

Toward a more ethical inclusive-participatory company model



Introduction

The document presented below provides a joint summary of a Non-binding Proposal and a Motion passed unanimously in 2018 by the Parliaments of the Basque Country and Navarre, respectively, with the original texts also being attached.

Both these proposals have been informed by the work of sundry seminars, held internally by “Arizmendiarieta Kristau Fundazioa” Foundation, and by the Association of Friends of Arizmendiarieta, which was attended on an individual and unofficial basis by people from different political persuasions, labour organisations, and business associations in the Basque Country and Navarre.

Those attending these seminars fully agreed on the common ground they share on the following approaches toward business operations:

- *Respect for human dignity for all.*
- *Pursuit of the common good, which involves prioritising the collective project over the interests of individual stakeholders (employees, shareholders...).*
- *Accept that the overriding goal is not to obtain the highest short-term profits but instead to strike a balance to satisfy the members of different stakeholder groups.*
- *Promote employees’ involvement in management, earnings and ownership.*
- *Apply criteria of internal solidarity across all stakeholders.*
- *Uphold policies of solidarity within the surrounding community.*

The specific business policies informing the inclusive and participatory model are rooted in the legacy of the priest José María Arizmendiarieta, founder of the Mondragón Cooperative Experience. Among other major attributes, he is responsible for the approach to work adopted by the companies in that group, which today provides employment for more than 80,000 people all over the world.

The following is a summary of the documents passed by both parliaments:

1. Rationale

1.1. General considerations.

In recent years, **two major factors have altered the competitive scenario of companies** in the Basque Country, Navarre and, in general, throughout the world, namely, **the rapid progress made in scientific discoveries and their technical applications and the globalisation of the economic processes** of production, distribution, financing and consumption. These pose new challenges for both companies and countries, especially for those that cannot compete in terms of costs, and are therefore more exposed to processes of business delocalisation.

The outcome of this rapid technical development **has been a radical change in the part people play in companies:** there has been a decrease in the importance of the contribution made by physical strength, which has been replaced by machinery, with the key focus now being on the management of knowledge and innovation, which reside in people.

Individuals therefore have a crucial role to play in the success and competitiveness of all kinds of undertakings. They contribute their intelligence, expertise, creativity, empathy and capacity for teamwork. This is, accordingly, a factor of the utmost importance from a business perspective that needs to be nurtured, motivated, enhanced... to ensure the success of any particular activity.

This situation therefore **creates an opportunity to put individuals and teams at the heart of the business and its management**, both for humanistic reasons and for driving efficiency and competitiveness.

For its part, the globalisation process also poses new challenges for companies and countries. Those countries that cannot compete in terms of costs have to look for other competitive aspects, based on continuous quality improvement and on new value propositions for their customers, thereby reinforcing individuals' aforementioned importance. **There is a need, therefore, for an inclusive-participatory model that facilitates and bolsters the engagement of all stakeholders in a shared business project.**

The following are some considerations on the necessary changes to be made regarding the current state of many companies:

1. **The change should be built on trust, based on transparent, accurate and systematic information** and on a management model that fosters participation in everyday work.
2. **The change in companies needs to be real and not cosmetic**, which involves adapting the traditional model of relations between employers and employees and reformulating both the power relationships within a company and the distribution of the wealth it creates.

3. **The new competitive scenario means the creation of wealth and the sustainability of business projects depend on innovation and the responsibility of the people that make this possible.** There is therefore a need to ensure employees are paid a decent wage, receive training, engage with the business project, find satisfaction in their jobs, and encounter the social cohesion that facilitates teamwork, while being treated fairly in terms of gender, with a focus on the reconciliation of work and family life...
4. **The change should also include a broader understanding of corporate objectives that goes beyond the pursuit of the highest short- term profits.** A company should therefore be seen as an organisation that seeks a balanced approach to myriad interests, embracing ecological issues, Human Rights...
5. **Everyone is responsible for the change, albeit especially so, and to a greater extent, those in positions of power within the company,** with stress being placed on the importance of the example set by employers and managers and the evolution of the cultural change toward teamwork, honesty in relationships, and receptiveness toward the changes required for the company's sustainability.
6. **Without forgetting that the new model proposed is not possible with insufficient wages, job insecurity...,** a situation that applies above all to certain employees in the services sector, as a proper wage is deemed essential for a decent standard of living and for gaining the commitment to engage in any project.
7. **The change should be supported by the authorities and by society at large.**
The authorities have a key role to play by stimulating the reinvestment of a significant part of the profits made, as well as for driving research and development and the sustainability of our companies.
8. **Business are not immune to the social issues affecting the local environment and which should preferably be addressed through public-private cooperation.**
The expected asynchrony between the training required by technological developments, on the one hand, and the employees' actual skillsets, on the other, may constitute a paradigmatic case, like the existence of disadvantaged groups.

