

# PRODUCTIVE PRAGMATISM: Industrial democracy under neoliberal capitalist conditions<sup>1</sup>

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**Abstract:** This essay presents two case examples of the context and practices of industrial democracy: Norwegian industrial democracy exemplified with the Aker case and the Mondragon Cooperative Experience (a term Mondragon often uses to describe its whole structure and history). The comparison illustrates the necessity of combining general systems theory, the distinction between political and socio-technical participation, and the role of ethos, worldview, and heedfulness in understanding how these enterprises operate and manage ongoing challenges. Our central motive is to promote the expansion of organizational democracy within the global industrial system as a superior and more humane alternative to global neoliberal capitalism. These are not simple comparisons because these systems have different histories, contexts, and dynamics. In making the comparison, we show that the constant process of balancing and rebalancing political and socio-technical participation is a key dynamic in keeping such democratic systems viable. We also show that enterprise ethos and worldview, far from being an add-on or a “soft” dimension, is the bedrock on which such systems rely. After making this general presentation, we put these systems in motion to show how they address the challenges of downsizing and strategic planning. Downsizing and strategic planning show both systems’ ability to face unexpected events and effectively cope with their potential consequences. We conclude that the differences between the cases show there is no one right way to create democratic organizations, but that paths exist and remain open for many different versions of these more humane and successful industrial organizations so necessary for creating sustainable societies.

**Keywords:** productive pragmatism, industrial democracy, worker cooperativism, Aker Solutions, Mondragon.

## **Pragmatismo productivo: La democracia industrial frente a las condiciones del capitalismo neoliberal**

**Resumen:** Este ensayo presenta dos estudios de caso sobre el contexto y las prácticas de la democracia industrial: la democracia industrial noruega ejemplificada con el caso Aker y la Experiencia Cooperativa de Mondragon (un término que Mondragon usa a menudo para describir toda su estructura e historia). La comparación ilustra la necesidad de combinar la teoría de sistemas, la distinción entre participación política y sociotécnica, y el papel del *ethos*, la visión del mundo (*worldview*) y la atención consciente (*heedfulness*) en la comprensión de cómo estas empresas operan y manejan los desafíos actuales. Nuestro motivo central es promover la expansión de la democracia organizacional dentro del sistema industrial global como una alternativa superior y más humana al capitalismo neoliberal global. La comparación

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entre ambos casos no es sencilla; estos sistemas tienen diferentes historias, contextos y dinámicas. Al hacer la comparación, mostramos que el proceso constante para equilibrar y reequilibrar la participación política y sociotécnica es clave para mantener su viabilidad. También mostramos que el *ethos* empresarial y la visión del mundo (*worldview*), lejos de ser un complemento o una dimensión “suave”, son los pilares sobre los que se fundamentan dichos sistemas. Después de hacer esta presentación general, mostramos como ambos sistemas abordan los desafíos de la planificación estratégica y la reducción de personal. En ambos casos queda en evidencia la capacidad de ambos sistemas para enfrentar eventos inesperados y hacer frente de manera efectiva a sus posibles consecuencias. Concluimos que las diferencias entre los casos muestran que no existe una forma correcta de crear organizaciones democráticas, pero que existen caminos que permanecen abiertos para el desarrollo de diversas formas de organizaciones industriales exitosas y más humanas, tan necesarias para crear sociedades sostenibles.

**Palabras clave:** pragmatismo productivo, democracia industrial, cooperativas de trabajo asociado, Aker Solutions, Mondragon

## 1. Introduction

Questions about power, participation and legitimacy are always key in organizations within global industrial capitalism. From an industrial democracy perspective, underlying conflicts of interest between capital and labor cannot be abolished or nullified. They are forces to cope with or even to utilize to promote better alternative systems. The economist J. K. Galbraith wrote about the way a balance of power between strong industry/capital, trade unions and the state prevented any one of the actors from accumulating too much power (Galbraith, 1952). Industrial democracy is built on this principle, both as a model and as a practice. It is, however, based on more than the idea of curbing capital. A key premise is that the production process and economic outcomes benefit from working conditions that are sustainable and positively challenging for all employees, including participation in innovation and broader restructuring processes within an agreed-on framework.

