Eroski joins over 20 other MSCs that play central roles in the Mondragon complex,¹⁰ though, we should add in this vein, that all MSCs in Mondragon include a specific category of membership for workers and corresponding roles for worker-member representatives on governance bodies.

⁹ "Avanzamos contigo" Memoria Corporativa, 2021, p. 9.

¹⁰ See Imaz, O., Freundlich, F., & Kanpandegi, A. (2023). The Governance of Multistakeholder Cooperatives in Mondragon: The Evolving Relationship among Purpose, Structure and Process. In S. Novkovic, Miner, Karen, & C. McMahon (Eds.), *Humanistic Governance in Democratic Organizations: The Cooperative Difference* (pp. 285–330). Palgrave MacMillan.

Aside from providing for worker membership in a consumer cooperative, Eroski pursues a variety of strategies to promote cooperative values from worker-members' and non-member workers' point of view. One of these concerns is involvement in day-to-day management. Participation in workplace problem solving and decision making and the development of a team-based work organization are central and ongoing parts of these efforts. Eroski's Director of People Management, Jaione Pascuas, affirms that "promoting participation and autonomous teams is part and parcel of Eroski's identity".¹¹ This is, of course, a major challenge in an organization that is large and complex, with hundreds of small, medium-sized, and large establishments spread over a large area, employing thousands of people whose personal style, motivations, communication skills, approach to problem solving, etc. vary enormously.

Seeking worker well-being and actively pursuing high worker involvement, through specific, structured channels for participation as well as continuous efforts to build a general, participatory culture, remain central goals. These are integral not only to fulfilling cooperative principles generally,

and Eroski's own "Basic Principles"¹² and "Ten Commitments to Health and Sustainability",¹³ but, since engaged worker-members better serve consumers, they are also

Seeking worker well-being and actively pursuing high worker involvement, through specific, structured channels for participation as well as continuous efforts to build a general, participatory culture, remain central goals.

intertwined with the company's general mission as a consumer cooperative. In this vein, and of profound importance, given the company's financial challenges in recent years, Eroski's leaders have pointed out in one-on-one conversations and in public, that the company's worker-members' willingness to "go the extra mile" is what has gotten the company through these hard times, both in the years following the global financial crisis as well as during the pandemic. They have been "simply extraordinary," in the words of one senior manager.

Training and development are a catalyst and key support for building an engaged worker-member workforce and preparing leaders with an open, collaborative management style. An important portion of the nearly 250,000 hours of training done in the company in 2022

¹¹ See <https://www.eroski.es/trabaja-con-nosotros/>

¹² These are (1) Dignity for consumers; (2) Dignity for workers; (3) Self-management/autonomous teamwork; (4) Solidarity; (5) Organization; (6) Support for Community Development.

¹³ Eroski Memoria Corporativa, 2022, p. 18

were dedicated to technical and business topics, but also, significantly, to teamwork, conflict resolution, and participatory management. Eroski has its own "Management School" to help management staff develop the competencies required for distributed leadership and team-based work. Workplace health, safety, and well-being – training included – are an ongoing and important focus for the organization.

For well over a decade, conscious promotion of gender equality in the company's management ranks has also been a priority, especially since the frontline work force in the retail food sector is made up mostly of women. In Eroski the figure for the proportion of women in the workforce is 77% and, as of this writing, the co-op's efforts to prepare women for leadership positions and promote them has achieved solid results: 74% of management positions are currently occupied by women, not to mention that both the firm's CEO and its Governing Council President are also women.

Finally, it is important to recall Eroski's multifaceted, multi-year effort to *cooperativize* its subsidiary stores in the mid-2000s (see footnote 2), focusing principally on creating legal structures and financing mechanisms that would facilitate the conversion of employees into worker-members. This initiative was snuffed out by financial problems caused by the GFC just after it was approved by a greater than 2:1 margin in Eroski's 2009 General Assembly. Nonetheless, senior staff say that, though it is not under discussion at present, it does remain a viable option in the future. It would be an expensive undertaking in its early years, so it must wait for when the company's financial position improves further.

Eroski is clearly active on this front, seeking to operationalize its cooperative values in multiple, concrete ways, many of which involve how its people work and manage day to day. Our intention here, however, is not to paint a rosy picture of the company – its challenges are many and varied – but rather, firstly, to introduce the many initiatives the company has underway that are aimed at reinforcing its worker and consumer cooperative identity; and secondly, to provide important information about the context that will help us understand more fully its governance structures and practices as a multistakeholder co-op.

