

Commonalities of the Mondragon Corproacion Cooperativa Spain, the Grameen Bank of Bangladesh, the Evangeline Cooperatives, and the Big Carrot cooperative social ventures of Canada

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Received: 15 August 2011

Available Online: 10 September 2011

Revised: 6 September 2011

DOI: 10.5861/ijrsm.2012.v1i1.17

Accepted: 8 September 2011



ISSN: 2243-7770

Online ISSN: 2243-7789

OPEN ACCESS

Abstract

The main objective of this is paper to compare and contrast the Evangeline Cooperatives in Canada, the Big Carrot in Toronto, the Mondragon in Spain, and the group based microcredit Grameen Bank in Bangladesh through the lens of the cooperative movement in Canada, Spain, and Bangladesh. Results show that the idea of corporate responsibility can be shifted by a cooperative movement and become the heart of its value system. While, new social stock markets with social enterprise cooperatives can accelerate investment in social enterprise cooperatives to promote employment, sustainable development and to reduce poverty.

Keywords: Micro-credit; cooperative; Mondragon; social enterprise; social venture; Big Carrot; Grameen Bank

Acronyms: Arctic Co-operatives Limited (ACL), Bangladesh Rural Development Board (BRDB), Grameen Bank (GB), Mondragon Corproacion Cooperativa (MCC), Profit-Making-Businesses (PMB), Social Business Enterprises (SBE)

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1. Introduction

The Evangeline Cooperatives in Maritime Canada, The Big Carrot in Toronto, Mondragon in Spain and The Grameen Bank in Bangladesh are examples of cooperative movements that promote local employment and contribute to local community economic development. They are not charities, rather cooperative social enterprises that follow democratic Decision-making processes, share economic and social missions with local people, and operate without government grants and subsidies. At the same time these groups contribute to local living economies and promote long-term sustainable development in their communities. They are all alternatives to profit-making-businesses (PMB). These organizations have changed the way that business is done in their areas of the world. This paper will look at what they have in common, what makes them work in their settings and how they have been and could be replicated in other areas of the world.

A cooperative is an autonomous association of persons united voluntarily to meet common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise (International Cooperative Alliance, Geneva). Cooperative values are based on the values of self-help, self-responsibility, democracy, equality, solidarity and caring for others. They are an alternative to Market-based individualized capitalism in that they promote community development. These programs have a combination of social and economic objectives. Cooperatives are creative, innovative, productive and aspiring social enterprises that create social purpose and have social return on investment. Childcare centers, funeral services, Acadian Co-operative Enterprises and Eva Print are examples of social enterprises. These groups commonly combine the passion of a social mission with an image of business-like discipline, innovation, and determination (Dees, 1998). For social entrepreneurs, the social mission is explicit and central. The social entrepreneur aims to promote socio-economic local context culture and values (Bornstein & Davis, 2010). Below are discussions about the common features and societal contributions of the Mondragon Corproacion Cooperativa (MCC), the Grameen Bank (GB), the Evangeline Cooperatives, and the Big Carrot cooperative social enterprises.

Mondragon Corproacion Cooperativa (MCC), the Grameen Bank, the Evangeline Cooperatives, and the Big Carrot are all community-based cooperative social enterprises that follow a cooperative model and were initiated by individuals. The initiators of these social enterprise cooperatives combine cooperatives with social collective businesses and emphasize a social mission. Usually these innovative localized social venture cooperatives are successful within their local areas. Father Jimmy Tompkins and Moses Coady initiated the Evangeline Cooperatives, as a part of the Antigonish Movement in Nova Scotia in 1940 (Wilkinson & Quarter, 1996). Don Jose Maria, a priest in Basque, initiated Mondragon through organizing a technical school without government sponsorship in 1956. Now it is call Mondragon Corproacion Cooperativa (MCC), a workers cooperative enterprise. Don Jose Maria's idea considered the collaboration of the labor-union movement, cooperative movement and progressive political movement (MacLeod, 1997). Professor Muhammed Yunus began the Grameen Bank in Bangladesh in 1979 (Yunus, 2003). Nine individuals began the Big Carrot in Toronto in 1984 (Big Carrot, 2011). None of these cooperatives used government funding.