In view of this, broad groups of employees, managers and labour delegates coincide on the **convenience of advancing toward a New Business Model** based on seeking the conflation of the following potentialities:

- **A humanist company model that provides the same assurance of human dignity for all the men and women** involved in the business project, and which seeks to foster quality employment, shared management and greater balance in the share of wealth with a view to building a society that is more democratic, more stable, and less conflictive.

- **An advanced company model that reinforces and draws upon the expertise, competencies and capabilities of the individuals involved** (including affective, relational and creative attributes, among others).
- **A Basque/Navarre company model;** in other words, an organisation whose design and operations consider the strengths and weaknesses of its employees' culture. It should also value their specific experiences, and furthermore be open to the backing of the public institutions involved, within the scope of their current mandates.

In short, experience shows there is a need to foment engagement for **the generation of the right environmental conditions by the public institutions and social and labour partners** in the sense of orchestrating a corporate-productive model in which social, economic and environmental sustainability and the common good prevail over individual interests.

Yet the move toward this inclusive-participatory model is not just a matter of legislation, nor is it automatic: **it requires managing and working on the business culture to change the model.** This calls for the commitment of top management in companies, as the culture is conveyed by them setting an example in everyday work through conduct that is consistent with the values they predicate.

It therefore relies on the initiative of the manager or employer responsible for initiating the change, although the effective implementation of a participatory model **will require garnering the support of the company's workforce and the interest of labour organisations,** making the most of the rights to information and consultation vested in Workers' Committees pursuant to article 64 of Spain's Workers' Statute and its secondary legislation.

1.2. Characteristics of the Basque/Navarre inclusive-participatory company model.

A specific proposal has been put forward within this framework, which **does not seek to deny the existence of different interests between capital and labour,** nor to aspire to any form of exclusivity, but instead looks for new ways of **channelling that conflict through the engagement** of a company's employees.

It is based on the consideration of the **major contribution business can make to the Common Good,** with what this means for the creation of wealth and employment.

It is not a rigid or definitive model. It can therefore be adopted in a modular and partial manner, and not necessarily in full.

As noted, its implementation needs to be **marshalled by employers, albeit with the support of workers' delegates** and the public institutions, as well as all the other social partners (universities, training centres...).

The new model rests on the following specific policies and pillars:

Pillar 1: Modify a company's management practices and culture, basing them on trust, transparency and cooperation for its competitiveness and sustainability.

This will be embodied in the following:

- a) **Create a climate of trust through a policy of information transparency**, regularly informing employees about the company's main variables and policies, with the obvious exception of those that may be strictly confidential.
- b) **Implement an organisational model and participative management** to overcome Taylorism and foster employees' involvement with a view also to furthering innovation and business sustainability.
- c) **Programme and develop systematic training plans** that cater for both technical and management training. For example, a target could be one- week's training per person and year, with this applying to at least 80% of the workforce each year.
- d) **Roll out wage policies that do not create serious inequality and instead favour social cohesion.** A useful guideline could be a salary scale with a ratio of no more than 1:6 for SMEs, with the recommendation therefore being for remuneration to include some share of the company's earnings that can be extended to the entire workforce.
- e) **Introduce regular assessment and continuous improvement systems for employee satisfaction and the fulfilment of their needs.** An example of this might be to hold a systematic satisfaction survey every two years.
- f) **Prioritise (although not exclusively) internal promotion for assigning duties of greater responsibility** and use objective criteria for assessing merit and the contribution an individual may make when choosing between the different candidates.
- g) **Ensure equal pay between men and women.**
- h) **Seek formulas that favour the reconciliation** of work and family life for everyone without compromising business development.

Pillar 2: Draw up a common project among the company's employers, managers and employees, providing long-term benefits across the board and in which priority is given to the sustainability of the collective project over and above any one of these specific groups.

This will be embodied in the following:

- a) **Develop balanced incentives for shareholders and employees at the same time**, with the joint goal being to improve both the return on investment for the former and the latter's overall wage packet.

- b) **Earmark at least 50% of annual earnings for increasing the company's equity,** thereby providing for investment in hardware and R&D&i activities, and therefore the company's development and sustainability.
- c) **Allocate a percentage of turnover to R&D&i activities that exceeds the industry average.**

Pillar 3: Take steps to overcome the dynamics of confrontation between capital and labour by engaging employees in management, earnings and ownership.

