

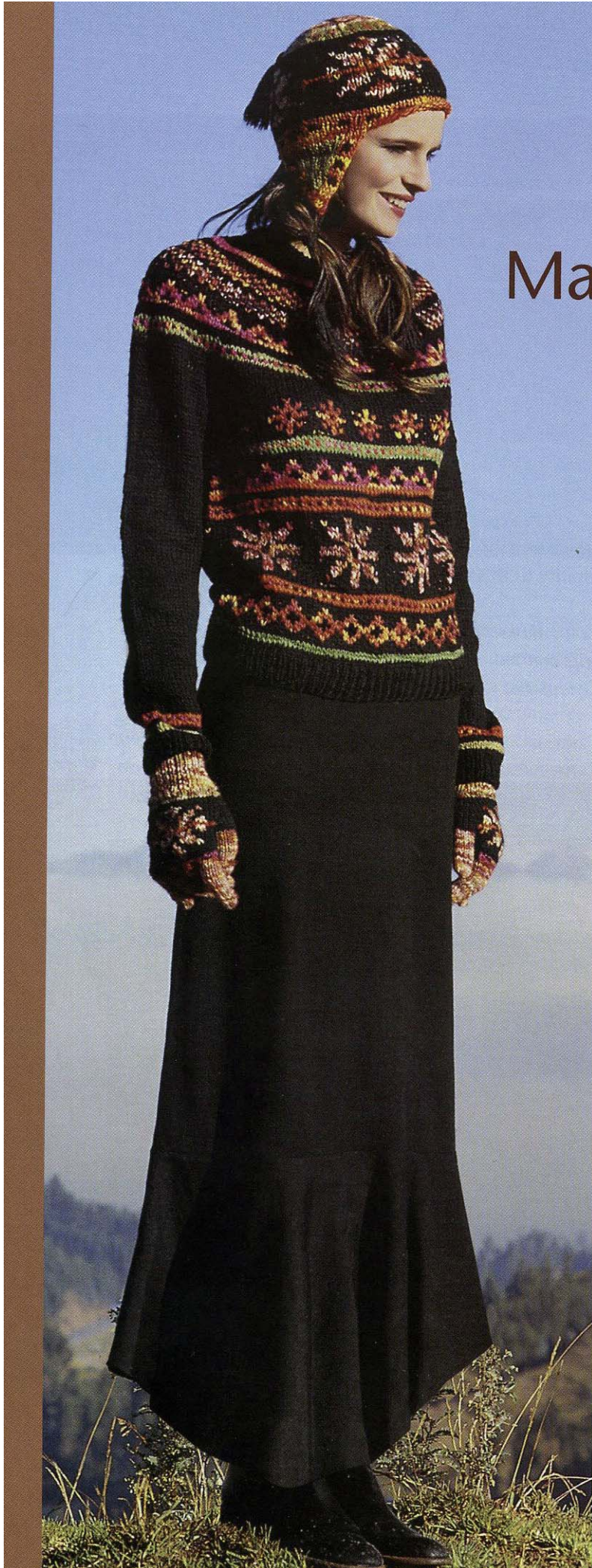
Manos del Uruguay: The Bottom Line

By Paula Durbin

Today, almost three decades after its first IAF award, Manos del Uruguay is the country's premiere producer of yarn and garments. Across Uruguay, its workshops, and the Montevideo service center that coordinates them, buzz with activity as cotton and wool are spun, dyed and eventually fashioned into an endless variety of shawls, ponchos, sweaters, scarves, caps, bags, carpets, blankets, tapestries, skirts and, more recently, bikinis that grace retail outlets all the way to New York's Fifth Avenue and beyond. At home, as Manos' general manager Rodolfo Gioscia points out, the Manos name enjoys more than mere recognition; a country-wide survey of Uruguay's best-loved brands placed it second only to the national dairy cooperative's.

According to everyone interviewed for this article, Manos' success, and in fact its survival, has depended less on products than on people. "We defended this project, we believed in it, and that's why it's still alive," said Norma Carugno, referring to the challenges of the past 36 years. She joined Manos in 1983, became president of her knitting cooperative in Totoral del Sauce, just outside Montevideo, chaired Manos' board of directors for two terms, and currently serves as board secretary. "If this had an owner," she added, "it wouldn't exist." Belonging, rather than ownership, more aptly describes how workers relate to Manos. The staff's level of commitment has made for a capacity to withstand an onslaught of difficulties other businesses couldn't manage, insists Cecilia Zaffaroni, who developed Manos' human resources in the 1980s.

