COOPERATIVE PRINCIPLES
AND DEMANDS EFFECTIVE MANAGEMENT

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Introduction

The globalisation of the markets has brought about concentration of competitors, suppliers and clients of the cooperatives. That is why the agricultural cooperatives were forced to adapt to new conditions. Since about 50 years Western Europe has seen the occurrence of big cooperative groups in partnership with capital companies. They are operated by a bit different rules than those indicated by the doctrines of the Rochdale pioneers. It is impossible to explain them using the classical model of cooperative management. They are very often a cross between the interests of a farmer – member of the cooperative as a user and a farmer – shareholder (Gvillbuzo, 2000). The logic of common farming has been transformed into the industrial-commercial and financial economy. The share put into the cooperative by a farmer-member may coexist with shares purchased by the farmer-shareholder. This leads to the existence of partnership with the capital sector and specialisation of production.

The construction of a new relationship is a challenge posed at the beginning of the 20th century. The idea of a „cooperative revival” is sieved through the search for a new paradigm. Thus the cooperative enterprise as a form of cooperation is not only an effect of social transformation but also suggests good practices in management.

Nowadays when agriculture undergoes the process of integration with the new European structures, new qualitative changes give the managers of these subjects extraordinarily difficult tasks.

It turned out that in the same economic conditions some cooperatives show great developing dynamics, some undergo stagnation, some experience regression. It can be noted while analysing the cooperative movement from the point of view of the branch, territory and size. The development of the cooperative movement underwent some stages of adaptation to new conditions. After 1994 some changes in the management rules, organisation and the accepted strategies of development could be noticed. Integrational activities of some economic functions were started on the national as well as international levels.

Each cooperative should follow such activity which would let her realise economic and non-economic tasks for its members. Some cooperatives, however, dramatically stick to the traditional range of their activity in spite of the fact that they do not achieve expected results. The managing personnel of these cooperatives are hoping for achieving success in the so-called market niches. Only those cooperatives which prepare long-term strategies, based on cost reductions, quality improvement and which fight for clients can effectively compete with other subjects nowadays.
The economic success of some cooperatives is linked to the management system adapted by them. A lot of economists agree that the management theory has never been a strong point of the cooperatives – to be honest, not only in Poland. In the conditions of the market economy the problem is even more important as it has an impact on improving the economics of farming and boosting a cooperative’s expansion.

In the modern world management can be perceived to be a force which decides about the effective farming of economic subjects and their competitive qualities in the long – and shorter – run.

In the cooperatives based on the 150-year old traditional management methods and techniques the decision-making system is ineffective (Dyka, 1997). When tasks of their activities are discussed, the representatives of management and organisation knowledge as well as management economics argue over the statement whether „the ultimate interest is the interest of the owners” (Noga, 1996). As far as cooperatives are concerned it is about maximalisation of the advantages of their members. In the conditions of such complexity and speed of changes which are taking part in the surrounding world, the previous management system in its traditional interpretation has proved of little help. If we leave a part of outdated old-fashioned companies that compete with each other on the market it will lead to eliminating next cooperatives from that market. The expansion of the western strong capital groups poses an additional threat.

Is the cooperative in its essence a specific form of a company?

„A cooperative is a voluntary and self-governing association with an unlimited number of members and changeable share fund, involved in economic activity within its legal and statutory rights” (The cooperative…, 1982).

The rules called the cooperative principles are additional factors which differentiate a cooperative from a capital company enterprise. The usefulness of these principles, as tools determining the cooperative movement, have to be reconsidered. In other words, whether these principles refer to structural, fundamental differences or whether they are merely secondary differences. Thus it is necessary to identify those elements which determine if a cooperative is an organisation different from a non-cooperative company.

At the congress CEPFAR-COGECA in Dublin in 1979 the discussions concerning the principles of agricultural cooperative movement showed that the majority of the delegates renounced the classical principles as elements of direct manipulation of the functioning and development of the agricultural cooperatives in EU. Only the French and Italian delegates claimed that these principles are important. Pedersen – a member of the Central Cooperative Committee in Denmark – wrote in his report that „what counts as the first aim of a cooperative company is knowledge how to ensure that the farmers receive the highest prices for their products. That is why the cooperatives have to act according to their own
concepts and own legal methods. All external duties and rules imposed upon them hinder them from obeying the law” (Pedersen, 1979).

Since 30 years legislations evolve in the direction of adapting the cooperatives to the competitive environment. During the evolution some principles were omitted, especially the external inflow of capital and the rule of exclusiveness. Big agricultural-food producing groups with capital companies partnership have created a new generation of companies which cannot be defined according to the classical cooperative principles. It happened so because the contemporary cooperative enterprises react more strongly to the final advantages and final values for the cooperative than to principles.

The values that are currently defined:

– *justice*, which replaced *equality* in numerous cooperatives
– *transparency*,
– *selective solidarity* (sometimes used in practice)

Meanwhile some economists argue that these values are not cooperative-specific but rather belong to civic values in advanced democracies. Final tasks, especially in cooperative groups with product processing branches, do not depend on their members (a limited liability branch, which can be situated in any place). In these cases a farmer’s income can be regarded from two aspects:

– as income of a given cooperative’s user
– as income from shareholding of the branch

It is worth mentioning here that within the framework of complex groups with capital partnership fiscal issues do not present difficulties. The cooperative group is taxed without a change of the tax status of the mother-cooperative company.