The company faces formidable obstacles and challenges to building a cooperative culture, obstacles and challenges undoubtedly familiar to most co-ops, but especially larger co-ops that have been operating for many years. These include freeing up sufficient resources to dedicate to fortifying cooperative identity in the face of ongoing disruptions in the supply

chain, inflation in retail food and related economic challenges created by the pandemic. Further, Eroski, despite its size, is still a "cooperative island in a capitalist sea," meaning it must generate

The company faces formidable obstacles and challenges to building a cooperative culture, obstacles and challenges undoubtedly familiar to most co-ops, but especially larger co-ops that have been operating for many years.

enough positive cash flow over the medium-to-long term to be competitive – that is, to keep up with levels of investment found in its conventional competitors. Generating enough surplus to compete affects work intensity, management practices, and technology choices in ways that are often not ideal in terms of cooperative values, making participation, communication/deliberation and mutual help more difficult; diminishing time and resources for community involvement and cooperation among co-ops; etc.

Being a "cooperative island in capitalist a sea" also means the firm must simultaneously adapt to and struggle against the apparent evolution of values and institutions in the broader society – that is, a growing emphasis on the pursuit of leisure and personal priorities relative to work, organizational, and collective commitments, and the almost innumerable opportunities contemporary society offers people (workers and consumers) for exploring their interests and expressing their opinions. All these realities challenge a cooperative firm's capacity to focus worker- and consumer-members' attention on membership issues and engagement, particularly as regards the larger questions addressed by governance bodies.

Sheer size is also an issue in that the larger the company, the more difficult it is to ensure full and multidirectional communication and involvement in multiple levels of participation. Moreover, as a company grows to a larger scale, employing thousands, it can no longer hire local people whom members know well; it must hire from among the general public in the conventional labor market. As a result, the work force's values and attitudes almost

inevitably come to resemble the values and attitudes of the larger society, more individualistic and materialistic values that differ from the aspirations of the cooperative movement, or are even contrary to

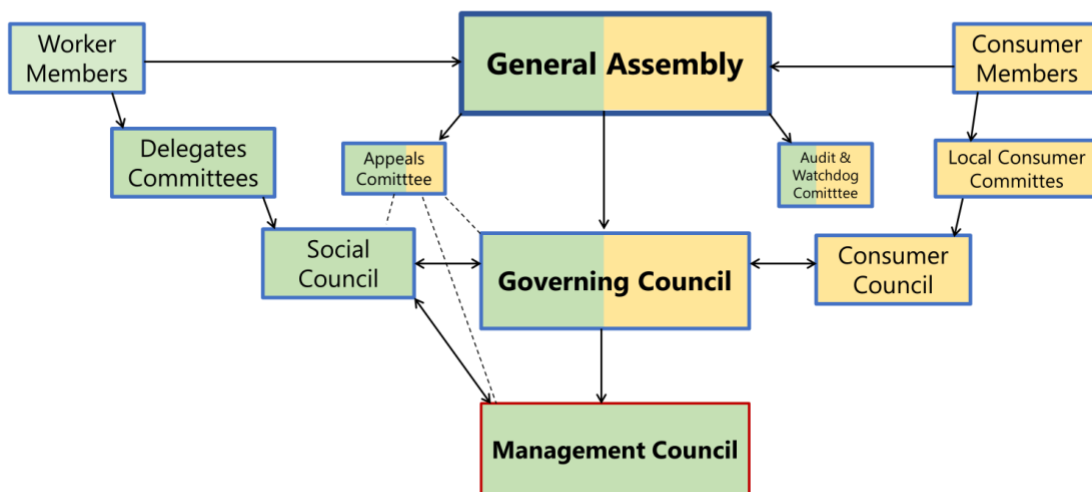
...the work force's values and attitudes almost inevitably come to resemble the values and attitudes of the larger society, more individualistic and materialistic values that differ from the aspirations of the cooperative movement, or are even contrary...

them. Add to this the fact that the nature of work for frontline supermarket workers is physically and psychologically demanding, while compensation, though better than average in Eroski for frontline worker-members relative to the sector,¹⁴ is not especially high. These factors, taken together, are real obstacles to the development of a cooperative culture. Eroski knows that these challenges are there, however, and is committed to continuing to address them in order to strengthen its cooperative identity and energize its membership engagement.

