



Mutual Ownership within Australia's Top 500 Private Companies

The importance of co-operatives and mutual enterprises in
Australia's Top 500 private companies

Mutually owned businesses (MOB) comprise a small proportion of Australia's Top 500 private companies, but they represent some of the largest and best performing of these firms.

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Mutually Owned Firms in Australia's Top 500 Private Companies

In August the Business Review Weekly (BRW) published its list of Australia's Top 500 private companies for 2013. The list revealed that despite what had been a difficult financial year in 2012/13, the overall performance of these companies had been impressive (Ruthven 2013).

Although only representing 2.5% of the nation's 2.2 million businesses, the Top 500 private companies boasted combined revenues of \$4.2 trillion. Revenue growth across these firms was an impressive 7.7%, contributing an estimated \$290 billion to the \$1.5 trillion of the national GDP.

However, what was not reported was the important role played by mutually owned businesses (MOB) within this Top 500 list.

Mutually Owned Businesses comprise the most dynamic of these firms

Mutually owned businesses comprise co-operatives, mutual enterprises and industry superannuation funds, in which control and ownership vests with the members. Although mutually owned businesses comprised just 12.4% of the total firms in the BRW Top 500 list, they represented 70% of the Top 20 companies (see Table 1).

Table 1: The Top 20 Privately Owned Firms and Mutually Owned Businesses 2013

Ranking	MOB	Company Name	Annual Turnover	Industry
1.	YES	Australian Super	\$24.91 billion	Financial & Insurance services
2.	YES	First State Super	\$11 billion	Financial & Insurance services
3.	YES	Unisuper	\$8.51 billion	Financial & Insurance services
4.	YES	Retail Employees Super Trust	\$7.54 billion	Financial & Insurance services
5.	YES	Sunsuper Super Fund	\$6.94 billion	Financial & Insurance services
6.	YES	Health Employees Super Trust	\$6.04 billion	Financial & Insurance services
7.	YES	Construction & Building Unions Super	\$4.70 billion	Financial & Insurance services
8.	NO	Visy Industries	\$4.10 billion	Manufacturing
9.	YES	HOSTPLUS Super Fund	\$3.83 billion	Financial & Insurance services
10.	YES	CareSuper	\$3.68 billion	Financial & Insurance services
11.	YES	VicSuper	\$3.34 billion	Financial & Insurance services
12.	NO	7-Eleven Stores	\$3.34 billion	Retail trade
13.	YES	Statewide Super	\$3.05 billion	Financial & Insurance services
14.	NO	BGC	\$2.53 billion	Building & Construction
15.	NO	Linfox	\$2.50 billion	Transport
16.	NO	Hancock Prospecting	\$2.38 billion	Mining
17.	YES	Murray Goulburn Co-operative	\$2.38 billion	Manufacturing dairy products
18.	YES	Co-operative Bulk Handling	\$2.32 billion	Grain handling and storage
19.	NO	Teys Australia	\$2.20 billion	Manufacturing
20.	YES	Hospitals Contribution Fund	\$2.17 billion	Financial & Insurance services

Source: BRW 2013

Superior Performance of Mutually Owned Businesses

While the overall performance of Australia's Top 500 private companies was impressive, the mutually owned businesses were the stand out performers. In fact their contribution is even stronger if the list is amended to include several mutually owned businesses that were left out of the BRW league table.

Mutually Owned Businesses missing from the Top 500 league table

Missing from the BRW Top 500 private companies list were several businesses, each of which had an annual turnover in 2012/13 in excess of \$83 million:

- Capricorn Society Ltd (WA) \$1.03 billion
- Dairy Farmers Milk Co-operative Ltd (NSW) \$502.94 million
- Namoi Cotton Co-operative Ltd (NSW) \$410.36 million
- Chester Hill RSL & Bowling Club Co-operative (NSW) \$177.52 million
- Western Australian Meat Marketing Co-operative Ltd (WA) \$124 million
- Ravensdown Fertiliser Co-operative (WA) \$120 million
- NSW Sugar Milling Co-operative (NSW) \$103.36 million
- bankmecu (VIC) \$90.03 million
- Hastings Co-operative (NSW) \$85.71 million
- Police & Nurses Credit Society Ltd (WA) \$85.08 million

