

The Munster Conference

by

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This report covers selections from the 7th International Congress of Co-operative Science which was held in mid-September 1972 at Munster in Westphalia, Germany. Although a very interesting conference from many aspects it is best seen as a West German conference which also dealt with issues concerning Co-operatives in other countries and continents. Sessions were so organised that it was rarely possible for delegates from other countries to contribute to the many debates that followed each conference paper. Personally I am strongly in favour of international conferences on topics of common interest to both academics and executives concerned with Co-operative organisations but it must be recognised that this was not such a conference even though topics of international interest were widely covered. If the organisers of the 8th International Conference to be held in three years time take the trouble to get a truly international organising committee they may well achieve their apparent objective of making this the recognised international forum for interchange between academics and practising executives in the Co-operative sector. This next Conference is to be held somewhere in Germany in three years time and hence this issue will need attention in the near future if it is to take on a truly international aspect.

Having started with this rather direct criticism of their conference attitude, may I nonetheless congratulate the organisers on the set of papers that were presented to this very well attended conference. We as yet have no similar forum on these lines in our own country. Again bodies such as the International Co-operative Alliance fail to organise international conferences at all except for practitioners and elected representatives and in this way seem to be shy of contact with different academic interests who do show concern with some issues of relevance to the Co-operative sector.

Given this existing gap in the international interchange of ideas the Munster Conference did however provide a useful forum for international contact and the provision of simultaneous translation of the conference proceedings in English, French and Spanish languages was particularly appreciated by the overseas visitors.

“Co-operatives and Democracy”

The main theme of the conference was ‘Co-operatives and Democracy’ and this was taken as the title of a very stimulating paper presented by Rolf Eschenburg. In general Mr. Eschenburg discussed the difficulties that can arise between qualified professional managers and elected consumer representatives over matters seen by managers as part of their professional function. Defining “direct democracy” in the sense that all management decisions are taken by the general meeting of members, he stresses that its abolition involves a considerable

reduction in decision-making costs. However he stresses that co-operators run the risk that decisions might be made contrary to the best interests of a majority of the membership. But the membership presumably want highly qualified managers, and in order to get them will have to make concessions and give them considerable autonomy in terms of decision making authority. Managers are judged outwardly by the success they make of their particular co-operative and if others participate also in aspects of the decision making process, their contributions to the success or failure of the enterprise cannot be clearly seen. It is suggested that when things go wrong, the manager tends to collect the blame but that when business is good, others involved in decision making (presumably the board in the British context) also claim part of the credit. First class managers are scarce, and in this situation they tend to go for those positions of senior management where they are given considerable autonomy to exercise their management skills. There is a dilemma for Co-operatives in that if they press for too much member involvement in the running of their societies they will only end up with second-class management executives. Co-operatives exist in a strongly dynamic economy where innovation is the rule and second class managers will not bring about good economic results. In this context it is important that the members clearly specify their economic and social objectives to the top management.

Mr. Eschenburg then discusses whether the members of a Co-operative can get information to check on the alternatives before senior management, in order to judge whether the right decisions are in fact being made. It is suggested that the senior management in their own interests are very selective about the data presented to the membership. Mr. Eschenburg takes comfort in the belief that senior management should be concerned about the image of the society within a general business context and hence will not for reasons of professional standing want to be associated with an enterprise that is clearly going downhill into economic decline. He therefore seems to be satisfied that because societies exist in a competitive trading sector there is every incentive for them to pursue efficient trading policies.

In a selective summary of this nature it is not possible to do justice to a very interesting paper but some of the issues he raises are very pertinent to the problems of some sectors of co-operative enterprise in our own country.

In the Under Developed Areas

Turning to a different theme—co-operatives in under developed areas, Herbert Bergmann gave a paper entitled "Co-operative Democracy between Traditional Powers and Development Administration." In general it was a depressing paper indicating quite strongly that the structure of co-operative societies in areas such as Africa had in general not come up to the expectations of their originators. In particular much benefit had been expected in international economic planning circles from the widespread introduction of agricultural co-operatives into peasant economies. The possible influence of historic tribal hierarchies of chiefs and their immediate families and followers within the democratic structure of a peasant co-operative had been underestimated. Very often the chiefs dominated the local co-operative either directly or via

