Co-operatives’ SME Members’ Roles,
Values and Perceived Value

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This thesis is presented for the degree of Doctor of Business Administration of
The University of Western Australia
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Declaration of Originality

I, Shahid Rahim Ghauri, certify that this thesis has been substantially accomplished during enrolment in the degree. This thesis does not contain material which has been accepted for the award of any other degree or diploma in my name, in any university or other tertiary institution.

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The work described in this thesis was funded by Australia Awards Scholarship (ST0009TT2) and the University of Western Australia. This thesis contains work that I have published.

Signature: __________________________

Shahid Rahim Ghauri

Date: 27th October 2021
# Authorship Declaration: Co-authored publications

This thesis contains work that has been published or prepared for publication.

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<th>Details of the work: “Why do SMEs join Co-operatives? A comparison of SME owner-members and Co-operative executives views”</th>
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Student contribution to work: 60% for each of the listed work

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Student signature: Date: 27th October 2021

We, Professors Tim Mazzarol and Geoffrey Soutar, certify that the student’s statements regarding their contribution to each of the works listed above are correct.

Coordinating supervisor signature: Date: 27 October 2021
Abstract

The purpose of this research is to understand the interactions between co-operatives and their members who are small-to-medium-sized enterprises (SMEs). The major contribution this research provides is the analysis, done through both qualitative and quantitative methodologies, of four successful Australian co-operatives through the lens of executives, managers and SME members.

In particular, the research questions revolved around four main areas: i) Why do SMEs join co-operatives? ii) What impact does values congruence have on active membership? iii) Are the co-operative principles and values espoused? and iv) What roles do members have in their co-operatives? These questions have been addressed through the development and submission of four journal papers, three of which at the time of submitting this thesis had been accepted for publication. One of the papers was going through the review process and was being revised.

The findings suggested some reasons why SMEs had joined their co-operatives and were active members. It seems values congruence was an antecedent to active membership, although its effect was mediated by perceived value and affective commitment. Further, it seems executives and managers understood co-operative principles, although only one executive understood both principles and values. Members did not recall co-operative principles or values but referred to some values, such as trust and integrity, as pivotal in their relationship with their co-operatives.

Members’ roles were conflated by all interviewees and referred mostly to their roles as customers, shareholders, users and, somewhat, investors of the co-operative. There were differing meanings associated with some of the roles. Once prompted, all interviewees related to and understood the roles of being an owner, patron, investor
and community member of the co-operative. They understood they owned the co-operative and had the ability to control their co-operative’s destiny.

Managerial and policy implications relate to an understanding of the different roles members played in their co-operative and how these roles could be stimulated for active engagement. Developing a sense of perceived value and affective commitment also led to active member engagement, which required both economic and social objectives to be achieved. Understanding these in conjunction with understanding the reasons why SMEs joined co-operatives should enable co-operatives to develop appealing member value propositions that should lead to more active member engagement. Co-operative principles and values also needed to be identified in action, as this would facilitate operational and policy recommendations and clearly distinguish the co-operative business model from the investor-owned firm model.
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My principal supervisor, Winthrop Professor Tim Mazzarol, is one of those dedicated and enthusiastic cadres of co-operative research. I am constantly amazed at the commitment he has to the improvement of the co-operative narrative. He pushed me to think and produce an outcome which could benefit the global movement of co-operatives in the form of this thesis and research papers. I thank him and will always be grateful that he didn’t give up on me. Emeritus Professor Geoffrey Soutar, my co-supervisor, played an instrumental role in my decision to do a DBA. He demonstrated patience, especially with the quantitative investigations, with his trademark smile and charisma. I thank him for helping me get through some of the tough times in the early stages.

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Dedication

God has given me so much. I am grateful that God has provided me with my family, friends, opportunities to acquire knowledge and importantly, experiences.

This research work is dedicated to my beautiful parents, Rahim and Qudsia Ghauri, my very talented brother, Shahzad, my sister-in-law Noori and my gorgeous nieces Zoha and Iman. I love you. They have supported my various journeys in life with patience. I know they are very proud that a once floundering student in his early years has been able to attain a doctoral degree from the University of Western Australia.

My wife, Dr Jumana Abu-Khalaf, entered my life during the final stages of this journey. She provided comfort, support, and motivation to complete this thesis with an attitude of making a positive contribution to my field of research and industry. I love you.

My dearest and closest friends have endured my five years of sporadic periods of hiatus. Thank you for your patience, support, and sincere friendship.

As-Salaam-Alaikum

(Peace be unto you)

Shahid R. Ghauri
# List of Abbreviations and Acronyms

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<td>AGMs</td>
<td>Annual General Meetings</td>
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<td>CME</td>
<td>Co-operative or Mutual Enterprise</td>
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<td>CVP</td>
<td>Customer Value Proposition</td>
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<td>ICA</td>
<td>International Co-operative Alliance</td>
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<td>IOFs</td>
<td>Investor-Owned Firms</td>
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<td>Mutual Incentives Theory</td>
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<td>MVP</td>
<td>Member Value Proposition</td>
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<td>NGCs</td>
<td>New Generation Co-operatives</td>
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<td>PLS</td>
<td>Partial Least Squares</td>
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<td>RBV</td>
<td>Resource Based View</td>
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<td>RQ</td>
<td>Research question</td>
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<td>SME</td>
<td>Small to Medium Enterprise</td>
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<td>UWA</td>
<td>The University of Western Australia</td>
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Chapter 1: Introduction and the context of the study

Summary

This chapter introduces the thesis and provides a background to co-operatives and membership. It also discusses how interfirm relationships and networking are important for small to medium enterprises (SMEs) and why SMEs might consider becoming co-operative members. The chapter then provides a further understanding of the co-operative business model at a macro, meso and micro level, along with a discussion of co-operative principles and values, which are the guiding foundations for how co-operatives should operate. Also provided is a summary of membership participation and the roles’ members play. The chapter then provides an understanding of the co-operatives researched here, the research problem, questions, frameworks, justifications for research and the contributions being made by this research.

Why would SMEs consider co-operative memberships?

Co-operatives provide their members, which in the context of this research refers to SME owners who are members (owner-members), with an opportunity to become a part of a bigger organisation through collective ownership and participation (Haynes & Nemhhard, 1999). Co-operatives provide direct financial benefits to members through cheaper prices, lower costs or enhanced market access; creating an economic rationale for SME owners to join the co-operative (Bijman & Verhees, 2011). This is especially the case where SME owners have weak bargaining power (e.g., with suppliers or customers), or where they face market failures that cannot be resolved alone. Co-operatives are often established by SMEs to secure greater influence in the markets in which they operate (Mazzarol, Simmons & Mamouni Limnios, 2011). This
provides the SME with an opportunity to improve their income and costs and, hence, their profits (Novkovic, 2008).

Globally, SMEs are important to many economies and are vital to various sectors within many countries providing growth and employment (Loku, Loku & Baftiu, 2021). SMEs represent more than 90% of the total enterprises in almost every nation (The World Bank, 2020). Policy makers desiring a competitive environment for SMEs need to better comprehend the business environment if SMEs are to succeed (Ayyagari, Meghana, Beck & Demirguc-Kunt, 2007). To that end, where policy makers cannot take immediate action, especially where there are market failures or infrastructure is needed, policy makers could invest in the development of the co-operative sector as a way to facilitate growth in the SME sector, thereby benefitting the wider communities in which they operate.

Co-operatives can go far beyond a pure profit motive because they are not listed on the stock market and their members benefit more in the long-term, as they are not focused on short-term profits (van Oorschot, de Hoog, van der Steen & van Twist, 2013). While co-operatives are prominent in developing countries, where they have provided significant benefits to disadvantaged people, they have also proven beneficial in First World economies (Nippierd, 2012). In Spain and Canada, co-operatives have helped economic development (Doyon, 2002; Núñez-Nickel & Moyano-Fuentes, 2004), while in France they have provided social enterprise functions for workers i.e. worker co-operatives (Bataille-Chedotel & Huntzinger, 2004).

An examination of the extant literature found limited research into the congruence between SME members’ values and roles. This is unfortunate, as an understanding
of these factors would enable SME members, their co-operatives and government policy makers to shape the development of the co-operative sector more effectively; thereby improving the economic wellbeing of the SME members and the broader community.

Co-operatives can be regarded as a form of self-help business that are owned and controlled democratically by the members who use them (Briscoe & Ward, 2000). As an enterprise, a co-operative is owned, controlled, and governed by its members who are the primary beneficiaries of its resources and outputs (Dunn, 1988). The International Co-operative Alliance (ICA), the peak organisation of the international co-operative movement, defines a co-operative as:

An autonomous association of persons united voluntarily to meet their common economic, social, and cultural need and aspiration through a jointly owned and democratically controlled enterprise (ICA, 1995).

Co-operatives have a long history spanning almost all industries and nations (Parker, 1956; Dunn, 1988). They operate as autonomous associations of people and organisations, voluntarily united to meet common economic and social goals, and are owned and controlled by their members through a democratic governance framework based on the principle of one member, one vote rather than the one-share, one vote of most investor-owned firms (IOFs) (Cicognani, Palestini, Albanesi & Zain, 2012). Co-operatives accommodate members who are individuals or incorporated entities and adhere to voluntary entry and exit, for members who are focused on pursuing common economic or social objectives (Wolz, 2000).

SMEs are independently owned and operated businesses (Peterson, Albaum & Kozmetsky, 1986). There are many definitions of what an SME is, which mostly focus
on the size of the firm’s payroll (e.g., number of employees), and the size of their financial resources (e.g., annual turnover, assets). Independent ownership and control are key variables (Peterson et al., 1986). Size of employment varies from fewer than 200 employees (Hefer, Cant & Wiid, 2015), to up to 500 employees, and annual turnover of less than $20 million (d’Amboise & Muldowney, 1988). Perhaps the most widely accepted definition of an SME is that adopted by the European Union and OECD (2004), which states such a firm should have less than 250 employees, annual turnover of less than €50 million and assets of less than €43 million. Within the definition of SMEs, we include family-owned businesses. Roessl (2005) provides definitional parameters of family businesses where the majority of shares are held by family members who make the strategic decisions, carry the risk, power and the financial independence within the family.

To understand the factors motivating SME owners to join a co-operative, it is useful to look at the limited resources with which most small firms operate. Their ability to secure and maintain a competitive position within their industries and markets is usually contingent on their ability to form alliances and leverage networks using cooperation strategies (Pittino & Visintin, 2011), which can include their membership of a co-operative.

In keeping with the resource-based view (RBV) of the firm (Barney, 1991), SME owners join a co-operative to overcome their resource scarcity and they find the collaborative network alliance model of the co-operative helps strengthen their firm’s resources (Street & Cameron, 2007). The benefits of membership can include securing access to complementary assets and resources (both tangible and intangible) that enhance their business performance (Spekman, Isabella & MacAvoy, 2000;
Merrifield, 2007). This is important because, as Lu and Beamish (2001) suggest, SMEs tend to have limited asset bases and less market share and/or access than large firms. As a result, co-operative membership can help ensure their survival and boost their competitiveness by using the collective ownership of common assets to overcome resource, capability and financial constraints. Such relationships can also provide small business owners with improved competitiveness through personal networking (Alvarez & Barney, 2001), which can develop into successes that would not be possible alone (Street & Cameron, 2007). Asset specificity, such as location, asset and relational aspects, can also be considered as reasons why SMEs join a co-operative (Pascucci, Gardebroek & Dries, 2012).

Family businesses can also secure strategic opportunities for enhanced business success and survival by joining inter-firm arrangements (Sirmon & Hitt, 2003). Cooperation through strategic alliances between firms is also acknowledged as offering competitive advantages (Bruque, Moyano, Vargas & Hernandez, 2003). Being an active member of a co-operative can be valuable for SME owner-members due to the many benefits obtained from the services and networks it offers. For example, in Japan, many small business owners join co-operatives not just for economic benefits, but for the social and self-esteem benefits that accrue from being a member of a large and prestigious organisation (Lee & Mulford, 1990). Becoming a member of a co-operative is a decision made at an individual level, where perceived benefits and costs are analysed at both a cognitive level (e.g., economic, and financial benefits), and an affective level (e.g., social networking, self-esteem, and identity) (Jussila, Goel & Tuominen, 2012).
Street and Cameron (2007) developed a framework (shown in Figure 1.1) that illustrates the relationship between the antecedent factors that might motivate an SME owner to form strategic alliances and networks, the processes that occur within these alliances and networks and the outcomes they typically expect from such participation. Such relationships can offer SMEs enhanced business success and sustainability (Meyer, Alvarez & Blasick, 1997). This framework, in the context of the RBV, shows how external relationships can be viewed as resources (Street & Cameron, 2007). The success achieved from a co-operative type of strategic alliance network, however, requires SMEs not only to expect receipt of benefits from membership but also to be active in their membership.