Multistakeholder governance in Eroski – structures, processes and dynamics over time

Eroski is a multistakeholder cooperative with two classes of members, as mentioned earlier, worker-members and consumer-members. Its governance structure is composed of seven bodies; four of these are shared by worker- and consumer-members and three are dedicated to one or the other of the two membership groups.

Figure 1 – The Governance Structure of Eroski S. Coop.



¹⁴ This advantage in pay is an average. During the most difficult years of the global financial crisis (GFC), Eroski worker-members cut their pay to levels below workers in the sector. They also made other financial sacrifices. Non-member workers' pay is governed by the regional supermarket collective bargaining agreement (CBA), so, on average, it is modestly less than Eroski worker-members' pay. Worker-member votes to cut their own pay do not obligate non-member workers to cut their pay.

Consider the joint governance bodies first, the General Assembly (GA), the Governing Council (GC), the Appeals Committee (AC) and the Watchdog & Audit Committee (WAC). The highest authority in the cooperative is its General Assembly. It must elect the members of the GC and approve by majority vote any changes in the company's by-laws and internal regulations, major company policies and investments over a certain amount. The General Assembly, by majority vote, also formally reviews the company's books (approving/rejecting the audited financial statements) for the previous year's activity, accepts or rejects the company's business plan for the upcoming year, and every four years, accepts or rejects a Strategic Reflection Document.

An Ordinary General Assembly meeting must be held, by law, at least once a year. The General Assembly is composed of 500 members and half of that number is elected from among the company's 9,500 worker-members. Numbers of votes for GA representatives are assigned to work sites or groups of sites in indirect proportion to their size, that is, it is done in a way that favors smaller stores/sites. Larger stores or sites will have more votes, but not in direct proportion to their size, so that the larger sites do not dominate voting. The other 250 GA members are

consumer-members – note that worker-members cannot simultaneously be consumer-members (though non-member

Larger stores or sites will have more votes, but not in direct proportion to their size, so that the larger sites do not dominate voting.

workers can be). In recent years, for a variety of reasons,¹⁵ it has been a challenge to identify enough consumer-members to cover its 250 seats in the GA. Thus, elections are not necessary to choose representatives from among willing consumer-members; rather, Eroski staff recruit them to serve as GA representatives. An Extraordinary Assembly can be called at any time by a majority vote of the Governing Council (described below), or the Audit & Watchdog Councils (also described below) or by a formal petition signed by 20% of worker- and/or consumer-members of the General Assembly.

¹⁵ Values in the broader society have evolved, as they have in many parts of the world. Participation in large, membership organizations has declined; individualism and materialism are on the rise. Given Eroski's financial difficulties over since the global financial crisis (GFC), it has not had the funds to dedicate to renewing and revitalizing consumer engagement and the election processes. The company is very conscious of the issue and addressing it will be included and underlined in the company's 2025-2028 strategic reflection document.

The relationship between consumer- and worker-members of the GA has generally been one of mutual respect and understanding, though somewhat distant. There have been moments or periods of intense debate, but not in recent years. The campaign in the early 1980s to turn Eroski from a

straightforward consumer co-op into a multistakeholder cooperative with equal roles in governance for worker- and consumer-members

The relationship between consumer- and worker-members of the GA [General Assembly] has generally been one of mutual respect and understanding, though somewhat distant.

was hotly contested over a long period. The initiative to *cooperativize* the co-op's conventionally owned subsidiaries in 2008-2009 also led to intense and prolonged debate, though worker- and consumer-members were not generally in opposition to one another. Rather there was a camp of both worker- and consumer-members who supported the idea and a camp that was moderately to vehemently opposed, though not to cooperativization itself (which they mostly supported). They believed, among other criticisms, that the proposed cooperativization plan would lead, sooner or later, to the company losing its Basque identity and even its headquarters in the Basque Country, since a majority of the work force worked in stores outside the Basque provinces. The debate has cooled over the years since the cooperativization project was put on hold.