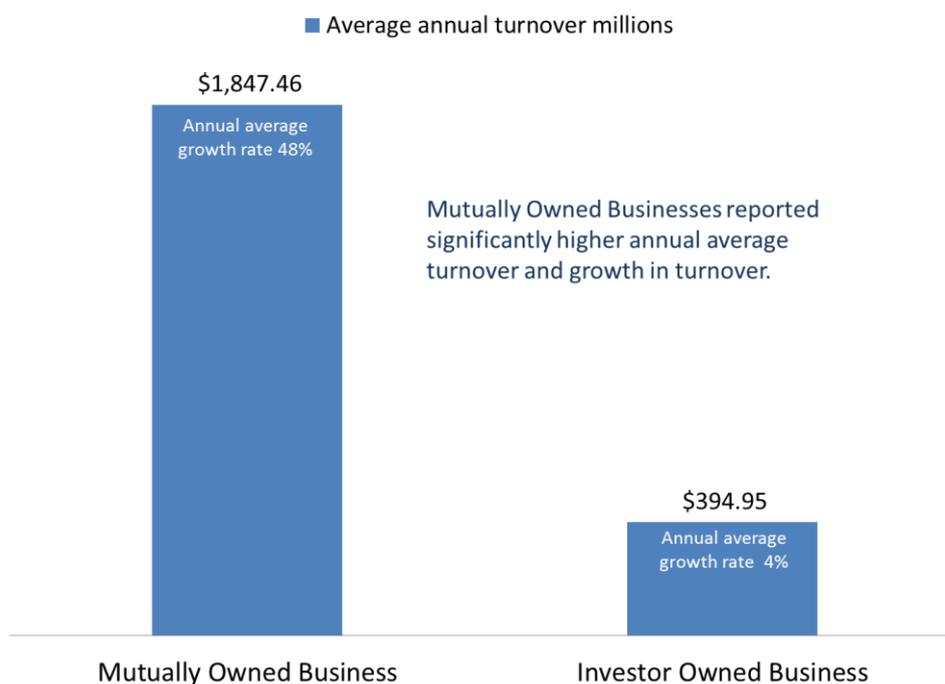
The omission of these businesses from the list may be explained by their not being recorded within the *IBISWorld* database of companies from where the BRW league table is drawn.

Enhanced growth among the mutually owned businesses

As illustrated in the Figure 1, mutually owned businesses reported an average annual turnover in FY2012/13 of around \$1.84 billion with an annual growth rate in turnover of 48%. These mutually owned businesses also employed an average of 465 persons.

By comparison their investor owned counterparts reported an average annual turnover of around \$395 million, and annual average growth in turnover of only 4%. However, the investor owned businesses employed an average of 1,064 people.

Figure 1: Annual Turnover and growth rates Mutually & Investor Owned Businesses



The mutually owned businesses within the BRW Top 500 private companies have annual turnovers that range from \$97.2 million for **Industry Super Holdings**, to \$24.91 billion for **Australian Super**.

These firms have also seen a percentage change in their annual turnover from a decline of 54.8% experienced by **IMB** to a growth rate of 516.3% experienced by the **Statewide Super**.

If we include the 10 mutually owned businesses that were left out of the BRW list the pattern does not change. The mutually owned businesses continue to report an average annual turnover of around \$1.63 billion compared to \$194.95 million amongst the investor owned businesses. Growth rates are still significantly higher among the mutually owned businesses.

