

Societal Ethos and Economic Development Organizations in Nicaragua

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ABSTRACT. This article analyzes efforts in Nicaragua to create ethical organizations and an ethical economy. Three societal *etha* found in contemporary Nicaragua are examined: the ethos of revolution, the ethos of corruption, and the ethos of human development. The emerging ethos of human development provides the most hope for the nation's social and economic evolution. The practices of three successful economic development organizations explicitly aligned with the ethos of human development are described and evaluated: (1) a microfinance foundation (FDL), (2) a federation of cooperatives (FENACCOOP), and (3) a local branch of an international NGO (IO-Nicaragua). The article concludes with additional reflections on the meaning of *ethical organizations* and an *ethical economy* in the context of contemporary Nicaragua.

KEY WORDS: societal ethos, economic development organizations, revolution, corruption, Nicaragua

Societal ethos and economic development organizations

Societies have a certain moral climate (Brinkmann, 2002), or ethos (Weber, 1958) that shapes meaning within the society. According to Bar-Tal, "An ethos combines central societal beliefs in a particular

configuration and gives particular meaning to societal life in a given society" (2000, p. 353). Further, societies have multiple *etha* (plural of *ethos*) that may compete with each other.

Organizations are expected to contribute, through ethical practices and a socially responsible performance, toward building a better society (Frederick, 1986; Wood, 1991). Organizational practices shape different societal ethos and, conversely, different societal *etha* influence organizational practices. Brinkmann (2002, p. 165) describes the double causality between the societal ethos (or moral climate) and organizational practices as follows:

Moral climate as a socialization medium consists essentially of role norms, which are learned by future members ("anticipatory" socialization) and by new members, from normative and comparative reference groups. Climate shapes people, but people shape climate too. Moral climates are produced and reproduced by their members and their practices.

The societal ethos, and the practices of organizations within society, should be analyzed from both an empirical and critical perspective (Brinkmann, 2002). An *empirical perspective* emphasizes facts, such as the everyday decisions and practices, individuals and groups find to be morally acceptable. A *critical perspective*, on the other hand, applies ethical theories to evaluate whether an organizational or societal practice is morally acceptable (Brinkmann, 2002).¹ The application of this dual perspective – *empirical* and *critical* – provides a balanced view of practices and their intentions, preventing against both an *uncritical* empirical analysis and an *unrealistic* critical view (Victor and Stephens, 1994).

This article applies both critical and empirical perspectives to analyze the evolution of societal ethos and organizational practices in Nicaragua. This

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Central American country is experiencing an emergence, hegemony and decline of diverse societal etha. Three principal societal etha in contemporary Nicaragua are examined: ethos of revolution, ethos of corruption, and ethos of human development. Then, the practices of three successful economic development organizations explicitly aligned with the emerging ethos of human development are described and evaluated.

Research methods

Country selection

Nicaragua is particularly interesting to examine because it is relatively a small nation, with a population of about 6 million people in a land mass of 129,494 km², that has undergone significant societal ethos changes in its most recent history. During the socialist governed Cold War period (1979–1990), the nation experienced an ethos of revolution. Between 1990 and 2006, a period of economic liberalization and privatization occurred characterized by an ethos of corruption. Most recently, an ethos of human development has emerged out of a national crisis in the aftermath of Hurricane Mitch in 1998.

Selection of organizations

Three organizations were selected for in-depth analysis: a microfinance foundation (FDL), a federation of cooperatives (FENACCOOP), and a local branch of international NGO (IO-Nicaragua). They were selected based on the following six criteria, and will be analyzed using qualitative research methods (Stake, 1994):

1. They operate within the Nicaraguan economy.
2. They explicitly work to achieve both organizational objectives and economic developmental objectives.
3. The organizational objectives of all three organizations have a common feature: small business development.
4. Their economic developmental objectives, however, differ. FDL engages in fostering the

connection between small businesses and the market sector. FENACCOOP emphasizes political lobbying in the negotiation of a treatise of regional economic integration. IO-Nicaragua supports the connection of local communities in the economic field, as a strategy to change from a purely *technical* conception of cooperation to a *political* idea of this activity.

5. Their managers were willing to discuss their working experience and provide data.
6. Their managers actively participate in the emerging ethos of human development.

Selection of interviewees

The research is based on interviews with skilled social actors who understand the situations of people inside the organization or in other organizations and offer them common courses of action. According to Fligstein (2001, p. 112):

Social skill can be defined as the ability to induce cooperation among others. Skilled social actors empathetically relate to the situations of other people and, in doing so, are able to provide those people with reasons to cooperate. Skilled social actors must understand how the sets of actors in their group view their multiple conceptions of interest and identity and how those in external groups do as well. They use this understanding in particular situations to provide an interpretation of the situation and frame courses of action that appeal to existing interests and identities.

The primary information source consists of a series of five interviews as follows. The director of each of the three organizations was interviewed independently, as were two experts on Nicaragua's social situation.

