

CO-OP MEMBERS' FOUR HATS: A CROSS-CASE STUDY COMPARISON

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ABSTRACT

Co-operatives and mutual enterprises are a special type of business characterised by a patronage relationship where the buyers or suppliers are also the owners as members. Challenges relating to member heterogeneity and commitment have been widely reported in the literature; however drivers of member commitment remain poorly understood. This paper advances a new conceptualisation of members as patrons, investors, owners, and community members. The Members' Four Hats (MFH) model is used to conduct a cross-case study analysis of three leading Australian agricultural co-operatives, using empirical data collected as part of an ARC Linkage grant that studied the resilience of the co-operative enterprise. We illustrate the relationship between MFH and the delivery of an effective member value proposition.

INTRODUCTION

Co-operative and mutual enterprises (CMEs) have a unique ownership structure which impacts on their governance, operation and management structures. They are significant contributors to the world's economy, with about 1 billion people belonging to a co-operative worldwide, and the top 300 co-operatives in 2008 generating revenues of USD 1.6 trillion, comparable to the GDP of the world's ninth largest economy (ICA, 2011). CMEs trade with their members with the aim to maximise member benefit¹, as opposed to investor-owned firms that aim to maximise profit, they can be consumer and producer owned (Birchall, 2010) or a combination of both. Whilst mutuals operate primarily in the financial industry and provide financial, insurance and other services to their members, co-operatives operate in a wide range of industries including agriculture, energy, housing, education and retail. Producer co-operatives with an "external" customer base still remain primarily a service provider to their members who benefit from the collective member power in resource acquisition and deployment, knowledge creation and impact on market dynamics.

¹ Some co-operatives have multiple classes of members, some of which may not be actively trading with the enterprise but still enjoy benefits.

Research into CMEs has been limited and highly fragmented, traditionally originating in the economics discipline, where focus on co-operatives has steadily declined in the second half of the 20th century (Kalmi, 2007); co-operatives have allegedly considered to be an “outdated” form of business, less competitive or politically wanted (Røkholt, 1999). In the aftermath of the 2008 GFC, interest in the sector by policy makers, researchers, and the general public is rising as some CMEs have been more resilient in surviving the crisis, but also as an alternative way of doing business to the discredited investor-owned firms (Birchall and Ketilson, 2009, Birchall, 2013). One of the key arguments in emerging literature is that co-operatives need to articulate their unique Member Value Proposition (Mazzarol et al., 2013) and effectively distinguish themselves from investor-owned businesses (Birchall and Simmons, 2004) if they are to survive. Co-operatives are created with business and social objectives, to which Levi and Davis (2008) attribute their rejection by mainstream economics and business studies. They are too socially focused to fit comfortably within the mainstream economic structures of the investor owned firm, but remain too economically focused for the non-profit sector (Levi and Davis, 2008). Furthermore, it is common for co-operatives to be created with a business objective, but are observed to drift towards a social focus which can become dominant as the co-operative matures (Palmer et al., 2000).

In addition to the tension that may arise between fulfilling their business and social objectives, CMEs also face challenges in relation to creating a common sense of purpose for members that have differing and at times competing needs. Whilst the unique relationship of CMEs with their members as customers and owners of the organization is a key competitive advantage and major contributor to their resilience (Briscoe and Ward, 2000, Jussila et al., 2012a), it can also introduce significant challenges. A key advancement in the management literature over the last two decades has been the identification and study of challenges facing co-operatives due to the nature and dynamics of their relationship with their members. In his seminal work Cook (1995) brought together the “free rider”, “horizon”, “portfolio”, “control” and “influence cost” problems, elements of which had been advanced in previous works of Vitaliano (1983), Porter and Scully (1987), Staatz (1987), Milgrom and Roberts (1990), LeVay (1983) and in the wider economic literature of public goods. These

challenges have been attributed to the nature of residual claims in traditional co-operatives (poorly defined, restricted to members, non-appreciable and not traded, with common property aspects), and increased member heterogeneity as the co-operative evolves through its life-cycle (Vitaliano, 1983, Cook, 1995). A body of literature has subsequently focused on co-operative ownership and control structures as they relate or alleviate the co-op problems. This includes the advancement of ownership, control and governance classifications (Chaddad and Cook, 2004, Chaddad and Iliopoulos, 2013, Cook and Chaddad, 2004), and their impact on organizational efficiency, economic performance and access to financing (Bijman and van Bekkum, 2005, Hendrikse and Bijman, 2002, Plunkett et al., 2010, Rebelo et al., 2002). Of significance is Nilsson's argument that the degree of challenges faced by co-operatives vary and are dependent on the importance placed by members on each one of their roles as patrons and investors (Nilsson, 2001).

Emerging literature stresses the importance of member commitment as key alleviator of the co-op problems (Jussila et al., 2012a), which is not surprising as the separation of individual and collective aspirations is central to the problem, accentuated by the voluntary character of co-operative membership. Member commitment and loyalty have historically been seen as essential contributors to co-operative resilience and survival (Fulton and Adamowicz, 1993, LeVay, 1983) whilst lack of member commitment has been linked to poor economic performance (Fulton and Giannakas, 2007) and co-operative failure (Fulton and Adamowicz, 1993). Member commitment is necessary for the successful establishment of co-operatives (CCA, 2013), whereas for established co-ops it has the most significant influence on co-operative effectiveness after formal governance (Palmer, 2002). Despite its significance, member commitment is decreasing (Bijman and Verhees, 2011), co-operatives are finding it increasingly difficult to achieve high levels of member commitment in a globalised business environment (Jussila et al., 2012a), as over time their membership becomes heterogeneous and not as well-defined (Fulton, 1999). It should be noted that member commitment is an adjacent but not identical concept to member loyalty and it is not necessarily correlated to members' ideological convictions (Österberg and Nilsson, 2009), although a break-down of the once-strong co-operative ideology is considered by some a significant contributing factor (Fulton, 1999). Member commitment

in social organizations can be separated to continuance (commitment to participating in the system and continuing one's membership), control (commitment of members to uphold norms and obey the authority of the group) and cohesion commitment (commitment to group solidarity, to a set of social relationships) (Kanter, 1968).