Manos del Uruguay ensemble from Peruvian Connection's 2004-2005 winter collection.



To begin with, Manos del Uruguay was launched in 1968 under unpromising circumstances. Uruguay was deep into an economic decline that would only get worse. Martial law had been declared and would escalate into a state of siege followed by a decade and a half of military dictatorship. The work force consisted of 17 informal groups scattered from the outskirts of the capital to the Brazilian border, each usually served by a single public telephone. The knitters and weavers were mainly rural housewives; while crafts were a longstanding tradition in most of their communities, the notion that women could earn a steady income from them was unheard of. And as accomplished as they were, their handiwork barely reflected the vibrant palette and winsome design that have evolved into Manos' signature. Elizabeth Sosa, the weaver who currently chairs Manos' board, was a school girl in San José, 90 kilometers from Montevideo, when the small group that included her mother received its first order for tablecloths one meter square. "The wool those women worked with would scare us today because it was really rudimentary," she recalled as the rest of the board laughed, "washed by hand, coarsely woven and undyed."

But Manos' founder Olga Artagaveytia had seen beyond all that when she imagined an industry that would offer craftswomen not just employment but an opportunity to develop professionally and run the business. Artagaveytia, whose aristocratic roots show, calls her vision common sense. "I lived in the country," she explained. "I knew there were women producing handicrafts and that there was an enormous gap between them and the market. As I thought about how to organize their production and take it forward, I looked for allies and I found that this wasn't just my idea." After researching failed attempts, she and four like-minded individuals decided on their own approach. First they identified locations with established knitting and weaving traditions and women who were eager to work. Then they built a small inventory of rugs, ponchos and saddle blankets to test in two markets catering to some of the Southern Cone's most conspicuous consumers: Punta del Este in high season and the annual exposition of the Sociedad Rural in Montevideo. Priced at more than 10 times its cost, almost every item sold. "Clearly this was worth pursuing," Artagaveytia recalled concluding.

To improve quality, the board hired the late Beatriz de María, a former nun revered to this day by the craftswomen whose technique she refined. She also connected the groups to the Centro Cooperativista Uruguayo, which helped them become legally constituted co-ops. All 17 organized quickly, even though under Uruguay's military rule every meeting had to be authorized in advance and monitored by a policeman. Board vice chair Cristina López remembers one cop who became so caught up in her group's enthusiasm that he asked to join. More ominously, for years telephone conversations were tapped; Carugno recalls that Manos' garment-numbering system was questioned as a subversive code.

Mirian Hernández, a high school graduate married to the town baker, founded the cooperative Carugno joined in Totoral del Sauce, and for years the women worked in her garage. Under her leadership, the group saved enough to buy their own workshop in 1980. The owners were involved in a divorce and the man



Cooperative members untangling yarn in 1980.



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Stria yarn

wanted his share of the price in dollars” I didn’t know anything about dollars,” said Hernández, “but I went to the bank and learned.” A soft loan of \$500,000 from the Inter-American Development Bank in 1976 eventually allowed the other cooperatives to acquire scales and instruments and move their operations to spaces they owned.

In 1976, Manos also applied for its first grant from the Inter-American Foundation, funds it used for training and technical improvements. A second grant in 1980 facilitated the shift in management to the artisans. Freelance photojournalist Patrick Breslin, then on his first IAF assignment and now IAF’s vice president for external affairs, covered the grantee for *Grassroots Development* 1980 (vol. 4, no. 2). He reported that Manos, with 1,022 artisan members, had become one of Uruguay’s 10 largest employers; sales had reached \$1.3 million. “With its economic base seemingly established,” he said, “Manos is now taking gradual steps to increase participation by the artisans in the direction and administration of the organization. The goal is to have artisans control the board of directors.”

Artagaveytia began paving the way that year by inviting artisans to audit board meetings. By 1988, all the transfer of authority was a fact. Manos’ bylaws were redrafted to limit board membership to artisans: a chair, vice chair, secretary and voting member nominated and elected by the presidents and secretaries representing each of the cooperatives. This process appears to have resolved the succession problem that dogs so many grassroots organizations whose founder is the driving force, and no one seems more pleased than Artagaveytia. “I have always said that Manos had two product lines. One is the ponchos and things,” she said. “The other,” she added, with a gesture to the board that seemed to encompass all of Manos, “is these *señoras*.”