The three organizational directors interviewed were

- Martha Lorena Mora, Director of Intermón Oxfam-Nicaragua, interviewed on July 12, 2006, at Campus of the Universidad Centroamericana in Managua.
- Sinfioriano Cáceres, Director of FENACCOOP, interviewed on July 24, 2006, at FENACCOOP headquarters in Managua.
- Julio Flores, Director of FDL, interviewed on July 28, 2006, at FDL headquarters in Managua.

The two experts in assessing the social situation of Nicaragua were

- María López Vigil, Chief Redactor of *Envío*, a social and cultural monthly review edited by the Universidad Centroamericana, interviewed on July 11, 2006, at *Envío* headquarters in Managua.
- Mario Quintana, Leader of Coordinadora Civil de Emergencias y Reconstrucción (CCER), a platform of NGO in dialogue with political parties and public administrations, interviewed on July 20, 2006, at CCER headquarters in Managua.

Information gathering process

All the five semi-structured interviews were conducted in person (Fontana and Frey, 1994). The three organizational directors were asked how his/her organization established and managed partnerships with other organizations focused on the economic development of Nicaragua. The two societal experts were asked to convey his/her knowledge and opinion on the recent political and social development in Nicaragua, and about the societal (cultural, political, and economic) challenges faced by individuals and organizations in the country. Unstructured conversations, summarized the same day, were conducted with other key informants, such as university faculty and former Sandinista Ministers. Additional information was gathered from secondary sources, such as relevant documents and literature.

Nicaragua's societal ethos

The Latin American context

Since the 1970s, the history of Latin America has oscillated between free market liberalism and socialism (Thorp, 1998). During the Cold War, this debate was experienced in many Latin American countries by means of military confrontations. Since the fall of the Berlin Wall in 1989, the debate is primarily experienced through democratic mechanisms, such as national elections.

After 1989, the Latin American conception of economic liberalism has expanded to include regional economic unions that support national economies and companies. However, the U.S.-led economic integration processes, such as North American Free Trade Association (NAFTA) and Dominican Republic-Central American Free Trade Association (DR-CAFTA) are being contested in many countries by social groups that see themselves as victims of capitalist globalization. They maintain that old and new dominant groups are taking advantage of free market processes, resulting in more, not less, inequality and poverty (Moreno, 2006).

As a reaction to the new type of global liberalism, and out of the heritage of the old socialism, a new generation of socialist leaders is emerging in Latin America. The most vehement anti-U.S. leaders have their own economic integration projects, such as Alternativa Bolivariana de las Américas (ALBA) being promoted by Hugo Chávez (Krauze, 2005; Nugent, 2005). A different group of left-wing leaders is more market friendly, in line with European social democracies, such as Michelle Bachelet in Chile or Lula da Silva in Brazil. These broader Latin American social currents impact individual nations, such as Nicaragua.

Within this broader Latin American context, Table I summarizes three societal ethea found in contemporary Nicaragua, each of which is described in greater detail.

The ethos of revolution

The 6 million inhabitants of Nicaragua suffered a cruel succession of dictatorships under the Somoza Dynasty between 1936 and 1979. A small number of families, the traditional elite (commonly called in Nicaragua “la burguesía tradicional” – “the traditional bourgeoisie” – (Mària, 2009, p. 160)) controlled economic power and made huge profits with the collusion of U.S. administrations. In 1979, a popular revolution overthrew Anastasio Somoza Debayle, the dynasty's last dictator.

Within a few months, the new government, led by Daniel Ortega, was controlled by the communist elements of the revolutionary movement, the Frente Sandinista de Liberación Nacional (FSLN).

TABLE I
The three societal ethea in Nicaragua

Ethos of revolution	Ethos of corruption	Ethos of human development
<i>Period of emergence</i>		
1970s: Opposition to Somoza 1980s: FSLN rule	1990: La Piñata 1996: Privatization policies by PLC 1998: “el Pacto”	1998: Reconstruction after Hurricane Mitch
<i>Characteristics</i>		
Marxist and left wing Christian ideas Anti-Somoza movement	Corruption Importance of national companies in the regional integration	Technical assistance and political work National integration in global context
<i>Key social actors</i>		
Federal Government FSLN Party	Global market Foreign investors Large national and regional companies Populist leaders	Citizens and citizen organizations Networks of organizations promoting human development

Nicaragua became a socialist democratic nation, strongly influenced by Cuban politics (Mària 2009, p. 159).² The new hegemonic ethos of the revolution that emerged was a mix of Marxist and left-wing Christian values focused on justice and the development of the poor majority.³ Ernesto Cardenal, a Catholic priest who became Minister of Culture in the 1980s, defined the main ideas that shaped this ethos of revolution as follows (Cardenal, 2004, p. 14):

The majority of us were Catholics, and at the time this meant that we could not be communists. However, we were revolutionaries and our motto was: ‘More left than communism.’ We were nationalists like Sandino [the hero of the fight against the U.S. oppression in the 1930s], this is, anti-imperialists; we were for the distribution of property, the support to peasants by means of co-operatives, the defence of popular classes, the democracy. We were fundamentally anti-Somoza.

