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**The Process of Forming
and Functioning of Economic Associations**

Proces tworzenia i funkcjonowania zrzeszeń gospodarczych

Процесс формирования и функционирования экономических соединений

The economic reform undertaken in 1981, included also the organizational structure of the economy. The act about state establishments¹ made plans for the formation of associations with economically justified aims. These associations were supposed to be, in the intention of the legislator, unions whose aim was to ensure the establishments united in the former help in carrying out their statutory tasks and the undertaking of enterprises the common realization of which increases efficiency and economic activity of particular establishments. This aim is realized by means of:

- concentrated and rational utilization of powers and means necessary to carry out the tasks exceeding the realizational possibilities of particular members of the association;
- finding and managing reserves existing in the activity of members of the association;
- equating conditions of the functioning of particular establishments;
- creating proper conditions to hasten the technological and organizational progress.

The act about state establishments quoted above provide for a possi-

¹ Act from September 25, 1981 about state establishments (no. 24 from 1981, position 122).

bility to create two basic types of associations: voluntary and obligatory ones. Creation of a voluntary establishment proceeds on the basis of an agreement concluded with the concord of workers' committees of establishments forming an association and subject to the approval of the organs which founded the association. On the other hand, the formation of an obligatory association may take place only in exceptional cases justified by social and economic factors. It takes place by way of an act of the Cabinet after previous consultation with adequate committees of the **Seym**. In such a case, definite establishments are obliged to enter a contract pertaining to the formation of an association for the period of five years, and the supervisor organs sanction the Status of the Association.

Members of the association take part in all common enterprises of the association, they cover the costs of the latter's realization; they also have their share in surpluses and other profits attained by the association.

Associations as purposeful unions may unite not only establishments but also other organizational units, for instance scientific-research bases, designing offices, centres of organizational or informational services.

Therefore, members of associations may be organizational units of differentiated subjects of activity. Their inter-dependence gives as a result, possibilities of creating various types of associations, presented in Tab. 1.

The formation of associations was simultaneously connected with the liquidation of federations functioning in Polish economy since 1958.² What was meant here was to liquidate the indirect level of management occurring between branch-like ministries and establishments in connection with basing the functioning of establishments on so-called principle 3 "S", that is independence (*samodzielność*), autonomy (*samorządność*), self-financing (*samofinansowanie*). This constituted a straight consequence of giving up the imperative-directive system of management.

A great majority of establishments joined associations on their own initiative, seeing in this act definite profits.³ This positive attitude to associations at the initial stage resulted first of all from the activity of establishments in the conditions of great suspense (lack of raw materials and materials as well as of foreign currency, lack of faith in the stability of principles of the reform being introduced, breaking up the unity as a result of the liquidation of federations, restrictions of the martial law). Moreover, small and medium-sized establishments saw in federa-

² Act No. 242 of the Cabinet from November 30, 1981 concerning the principles — procedures and time of suppressing federations of state establishments (MP No. 32 from 1981, position 286).

³ This paper deals with voluntary associations only.

tions a form of integration making mutual help possible and a means for the strengthening of their position in the relations with central organs of economic administration.

Process of the formation of associations did not always proceed without any resistance and was a result of the initiative taken by the establishments. In some cases, the establishments were under a strong pressure on the part of plenipotentiary offices,⁴ ministries and the staff of former federations. The procedure most frequently applied was to create associations on the basis of federations just being done away with. This was connected on the one hand with the above-mentioned "pressures", on the other, with the persistence of the then existing connections and the establishments' reluctance to break them up. In some cases this gave rise to various conflicts.

There have been left only very few establishments outside of the structure of associations. The majority of these is made up by many-department establishments, and plants as well as those which opposed the formation of additional structures beyond the establishments.

The present experience as far as the formation of associations makes it possible to formulate the following prerequisites constituting the basis of forming associations by establishments:⁵

1) creating, for establishments accustomed to top authoritative management, proper conditions for mild transition to complete independence and final situating in the new organizational structure of the economy, not on the basis of authoritative decisions, but as a result of research and analyses of pertinence and efficiency of organizational solutions, introduced and planned ones;

2) organizing in place of former indirect link of economic administration, that is the federation, of an organ completely formed by independent units in order to make easier attaining of profits resulting from the cooperation between establishments having common aims;

3) a possibility for more effective utilization of very meagre now — and certainly in the nearest future — funds for development by means of the coordinating of the planned and introduced undertakings in time and in space;

4) a possibility to be, in relation to producers — purveyors of the

⁴ Plenipotentiaries dealing with so-called operational programmes and selected production systems were called on the basis of Act. No. 278 of the Cabinet from December 30, 1981, concerning the functioning of the economy in the period of the martial law (MP No. 1/82 position 1).