![Figure 1.1: Antecedents, processes and outcomes of SME alliances and networks. Source: Street & Cameron (2007)](image)

An important aspect to consider is that small businesses have unique and sometimes complex characteristics that cannot be easily transferred into a co-operative arrangement (Hatak & Hyslop, 2015). There is also the perceived risk of losing independence within the minds of some SME owners in their decision to become
members of co-operatives (Roessl, 2005). Joining a co-operative can, therefore, be considered a significant strategic decision for the SME owner to take, regardless of the potential benefits that might accrue from membership.

For these relationships to be successful, a common vision, agreed outcomes, mutually beneficial activities, continuous communications, and dedicated management teams are required (Kramer & Pfitzer, 2016). Indeed, Bijman and Verhees (2011) suggest members need to see individual success. It is the member who ultimately determines whether co-operative membership provides them with advantages. One of the vulnerabilities of small businesses partnering with a larger organisation is the potential of dependence and a loss of control in making their own decisions (Street & Cameron, 2007). However, a co-operative allows small businesses to be a part of a bigger network without losing independence and maintaining control over their firm (Haynes & Nembhard, 1999).

As a member-owned entity, co-operatives have a responsibility to members, with member commitment and loyalty being critical to its survival (Cechin, Bijman, Pascucci & Omta, 2013). When members are more active, the co-operative’s performance improves (Verhees, Sergaki & Van Dijk, 2015). Higher levels of member commitment are typically built on the co-operative’s ability to develop a culture that stimulates common goals, values and a sense of community (Verhees et al., 2015). This results in the alignment, or congruence, of a common mission and purpose, values and social and economic interests (Goel & Roessl, 2015).

Thus, the co-operative business model needs to design strategies that foster active membership and develop member commitment by providing relevant services to members. Bijman and Verhees (2011) define member commitment as a member’s
willingness to continue being a patron of the co-operative regardless of attractive or lucrative opportunities available elsewhere, suggesting members use the co-operative’s services to derive benefits (Scarinci, 2003). A fundamental criterion for a successful co-operative is to perform and provide services that meet its members’ needs, ensuring satisfaction and enhancing their overall engagement (Wani, Sankhala, Niketha & Singh, 2016). It is also possible that some members may not share equally in the benefits offered by the co-operative. This can occur in larger co-operatives, where member heterogeneity exists, or due to other factors, such as geographic distance (Österberg & Nilsson, 2009). It is not possible for a co-operative to adapt to every individual member to ensure each of them is maximising personal benefits through co-operative membership (Suter & Gmür, 2013).

Co-operatives have both social and economic purposes, with the economic motivators typically being the first to be recognised (Laidlaw, 1981). A successful co-operative must be an efficient and sustainable business, regardless of its social goals (O’Connor, 2003). It must offer products and services to its members that are perceived as providing superior value (Suter & Gmür, 2013). This is no different from an IOF. However, the IOF must satisfy customers and owners (shareholders), who may or may not be the same. By comparison, a co-operative must satisfy members who are both owners and customers, and maintain their active participation and loyalty across both roles (Cook, 1995; Xiang & Sumelius, 2010).

For co-operatives to be successful and members to be satisfied there must be a congruence between the two parties’ goals, values and a shared understanding of what value through membership means. An investigation is necessary into the perspectives of co-operatives’ members and managers across these important areas and into how
congruence or divergence emerges and, in turn, impacts a co-operative’s activities. Identifying how to bridge any divergence is also important to co-operatives’ sustainability and effectiveness.

**Capitalist versus utilitarian approach to business?**

Miller (2009) suggested modern capitalism has degenerated into a casino where the incentive for business is to maximise profits as a priority over benefit for mankind. The dominant mandate or narrative of corporations in the United States is to maximise shareholder wealth through profit (Jones & Felps, 2013). This is accepted within IOFs, where the maximisation of profits and return on shareholders’ investments are primary purposes (Novkovic, 2008). In IOFs, directors’ responsibility to maximise shareholder wealth, while the creation of value for customers through competitive products and services is often seen as an important but secondary goal (Gordon, 2006).

Despite these views, other perspectives suggest profit and wealth generation must be balanced with social and environmental considerations (Elkington, 1998; Frank & Schulze, 2000; Ghoshal, 2005; Walsh, Weber & Margolis, 2003). Although organisations espouse their aims to benefit society, not all are genuine in their commitments (Jones & Felps, 2013). This raises an important question:

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In whose interests should the corporation be run, and what should managers, who govern these corporations, strive to achieve? (Jones & Felps, 2013, p. 213)

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Hollensbe et al., (2014) suggested organisations should consider redefining their purpose by engaging in a soul-searching set of questions on the values, mission, and vision they are trying to achieve. Studies have shown that values congruence requires consistency between individual and organisational values (Hoffman, Bynum, Piccolo
When altruistic values become integral to an organisation’s culture, trust emerges (Fry & Slocum Jr, 2008).

The co-operative business model can achieve both economic and social outcomes (Mazzarol et al., 2011). However, to achieve both social and economic value, benefits should be mutual between the co-operative and its members (Kolk & Lenfant, 2016). Therefore, most co-operatives provide a mechanism for community collaboration to overcome market failures (Haque, 2008). Co-operatives adopt a strategy to maximise member welfare, which can be viewed as a utilitarian motive (i.e., the greatest good for the greatest number without losing sight of the economics) (Giannakas & Fulton, 2002; Audi, 2007).

Co-operatives, although having a social and utilitarian foundation, must still strive economically to ensure members are satisfied and that the co-operative is sustainable (Scarinci, 2003). The co-operative advantage can be maintained, irrespective of prices, but the advantage can diminish relative to price increases over time, which means the co-operative needs to continuously manage economic and social indicators (Altman, 2016). A caveat to this is that successful co-operatives, are successful businesses first, which therefore makes them successful co-operatives (O’Connor, 2003). There is a need for the co-operative to be well-structured and well performing if it is to truly make its impact on SME members.

**The co-operative business model**

The concept of the business model first emerged in the 1950s (Drucker, 1954; Bellman, Clark, Malcolm, Craft & Riccardi, 1957). Despite this, the business model has only recently become a significant point of focus within the strategic management and marketing literature (Teece, 2010).
There is consensus on how CME business models can demonstrate both economic and social value through the pursuit of a member value proposition (MVP) (Mazzarol et al., 2011). This is an equivalent of the customer value proposition (CVP) that forms the focus of IOF business models (Zott, Amit & Massa, 2011). As with any enterprise, it is important for CMEs to develop business models that deliver value to their members, while being sustainable over time (van Oorschot et al., 2013). In the design of CME business models, attention must be given to satisfying members’ economic and social needs. This involves a need to establish not only its profit formula, but also the processes and resources that deliver an MVP (Mazzarol et al., 2011). Suter and Gmü (2013, 2) define an MVP “as the sum of individual perceived benefits for members of a co-operative due to their membership”, establishing the importance of focusing on what members want, rather than pushing what the co-operative has to offer. Mazzarol, Clark, Reboud and Mamouni Limnios’ (2018) business model canvas for CMEs explores the MVP by questioning how the co-operative helps its members.

Co-operatives are established through a desire for change, with members needing to be organised through a viable economic business model (van Oorschot et al., 2013). There are four types of co-operative business models (traditional, participative, subsidiary and new generation co-operatives) (Nilsson, 1999). Regardless of which one is used, each has an objective and purpose to benefit its members (Nilsson, 1999). Co-operatives in general, are known in practice to be consumer, producer, marketing, or service co-operatives for general/specialist retail, insurance, housing, utilities, education, banking, primary production, and shared services (Birchall, 2014). Accordingly, a set of values and operational guidelines needs to be established to achieve this purpose. The core philosophy is opposite from the profit maximising
enterprise systems, in that co-operatives are premised on a social, economic and political ideation (Mazzarol, 2009).

Globally, co-operatives are guided by seven principles (i.e. i) voluntary and open membership; ii) democratic member control; iii) member economic participation; iv) autonomy and independence; v) education, training, and information; vi) co-operative among co-operatives; and vii) concern for the community) (ICA, 1995). These principles, which trace their origins back to the Rochdale Society of Equitable Pioneers+ founded in 1844 (Hind, 1997), are listed in Table 1.1, while the six generally accepted co-operative values are listed in Table 1.2.

Table 1.1: Co-operative principles (ICA, 1995)

<table>
<thead>
<tr>
<th>Principle</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voluntary and open membership</td>
<td>Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.</td>
</tr>
<tr>
<td>Democratic member control</td>
<td>Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives, members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.</td>
</tr>
<tr>
<td>Member economic participation</td>
<td>Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.</td>
</tr>
<tr>
<td>Education, training and information</td>
<td>Co-operatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their co-operatives. They inform the public, particularly young people and opinion leaders, about the nature and benefits of cooperation.</td>
</tr>
</tbody>
</table>
Throughout the years, co-operatives have delivered goods and services to both members and non-members, providing exposure of the co-operative as a business to the public. Indeed, Altman (2016) found non-members of a co-operative had an affinity to purchase products from a co-operative compared with an IOF. This provides co-operatives with a market advantage, even when inefficient, but also an opportunity to flourish when efficiently operated (Altman, 2016).

**Table 1.2: Co-operative values (ICA, 1995)**

<table>
<thead>
<tr>
<th>Value</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-Help</td>
<td>In co-operatives, people help each other while helping themselves by working together for mutual benefit.</td>
</tr>
<tr>
<td>Self-Responsibility</td>
<td>Individuals within co-operatives act responsibly and play a full part in the organisation.</td>
</tr>
<tr>
<td>Democracy</td>
<td>A co-operative will be structured so that members have control over the organisation (with) one member, one vote.</td>
</tr>
<tr>
<td>Equality</td>
<td>Each member will have equal rights and benefits (according to their contributions).</td>
</tr>
<tr>
<td>Equity</td>
<td>Members will be treated justly and fairly.</td>
</tr>
<tr>
<td>Solidarity</td>
<td>Members will support each other and other co-operatives.</td>
</tr>
</tbody>
</table>

The commonly discussed generic benefits of forming a co-operative focus on improved bargaining power, creation of economies of scale, market information and countering market failures (Laidlaw, 1981; LeVay, 1983; Nilsson, 2001; O’Conner & Thompson, 2001). Co-operatives strive to provide products and services that are not provided by the market or to reduce prices if they are cost prohibitive for smaller
businesses or individuals (van Oorschot et al., 2013; Banaszak, 2008). Co-operatives provide opportunities to profit from global supply chains and better pricing (Kurjańska, 2015; Krivokapic-Skoko, 2002). Successful co-operatives generate wealth for their members while increasing their own assets (Nembhard, 2002). The co-operative’s mission is not solely to maximise returns but also to optimise returns for members and its own business operations (Puusa, Hokkila & Varis, 2016).

The co-operative business model is grounded in co-operative principles and values that are different from those that guide IOFs, as these focus on maximising shareholder returns (Novkovic, 2008). Co-operatives are owned by members who are also patrons, while IOFs owned by shareholders who are usually not patrons (Michie & Rowley, 2014). It is important that most members, including small business owners, have congruent values and goals, as this will improve the outcomes of the alliance (Hoffmann & Schlosser, 2001), which explains why a small business would consider joining a co-operative, which becomes an extension to the SME’s business.

The co-operative has an economic purpose but also focuses on improving member benefits that are not entirely economic (Royer, 2004). Co-operatives do not concern themselves about maximising profits so long as members are satisfied through the prices offered and patronage dividends. IOFs, however, focus purely on shareholder return, seeking to improve the bottom line (Mazzarol, 2009). In the IOF business model, a hierarchal scenario is developed where democracy is limited as larger investors have more power and influence than smaller shareholders (Mooney, 2004).
Perceived value and values congruence

Co-operatives provide their members with value through patronage (Suter & Gmür, 2013). Zeithaml (1988) has suggested value is a person’s perception of what is received and given, which led Dodds, Monroe and Grewal (1991) to argue there is a trade-off between the benefits obtained (e.g., utility) and sacrifices made (e.g. price). Not surprisingly, therefore, Suter and Gmür (2013) have noted member value is achieved when the benefits on offer from a co-operative match the latent preferences and economic goals of its members, as is shown in Figure 1.2.

![Figure 1.2: A basic concept of member value](image)

It may be possible to provide member value to a homogeneous group. However, co-operatives attract new members, creating situations in which member have heterogeneous needs (Gmür & Lichtsteiner, 2009). Consequently, providing member value becomes increasingly difficult, often creating the dilemmas noted by Cook and Burress (2009) (i.e. disproportionate equity allocations, patron drift, membership decline, substitution effects and diversification that results in transactional
differences). Co-operatives will always change due to members’ different needs and a changing environment to which all stakeholders are exposed (Suter & Gmür, 2013). Co-operatives need to be agile enough to adapt to changes in their industries and economies so members remain satisfied (Scarinci, 2003). Indeed, if members are not interested in the products or services a co-operative offers, member value will not exist (Suter & Gmür, 2013) rendering dissatisfaction.

Tensions may develop between the “what is” and “what ought to be” when implementing the philosophy of co-operatives, sometimes leading to an identity crisis (Birchall, 2003). Consequently, there are often State/Provincial or National laws that include a definition of co-operatives to ensure co-operatives keep in line with the seven principles and five values that suggest how they should operate (Cracogna, Fici & Henrý, 2013; Henrý, 2013).