The idea of the cooperative company should be really flexible if cooperatives want to survive on markets which undergo broad internationalisation and face tough competition. Besides, if the cooperatives are to remain living organisations, their activity should be based on economic rules and promote their commercial value.

The American Department of Agriculture together with a group of scientists has worked out 3 criteria that a cooperative company should meet. The criteria have been accepted by a majority of international bodies interested in the cooperative movement.

The first rule is that the users of the cooperative should be its owners who are obliged to finance it as a majority, but not necessarily exclusively

The second rule is that the cooperative members should have majority of votes (but not all) in order to be in control. The principle of control does not introduce any special division of voices, such as for example one member=one voice.

The third rule – financial surplus is divided into the users-members of the cooperative depending on the turnover in their dealings with the cooperative (the rule of sale at basic costs). It does not mean that the owners cannot gain profit from the relationships which are joined by the cooperative. If the cooperative is able to satisfy its members on these two planes, it is even better.
Management effectiveness in cooperatives

Management is part of a social reality which relies, among others, on the level of education, culture and mentality of people, historical experience of the country as well as its social-economic development (Sudol, 2007; Górecki, 1962).

The objects of management research (various organisations) are not unalterable in time. Thus any statement concerning management is less stable, ages and becomes outdated faster, that is why the range of their use is also limited in time. In order to perfect management, it is necessary to describe the existent management processes, distinguish their various types and examine factors that shape them. The fundamental condition of an organisation’s survival is its adaptability to the changing environment.

According to M. W. Grudzewski, management in 21th century has taken on a new orientation. It is more and more based on the ability to cope with a continuous change. It is not based on self-sufficiency, stability and hierarchy, but is built on changeable cooperants, partners and alliances, which in turn leads to technological supremacy. Managers of the 21st century should acquire a new set of technical, functional, cultural and social skills in order to cope with the new paradigm, which has increased their responsibility, changed their risk, weakened their control through flattening the hierarchy.

The effectiveness of an organisation is a notion difficult to define and measure. According to a lot of authors (Cameron, 1983), the system of effectiveness measurement influencing the functioning and development of organisations may be regarded both in a financial and non-financial aspect. The financial spect is the most clear, that is why calculative measurements are commonly used. The non-financial factors are inadequately taken into account. In Bartniski’s opinion (Bartnicki, 2007), despite a well developed instrumentalism, the financial approach does not provide clear answers that are expected from measurement requirements of the organisation effectiveness and is far from sufficient. It supplies only a simplified picture of reality across a short period of time and odes not reflect prospects for the future. As a result the attention is focused on a short span of time. We know more about the results than about their causes.

Thus nowadays the agricultural cooperative movement – and this is more true now than ever before – has found itself at the crossroads. Literature mentions three concepts referring to this problem (Koulytchizky, 1981; Deshais, 1986; Lambert, 1964; Mevellec, 1976):

1. One concept is a statement that cooperatives in their essence are humanitarian organisations. Their mission is not to realize economic activities effectively. This concept brings about inevitable failures of common economic enterprises.

2. The proponents of the second concept define the cooperative as any enterprise, similar to other enterprises, which is not specific when it comes to its management nor its essence. This concept places cooperatives on the same level as commercial companies, which contradicts their essence.
3. In the third concept the cooperative company is defined as a unique organisational form created in order to carry out common economic activities. The aim of these activities is looking for possibilities to create profit in the system of competitive economy.

Thus which concept offers good prospects for the future to the cooperative movement? What role should member of a cooperative play in management?

A lot of issues concerning cooperative subjects and their functions have not been solved in a clear way. The truth is, the cooperative reality can be regarded from several points of view: either doctrinal or as a set of legal rules, or as a company.

“A company is an organised self-sufficient economic entity aimed at production of commodities or offering services by means of a collection of production factors. Sale of commodities and services has got to bring in income which will enable the enterprise to survive on the market, modernize production, increase income” (Duczkowska-Piasecka, 2000).

**Conclusions**

The solutions accepted by cooperatives cannot be perceived as everlasting. They have to be updated and continuously improved. The cooperative and the managing personnel have to realize that, for example, with the passage of time the possibilities and quality of the cooperative’s potential run out while the solutions developed under the influence of the changing environment become outdated. That is why a periodic restructurisation of the cooperative’s individual solutions is inevitable.

Scientists and experienced persons who are concerned with the issue of the cooperative movement agree with the following:

1. There should be an improvement in the position of the cooperative organisations through more active promotion of the cooperative rules based on economics and reasonable commercial practices.

2. The rules of economic activity should be more liberal and economically reasonable, thus less limited and less history- and ideology-oriented.

3. It is hard to determine if just one or several cooperative models should be used in all countries, branches of industry and all cooperative organisations. Because we can see that various models of cooperative companies exist at the same time, some will prove their superiority in some conditions, others – in different conditions.

4. The cooperatives, just like the product, follow their own life cycle: they are born, develop, mature and die. The more financially developed, the more difficult it is for them to fulfil the ideas of the cooperative movement. The final forms of cooperative development seem to be corporations and integrations, whereas the decadent phenomena are leaving the statuts of a cooperative company and transform into capital companies.
References


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Santrauka


Globalizacija, organizavimas, rinka, kooperatyvas, pajus, vadyba, efektyvumas.