The co-op's second joint, worker-consumer governance body is its Governing Council (GC). The GC is the highest authority in the cooperative when the GA is not in formal session. It is legally responsible for the co-op's decisions and actions. Its duties are similar to those of a board of directors in the North American business context. It appoints, and can remove, the company's CEO and must approve her/his choices for senior executive posts. (The CEO and her senior management team is called the "Management Council" and this group, currently composed of ten people, is responsible for day-to-day, week-to-week operations.) The GC is also mandated to ensure General Assembly decisions are carried out and, if necessary, developing changes in bylaws, basic rules, regulations and policies, in consultation with senior managers and with other elected bodies (described below). It then adopts these changes itself by formal vote or proposes them for a vote in the next GA, depending on the topic as specified in the co-op's bylaws. The GC's jurisdiction also, of course, covers reviewing and monitoring the company's (and the Management Council's) performance relative to the firm's business plan at each of its monthly meetings. The Council also

reviews, revises and ultimately must recommend approval of the company's strategic reflection document every four years.

We turn briefly to the GC's composition and election process. The GC is made up of 12 members; again, half of whom are elected from among worker-members and half from among consumer-members. The GC President is, by tradition (not formal policy), a consumer-member. GC members serve four-year terms (half are up for election every two years) and may be re-elected for additional terms. GC members are elected by worker- or consumer-members in the GA, that is, by those who have been chosen as representatives of their member constituency in the firm's GA. Worker and consumer candidates publish a brief biography and a description of their priorities for the company, and these are printed in a single document that is distributed to members of the GA to help inform their vote. Worker-member representatives on the GC tend to be mid-level to upper-mid-level managers or technical staff.

Members of the most senior level of management, the Management Council, may not serve on the GC, following a "separation of powers" principle, but senior managers from various business specialties who

Worker and consumer candidates publish a brief biography and a description of their priorities for the company, and these are printed in a single document that is distributed to members of the GA [General Assembly] to help inform their vote.

are not on the MC can and regularly are elected. At times, frontline worker-members are also elected, though frontline workers tend to make their views known through the Social Council (which we will discuss later). Eroski members say they want people on the GC with business knowledge, that they have a lot at stake on the GC, the very survival of the business, and that the people on the GC need to be experts in different aspects of the business.

Consumer-members of the GC are also usually upper-mid-to-upper-level managers and, over the last several years or more, all have belonged to other co-ops in the Mondragon group. In earlier periods, consumer-members of the GC were often Eroski customers with a strong commitment to the co-op and a special interest in representing consumers' perspectives in governance decision-making. Others were business managers from the region who offered business knowledge but who did not have experience in cooperatives. Over the years, the former figure – the committed consumer – appeared less and less

frequently among consumer-member candidates for the GC (representation of consumers' views was taken up by a body, the Consumers Committees/Council, as discussed below.) Further, Eroski found that the latter figure – the local business person – took a substantial amount of time to understand, or simply did not come to understand well, cooperative priorities and practices and, as a result, was frequently not able to make consistently valuable contributions to the GC's work.

Under these circumstances, over the last ten years at least, Eroski has made a concerted effort to search for potential nominees for GC elections, educate them about Eroski and the GC role in Eroski's circumstances, and assure a slate of consumer-member candidates that includes several people with substantial cooperative management and/or governance experience. Eroski staff believe that this approach has contributed substantially to the quality and efficiency of GC discussion and decision making. Consumer-members of the GC with this profile both appreciate the cooperative difference in business policy and practice and also contribute extensive and varied management and governance competence. Eroski managers and worker-members on the GC view these qualities as very helpful for effectively governing a large, complex company in pursuit of cooperative business goals.

GC members report that the relationship among worker- and consumer-members on the GC is generally close and collaborative. Disagreements are aired freely and discussed openly and are almost never

rancorous. Members tend to discuss and debate with respect for each other's knowledge and experience.

GC [Governing Council] members report that the relationship among worker- and consumer-members on the GC is generally close and collaborative.

Decisions are made almost

exclusively by consent (and ultimately, of course, by formal vote), as different views are considered and re-considered, and the content of possible decisions is modified, until significant majorities agree and remaining minorities, who might not fully agree, feel their views have been seriously considered and they consent.