Co-operatives are not immune from the challenges facing IOFs in their pursuit of economic success. What creates more difficulty for co-operative is the duality of their need to balance their economic and social purposes (Levi & Davis, 2008). This duality has been acknowledged in past research which viewed the co-operative as a hybrid organisation, within which conflicting goals, values, beliefs, and practices exist, resulting in a tension between a co-operative’s ideals as a social and economic business entity (Ashforth & Reingen, 2014).

The reason a co-operative encounters this conundrum typically stems from the purpose for which it was founded by its members (Trechter, King & Walsh, 2002). A co-operative is usually founded to address social and economic problems its members can only address by collaboration and through a spirit of collective action (Mazzarol et al., 2011). Member commitment and involvement is therefore vital for co-operatives’
success and survival (Österberg & Nilsson, 2009). Member involvement is a result of members’ motivation, activation and interest in having strong and close relationships with their co-operative (Verhees et al., 2015), which leads them to identify strongly with their co-operative (Ole Borgen, 2001). When a lack of trust occurs, members identify less with the co-operative, creating divergent agendas among members (Mazzarol, 2009). This could lead to division, political manoeuvring and a path towards eventual de-mutualisation.

**Member participation and members’ roles**

Birchall and Simmons (2004) developed a framework for the factors influencing participation that can be seen in Figure 1.3. Individualistic participation is encouraged by habit and benefits, while collectivistic participation is through a sense of community, shared values and common goals. In Figure 1.3, the objective is to move members to the positive by ensuring they are aware of the benefits of participation and making it a habit to continue doing so. If members cannot see benefits, they will focus on costs, opportunity costs and satiation, which can lead to some common problems faced by co-operatives (e.g. free-riding, portfolio, and horizon problems) (Cook, 1995). It is only when co-operatives focus on satisfying their members, rather than society in general, that economic and social improvement will be seen (Birchall, 2003). It is customer (member) value that drives customer (member) behaviour and, ultimately, the firm’s (co-operative’s) success (Talonen, Jussila, Saarijärvi & Rintamäki, 2016).

This research investigates the mechanisms involved in creating active member participation. Active members are not only patrons, as they also actively participate in their co-operative’s governance (Verhees et al., 2015). There has been relatively little
attention given to the interrelationships between active membership and its antecedents, especially in an SME context. Consequently, this research explored some of these antecedents by investigating value, values and affective commitment so as to improve our understanding of ways to maintain active members (Sergaki, 2006). This is particularly important as membership increases, as member heterogeneity can lead to a decline in active membership (Jussila, Byrne & Tuominen, 2012).

Figure 1.3: Individualistic incentives. Source: Birchall & Simmons (2004)

This thesis also explored the roles members play in their co-operatives, asking whether members know and understand the roles they undertake in their relationships with their co-operative. According to Mazzarol et al., (2011) and Mamouni Limnios, Mazzarol, Soutar & Siddique (2018), members can be:

- **Patrons:** Expresses the trading relationship which is usually the reason one becomes a member.

- **Investors:** Share ownership of share capital.

- **Owners:** Encompasses member control where there is involvement in the decision-making processes.
Community members: Being a community member who supports the co-operative yielding benefit for the community.

These roles were investigated to determine how they are regarded, if at all, by co-operative managers and SME members. SME members struggle with their multiple roles (e.g. as leaders, internal/external board members, managers and coaches) within their businesses (Goel, 2013). They also face multiple challenges in meeting their family’s economic, emotional, integrity, commitment and cohesiveness needs (Ward, 2016). To suggest SME members are busy in their businesses would be an understatement, which is why it is important to understand the roles they have, as this may determine their contributions to their co-operative as patrons, investors, owners, and community members.

The research problem, framework and definitions

SMEs need to assess the benefits that can flow from being a co-operative member. Once the decision about being a member is made, the member will have roles to perform to maximise the performance of the co-operative-member-firm relationship. This research examined the reasons why SMEs joined co-operatives and how they were active members within their co-operatives. At the heart of this research is a study of the interactions between SME members and their co-operatives, realising both are separate businesses that need to cooperate to achieve their joint and separate goals (Pitman, 2008).

Cook (1995) suggests the focus early in the co-operative lifecycle is on collective action to counter market forces. As the co-operative becomes complex over its lifecycle, members begin to question transacting with the co-operative, especially when other options become available. Previous studies have shown that, as co-
operatives grow over time, they experience a myriad of problems related to vaguely defined property rights (Cook, 1995). The problems extend to what Cook and Iliopoulos (1999) labelled free-rider, portfolio, horizon, control and influence problems. Gupta (2014) also suggests that, as co-operatives become larger, it becomes challenging to manage and maintain their democratic philosophy. This can be caused by a conflict in “values” in addition to the different sizes of SME member firms that have different financial strengths and ambitions. Santos, Pache and Birkholz (2015) believe that their hybrid nature results in a conflation of economic and social motives that can fuel some of the co-operative problems face, leading to an incongruence between stakeholders’ values.

The reason to join a co-operative should ultimately be to obtain a benefit through collective action. In becoming a member of a co-operative, a member firm needs to assess the benefits that can flow from being a member. Generally, firms join co-operatives because of factors such as market failure, intense competition, limited resources, an inability to access markets and long supply chains. The co-operative can integrate into a supply chain, maintaining control, reducing risk, stabilising income and securing markets (Stefanson & Fulton, 1997). Co-operatives need to develop quantifiable measures to show members how economic improvement are being made for them (Anderson & Henehan, 2003). It is the repeated exchanges between members and the co-operative that generate collective benefits, resulting in larger gains than individual actions (Jussila et al., 2012).

The significance of researching the interplay between member firms and their co-operatives should contribute to helping solve generic problems such as the free-rider, horizon, portfolio, control, and influence cost problems noted earlier (Cook, 1995;
Nilsson, 1999, 2001) because members’ decisions and behaviour affect these issues. Indeed, Jussila et al. (2012) noted co-operatives find it difficult to engage members and increase commitment. If members become “sleeping” memberships, a dangerous ingredient for co-operatives has been added (LeVay, 1983), making this research important to co-operatives.

Active members are needed if co-operatives are to plan, obtain capital and find directors (Österberg & Nilsson, 2009). Success occurs when factors are balanced so as to establish cohesiveness between members and co-operatives that have different objectives (Connelly, Zhang & Faerman, 2008). If members cannot see benefits, no member value exists (Suter & Gmür, 2013) and, as Gijselinckx and Bussels (2014) noted, “no members, no co-operative”. Thus, a good reason to explore co-operatives from a member perspective is that it is important to understand what members want, rather than focusing on what the co-operative has to offer (Suter & Gmür, 2013).

**A justification for this research**

A deficiency of goal congruence can develop over a co-operative’s lifecycle (Hind, 1999), resulting in conflicting preferences and needs (Kalogeras et al., 2009). Over time, as membership grows and heterogeneity develops, it is possible that members’ commitment declines (Bijman & Verhees, 2011). Idealistic and pragmatic values can also lead to conflict (Ashforth & Reingen, 2014), suggesting co-operatives need to understand their members. Indeed, Mazzarol, Mamouni Limnios, and Reboud (2013) have identified a need to undertake case studies of individual members so as to understand their views.

Understanding member value is crucial to obtaining meaningful results (Suter and Gmürr, 2013), as is developing member commitment strategies (Jussila et al., 2012). However, customer/member value in co-operatives is underexplored, suggesting we need to better understand how members perceive or expect value to be given (Talonen et al., 2016). Research into member participation has also been patchy (Simmons, 2015). Thus it is clear, there is a real need for research such as was undertaken in this project.

Street and Cameron (2007) identified a need to examine the longitudinal effects of SMEs’ relationships and the value they extract from networking. SME and co-operative managers can learn from each other about ways to create sustainable organisations that benefit internal and external stakeholders (Goel & Roessl, 2015). When researching SMEs, questions should also be framed towards co-operative research, as SMEs can be considered as tribes that share common interests and problems (Karhu, 2015).

Nelson, Nelson, Huybrechts, Dufrays, O’Shea & Trasciani (2016) suggested future research should examine and compare businesses’ codes and values and the roles
actors play, while Verhees et al. (2015) noted a gap in the empirical evidence supporting members’ perspectives. By isolating the MVP and the four roles members play, it may be possible to narrow in on where potential tensions develop or exist. Mamouni Limnios et al. (2018) also suggested future research into members’ roles was needed to understand members’ perspectives and whether they are in line with senior management. Once known, measures could be implemented to realign the perceived value, values and purpose so all stakeholders obtain success. Mazzarol (2015) suggested member rejuvenation could be obtained by offering refreshed value propositions, as co-operatives might risk inactive and silent members and even de-mutualisation.

Mazzarol (2015) also argued co-operatives need to formalise their purpose and values, while Somerville (2007) suggested co-operatives need to be clearer about their values to maintain a distinct identity. Subsequently, Goel and Roessl (2015) suggested researchers should see whether common values and purpose create stronger and more cohesive co-operatives than those that focus only on common economic objectives. Thus, as Mazzarol (2009) noted, co-operative managements’ interactions with members and directors is crucial and needs to be examined further.

**Contributions**

This research was designed to have practical managerial and policy implications. By improving our understanding of the factors that facilitate values congruence between members and their co-operatives. By having a better understanding of member roles, a deeper understanding of the roles that impact SME members’ behaviour should be obtained. The objective was to find ways to improve active member participation and ensure co-operatives and SME members agree about what the co-operative should be
providing. Co-operatives may see improved member participation and financial performance as ways to overcome the challenges that are inherent in the co-operative business model. Newly formed co-operatives can also use these results to build their membership strategically in a structured manner.

By exploring whether members understand the roles they play, this research should assist co-operatives educate members about how the co-operative business model operates and about members’ roles. This should help members participate better in decision-making processes and MVP development so as to improve co-operatives’ economic and social performance. From a policy perspective, the results should help governments develop co-operative legislation that ensures the co-operative model is true-to-label, providing co-operatives with much needed support when it comes to funding and an acknowledgment of co-operatives roles in addressing market failures or resource constraints. Theoretical contributions will come from the study’s examination of SME members’ views about “value” and “values” and the roles members play in their co-operative.

**Structure of the thesis**

The thesis is divided into nine chapters. Chapter 2 provides a review of relevant extant literature and related theories. Chapter 3 describes the methodology used to examine the suggested frameworks and conceptual models developed to answer the research questions. Chapters 4-7 are the research papers that addressed each research question, and which have been submitted to scholarly journals. Chapter 8 provides a summary discussion of the findings, while Chapter 9 provides a conclusion that outlines some future research suggestions and discusses some implications for executives, management, members and co-operative policy.
Chapter 2: A literature review and some theoretical foundations

This chapter provides the foundational concepts, frameworks and theories related to the study’s research questions. The literature review suggests the study of co-operatives has been fragmented, reducing our understanding of this important sector (Puusa, Hokkila & Varis, 2016; Birchall, 2003; O’Conner & Thompson, 2001). To answer the study’s research questions, the literature review explored antecedents to joining SME alliances, perceived value, values congruence, affective commitment, trust and members’ roles. Throughout the literature review, discussions on other frameworks and theories are provided to support this research.

SME strategic alliances and networks

Cooperation between SMEs can improve success and sustainability (Sirmon & Hitt, 2003). It can also create new value, help the defence of a market position and/or provide access to new markets (Jarratt, 1998). SME owners need to be aware of the value of building networks to acquire needed resources that facilitate business growth and success (Schoonjans, Van Cauwenberge & Vander Bauwhede, 2013). Indeed, an SME’s success often depends on its alliances (Koljatic & Silva, 2011; Zhao, 2014), as they are typically resource-constrained (Lee, Lim & Tan, 1999; Alvarez, Ireland & Reuer, 2006). Thus, SMEs can overcome resource limitations through becoming part of a larger group (Nooteboom, 1994).

For many SMEs, the co-operative business model offers a way to form strategic alliances through the collective ownership of resources within a trustworthy and collaborative network (Gall & Schröder, 2006). Transaction cost analysis, RBV, social networks and trust & cooperation are important elements for co-operatives (Gall &
Schroder, 2006). Membership of a co-operative can help small producers gain market access, improve prices and productivity, allow risk sharing, provide access to otherwise unobtainable resources and strengthen knowledge and networks (Krivokapic-Skoko, 2002). Co-operatives can also help members secure access to knowledge and expertise that enhance competitiveness (Dyer & Singh, 1998; Schoonjans et al., 2013). For example, SMEs exposed to long value chains often face challenges in securing market access (Markelova, Meinzen-Dick, Hellin & Dohrn, 2009) that co-operative membership may ease. SME owners’ decisions to form or join a network, such as a co-operative, can also allow them to acquire value creating assets that would not otherwise be readily available (Lasagni, 2012). Thus, the incentive to join or form an alliance is stronger when resources are scarce (Ahuja, 2000). The formation of a co-operative can also be justified when members’ collective resources reduce transaction costs (Hansmann, 1996).

