Title:

The member wears four hats: A member identification framework for co-operative enterprises

Highlights:

- CME members “Four Hats” (4Hs) emerged as stable patterns across three large Australian producer co-operatives
- 4Hs enabled an understanding of multiple member identifications and how each is related to the organisation’s Member Value Proposition (MVP) and to the building of a community of purpose.
- The Patron Hat and Investor Hat are likely to be the strongest
- The strength of the Owner Hat is influenced by the ways in which patronage and share capital rights are managed in a CME’s business model
- The Community Member Hat remains the least understood, but potentially the most significant

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The member wears four hats: A member identification framework for co-operative enterprises

Authors:

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ABSTRACT

Co-operative and mutual enterprises (CMEs) are organisations in which buyers or suppliers are also the owners, shareholders and members of a community of purpose. Member heterogeneity and commitment have been reported in the literature, but the drivers of member commitment remain poorly understood. This paper proposes that members identify with their CME as patrons, investors, owners, and community members; wearing “Four Hats” (4Hs). A case study analysis of three Australian producer co-operatives examined directors and managers perceptions of factors influencing members’ commitment and delivery of a member value proposition. The 4Hs emerge as stable patterns and the cross-case analysis illustrates their strategic importance and link to member value proposition.

Keywords: Co-operative, mutual, CME, member value proposition, commitment, four hats

1. INTRODUCTION

This paper examines the nature of member commitment and loyalty in co-operative and mutual enterprises (CMEs). It reviews the conceptual and theoretical foundations of CME member commitment and draws on interviews with directors and senior managers of three large Australian producer-owned co-operatives. Data analysis was undertaken using the *Leximancer* text analytic software, which can analyse text and identify, in a grounded manner, the main concepts that lie within and suggest how they relate to each other (Smith and Humphreys, 2006). The primary research question guiding the study was: *What do directors and managers see as the factors influencing members’ commitment to co-operative and mutual enterprises?*

Prior literature relating to CME member loyalty has been prominent in agricultural economics where it has concentrated on the often-competing roles of patron and investor (Nilsson, 2001). We re-define the roles of patron and investor and include two additional member roles, those of “owner” and “member of a community of purpose”. This is developed into a conceptual framework described as the “Four Hats” (4Hs). The paper fills an important gap in the literature by recognising the importance of purpose and commitment in CME member engagement. The paper begins with an initial introduction to CMEs, after which there is a discussion of member commitment. The study’s methodology, analysis, discussion and conclusions are then outlined, as are some implications for future research and managerial practice.

2. LITERATURE REVIEW

CMEs have a unique ownership structure that impacts on their governance, operation and management systems. At a global level, CMEs are significant contributors to the world’s economy. There are around 2.6 million co-operatives in the world that generate US \$2.2 trillion in annual turnover, provide employment for an estimated 250 million people, and services for about 1 billion members (ICA, 2017). This is comparable to the GDP of the world’s ninth largest

economy (ICA, 2011). CMEs trade with their members to maximise members' benefits, whereas investor-owned firms (IOF) aim to maximise profit or shareholder return. CMEs can be consumer or producer owned (Birchall, 2010) or a combination of both. Mutual enterprises are generally found in the financial services sector (e.g. insurance, banking), while co-operatives can be found in a wide range of industries, such as agriculture, energy, housing, education and retail.

2.1 Challenges in Aligning Member Value Proposition with CME purpose

A key feature of CMEs is that they are usually founded for a specific purpose, which often focuses on social and economic objectives (Novkovic, 2008). This poses a challenge for CME managers and directors, as it requires a careful balancing act between the two, often competing, goals (Novkovic, 2014). This dual role or "symbiosis" creates a situation in which a CME is often positioned mid-way between the IOF and not-for profit (NFP) social enterprise sectors, but does not fit into either sector (Levi and Davis, 2008). Further, it is common for CMEs to be created with a business objective, but for them to drift towards a social focus, which can become dominant as the enterprise matures (Palmer *et al.*, 2000). This purpose can shape the nature of the interactions between a CME and its members. Further, the ability of the board and management to fully engage with the membership so as to strengthen loyalty and commitment, is likely to depend on how well they can align the CME's identity with the roles and values of its members (Nelson *et al.*, 2016).

CMEs also face challenges in creating a common sense of purpose for members that have differing and, at times, competing needs (Battilani and Schröter, 2012). While the unique relationship CMEs have with their members as customers and owners of the organisation is a key competitive advantage and a major reason for their resilience (Briscoe and Ward, 2000; Jussila *et al.*, 2012), it can also introduce significant challenges. These challenges have been attributed to the nature of residual claims and vaguely defined property rights in relation to share capital (Vitaliano, 1983; Nilsson, 1999; 2001; Chaddad and Cook, 2004; Chaddad and Iliopoulos, 2013). Tensions between members' roles as patrons and investors can, if not appropriately managed, lead to a serious degeneration of the CME's mutuality and place it at risk (Nilsson, 2001).

Another important attribute of any business model design is an ability to identify a "*customer value proposition*" (CVP) (Anderson *et al.*, 2006; Johnson *et al.*, 2008; Osterwalder and Pigneur, 2010; Wirtz *et al.*, 2016). This is a clear focus on the way in which the business model delivers value to customers and in a sustainable manner. It is not just about price competition, but an ability to bundle a combination of product or service attributes so as to deliver value to customers in a manner they perceive to be important. The CVP must not only solve important problems or fulfil key needs for target customers, it must also offer a relationship that binds these customers to the business (Johnson *et al.*, 2008).

This also applies to a CME business model, where a critical element is its ability to develop and deliver a clear *Member Value Proposition* (MVP) that is in line with the CME's purpose, resonates with members and is sustainable (Mazzarol, *et al.*, 2014). As noted by Talonen *et al.* (2016), the perception of value amongst co-operative members is a similar process to that of customers in investor owned firms. Further, the perception of value must be determined by the member or beneficiary (Vargo and Lusch, 2008) and is associated with utilitarian (i.e. function and financial dimensions), and hedonic factors (i.e. emotional and social dimensions) (Talonen *et al.*, 2016). As such, the MVP offered to CME members should not necessarily be founded exclusively on financial and functional dimensions. While price, investment returns and the quality or efficiency of service are important, member engagement

with and loyalty to a CME may depend on factors that drive emotional and affective commitment.