However, frictions with the “traditional bourgeoisie,” dogmatic positions of some FSLN leaders, government errors in rural areas, and the dynamics of the Cold War precipitated the formation of a guerrilla movement, the “Contra-revolución.” Funded by U.S. President Ronald Reagan’s administration, the “Contra” started a war in 1982, taking shelter across the borders in Honduras and Costa Rica. The U.S. pressure through an embargo,

along with the mining of harbors and destruction of the nation’s infrastructure by the Contras, asphyxiated the FSLN regime and economy (Echanove and Rabella, 2002). The bloody civil war ended in 1990 following the electoral victory of a political block (Unión Nacional Opositora – UNO) that defeated Ortega’s FSLN government.

The ethos of revolution had been ideologically shaped by Marxism and left-wing Christianity. The revolution that overthrew the Somoza dynasty in the 1970s, followed by a Civil War against the U.S. backed-Contras during the 1980s, created a revolutionary ethos among many Nicaraguan citizens. Such a long time of armed conflicts conveyed to the population a “psychological infrastructure” typical of situations of serious conflict (Bar-Tal, 2000, p. 353):

One such condition [for serious conflicts] is a psychological infrastructure which consists of such elements as devotion to the society and country, high motivation to contribute, persistence, readiness for personal sacrifice, unity, solidarity, determination, courage, and maintenance of the society’s objectives. Such a psychological infrastructure enables a society to adapt to conflict situation, survive the stressful period, and struggle successfully with the enemy.

However, by 1990, the revolution was exhausted. Many Nicaraguans voted for UNO because this

meant the end of FSLN rule and the Civil War. UNO's victory constituted the decline in the ethos of revolution, and the acknowledgment of the huge power of the USA in Nicaragua.

*The ethos of corruption*⁴

The political transfer of power to UNO in 1990 was a mortal blow for the ethos of revolution. When they abandoned power after the FSLN's electoral defeat, many FSLN ministers took companies, lands, and money that belonged to the Nicaraguan government. This process, called "la Piñata,"⁵ created a "second bourgeoisie" – the "Sandinista bourgeoisie" – which was in addition to the traditional elite – or "burguesía tradicional".

Beyond its economic consequence, la Piñata was enormously traumatic for those who had sincerely adhered to the ethos of revolution. "It was not the end of a government. It was the end of the world for many people" (López Vigil, 2006, interview). A significant part of the population, in the name of the revolution, had fought two wars, and now some of their leaders were obviously corrupt.

The disappointment among revolutionary Nicaraguans was very deep. Some committed suicide, some fell into depression or addictions, some abandoned the country, and some succumbed to the corruption. One group, though, started to work in Nongovernmental Organizations (NGOs) that offered technical, rather than political, assistance focused on fulfilling particular basic needs of the population. The work of these NGOs was promoted as *technical* because *politics* had become synonymous with corruption (Mora, 2006, interview).

After several years of national reconciliation under the presidency of UNO's Candidate, Doña Violeta Chamorro (1990–1996), a new president, Arnaldo Alemán, leader of the Partido Liberal Constitucionalista (PLC), applied a radical liberal policy inspired by the Washington Consensus on global capitalism (Mària, 2000). Alemán fostered the privatization and liberalization of the Nicaraguan economy. This process also significantly enhanced Alemán's personal fortune and corrupted many elements of his new administration. This second wave of corruption created a "third bourgeoisie," the "Arnoldist

bourgeoisie," related to the first name of president Alemán (Mària, 2009, pp. 160–161).

Corruption by both political parties, the FSLN and PLC, occurred as Nicaraguan companies sought competitive advantage within the context of regional economic integration (DR–CAFTA). Some of the corrupt practices of the "Sandinista bourgeoisie" (the "second bourgeoisie") and "Arnoldist bourgeoisie" (the "third bourgeoisie") included tolerance of (or superficial fight against) drug trafficking (Equipo Nitlapán–Envío, 2006) and illegal plunder of natural resources, especially on the Atlantic Coast (Gonzalez, 2005). In 1998, the corruption of both the socialist (FSLN) and free market (PLC) parties was sealed in a secret deal popularly called "el Pacto" (The Pact) that started to operate in parliament and among the judiciary. The objective of "el Pacto" was to stop lawsuits against their own cases of corruption (Mària, 2009, p. 161).

The paradox of this corruption, progressively installed in the Nicaraguan society beginning with the transfer of political power in 1990, was that the two major political parties participating in the corruption were apparently in political opposition. However, they shared an economic strategy bent to the policies of the Washington Consensus and were simultaneously open to corruption. These corrupted political practices created a new ethos defined as the *ethos of corruption*. Effectively (Mora, 2006, interview):

What in the 1980s were negative values (individualism, competitiveness, "pull yourself up by your own bootstraps," and corruption) turned to be dominant values that shaped the political culture of the country: "If you don't steal, you are dumb" became a new motto.