These social enterprises emphasize creating wealth through group effort rather than solely through consumption. This is grounded in the belief that each person is weak, but individuals united as a group become strong; a concept that has been proven through practice (MacLeod 1997). All work in team spirit and believe in human capacities, creativity and need instead of treating human beings as a unit of labor. They have a common goal; to improve the lives of low-income people and a focus on the primacy of community. Their missions are

different from capitalist corporations where the goal is profit for the owners.

Above all, these cooperatives exercise their autonomy and independence in their program operations, have democratic accountability and follow the seven principles of cooperatives which are:

1. voluntary and open membership;
2. democratic member control;
3. member economic participation;
4. autonomy and independence;
5. education, training and information;
6. co-operation among co-operatives; and
7. concern of community (International Co-operative Alliance's; ICA).

Their priority is people where satisfaction of their clients forms a part of the enterprise. For example, Grameen Bank clients are not handout receivers; instead they become economic actors in the community by using micro loans in Bangladesh. The Grameen Bank, the Evangeline Cooperatives, and the Big Carrot all promote agricultural production and agricultural marketing through their programs; however, Mondragon produces and sells non-agricultural products like automobile parts and other industrial products. All of these groups follow social value cooperative principles.

Like Mondragon, the Grameen Bank and Evangeline Cooperatives follows an open admission to members, democratic decision process, sovereignty of people, and self-management policies. They believe in group cooperation. Like Evangeline Cooperatives, the Arctic Cooperatives Limited (ACL) is a service federation of 31 community-based cooperatives in Nunavut, the North West Territories, and Northern Manitoba. This organization is the largest employer of Aboriginal people outside of the Canadian government. They have a commitment to the community and work for the well-being of the local communities. Mondragon and the Big Carrot social enterprise cooperatives share their surplus among workers where the Grameen Bank and the Evangeline Cooperatives share their loss and profits with their members. MCC, the Big Carrot, and the Grameen Bank are social businesses that compete directly with profit making businesses.

2. Mondragon Corproacion Cooperativa (MCC), the Grameen Bank, and the Big Carrot

These cooperatives follow a social business model where a non-loss dividend is distributed to their members and reused for businesses expansion. These social businesses make revenues and profits to repay their investor's and to support the long-term social goals. They are running their businesses in self-sustaining ways. Although MCC, the Big Carrot, the Grameen Bank, and the Evangeline Cooperatives follow community-based social venture principles, some contrast can be found among them. Below is a discussion of the degree of similarity and contrast of the general common features among them.

The Grameen Bank and Mondragon both believe in and use modern technology for development. For example, Mondragon workers' cooperatives use high tech machines in their factories and produce auto parts and other machineries that provide income for Mondragon. Similarly, the Grameen Bank provides cell phones, power tillers, tractors, and oil extruders to its borrowers for use in their income generating businesses. These services have a major impact on individual life and promote collective social and economic values.

Mondragon Corproacion Cooperativa (MCC) and the Big Carrot are more similar than the Grameen Bank and the Evangeline Cooperatives are social businesses cooperatives. MCC and the Big Carrot are both workers cooperatives, but the Grameen Bank and Evangeline are community-based open membership cooperatives. The

Big Carrot borrowed the Mondragon worker-owned co-operative collective model in their wholesome and organic food workers cooperative business. Each cooperative member of these two organizations receives a share of the profits commensurable with the time s/he has worked in these cooperative businesses and factories. Each worker-member is a shareholder and has a right to vote at the annual General Assembly held once a year and approves the operational plan. Their Board of Directors is elected every 2-4 years. Both Mondragon and the Big Carrot present their operational plans to their respective assemblies for approval. A Management Council is the head of the key departments of these two organizations.