Over its lifecycle, the resilience and sustainability of a CME may be influenced by many things, such as governance, organisational efficiency, economic performance and access to financing (see: Hendrikse and Bijman, 2002; Rebelo *et al.*, 2002; Bijman and van Bekkum, 2005; Van Bekkum and Bijman, 2006; Plunkett *et al.*, 2010). However, most of the research examining these issues has primarily focused on the interplay between members' patron and investor roles, and the tensions this can create if poorly managed (Nilsson, 2001). In particular how evolution of a CME is likely to involve increased heterogeneity in its membership base which exacerbates the "generic" problems that beset the co-operative business model, as members' commitment to the business and its purpose are affected by conflicting issues over patronage and investment motivations (Cook, 1995; Nilsson, 2001). To address these problems the CME's management and directors must respond with appropriate strategies to address control, governance and distribution rights issues (Cook, 1995; Cook and Chaddad, 2004). What has been largely ignored is the important role of purpose, the impact of a clearly defined and communicated member value proposition and the sense of ownership that comes from sharing a common identity within a community of purpose (Nelson *et al.*, 2016).

Recognition should be given to the three "foundational pillars" upon which most CMEs are established. The first relates to purpose (why was it established?), the second to its ability to engage the commitment of members (why join and remain?) and the last to the organisation's ability to compete with IOFs (financial and functional value) (Van Oorschot *et al.*, 2013). In the development of an effective and sustainable MVP, the directors and managers of a CME should widen their focus from the financial and functional dimensions of member value and include those relating to emotional and experiential value dimensions that evoke affective commitment (Allen and Meyer, 1990a; 1990b), as well as symbolic or social value (Talonen *et al.*, 2016; Sweeney and Soutar, 2001).

2.2 Member commitment

Member commitment in social organisations can be separated into continuance (commitment to participating in the system and continuing one's membership), control commitment (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 members' commitment, participation, satisfaction, loyalty and other behavioural elements are primarily qualitative or case-study based. Most quantitative studies have focused on producer-owned or consumer-owned CMEs. Most common are studies of producer and marketing agricultural co-operatives, 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 have examined credit unions (Byrne and McCarthy, 2005; 2014) and have applied *Mutual Incentives Theory* (Birchall, 2010; Birchall and Simmons, 2004) to understand members' motivations.

The importance of the emotional aspects of the relationship between the CME and its members, specifically the CME's adherence to the co-operative principles of: i) voluntary and open membership; ii) democratic governance; iii) member economic engagement; iv) autonomy and independence; v) education, training and information; vi) co-operation amongst co-operatives, and vii) concern for the community have been highlighted (Oczkowski *et al.*, 2013). Also of importance is the role of "affective commitment", which is a measure of a member's

sense of belonging and emotional commitment to the CME (Allen and Meyer, 1990a; 1990b). This has been identified as a key factor in alleviating the “generic” problems challenging CMEs (Jussila *et al.*, 2012).

This is not surprising, as the separation of individual and collective aspirations is central to the problem, and accentuated by the voluntary character of CME membership. Member commitment and loyalty have historically been seen as essential to CME resilience and survival (Fulton and Adamowicz, 1993; LeVay, 1983), while a lack of member commitment has been linked to poor performance (Fulton and Giannakas, 2001; 2007) and failure (Fulton and Adamowicz, 1993). Member commitment is necessary for the successful establishment of new CMEs (CCA, 2013), whereas, for established CMEs, it is the most significant influence on organisational effectiveness after formal governance (Palmer, 2002). Despite its significance, member commitment is decreasing (Bijman and Verhees, 2011) and CMEs are finding it increasingly difficult to improve member commitment in a globalised business environment (Jussila *et al.*, 2012), especially if their membership becomes heterogeneous (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 breakdown of the once-strong co-operative ideology is seen as contributing to the lack of member commitment (Fulton, 1999).

This paper proposes a new theoretical framework for understanding the nature of member engagement with CMEs. The framework includes utilitarian and emotional drivers of member commitment and illustrates their relationship and impact on the development of a member value proposition. The aim is to contribute to a gap in the current literature that relates to the way in which directors and managers of CMEs perceive the factors that constitute their member value proposition and how members’ different roles and needs drive their commitment to the CME and their identification with the member value proposition (MVP). Its focus is on the director and manager perspective as a first step in exploring how a CME’s MVP is understood. The capacity of a CME to identify and deliver sustainable value to members, thereby winning and retaining member loyalty, will depend on how their senior leadership understands the nature of the MVP within their business models.

3. THE FOUR HATS (4Hs)

Member commitment in a CME is a multidimensional construct, with emotional or affective and behavioural or calculative components (Foreman and Whetten, 2002). For example, Byrne and McCarthy (2005) found credit unions (mutuals) focused primarily on “utilitarian” issues when seeking to encourage member commitment (e.g. price, product, service). By contrast co-operatives, perhaps due to their more democratic governance structures, focused more on building “affective” and “ideological” commitment (e.g. emotional attachment, sense of common purpose). The *Four Hats* (4Hs) conceptual framework draws from a much larger conceptual framework for research into co-operative enterprise business models (Mazzarol *et al.*, 2014) that explores the macro (system), meso (enterprise) and micro (member) level parameters impacting on an effective delivery of the MVP. At a macro-level a CME operates in a “systems level” environment in which it is influenced by at least four key forces: i) social cooperation, within the communities from which its members are drawn; ii) the regulation and policy of government; iii) industry competitive forces; and iv) the impact of the natural environment (of particular importance to primary producer co-operatives). In outputs, the CME generates both economic and social capital.

At a meso level a CME's business model is characterised by six primary elements: i) the purpose for which the CME was established; ii) the profit formula to fund its operation; iii) its governance structure; iv) share capital structure and distribution; v) resources required, and vi) processes needed to deliver its MVP (Mazzarol *et al.*, 2014). These business model elements need to be configured to generate and sustain the MVP. However, at a micro level the framework suggests members engage with their CME through four interconnected roles or "hats" that they wear. These are their roles as patron, investor, owner and member of a community of purpose. The assumption in this framework (illustrated in Figure 1), is that the development of a strong and effective MVP is likely to require attention to all four "hats". Membership may begin with patronage and hopes of investment returns, but loyalty will be retained and strengthened through the development of a sense of ownership and values congruence between members and their CME, plus a common sense of purpose and affective commitment (Jussila *et al.*, 2012; Nelson *et al.*, 2016).