More than ever, the success of a grassroots project is determined by observable results. And Cecilia Zaffaroni, formerly of Manos and currently dean of the Faculty of Social Sciences and Communication of the Universidad Católica, wrote the book on how to gauge them, *El Marco del Desarrollo de Base*, based on an earlier version of the IAF’s *Grassroots Develop-*

ment Framework. In Manos' case, Zaffaroni maintains the "social" results, as she calls them, are unequivocal: The objective to develop leaders was attained. "Manos showed that women with families and with no managerial experience could learn to do a budget and a balance sheet and assume responsibility for a business," she said. Underpinning this accomplishment, she insists, is the solid education still offered by the Uruguayan school system.

Others point as well to a strong individual work ethic and a desire for independence, when the women's movement was just starting. "Everyone was delighted to have an income from products made with their own hands, but they also lived through important changes," Elizabeth Sosa explained. "They were going against the wind and the tide. It doesn't seem so long ago but you have to consider the times. Women didn't have their own income; it was the husband who brought money home. This work took women outside of the house and they functioned autonomously. Additionally, they really learned to participate in meetings, to manage money, to make decisions, to organize orders, deliveries and storage, to handle all the requirements of the cooperative they were forming and to assume ownership of it. They grew as people, discovering abilities they never knew they had. It was a revolution."

Early on, Manos' products appeared in Europe, transported by travelers in Uruguay on other business. When a Manos cape wound up on the cover of *Elle*, the French fashion magazine "we nearly died," said Artagaveytia, "and we began to think seriously of selling abroad." The board hired an experienced British business consultant who pushed the directors to open an outlet in the United States. Although the U.S. staff got John Lennon into a Manos sweater and the photos were published worldwide, the New York site was short-lived. Its closure coincided with the beginning of serious problems at home.

By the early 1980s, Manos was foundering as Uruguay sank even deeper into recession. A final IAF grant in 1983, structured to resolve credit obligations, rescued it, according to financial manager Gladis Quintana, a 34-year Manos veteran. The enterprise has not received any donor funding since, except for a 1997 IDB loan of \$90,000, she said, and its only government subsidy is in the form of the tax exemptions



Dying stria yarn.



A Judith Shangold design for Manos del Uruguay yarn.



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Elizabeth Sosa, chair of Manos del Uruguay's board, with a Manos tapestry.

(from the value added-tax and the employer's share of social security payments) applicable to any similarly constituted organization. But without investors or assets—since all real property is legally owned by the individual cooperatives—"Manos can't access capital the way a supermarket can," said Rodolfo Gioscia. "If we have a bad year, we're under water." And there have been bad years, most spectacularly 1992, when Brazil devalued the *real*, and the period from 1998 through 2002, which culminated in Argentina's crisis and the plunge of the Uruguayan economy to new lows. Tough times not only shrunk local consumption but jeopardized sources of raw materials as small producers felt forced to dismiss employees, sell machinery and stop raising animals. Larger and more

apparently solvent local businesses folded.

Manos has navigated through the red ink partly by downsizing and outsourcing. Cooperative membership stands at 450, up from its 1998 low of 300 but down from a high of 1,200 in 1983; the service center's staff was reduced from 120 to 40 and now numbers 85. A round of retirements made the reduction in force a little less painful, and, according to Gioscia and Sosa, over the 22-year period thousands of women have found other employment because of skills acquired through the training Manos offers. The current complement is more productive than ever, Carugno maintains, thanks to better technology. Globalization has, at least initially, brought big orders, and, during high season, between 300 and 600 additional workers are contracted to meet the tight turnaround.

Revenues from Manos' entire production last year totaled \$4.2 million, more than double those generated in 1998, and exports accounted for 70 percent. Of those sales, \$600,000 is attributable to J. Crew's order for 87,000 mittens, caps and scarves that whole towns raced to fill. Other U.S. clients include Victoria's Secret, Donna Karen, Nordstrom's, Sak's Fifth Avenue,



PAULA DURBIN

Sebastián Romero, 18, was recently welcomed into Cooperativa Artesanal Totoral Fray Marcos by Mirian Hernández, right, his grandmother and CATFRAY's founder, and by María Medina, his mother, a CATFRAY knitter. "I'm the first man to do this job for the cooperative," said Romero, who operates a knitting machine and is learning to cut.



PAULA DURBIN

María Inés Payssé, designer.