Some outside observers wonder if the constructive, collaborative style that characterizes the GC is largely or even mostly due to the fact that, in the last decade or so, both its worker- and consumer-members have almost all been managers, co-op managers, but nonetheless managers. Eroski staff and GC members insist that this is not the case. GC

members disagree on many issues and engage in real debate, but their perceptions of each other's long trajectories in the Mondragon group have tended to create a climate that is constructive, where participants are keenly aware of the need to act quickly and as effectively as possible and to avoid endless defenses of opposing points of view. As mentioned, frontline worker-members have occasionally been elected to the GC and have reported feeling that their views are respected. They generally have not defended positions, in a forceful way, on technical or business issues about which they have little knowledge, and they have not been pressured to do so by others on the GC. GC members and observers further argue that the current President, who has served two terms, has a leadership style that is very much oriented to creating a positive, collaborative atmosphere and promoting consent-based decisions. The combination of an educational and recruiting strategy for GC members, their extensive experience, and this constructive, collaborative leadership style seems to have created the current, apparently effective Governing Council.

We should also point out that GC members receive no compensation for their governance work.¹⁶ A portion of the GC's consumer-members are released from their regular jobs in their home co-ops for a modest number of hours per

The combination of an educational and recruiting strategy for GC members, their extensive experience, and this constructive, collaborative leadership style seems to have created the current, apparently effective Governing Council.

month to focus on Eroski GC work, but others do not request a release and simply make the time outside their regular jobs. Worker-members on the GC do not receive release time; their GC work is in addition to their day-to-day job. There has been some debate in the Mondragon group overall in the last several years about whether co-ops should grant more release time for GC members to carry out their governance work and/or whether they should receive compensation for it. Generally, Mondragon co-ops appear opposed to these ideas. In Eroski's case, GC staff and managers strongly believe that measures such as these would create material incentives for people to serve on the GC and seek multiple terms and that these would detract from the independent quality of GC members' contributions.

¹⁶ This work consists of one meeting of several hours per month, plus some hours of reading and discussion pre- and post-meeting. Whether the figure is eight, ten or twenty hours varies widely from person to person and the complexity of the issues being addressed at any given time.

The third joint governance body is called the Appeals Committee (AC). Five people serve terms of two years on this committee. Three of them are worker-members and two are consumer-members. They are elected by the General Assembly and part of the AC's membership is renewed each year. The Committee's remit is to hear and resolve formal requests by any member to challenge a particular Governing Council decision or to address a perceived oversight or misapplication of a section of the cooperative's by-laws. AC meetings are also attended by the GC President, the SC President, the Director of People Management and/or the Director of the relevant Business Unit. These attendees have voice but not vote on the resolution of AC decisions. The body is clearly important, but it is not flooded with activity. It generally meets three to five times per year and most of the cases it hears are about disciplinary decisions.

The Watchdog & Audit Committee (WAC) is the last of the four bodies shared by worker- and consumer-members. It is made up of two consumer-members and one worker-member, elected by the General Assembly, who serve two-year terms and also may be re-elected. Its job is to guarantee that Eroski's major decisions, as well as the workings of its GA and GC, meet all legal requirements, and to propose corrective action if need be. The WAC supervises all co-op election processes. It also attends the company's Audit & Compliance Committee meetings and assures the completeness and accuracy of its financial statements. This last function, though still formally recognized, has diminished in importance in recent decades since expert, third-party audits became legally required.

We turn next to the "dedicated" governance bodies we mentioned before, two exclusively for worker-members and one exclusively for consumer-members. First, we take up the structures that exist for worker-members, the Social Council (SC) and the Delegate Committees (DC). The Social Council as a body is not particular to Eroski. Social Councils exist in all Mondragon co-ops and they consist of worker-members elected not at-large, as for the GC, but rather by work area. Social Councils address local worker-member concerns that arise in particular work environments or for particular kinds of workers and, further, they are responsible for communication among worker-members, in particular frontline workers and mid-level staff, and the GC and management. Non-member workers can attend and participate in SC representatives' meetings with work-area constituents, but they cannot vote for SC members.