---- Insert Figure 1 about here----

3.1 Member identification and the need for common purpose

CMEs are typically formed as a result of community identity (Birchall and Simmons, 2004) or social identity (Tajfel, 1978) with a common purpose. Identification has self-definitional and emotional components, whereas satisfaction assumes a more utilitarian character related to organisational performance (Homburg *et al.*, 2009). Organisational identification in CMEs is a complex process that emerges through interactions between managers, members and other organisational stakeholders. A member's need for self-definition, their perception of a CME's legitimacy, as well as the accessibility, salience, importance and centrality of their affiliation with the CME, impact on the identity construction process (Scott and Lane, 2000).

Social identity theory and member identification has been previously used in organisational contexts (Ashforth and Mael, 1989), including co-operatives (McClintock-Stoel and Sternquist, 2004; Cicognani *et al.*, 2012). There seems to be a positive relationship between member identification and a number of organisational, service, member affiliation and member activity characteristics, including perceived organisational prestige, tenure of membership and frequency of use of services (Bhattacharya *et al.*, 1995). The level of member identification with the CME's democratic process is related to the frequency of use of CME services and commitment to its causes (Birchall and Simmons, 2004). Further, it has been suggested that a member's desire to remain a member can be promoted through increasing member identification with the CME (Jussila *et al.*, 2012; Nelson *et al.*, 2016).

Despite their importance, member identification and the development of a common sense of purpose are inherently challenging tasks for CMEs (Brown *et al.*, 2015). They are frequently compounded by the "generic" problems previously discussed, and the tendency for many CMEs – particularly co-operatives – to remain focused on operational or "defensive" issues, rather than adopting a more entrepreneurial and market-oriented "offensive" approach (Cook, 1995; Lang, 1995; Cook and Plunkett, 2006; Beverland, 2007). In addressing these challenges, CMEs need to maintain operational efficiencies, build a strong market-oriented strategy, while simultaneously addressing member engagement to build loyalty through member identity with and commitment to the CME and its purpose (Simmons, 2015).

At the heart of the challenge lies the nature of member's relationships with their CME, as they assume different roles, some of which can, at times, have competing needs. Members may hold multiple identifications that stem from thinking about and relating to their organisation at

multiple levels of abstraction (Foreman and Whetten, 2002). We refer to these identifications as the “hats” members wear when interacting with their CME.

3.2 *The Patron and Investor Hats*

The decision to remain a member of a CME is likely to be influenced by the member’s perception that membership offers value for money and functional value (e.g. good service) (Sweeney and Soutar, 2001; Söderlund, 2002). While price (financial value) is important to members (particularly producer co-operatives such as fishing or agriculture), of potentially greater importance is functional value as measured through transaction costs (Hernández-Espallardo *et al.*, 2013). These parameters are related to what Kanter (1968, p. 501) terms “cognitive continuance commitment”, which is commitment to roles or positions with no affectivity attached them, “the role merely has a positive valence”. 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, 1990a; 1990b). Agricultural economists have primarily focused on these utilitarian drivers of member loyalty in producer-owned CMEs (Fulton and Adamowicz, 1993, Fulton and Giannakas, 2001; Kalogeras *et al.*, 2007).

Nilsson (2001) differentiated between CME members’ patron and investor roles, claiming the level of manifestation of each role impacts on the integrity of the “generic” problems and the structure and success of CMEs (ranging from traditional, to entrepreneurial, degenerated co-operatives or investor-owned firms). The patron role expresses the trading relationship a member has with a CME. The decision to trade with a CME is often the primary reason to become a member. Both financial and functional value are critical to the patron role, 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 role is the phenomenon of free-riding (the situation in which members of the CME do not trade exclusively with that organisation). This problem is intensified by open membership (Cook, 1995), and can depend on a number of factors, including location specificity, asset specificity and relational specificity, as well as the number and power of CMEs in the market (Pascucci *et al.*, 2012).

The investor role emerges through a member’s ownership of share capital. There are many different ways through which a CME can allocate share capital and distribute ownership rights, which can enhance or diminish the investor role (Chaddad and Cook, 2004; Chaddad and Iliopoulos, 2013). The ways in which CME share capital, investment returns and profit distributions are managed has been previously examined in the literature (Gide, 1922; Warbasse, 1937; Fairbairn, 1994; Mikami, 2010). 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 traditional “non-distributing” CME business model in which share capital is not accumulated, nor dividends distributed, the patron role is dominant in relation to the investor role. Any financial benefits are linked to patronage, members’ equity is non-transferrable and, commonly, non-appreciating. In proportional investment co-operatives, varying degrees of member investment and return can be seen, although these are usually not reflected in more control. Member-investor and *New Generation Co-operatives* alleviate some of the “generic” problems by allowing outside investment or the transferrability of equity (Chaddad and Cook, 2004). This aims to strengthen the investor role and balance it against the patron role (Nilsson,

2001). However, there are many ways that share capital can be structured in a CME business model without losing mutuality (Van Bekkum and Bijman, 2006). The challenge lies in finding the right balance between the patron and investor roles, as there is clear evidence that the development of a strong investor role increases the risk of demutualisation (Nilsson, 1999; 2001).

3.3 The Owner and Community Hats

Emotional value (i.e. how customers feel about their relationship with a product or service) has been recognised as a key element in consumers' perception of value (Sweeney and Soutar, 2001). Within CMEs, the role of "emotional", "affective" and "ideological" commitment in the strengthening of member loyalty has also been examined (Birchall and Simmons, 2004; Byrne and McCarthy, 2005; Jussila *et al.*, 2012).