Empirical studies of member commitment, participation, satisfaction, loyalty and other behavioural elements are primarily qualitative or case-study based. Quantitative studies have focused on either producer-owned or consumer-owned CMEs. Most common are studies of producer and marketing co-operatives in the agriculture industry as a whole or in a single sector such as dairy, grain, animal, wine, or fruit and vegetable (Fulton and Adamowicz, 1993, Bijman and Verhees, 2011, Österberg and Nilsson, 2009, Trechter et al., 2002). Empirical studies of consumer CMEs include credit unions (Byrne and McCarthy, 2005), but also Birchall and Simmons' "Mutual Incentives Theory" of member motivations in mutuals and other consumer owned CMEs (Birchall, 2010, Birchall and Simmons, 2004).

In the following section we examine the literature on CMEs member commitment and loyalty, identifying key theoretical constructs and providing a new conceptualization of member identity along Member's Four Hats (MFH). The latter recognises the existence of business and social objectives of CMEs and advances previous literature on multiple member roles (Nilsson, 2001) and co-operatives as multiple-identity organizations (Foreman and Whetten, 2002). We then apply the MFH model to study the member value proposition of three leading Australian agricultural co-operatives.

MEMBER COMMITMENT IN CMEs

Utilitarian and emotional value

In line with service-dominant (S-D) logic (Lusch, 2011, Lusch and Vargo, 2006, Lusch and Vargo, 2011) we seek to understand how CMEs can more effectively engage with their members to co-create value. Member commitment in a CME is a "multidimensional" construct with both emotional or affective and behavioral or calculative components (Foreman and Whetten, 2002). Members' decision

to remain a member of their co-operative or mutual organisation is influenced by their perception that their membership offers value for money and functional value (e.g. good service) (Söderlund, 2002). These parameters are related to what Kanter terms “cognitive continuance commitment”, which is commitment to roles or positions with no affectivity attached them, “the role merely has a positive valence” (Kanter, 1968). Continuance commitment is associated with a member’s sense that they should remain loyal to the co-operative or mutual because they would incur costs if they left (Allen and Meyer, 1990b, Allen and Meyer, 1990a).

Emotional value (e.g. how members feel about their relationship) also plays a role, and this is consistent with what is already known about customer perceived value (Sweeney and Soutar, 2001). Agricultural economists have primarily focused on utilitarian drivers of member loyalty in producer co-ops (Fulton and Adamowicz, 1993, Fulton and Giannakas, 2001, Kalogeras et al., 2007), whereas social research on consumer-owned CMEs expands the attention into emotional and ideological dimensions of member commitment (Birchall and Simmons, 2004). Some researchers have advocated the importance of “people” and “non-economic” factors for member loyalty in producer-owner CMEs (Bhuyan, 2007), calling for producer co-operatives to move from a production to a marketing orientation (Edwards and Shultz, 2005).

Affective commitment relates to a member’s emotional attachment to, identification with, and involvement in the co-operative or mutual enterprise. This factor was first identified by Allen and Meyer (Allen and Meyer, 1990b, Allen and Meyer, 1990a) in their study of employee’s commitment to an organisation. Affective commitment is essential for successful co-operation (Jussila et al., 2012a), it is a concept closely related to Kanter’s “cathectic cohesion commitment”, which manifests as members’ attachment to relationships which absorb affectivity, but do not have internal moral imperatives attached to them (Kanter, 1968).

Member loyalty and identity: identification with CME purpose

Members’ ability to identify with the co-operative or mutual is an important element of successful co-operation. This draws on the theory that co-ops are formed as a result of community identity (Birchall

and Simmons, 2004) and social identity (Tajfel, 1978). The degree to which customers identify with the organization and the level of customer satisfaction are the key drivers of a firm's customer outcomes, such as loyalty and willingness to pay. Identification has both self-definitional and emotional components, whereas satisfaction assumes a more utilitarian character in relation to organizational performance (Homburg et al., 2009). Organizational identification is a complex process that emerges through the interaction between managers, members and other organizational stakeholders. Members' need for self-definition, their perception of CME's legitimacy, as well as the accessibility, salience, importance and centrality of their affiliation with the CME will impact on the identity construction process (Scott and Lane, 2000).

Social identity theory and member identification has been previously applied in the CME context, finding support for a positive relationship between members' identification and a number of organizational, service, members' affiliation and members' activity characteristics including perceived organizational prestige, tenure of membership and frequency of use of service (Bhattacharya et al., 1995). The level of members' identification with the CME's democratic process has been found to correlate with frequency of use of CME services and commitment to its causes (Birchall and Simmons, 2004). Furthermore, theoretical evidence was found that that members' desire to stay can be promoted through increasing member identification with the CME (Jussila et al., 2012a).