Co-operatives not only focus on performing economically, but also on providing overall returns to members (Mooney, Roahrig & Gray, 1996). SMEs that are members of a co-operative can obtain advantages in the form of reduced transaction costs, maximisation of output and the ability to tap into high-value markets (Markelova et al., 2009). However, without a sufficiently large membership, they may not be able to leverage economies of scale and challenge competitors’ market power (Bruynis, Goldsmith, Hahn & Taylor, 2001; Schrader, 1989).

There is some evidence SME operators are motivated primarily to join a co-operative due to attractive prices (for goods bought or sold), as well as technical expertise to help them produce higher quality and gain access to high-value markets (Stockbridge, Dorward & Kydd, 2003; Markelova et. al., 2009; Stuart, Hoang & Hybels, 1999).
These factors seem much more important as motivators for joining than a sense of belonging to a community or a desire for collective ownership (Hallock, 2015).

It is important to remember co-operatives and their members have mutually reinforcing and reciprocal relationships without a total abandonment of their independence (Mazzarol et al., 2013). Despite co-operative intentions, there are some fundamental requirements for the SME to consider joining a co-operative. Jussila, Goel and Tuominen (2012a) suggested that, if co-operative membership (patronage) provides more value (rewards minus costs) than what can be achieved by shifting membership (patronage) to another other organisation, people would be more likely to join a co-operative. Members join co-operatives in the formation stage due to expectations and projections of benefits and costs and, at later stages, for utilitarian reasons (Jussila et al., 2012a). Utilitarianism can act both in a manner that yields the greatest net social benefit with respect to required decisions and adheres to rules that yield greater social benefit over time (Jones & Felps, 2013).

A range of studies has examined the antecedents to SMEs’ decisions to participate in strategic alliances (Lasagni, 2012; Mazzarol et al., 2013; Prabhudesai & Prasad, 2017; Street & Cameron, 2007). Of these, only Mazzarol et al. (2013) examined the antecedents motivating SMEs to join co-operatives. That study focused on directors’ and executives’ perspectives rather than members. Street and Cameron’s (2007) conceptual framework includes some antecedent factors influencing SMEs’ engagement with strategic alliances and networks that included owner-manager, firm and environmental characteristics. Their framework suggests processes leading to organisational development, competitive reaction, competitive advantage and success. Building on Street and Cameron’s (2007) framework, but with a focus on innovation,
Lasagni (2012) suggested collaborations and relationships can improve product development processes by fostering knowledge and strengthening customer-supplier supply chain linkages.

Although Street and Cameron (2007) and Lasagni (2012) offer useful insights into the factors influencing SME engagement with strategic alliances, they did not examine SMEs’ membership of co-operatives. Mazzarol et al. (2013) drew on their research when examining SMEs’ engagement with co-operatives, suggesting a three-part framework (shown in Figure 2.1) that informed the present research project.

![Figure 2.1: SMEs engagement with co-operatives](image)

**Mutual incentives theory**

Mutual Incentives Theory (MIT) was developed and synthesised within the sociological and political sciences. Both individualistic and collectivistic approaches are considered necessary to understand how participation is increased through human behaviour (Birchall & Simmons, 2004). Individualistic incentives can be linked to the development of the tangible value and benefits provided to members (financial
metrics). Benefits and habit positively influence participation, while costs, opportunity costs and satiation reduce participation (Birchall & Simmons, 2004). Collectivistic incentives can be linked to the “values” (non-financial metrics) for which a co-operative was formed. Shared goals and values, along with a sense of community, positively influence participation (Birchall & Simmons, 2004). Affective commitment can be linked to collectivistic incentives as it fosters a sense of belonging and affiliation with an organisation (Allen & Meyer, 1990b). The “owner and community member hats” can also be linked to collectivistic incentives. A sense of ownership develops only when members understand the real meaning for which a co-operative was formed, creating a sense of psychological ownership (Jussila & Tuominen, 2010).

However, MIT alone, cannot provide a full explanation of participation. Simmons and Birchall (2003) suggested a participation chain, which is shown in Figure 2.2. Each link in the chain can be viewed in isolation, as they are not sequentially organised. Resources include money, time, confidence and skills (Parry, Moyser & Day, 1992; Verba & Nie, 1972), as is outlined in the subsequent review of the resource-based view. Mobilisation refers to participants’ identification of opportunities to participate that are related to their attractiveness, timeliness and relevance (Birchall & Simmons, 2004). It is the motivation link, that connects individualistic and collectivistic participation, which warrants more understanding when considering participation, as motivation is an essential determinant of voluntary activity (Brand, Kerby, Elledge, Burton, Coles & Dunn, 2008).
Figure 2.2: The participation chain

Individualistic participation is encouraged by habit and benefits, while collectivistic participation comes from a sense of community, shared values and goals. Birchall and Simmons’ (2004) research suggested collectivistic incentives were primary motivators for member participation even though individualistic incentives, such as learning, catharsis, a sense of achievement and enjoyment, were also participation motivators.

Resource based view and asset specificity

The resource-based view (RBV) of the firm (Barney, 1991; 2001) has also been used to explain why people join co-operatives (Birchall & Simmons, 2004). Barney (1991) questioned the sustainability of a competitive advantage if identical firms in the same industry can access the same resources, which would be the case in co-operatives. However, from a strategic advantage perspective, unique resource attributes are the primary foundation of sustained competitiveness (Amit & Schoemaker, 1993; Lippman & Rumelt, 2003).

Assets are more productive for teams within a joint activity than those outside that joint activity (Conner, 1991). Street and Cameron (2007) also suggested a RBV provided a key explanatory motivator; viewing external relationships as resources. Thus, the decision to partner is based on a lack of the resources an external partner can provide. When a small firm is embedded in a social network, it can identify and better use opportunities to manage its business environment (Dyer & Singh, 1998; Burt,
It can also gain leverage from network resources (Zaheer & Bell, 2005). However, having a resource advantage does not necessarily mean success, as organisations require capabilities that improve their use of these resources (Penrose & Penrose, 2009). A firm can achieve advantages from shared values and common coding schemes and language (De Vita, Tekaya & Wang, 2011), which is where co-operatives excel (Othman, Arshad, Aris & Arif, 2015).

When parties come together to cooperate, they are required to invest in specific assets to conduct required tasks (Lui, Wong & Liu, 2009). The economic activity stemming from these assets is largely influenced by these assets (Williamson, 1983). Assets can have location and relational aspects that may motivate membership (Pascucci, Gardebroek & Dries, 2012). An example of location specificity in this research is CBH, a grain co-operative that builds infrastructure close to members. Relational specificity, on the other hand, relates to the dependence between co-operatives and members (Karantininis, 2007).

Specificity can also be differentiated as dedicated and human assets (Ortmann & King, 2007). Dedicated assets develop within long-term relationships (De Vita et al., 2011), while human assets arise through network actors’ knowledge, skills and experience (Zaheer & Venkatraman, 1995). Sykuta and Chaddad (1999) added temporal specificity, as the value of products and processes can be time-sensitive. When an SME faces a low-specificity scenario, there is no reason to join a co-operative (Pascucci et al., 2012).
Perceived value and the member value proposition

Conflicts may also occur in co-operatives when members attempt to sway outcomes based on personal preferences (Kalogeras, Pennings, van der Lans, Garcia & van Dijk, 2009). For example, Siebert (1994) suggested tensions can occur when members focus on the co-operative being a low-cost provider while the co-operative focuses on providing a long-term platform for members. Indeed, Burt and Wirth (1990) found such conflict when members wanted low prices but the co-operative was more concerned about co-operative values.

Zeithaml (1988) defined perceived value as a perception of what is received for what is given. While many see this as a trade-off between quality and price (e.g. Dodds, Monroe & Grewal, 1991; Sweeney, Soutar & Johnson, 1999), others have suggested value is multidimensional (e.g. Sheth et al., 1991; Sweeney & Soutar, 2001). In recent times, most researchers seem to follow the multidimensional approach as it provides greater diagnostic information (e.g. El-Adly, 2019; Wang, Wang & Wang, 2019; Oriade & Schofield, 2019).

While there have been different suggestions about value’s dimensions, most researchers include functional value, emotional and social value. Functional value has quality and cost aspects (Sweeney & Soutar, 2001), which led Mazzarol and Soutar (2013) to define functional value in a co-operative context as members’ views about their co-operative’s ability to provide quality products and services efficiently and effectively. Emotional values come from a co-operative’s ability to arouse feelings that trigger affective states (Mazzarol, Soutar & Limnios, 2019), while social value comes from an offering’s ability to enhance a person’s (member’s) self-concept (Sweeney & Soutar, 2001).
Perceived value can be seen in a co-operative’s MVP (Mazzarol, Simmons & Limnios, 2014). By creating a well-defined MVP, co-operatives are likely to obtain more support from their members especially if members are involved in creating the value proposition. Interestingly, Verhees, Sergaki & van Dijk (2015) suggested the value a co-operative offers motivated members to be active, which was critical for the co-operative’s success.

Member value seems to be member specific (Suter & Gmü, 2013) and to be influenced by members’ different roles. Suter and Gmü (2013) suggested new members may have different requirements to older members, adding a further dimension to the difference between recently founded and mature co-operatives. The willingness by SMEs to be co-operative and be active depends on the social position and life stage of the individual (Sorokin, 1954). The key is to find a balance between members’ economic and latent preferences (Suter & Gmü, 2013).

To be successful, a co-operative needs to be agile, adjusting its offerings to the members’ changing demands (Nilsson, 1999). This becomes critical during what Cook (1995) labels as Stages 3 to 5 of his co-operative lifecycle theory, as this is when members’ needs diverge, making it increasingly important to re-establish unity and re-activate member participation.

Co-operatives need to deliver member value even if they do not generate surplus funds (Helmberger & Hoos, 1962). However, this does not necessarily provide sustainable value because co-operatives need resources to benefit from growth opportunities (Syrjä, Sjögrén & Tuominen, 2012). It is difficult to manage a large heterogeneous member base where there is a dilemma between flourishing as a business, while
Values congruence

Economic interests alone cannot create a shared identity (Mendell, 1994). Value should not be the only factor in co-operatives’ existence. The concept of values presents a more challenging exploration of the member-co-operative relationship. Values are conditions a person or organisation deems desirable (Locke, 1976) and are principles transcending circumstances over time (Schwartz, 1992). Rokeach (1973, p. 5) defined values as:

An enduring organisation of beliefs concerning preferable modes of conduct or end-states of existence along a continuum of relative importance.

When there is an alignment between individual and organisational values, relationships are strengthened (Branson, 2008). Those organisations that understand and align values between stakeholders demonstrate a purpose beyond a profit motive (Henderson & Thompson, 2003). They can create favourable foundations for social capital and strengthen the social fabric (Putnam, Leonardi & Nanetti, 1994). Values are difficult to gauge because they are, by nature, intrinsic, making them difficult to see (Posner, 2010). Co-operatives have a noticeable element of ideology with principles that also have an economic rationale and it is important to investigate both from the co-operatives and members’ points of view (Nilsson, Svendsen & Svendsen, 2012).
People are attracted to work for or with organisations whose dominant values they share and a co-operative is no different in this regard (Maxham & Netemeyer, 2003). Further, Posner and Schimdt (1993), who examined organisational and personal values, found organisational performance improved when values congruence existed. They found managers who were clear about their personal and organisational values were more positive about their work and their employer’s ethical practices than were managers who had no clarity about their values. Posner (2010) subsequently found values congruence was advantageous for people and organisations, suggesting efforts should be made to align values.

Values can be important to a co-operative’s stakeholders because, in general, co-operative principles and values do not necessarily address the business nature of co-operative activities (MacPherson, 1950). Principles and values are intrinsic, reflecting the social, rather than economic, nature of the co-operative, which can create confusion among stakeholders. Indeed, Emery (2015) found a complex and confusing relationship between values and co-operative principles, which can create problems. Anderson and Henehan (2003), for example, found some co-operatives had a bad name and were disliked because people felt the co-operative acted like a large organisation, was impersonal, had abandoned its original purpose and was more concerned about business practices than about underlying philosophical principles.

Compounding the implicit nature of values is the fact that co-operative members and owners are the same (Scarinci, 2003). Activity occurs when the organisation/co-operative requires certain roles to be conducted by the member and if the members individual goals are achieved (Helmberger & Hoos, 1962). While co-operatives with SME members can be considered as a coalition of small firms (Helmberger & Hoos,
1962), this does not mean members lose their independence (Mazzarol et al., 2013). Consequently, the promotion of self-interest can occur (Emery, 2015). Therefore, it is important to align member and co-operative values, as this can improve outcomes (Goel & Roessl, 2015). In addition to this, members should commit to group decisions as they are unable to manage the co-operatives operations (Helmberger & Hoos, 1962).

**Co-operative principles and values**

Each co-operative is different. However, a mechanism is needed that coalesces both the *value* and *values* that suit each co-operative and their industry and circumstances (Brown, 1997) and tensions to fit in can impact performance (Nelson, Nelson, Huybrechts, Dufays, O’Shea & Trasciani, 2016). This is important for co-operatives dealing with SME members and co-operative managers need to understand how co-operative principles relate to such members’ businesses.