In all cases accepting that these three ambits may be addressed in partial and separate ways or as one, their pursuit will lead to the following:

- a) **Introduce participative management systems, with suitable tools and procedures,** which bring about innovation and organisational changes. This will lead to shared responsibility for the business project's significant decisions that will involve both the executive and representative lines. **It will include talks with employees' delegates over those decisions of greater import for the company** that do not need to be treated confidentially.
- b) **Incorporate one or more employee delegates in the company's decision-making and governing bodies,** with the recommendation being that, apart from in exceptional cases, those delegates are not members of the Workers' Committee.
- c) **Pave the way for collective access to a share in the company's capital,** looking for financing arrangements and suitable timeframes for its effective implementation. This could involve either monetary contributions paid by those employees that voluntarily join a scheme open to everyone or contributions made by the company itself, as a share in the earnings forthcoming from the collective wage bargaining agreement.
- d) **Support from the company for employees to gain a share of its capital,** financially supplementing their access to ownership, with a pre-set limit.
- e) **Consider the development of a mediation committee** for resolving internal conflicts, with the possibility of extending its mandate to conflicts with suppliers, customers, environmental issues, the local community, etc.

Pillar 4: Awareness of the social impact of business operations and involvement in some of the social issues in the community.

The aim would be to gain a specific understanding of the social impact of the measures taken at business level and, insofar as possible, take part in their solution.

This would involve the following actions:

- a) **Observe a policy of tax compliance, avoiding fraud and tax evasion**, as well as the use of tax havens, whereby there is no erosion of the public funds required for tackling the economic and social challenges the Basque Country and Navarre are facing.
- b) **Take part in the discussion, assessment and, as appropriate, implementation of corporate policies for the employment of less qualified workers that may be “excluded”** from productive processes because of the impact of new technologies or their personal circumstances.
- c) **Liaise with the corresponding public bodies for the ongoing adjustment of occupational training, lifelong training and higher education to business needs**, introducing dual training plans, in-company placements, and appropriate service and learning schemes; in short, maintaining a permanent dialogue between the business and educational worlds to build a common project.
- d) **Allocate 1%-3% of the company’s earnings to help resolve social issues**, cooperation for development, collaborating with higher education in matters related to the company’s corporate purpose, etc., assessing employees’ engagement in projects and doing so jointly with the Workers’ Committee.
- e) **Encourage intrapreneurship and an in-house culture that stimulates business vocations** among the company’s employees and management, enabling them to generate new projects that create wealth and jobs for the community.

2. Draft resolution

To advance toward this model, and also as **a way of reinforcing regional ties and the continuity of companies** in the Basque Country and Navarre, helping to resolve any issues of succession they may encounter, the two parliaments, in both cases by unanimous agreement of all the parliamentary groups, agree as follows.

Urge the respective Basque and Navarre governments to **draw up an action plan for promoting an inclusive-participatory company model**, for its debate in this and forthcoming legislative terms in which, among others, the following policies are to be considered:

- a) **Support the dissemination and implementation of participative management systems that reflect the inclusive-participatory model**, extending them to the definition and application of Best Practices in internal reporting policies in companies in the Basque Country and Navarre, the definition of objectives, the choice of indicators..., which are considered essential for the proposed change.
- b) Likewise, stimulate the **implementation of systems for involving employees in a company's earnings**, helping to identify the most successful mechanisms at both local and European level.
- c) **Facilitate employees' access to a company's capital by providing funds that are proportional to each employee's contribution**, with a set limit.
- d) **Identify Best Practices in other countries regarding those fiscal policies** that help to drive employees' share in ownership by studying, among other measures, the possibility that employees' contributions to the capital of the company in which they are working have the same tax treatment as the contributions they make to pension or welfare plans.
- e) **Study the necessary legal formulas and, as appropriate, the drafting of a law that improves current legislation**, and/or design a particular legal mechanism that better suits the requirements of sharing power and earnings according to the specific criteria established by the employees involved.
- f) **Create a Register of Investee Companies, which may help to provide legal certainty** for the measures arbitrated in their promotion, and which can record those with a share of capital that exceeds the minimum level established, and which likewise meet any other terms and conditions that may be laid down.
- g) **Collaborate on the design of the assessment model for the implementation of the inclusive-participatory model**, with a checklist that helps companies to identify the progress made.
- h) **Cooperate in awareness campaigns** targeting employers and employees that foment the proposed inclusive-participatory model.
- i) **Honour those companies that stand out in the model's implementation** by arranging some kind of suitable award or acknowledgement.
- j) **Arrange training aspects in business management, strategy... targeting members of Workers' Committees, labour delegates, full-time union representatives... both separately and in tandem with the companies involved.**

- k) **Budget the necessary funds** for the model's dissemination and the execution of the specific action plans.
- l) **Any others that may be applicable to the model.**
- m) Call upon the Work Committee in both parliaments to conduct an **annual monitoring of compliance with the recommendations approved.**

Bilbao, 10.11.18