A constellation of factors supported this ethos of corruption: the deception after surrendering to the political will of the U.S., the blind confidence in free (regional or global) markets, the submission to the bi-partidist and client-oriented PLC–FSLN system, and the population's resistance to collaborate in joint economic projects because of the deep division inherited from the 1980s Civil War. Finally, a cultural factor was crucial: the attitude of "resigned providentialism" based on a long historical tradition of discouraging individual or communal initiatives

on behalf of the common good (Pérez Baltodano, 2003).

*The ethos of human development*⁶

In 1998, Hurricane Mitch provided the seed for an emerging ethos of human development. In the fight against the devastation caused by the hurricane, a group of organizations started to work together in the Coordinadora Civil de Emergencias y Reconstrucción (Civil Coordination for Emergencias and Reconstruction, CCER). According to Mora (2006, interview):

In 1998, after Hurricane Mitch, some NGOs rose in a collective voice to claim the role of interlocutors with the government. They wanted to be heard in the questions of debt cancelation and fiscal policy, to help the poor, etc. And NGOs were aware that they could work with unions and professional organizations to start a dialogue with the political power.

CCER's work showed the possibility for a new strategy for organizations wanting to foster development. The shift went from exclusively *technical* assistance, which focused on the satisfaction of specific needs (education, health, housing, micro credits, etc.), to work that was both *technical and political*. The political dimension consisted of dialogue with public administrations and political parties to remedy unjust causes of poverty (Mora, 2006, interview; Pérez Baltodano, 2006). The multi-layered political approach of these organizations took into account local, national, regional, and global politics because the fight against poverty had to deal with economic and social integration at the national, regional, and global levels (Cáceres, 2006, interview; Quintana, 2006, interview).

However, this new ethos faced resistance from "el Pacto" and the ethos of corruption. In 2006, after the 16 years of liberal rule, the FSLN won the national elections, and Daniel Ortega once again became president of Nicaragua. He had the support of Hugo Chávez and the sympathy of the Nicaraguan population tired of the continuous U.S. intervention in their country (Mària, 2006). However, Ortega's performance was disappointing from early on. His new FSLN administration maintained "el Pacto" between the FSLN and PLC, was trying

to take over civil society initiatives, and was impeding the development of institutions of direct democracy (Equipo Nitlapán-Envío, 2008, p. 9). The corrupted "second" and "third" bourgeoisies were still striving to build a network of large Nicaraguan companies within the context of a neo liberal U.S.-led economic integration.

How the three ethea impacted the efforts of economic development organizations is explored in the next section.

Economic development organizations

In this section, three economic development organizations are examined in the light of contemporary Nicaragua's three societal ethea. All the three organizations initiated collective action aimed at achieving human development objectives by supporting small businesses, yet each of them has its own unique objective. Each organization's practices are analyzed in terms of its specific mission and broader human development objectives (see Table II).

Fondo de Desarrollo Local (FDL)

Organizational objective: micro-finance

Nicaragua is a country with 500,000 small and medium-sized companies employing more than 50% of the population. The rural sector is important because, after the Sandinista agrarian reform (1980–1990), thousands of farm workers became landowners. These new landowners, however, lack the financial resources, technical expertise, and marketing skills needed to succeed (Flores, 2006, interview).

After Ortega's electoral defeat in 1990, financial reform in Nicaragua privatized the banking sector in a way that caused nearly all state banking institutions to close. Unfortunately, private banks abandoned the rural sector. As a result, in 1992, the Fondo de Desarrollo Local (Local Development Fund, FDL in Spanish acronym) was founded to provide financial services for the rural and urban small and medium-sized business entrepreneurs. FDL, a non-profit association created by NITLAPAN-Universidad Centroamericana, is associated with other organizations working in the area of national development.

TABLE II
Three economic development organizations in Nicaragua

	FDL	FENACOOB	IO
Organizational objectives	Micro-financing for urban and rural sectors	Promotion of small farmers Cheaper products and services to cooperative members	Technical support and collaboration
Broader economic development objectives	Support small business growth	Negotiations of DR-CAFTA A new style of collaboration among leaders on behalf of cooperative members	<i>The Possible Nicaragua:</i> Political criticism Political proposals Peace through collaboration
Development Partners	Financing from private banks and international NGOs Financial assistance to Nitlapan and Atlantic S.C.	<i>Urea fertilizer:</i> Venezuelan government FSLN <i>DR-CAFTA negotiations:</i> Large companies NGOs Government officials	<i>The Possible Nicaragua:</i> Businesses Local NGO CCER

At the end of 2007, FDL had 72,200 clients with a portfolio of US\$ 53.4 million. FDL's clientele were mainly agriculture and cattle businesses, and people operating in low-income sectors, especially women (FDL, 2008). FDL was supervised by public and private international organizations, some of which were supported by the World Bank. In October 2005, FDL was awarded the Inter-American Development Bank's prize for the best micro-finance institution in Latin America, in the non-regulated organization category (Mària, 2009, p. 185).