Wilson and MacLean (2012) found co-operative principles and values were often not followed and Birchall (2005) noted adherence to values and principles varied across industries. Interestingly, Oczkowski, Krivokapic-Skoko and Plummer (2013) found smaller community-based co-operatives focused on social and community benefits whereas larger co-operatives focused on economic benefits, although members admitted not all principles were followed.

Table 1.1 and Table 1.2 in Chapter 1 provided the ICA’s (1995) definitions of co-operative principles and values and co-operatives often outline these in their marketing information to demonstrate their difference from IOFs. However, Birchall (2012) has suggested the first four co-operative principles are operational and the final
three are “aspirational”, while Mazzarol (2009) found co-operatives followed five key principles, namely:

1. Membership is voluntary.
2. A Co-operative is governed democratically.
3. A Co-operative is owned solely by its members.
4. A Co-operative can be formed by individuals or organisations.
5. A Co-operative exists only for the benefit of its members.

Both the ICA (1995) and Mazzarol (2009) principles place emphasis on membership and democracy. However, the ICA principles also include education and concern for the community. Researchers have suggested the core principle focus should be on user-owner, user-controller and user-benefits (Birchall, 2005; Dunn, 1988; Zeuli, Cropp & Schaars, 2004). Co-operatives may start to resemble an IOF if they move away from core principles and values (Côté, 2000).

Some similarities between co-operative and SME values have been found (Goel, 2013), as can be seen in Table 2.1. SMEs that form a co-operative are, thus, able to draw on similar principles to guide their moral compass.

### Table 2.1: Comparisons between co-operative and SME values (Goel, 2013)

<table>
<thead>
<tr>
<th>Co-operative Principles</th>
<th>SME Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Democratic member control</td>
<td>Can be democratically run by votes within the family unit</td>
</tr>
<tr>
<td>Member economic participation</td>
<td>Family members need to be contributing to the business</td>
</tr>
<tr>
<td>Autonomy and independence</td>
<td>Autonomous, as owners do not like outside influence</td>
</tr>
</tbody>
</table>
Reynolds, Gray and Kraenzle (1997) found almost all farmer co-operatives used the one-member-one-vote principle (93%), while most of Gray and Kraenzle (1998) participating co-operatives’ members agreed with co-operative principles (72%) in general. Adrian and Green (2001) found most co-operative managers strongly adhered to principles with 73% agreeing with one-member-one-vote and 87% in favour of open membership. Oczkowski et al. (2013) found members felt core principles were used to some extent and that co-operative principles provided guideposts for actions, with the passion of the board being the main driver for implementing co-operative principles and values. Further, Majee and Hoyt (2009) found that, when co-operative principles and values were practiced, members were more active.

**Active member participation**

Members are the lifeblood of any co-operative and without their participation the co-operative can lose its raison d’être (Xiang & Sumelius, 2010). It is therefore critical that co-operatives engage with their members to achieve active participation. Active membership gives co-operatives a competitive advantages over IOFs (Bhuyan, 2007) and improves their performance (Verhees et al., 2015; Birchall, 1999). Active participation is also critical to ensuring control rights and performance are maintained (Barraud-Didier et al., 2012).
Some research has suggested active participation decreases as co-operatives grow and become more heterogeneous (Bhuyan, 2007; Fulton & Giannakas, 2001), as members’ interests are less likely to be considered (Verhees et al., 2015). When this occurs, co-operatives must configure their MVP to appeal to a broad range of members (Mazzarol, 2015). Without this appeal, the co-operative’s financial and organisational health deteriorates as members are less committed (Fulton & Giannakas, 2001).

Members’ interest in their co-operative can drop when they are not heard (Simmons & Birchall, 2004), suggesting co-operatives should focus on what members want (Suter & Gmür, 2013). Members evaluate the capacity of their co-operatives to provide added value (Theuvsen & Franz, 2007). If there is no value, then there is no need for the co-operative (Gijselinckx & Bussels, 2014). Members can become despondent about their co-operatives in such situations (Byrne & McCarthy, 2004; Fulton, 1999), causing them to struggle to maintain an active and committed membership (Fulton & Adamowicz, 1993).

Past research has suggested seeing members as users and owners is key in maintaining member commitment (Couture, Faber, Levin & Nippierd, 2002), as this can motivate members to be more active in addition to being patrons (Jussila, Goel & Tuominen, 2012). Further, active participation can facilitate co-operatives’ democratic nature (Jussila et al., 2012a), providing them with a competitive advantage (Birchall & Simmons, 2004; Hakelius, 1999).
Members’ roles

Members have multiple roles as investors, patrons, owners and community members that have different value requirements (Mazzarol, 2009; Mazzarol et al., 2014), with the community member hat being the most complex and least understood (Mamouni Limnios et al., 2018). Couture et al. (2002) suggested the patron and owner roles were the keys to member participation. However, it is important that co-operatives and members recognise all of these roles or “hats”.

Mazzarol and Soutar (2013) found 63% of members valued their role as patrons, 57% as community members, 50% as investors and 49% as owners. Byrne and McCarthy (2014) found members were more inclined towards a relational value proposition, it seems the patron role is clear, while other roles are less obvious (Mazzarol et al., 2013).

Nilsson (2001) suggested the patron role is the most important, a view supported by Talonen et al. (2016). The patron role stems from members’ trading relationship with the co-operative as members patronise co-operatives if they obtain fair prices, quality service and transactional efficiencies (Mazzarol et al., 2014).

The investor role is important when a co-operative wishes to expand (Cook, 1995) and emerges when co-operatives have residual rights that can be traded (Nilsson, 2001). The investor role arises when members receive a return on their investment, as is the case for shareholders in an IOF (Mazzarol et al., 2014). Nilsson (2001) suggested that, when the investor role becomes important, a co-operative starts to resemble an IOF, which could lead the co-operative towards de-mutualisation if not managed correctly.
Members have a stronger sense of ownership when they recognise the co-operative as their own, comprehend its true meaning and invest personal resources (Jussila & Tuominen, 2010; Borgen, 2004). Nelson et al. (2016) found the commitment to shared values can be stimulated when members feel they own the co-operative. A distinction can be made between the investor and owner role, as the latter role has a focus on “member control” (Mazzarol et al., 2014), while the investor role focuses on owning capital (Gupta, 2014).

A sense of ownership occurs when members attend meetings and are actively involved in governance (Chaddad & Iliopoulos, 2013; Simmons & Birchall, 2008). In essence, the owner role is relevant when members are strongly involved with their co-operative without receiving any direct financial benefits (Mazzarol et al., 2014). Interestingly, a key attribute of affective commitment is a strong sense of ownership (Allen & Meyer, 1990b), which is crucial to retaining members (Mazzarol and Soutar, 2013). Thus, the owner role continues to be relevant, and more emphasis should be placed on a members’ sense of ownership, particularly when members are also consumers (patrons) (Byrne & McCarthy, 2014).

One of the features of co-operatives is their ability to be rooted within their communities (Levi & Pellegrin-Rescia, 1997). It is a form of reciprocity and loyalty when co-operative and community goals are congruent (Mazzarol et al., 2014). When non-economic factors take precedent, some organisations that deliver low economic value not only survive but thrive (Fulton, 1999). Soft outcomes can also result in economic outcomes (Simmons, 2015) because of community feelings (Jussila et al., 2012a). This may be the case regardless of the availability of better price or service alternatives. Further, a co-operative’s social focus may become more important over
time (Palmer, Barrett & Ponsonby, 2000), increasing community perspectives and, finally, being an active member of a locally respected co-operative that is embedded in its community can enhance members’ reputation (Verhees et al., 2015).

In summary, the review of the extant literature on strategic alliances & networks, M.I.Y, RBV & asset specificity, perceived value & member value propositions, values congruence, the co-operative principles & values, active member participation and member roles provide the basis on which the research questions are founded.

**Research questions and conclusion**

The research reported in the four papers provided in subsequent chapters was undertaken to answer these questions. Research questions 1, 3 and 4 were examined using a qualitative methodology, while research question 2 was examined using a quantitative methodology.

Research Question 1: Why do SMEs join co-operatives?

Research Question 2: How does values congruence impact on SMEs active membership?

Research Question 3: Are co-operative principles and values implemented and identified in action?

Research Question 4: What roles do SME members have in co-operatives?

The present chapter outlined the prior research relevant to the research questions of interest to this study and the research undertaken to answer these questions is discussed in subsequent chapters after the research approach is discussed in chapter three.
Chapter 3: Research methodology

This chapter outlines the philosophy behind the research design and the mixed methodology used to answer the research questions. The chapter also discusses the data collection processes used to obtain the qualitative data and describes how these data were analysed. The quantitative methodology is also outlined, with discussions of the questionnaire development process, the online survey used to obtain the needed data and the data analysis approach used to analyse these data.

Methodology

This research used qualitative and quantitative methodologies and multiple case studies to answer the research questions. Four co-operatives were selected as case studies which are listed in Table 3.1. These cases were selected primarily due to their willingness to partake in this research. They are well established co-operatives with respect to their longevity and SME membership base. Other co-operatives were considered however they were at earlier stages of their development and didn’t have SMEs as members. Using both a qualitative and quantitative methodology can bridge gaps that might exist by only using one method and can enhance our ability to interpret the data (Howe, 1988; Mark & Shotland, 1987). According to Yin (2013), case studies allow investigators to study real-life context, as they provide in-depth and rich data from multiple sources of information. Cases were added until no new insights emerged (Glaser, Strauss & Strutzel, 1968).

In the qualitative phase, interviews were generally conducted with two executives, one manager and six members from each co-operative. One of the co-operatives (WAMMCO) did not provide access to their members for interviews, for unexplained
reasons. A broad online member survey, detailed in appendix three, was used in the quantitative phase. Data was collected across Australia from other co-operatives with SME members as part of a larger study. 264 cases were identified as SME members out of a total of 945 from the survey which included members from the case studies identified for this research. These online surveys were combined to ensure the sample was large enough to analyse in a meaningful way.

Research can be viewed through both ontological and epistemological assumptions. Ontology is the study of being (Crotty, 1998) and epistemology is the study of how knowledge is formed (Cohen, Manion & Morrison, 2013). Using these assumptions, these methods can be used to understand the nature of social reality and the way we can know reality (Blaike, 2009). It is the ontological position that lends itself to epistemology and ultimately the research methodology (Scotland, 2012).

In trying to understand the ontology and epistemology of the case studies in this research, both anti-positivism and positivism will be viewed. Anti-positivism uses the inquiry process to understand and interpret data based on qualitative research where multiple variables exist outside the control of the researcher (Cohen et al., 2013). These events can include political views or serious decision-making periods for the co-operative and member at the time of interviewing. Positivism, however, is better at explaining relationships as a basis for generalisation (Scotland, 2012). It can also identify causalities that influence outcomes (Creswell, 2009).

The data from the co-operative’s executive and management team was compared with the views of the members through qualitative methods. The member survey provides data specific to members for the research on the congruence of values. This will assist
in triangulation, which uses the same approach for different sets of data to falsify or verify trends generalised from the data (Oppermann, 2000) (Figure 3.1).

**Figure 3.1: Triangulation of data**

In addition to triangulation, validity and reliability should be considered to provide a valid result when using multiple sources of data that produce the same result. According to Yin (2009), validity is the strength of propositions, inferences, and conclusions, while reliability is about consistent measurements of the subject matter under the same conditions. Good research occurs when the results are due to independent variables i.e., internal validity, can be generalised i.e., external validity, and other researchers can come to the same conclusions using the data i.e., replicable (Scotland, 2012). With respect to internal validity, this research explored key informant pattern matching to build explanations from interviews conducted within each case study. External validity, which Yin (2009) explains as the extent to which conclusions can be generalised, was achieved through the case studies selected. Reliability in this research was developed and maintained through case study protocols
and interview guides. This provides consistency of the measurement in the same way with the same subjects under the same conditions (Yin, 2009).

**Case studies identified**

Case studies allow researchers to investigate real-life context with in-depth data collected from multiple sources of information rich in context (Creswell & Poth, 2017). Further justification of where case study research is needed occurs where little is known due to inadequate empirical substantiation (Eisenhardt, 1989). As discussed in the literature review, there has been a paucity of research between the interaction between the co-operative and member through value(s) congruence and the different roles members play in shaping them which is why this research focused on case study research.