Member identification and the development of a common sense of purpose is an inherently challenging task for co-operatives. Research on producer co-operatives' branding finds that traditional co-operatives struggle to support a long-term branding, positioning and general business strategy. Evidence suggests that traditional co-operatives are able to develop a market orientation, but not support it in the long run due to the inability to maintain ongoing member commitments to key marketing metrics and investment. (Beverland, 2007). The challenge is manifested through the five co-op problems (Cook, 1995), intensified by a number of factors such as member heterogeneity, extent of multi-purpose activities, organizational size and geographic reach (Jussila et al., 2012b, Fulton and Adamowicz, 1993, Österberg and Nilsson, 2009). In the heart of the challenge lies the

nature of members' relationship with their CME as they assume different roles, some of which can at times have competing needs. As noted by Foreman and Whetten, members may hold multiple identifications that stem from thinking about and relating to their organization at multiple levels of abstraction (Foreman and Whetten, 2002). We will refer to these identifications as "hats" that members wear when interacting with their CME.

The patron and investor hats

Nilsson (Nilsson, 2001) differentiates between the patron and investor role of CME members, claiming that level of manifestation of each role would directly impact on the intensity of the co-op problems and on the structure and success of co-operatives ranging from traditional, to entrepreneurial, degenerated co-operatives or investor-owned firms. The patron hat expresses the trading relationship the member has with the CME. This desire to trade with the co-operative or mutual is usually the primary reason one becomes a member. Both financial and functional values are critical to the patron hat, manifested through a focus on cost efficiency, low transaction costs, service quality and availability, and refunds linked to patronage. A challenge associated with the patron hat is the phenomenon of free-riding, referring to the situation where members of the CME do not trade exclusively with that organization. This problem is intensified by open membership (Cook, 1995) and is dependent on a number of parameters including location specificity, asset specificity and relational specificity, as well as the number and power of co-operatives in the market (Pascucci et al., 2012).

The investor hat emerges through members' ownership of share capital. There are many different ways in which a co-operative or mutual can allocate share capital and distribute ownership rights, which can serve to enhance or diminish this investor hat. The ways in which CMEs share capital, investment returns and profit distribution are managed has been one of the most hotly debated subject for many years (Fairbairn, 1994). This mostly relates to whether shares can be held only by members or whether they can be held by non-members, whether they are distributed according to patronage, and whether or not they can be traded, redeemed, accumulated and converted into ordinary shares sold publicly on the open stock market (Chaddad and Cook, 2004).

In a traditional co-operative structure the patron hat is dominant as returns are linked to patronage, members equity is non-transferrable and commonly non-appreciating. In proportional investment co-operatives, varying degrees of members' investment and return are observed, noting that these are usually not reflected in a higher level of control. Member-investor and new generation co-operatives alleviate some of the traditional co-op problems by allowing for outside investment or transferrability of equity (Chaddad and Cook, 2004). This clearly results in the evolution of a stronger investor hat. In an extensive review of over 50 cases of co-operatives around the world Van Bekkum and Bijman identified a range of capital structures for CMEs including: (i) appreciable and/or internally traded shares; (ii) externally traded subordinated bonds; (iii) external corporate investors at subsidiary or group level; (iv) publicly listed or preferred stock; (v) conversion into member-owned limited liability companies, and (vi) converted listed co-operatives (Van Bekkum and Bijman, 2006). The challenge lies in finding the right balance between the patron and investor hats, as there is clear evidence that the development of a strong investor hat increases the risk of demutualisation (Nilsson, 2001) and take-over (Mazzarol et al., 2012), although it may have merely intended to increase member investment in their CME, or provide liquidity of members equity to reduce the liability facing CMEs with a shrinking member base.

The owner and community hats

In addition to the patron and investor hats, members have a distinct role to play as owners of the CME. The owner hat is distinct from the investor hat, although both hats share a focus on member economic benefits under the need for "distributive justice" (Fehr and Schmidt, 1999). The owner hat however encompasses the element of member control, exhibited through involvement in decision-making, underpinned by expectations of organisational democracy and "procedural justice" (Rawls, 1958, Folger, 1996). Members develop differing intensity in their sense of ownership (Simmons and Birchall, 2009). A true sense of ownership would translate to exercising voting and control rights, attending annual general meetings, remaining actively informed of CME matters and in its higher expression result in participating in governance via assuming board positions. The owner hat is thus built on more than ownership of capital; it often requires member identification with the enterprise via

a common history, symbols or experience that lead to a “sense of personal relatedness” with the CME (McMillan and Chavis, 1986).

Many of the taxonomies associated with the classification of co-operatives are focused on member ownership and control rights (Nilsson, 1999). There also appears to be a link between ownership rights and the level of member trust (James and Sykuta, 2005). Osterberg and Nilsson (Österberg and Nilsson, 2009) find a strong correlation between members’ perception of their participation in the governance of their co-operative and members’ commitment to the co-operative, as well as the trust they place in their board of directors. These findings support previous empirical evidence on the importance of member identification with the democratic CME process and its positive effect on member commitment (Birchall and Simmons, 2004). Co-operatives have a social dimension demonstrated through members’ need to be able to exercise their democratic control and perceive that they are able to influence the organizations’ decision-making, in order for them to be committed to the CME purpose, remain frequent users of CME services, and exhibit trust in the board and support for their strategies (Birchall and Simmons, 2004, Österberg and Nilsson, 2009). It is the culture and purpose of the co-operative, in particular the social purpose it seeks to pursue that can enhance the sense of ownership amongst members (Birchall and Simmons, 2010).