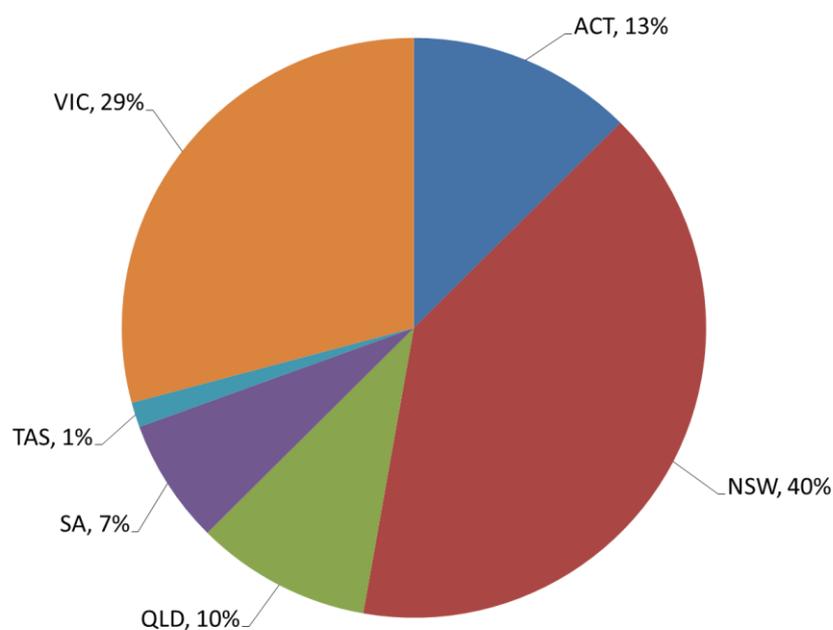
A nationwide trend

The Top 500 mutually owned businesses were found across almost all states and territories. However, New South Wales (NSW) and Victoria (VIC) contained the majority of these firms with 69% of the total. Nevertheless, all states and territories were home to at least one of these businesses. Only the Northern Territory was missing (see Figure 2).

Superannuation funds were the largest businesses in the list. For example, the largest firms by turnover were **Motor Trades Association Super Fund** (ACT) \$1.51 billion; **First State Super** (NSW) \$11 billion; **Sunsuper Super Fund** (QLD) \$6.94

billion; **Statewide Super** (SA) \$3.05 billion; **Tasplan** (TAS) \$502.7 million, and **Australian Super** (VIC) \$24.91 billion. Only WA did not have a financial services business in its top spot, a position that was taken by the **Co-operative Bulk Handling (CBH) Group** with an annual turnover of \$2.32 billion.

Figure 2: Top 500 private companies 2013 – mutually owned business by place of origin



Industry Sector Breakdown

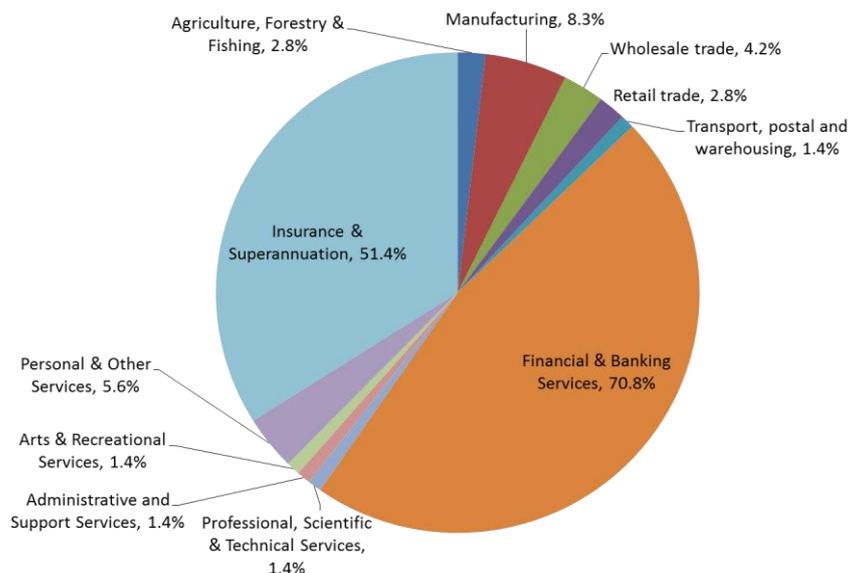
The majority (71%) of the mutually owned businesses that were included in the list were found in the financial and insurance services. As noted above, the largest by annual turnover were the industry superannuation funds.

Figure 3 illustrates the industry categories for these leading mutually owned businesses. It can be seen that almost all sectors were represented with several of the co-operatives e.g. **Murray Goulburn Co-operative Ltd**, **Norco Co-operative Ltd** being classified as manufacturing firms, while operating within the agriculture sector as major dairy processors.

In a similar manner, CBH is classified as falling within the transport, postal and warehousing sector as recognised by the Australian Bureau of Statistics Australia and New Zealand Standard Industry Classifications (ANZSIC) codes. However, CBH draws its members from the grain growers of Western Australia.

We have deliberately separated the insurance and superannuation funds from the financial and banking services businesses so as to provide greater perspective of their contribution.