The Co-operative Bulk Handling Group Ltd (CBH), Geraldton Fisherman’s Co-operative (GFC), Capricorn Society Limited (CSL) and the West Australian Meat Marketing Co-operative (WAMMCO) were selected as case studies for this thesis. CBH commended during the great depression to reduce growers’ costs and strengthen the wheat industry through a cheap and efficient bulk handling system. GFC was established between 1949 and 1951 by a group of fishermen to de-regulate the industry which was controlled by factory owners in order for the fishermen to increase their returns and achieve marketing efficiencies. CSL was established in 1974 by a small group of service station owners to increase their purchasing power and establish a level playing field with large multi-national oil companies. WAMMCOs origins date back to 1971 where pressures required an orderly system to market lamb when in 1999 WAMMCO became a producer owned and controlled entity unencumbered by government legislation.
In selecting the individual case studies, in-depth exploration can occur to identify common themes and uniqueness within and across the different case studies to explain variations (Harrison, 2002). Although four case studies have been identified, this number is not important because it is the in-depth research conducted to the point of saturation (Glasser & Strauss, 1967). Table 3.1 provides details of the number of interviews with each co-operative.

Table 3.1: Number of interviews with each co-operative

<table>
<thead>
<tr>
<th>Co-operative</th>
<th>Number of Interviewees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-operative Bulk Handling Group Ltd (CBH)</td>
<td>6 x members</td>
</tr>
<tr>
<td></td>
<td>2 x executives</td>
</tr>
<tr>
<td></td>
<td>1 x manager</td>
</tr>
<tr>
<td>Geraldton Fishermen’s Co-operative (GFC)</td>
<td>6 x members</td>
</tr>
<tr>
<td></td>
<td>2 x executives</td>
</tr>
<tr>
<td></td>
<td>1 x manager</td>
</tr>
<tr>
<td>Capricorn Society Limited (CSL)</td>
<td>6 x members</td>
</tr>
<tr>
<td></td>
<td>2 x executives</td>
</tr>
<tr>
<td></td>
<td>1 x manager</td>
</tr>
<tr>
<td>West Australian Meat Marketing Co-operative (WAMMCO)</td>
<td>2 x executives</td>
</tr>
<tr>
<td></td>
<td>1 x manager</td>
</tr>
</tbody>
</table>

*Note: no members interviewed*

The interviews were with at least two executives and a senior manager engaged with the members. The members targeted for the interviews were selected at random by the co-operative which may have resulted in some bias in selection. Contact with the members was made through the co-operative with a formal invitation letter to participate in this research through the University of Western Australia.

To access the co-operatives and their member base, meetings were scheduled with the executives and managers during January and February 2018 to introduce me as the researcher and the purpose of the research. A brief overview of the research design and questions was provided. Some of the co-operatives asked to view the interview
guide and member survey questions upfront for their own purpose to ensure the
questions asked were appropriate for their members. It was necessary to demonstrate
to the co-operatives their participation would assist in building more case studies to
add to the co-operative literature.

Formal letters to introduce the research and explain the confidentiality, along with
UWA ethics, were sent to the co-operatives in February 2018, along with formal letters
to members to participate in the interviews in addition to letters prepared for the
member survey. Ethics approval is required by all researchers at UWA to meet ethical
responsibilities on the design, implementation, and management of human research
projects. A copy of these is provided in Appendix 1. The member survey was
distributed through each co-operative and to the Business Council of C-operative &
Mutuals (BCCM) to forward to their member base. Due to privacy and to respect the
co-operatives, we did not request the email addresses of the members to send the
survey.

Interviews with the co-operatives’ executives and managers were conducted face-to-
face except for one executive from CSL who was based interstate. Members except
for some CBH and GFC members, were also conducted face-to-face at the offices of
the co-operative and were audio-recorded along with field notes being taken by the
researcher. The audio recordings were subsequently transcribed, verified against the
audio recording for accuracy before being loaded into both NVivo and Leximancer.
During the process, there was a continuous comparison of data collected to check
objectivity.

Interview guides were used to assist in the interviews tailored for executives/
management and the members. These are provided in Appendix 2. As most of the
interviewees were asked the same questions, subsequent analysis focused on common phrases or expressed concepts which should be used to code across all interviews (Dye et al., 2000).

**Qualitative methodology**

In-depth interviews assist researchers to grasp the meaning attributable to human action i.e., their thoughts, beliefs, and values (Marshall & Rossman, 2014). A crucial assumption in qualitative research is when people can be regarded as “knowledge agents” capable of explaining their thoughts, intent, and actions due to what they are doing in their organisations (Gioia, Corley & Hamilton, 2013).

Each interview ranged between 45 and 90 minutes. When face-to-face was not possible, for example, with five CBH members and three GFC members, the interviews were conducted through Skype or phone call. Interviews were all audio-recorded and transcribed into digital format before examination.

The analysis of the interviews focused on common themes/phrases which were then coded and identified across all the interviews (Dye, Schatz, Rosenberg & Coleman, 2000). This approach to analysing data involves transcribing, familiarising, developing, and refining themes from the interviews (Denzin & Lincoln, 1994). In preparing the data structure, a graphic representation demonstrating the progression of raw data into themes when conducting any analysis is a key component in qualitative research (Tracy, 2010).

Before meeting with the various executive and management teams, information was collected from various sources including past reports, websites, and media to build knowledge about the co-operative to link back to the findings from the interviews.
During the analysis, the researcher noted any incongruence between the “talk” (i.e., what information has been espoused to the public and its members) and “walk” (i.e., if the co-operative executive and management team along with member firms believe they are delivering the espoused values/service).

The interviews were used to form the analysis utilising both NVivo and Leximancer software. In doing so, themes were manually coded in NVivo which involves deconstructing, examining, cross comparing, conceptualisation and then placing the data into categories (Strauss & Corbin, 1990).

NVivo was set up using nodes where the relevant transcripts were inserted into corresponding nodes. NVivo has proven to be a very effective and efficient way to file sources of information for reference and serves as a filing system which simplifies access in and out of the content, based on the coding structures developed (Di Gregorio, 2000).

Leximancer, through algorithms, uses word frequencies as data (Smith & Humphreys, 2006). This assists in developing themes and concept maps. The interviews collected were transcribed by an external party, re-checked by the researcher and then prepared for Leximancer analysis. Leximancer provides an objective method to quantify and analyse text, creating categories and relationships where inferences can be made about the text which can test or validate theory (Leximancer, 2013).

Leximancer provides researchers with the ability to explore data more efficiently with automatically generated themes and concepts emerging from the text without researcher input (Coffey & Atkinson, 1996). Leximancer displays linkages between the concepts (Liesch, Håkanson, McGaughey, Middleton & Cretchley, 2011). Concepts are groups of related words that travel together in the text. They begin as
seed words and evolve into a thesaurus. Themes are collections of related concepts named from the most noticeable concept found (Leximancer, 2013). Leximancer utilises word frequency and cooccurrence to identify the main concepts and interrelation within themes to test and validate theory (Smith & Humphreys, 2006) which can analyse conceptually text data on the principles of content analysis (Verreynne, Parker & Wilson, 2013). We can filter the content in Leximancer which is like a manual coding process where researchers can isolate and define themes and their word relations to conduct their study (Mamouni Limnios, Mazzarol, Soutar & Siddique, 2018). Leximancer uses ontological relativity to assemble information to structure and evaluate concepts with indicators of shading (warm and cool themes), and closeness and centrality for explanation (Cummings & Daellenbach, 2009). Results visually display the main concepts depicting relationship summaries like a mind map (Verreynne et al., 2013).

The transcripts combined each case study into separate groups/documents labelled “Executives”, “Members” and specific to each co-operative such as “CBH – executives”, “CBH – members” etc. The documents were loaded into Leximancer separately to gather information on the data from executives and members to become familiar with the concepts yielded. Similar words were merged that had interchangeability such as “membership and members, owner and owners, producer and producers”. “Provide” was used interchangeably with “value” so we deleted “provide” along with words such as “their, us, year” etc. We also deleted obvious reference to the co-operative and the business they were in i.e., for GFC it was fishing etc. We also deleted the obvious words “co-operative” and “members” to get to the pure basic reasons for joining the co-operative without needing to filter obvious
references to these words. This is like second and third round manual coding (Saldaña, 2015) in NVivo.

**Case study protocol**

Case study methodology is valuable for theory generation as data can be collected across a diverse source of qualitative and quantitative methods to understand dynamics within single units of analysis (Eisenhardt, 1989). The following eight-step protocol was observed in this research:

1. **Getting Started** – research questions were designed along with the identification of any constructs which were needed for the survey. Chapters 1 and 2 provide details on the research questions and conceptual frameworks and theories that was used to guide this research.

2. **Selecting Cases** – this is considered the most important step to ensure the target/unit of analysis is clearly defined to enhance external validity of the findings. In this research, the target/unit of analysis has been defined as SME member firms of co-operatives across the automotive (CSL), agribusiness (CBH), aqua-business (GFC) and meat/livestock sectors (WAMMCO).

3. **Crafting Instruments and Protocols** – data-collection tools such as questionnaires were designed with a focus on ideally preparing multiple collection methods to provide credibility via triangulation of data. This research interviewed both executives and members of the co-operatives and surveyed SME members across Australia as the main unit of analysis. Triangulation of data is provided through interviews with the members and executive team/manager. This provides three epistemologies i.e., the member,
executive and senior manager, to foster perspectives. The member survey was Australia-wide and included as many co-operatives as possible to strengthen triangulation.

4. **Entering the field** – data collection commenced once the cases were identified in step 3. Field notes and the interview guide were used for analysis to accelerate the analysis for the revelation of insights. During this stage it was important to have some flexibility and be prepared to adjust collection processes as the study unfolded. This allowed the researcher to take advantage of emergent themes or ideas that presented itself especially during each case. The researcher went into the field with “eyes wide open” waiting for themes to appear due to the diversity of co-operatives and industry. For example, adjustments were made to some questions during and after the protocol case study on CSL. A sub question on member roles – “what would you do and how would you do it if you found out your co-operative was going to demutualise?” – was added to evoke more response and thinking. This question provided a more emotional response, giving interviewees an impetus to think about the different roles they play in the co-operative.

5. **Analysing Data** – analysis commences “within-case analysis” providing the ability to gain familiarity with the data to formulate initial thoughts from the findings. The next step was a cross-case analysis to identify patterns to look beyond initial impressions from individual cases. This research used NVivo software for analysis by using a coding structure to develop a tree node from the units of analysis. This was cross checked using Leximancer software
analysis, where the transcripts were used to determine major themes and connections with minor themes.

6. **Shaping Hypotheses** – during this stage constructs were examined via iterative tabulation to sharpen the definition of each construct along with their validity and measurability. The logic of replication was used across the cases examined to confirm patterns and themes.

7. **Enfolding Literature** – findings are mapped back on the literature for confirmation or conflict with the existing literature review. This builds internal validity to strengthen theoretical outcomes while improving external validity.

8. **Reaching Closure** – theoretical saturation was the aim to be achieved at this step. This means any additional data collection and analysis is unlikely to generate any further useful improvements to the conclusion (Eisenhardt, 1989).

The researcher used the following checklist and resources, although not exhaustive, for data collection:

1. Case study protocol document was used as a guide.

2. Interview guide with the four main research questions and sub questions to ensure the interviewer and interviewee minimise divergence from the research questions. Two interview guides were created, one for members and the other for executives/senior managers, to rephrase the same questions in the view of the interviewee.
3. Participation information forms.

4. Participation consent forms which were signed by the interviewee.

5. Digital voice recorder with sufficient storage (up to 900 hours) and spare batteries.

6. Laptop to download recorded interviews and for backup security (in addition to Google Drive).

7. Pens, highlighters, notebook.

8. A copy of co-operative principles and values to use as props to assist answering research question 3. The four-hat framework suggested by Mamouni Limnios et al. (2018) was used when considering research question 4.

9. Contact details of interviewees.

10. Meetings conducted as previously stated.

Pilot study

Capricorn Society Ltd (CSL) was chosen for the pilot study due to its commitment to and interest in this research topic. Furthermore, the members were available for face-to-face meetings which enabled the researcher to gauge the ease of understanding of the questions by the interviewees and to enable any adjustments for further interview protocols. CSL had participated previously in research undertaken by UWA and Professor Tim Mazzarol, the main supervisor for this research. In this circumstance, the researcher was able to directly communicate with CSL and recruit them for this study.
The pilot study was conducted during March 2018 following the interview protocol and checklist. The interviews were recorded and transcribed using services of a company from the Philippines. The transcripts were cross-checked by the researcher to ensure all voice recordings were correct and accurate. The use of Philippine transcribers was based on previous use for work done by the researcher and for the known reputation of English as a first language in the Philippines. Cost and time savings were other reasons for this choice.

Two matters were raised during the pilot study allowing adjustments to be made for future interviews:

1. It was noted during the interviews with the member firms that background noise of the mechanics and machines was a little loud which impacted on some of the voice recording. The researcher ensured future interviews had the recording device closer to the respondents and requested interviewees to slow down their speech and speak directly into the recorder.