The fourth “hat” worn by the member is that of a member of their community. CMEs are hybrid businesses with both an economic and social purpose (Levi and Davis, 2008). Members exist within their communities which tend to have common purposes, share common problems and needs. It is this common sense of purpose that serves as the catalyst for the formation of a co-operative or mutual business (Birchall and Simmons, 2004, Peredo and Chrisman, 2006). Without the support of the community that formed them they would not exist, and they exist to provide services to their community of members (Levi and Pellegrin-Rescia, 1997). Community support is interestingly a key determinant of the level of economic embeddedness of CME activities, meaning the level of subordination of economic to the social goals (Levi and Pellegrin-Rescia, 1997). Congruence between the goals of the community and the goals of the co-operative can result in a virtuous circle and reciprocal loyalty. Hence, where the level of congruence is high, reinforcement of the member

identity can also serve to strengthen the wider community identity and vice versa. Investment in this relationship enables CMEs to reinforce to the member their co-operative principles as a mechanism for building social entrepreneurship and innovation within the enterprise, as well as fulfill a number of roles in market economies including the promotion of ethical business practices and aiding development (Novkovic, 2008).

METHODOLOGY

This research is part of a study into the sustainability of the cooperative business model funded by the Australian Research Council (ARC) and industry partners, Co-operatives WA, Cooperative Bulk Handling (CBH Group Ltd), Capricorn Society Ltd and Ravensdown Fertilizer Co-operative. The project involved collecting case study data from a range of co-operatives around the world with the purpose of understanding how to develop more sustainable and resilient businesses. One area of research focus is the understanding of the evolution, delivery and measurement of the member value proposition and it is in this area that this paper is focused.

The case study method was chosen for this research because it offers a suitable mechanism for the understanding of complex causal relations, and the development of theory (Eisenhardt, 1989, Yin, 1989). Historical case studies are particularly useful, as well as multiple case studies that enable comparison to support more robust theories to emerge (Eisenhardt and Graebner, 2007). Three case studies were chosen for this analysis from a larger pool of cases examined within the main research project (Table 1). These cases were chosen as they represent co-operatives that are leaders in their respective industries (cases of co-operative success).

---- Insert Table 1 about here----

In choosing these cases we drew upon a review of the extant literature relating to the co-operative business and also held discussions with our industry partners to identify suitable organisations to approach. Assistance was then provided in recruiting these firms where required including support

from co-operative associations who hold databases of co-operatives and who facilitated introductions to key executives and board members in these organisations.

The procedure for undertaking the case study development was informed by the work of Yin (1989) and involved developing a detailed case study protocol that guided all case data collection. A pilot case was undertaken that was then used to revise the case study method. The first phase of data collection involved the review of secondary data such as published histories where available, annual reports, website content, newspaper and press articles and internal organisational reports, memos and presentations. This use of multiple data sources provided good triangulation (Bryman and Bell, 2003) in the identification of a series of critical incidents of strategic importance within the organisational timeline (from founding to the present day). The critical incident time line was then used to guide in-depth interviews with current and past board members and executives from each co-operative (Flanagan, 1954, Gremler, 2004). Each interview typically lasted for around two hours with all discussions audio recorded for accuracy of subsequent transcription.

Content analysis was then performed to make valid inferences from text (Weber, 1990), with the assistance of Leximancer software. Leximancer enables an objective quantification and analysis of text with rigor and repeatability, creating manageable categories and relationships and using the measurements to make valid inferences about the ideas contained in the text (Leximancer Pty Ltd, 2013). We have allowed Leximancer to discover concepts², themes³ and relationships in the data, but have also seeded the themes of the four hats (owner, patron, investor, community member), member value and co-operative purpose using a technique called profiling. The coding structure that was applied is illustrated in Table 2.

---- Insert Table 2 about here----

This is similar to the manual coding of text, where the researcher defines desired themes, identifies words that appear frequently in the text and relate to each theme, and then the software is able to

² Leximancer concept is a group of related words that travel together in the text. Evidence words include synonyms and adjectives, they begin as seed words for coding and evolve to a thesaurus (Leximancer Pty Ltd, 2013)

³ Leximancer theme is a collection of related concepts in close proximity. The theme is named from the most prominent concept (Leximancer Pty Ltd, 2013).

further develop these themes with other themes that emerge from the data and depict their relationships. Concept seeding in Leximancer is performed to test or validate theory (Leximancer Pty Ltd, 2013), as was the case with the MFH.

DISCUSSION

The Leximancer analysis of interview transcripts for each case study led to the development of concept maps and clouds (Figures 1 to 6). The size of dots represents the frequency of occurrence of each concept in the data, whilst lines between concepts show relationships. Themes of related concepts are represented by the large coloured circles in the concept maps and by the different colour configurations in the concept cloud. All maps were re-clustered a number of times and illustrated high stability without visual changes occurring. MFHs, the concept of member value proposition (value for brevity) and purpose were seeded in the analysis applying the coding structure illustrated in Table 2. All MFHs emerged as key themes in all three cases, with the exception of the owner hat for GFC. In addition, value also emerged as a key theme with a varying proximity to each MFH in each case. We will discuss the MFHs for each one of the case studies and how they relate to the member value proposition and the other key themes that emerged.