One of FDL's main problems was obtaining funds. In Nicaragua, "non-regulated" micro-credit institutions charge high interest rates, making borrowing from them very expensive. However, micro-credit institutions in Nicaragua can receive funds from NGOs and multinational banks. FDL, therefore, received funds from various NGOs and international financial institutions that support micro-credits, such as DANIDA (Danish Official Development Co-operation), the Inter-American Development Bank, BCIE (Central American Bank of Economic Integration), Blueorchard, and Proyecto DECOPANN (European Union). FDL faced new competition as private banks entered the micro-credit sector in Nicaragua (Flores, 2006, interview).

Broader economic development objectives: support small business growth

FDL established and renewed partnerships with organizations that support the growth of small businesses. FDL signed agreements with Nitlapán (an Institute associated with the Universidad Centroamericana of Managua that provided technical assistance to micro and small businesses), Atlantic SC (a private coffee exporter), Aldea Global (a coffee producer cooperative), and TECHNOSERVE (an NGO serving onion producers) (FDL, 2006).

These partnerships enabled FDL customers to receive training, technical assistance, and financing, thus enhancing the product quality and income of small businesses. A consequence of this collective action was the creation of networks of producers and companies, helping small businesses perform better within a national economy open to global competition.

Federación Nacional de Cooperativas (FENACOOB)

Organizational objective: support cooperatives

FENACOOB is a federation of agricultural cooperatives founded in April 1990. Ninety percent of its members were beneficiaries of Sandinista agrarian reform policies. Following the FSLN's election

defeat in 1990, FENACOOOP lost key political support and the U.S. government influenced international organizations – such as USAID, IMF, World Bank, and Inter-American Development Bank – to boycott funding the organization. FENACOOOP's identification with the Sandinista party faded during its first decade of operations and its public image enhanced by meeting objectives.

In July 2006, FENACOOOP represented 620 agricultural-based cooperatives and approximately 40,000 families, half of all families participating in Nicaragua's coop sector. FENACOOOP received no external funding and employed a staff of 32 people. Members purchase FENACOOOP's services for \$40,000 per year (Mesa Agropecuaria and Forestal, 2005).

FENACOOOP's import of urea, a fertilizer, from Venezuela exemplifies the benefits members received. In 2005, FENACOOOP negotiated with the Venezuelan government and FSLN to import 2500 tons of Venezuelan urea (10% of the Nicaraguan market), forcing the product's price to fall from \$187.5 per ton to \$160 per ton on the Nicaraguan market. This price reduction was especially relevant for two reasons. First, the urea market in Nicaragua was an oligopoly dominated by a few private firms that charged higher than average prices for the region (Cáceres, 2006, interview). Second, Nicaragua's agrarian productivity was one of the lowest in Central America (Cáceres, 2003a).

After the agreement was finalized, several FSLN politicians asked Sinforiano Cáceres, Director of FENACOOOP, to give urea to the FSLN party so that it could distribute urea in rural areas that did not vote for the FSLN. Cáceres, who has twice turned down a seat as an FSLN representative, rejected the offer and maintained FENACOOOP's independence from political corruption (Cáceres, 2006, interview).

Cáceres also kept FENACOOOP's independent of private firms offering to take over the Federation. For example, LAFISE, an important Nicaraguan private financial institution operating in 18 countries, met with Cáceres in early 2006. LAFISE offered FENACOOOP credits for commercialization, leasing, and franchises, support to find markets, and international payment management. Cáceres

rejected LAFISE's offer because accepting investment from a private company would mean abandoning FENACOOOP's coop principles (Cáceres, 2006, interview).

Broader economic development objectives: negotiations of the DR-CAFTA and new leadership

In 2006, Cáceres represented FENACOOOP in negotiations of DR-CAFTA, the U.S.-led economic integration treatise. Nicaraguan officials primarily represented the interests of large companies. Cáceres, on the other hand, represented the interests of the cooperative members and poor Nicaraguan farmers, who have low skills and are slow to integrate into bigger organizations (Cáceres, 2003a).

Cáceres' independent negotiating position – sometimes in partnership with NGOs, sometimes with large companies – broadened the transition terms for certain products, and he obtained necessary funding for some farmer adaptations. During these negotiations, Cáceres convinced the U.S. negotiators to end the U.S.-led boycott on the funding of FENACOOOP by international finance organizations (Cáceres, 2006, interview).

According to Cáceres, a new style of leadership was necessary within Nicaragua and the cooperative movement. In the 1980s, leadership was exemplified by “meaningless protests” and land confiscation (Cáceres, 2006, interview). Leaders now need to be better informed and collaborate with leaders of other organizations to determine and defend their common interests in open dialogues with NGOs, political parties, and public administrations. Cáceres firmly believes that these new leaders should never forget their connection with coop members and explain with simple words the agreements negotiated on their behalf. Cooperatives may shape the Nicaraguan market system and inspire the electoral programs and reform of political parties such as the FSLN if its leaders remain honorable and independent of private firms and political corruption (Cáceres, 2006, interview).

Cáceres approach resists the ethos of corruption and strengthens the ethos of human development. He is helping to shape a new social order that promotes Nicaragua's economic development through cooperative activities (Cáceres, 2006, interview).