Eroski's Social Council's focus is very similar, but its election procedures are different, given the company's size relative to other co-ops in Mondragon, and given the highly varied numbers of worker-members in the different categories of work done at the firm (in retail stores of different sizes, in warehouse/logistics/distribution centers, at the headquarters offices, etc.). In Eroski's case, then, it is the workforce, organized by region, who elects its Social Council members; it is divided into eight geographic areas with roughly equal numbers of worker-members and each area elects two representatives for a total of 16. Voting is done in two rounds. The four or five candidates from each area who receive the most votes in the first round move to the second round and the final two are then elected in the second round. The GC makes recommendations to the work force as they vote, seeking to ensure representation from among the different categories of workers and to reflect the gender ratio of the company's work force. SC members elect one of their number to serve as SC President and another as Vice President and the group meets once a month. The GC President and the senior manager for people management attend a portion of all SC meetings, with voice but not vote, in order to provide and receive information and participate in discussion of key concerns. The SC President also attends GC meetings with voice but not vote.

The relationship between the GC President, the SC President, and also their relationship with the senior manager for people management, is a crucial one for pursuing the company's mission as a multistakeholder cooperative. The company and its elected representatives have become keenly aware of this over the decades and all work to try to facilitate a close, open and collaborative relationship. It is rarely confrontational. The GC is very sensitive to SC opinions and proposals. Eroski staff who have been with the co-op for over 30 years cannot recall an instance where the GC rejected an SC proposal outright. SC proposals are extensively discussed, often prepared collaboratively, and frequently modified as a result, but the culture of the company has always emphasized the importance of the relationship among these three people and they have, with rare exceptions, worked constructively together and in close communication.

Eroski has a second set of governance bodies exclusively for worker-members called Delegate Committees, whose work is closely related to that of the Social Council. They are, in effect, more local Social Councils, but their election procedures are different because the SC is a company-wide body and the DCs are not; they are, as we say, more local. Delegate

Committees are elected by the worker-members (separately from their General Assembly representatives) with one Committee for approximately every 20 stores or other units by local geographic area¹⁷. Each store or unit has monthly meetings where the senior store or unit management person leads a discussion on store- or unit-level issues, as well as on company-level performance. In one of these unit meetings, members also elect their representative(s) for the local Delegate Committee. Each store/unit or grouping of these elects at least one Delegate and larger stores/units have between two and five, elected roughly by work area. The largest units, such as distribution warehouses/platforms can have 10 or more delegates, and the headquarters organization can have approximately 20. On average in Eroski, there is one Delegate for roughly every 35 worker-members.

Delegates serve four-year terms and may be re-elected. Half of the delegates are up for election every two years, as is also the case for other elected bodies. The Delegate Committees meet monthly and two members of the Social Council attend each meeting. SC members do this in a rotating fashion such that all members of the Social Council regularly connect with more than one Delegate Committee. The Committees, like local Social Councils,¹⁸ serve as multi-directional communication and discussion bodies, passing on company information to frontline and mid-level worker-members, discussing it, and taking up members' concerns and questions to assure they are heard by local and regional managers, the full Social Council and, through the Social Council, the Governing Council and the Management Council.¹⁹

The Committees ... serve as multi-directional communication and discussion bodies, passing on company information to frontline and mid-level worker-members, discussing it, and taking up members' concerns and questions to assure they are heard by local and regional managers [and the other governing bodies].

The Delegate Committees tend to address issues of importance to frontline and mid-level worker-members, but they can take up any issue that comes up in the company. Most issues are addressed/resolved in monthly store/unit-level meetings, but others are sent to Delegate Committee sessions to be taken up there. Still broader issues are then addressed

¹⁷ In addition to area stores, the company's logistics/distribution centers as well as the headquarters organization also have Delegate Committees.

¹⁸ Non-member workers can attend and participate in Delegates' meetings with work-area constituents, but they cannot vote for DC members.

¹⁹ This process complements the information and discussion sessions held by managers with the store's/unit's worker-members.

at the level of the company-wide Social Council. As we described before, a member of the senior management team and the GC attend a portion of each Social Council meeting and the results of discussions at these meetings then filter back to the Delegate Committees through the Social Council representatives who attend Delegate Committee meetings, and, in turn, to stores or other units through their reps on Delegate Committees. Worker-members react and the discussion continues as their reactions travel back, if necessary, to the Delegate Committees and the SC. Further, in the months prior to the annual General Assembly or an Extraordinary Assembly, the Committees dedicate a portion of their meetings to preparing for the Assembly. They talk about the proposed agenda for the Assembly, the performance of the company for the year relative to its business and strategic plans, key issues that are on the table or that have arisen, and the governance and management bodies' points of view on these. Strong or widespread opinions communicated in Delegate Committees are, naturally, then taken up by the Social Council as it prepares for the GA. Other larger-scale meetings are also organized for worker- and consumer-members, exclusively to prepare for the General Assembly.