Within producer-owned CMEs, such as agricultural co-operatives, the importance of "people" and "non-economic" factors as major drivers of member loyalty have been identified (Bhuyan, 2007). Also of importance is trust (Arcas-Lario and Hernández-Espallardo, 2003; James and Sykuta, 2005; Österberg and Nilsson, 2009). This suggests producer CMEs should move from a production to a market orientation (Edwards and Shultz, 2005). In doing so they can build loyalty by focusing on emotional value, and stimulating affective commitment, or what Kanter (1968) refers to as "cathectic cohesion commitment", which manifests as member attachment to relationships that absorb affectivity, but do not have internal moral imperatives attached to them. The recognition of a member's perception of value as being based not just on utilitarian factors (i.e. function and financial), but also on hedonic factors (i.e. emotional and social) (Talonen *et al.*, 2016), is an important issue for CME directors and managers to understand. It is consistent with the *Service Dominant Logic* (SD-Logic), concept (Vargo and Lusch, 2004; 2008; Lusch and Vargo, 2006; 2011), that recognises value as determined solely by the member through engagement and use, and as an active participant in coproduction.

In addition to the patron and investor roles, members have a distinct role as CME owners. The owner role is distinct from that of the investor, although both share a focus on members' economic benefits under the need for "distributive justice" (Fehr and Schmidt, 1999). The owner role includes the element of member control, seen through involvement in decision making and 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 translates to exercising voting and control rights, attending annual general meetings, remaining actively informed of CME matters and, in its higher expression, results in participating in governance by assuming board positions (Birchall and Simmons, 2007; Chaddad and Iliopoulos, 2013; Simmons, 2015). The owner role is built on more than the ownership of capital (Gupta, 2014). It often requires member identification with the enterprise through a common history, symbols or experiences that lead to a "sense of personal relatedness" with the CME (McMillan and Chavis, 1986). The key attribute likely to create a strong sense of ownership among members is affective commitment (Allen and Meyer, 1990a; 1990b).

The fourth role is that of a member of a community of purpose. CMEs are hybrid businesses with economic and social purposes (Levi and Davis, 2008). Without the support of the community that formed them they would not exist and they exist to provide services to this community for a purpose that a democratic and mutually owned business model is best designed to achieve. Support from a community of members who make up its ownership and patron base is a key determinant of the economic embeddedness of a CME's activities (Levi and

Pellegrin-Rescia, 1997). Congruence between community goals and CME goals around a common sense of purpose, values and principles can result in a virtuous cycle and reciprocal loyalty (Robb *et al.*, 2010). Hence, where congruence is high, the reinforcement of member identity can strengthen a wider community identity and vice versa. Investment in this relationship enables CMEs to reinforce their co-operative principles to members as a mechanism for building social entrepreneurship and innovation, as well as fulfilling a number of roles in market economies, including the promotion of ethical business practices (Novkovic, 2008).

3.4 The Importance of Recognising and Reinforcing the Four Hats

In summarising this literature it is our view that directors and managers of CMEs need to give attention to all four “hats” in their identification and development of their organisation’s MVP. This is particularly the case for producer-owned co-operatives that have traditionally focused on utilitarian rather than hedonic factors in seeking to secure member engagement and loyalty (Cook, 1995; Cook and Chaddad, 2004). However, the importance of member engagement and loyalty remains an issue that has historically plagued CMEs (Le Vay, 1983). Given the acknowledged importance of emotional value (Sweeney and Soutar, 2001) and affective commitment (Allen and Meyer, 1990a; 1990b) to fostering customer loyalty, it would seem sensible for these factors to be considered in addition to their utilitarian counterparts as key tools with which CMEs might construct their MVP. However, this leads us back to our research question and how directors and managers of CMEs view the factors that influence member commitment.

4. METHODOLOGY

In-depth interviews were conducted with directors and senior managers of three large Australian producer co-operatives engaged in bulk grains handling and storage, dairy and fishing. These businesses were Co-operative Bulk Handling Group Ltd (CBH), Murray Goulburn Co-operative (MGC) and Geraldton Fishermens’ Co-operative Ltd (GFC). Table 1 provides a brief description of each of these CMEs. As recommended by Eisenhardt (1989), the selection of these three businesses was based on their being “theoretically useful” as case studies due to them being particularly successful and long-lived organisations with a reputation for strong member engagement and loyalty.

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

The case study design and data collection process followed the guidelines recommended by Yin (2009). A detailed case study protocol guided all case data collection. A pilot case was undertaken to revise the case study approach. 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). The use of multiple data sources provided good triangulation (Bryman and Bell, 2003). As historical cases offer more robust comparisons (Eisenhardt and Graebner, 2007), the methodology involved preparing a historical timeline with critical strategic-level events identified from available secondary source data prior to undertaking face-to-face interviews. The critical incident technique (CIT), which was central in this case, has been used over many years and is recognised as an appropriate technique for researching human behaviour (Flanagan, 1954; Gremler, 2004).

In order to address our research question relating to directors and senior managers' perceptions of the factors influencing member commitment to remaining loyal to the CME, interviews were conducted with 20 directors and senior managers, including the Chairpersons and CEOs of each CME (9 = CBH; 4 = MGC; 7 = GFC). Each interview typically lasted for around two hours, with all discussions audio recorded for accuracy of subsequent transcription. The interviews took place in 2011 and 2012 and, therefore, the described ownership, patronage, investment and community relationships of members with their CME refer to the historical evolution of the CME until that period, although, in some instances, reference is made to publicly available information post-2012 to inform readers of any significant changes that have since taken place. While reviewing the history of each CME, our focus was on the previous 20 years, which was seen as a relevant period from a strategic perspective. Interviews were undertaken with past and currently serving directors and managers. As the turnover of directors and managers in CMEs is low, it was generally possible to interview one past and one current manager or director to gain first hand impressions of the period under review.

Analysis of the data was guided by coding approaches recommended by Saldaña (2009) and moved through first and second cycle methods. To aid this process, and due to the large amount of text from the interview transcripts, it was decided to undertake an initial content analysis to assist in making valid inferences from the original data (Weber, 1990). This process was undertaken using "Leximancer", which is a text-analytic software program (Leximancer, 2013) that performs a content analysis to identify the most frequently used concepts in a body of text and the relationships between these concepts. This provides a more objective result than manual analysis by performing associational analysis of textual data and provides a graphic representation of the underlying concepts¹ and themes² within it. It also displays the linkages between the concepts (Liesch *et al.*, 2011). Leximancer uses the frequency and co-currence counts of words to identify main concepts and how they interrelate within themes (Smith and Humphreys, 2006).