Figure 3: Top 500 private companies 2013 – mutually owned business by industry



Comparing Investor and Mutually Owned Businesses by Sector

Although the mutually owned businesses often comprised only a small proportion of the total firms in the Top 500 private companies their contributions to their respective industry sectors were often significant. As shown in Table 2, many of the mutually owned businesses experienced above average performance when compared to their investor owned businesses.

Among the stand out performers were the firms in the insurance and superannuation sector. There the industry funds appeared to perform strongly compared to their smaller investor owned counterparts. The mutually owned businesses in the wholesale trade sector also performed well in terms of their percentage change in annual turnover. The leading firms here were:

- **Independent Liquor Group** (NSW) with \$222.78 million in annual turnover and an improvement of 9.4% over the previous financial year.
- **Geraldton Fisherman's Co-operative** (WA) with \$150.50 million in annual turnover and an improvement of 11.7% over the previous financial year.

Another strong performer, this time from the manufacturing sector, was the NSW meat processor **Northern Co-operative Meat Company** (NCMC) which reported a 23.5% improvement in annual turnover to \$210.0 million. This performance was closely matched by the financial services provider **Australian Scholarships Group**, which reported an improvement in annual turnover of \$222.16 million.

Table 2: Investor and Mutually Owned Businesses industry sector comparison

	Investor Owned Businesses			Mutually Owned Businesses		
	N Firms	Average Annual Turnover \$ Millions	% Change	N firms	Average Annual Turnover \$ Millions	% Change
Agriculture, Forestry & Fishing	5	\$333.81	-1.10	2	\$265.18	-
Mining	4	\$881.65	-3.47			
Manufacturing	64	\$331.24	7.33	6	\$612.05	8.23
Electricity, gas, water and waste services	3	\$289.32	23.60			
Construction	50	\$434.48	3.62			
Wholesale trade	51	\$346.57	1.76	3	\$165.43	6.50
Retail trade	76	\$383.82	4.46	2	\$101.18	3.10
Accommodation & Food services	12	\$329.71	6.61			
Transport, postal and warehousing	20	\$343.05	9.54	1	\$2,319.53	10.70
Information media and telecommunications	4	\$402.00	-4.30			
Financial & Banking Services	12	\$254.08	-2.48	14	\$293.48	-10.43
Rental, Hiring & Real Estate services	16	\$277.84	-0.25			
Professional, Scientific & Technical Services	46	\$333.20	3.60	1	\$860.29	-19.30
Administrative and Support Services	13	\$280.57	3.04	1	\$1,030.00	-
Education & Training	3	\$199.31	10.27			
Health Care & Social Assistance	30	\$971.47	5.58			
Arts & Recreational services	12	\$217.97	-5.21	1	\$177.52	-
Personal & Other Services	6	\$174.13	7.13	4	\$421.75	3.60
Insurance & Superannuation	10	\$446.53	-1.73	37	\$2,762.30	82.95

Data Source: BRW 2013

Despite the positive trends mentioned above, not all sectors reporting a positive trend. As shown in Table 2 there were some significant declines reported in annual turnover within the mutually owned businesses operating in the financial and banking sector as well as the professional, scientific and technical services sector. This was due to a 19.3% decline in annual turnover reported by **RACQ**.

The percentage change in annual turnover across the mutually owned businesses in the financial and banking services was generally negative. Only **Credit Union Australia** (2.8% increase) and the Australian Scholarships Group reported significant growth in revenue. The largest declines were reported by **IMB** (-54.8%) and **Rei Super** (-35.1%).

Insurance and Superannuation

There were 37 mutually owned businesses that fell within the list. These firms had an average annual turnover of \$2.76 billion reported for FY2012/13. Turnover ranged from \$85 million to \$24.9 billion. The average growth rate in this sector was 82.9% over the previous financial year, although growth ranged from

negative 45.6% to a positive 516.3%. Average employment reported from the sector was 227 people with a range from 15 to 1,357 employees.