*Intermón Oxfam (IO) Nicaragua**Organizational objectives: technical assistance and collaboration*

Intermón Oxfam (IO) Nicaragua traces its roots to an NGO founded in Barcelona, Spain in 1956 by Catalan Jesuits. IO has operated in Nicaragua since 1989. In the economic area, IO-Nicaragua's specific mission is to help small producers in rural areas develop their businesses and create economic value.

Beginning in 1990, the government began to dismantle rural development initiatives based on neo-liberal policies. NGOs were needed to fill this void. The work of these NGOs, IO-Nicaragua included, focused on technical support for producers in poor rural areas. Nicaragua's post Civil War climate made it very difficult for organizations to collaborate with each other because of the many open wounds and mistrust among the previously rival sides (Mora, 2006, interview). Within the corrupt context of "La Piñata," any attempt to attack the causes of poverty was labeled "political" and automatically dismissed because "politics" was seen as a synonym for "corruption."

Broader economic development objectives: political collaboration

In response to the devastation caused by Hurricane Mitch in 1998, IO-Nicaragua worked with the Civilian Coordination for Emergencies and Reconstruction (CCER), a platform for social organizations. This work proved that it was possible to address the causes of poverty by means of networks involving NGOs and local businesses. These networks provided technical support to their members and engaged in "political" work: the articulation of a critical voice in the political debate. They criticized public policies that had a negative impact on the poor population and denounced abuses by the three elite groups or "bourgeoisies" (Quintana, 2006, interview).

In this new context, IO-Nicaragua launched in 2001 its most ambitious and complete program to date: "La Nicaragua Posible" ("The Possible Nicaragua"), a program of *political collaboration* across seven provinces involving 23 local organizations

serving 16,000 families. *The Possible Nicaragua* program has the following four objectives (IO, 2008, Website):

- (1) Promote *citizen participation* to change the situation of poverty through CCER.
- (2) Improve *food safety* by means of crop diversification, the introduction of vegetables destined for local markets, and distribution of food and seeds to stop the hunger caused by a plague of rats threatening the crops.
- (3) Promote *access to markets* by buying, fostering, and distributing coffee from small producers according to fair trade criteria.
- (4) Strengthen the role of *women*, especially in rural areas, as well as fight against domestic violence.

The Possible Nicaragua helps to fund CCER and invites all the organizations it works with to participate in CCER.⁷ This new style of collaboration requires a high degree of dialogue between businesses and local NGOs funded by *The Possible Nicaragua*. An image synthesizes this new approach (Mora, 2006, interview): "The NGOs and organizations now have to let us into their kitchens, not just to eat but to prepare the meal together."

In Martha Lorena Mora's terms, IO-Nicaragua demands *technical* collaboration among local organizations receiving funds; but now IO-Nicaragua seeks *political* collaboration between local organizations and NGOs to remedy unjust causes of poverty. The term *political* refers, not necessarily to partisan politics, but to the participation of NGOs or private firms in the debate on the configuration of national laws and political action. These laws and actions deeply shape Nicaraguan society and can cause a higher or a lower level of poverty.

IO-Nicaragua's new strategy strengthens the emerging ethos of human development in Nicaragua. Collaboration among organizations and individuals who had been war rivals in the 1980s is transforming the conflict dimension of the ethos of revolution into a dimension of peace within the ethos of human development, where conflicts are resolved through collaboration rather than weapons (Mora, 2006, interview).

Reflections on societal ethea, ethical organizations, and an ethical economy

Societal ethea and spreading the ethos of human development

The analysis of the recent history of Nicaragua has been developed around the emergence and concurrence of three societal ethea: ethos of revolution, ethos of corruption, and ethos of human development. In 1979, the poorest part of the Nicaraguan economy was mainly a “familial, communal” sector. The socialist project during the Sandinista Decade (1979–1990) was an effort to modernize under government leadership. However, this effort failed. From 1990 onward, Nicaragua’s adaptation to neo-liberal globalization policies inspired by the Washington Consensus was stained by the corrupt practices of the major “left/socialist” (FSLN) and “right/neo-liberal” (PLC) political parties. The country shifted from the ethos of revolution to the ethos of corruption.

This second ethos is supported by a perverse coalition between FSLN and PLC that was sealed in the 1998 “el Pacto.” Meanwhile, the Washington Consensus’ neo-liberal policies continued to be implemented by means of the DR-CAFTA as a model of U.S.-led regional integration. The ethos of corruption excluded small businesses, which employed the majority of the population, and threatened their survival.

The dominant position of “el Pacto” and its ethos of corruption, however, was challenged by a group of economic development organizations that started new practices in response to Hurricane Mitch in 1998. The skilled social leaders of these organizations were joining scattered forces to fight poverty and exclusion through technical assistance and political activities. While providing poor populations with technical assistance, they networked organizations that became interlocutors of political and economic power in the public space. This collaborative practice was giving birth to a new ethos of human development, and spreading collaborative values through their organizational networks.