Although Leximancer is able to automatically discover concepts and themes, it can be filtered through a process of interactive coding and we "seeded" the four interrelated roles played by members (e.g. patron, investor, owner and member of a community of purpose) into the analysis using a technique called "profiling". The coding structure that was used is shown in Table 2.

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

This is similar to the manual coding of text (Saldaña, 2009), in which a researcher defines desired themes, identifies words that appear frequently in the text and relate to each theme. The software is then able to further develop these themes with other themes that emerge from the data and depict their relationships. Concept seeding in Leximancer is used to test or validate theory (Leximancer Pty Ltd, 2013; Smith and Humphreys, 2006). In keeping with a case study approach, the analysis was initially undertaken within each of the three cases and then a cross-case analysis of all three cases was used to search for common patterns (Yin, 2009).

¹ 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)

² Leximancer theme is a collection of related concepts in close proximity. The theme is named from the most prominent concept (Leximancer Pty Ltd, 2013).

5. FINDINGS

The findings can be seen in Figures 2 to 4, with each of the three case study firms' concept maps being displayed. The figures in each case represent the concepts and themes, along with representative quotations from the original interview transcripts. The size of the dots represents the frequency of occurrence of each concept, while the lines between the 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. The warmer the colour, the more important it is within the concept cloud and, the more closely related concepts and themes are, the more central they are to the issues being examined.

5.1 Co-operative Bulk Handling Group Ltd (CBH)

As shown in Figure 2, the patron role was seen as being the most important and central theme in the bulk grain handling co-operative members' engagement. It was viewed as an integral part of the identity or purpose of the co-operative and a key contributor to the value offered to members. CBH is a "non-distributing" co-operative that, at the time of data collection, had a share capital and ownership rights structure that did not allow share accumulation based on patronage (1 member had 1 share) and returns were linked to patronage through a re-pricing mechanism (effectively a rebate). This provided CBH with a tax exemption on its core business operations, but focused value back to grower-member transaction costs and payments (e.g. fees, charges and ease of doing business). CBH is democratically controlled by its members through the one-member-one-vote principle.

As shown in the comments relating to the "patron" theme, the general view of senior management was that patronage based rebates without volume discounts was a fair system, despite the potential for larger producers to feel disadvantaged. Also, worthy of note was that the strategic focus of the board and senior management at the time was on the maintenance of CBH's tax exempt status. Any change to the share capital structure (e.g. distribution of profits), was seen as likely to create strategic problems with federal government regulators.

Another finding was the theme labelled "co-operative", which represented a cluster of concepts focused around the structure of CBH's business model (includes the concepts of co-operative "model", "corporatisation", "control", "fees", "advantage", "large" as well as the concepts "Ausbulk" and "listed"). Over the period under review (1990 to 2010), the CBH Group had faced a range of pressures. These included the demutualisation of its South Australian counterpart (SACBH) in 2000, which had converted its business model into a "hybrid" structure (Ausbulk-UGH Ltd) and then into an IOF (ABB Grain Ltd) that floated on the Australian Stock Exchange in 2002 (Brewin *et al.*, 2008).

This entity was subsequently acquired by Canadian agribusiness IOF Viterra in 2009. CBH had faced similar pressures to demutualise during this period (1998-2000), with a failed attempt at demutualisation followed by ongoing debates with its membership over the merits of its non-distributing "traditional" co-operative business model and the value it offered to members. A decade later (2010) the company was still undertaking a strategic level review of its business model and decided not to lose its tax-exempt status by establishing a share distribution system for members. The "co-operative" theme was not seeded; it emerged from the data as the second most connected theme (71% connectivity) after "patron"³.

³The 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.

----Insert Figure 2 about here----

The “value” theme was the third most important (displaying 48% connectivity) and reflects the perceived Member Value Proposition (MVP) in the minds of the directors and senior managers. This theme was directly related according to the conceptual map to the patron and investor roles of members and included a number of concepts (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)). The concepts found within it were associated with an amalgam of financial and non-financial issues. This overlap between the core “patron” theme and the “value” and “investor” themes was reflective of the ongoing strategic level dialogue associated with CBH’s business model. As found in the “investor” theme, the main concepts were related to the overall purpose of the co-operative, whether or not it distributed its profits to members and the returns that members received. As the co-operative was not distributing financial dividends to members, it had adopted a program of annual reporting of “Grower Value Statements”, showing each member an individual level view of the value the co-operative had given them over the previous 12 months. This was generally focused on rebates, storage and handling fees, freight and quality optimisation.

As can be seen in Figure 2, the “investor” and “owner” themes were less closely connected with the theme relating to membership of a “community purpose”. The latter’s close association with the “patron” theme highlighted the critical importance of bulk handling and storage for growers and the cost-effectiveness of the co-operative model as a solution to this problem. The comments in the interview transcripts illustrate this. By contrast the “investor” theme seems to be of less strategic importance to the senior leadership of CBH at time of interview. As reflected in their comments, CBH’s senior leaders were still struggling with the question of whether to change their business model and establish a share structure that allowed distribution, or retain their tax exempt, non-distributing model. That may explain why the “investor” theme was more closely associated with the theme of “value”.

Finally, although the “owner” role also seemed to be less connected to “patron” directly, the “owner” theme was connected to the “co-operative theme”, which in turn exhibited a strong connection to the “patron” theme. A distinction between the “owner” and “co-operative” theme is a reflection of some discussion focusing on moves to demutualise the co-operative, as driven by an ideological or philosophical mindset among some members. Some interviewees felt member ownership and control was protected through a co-operative model, whereas a member-owned agribusiness would become a takeover target, as proven by the history of their South Australian counterpart.