Cooperative Bulk Handling Group Ltd (CBH)

The strongest hat is that of the patron for CBH, “patron” emerging as the most connected theme in the map with 345 hits in the data. This theme is related to growers trading relationship with CBH, the payment (fees and charges), the farm (including aspects of size and crop), and the non-distributing character of this co-op. The theme was in line with the theory suggesting that this hat represents the trading relationship members have with their co-operative. Concerns of free-riding did not emerge from the data. The next most important theme is that of “co-operative”, displaying 71% connectivity (the most connected theme, in this case “patron” is assigned 100% and the remaining themes’ connectivity are expressed as a percentage in relation to the maximum connectivity of the leading theme). This was not a seeded theme, it emerged from the data. The theme includes the concepts of co-operative “model”, “corporatisation”, “control”, “fees”, “advantage”, “large” as well as the

concepts “Ausbulk” and “listed”. This is related to two critical incidents in the co-operatives timeline. In 1998 the then board of directors proposed a corporate restructure to convert the business from a co-operative to a grower controlled public company (CBH, 1998/99). The required 75% shareholder approval was not achieved to support this change. Since then CBH spent more than a decade in debating the most appropriate business model, which generated a lack of strategic consensus and focus (Mazzarol and Mamouni Limnios, 2011). This also emerges from the Leximancer analysis, as we see the theme “angst” emerging related to the “co-operative” theme. Furthermore, at the time of the interviews in 2011 CBH was reviewing their business model, re-examining the appropriateness of a non-distributive co-operative model in maximising the value they return to the grower. The majority of interviewees agreed that there was no support for a non-co-operative model, after the experience of their South Australian counterpart, Ausbulk, which privatised, listed and got taken over by international grain handler Viterra. Growers believed that a co-operative model was advantageous in that it maintains control by members, as long as the business is efficiently run and large enough to compete with international players.

----Insert Figures 1 and 2 about here----

The third most connected theme was that of “value”, displaying 48% connectivity. This is interpreted as a representation of the member value proposition, mostly and directly related according to the conceptual map to the patron and investor hats of members. The value theme was comprised of a number of concepts including “return”, “equity”, “proposition”, “supply”, “connection”, “ability”, “information”, “participate”, “product” and “CCUs” (a new form of financial instruments explored in the interviews for their potential use within the non-distributive co-operative structure). It becomes evident that the member value proposition is around the ability to deliver quality service by managing product and supply, however having equity in the business (which is not currently the case in CBH) is also of great interest to the growers who would like to see some other form of return (only possible through a patronage related rebate in the current non-distributing model). In addition, the value is related to CBH’s strong connection to its members, who feel able to participate, seek and be presented with information on the co-operatives operations and decision making.

The investor, community and owner hats have also emerged as themes exhibiting 20%, 19% and 13% connectivity to the data respectively. Concepts that feature under the investor hat include “purpose”, “distribution” and “Interflower”, the latter closely related to “return”. As noted above the investor character of CBH members with the potential of a different structure that would enable distribution was under discussion at the time of the interviews and a number of interviewees felt strongly about a distributive co-operative model. Following extensive consultation with stakeholders and internal analysis of the benefits and costs of each model (including taxation as CBH is exempt from paying tax on its non-distributing grain handling business), the board agreed to maintain the current non-distributing, not for profit, co-operative model that operates the grain storage and handling. The CGH Group (co-operative) has wholly owned subsidiaries that run the grain marketing, shipping and processing businesses. Members were at the time of the interviews unclear as to how the benefit from these businesses is returned to the members of the co-operative. It is our understanding that profit from these entities can be invested in the co-operative and indirectly thus benefit its members. The concepts of “Interflower” and “return” were closely related, and refer to the establishment of a joint venture company in 2004, through which CBH Group invested in the Asian value chain (CBH, 2004). An initial \$72 million investment was made through Pacific Agrifoods that resulted in the acquisition of a 100% stake in Interflour operating four mills in Malaysia, and a mill and grain port terminal in Vietnam. The investment was initially made with the intention to use potential profits to “drought proof” the CBH storage and handling operations by investing in infrastructure and indirectly subsidizing fees in bad years. According to the current board and management these two entities are run independently. There have been concerns in the member base on the value that the Interflour investment has generated for the co-operative. CBH management reports that Interflower started to return value to CBH in the way of a cash return (USD 8.5million in 2010), which is used within the Group to the benefit of the grower, however it is not directly passed on to the growers.

The community theme includes the concepts “community”, “government”, “Viterra” and “sold”. The importance of CBH for the community of growers in WA today and in the future emerged from the interviews, as interviewees were concerned of the longer-term impact that a sale of CBH would have,

drawing parallels to the sale of their SA counterpart to Viterra. It was also felt that the government was at times more or less supportive of the co-operative. Over the last decade the government has opened the market which introduces competition for the co-operative. The owner theme includes concepts of “owner”, “significant”, “majority”, “successful” highlighting that significant changes in the co-operative structure require the majority vote and that member ownership is a key part of the co-operatives success. Interestingly the member hat is not connected directly to the member value proposition, however it is strongly related to the co-operative theme, which in turn relates to the value theme.

Murray Goulburn Co-operative (MGC)

The patron and investor are the strongest themes emerging from the data in the MGC case, exhibiting 100% and 70% connectivity respectively. Whilst at first sight the owner hat appears as non-existent, the “investor” theme encompasses both investor and owner concepts (the two most connected concepts in the theme), which indicates that these two hats are closely related in the MGC case. Furthermore as MGC links votes to the amount of litres of milk each members supplied (the one-member-one-vote rule does not apply), voting rights are proportional to patronage and thus the owner hat can be partly also encompassed in the patron hat.

The patron theme includes concepts such as “patron”, “milk”, “value”, “litres”, “return”, “prices”, “finance”, “selling”, “capacity”, “supplying”, “producing”, that express the value derived by members through their patronage and use of MGC’s services. The patron theme also encompasses concepts such as “purpose”, “mutuality”, “bigger”, “grown”, “encourage”, “owns” which reflect the value members obtain due to MGC’s mutuality and dedication to supporting members through services such as assistance with financing, introducing JV partners from overseas and expert migration agency advice to source skilled labour. A key aspect of MGC’s member value proposition is that they will “grow with their members”, providing a guarantee that they will buy all the milk members want to supply, the first and last litre valued equally. This is unlike the non-co-op milk processors that agree

on a milk price for a certain volume, after which they will pay much less or even charge farmers to get the milk off their hands.