Table 3: The Top 10 mutually owned businesses - insurance & superannuation sector

Business	Location	Annual Turnover FY2012/13	% Change from past year	Employees
Australian Super	VIC	\$24.91 billion	191.1%	220
First State Super	NSW	\$11.00 billion	144.4%	15
Unisuper	VIC	\$8.51 billion	132.9%	461
Retail Employees Super Trust	NSW	\$7.54 billion	148.6%	93
Sunsuper Super Fund	QLD	\$6.94 billion	122.9%	615
Health Employees Super Trust Australia	VIC	\$6.04 billion	80.6%	87
Construction & Building Unions Super	VIC	\$4.70 billion	88.6%	85
HOSTPLUS Super Fund	VIC	\$3.83 billion	115.6%	178
CareSuper	VIC	\$3.68 billion	366.9%	42
VicSuper	VIC	\$3.410 billion	136.4%	215

Financial and Banking Services

There were 14 mutually owned businesses in the financial and banking services sector. Their average annual turnover for the FY2012/13 period was \$293.5 million. Annual turnover ranged from \$85.1 million to \$740.8 million. The firms in this sector reported an annual decline in turnover of 10.4% with a range from a negative 54.8% to a positive 20.7%.

Table 4: The Top 10 mutually owned businesses - financial & banking services

Business	Location	Annual Turnover FY2012/13	% Change from past year	Employees
Credit Union Australia	QLD	\$740.82 million	2.8%	934
Heritage Bank	QLD	\$538.57 million	-0.3%	704
Newcastle Permanent	NSW	\$458.62 million	-8.8%	783
People's Choice Union	SA	\$423.87 million	-8.6%	1,000
CUSCAL	NSW	\$312.00 million	-19.4%	324
Greater Building Society	NSW	\$311.22 million	-7.3%	614
Teachers' Mutual Bank	NSW	\$253.91 million	-6.2%	411
Community CPS Australia	SA	\$245.20 million	-8.3%	494
Australian Scholarships Group	VIC	\$222.16 million	20.7%	143
QANTAS Staff Credit Union	NSW	\$156.35 million	0.20%	145

Other sectors

Outside the financial and insurance services sectors there were significantly fewer businesses so these have been examined together. Table 5 lists the Top 10

mutually owned businesses across the other sectors. This includes firms from a range of sectors with many, such as the Victorian dairy products manufacturer Murray Goulburn, or Western Australian bulk grains storage and handling business CBH, representing some of the nation's largest companies.

Table 5: The Top 10 mutually owned businesses – other sectors

Business	Location	Sector	Annual Turnover FY2012/13	% Change from past year	Employees
Murray Goulburn Co-op	VIC	Manufacturing	\$2.38 billion	0.2%	2,100
Co-operative Bulk Handling	WA	Transport & warehousing	\$2.32 billion	10.7%	1,062
Capricorn Society	WA	Administrative & support services	\$1.03 billion	NA	-
RACQ	QLD	Professional services	\$860.29 million	-19.3%	-
RACWA	WA	Personal & other services	\$533.35 million	4.8%	1,948
Namoi Cotton Co-op Ltd	NSW	Agriculture	\$410.36 million	NA	-
Independent Liquor Group	NSW	Wholesale trade	\$222.78 million	9.4%	76
Northern Co-op Meat Company	NSW	Food products manufacturing	\$210.00 million	23.5%	950
Chester Hill RSL & Bowling Club Co-op	NSW	Sport & recreational services	\$177.52 million	NA	-
Geraldton Fisherman's Co-op	WA	Wholesaling	\$150.50 million	11.7%	268-

Too important to ignore but frequently overlooked

The overall pattern that emerges from this snapshot of the mutually owned businesses within Australia's Top 500 private companies is that the co-operative and mutual enterprise sector is a significant one. Not only do these firms represent some of the largest in their sectors, but their annual growth in what has been a difficult year has generally been better than average.

Co-operative and mutual enterprises are therefore too important to ignore, but they are frequently overlooked by the media when reporting such trends. This is in part due to the difficulties of classification in a market dominated by the investor owned business. It is also a reflection of the need for better definition and classification of the sector by those within it.

Not all mutually owned businesses have the same structures in relation to corporate governance or share structure. There is also a problem of securing a clear identity when some businesses are called co-operatives, other mutual enterprises and others adopt no clearly defining names. More recognition of the importance of mutually owned businesses in the Australian economy is required.

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About the Sustainable Co-operative Enterprise Research Program

The Sustainable Co-operative Enterprise Research Program was formed out of the research undertaken via the University of Western Australia during an Australian Research Council funded industry linkage project. This study investigated the factor influencing the sustainability and resilience of the co-operative and mutual enterprise business model. The project involved funding support from Co-operatives WA, CBH Group Ltd, Capricorn Society and Ravensdown Fertiliser Co-operative.

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