5.2 Murray Goulburn Co-operative (MGC)

As can be seen in Figure 3, the strongest themes in the Murray Goulburn Co-operative (MGC) case were those of “patron” and “investor”, exhibiting 100% and 70% connectivity respectively. Both were also closely associated and reflected the different business model used by MGC. While CBH is a non-distributing co-operative registered under state legislation, MGC is an unlisted, distributing company incorporated under federal legislation, but operating as a co-operative under its own constitution. This business has active “wet” and inactive “dry” shareholders (former dairy farmers who retain share capital, but no longer have voting rights). Voting rights and share distribution are also proportional to patronage (with limits on total share and voting rights to preserve mutuality). As shown in the quotations from the interview

transcripts, MGC's senior managers viewed the interrelationship between patron and investor roles as a key part of what created their firm's MVP. The theme "value" was, therefore, also connected to the "patron" and "investor" themes and associated with building members' engagement with and loyalty to the co-operative. All value created for the co-operative was viewed through a lens of how it might simultaneously provide value to the members.

The patron theme included 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 included concepts such as "purpose", "mutuality", "bigger", "grown", "encourage", "owns" that reflect the value members gain from 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 MVP is that they "grow with their members", providing a guarantee they will buy all the milk members want to supply, with the first and last litre valued equally. This is unlike non-co-op milk processors that agree on a milk price for a certain volume, after which they pay much less or even charge farmers to take their milk. MGC is also a "pacemaker" (LeVay, 1983) in the setting of milk prices in its key markets.

While at first sight the owner role appears non-existent, the "investor" theme included investor and owner concepts (the two most connected concepts in the theme). The investor theme included concepts such as "investor", "owner", "amount", "structure", "rights", "cash", "preference", "debt", "bank", "successful", "tough", "based", "funding", "banks", "support" and "ownership". MGC has various classes of shareholders and only active suppliers hold ordinary shares that have voting rights (owner role). Various classes of these ordinary shares reflect different schemes introduced for suppliers at various stages. Retired suppliers are given an opportunity 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 role). Employees can also own preference shares (with no voting rights) that attract a reduced dividend (e.g. 8% when ordinary shares attract about 10% to 12%). In 2015, subsequent to the data collection, MGC raised \$500 million in capital by the issue of units in a unit trust, which is listed on the Australian Securities Exchange. The unit holders in the trust do not have voting rights in relation to MGC's operations and, as was case when the interviews took place, only active suppliers hold voting shares in the co-operative (MGC, 2014).

---- Insert Figure 3 about here----

Figure 3 suggests there was only a small "community" theme, which was linked to value through the "investor" and "patron" themes. This strengthens the argument that co-operatives' community focus is one of a community of purpose. GFC recognises the need to provide a business model that helps to sustain and grow the dairy farmer community, retain value for their investment in their farms and the co-operative and find a balance between the needs of members and the competitiveness of MGC in a highly competitive global market.

5.3 Geraldton Fishermen's Co-operative (GFC)

As can be seen in Figure 4, the findings for the Geraldton Fishermen's Co-operative (GFC) placed the "patron" theme at the centre, with "investor" and "value" closely connected themes. The GFC has a seasonal catch of western rock lobster that involves fishing under quota, as well as leasing pots from the co-operative (effectively fishing licenses). In addition, the patronage relationship was

enhanced by members' ability to meet with directors and senior executives, as GFC makes senior staff available to members. This was reflected in the data as the "patron" theme, which included concepts such as "patron", "demand", "leasing", "catch", "quota", "season", "meeting", "directors", "fish", "prices", "tonne", "large", "Abrolhos". The investor theme included concepts such as "investor", "dry", "buy", "rules", "cash", "capital", "benefit", "competitors". Only active suppliers can be shareholders (a legal requirement under the State's co-operatives legislation). However, GFC offers retirees an option to roll shareholding into debentures that attract a fixed dividend related to the rate set by the Reserve Bank of Australia (RBA plus ½ per cent).

---- Insert Figure 4 about here----

The "owner" theme was found to be relatively less important than the "patron" and "investor" themes, but as Figure 4 shows, it was connected to the "investor" theme and also to the "demutualise" theme, which was associated with GFC's desire to avoid degeneration. This was something that had happened to other fishing co-operatives in the state and led to the GFC expanding its operations south to Fremantle-based fishermen in 2002. As noted in the transcript text cited in Figure 4, the co-operative was viewed by directors and senior management as an "octopus", with the GFC as its body and head and the fishing boats owned by its members as its "tentacles": a unified whole working together.

The community theme emerged as the third most connected theme, on par with member value at 12% connectivity. The community theme included "community", "behind", "average", "pressure", "extra", "told", "deals" concepts. GFC operates in small fishing communities on the West Coast of Australia and the lobsters caught are sent to Geraldton or Fremantle ports. While deals are offered by private processors, the co-operative has generally paid a reduced rebate to members who free-ride by taking deals with private processors and, since 2012, does not pay a dividend or bonus to members who are not 100% loyal. As the community is small it self-regulates, with members "keeping each other honest". GFC fishermen further set an example by investing in their boats and in significant research and development. Indeed, the co-operative is an innovator not only in processing technologies (another theme) but also in sustainable fishing practices that are supported by members, even though it meant a strict quota for a number of years. The GFC was instrumental in educating government about reduced lobster stock and actions needed to conserve the species. As can be seen in the cited transcript comments, directors and senior managers felt the co-operative's overall purpose was to help sustain the local fishing industry for future generations.

6. DISCUSSION

A cross-case comparison of the three CMEs suggests the four roles, or what we now term, the four "Hats" worn by members when engaging with their co-operative, found had some prominence in interviewees' strategic thinking. The *Patron Hat* was central in the three cases. As patronage is a fundamental relationship between a co-operative and its members this was not surprising. The findings for the *Investor Hat* were also similar across the three cases, with this concept closely connected to the *Patron Hat* and associated with the concept of value. This reflects the association between patronage, investment and member value that has been noted in earlier research (Nilsson, 2001).

The *Owner Hat* was less uniformly identified across the three cases. For example, in the CBH case, the "ownership" theme was connected to "value" through the "co-operative" theme. This reflects the non-distributing nature of this co-operative's business model, in which

ownership was only possible through active patronage. Further, in this case, the *Owner Hat* and *Investor Hat* (as represented by their respective themes) were not directly connected. As already noted, the lack of share capital that can be owned and distributed has been a significant strategic issue for CBH's board and senior managers.