“Murray Goulburn takes all the milk that a member wants to supply” (MG Board Member, 2011).

Competitors will commonly price above or below the MGC reference price depending on the volume of milk they wish to obtain. MGC is what LeVay (1983) calls a “pacemaker” in the market. Although the price differential between the co-op and its investor-owned competitors gradually falls, or may even become non-existent, the mere presence of the co-operative ensures the efficiency and competitiveness of the industry to the long-term benefit of co-op members and non-members.

---- Insert Figures 2 and 3 about here----

The owner and investor hats are closely linked in the MGC case, the investor theme being comprised by concepts such as “investor”, “owner”, “amount”, “structure”, “rights”, “cash”, “preference”, “debt”, “bank”, “successful”, “tough”, “based”, “funding”, “banks”, “support”, “ownership”. The two concepts could be closely related here due to MGC’s ownership structure. MGC is an unlisted public company, not registered under Co-operatives law, but recognised as a co-operative for tax purposes. As such, MGC has various classes of shareholders, and only active suppliers hold ordinary shares that have voting rights (owner hat). Various classes of these ordinary shares reflect different schemes introduced for suppliers at various stages. Retired suppliers are given the opportunity for MG to sell their shares to existing members or they can roll their shareholding into preference shares that do not have voting rights and keep them as an investment (investor hat). Employees can also own preference shares (with no voting rights). Preference shares attract a reduced dividend (e.g. 8% when ordinary shares attract about 10 to 12%). MGC is currently (2015) aiming to raise \$500 million in capital by the issue of units in a unit trust, which will be listed on the Australian Securities Exchange (ASX). The unit holders in the trust will not have voting rights in relation to MGC’s operations and, as is the case today, only active suppliers will hold voting shares in the co-operative (MGC, 2014)

Geraldton Fishermens' Co-operative (GFC)

Once more “patron” emerges as the most connected theme in the data for GFC, comprising concepts such as “patron”, “demand”, “leasing”, “catch”, “quota”, “season”, “meeting”, “directors”, “fish”, “prices”, “tonne”, “large”, “Abrolhos”. Interviewees are referring to the nature of the patronage relationship, as it involves fishing under quota, as well as leasing pots from the co-operative (effectively fishing licenses). In addition the patronage relationship is enhanced by the ability to meet with the directors and senior executives, GFC as a mutual organisation makes it senior staff readily available to its members.

---- Insert Pictures 5 and 6 about here ----

Once more the investor is the second most connected theme (39% connectivity). The investor theme here includes concepts such as “investor”, “dry”, “buy”, “rules”, “cash”, “capital”, “benefit”, “competitors”. GFC allows only active suppliers to be shareholders, which is a legal requirement under the WA Co-operatives Act. However, GFC offers retirees the option to roll their shareholding into debentures that attract a fixed dividend referable to the rate set by the Reserve Bank of Australia (RBA plus ½ per cent).

The MGC and GFC cases have many similarities in terms of ownership structure and potentially investor hat perceptions. In both cases member suppliers are required to gradually build up their shares to reflect their patronage. GFC achieves this by awarding bonus shares proportional to patronage on an annual basis, whereas MG requires shareholding to be gradually built up through share purchases (resulting in a capital infusion for the co-op when milk volume increases). Shares in both cases are redeemed at par value and both co-ops have a cap on the maximum shareholding of an active member, thus maintaining the democratic nature of their co-operative. Active member-shareholding is effectively a fixed deposit that members cannot access unless they cease trading with the co-op. The two structures differ in that MGC’s shares are non-redeemable, but transferable on retirement (the co-op facilitates the sale of shares amongst its members), whereas GFC redeems member shares should that be the member’s preference on retirement.

The community hat emerges as the third most connected theme, in par with member value at 12% connectivity. The community theme includes the concepts “community”, “behind”, “average”, “pressure”, “extra”, “told”, “deals”. GFC operates in small fishermen communities on the West Coast of Australia that either return to Geraldton or Fremantle ports with their catch. Whilst deals are offered by private processors, the co-operative has over the last few years paid a reduced rebate to members that free-ride taking deals with private processors and since 2012 does not pay any dividend or bonus to members that are not 100% loyal. As the community is small it self-regulates, members “keeping each other honest”. GFC fishermen further set the example by investing in their boats and significant research and development, the co-operative is an innovator not only on processing technologies (other theme), but also on sustainable fishing practices, which was supported by its members although it meant a strict quota for a number of years. GFC was instrumental in educating the government about reduced lobster stock and actions that had to be taken to conserve this species.

FINAL REMARKS

In conclusion, a cross-case comparison has validated the MFH conceptualisation of members as patrons, investors, owners and community members. We have illustrated that MFH is a useful tool in understanding member dynamics and drivers of commitment in a co-op. All hats are not of equal importance, with the patron coming first and the investor hat usually following second. Furthermore, in some cases some of the hats may be very closely inter-related depending on the ownership and reward structure. Further research is needed to examine whether the MFH can be used to identify and propose opportunities for improving the member value proposition and the impact that such changes would have on member loyalty.