⁵ C. Skowronek, J. Mrozek: *Funkcjonowanie zrzeszeń przedsiębiorstw w sferze obrotu zaopatrzeniowego* [The Functioning of the Associations of Establishments in the Sphere of the Supply Turnover]. IOZiDK, Warszawa 1983.

means of production — an organization strong economically and one which must be taken into consideration and cooperated with during the creation of productive programmes, outlet plans, market research etc.;

5) coordination of activities connected with the functioning of division still necessary in the transitory period or obligatory agency in the sales.

The dominating form is constituted by associations of the same trade, among them associations of the producers of ready products. These associations of the horizontal character most frequently fulfil the following functions: ⁶

- organizing market research,
- realization of common undertakings of productive, research, trade characters,
- organizing common information services;
- training and preparation of specialized staffs,
- coordination of the economic policy in the fields of production, trade and research,
- coordination of the activity on foreign markets,
- coordination of the investive activity and technological progress.

As regards vertical-group establishments which carry out the subsequent phases of producing the final product, the most frequent functions are the following: ⁷

- common balancing of plans, including production ones,
- common preparing of the projects of two-sided agreements,
- undertaking activities connected with the giving up of the import of ready sub-assemblies,
- granting non-interested credits from the commonly created investive fund with the purpose of doing away with narrow sections,
- establishing the principles of price policy as regards supply-cooperative elements,
- transferring the means from the funds of the technological economic progress for the financing of new initiatives,
- conducting common policy of development,
- conducting common services.

A separate group is made up of the associations of establishments of supply trade whose main functions are as follows: ⁸

- to undertake, in the name of represented establishments, activi-

⁶ Z. Gadaj, B. Miedziński: *Zrzeszenia w ocenie przedsiębiorstw [Associations in the Estimation of Establishments]*. IOZiDK, Warszawa 1983.

⁷ H. Jagoda, P. Kubiak: *Pionowe zrzeszenia przedsiębiorstw [Vertical Associations of Establishments]*. IOZiDK, Warszawa, 1983.

⁸ C. Skowronek, J. Mrozek: *op. cit.*

ties, ensuring attainment of necessary materials used in the building trade,

— in the name of establishments to enter into contacts and agreements with producers and organizations of the outlets of materials used in the building trade,

— to keep the registers of agreements and contracts transacted for general supply of materials and products used in the building trade,

— to prepare material balances which are the objects of the turnover for the whole building trade and balances constituting the assortment development of central balances,

— to agree upon the yearly and quarterly size of supplies with the main purveyors,

— to conduct actions with the purpose of increasing the assortment range of distributed materials,

— to coordinate and establish the principles of many-years' programmes of developing the activity of establishments,

— to initiate and coordinate common undertakings, especially those connected with investments, repairs, social services, commercial-technical services, advertizing etc.,

— to create on the level of the association the fund for financing the integrated needs of the members of an association; principles and way of utilizing the funds laid out by the association council,

— to provide help for establishments in introducing the achievements of organizational-technological progress,

— to provide technical and organizational counsel,

— to represent common interests of the Ministry of the Building Trade and the Industry of Building Materials as well as other organs of central administration in matters of the policy of prices and margins of profits, system of payment, organization, accountancy and others connected with the activity of establishments,

— to initiate activities aiming at improving forms and principles of the turnover,

— to conduct instruction and economic information as well as to organize professional courses referring to established problems common to all establishments,

— to deal with division of the means centrally balanced and meant for the supplies of establishments,

— to coordinate cooperation concerning border exchange of materials,

— in the name of associated establishments, to enter into agreements with transport organizations,

— to assign and coordinate research work connected with the activity of associated establishments.

Associations function on the basis of statutes passed by the Council of the Association. The statute should contain:

1) General decisions including among others:

— legal bases of the activity of the association (act about state establishments, agreement, statute),

— decisions defining the character of the agreement (open, closed, procedure of leaving an association and dissolving it),

— name and seat of the association.

2) Purpose (basic and specific ones), subject and range of the activity of the association; exemplary basic purpose of the association may be considered the attainment of definite economic and social profits, as a result of organized cooperation of members of the association in the course of carrying out the latter's tasks.