This system overall is generally viewed as effective at transmitting information, helping to secure transparency and representation of frontline and mid-level worker-members' views. Most everyone is aware that the organization is large and geographically dispersed, that communication under these circumstances is almost always imperfect and that different individuals and groups often disagree. Still, worker-members report being generally satisfied with the system and it is seen as contributing to social cohesion at the store level and in the co-op more generally.

That said, full engagement in store-level meetings, in preparation for General Assemblies varies widely from store to store, unit to unit, not

... worker-members report being generally satisfied with the system and it is seen as contributing to social cohesion at the store level and in the co-op more generally.

surprisingly. Many factors come into play, needless to say, factors cooperators are familiar with: leadership style, work atmosphere and the existence of store-level conflict, trust, expectations, meeting management/facilitation skills, size of the unit, the perceived importance of the issues at hand, and others.

We consider now the consumer-members. They have their own governance body, or set of bodies, called Consumers Committees (CCs). The CCs are established as committees at the

local level and they then send representatives to regional level committees and, ultimately, to a company-level Consumers Council. Selection of representatives for these bodies is separate from selection for consumer-members' GA reps. About six weeks before the annual General Assembly meeting, the company organizes a preparatory meeting. Eroski staff from People Management present and offer up for discussion the same kinds of information presented to the Delegate Committees as they prepare for the GA (company performance, key issues, etc.)

The importance of these committees/councils has declined substantially over the last 12-15 years, however, and consumer-member engagement has become fairly low. Now only a handful of Consumer Committees continue to be active, though Eroski has well over a million consumer-members. The company has made several attempts to reinvigorate consumer-member participation over the last decade, but without significant success and Eroski's financial situation has made

it difficult to dedicate sufficient resources to developing and executing major reforms to promote broad participation from consumer-members. Efforts have been fairly modest to date. The cooperative is certainly aware of the issue and, as it continues on the road to full post-pandemic recovery, its debt-service obligations diminish, and greater funds become available, interviewees report that a serious, participatory diagnosis and planning process to address consumer-member engagement will be undertaken.

The company has made several attempts to reinvigorate consumer-member participation over the last decade, but without significant success and Eroski's financial situation has made it difficult to dedicate sufficient resources to developing and executing major reforms to promote broad participation from consumer-members.

Whatever challenges Eroski might face, the co-op has long sought to strengthen membership awareness of governance issues and encourage involvement in both the worker- and consumer-member governance bodies. Among other member services, Eroski has for many years had a full-time Coordinator of Member Mobilization and Governance

Whatever challenges Eroski might face, the co-op has long sought to strengthen membership awareness of governance issues and encourage involvement in both the worker- and consumer-member governance bodies.

Support and an Assistant Coordinator. In the words of the Coordinator herself, this office's work concerns, straightforwardly, "how to mobilize the members so that they participate in governance bodies... how to make governance as active as possible". The office collaborates closely with governance bodies, particularly with the Social Council and Delegate Committees, working with their leadership to provide and help interpret governance-related information from week to week, to assist with preparation of meetings, coordination among these bodies and others, communication with the broader membership and to manage the publication of candidate information as well as the various election processes.

The office focuses mainly on the Social Council and Delegate Committees on the worker-member side, but, recently, support for the Consumer Committees has been incorporated into its responsibilities. The Coordinator sees membership engagement as crucial to the functioning of the company and to fulfilling cooperative values. It is always a challenge in our present economy and culture, especially on the consumer side, but, she believes, despite the uphill struggle, pitfalls and quandaries, member engagement efforts are basic to cooperative enterprise. If a firm that calls itself a co-op does not invest energy and resources (and "sincerity") into

membership engagement, it ceases to be an authentic cooperative. It is a process like many others in an organization. It is ongoing and needs to be managed, invested in, innovated and re-invented.

If a firm that calls itself a co-op does not invest energy and resources (and "sincerity") into membership engagement, it ceases to be an authentic cooperative. It is a process like many others in an organization. It is ongoing and needs to be managed, invested in, innovated and re-invented.