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Table 1. Selected Case Studies: CBH, MGC, GFC**Cooperative Bulk Handling Group Ltd (CBH)**

Established in 1933 the CBH Group was in 2014 Australia's largest co-operative and one of the largest bulk grain handling and storage operations in the world. CBH is also one of Australia's major exporters, receiving and exporting around 90 per cent of the Western Australian grain harvest. CBH is ranked by IBISWorld number 90 out of the top 2000 companies in Australia by IBISWorld. It is headquartered in Perth Western Australia and has an annual revenue of A\$3.9 billion and is owned and controlled by around 4,200 Western Australian grain growers. The CBH Group has total assets of more than A\$2 billion and employs approximately 1,100 permanent employees and up to 1,800 casual employees during the harvest period from October through to January. Although it is a non-distributing co-operative, CBH Group owns joint ventures that include flour processing in South East Asia, bulk shipping operations and a rail fleet company.

Murray Goulburn Co-operative (MGC)

Established in 1950 MGC is headquartered in Melbourne Victoria. Devondale Murray Goulburn (includes MGC and subsidiaries) is Australia's largest dairy foods company. In 2013–14, the Company received approximately 3.4 billion litres, or 37 per cent, of Australia's milk and generated sales revenue in excess of \$2.9 billion. MG is also Australia's largest dairy food exporter to the major markets of Asia, Middle East, North Africa, and America. MGC is ranked by IBISWorld number 129 out of the top 2000 companies in Australia. MG remains dairy farmer controlled, with over 2,500 supplier/shareholders and more than 2,400 employees. The principal activities of MGC include the processing of its shareholder suppliers whole milk and the manufacture, marketing and distribution of dairy products. The company also operates retail stores as a service to the suppliers in regional areas. Devondale Murray Goulburn operates processing plants in Victoria, NSW and Tasmania. Its flagship Devondale brand is sold nationally.

Geraldton Fishermens' Co-operative (GFC)

Established in 1950 GFC is an Australian co-operative that derives revenue from the wholesale and export of Western Rock Lobster, reporting a \$213million revenue in 2012-2013. The co-operative operates in Western Australia and is 100% owned by its members. GFC's principal activity is the wholesaling of frozen, cooked, chilled and live western rock lobsters to domestic and international markets under the 'Brolos' brand. The Western Rock Lobster fishery is Australia's most valuable single species fishery, with an export value of over \$350 million per annum, and an annual catch of approximately 6,000 tonnes. The co-operative currently exports to China, Japan, Taiwan, USA, Hong Kong and Europe. In addition to this, the co-operative hires fishing pots, provides financial and logistical services, supplies bait and operates a number of transport services for its members.

Table 2. Concept Seeds

Concept	Concept Seeds²
Patron (CBH)¹	patron, farmer (s), farming, grower (s), rebate(s),service, trading
Patron (MGC)¹	patron, farmer (s), farming, services, suppliers, trading
Patron (GFC)¹	patron, fisherman(men), fishing, supplier, formula ³ , pot(s)
Investor	divident(s), invest, investment(s), investor(s), investing, share(s), shareholder(s)
Owner	democratic, election, involved, owned, ownership, vote(s), voting
Community (community member)	community, local, everyone
Value (member value proposition)	loyalty, value, benefit(s)
Purpose	purpose

¹ The patron concept required a different set of seed words for each case, as it is a concept related to the industry and type of product that is traded between members and their co-operative

² The investor, owner and value concepts were seeded for each case study using the most frequently appeared words from the concept seeds words provided above.