Employees' wage disparity is limited in MCC and the Big Carrot workers cooperatives. For example, in Mondragon no one person is allowed to earn more than six times what another person earns. Any profits that remain after salaries and other expenses are then divided up into funds and the members (profit sharing). In the case of The Big Carrot, the wage is 3:1 ratio between the highest and lowest paid. Any profits which remain after salaries and other expenses are then divided up in a typical division: 10% to the Social-Cultural Fund, 20% to the company reserve fund, 70% to the workers, members account. The individual worker receive the share of money in his/her account only upon retirement or when leaving Mondragon (MacLeod, 1997). Such policy is also found at the Big Carrot. For example, any year-end surplus is divided as follows: 10% for the community, 20% for a collective reserve, 70% labor dividends to be divided according to hours worked. The collective reserve is placed in capital accounts and is reinvested in the business (The Big Carrot, 2011). Labor dividends are paid out as cash flow allows. However, one concern is that because cooperatives include the role of members approving other members this can lead to forms of discrimination. In the Big Carrot to be a new member you require 80% members' approval in the General Assembly.

3. Mondragon Corproacion Cooperativa (MCC) and Evangeline Cooperative

Mondragon and Evangeline are both local cooperatives that have a federated cooperative council that coordinates the cooperatives, provides guidelines, and is involved in management decisions. Both cooperatives started with a vision as a social movement to create an alternative to capitalism that would be controlled through communities and a decentralized democratic structure. Mondragon's entire system is unified under one umbrella organization called the *Congress*. Similarly, the Evangeline Cooperatives council; a second tier Evangeline cooperative development, encourages thinking regarding the overall welfare of the Maritime Canadian region (Wilkinson & Quarter, 1996).

Mondragon and Evangeline both have links with credit unions for funding. Credit unions strengthen the ability of the primary organization to provide its service rather than to serve the broader objective of developing the local community. For example, the Evangeline Credit Union provides loans to different cooperatives in Maritime Canada (Wilkinson & Quarter, 1996). The Baie Acadienne Venture Capital Group provides equity financing to new community enterprises. In Mondragon, the role of Caja Laboral Popular (credit union) utilizes local financial resources and invests them in the creation of new enterprises for the development of the Basque region with a social mission (MacLeod, 1997). The Antigonish Movement has had much influence in Maritime communities in forming co-operative credit unions and co-operatives stores. Acadian Co-operative Enterprises formed in 1978 to work on manufacturing and selling local arts and crafts with funding from the Canadian Employment program, but it was not sustained (Wilkinson & Quarter, 1996). Evangeline promotes the local culture, values and community welfare. This political empowerment decentralizes responsibility and empowers people through both ownership and control of economic structures in their community. For example, it follows Antigonish tradition using adult education techniques where kitchen table meetings preserve the Acadian way of life and follow the comprehensive cooperative model through which communities develop and strengthen themselves (Wilkinson & Quarter, 1996).

However, Sally Hacer, a feminist critic of Mondragon points out that generally the men comprises the top tier, while women comprises the bottom tier of the management in MCC. Although these cooperatives are working for the common good of the community, cooperatives have always experienced a threat from social

change. For example, the Evangeline thread is disappearing quickly and has been taken over by pragmatism. Many of its cooperatives are management run and far from the ideal of an active membership who participates in policy decisions. The same has happened in the Bangladesh Rural Development Board (BRDB), a government managed cooperative in Bangladesh. Huge conflict and bureaucracy in BRDB have destroyed its activities in Bangladesh.

The Grameen Bank has taken lessons from BRDB Bangladesh and has developed a modified version of cooperatives, where individual and collective responsibility is distributed among group members like in Mondragon. The Grameen Bank is kept completely away from government influence. Every year the Grameen Bank group leaders change. It enables small producers to enter into local markets and capture more of the value chain. This cooperative system assists in capital accumulation through using micro credit and providing weekly small savings to the poor. It plays an important role in empowering people to participate in civic and local decision making processes and enables them to get ahead. However, the problem with complete sustainability is high interest rates and aggressive loan repayment techniques.

