

Challenges of Co-operative Management in a Transition Economy
The Case of Tanzania
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(1993)

Abstract

A series of policies which aimed at liberalising economic and political activities, that started in the latter half of the 1980s, had heralded a lot of transformations in Tanzania. Tenets of basic human rights, such as freedom of expression and association were being put into reality. By virtue of the Political Parties Act 1992, for instance, Tanzania was now legally a multi-party democracy. Regarding the co-operative sector, the Co-operative Societies Act 1991 provided for the creation of 'truly' member-based co-operatives as opposed to erstwhile state-controlled co-operative organisation.

The country was, indeed, in a transition from an almost hundred percent state-controlled economy to a competitive, open economy. As it were, all those sectors that traditionally had been significantly contributing to the Tanzanian economy would have to follow suit in this transition. They would have to adjust themselves accordingly so as to be able to survive and thrive in this emerging competitive arena.

This study was about one of such sectors - the 'Co-operative sector. With the economy slowly opening up to the global market forces, challenge; of competitiveness were becoming more real and exacting than anytime before. The Co-operative Sector, like all other sectors, would have to face these challenges. Co-operatives in a competitive business environment have no options but to compete. In this case, it was appropriate to attempt a prediction of how the co-operative would fair in this kind of arena.

Given these realities, then, the study sought to assess whether or not the co-operatives in Tanzania stood any chance of surviving. The study aimed at determining prospects that the transition economy could offer to the co. operative sector, and the challenges that the

management of co-operatives would have to overcome in order to realize any of the prospects. In particular, the study attempted to examine how the co-operatives would have to compete with non-cooperative organisations in order to survive. In the same vein, the study examined the extent to which the competitive strategies for ordinary business organisations, as advocated by mainstream scholarship, could be appropriate to co-operative organisations. This was deemed congruous because such an examination would undoubtedly help those involved in the sector to define and redefine their strategies accordingly.

This study was considered to be even more relevant given the background of epochs of poor co-operative performance in some areas. It was mainly due to this background coupled with the foregoing realities that several possible propositions and assumptions were put forth to guide this study. These include the hypotheses that

- i) Co-operatives were likely to remain the main vehicle towards the socio-economic development of the rural population - and hence, to the majority of Tanzanians. For a foreseeable future, co-operative undertakings would continue to be a better option for the majority of people whether in an 'open' or 'closed' economy.
- ii) The gradual state withdrawal from co-operatives in terms of control was likely to strengthen, rather than weaken, the cooperative sector.
- iii) Whenever the public sector would be compelled to divest itself of or pull out from certain economic ventures, it was the cooperative sector, rather than the private sector, that would eventually take over the relinquished tasks. And as a corollary it was very unlikely that the private sector would subdue the co. operative sector during this transitional phase of the Tanzanian

After presenting the conceptual framework within which the competitiveness of co-operatives could be fairly examined, the study assessed the socio-economic setting of the Tanzanian economy prior and during the economic liberalisation processes. According to this study, the pre-liberalisation epoch witnessed high Government involvement in almost all sectors of the economy. Co-operatives were considered as political instruments for rural development. This state of affairs, coupled with the fact that during this period Tanzania was predominantly a one-party state, any initiative for co. operative undertakings required first the blessing of the party. Indeed, even the initiative to form a co-operative came outside the co-operative membership.

The assessment of the socio-economic setting was followed by a discussion of the potential competitiveness of the co-operative sector in a transition economy and the attendant challenges.

It was argued that Michael Porter's Focus Strategy could be readily recommended for the majority of primary co-operative societies in Tanzania. The strategy would enable small co-operative enterprises, still in their infancy, to focus on their specific members and hence, serve them better than possibly any other competitor. The strategy was really customer-oriented.

Indeed, the study did establish that there were significant prospects for the co-operative sector in Tanzania, albeit with attendant challenges. The managements in this sector would have to address these challenges before such prospects could be realisable. If the post-1990 co-operatives were to be essentially different from not only other business enterprises but also from the pre-1990 co-operatives, the study recommended that a special kind of management would be needed. Co-operative management would require the competence and skills expected in other typically profit-seeking concerns, PLUS a good understanding of co-operative establishments and their unique place in the Tanzanian economy. Ideally, this meant that co-operative management would, of necessity, have to be superior to general business management.

Contrary to implied fears that co-operatives would die in face of the move towards economic and political liberalisation, the study had noted that this was, indeed, an opportune environment for co-operative growth. It affirmed that the more free and liberal people-based institutions were, the more were the chances and possibilities for their success. With minimal external (non-member) interference, co-operatives would tend to be more autonomous and progressive. Therefore, where the political system is open, democratic and progressive, co-operative organisations would find many opportunities for self-determination and growth.