3) Rights and duties of members of the association, and the members' rights are to specify definite profits provided by the possibility to participate in the association, whereas the formulated duties are to ensure conditions when these profits may be attained.

4) Organs of the association, that is: the Council of the Association, President of the Association, Director of the Association.

5) The economic-financial system and principles of managing — specifying among others the fundamental principles of planning and financial management, including formation of common funds and financing the activity of the association apparatus, the range of decisions taken by organs of the association and the principles of undertaking common enterprises.

6) Workers' autonomy — comprising decisions referring to the guarantee of the workers' rights as regards the managing of the association and possible decisions regulating the affairs of the association apparatus.

7) Final decisions — regulating such problems as for instance settling controversial matters and the application of possible sanctions in relation to units which do not fulfil their duties resulting from the participation in the association, including exclusion from the association.

Associations have the following organs: the council — as the managing organ, president and director of the association.⁹

The Council of the Association is the highest organ of the association. It includes representatives of workers' self-governments (one person from each) and directors of establishments — members of the association. The Council takes decisions concerning the functioning of the association in the form of resolutions which should, in principle, be taken by the majority of 2/3 votes with the minimum presence of 3/4 mem-

⁹ Articles 63 and 64 of the quoted act about establishments.

bers of the Council. The competence of the Council includes passing resolutions as regards matters constituting the subject of the activity of the association as specified in the statute, tabling motions concerning introduction of possible changes to the statute of the association, taking decisions about admission or exclusion of the members of the association, establishing programmes of activity of the Association Bureau, appointing and dismissing directors of the association, validating the organizational structure of the association bureau, range of its activity, the proportions of employment, validating the budget of the association and creating permanent and temporary problem committees.

The Council of the Association acts on the basis of the rules established by the Council; it should specify the organization, range and procedures of the Council's work.

The Council chooses President from among its members who presides over the sessions, summons the sessions, controls preparations to sessions, takes decisions about the procedure of dealing with appeals against Resolutions of the Council of the Association and represents the Council outside.

In the case of big councils, there is a possibility of choosing the Presidium of the Council of the Association, comprising 5—7 persons, which takes over the functions enumerated above and referring to the president of the council (of course apart from presiding over the sessions of the council). President of the council is at the same time the president of the presidium of the council of the association.

The executive organ of the association is its director, appointed and removed by the council of the association, by way of an open competition. In agreement with article 64, point 2 of the act about state establishments, the organ yielding power over the association should consent to the appointment of director. However, this is a very controversial principle because of the fact that associations are of voluntary character and they are created by establishments themselves and it is establishments that have the superior organs and not the Association.

Director of the Association acts with the help of a group of workers directly subordinated to him, called bureau of the association. The scope of the work of this bureau results from the subject of the association's activity specified in the statute.

The tasks of the director of the association include:

- organizing the work of the bureau of the association,
- initiating and organizing the activity of the association,
- representing the association outside, in the framework of received powers,

- appointing his assistant and the main accountant with the consent of the Council of the Association,
- presenting the Council of the Association with the following materials to be accepted:
 - a) organizational structure of the bureau,
 - b) budget of the Association,
 - c) periodical programmes of the activity of the association,
- giving substantial and organizational help in the preparations and conducting of the sessions of the Council of the Association and its Presidium,
- presenting the Council of the Association with periodical accounts from the activity of the Association.

The controlling organ of the association is Revisory Committee elected from the members of the Council of the Association. The head of the Committee is its president chosen from the members of the Committee.

The tasks of the Committee are the following:

- to control the formation and utilization of the funds of the association and the financial activity of the bureau of the association,
- to investigate the agreement of the resolutions of the council of the association with the binding rules,
- to control the whole of the activity of the association.

A short period of the functioning of voluntary associations does not make it possible to estimate them in a complex and objective way. Nevertheless, investigations pertaining to this phenomenon carried out by the author and others allow for certain introductory remarks to be formulated.

Process of forming associations is neither closed nor finished but it is still going on. Some (although not numerous) establishments remained beyond associations, some leave associations, some belong to two associations or suggest changing scope of the functions performed by associations. A great majority of associations are clearly of branch-like character and their range "copies" the former system of federations. Therefore, forms of grouping and cooperation of establishments is dominated by a tendency to preserve the indirect level of management. This system doubtlessly favours the keeping of monopolistic tendencies.

To give an example, in 79 investigated associations, their economic activity constitutes over 50% of the country's value of production, services and turnover¹⁰.