2. An additional question was added to facilitate research question 4 which was based on the roles members play within their co-operatives. During the member interviews with CSL, most of the respondents focused on only two roles and could not identify with the other two. The question was then asked: “What would you do if your co-operative de-mutualised i.e., stopped being a co-operative, and how would you do it?” This provided more discussion to see whether the other roles could be identified. This change was made after the first two interviews. A follow-up with the first two interviews was subsequently done to generate their insights into member roles with respect to de-mutualisation.
Quantitative methodology

The selection process to include as many co-operatives in Australia willing to participate for the member survey was based on those co-operatives that had SMEs as their members. Contact was made through the Business Council of Co-operatives and Mutuals (BCCM), along with referrals from the co-operatives interviewed. Surveys were sent via electronic mail distribution, facilitated through the co-operatives to their member firms and with the assistance from the BCCM to broaden the reach to as many co-operatives as possible through their database. The purpose of the survey was to address research question 2. The survey is provided in Appendix 3.

The timeframe for recruiting co-operative member firms to participate in the survey was between March and August 2018 to improve the participation rate. Respondents were screened to make sure they were active members of a co-operative or mutual enterprise (CME) and were SME owner-operators. In the recruitment process, respondents were provided with a definition of what a co-operative or mutual enterprise is and what an SME is to ensure all knew with the definitions used in the study.

The study used an online questionnaire to measure the constructs of interest. A pilot study was undertaken with the online panel, which led to some minor wording revisions. Once revised, a final sample was obtained from the same online panel provider’s database. No problems were found during the data collection process and the quality of the data obtained was excellent.

Although the participation rate achieved was close to 60, we decided to include the same survey questions from the previous research of Mazzarol and Soutar (2013). This
boosted the final number in the survey to 264 SME members. Between 100 and 200 will achieve a critical sample size (Hair, Black, Babin, Anderson & Tatham, 1998). If the researcher could achieve a greater response, closer to 400, this size sample can estimate for a population of 100 million as accurately as 400 out of 10,000 can (Hopkins, Glass & Hopkins, 1987). We were satisfied with the 264 responses with the data being useful for future empirical research.

Researchers regard the use of the worldwide web as an effective way to collect data, rather than traditional methods such as mail and telephone (Roster, Rogers, Albaum & Klein, 2004). Further evidence has identified online methods of data collection to be more reliable and valid than telephone surveys (Buchanan, 2000). One major benefit of web-based questionnaires/surveys/data acquisition is that larger numbers of participants can be included including those who before the internet were difficult to access (Michalak, 1998, Pasveer & Ellard, 1998). Further benefits of web-based research and data collection include the reduction in distribution costs and time (Schleyer & Forrest, 2000, Lazar & Preece, 1999). High-quality data can also be captured which can eliminate participation errors (Dillman, 2000).

Despite the many benefits of web-based data acquisition for research, some feel responses have a bias in them in that they are only targeted towards those that use the internet (Roster et al., 2004, Hospers, Harterink, Van Den Hoek & Veenstra, 2002). This was not a concern for this research as we assumed most SMEs had a web presence and email, especially if they were members of a co-operative where it seemed most co-operatives maintained a database of members and their contact details which would include email addresses. Another view of internet surveys is that due to some form of incentives, participants would perhaps complete many surveys or fill them in quickly.
with random data to complete the survey to be eligible for the incentive (Goritz, 2004). There was no incentive in this survey, so this was not an issue in this case.

Structured Equation Modelling (SEM) was utilised for this part of the analysis. Lowry and Gaskin (2014) suggest a major advantage of SEM is that we can include latent variables, which were measured in this project, SEM procedures provide extensive and flexible modelling capabilities that complement other statistical methods (Lowry & Gaskin, 2014). SEM is also capable of testing the validity of measures and the plausibility of a suggested mode (Chin, 1998) and can include moderating constructs. Partial Least Squares (PLS) is a form of SEM that makes fewer assumptions than covariance-based SEM and does not need to assume underlying multivariate normality as some form of bootstrapping approach is generally used to estimate the parameters of interest (Kock, 2020).

The questionnaire and data collection

The scales used to estimate the model’s constructs were adapted from well-established scales used in prior research in management and marketing research. In each case, Likert-type scales that ranged from strongly disagree (1) to strongly agree (5) were used to measure the construct. The values congruence scale was adapted from Cable and DeRue’s (2002) and Cennamo and Gardner’s (2008) research into Person-Organisation Fit, while affective and continuance commitment were adapted from Allen and Meyer’s (1990) research and perceived value was adapted from Dodds, Monroe & Grewal’s (1991) study. Finally, the active membership scale was adapted from Söderlund’s (2002) general intention scale. Table 3.2 lists the constructs, provides examples of their items and the number of items in each construct, and lists the sources of the scales used to measure the constructs. The various items were
included in a larger online questionnaire that was designed to ask respondents several questions about their interactions with the co-operatives.

**Table 3.2: The research constructs**

<table>
<thead>
<tr>
<th>Construct</th>
<th># Items</th>
<th>Sample Item</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Values Fit</td>
<td>3</td>
<td>My personal values match (co-operative)’s values and culture.</td>
<td>Cable &amp; DeRue, 2002</td>
</tr>
<tr>
<td>Affective Commitment</td>
<td>4</td>
<td>I think of (co-operative) as a long-term ally.</td>
<td>Allen &amp; Meyer, 1990b</td>
</tr>
<tr>
<td>Continuance Commitment</td>
<td>3</td>
<td>I would give up a lot if I left (co-operative).</td>
<td>Allen &amp; Meyer, 1990b</td>
</tr>
<tr>
<td>Overall Value</td>
<td>5</td>
<td>I receive good value from being a member of (co-operative).</td>
<td>Dodds, Monroe &amp; Grewal, 1991</td>
</tr>
<tr>
<td>Active Membership</td>
<td>3</td>
<td>I want to remain actively engaged with (co-operative) in the future.</td>
<td>Söderlund, 2002</td>
</tr>
</tbody>
</table>

From the sample, most were males (68%). Ages ranged from 18 years to over 55 years, with just over half (53%) aged over 35 years. The sample was drawn from all Australian states and territories and from a wide range of industries. Just over half (51%) were consumers of services provided by their co-operative or mutual, 37% were suppliers to the CME and the balance (26%) were both suppliers and consumers, 45% indicated they had voting rights, while 32% had the right to receive dividends and/or rebates. The sample’s background was consistent with the known population of co-operatives registered in Australia (BCCM, 2020).
Chapter 4: Why do SMEs join co-operatives? A comparison of SME owner-managers and co-operative executives views

Summary

This paper, which was designed to answer research question 1: “Why do SMEs join co-operatives?” was published in the Journal of Co-operative Organization and Management as:


Submitted paper

Why do SMEs join Co-operatives? A comparison of SME owner-members and Co-operative executives views

Abstract

Small to Medium Enterprises (SMEs) can benefit from membership of a co-operative. This study aims to test previous antecedents of why SMEs join a co-operative. We interviewed members and executives of four Australian co-operatives to investigate reasons why SME owners joined them. All interviewees agreed that the co-operative had to provide economic benefits in addition to information, business support, knowledge and networking. The SME owners’ disposition of collective action towards a common sense of purpose supported the decision to become a member of their co-operatives. Asset, temporal, location and relational specificity provided the external resources through their co-operative to challenge the environmental uncertainty the SMEs faced.
1 Introduction

Substantial prior research has been undertaken into the factors motivating membership of co-operative enterprises (Bijman & Verhees, 2011; Cechin, Bijman, Pascucci & Omta, 2013; Gijselinckx & Bussels, 2014; Jussila, Goel & Tuominen, 2012). Much of this research has focused on farmers joining agricultural producer co-operatives (Hernández-Espallardo, Arcas-Lario & Marcos-Matás, 2013; Verhees, Sergaki & Dijk, 2015), or the individuals of consumer co-operatives (Jones, Jussila & Kalmi, 2016). These studies have highlighted the importance, as reasons to motivate co-operative membership, of social (Verhees, Sergaki & Van Dijk, 2015) and economic attributes (Hernández-Espallardo, Arcas-Lario & Marcos-Matás, 2013), or the trade-off between financial and non-financial benefits (Jones, Jussila & Kalmi, 2016). However, while quantitative analysis has identified a range of different forms of relationship between farmers and co-operatives (not always involving full membership), gaps remain in the literature as to the factors motivating membership among small business owners (Pascucci, Gardebroek & Dries, 2012).

The purpose of this paper is to investigate how the views of owners of small-to-medium enterprises (SMEs) differ from those of the executives who manage the co-operatives in relation to the factors motivating their membership of co-operatives. Specifically, the research question being investigated is: Why do owner-managers of SMEs join co-operatives?

For the purpose of this study, we define an SME as a firm that is independently owned and operated, has fewer than 250 employees, has an annual turnover of less than €50 million, and assets of less than €43 million (OECD Statistics, 2004). Although the
definition of an SME varies around the world, our definition is accepted by the European Union and is one of the most widely used.

It has been suggested that small producers have greater market access, lower costs and better pricing being members of a co-operative (Krivokapic-Skoko, 2002). With respect to how co-operatives impact members compared with non-members in the agricultural sector, Giannakas and Fulton (2002) found the co-operative reduced the price of agricultural inputs, increased innovation and improved the prices for producers. Similar findings were reported by Tennbakk (2004) who noted that through agricultural co-operatives, producers generally received higher prices compared with non-members of co-operatives.

Despite this, relatively little research has focused on the reasons SME owners choose to join a co-operative (Goel & Roessl, 2015; Jussila et al., 2012). Further studies are needed at the member and firm level to determine what value is gained through cooperation (Mazzarol, Limnios & Reboud, 2013). SMEs that are members of a co-operative can obtain advantages in the form of reduced transaction costs, maximisation of output and the ability to tap into high-value markets (Markelova, Meinzen-Dick, Hellin & Dohrn, 2009).

Our research involved interviewing executives and SME owner-members of four Australian co-operatives across the agriculture, fishing, livestock and automotive services industries. The primary industries are a major contributor to the Australian economy and co-operatives have traditionally provided them with important supply-chain infrastructure such as storage, in addition to market access. These suggest reasons why primary industry utilises co-operatives. We included a purchasing co-operative within the motor industry to demonstrate how SME owner-members (e.g.,
mechanics) can benefit from co-operative membership. The remainder of this paper is structured as follows: First, we examine the literature that is relevant to our investigation: Second, we describe the methodology that used both NVivo and Leximancer software to analyse the data: Third, we report the findings, before providing a discussion and final conclusions with managerial implications, limitations and future research considerations.

2 Literature Review

The decision by SME owners to join a co-operative occurs at the individual level (Jussila et al., 2012) and is typically based on a perceived utility to be derived from the membership (Fulton & Adamowicz, 1993). The willingness to cooperate is likely to depend on the SME owner’s economic situation, social position and stage of life (Sorokin, 1954), plus the owner’s motivations and intentions to grow their business (Walker & Brown, 2004). Jussila, Goel & Tuominen (2012) suggest that if the answer to the following question is positive – “Will co-operative membership (patronage) provide me with more value (rewards minus costs) than what can be achieved by shifting membership (patronage) to some other organisation?” then co-operative membership would be advantageous (Jussila et al., 2012). Jussila et al. (2012) discussed the notion of members joining for more utilitarian reasons once a track record of performance is achieved. This is particularly important especially during periods of growth when gaps appear between the co-operative and members where conflicts of interest may develop due to heterogeneity among the members (Jensen-Auvermann, Adams & Doluschitz, 2018).
An SME’s success depends on its alliances (Zhao, 2014). SME owners obtain value from engagement within formal networks through which they acquire resources that facilitate their business growth and success (Schoonjans, Van Cauwenberge & Vander Bauwhede, 2013). The resource-based view (RBV) of the firm (Barney, 1991; 2001) has been used to explain why people become members of co-operatives (Birchall & Simmons, 2004). Street and Cameron (2007) found that a resource-based view was a key explanatory motivator to explain why SMEs form external network relationships. This is due to the SME lacking resources that the external partner can provide. Dyer and Singh (1998) and Burt (2000) suggested that when a small firm is embedded in a social network they are able to identify and utilise opportunities to manage their own business environment. They can leverage resources due to the network which strengthens a firm’s capability leading to improved individual performance (Zaheer & Bell, 2005). Conner (1991) found that assets created through joint activity are more productive for teams within the joint activity as opposed to those outside of the joint activity.

Asset specificity such as location, asset and relational aspects can also contribute to understanding the antecedents motivating membership (Pascucci, Gardebroek & Dries, 2012). Location specificity relates to the characteristics of the location and degree of geographical isolation (Williamson, 1989). Asset specificity relates to the specialisation and scale (Pascucci et al., 2012). Relational specificity relates to the level of dependence between the networking activities between the co-operative (Karantininis, 2007) and the SME.

Ortmann and King (2007) differentiated specificity with respect to dedicated (e.g. equipment) and human assets. Sykuta and Chaddad (1999) add the perspective of
temporal specificity which refers to the time-sensitive value of products and processes, noting the importance of these to avoid opportunistic or “holdup” problems. Where there is a low specificity scenario with an SME then there would be no reason co-operative membership would be advantageous to the SME (Pascucci et al., 2012).