followers or relatives whose first allegiance in practice was to favour the interests of the chief rather than to consider the other members of the co-operative as well. In the ideal co-operative society as Mr. Bergmann stresses "nobody will be able to distinguish between a person being the chief and the same person being a member of a co-operative." His study in Senegal "shows that traditional authority, even informal influence in the traditional structures, can easily be transformed into formal authority or informal influence in the new structures of the co-operative." In his study, 25 per cent of the co-operatives examined were directly managed by local chiefs, and in a further 30 per cent the local chiefs had more or less close relationships with the chairman of the co-operative. The chiefs often intervene to decide conflicts between the members in the running of their co-operatives. To quote Mr. Bergmann again "in the by-laws of the co-operatives which are almost always based on foreign models, no provisions are made for mechanisms for solving conflicts other than the discussion in the general meeting and the subsequent vote. But as unforeseen conflicts may arise in the running of the co-operative, the services of the chief in settling them become important for the co-operative." And finally "for the local chiefs, the co-operative consequently, is an instrument of obtaining a position in the modern field and of drawing all material benefits resulting from it. Once the pre-eminent position of the chief is secured, there are less chances for internal democracy because the chief has gained greater control over the co-operative." Although mainly concerned with Senegal, Mr. Bergmann stressed that similar problems took place in other African countries and also in developing countries in other continents. He quoted from a wide range of authors in the discipline of anthropology to prove his point. The problem is particularly acute because so often rural peasant co-operatives lack well qualified staff, are short of funds and resources, and members tend to see situations in terms of their own personal interests rather than viewing the problems of the co-operative from a wider and more altruistic angle.

Mr. Bergmann ended a lengthy paper by concluding that Western models of co-operative behaviour were inappropriate for peasant societies overseas.

In the U.S.S.R.

I must confess that I had not expected the paper by Mr. Khvostov of the Soviet Union to be so interesting. Though avoiding certain delicate issues that might otherwise have aroused controversy he nonetheless provided a good factual account of the current scene facing Russian co-operatives today. The latter trade mainly in rural areas and the smaller towns leaving the state sector to control trade in the cities. In recent years Co-operatives have been allowed to develop specialist stores in the cities as well provided they restrict their lines of activity to produce they have mainly obtained from their grower members. Fruit and vegetable produce is one such line of activity. An example was also given of Moscow where bear and deer meat, and wild fowl etc. were only to be obtained in specialist co-operative stores.

The co-operatives have done well in recent years partly due to a more relaxed attitude on the part of the central government and also because of the rising living standards of the Russian peoples. Apparently incomes have risen fastest

in the rural areas—where the Co-ops have their strength—and this has benefited local societies in terms of sales increases and also profits. The Co-op share of the Russian retail trade now stands at 39 per cent. Readers of my articles in “Co-operative Management and Marketing” will be well aware of my theme that the progress towards regional societies in Britain forms part of a wider European trend. The same movement is also to be observed in Russia. To quote Mr. Khvostov “the experience of Soviet co-operative organisations has shown that large co-operatives are the most viable and financially profitable.” He went on to stress that “large co-operatives have sufficient circulating capital, they can make bigger and more effective investments and accumulate the necessary funds to do so.” He also put great stress on the theme that regionalisation reduces administrative overheads.

An example was given of the Chuvash autonomous republic which in 1969 experienced a number of unsuccessful loss making enterprises. A series of mergers since that date has resulted in improved profitability in that republic. I was interested to hear that bigger economic groupings in Russia can get “higher price allowances” from their suppliers. I had not previously envisaged the existence of price discounting in the Soviet Union.

“Enlarged co-operatives make it difficult to hold general membership meetings. That is why in the co-operatives of the U.S.S.R. in addition to district membership meetings (direct representation) there are meetings of representatives elected at the district meetings (indirect representation).” Mr. Khvostov went to some trouble to explain the ways in which they tried to maintain member interest in the running of larger co-operatives. I found myself thinking of Mr. Eschenburg’s paper and wondering what constituted success in the eyes of Soviet management opinion. Mr. Khvostov emphasised the existence of the member shop committees as one way to overcome the loss of identity as larger groups takeover from local co-operatives. Their local criticisms have to be taken into account and presumably they can encourage innovation in the way that new developments by Asda and Tesco and Marks and Spencer etc. encourage innovation in our private retail economy today. Altogether it was an interesting paper with a well presented series of themes.

Other Papers

Other papers presented include one on “Co-operatives and Competition” by Gerd Fleischmann, a short statement on Co-operatives in Latin America by Fernando Chaves which had similarities to the paper by Mr. Bergmann, and a paper by Erik Boettcher which raised issues similar to those dealt with by Rolf Eschenburg. Mr. Chaves argued the need to develop special forms of co-operative society in rural South America. He commented that “in many instances, foreign, middle class types of co-operatives have been transplanted and given high priority when the population of Latin America is largely rural.” Bolivia with over 60 per cent Indian population had cultural values different to the rest of the population and this should be taken into account when new co-operative structures were being planned.

Mr. Boettcher discussed the possibility that Co-ops tended to attract second rate managers because of the requirement to share some decision making powers

with the membership or their representatives. He suggested that if this was the case, younger and more efficient personnel on the staff of co-operatives would be attracted away to work for rival organisations. He also commented that weak co-operatives tend to survive for a time by selling their real estate property during years of bad trading performance.

Collectively the papers set a high standard of presentation and I am sorry that I found it necessary to make some critical remarks about the organisation of this conference. Suitably amended, this series of conferences held every three years could be a regular international event that academics and professional managers alike from a wide range of countries would be keen to attend.

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