The most monopolized structure prevails in agriculture and food in-

¹⁰ A. Cylwik, A. Chajęcki, *Charakterystyka działalności rad zrzeszeń* [Characteristics of the Activity of the Association Councils]. IOZiDK, Warszawa, 1983.

dustry, and it is least frequent in the building trade and the industry of building materials.

Statutes of the associations contain a lot of resolutions making it possible to undertake activity limiting competition and for establishments to make use of these decisions. Associations comprise establishments whose common share on the market is usually dominating, which in consequence results in significant lowering of the state of competition. Hence a conclusion that one should give some thought to the functions which should be fulfilled by associations in the name of general social welfare.

Two tendencies can be noticed in the activity of associations and these are, to a significant degree, opposing. The first one is the fact that associations perform functions of former federations, in this functions of the indirect level of managing. This situation was favoured by big haste in the formation of associations by former directors of federations, appointing directors of federations to the posts of directors of associations, as well as the staff of bureaus of associations consisting of the workers of former Federations. These people transferred the habits, styles and experiences to the work in associations.

A manifestation of this tendency is almost generally applied branch-like criterion of forming associations and accepting new members, general activity connected with a coordinating function of associations covering numerous spheres (prices, production, sale etc.), as well as substantial restriction of the role of representatives of self-governments of associated establishments. As a result, organizational and structural changes connected with the formation of associations are slight, and in some departments rather superficial, far from organizational change of the structure of the economy postulated in the assumptions of the reform.

The other tendency — is the attitude of the managing personnel of establishments which is against limiting their autonomy. It is interesting to note that if in the initial period of the forming of associations (1981), establishments expected that a new form of cooperation between establishments will be created and it will not threaten the latter's autonomy, after a year-long functioning one can observe increase of critical attitudes of establishments in relation to associations. This results among other things from the fact that associations have not fulfilled expectations. An illustration of this thesis is provided by results of investigations carried out in 50 consultant establishments by the Institute of Organization of Management and Staff Advancement. No question pertaining to the evaluation of the participation of an establishment in an association was answered in the positive, 38% respondents estimated this participation as rather positive, 30% saw no influence of participation in an association on the functioning of establishments, 19,1% — estimated this in-

fluence as negative, 8% — decisively negative, 5% — had no established opinion in this respect.

Therefore, as follows from the data quoted above, over 60% respondents do not see any positive influence of participating in an association on the functioning of establishments. Even those rather cautious estimations of the usefulness of associations should be considered rather optimistic in view of the answers for the next question. Respondents were asked to answer the question if in 11 specified fields of activity the fact of belonging of an establishment to an association, increased the former's efficiency, decreased it, or had no influence. The structure of answers to this question is presented in Tab. No. 2. It should be stressed

Tab. 2. Evaluation of the Influence of Belonging to the Association on the Efficiency of the Functioning of Establishments¹⁾

Question: In what spheres of the activity of an establishment has its efficiency changed since the moment of joining the association?

Spheres of activity	Proportion ²⁾ in the total number of responses		
	growth of efficiency	no change	decrease of efficiency
1. Planning	0	97	0
2. Supply of raw materials in the country	10	79	6
3. Import supply of raw materials	25	68	4
4. Cooperation	15	78	3
5. Outlet	3	85	9
6. Organization of work	0	99	0
7. Introduction of technical progress	4	91	1
8. Cooperation with the environment	15	81	0
9. Realization of material tasks	1	96	0
10. Export	12	75	0
11. Import	21	74	0
12. Others — kinds	0	0	0

¹ Source: Z. Gadał, B. Miedziński: *The quoted work*.

²⁾ The complementing to the sum of 100 responses in relation to each sphere were responses: "I don't know" which have not been taken into consideration in the Table. Their numbers were from 2 to 13%.

that answers stating no influence of belonging to an association on the efficient functioning of an establishment constituted from 68,0% to 98,0% of the whole number of answers, depending on the field¹¹.

¹¹ Gadał, Miedziński: *op. cit.*

Obviously, the attitude of establishments to associations is correlated with the former's position and aspirations. Big establishments, do not see any need to participate in associations since egalitarianism of the latter makes it impossible for the former to occupy a position appropriate for the potential they represent. They solve their problems themselves through direct contacts with the proper department. Their attitude to associations is negative.

Medium-sized establishments characterized by significant activity and certain aspirations to take the lead, joined associations as a result of the pressure of their initiator's organs, and in the conviction that this will help them in solving material problems.

Now, associations constitute for them a potential link of the authoritative-directive system threatening their independence. Hence, the negative attitude of these establishments to associations.