Bloomingdales, Ralph Lauren and Peruvian Connection. When *Grassroots Development* visited in March, Manos was to dye 11,000 kilos of yarn for Banana Republic. "Currently we are working for first-rate U.S. companies," said Carugno. "That requires significant quality and the ability to adapt to all of the client's requirements." A contract with an overseas client usually means proposing a design and incorporating the client's modifications before selecting the cooperative to fill the order, drafting patterns tailored to every size right down to the length of the fringe, compiling instructions detailing the quantity of yarn and how much facing to use, assuring the supply of raw materials, arranging for delivery of the finished products to headquarters, monitoring their quality and shipping them off usually within 90 days. Afterwards, excess materials must be picked up for storage in Montevideo or recycled; machines must be repaired.

"It has been a constant effort to, on one hand, identify the market, get the business and keep it, and on the other, coordinate all of the production from a distance," said Sosa. Much less pressured is the line of clothing and home decorations sold under the Manos del Uruguay label, usually through Manos' boutiques in Montevideo and Punta del Este. (Years ago, Artagavetia added crafts made by independent artisans selling on consignment, figuring that customers coming into the shops for a ceramic vase might also pick up a poncho.) Originally the line



JUDITH SHANGOLD

Spinning.

targeted mature, affluent Uruguayan women interested in quality, comfort, warmth and color—something of a marriage of Eileen Fisher and Missioni. Manos recently hired new designers, such as María Inés Payssé, 23, to appeal to younger buyers as well. Even so, explained Sosa, "we just don't have the volume in Uruguay, except for woolen yarn. That's why it's so important to export."

Unfortunately terms for producing much of its export-led volume are increasingly dictated by low wages paid elsewhere in the world, reducing Manos' margin for overhead, and the losers in the equation are the artisans. Since beginning operations, Manos has been committed to paying the minimum wage, calculated by how long an item should normally take to complete; a fast worker could earn more, a slow worker makes less. Now negotiating a price that allows Manos to pay the minimum wage puts the contract at risk. "We do everything we can to please these clients," said Sosa. "but when the price goes too low, we give the co-ops the option of not accepting the work. Often we do the work anyway, to try to keep the client." But is that enough?

"Big companies don't care whether they are giving work to rural women," Gioscia was quick to answer. "The artisans understand that they have to deliver exactly what the clients want at the price they are willing to pay. China isn't a possibility, it's a reality, and it is the biggest competitor, not just for Manos del Uruguay, but the whole world. We are already losing business and that is going to get worse. Our only choice is to improve quality, improve compliance, get



MARK CALCEDO



used to working with even smaller margins and offer what the Far East cannot." Gioscia also hopes to develop a stronger presence in Europe where according to a May 9, 2005, *Newsweek* article by Fareed Zakariyah, China's sales of pullovers has increased more than 534 percent since Jan. 1.

"Obviously we should aim for specific markets with specific products," said Carugno. Manos has now taken to heart perhaps the best advice from its British consultant of 20 years ago—to make and market a bread-and-butter product which he thought should be stria yarn. Hand-spun and hand-dyed to produce subtle gradations in color that lend a soft shimmer to a finished garment, it has been around since the 1970s. Recently it has soared to a level of popularity that Woolwinder's Web site describes as "almost hilarious." Judith Shangold, owner of Design Source, says sales in the United States have increased tenfold since she became the U.S. distributor in 2000. "The yarn is attractive to knitters for many reasons, the softness, the range of 95 colors, the striated way it is dyed, and the pattern support we develop here in the U.S.," she said, referring to her own designs ranging from sweaters to leg warmers to afghans. "And the appeal of the Manos story has proven a very valuable marketing tool," she added. "People like the idea that buying a product supports women's economic development."

For now, says Shangold, Manos' yarn faces no threat from Asia. "Other producers in Uruguay are trying to get a foothold with a similar product," she added, "but I think they are having a hard time competing with the Manos name." A loyal Manos customer is Peruvian Connection, specializing in catalogue sales of high-end South American fashions. "Since at least the 1970s, garments produced by this wonderful cooperative have enjoyed great success," said CEO Annie Hurlbut who buys both yarn and Manos-designed clothing. "As far as competition is concerned, Manos del Uruguay produces handcrafted quality in a limited quantity that would not be adequate for the Targets of the world. China is more adequate for that kind of production." Widening a narrow niche for discriminating consumers bedevils companies everywhere as the next phase of globalization looms. Can Manos retain its competitive edge? "We sell fashion," said Carugno, "and if we are still alive after 36 years, it's because we have constantly adjusted."



Leticia Pérez, 21, learned to knit a year ago and proved so gifted that she is now CATFRAY's instructor.