Conclusion

Eroski is a distinctive multistakeholder cooperative. There are a good number of large consumer cooperatives in the supermarket sector in several countries, as large or larger than Eroski, but, to date, none have formally incorporated workers into governance bodies, providing a specific category of membership for them – the people who do the day-to-day work of the firm. Though serious debate about this issue took place in Eroski when the decision to make the change was made some 40 years ago, it was almost inevitable in the context of the Mondragon group, dominated as it is by worker cooperatives and thus having working people at the center of its philosophy.

Eroski started as an effort to cooperativize a basic economic activity – retail food – in line with Arizmendiarieta's and his followers' basic strategy on the creation of co-ops in the 1950s and 1960s. They sought to cooperativize essential sectors and to ensure the co-ops had competent management. Mondragon got Eroski on solid footing and Eroski then proceeded to modernize the supermarket sector in the Basque Country over the next 20–30 years. Times changed and the economy changed, however. By the late 1980s, Eroski had to focus on growth and innovation in order to compete on cost and quality with the giant European chains that had swooped into the Spanish market. This competitive dynamic and the challenges it poses have characterized Eroski's business environment and its strategy since then.

The co-op's multistakeholder governance bodies have evolved to try to adapt to changing business and social conditions, in particular ensuring that consumer-members on its Governing Council

The co-op's multistakeholder governance bodies have evolved to try to adapt to changing business and social conditions, in particular ensuring that consumer-members on its Governing Council had both business and cooperative expertise.

had both business and cooperative expertise. It found that weathering severe economic crises successfully was in large part due to its special multistakeholder nature, that it was vital to have worker-members, a membership group who lived the crises in their daily work and largely internalized the sacrifices that needed to be made. This process, of course, has not been simple or without serious internal debate, and on the consumer side the membership still needs substantial revitalization. Eroski knows that membership engagement, from both workers and consumers, will be what makes the cooperative difference. Worker-members involved in these efforts claimed that it is a good challenge to have, a "pretty" one even, one that will strengthen the company by building out from its cooperative core.

Appendix – Links to videos discussing Mondragon’s Ten Basic Principles and conclusion

Humanitate eta Hezkuntza Zientzien Fakultatea. (2023, December 12). *0- Principles Coop INTRO* [Video]. YouTube. <https://youtu.be/W7OshSHC2j8>

Humanitate eta Hezkuntza Zientzien Fakultatea. (2023, December 12). *1-First Principle Coop* [Video]. YouTube. <https://youtu.be/WT3l6uSL6ow>

Humanitate eta Hezkuntza Zientzien Fakultatea. (2023, December 13). *2- Second Principle Coop* [Video]. YouTube. https://youtu.be/Rt_5azvQoks

Humanitate eta Hezkuntza Zientzien Fakultatea. (2023, December 13). *3- Third Principle Coop* [Video]. YouTube. <https://youtu.be/quJnnwYqicY>

Humanitate eta Hezkuntza Zientzien Fakultatea. (2023, December 13). *4- Fourth Principle Coop* [Video]. YouTube. <https://youtu.be/CWrRJqbFF3s>

Humanitate eta Hezkuntza Zientzien Fakultatea. (2023, December 13). *5- Fifth Principle Coop* [Video]. YouTube. <https://youtu.be/hum511-hrXg>

Humanitate eta Hezkuntza Zientzien Fakultatea. (2023, December 13). *6- Sixth Principle Coop* [Video]. YouTube. https://youtu.be/kaExGMxPM_o

Humanitate eta Hezkuntza Zientzien Fakultatea. (2023, December 13). *7- Seventh Principle Coop* [Video]. YouTube. <https://youtu.be/lwBnhMbbkKk>

Humanitate eta Hezkuntza Zientzien Fakultatea. (2023, December 13). *8- Eighth Principle Coop* [Video]. YouTube. https://youtu.be/gkHwml_C7RM

Humanitate eta Hezkuntza Zientzien Fakultatea. (2023, December 14). *9- Ninth Principle Coop* [Video]. YouTube. <https://youtu.be/OdUHGELv2Dg>

Humanitate eta Hezkuntza Zientzien Fakultatea. (2023, December 14). *10- Tenth Principle Coop* [Video]. YouTube. https://youtu.be/Mu7CoBn5_qM

Humanitate eta Hezkuntza Zientzien Fakultatea. (2023, December 14). *Principles Coop CONCLUSION* [Video]. YouTube. <https://youtu.be/R8W1kFEZ1XY>