On the other hand, small and weak establishments which are unable to cope with the demands connected with self-financing and independence see associations as that form of organization which will help them solve their own problems.

Therefore, the future of associations is not very clear. One can suppose that their functions must undergo certain modifications going in the direction of loose union of establishments which performs only the functions of service in relation to establishments, helping to do away with the main spheres of uncertainty in their functioning. The main purpose of the activity of associations should be to represent interests of associated establishments in relation to organs of state administration and to conduct wide counsel and information activity, as well as to organize cooperation of establishments.

STRESZCZENIE

Autor niniejszego artykułu podjął tematykę tworzenia i funkcjonowania zrzeszeń gospodarczych, które aktem o przedsiębiorstwach państwowych zatwierdzonym w ramach reformy z roku 1981 zajęły miejsce zjednoczeń.

Zrzeszenia miały być pomocne w realizowaniu zadań statutowych oraz przedsięwzięć zwiększających wydajność przedsiębiorstw. Cel ten miał być realizowany poprzez: dysponowanie środkami produkcji, kierowanie rezerwami, wyrównywanie warunków poszczególnych przedsiębiorstw, przyczynianie się do szybszego wdrażania postępu technicznego. Zlikwidowanie zjednoczeń miało na celu zlikwidowanie pośredniego poziomu kierowania między ministerstwami branżowymi a przedsiębiorstwami w oparciu o zasady 3 „S”.

Autor dzieli zrzeszenia na: zrzeszenia o charakterze poziomym, zrzeszenia o charakterze pionowym, zrzeszenia przedsiębiorstw branży zaopatrzeniowej. Funkcjonują one na podstawie statutów uchwalonych przez Radę Zrzeszenia. Autor artykułu

przedstawia punkty, które taki statut winien zawierać, a następnie omawia strukturę organizacyjną zrzeczeń oraz funkcje poszczególnych organów.

Na zakończenie autor formułuje następujące wnioski, nasuwające się na podstawie dotychczasowych spostrzeżeń dotyczących funkcjonowania zrzeczeń:

- a) proces tworzenia zrzeczeń nie jest jeszcze skończony,
- b) można wyróżnić dwie tendencje widoczne w działalności zrzeczeń:

— zrzeczenia pełnią funkcje byłych zjednoczeń,

— stosunek kierowniczego personelu przedsiębiorstw wobec ograniczania jego autonomii jest negatywny.

Stosunek przedsiębiorstw do zrzeczeń zależy od pozycji i aspiracji przedsiębiorstw, a przyszłość zrzeczeń nie jest jak dotąd jasna. Będą one musiały przejść pewne zmiany, a ich główną funkcją winno być reprezentowanie interesów zrzeszonych przedsiębiorstw wobec organów administracji państwowej.

РЕЗЮМЕ

В статье обсуждается формирование и функционирование новых экономических соединений, которые, согласно закону о государственных предприятиях, утвержденному в рамках экономической реформы 1981 года, заняли место прежних соединений (главков).

Новые соединения должны были способствовать выполнению заданий, предусматриваемых уставом предприятия, а также мерам, направленным на повышение производительности труда. Этой цели предусматривалось достигнуть путем предоставления заводам распоряжения средствами производства, при управлении резервами, выравнивании условий деятельности отдельных предприятий и способствовании ускоренному внедрению технического прогресса. Упразднение главков должно было ликвидировать промежуточный уровень управления между отраслевыми министерствами и предприятиями, согласно принципу „трех С“ (самостоятельности, самоуправления и самокупаемости).

Новые соединения разделяются автором на: горизонтального характера, вертикального характера и соединения, предприятий отрасли снабжения. Они функционируют на базе уставов, принимаемых Советом соединений. Автор представляет статьи, которые должны быть помещены в такой устав, а затем рассматривает организационную структуру соединений нового типа и функции отдельных органов.

В конечной части статьи формируются следующие выводы, сделанные на основании наблюдений над деятельностью новых соединений:

- a) процесс формирования соединений нового типа еще не завершен,
- b) в их деятельности выделяются две тенденции:

— они выполняют функции главков,

— отношение органов управления на предприятиях к ограничению автономности предприятий отрицательно.

Отношение предприятий к новым соединениям зависит от позиции и стремлений предприятий. Будущее новых соединений пока что неясно. Им придется претерпеть известные изменения, так, чтобы их главной функцией стало представление интересов объединяющихся предприятий перед органами государственной администрации.