In the MGC case there was no separation between the *Investor Hat* and the *Owner Hat*. What linked the *Investor/Owner Hat* with member value was the *Patron Hat*, reflecting the design of the MGC business model to reward patronage with share capital and suggests reward structures can be effective in that investor and patron interests are aligned. Interestingly, the 2015 MGC listing of a unit trust linked unit holders' dividend to milk prices to ensure an alignment of the interest of investors in the unit trust to the interest of wet (active and voting) members (MGC, 2014). While this development took place at a time well after our study, there was evidence of a board strategy and culture that led to this investor reward structure being aligned with patron interest.

GFC is increasingly leasing pots (rock lobster fishing operates under a quota per pot system) that they then sub-lease to fishermen. This is expected to become a larger part of the business, especially as members (current pot-owners) are ageing. Pot-owners are not members of the co-operative, as only active fishermen can be members. The fact that GFC allows members to lease their pots through the co-operative and extract value through this "investment", while reducing how many pots they use, could be the reason behind the observed pathway from the *Owner Hat* to value through the *Investor Hat*. However, this is difficult to confirm from the available data.

The *Community Member Hat* emerged as the third most connected theme across all three cases, with a level of importance equivalent to "value". This membership of a community of purpose is fundamental to the nature of CMEs (Birchall and Simmons, 2004; Peredo and Chrisman, 2006). It is based on recognition that there is a common need or purpose that justifies the CME's establishment and continuation. As one of the directors of CBH commented:

"Even now, there are still growers, particularly the further they are from the ports and the good services, the more community orientated they are and they say, look, we will pay for our own, we just want the service. And the big advantage with the co-op is it's cheaper for many people to come together and build the storage than it is for each to build his own storage, so really they've been forced to come together because of need" (CBH board member, 2011).

MGC sees its purpose as keeping the Australian dairy farmer and their local communities sustainable and able to grow and prosper. That is why it takes all the milk its members wish to supply at a fair price while most IOF dairy corporations have a 'two-tier' pricing system, taking what milk they want and offering lower prices for surplus milk (Witham, 2013). It also provides younger farmers with support, including financial grants of up to \$100,000, to assist with paying down the interest on loans borrowed in order to invest their farms, as well as a multi-billion-dollar inbound investment scheme designed to help retain dairy pasture land through attracting overseas investors to purchase farms coming up for sale and then leasing them to dairy farmers who are members of the co-operative (MGC, 2013).

A similar pattern emerged from the role the GFC has played in the Western Australian fishing industry. As one of the most successful fishing companies in Australia, it has pioneered important export markets in Asia, particularly in China. It has also worked closely with State Government fishery authorities to address the sustainability of the rock lobster fish stocks by

lobbying for more effective fishing quotas. This had a short-term negative impact on members' turnover but the fishery is already regaining its health, resulting in better profits and the long-term survival of the rock lobster fishing industry.

The export market focus and advocacy for the primary producer communities from which their members are drawn is also a strong feature CBH and MGC. The CBH Group has invested significantly in grain trading technologies, a joint venture flour milling business in Asia and shipping and rail freight subsidiaries to boost its international competitiveness, and lower its cost base. It also supports research into grain and farm production systems through the Grains Research and Development Corporation.

MGC is a major exporter of powdered and UHT milk, primarily to Asia, with China a key market. It also has a strong market share in domestic markets for processed dairy products such as butter, cream, cheese and milk (powdered, UHT and fresh). While primarily concentrated in the State of Victoria, in 2014 it took over the supply contract – in concert with New South Wales (NSW) dairy co-operative NORCO Ltd – of fresh milk for a major grocery chain (Coles Ltd). This contract was won at the expense of an IOF supplier (Lion Ltd) owned by Japan's Kirin Group.

7. CONCLUSIONS

This study examined the views of directors and senior managers from three Australian producer co-operatives. It highlighted the strategic importance of what we termed the “Four Hats” (4Hs) members might wear and suggested how a CME might consider them as levers to strengthen member engagement and loyalty. As shown in these three cases, the *Patron Hat* and *Investor Hat* are likely to be the factors most strongly in the minds of directors and managers in such CMEs when they consider their ability to create value for members. However, the perceived strength of the *Owner Hat* in the mind of these directors and managers is influenced by the ways in which patronage and share capital rights are managed in the CME's business model. In the case of a non-distributing business (CBH), the *Owner Hat* was disconnected from the *Investor Hat* and connected to the member value proposition (MVP) through patronage and the general democracy of the co-operative (e.g. 1-member-1-vote). While, in the case of a distributing “member investor” co-operative, the investor and owner roles were combined. The need for CME directors and managers to recognise the separate existence of the *Owner Hat* and its potential relationship with the risk of demutualisation was also highlighted, as illustrated in the GFC case.

The *Community Member Hat* appears to remain the least understood by these directors and managers. However, it is potentially the most significant to the CMEs' development of a sustainable MVP. This Hat emerged as the third most connected theme across all three cases, with a level of importance equivalent to “value”, despite it generally being a much less prominent focus of CME governance and strategy that, in most cases, conceptualise member value as financial value derived through patronage and shareholding. As previously explained, the original purpose around which a CME was created serves as a unifying force for its members and is a critical parameter of CME survival. If a CME loses sight of its purpose, or if the purpose is no longer relevant, the business will be at risk of degeneration and demutualisation (Battilani and Schröter, 2012). This is a challenge that faces most CMEs over their lifecycle and requires boards and senior management to periodically review their business models or risk decline (Cook, 1995).

What then might directors and managers of CMEs do to engage with all four “hats”? First, they should recognise that members do have multiple roles with which they engage with

the enterprise. In many cases members may not readily recognise they wear all four hats, in particular the *community member hat*, which is largely intangible and complex in nature. Recognition of these multiple roles provides directors and managers with more opportunities with which to engage more effectively and build commitment with members. This is in line with Talonen's et al. (2016) argument that the dual role of customer (patron) and owner in consumer co-operatives results in value creation. Further research could explore the at times synergistic and other times contrasting member preferences expressed through the four hats and how this understanding can lead to value creation.