This essay builds a comparison of industrial democracy as practiced in Norway and in the Mondragon cooperatives. These are dissimilar systems and operate on different scales, making the comparisons challenging. Despite the differences, these systems are similar in key ways when their underlying dynamics are examined. The Norwegian system is based on a long-standing national structure of laws and partnership agreements among unions, employers, and the government. The Mondragon system, despite its now extensive international reach, is based on a regional network of worker cooperatives located in the Spanish Basque Country and is an important but not dominant part of that regional economy. Both systems are based on democratic principles and provide significant openings for labor to adjust its relations to capital, but they are very differently anchored and structured. The following comparative analysis does not ignore these differences but seeks to analyze the overall system dynamics that enable both cases to function and sustain themselves. In this way, we want to promote the consideration of still other future contexts and designs for industrial democracies

that can survive and even prosper in the current global system, without ignoring the diversity of situations and possibilities in which such systems can exist.

We affirm that key to the analysis is understanding the complex balancing act between political participation and socio-technical participation in both systems. Following Abrahamsson (1977), political participation refers to involvement in high-level goal setting and long-term planning within the company. Socio-technical participation, on the other hand, refers to ‘involvement in the organization’s production’ systems<sup>2</sup>. This balance between the social and the political is always at risk and yet must be maintained. To contextualize this, we argue there is no one ideal formula for creating industrial democratic systems. Rather there are a set of system conditions that must be met in any attempt to move in this direction.

The analysis matters because it underlines the relevance of a participatory/democratic approach to corporate governance in the face of contemporary global challenges. Like any other open system, enterprises and organizations are constantly having to deal with changes and heterogeneity in their environments, and must adapt successfully to survive or to flourish. The comparison between the Norwegian system and the Mondragon system reveals how their successful adaptations to a dynamic and variable environment have relied on ongoing and developmental processes in both realms of political participation and socio-technical participation. The comparison also reveals that adaptation and change critically depend on the capacity of organizations to (re-)interpret and deepen their own ethos and worldviews.

Through more than two years of dialogues and comparative analyses, we have developed this comparative perspective<sup>3</sup>. We are motivated by the aim both to understand and to improve the functioning of both cases and to draw lessons for other possible industrial democratic efforts elsewhere. We found that focusing comparatively, without ignoring the significant differences between the cases, has required considerable conceptual clarification, agreement on analytical frameworks, and then the actual work of laying out the comparisons and responding to the similarities and differences. In the end, our underlying goal is the improved functioning of both systems, assisted by learning broader lessons from the comparative analysis. Given the richness of our own learning experience in this collaboration, we aim for this analytical approach to encourage future developments of diverse industrial democratic systems and to foster productive comparative analyses of such systems.

In what follows, we introduce the basic concepts and analytical frames employed to structure the comparison. These include general systems theory, Clifford Geertz’s definitions

- 2 Abrahamsson (1977) takes participation to mean involvement of employees in company decision-making. Political participation means involvement in high-level goal setting and long-term planning within the company. It means that employees, through some form of selection process, are represented in consultations and decisions about strategic path choices for the entire company or business. Political participation can as well give employees a right to hold organizational executives to account. Socio-technical participation, on the other side, means ‘involvement in the organization’s production’ systems. Socio-technical participation extends the employees’ involvement into the daily value-creation processes giving rise to the firm’s products. While it may involve the implementation of decisions made at a higher level, it also involves improvements and changes in the production organization, the way to operate, job enhancements, safety, etc.
- 3 The authors of this chapter all practice action research and this is directly relevant to our perspective. One reason that Action Research is exiled from the conventional university social sciences and humanities is that it is based on general systems theory (GST) and does not respect the artificial disciplinary boundaries so abundant and actively defended in academia. Action Research affirms that nothing human can be understood outside of its systems context and that the only way to demonstrate understanding that systems context is by acting on it deliberately to try to produce a desired and socially solidary outcome. AR offends the siloed social sciences and humanities and demands that academic inquiry, driven by prosocial values, be directly developed in real world contexts with the diverse and relevant stakeholders as part of a complex process of gathering and integrating diverse understandings, knowledge, and experience into better functioning groups.