The analysis of FDL, FENACOOOP, and IO-Nicaragua reveals how different types of organizations developed collaborative practices aligned with the ethos of human development. This included going beyond a purely *technical* approach and

adopting what Martha Lorena Mora qualifies as a *political* approach. However, collaboration takes time. Only through patient dialogue with local communities and the creation of partnerships can the political dimension of each organization’s objectives be developed.

The coverlets sewn by Guatemalan women, with multi-colored pieces of cloth, become an icon of this endeavor.⁸ Each piece of cloth is an individual organization with particular objectives or colors. However, when combined with similar pieces, the organization contributes to the economic dimension of the human development of Nicaragua.⁹

Ethical organizations

The theme of this special issue of *Journal of Business Ethics* are the efforts and obstacles in creating ethical organizations and an ethical economy. The concept of societal ethos applied to contemporary life in Nicaragua and to the three economic development organizations provides a deeper understanding of “ethical organization” in the Latin American context. An ethical organization is an organization whose practices are consistent with criteria in alignment with a particular societal ethos. As discussed earlier, a societal ethos may support particular organizational practices, and organizational practices may support a particular societal ethos. Depending on the societal ethos where the organization operates, ethical practices may be supported or impeded by individual organizations (Bar-Tal, 2000; Epstein, 1999; Etzioni, 1991).

The theory and cases displayed in this paper allow us to define an ethical organization by two characteristics. First, an ethical organization is a *critical* organization in the sense that its leaders are aware of the influence of the organization’s practices on its workers and society (Philips and Margolis, 1999), and they are sensitive to the ethical dimension of these practices. Second, an ethical organization is an organization *open to collaboration* with other organizations involved in human development activities. In addition to focusing on its own objectives, an ethical organization develops various types of partnerships (networks, private–public partnerships, NGO–private partnerships, multilateral partnerships etc.) that promote a nation’s human development objectives.

This collaboration is a very subtle task: it needs the acceptance and support of other organizations. It is a task that only skilled social actors or institutional entrepreneurs can perform (Fligstein, 2001). As described in the three case studies, Julio Flores (FDL), Sinfiorano Cáceres (FENACOOOP), and Martha Lorena Mora (IO) are among those leaders.

Diverse economic partnerships create not only *economic* value but also cultural and political value.¹⁰ Economic activities produce *cultural value*. People spend a considerable time in organizations whose values influence the values of its members (Philips and Margolis, 1999). In the three economic development organizations, members learn to value autonomy and initiative. Members become regional wealth creators. This is especially important to Nicaraguan culture, which has historically been shaped by “a resigned providentialism,” a negative attitude that may be captured with the common saying: “Our future is not in our hands; ‘salvation’ or ‘damnation’ will come from abroad” (Pérez Baltodano, 2003).

Economic activities also produce *political value*. Organizational leaders become actors in the public space by espousing certain aims related to their environment (Philips and Margolis, 1999). Collective action becomes non-partisan politics independent of political party affiliations. In Nicaragua, this is especially relevant due to the corrupted system of partisan politics shaped by “el Pacto.” The participation of FENACOOOP in the negotiations of the DR-CAFTA, and the empowerment of local and provincial communities by *The Possible Nicaragua*, are both examples of political value creation.

In summary, the creation of economic, cultural, and political value by the collective practices of *ethical organizations* is spreading the new ethos of human development through Nicaraguan society. This new ethos is an alternative to the ethos of corruption promoted by FSLN and PLC, where individuals passively submit to the will of globalization, free markets, or populist leaders.

Ethical economy

Our paper suggests us also that an “ethical economy” is the economic dimension of the ethos of human development. Based on our empirical and critical

inquiry, an ethical economy exhibits the following eight characteristics.

First, an ethical economy is an economy that does not forget the economic and social progress of neglected population groups. Poverty and inequality are relevant indicators besides GDP and inflation. Poverty and inequality are relieved by means of the creation of economic opportunities for the neglected population.

Second, an ethical economy is an economy where globalization is not “a marvellous excuse for many things,”¹¹ such as corruption and the perpetuation of a dual economy. Nicaragua is strongly divided between a few privileged groups connected with globalization and an overcrowded poor population suffering from globalization (Braudel, 1979). Instead, economic and national integration should be based on small businesses and their connection to each other, and larger businesses.

Third, an ethical economy is an economy that does not present corruption as a smart behavior: “If you do not steal, you are a dumb.” In particular, it is an economy intolerant toward drug trafficking – which can corrupt the whole economic and political system – and the illegal plunder of natural resources – which decreases tax revenues and public control of natural resources.

Fourth, an ethical economy is an economy where the rule of law is respected, and ethical practices are the foundation of the rule of law. “El Pacto” illustrates how unethical practices can manipulate the rule of law in favor of certain dominant and corrupt groups.

Fifth, an ethical economy is an economy where the political dramatization of the left-right debate (FSLN against the U.S. and for Chávez; PLC for the U.S. and against Chávez) does not disguise identical economic strategies on both sides: the creation of large national or regional companies dominated by corrupt and inefficient practices.