Second, as noted earlier, the SD-logic concept understands that value is recognised solely by the beneficiary or member and that their ability to fully appreciate the value of membership will come from coproducing benefits through the use of a CME's services. Fostering a sense of common purpose and ownership among members should be part of the CMEs communications strategy and it should be congruent with the membership's own values, goals and identity (Nelson *et al.*, 2016). While quality and efficiency in service delivery, or competitive costs and pricing, plus attractive dividends can form the foundation of an MVP, these intangible emotional and affective attributes are likely to provide the critical elements needed to maintain loyalty and commitment (Jussila *et al.*, 2012).

This study has several limitations. It focused on three primary producer CMEs in one country. Further, the data were drawn from directors and senior managers rather than from members. It suggested senior CME leaders had a conceptual framework that was broader than the patron versus investor dichotomy that has attracted so much focus (Nilsson, 2001; Cook and Chaddad, 2004; Chaddad and Cook, 2004; Chaddad and Iliopoulos, 2013). Future research is needed to look at a wider variety of CMEs in different industries and different countries to see if the four "Hats" are common across the CME sector. Research is also needed to examine the way members view their cooperatives to see if the four "Hats" evident in senior management's strategic views are also evident for members. Finally, further research can explore the above within different types of CMEs (i.e. consumer vs producer), as well as across diverse sectors.

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Table 1: Selected case studies: CBH, MGC, GFC

Co-operative 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 90 out of the top 2000 companies in Australia by IBISWorld. It is headquartered in Perth Western Australia and has 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 129 out of the top 2000 companies in Australia by IBIS World. MG remains dairy farmer controlled, with more than 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 Fishermen's 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 \$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, 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 seeds ²
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	dividend(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: Four Hats within a three level CME conceptual framework

Adapted from Mazzarol et al (2014)

Figure 2: The CBH concept map

Investor:

- If you have got a vision for agriculture and a belief of where it is going to go and I believe our investment in the mills was quite a good move.
- I'll move this (cost) line to here and I'll pay you some dividends or I keep the (cost) line here and I won't pay you dividends.
- We can bring profits back from any of our investments.
- People talk about giving your company away, you can only give it away if you sell your shares. I believe that's what would have happened if CBH had privatised.
- Well, one of the reasons private enterprise didn't invest in it was because the return on capital is very low. So, growers had invested in the system in their own right and they don't expect a return on their capital because the assets actually generate more money for their business; they see it as an extension of their business, to facilitate their business.

Owner:

- That hasn't been debated. The voting structure of CBH at the moment is one member one vote.
- This year we had three directors up for election, two got in unopposed, one was challenged by one other person - that's a sign that the members are pretty comfortable with the way things are going.
- Management might be even more important but also the board has to be aware that that's the tenancy of management - you are the guardian of the grower.
- Some of them are philosophically driven and they just have this blind mental block that competition will solve all their problems, but if anyone knows anything about competition it's winner takes all and that won't be the grower.

Patron:

- I don't have a problem with little growers controlling it because what's in the interests of a little grower equally affects the business of a big grower.
- getting that balance right; how much do we charge them; how much service do they want.
- Well this is in order to keep the tax exemption that you need to rebate to everybody that basically buys off you whether they are a member or not which creates free riding issues.
- We are under immense scrutiny because of the ACCC, our trading practices, everything else because we are the one organisation.
- I'm not in favour of any cross subsidy but I keep hearing this argument about the big grower subsidising the smaller grower and to me it is almost a bit like... I might be a member of the local tennis club and I might spend all my life playing tennis and I might also be a player that only plays once or twice. Who gets the biggest benefit, you know, the guy that's delivering the most with the biggest throughput, surely he is the biggest winner isn't he?

Community Member:

- Even now, there are still growers, particularly the further they are from the ports and the good services, the more community orientated they are and they say, look, we will pay for our own, we just want the service. And the big advantage with the coop is it's cheaper for many people to come together and build the storage than it is for each to build his own storage, so really, they've been forced to come together because of need.
- We have made some big steps in that way [...] we've just distributed to every grower we've got, what value CBH's is to you and your local community.

Figure 3: The MGC concept map

Figure 4: The GFC concept map

Owner:

- the board said, no we won't do that, we'll do this because we are fishermen and it is our coop and it's not yours.
- one of the potential failures of a cooperative is of course you run it in some sort of democratic fashion which can be very slow to respond
- Definitely that [decision to move south] was a major event for the company and it involved a huge amount of education for existing Members. There was a lot of parochialism about being Geraldton based and that's driven a lot also by this different fishing zones and a lot of animosity sometimes between the different fishing zones.
- fishing boats need to be seen as like the tentacles of an octopus; they are not separate businesses to the coop; the coop is the head and the tentacles are the boats, you know.

Investor:

- **They** get more shares every year on business done. - you can move your shares into debentures which is what a lot of our retirees do so instead of paying them out, some opt to go into debentures at fixed dividend which is declared I think on 1 January
- So, when you point that out to people they can see the failure of the logic - you know, we'll just demutualise and we will all be rich. Well, no, you will get so much back in per share according to what you sell it for and then that's it.
- in a cooperative the members own it and they are the ones we are there for and we are supposed to love and respect the most, and last year and certainly this year, we are focusing very much on the investors because we want their pots so they'll be getting lavished with lots of attention and in fact we have some of our staff who are involved with sourcing. And leasing out pots.

Patron:

- No, we are just as competitive if not more competitive because we return money to fishermen.
- We have the gear store, we have the hard stand but they are really only for Geraldton based fishermen and that's another reason why we have lost a little bit down here.
- And you get a member and you get a rebate if you can 100 percent supply as well for those stores as well, so that's another little incentive but it was never enough because it is only one or two thousand dollars a year that you saved but it was never enough like this final distribution for the 100 percent fishermen.
- the coop will guarantee you the [pot] lease fee and then on-lease it to fishermen.

Community Member:

- our aim is the grandsons of the fishermen fishing now want to be fishermen and that's our responsibility to make sure they are.
- And we do that at the beginning of the season and at the end of the season and we have around 17 of those meetings in different towns up and down the coast and out at the
- We have worked on specific confidential projects; we have worked on industry wide projects and worked closely with our members on certain fisheries type projects.