³ refers to formula used to calculate beach price for product supplied

Figure 1. CBH Concept Map

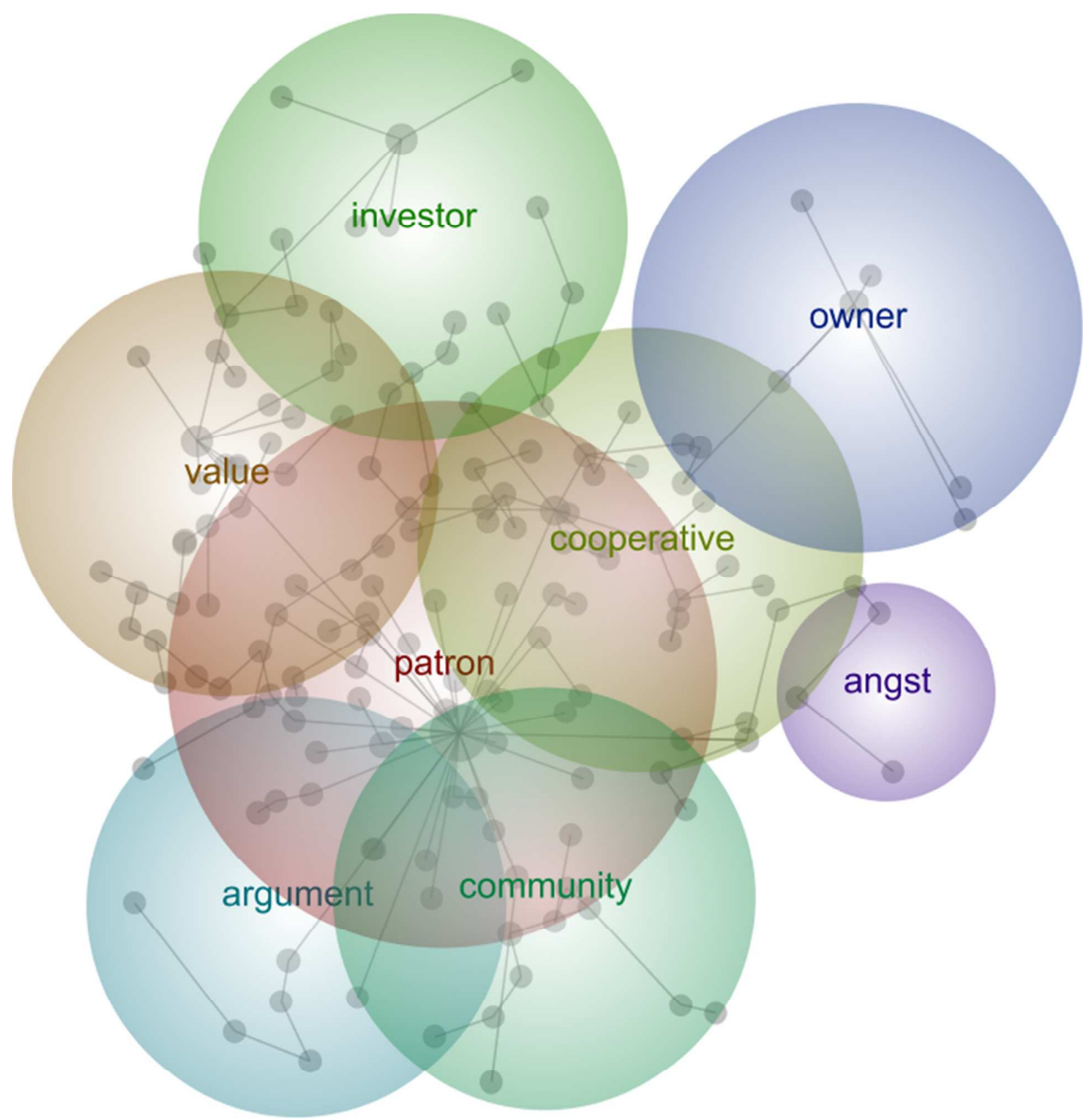


Figure 3. MGC Concept Map

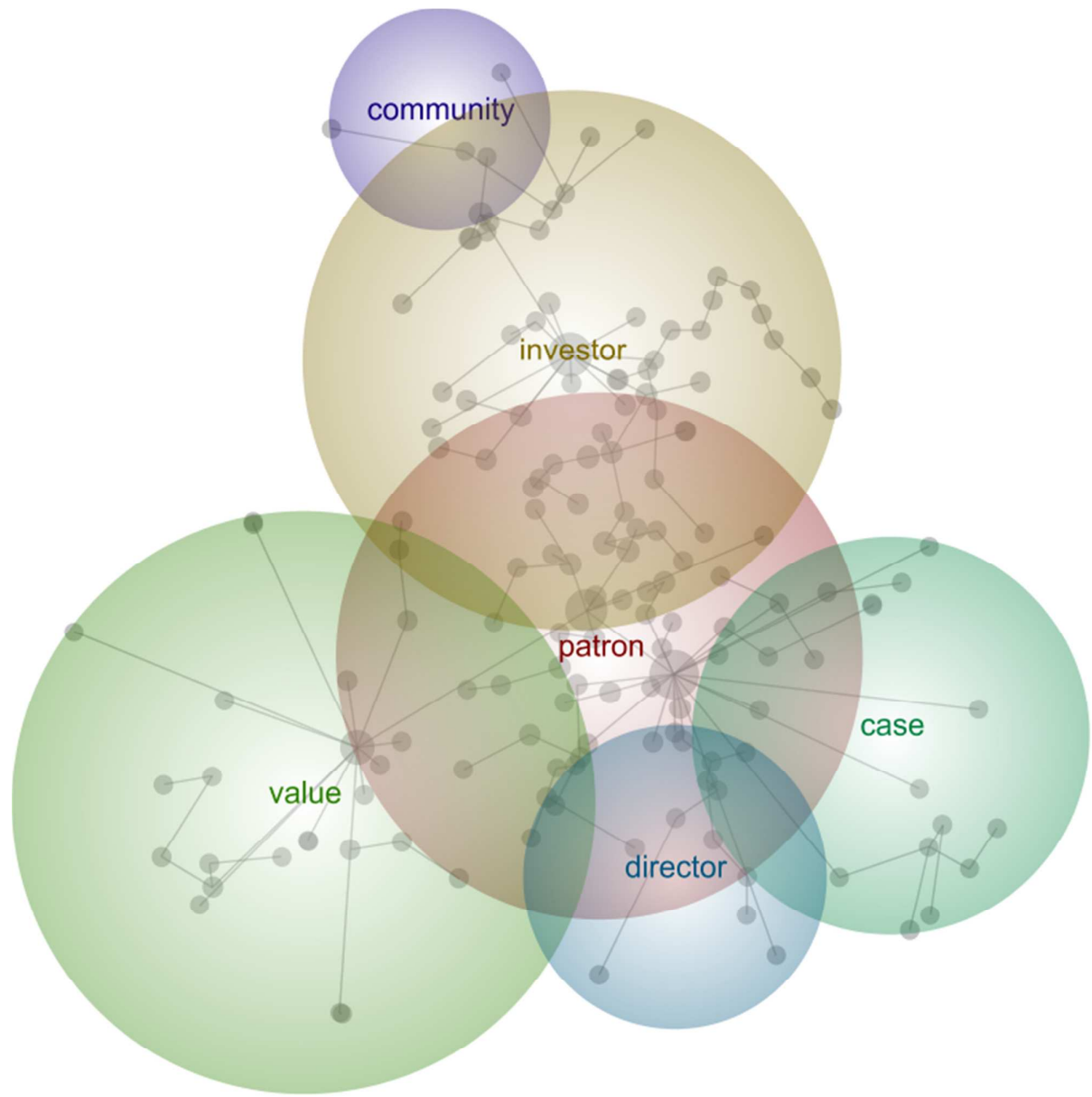


Figure 5. GFC Concept Map