Sixth, an ethical economy is an economy where entrepreneurship is a value (Collins, 2008). In a Nicaragua shaped by a *resigned providentialism*, small businesses are a sign of economic citizenship and have the potential to form an antidote to feeling dependent on outside forces. Entrepreneurship helps people develop social skills, which create political and cultural value, as well as economic value.

Seventh, an ethical economy is an economy where conflict resolutions are achieved through

economic initiative and collaboration, rather than weapons, and contribute to an ethos of peace.

Eighth, an ethical economy is an economy where the intersection of the government and economic markets goes beyond the opposition of neo-liberalism and neo-socialism. The market and the government become the means for human development by meeting economic, political, and cultural challenges. They become the promoters of human dignity for all citizens through economic, political, and cultural initiatives.

An ethical society consists of ethical organizations – including NGOs, private firms, and the government – “multi-colored pieces of cloth sewn together.”

Notes

¹ “The purpose of ethical theory is not necessarily to provide answers but to justify principles of judgement, unearthing these principles from behind intuitions, and evaluating what comes from generating and applying these principles in a consistent fashion” (Philips and Margolis, 1999, p. 627).

² The political dynamics of post-revolution processes is excellently described by Douglass North: “... coalitions essential for the success of revolutions tend to have a short afterlife. The glue of ideological alienation and a common opponent is replaced by the dissolving solvents of ideological differences and conflicting payoff demands. One faction may simply eliminate the others, but more common is a lengthy period of uneasy and quarrelsome compromise...” (North, 2004).

³ In 1980, the Jesuit Fernando Cardenal, the Minister of Education, started a “National Crusade of Alphabetization” that involved a group of 60,000 secondary and university students who went to rural areas to teach poor peasants. Illiteracy in Nicaragua declined from 50 to 12%.

⁴ We define corruption as the “Abuse of public office for private gain” (Kaufmann, 2005). In the 1998 Transparency International’s Corruption Perception Index, the first one to include Nicaragua, the country is ranked #61 after neighboring countries Costa Rica (27), El Salvador (51), Mexico (55), but before Honduras (83) (Transparency International, 1999, p. 13). In the 2008 Index, Nicaragua is ranked #134, behind Costa Rica (47), El Salvador (67), Mexico (72), Guatemala (96) and Honduras (126); see www.icgg.org/downloads/CPI_2008.xls, accessed September 25, 2008.

⁵ “La piñata” is a popular children’s game in Central America. It consists of a pot full of candy dangling from a rope which blindfolded children try to break open with a large stick.

⁶ Amartya Sen (1999, p. 3) notes that “Development can be seen... as a process of expanding the real freedoms that people enjoy.” Our characterization of this *ethos of human development* is similar to what Maak and Pless (2006) call “reflective citizenship ethos” in the context of Responsible Leadership: “How can leaders reconcile the idea of an efficiency-driven organization with the idea of thriving communities and a good society? The answer is by being an active and reflective citizen and by promoting active citizenship both within and outside the organization. A reflective citizenship ethos helps leading a business in a stakeholder society by overcoming the problematic separation of “private” business world on the one hand and “public” sphere on the other. The leader as citizen recognizes that both are inevitably connected to each other.” The strategy for the human development can be understood by means of the concept of “Partnerships for Development” (Casado, 2008).

⁷ CCER is a network of networks which includes more than 600 organisations from diverse sectors and works with 16 thematic networks and 12 territorial networks. In 2006, its main objectives were divided along two axes: *aspects related to the redistribution of public resources* (budget constraints imposed by international financial organisms, three-tier analysis of the Administration’s public budgets, tax policy, internal debt and CENI bonds originating from fraudulent bank closures); and *participation by citizens* (election observers, political observation, access to public information) (Quintana, 2006, interview).

⁸ “Our challenge is to carry out a job like the Guatemalan indigenous women who sew coverlets from pieces of coloured cloth. Piece by piece has to be rejoined, with the understanding that the result will be a mosaic making the whole unique. The first thing is to recognise, with the greatest humbleness possible, that there are pieces, and pieces, and pieces which have been scattered everywhere. We have to recognise this in order to begin to sew them together. It is no easy task, because we all went to school during *Sandinismo*’s last years: our background includes authoritarianism, sectarianism, exclusion, *caudillismo*, and vices that ... continue to hover above us, but which we all have shared... I hope we have the wisdom to be able to sew the pieces together to make a unique and plural whole” (Tellez, 2005, p. 16).

⁹ Amartya Sen (1999) calls the different dimensions of human development “instrumental freedoms”: political

freedoms, economic facilities, social opportunities, transparency guarantees and protective security. The economic dimension that we have examined here corresponds centrally to “economic facilities.” On the other hand, the approach of collaboration among organizations and its strategies presented here are in line with similar approaches defended by several authors and referred to in different national contexts (Maak and Pless, 2006; Santos, 2005; Wettstein, 2008).

¹⁰ Some writers call these partnerships “partnerships for development” (Casado, 2008).

¹¹ The expression belongs to Robert Solow (Mària, 2001).

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