4. Differences in Mondragon and The Grameen Bank

The major difference is that Mondragon workers elect a Board of Directors through a General Assembly. Mondragon promotes cooperative paid employment and provides facilities to its employees whereas Grameen Bank promotes self-employment in Bangladesh. Worker development is enhanced through skill improvement training, rotation of jobs, and continuing education in MCC (MacLeod, 1997). However, Grameen Bank places less importance on employees' vocational skill development. In Mondragon, employees are representatives in the congress and have a decentralized organizational structure. Grameen Bank borrowers are the owner of the bank and their representatives are the Board of Directors who make decisions for the bank.

The social business enterprises (SBE) have a commitment to the community. The Grameen Bank and its other umbrella organizations are examples of social businesses; their surplus is reused for the expansion of the community development program. The Grameen Bank has shared asset networks with its umbrella organizations. It has created many other SBE companies like the Grameen Renewable Energy, Grameen Health, Grameen Phone, Grameen Telecom, Grameen Agriculture, Grameen Fisheries and Livestock, and the Grameen IT Park. They are independent from the Grameen Bank; however, their missions are also to serve the needs of the poor through the supply of solar panels, health services, phone services, crop production, livestock development and various IT services respectively. The Grameen Bank extends its managerial, advisory and funding support to these organizations. For example, it gave an endowment of \$3.16 million of its revolving loan fund to Grameen Health (Grameen Statistics, 2002). The Grameen umbrella stakeholders share their services and help to channel more services to the rural poor in Bangladesh.

5. Replicability

The Caixa in Valencia first replicated the Mondragon research and development wing's model through a cooperative called EI Group Empresarial Cooperativ Valencia (GECV) and through a community bank or credit union called the Caixa in Valenca (MacLeod, 1997). The Mondragon model works well in Spain. The Big Carrot replicates the idea of Mondragon workers democracy, but on a smaller scale and with a non-community-development focus. It is unable to massively expand in Canada and is rather limited to its one-spot-shop in Toronto.

The Grameen Bank financial system has been used among the very poor throughout the world. Its group lending model has been replicated in 143 countries all over Asia, Africa, Europe, Australia, and the Americas. Most replicators adopt small group lending and collateral free loans. For example, the group micro lending method has replicated in low-income neighborhoods in the United States and in Canada. However, micro-credit in Canada is not popular as a way to address unemployment and to eradicate poverty. Despite this, several

initiatives did develop in the Northern regions of Canada in the 1990s. However, they do not replicate things like extra services other than loans, and weekly savings. Particular socio-economic-political conditions are necessary for successful replication of any borrowing cooperative model.

From the above discussions it is clear that in social business cooperatives people are able to help each other voluntarily to achieve their mutually desired goals. They offer an alternative development strategy where businesses, commerce and economic development tie with social and ethical collective values along principles of democracy and self-help. Hence Kofi Anan (2005) says, "Cooperatives play a crucial role across a wide spectrum of human aspiration and need. They promote local cultures and values, collective economic participation provide employment, vital health, housing, and banking services, promote education, social inclusion and protect the environment" (Cooperative College, UK). So cooperatives make a significant contribution to reaching the millennium development goals in the community. All these cooperatives stimulate the local democratic structures and collective self-fulfillment that are important for sustainable development.

6. Conclusion

Undoubtedly, the above cooperatives discussed are the practical demonstration of locally controlled economic activities that meet the needs of the local communities although some are facing challenges of sustainability and effective replication. All of the above cooperatives generate income through employment or via services and contribute to improving the quality of life for low-income people and their families (Shragge & Fontan, 2000). Today economic power and wealth is increasingly becoming concentrated within a small number of multinational corporations. To counter this hegemonic economic power, it is vital to create alternative economic forces where social enterprise cooperatives can play an active role in socio-economic development and address the issues of poverty. The idea of corporate responsibility can be shifted by a cooperative movement and become the heart of its value system. New social stock markets with social enterprise cooperatives can accelerate investment in social enterprise cooperatives to promote employment, sustainable development and to reduce poverty. It is important that this process should be free from government influence, control and regulations.

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