Small firms are typically resource-constrained and benefit from strategic alliances and collaborative networks (Lee, Lim & Tan, 1999; Alvarez, Ireland & Reuer, 2006). SMEs operating in alliances and networks have also undertaken such collaborations in an informal manner, utilising trust and social capital rather than formal contractual agreements (BarNir & Smith, 2002; Jaouen & Gundolf, 2009). Inter-firm cooperation between SMEs can provide benefits in the form of enhanced success and sustainability (Sirmon & Hitt, 2003), plus creating new value, defending a market position and access to new markets (Jarratt, 1998).

For many SMEs, the co-operative business model offers a means of forming strategic alliances via collective ownership of resources within a social network that engenders trust and collaboration (Gall & Schroder, 2006). Membership of a co-operative can offer small producers such as farmers enhanced market access, superior pricing, improved productivity, risk sharing, access to resources otherwise unobtainable and an opportunity to strengthen their knowledge and social networks (Krivokapic-Skoko, 2002).

Simmons and Birchall (2003) created the participation chain concept, comprising resources, mobilisation and motivation, where each link in the chain can be viewed in isolation as they are not sequentially organised. Resources includes money, time, confidence and skills (Parry, Moyser & Day, 1992; Verba & Nie, 1972). Mobilisation refers to the identification by participants of the actual opportunity to participate with
respect to the attractiveness, timeliness and relevance of the opportunity (Birchall & Simmons, 2004). Lastly, \textit{motivation} by members is the link that connects individualistic and collectivistic participation that warrants more understanding when it comes to member participation in the co-operative. These elements offer a conceptual framework that helps to explain the issues discussed earlier. SME owners are attracted to co-operative membership because this provides them with access to resources they are typically unable to self-generate or appropriate alone. When faced with resource scarcity and the opportunity to leverage the co-operative’s collective bargaining power, services and assets, the likelihood for mobilisation is enhanced. Finally, if the SME owner can secure the anticipated value from their membership of the co-operative, they are likely to be motivated to remain loyal.

2.1 \textit{Antecedents of co-operative membership}

The formation of a co-operative can be justified where the collective resources by members provides lower transactions costs than contracting out those required services (Hansmann, 1996). There is also the added benefit of ownership and access to profits, where available (Kurjańska, 2015). The co-operative not only has a need to be economically efficient as a business entity but also deliver value to its members (Mooney, Roahrig & Gray, 1996).

There is some evidence that SME owners are primarily motivated to join a co-operative due to attractive prices (e.g., for goods bought or sold), as well as technical expertise to produce higher quality and gain access to high-value markets (Stockbridge, Dorward & Kydd, 2003; Markelova, Meinzen-Dick, Hellin & Dohrn, 2009; Stuart, Hoang & Hybels, 1999). These factors seem much more important as motivators for joining than a sense of belonging to a community or collective
ownership (Hallock, 2015). However, in some cases, such as Japanese co-operatives, SME owners are attracted not just by the economic attributes but also by the perceived value they derived from membership of a large and well-regarded organisation that helped enhance their company image and strengthen their “self-concept” (Lee & Mulford, 1990).

The co-operative business model has been described as a coalition or “nexus of contracts” (Staatz, 1987), which Emelianoff (1942) suggested resembles a network of independent businesses as opposed to a single unified organisation. Co-operatives and their members have a mutually reinforcing and reciprocal relationship without a total abandonment of the SMEs’ independence (Mazzarol, Limnios & Reboud, 2013). This can offer SME owners a potentially more attractive strategic alliance environment than might be the case in supply chains where they are contracted suppliers or buyers to large investor-owned firms (IOFs), where their bargaining power will be weak. By contrast, the mutual ownership and democratic (e.g., one-member-one-vote) governance of the co-operative allows them more autonomy and enhanced bargaining power. However, this can become problematic where co-operatives grow in complexity, become corporatised and experience significant diversity in their membership (Chaddad & Iliopolous, 2013).

Co-operatives can help to secure access to knowledge and expertise that enhances their competitiveness (Dyer & Singh, 1998; Schoonjans et al., 2013). For example, SMEs exposed to long value chains are often faced with challenges in securing market access (Markelova et al., 2009) and a co-operative may facilitate easing those challenges. The decision by an SME owner to form or join a network, such as a co-operative, can also be justified on the grounds that the acquisition of value-creating assets that require
time to accumulate is not readily available (Lasagni, 2012). Therefore an incentive to join or form an alliance is typically stronger where there is greater scarcity of resources (Ahuja, 2000).

Numerous studies have examined the antecedents of SME decisions to participate in strategic alliances (Lasagni, 2012; Mazzarol et al., 2013; Prabhudesai & Prasad, 2017; Street & Cameron, 2007). Of these, only Mazzarol et al., (2013) has specifically examined the antecedents motivating SMEs to join co-operatives within the context of strategic networking. That study focused on the perspectives of the directors and executives of the co-operatives rather than the members. In a study of agricultural co-operatives in South Africa, Machethe (1990) found that key motivators for farmers joining a co-operative were financial (e.g. the ability to purchase inputs on credit), to secure access to markets via patronage, or due to third-party advocacy (e.g. local agriculture support officers).

Street and Cameron (2007) provided a conceptual framework that includes antecedent factors influencing an SME’s engagement with strategic alliances and networks. Their antecedents include the individual characteristics of the owner-manager, characteristics of the firm, its relationship and environmental characteristics. The framework provides processes leading to outcomes of organisational development, competition, competitive advantage and performance success (Street & Cameron, 2007). Building on Street and Cameron’s work but with a focus on innovation, Lasagni (2012) discussed the characteristics of the small firm and its relationship and environment as antecedents when investigating the impact on innovation that external alliances have. The empirical results provided by Lasagni (2012) suggested that
collaborative relationships lead to better product development as they enhance knowledge and strengthen customer-supplier linkages in the supply chain.

Prabhudesai and Prasad (2017) examined the antecedents on SME alliance and performance using 45 peer-reviewed articles that differentiated the decisions at both firm and alliance level using empirical studies by Christoffersen, Plenborg and Robson (2014). The antecedents of their alliance network included partner diversity and corporate entrepreneurship that were moderated by the firms’ absorptive capacity and the reputation of the partner alliance. Cooperation within the alliance also impacted on a firm’s performance, where the antecedents were trust, commitment and organisational fit. They also found that where opportunism prevailed, it had a negative impact on trust.

Although the works of Street and Cameron (2007), Lasagni (2012) and Prabhudesai and Prasad (2017) offer useful insights into the factors influencing SME engagement with strategic alliances, they do not directly examine SME membership of co-operatives. The research by Mazzarol et al., (2013) draws upon both Street and Cameron (2007) and Lasgani (2012) to SME engagement with co-operatives as a strategic network. This resulted in a three-part framework comprising antecedents, processes and outcomes.

The identified antecedents (Figure 4.1) were i) a willingness to cooperate; ii) a common sense of purpose; iii) a need for external resources; iv) a concern over environmental uncertainty; v) a desire to shape the external environment, and vi) a member-driven “bottom-up” formation. The processes comprised the co-operative’s ability to focus on member value, be efficient, align member and co-operative mutual success, engender trust, loyalty and to build social capital within the membership
community. The outcomes identified were the SME’s ability to access resources, information and knowledge, secure enhanced pricing and marketing control over the supply chain, the building of social capital, and the fostering of a common sense of purpose and pride. There was also a reciprocal relationship between the antecedents and the outcomes. The research by Mazzarol et al. (2013) only focused on the perspectives of the directors and executives, not the members. This study provides an opportunity to explore both the executives and the members utilising the Mazzarol et al., (2013) framework.

2.2 Proposed conceptual research model

From the preceding review of the literature, we propose our conceptual model (Figure 4.1). The purpose of this is to validate or refute some of the existing antecedents proposed by Mazzarol et al., (2013) by identifying specific antecedents within the cooperatives being researched through the lens of both executives and members. We chose this model as explained in Section 2.1, because it related specifically to the cooperative business model having been drawn upon the antecedent factors of joining an alliance or networks from Street and Cameron (2007), Prabhudesai and Prasad (2017) and Lasagni (2012).

Figure 4.1: Conceptual model for validation
3 Methodology

A multiple case-study design was used in this study. This included four large co-operatives operating in Australia. These organisations represented both producer-owned, supply-side entities in grains, meat and fishing, as well as a buyer-owned, demand-side entity within the automotive services retail sector. The case studies were chosen as they were all successful, well-established co-operatives with members who were SME owners. Details of the co-operatives are provided in Table 4.1.

**Table 4.1 Selected co-operatives**

<table>
<thead>
<tr>
<th>Co-operative</th>
<th>Background</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-operative Bulk Handling Group Ltd (CBH)</td>
<td>CBH is one of Australia’s largest agricultural co-operatives with more than 4200 members and reported revenues of more than $3.4 billion in the 2018 financial year.</td>
</tr>
<tr>
<td>Geraldton Fishermen’s Co-operative (GFC)</td>
<td>GFC has approximately 200 members with reported revenue of $303 million in the 2018 financial year. GFC derives its revenues within the fishing industry.</td>
</tr>
<tr>
<td>Capricorn Society Limited (CSL)</td>
<td>CSL has approximately 17,000 members Australia wide with revenues of more than $111 million reported in the 2018 financial year. CSL derives its revenues within the motor vehicle industry.</td>
</tr>
<tr>
<td>West Australian Meat Marketing Co-operative (WAMMCO)</td>
<td>WAMMCO has approximately 1000 members with consolidated revenues of more than $296 million reported for the 2018 financial year. WAMMCO derives its revenues from within the livestock/meat industry.</td>
</tr>
</tbody>
</table>

As outlined in Table 4.1, Co-operative Bulk Handling Group Ltd (CBH) and the West Australian Meat Marketing Co-operative (WAMMCO) are agricultural producer co-operatives with farmer members who supply grains and meat. CBH is a non-distributing co-operative (e.g., not-for-profit) and does not issue dividends, instead rewarding its members through pricing, rebates, and services. By contrast, WAMMCO is a distributing co-operative that issues share capital based on patronage and distributes profits via dividends.
The Geraldton Fishermen’s Co-operative (GFC) provides Western Australian rock lobster fishermen with processing and export marketing services. Like WAMMCO, GFC is a distributing co-operative and issues shares and dividends based on patronage. Finally, the Capricorn Society Ltd (CSL) is a distributing co-operative that provides purchasing services to SME owners in the Australian and New Zealand automotive services industries. It also owns an insurance mutual that provides members with a range of general insurance services. Members receive dividends, rebates, and services.

A qualitative methodology was chosen as it provides a relevant approach to the investigation of small firms (Karhu, 2015) and enables an interactive flexible way to gather rich data and contextual insights (Birchall & Simmons, 2004). It also provides an opportunity to test existing theories (Pinfield, 1986). The design of the case study protocol and subsequent data collection process followed the guidelines recommended by Yin (2013). This allows investigators to study real-life contexts providing in-depth data collection involving multiple sources of information being richer in context (Yin, 2013).

3.1 Data Collection

Our first phase of data collection consisted of the review of secondary information that was available through website content, press articles, published histories, annual reports and available presentations. This assisted with multiple data sources to provide good triangulation as suggested by Bell, Bryman, and Harley (2018). An initial pilot case study was conducted with CSL to revise the case-study approach and interview guiding questions. After the pilot study, we refined the guiding interview questions (Table 4.2).
Table 4.2 Guiding questions used in interviews

<table>
<thead>
<tr>
<th>Guiding questions for executives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. What reasons do you think prompt members to join your co-operative?</td>
</tr>
<tr>
<td>2. In what specific areas do you feel your co-operative helps your members’ businesses?</td>
</tr>
<tr>
<td>3. Are you aware of alternatives outside of your co-operative available to your members? If so, how does it impact you?</td>
</tr>
<tr>
<td>4. In your opinion, what does “commitment to your co-operative” mean?</td>
</tr>
<tr>
<td>5. How do you achieve an understanding of your members’ businesses, their goals and the challenges they face?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Guiding questions for Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. What made you think about joining the co-operative?</td>
</tr>
<tr>
<td>2. How did you weigh up the pros and cons of joining the co-operative?</td>
</tr>
<tr>
<td>3. Do alternatives or competitors of the co-operative exist outside of your co-operative? Why do or don’t you use them?</td>
</tr>
<tr>
<td>4. In what specific areas did you see the benefit your business would achieve from joining your co-operative?</td>
</tr>
<tr>
<td>5. How do you deal with conflicts or different ideas with respect to how you run your business and the impact the co-operative has on your business?</td>
</tr>
<tr>
<td>6. How do you explain how your co-operative operates as a business?</td>
</tr>
</tbody>
</table>

Interviews were undertaken with both the executive managers and the SME owner-members within the four co-operatives. Unfortunately, WAMMCO was unable to provide access to their members, so it was only possible to interview members from the other three firms.

Semi-structured interviews were used to collect the data. According to Gioia, Corley, and Hamilton (2013) these provide real-time and retrospective accounts and perspectives of people experienced in the phenomenon being investigated. This method provided engaging research, especially for the informants (Morgan, 1983),
who were surprisingly open to sharing their thoughts. This is consistent with Gioia et al. (2013) stating that people in the organisations being studied are “knowledgeable agents” who can explain their thoughts, intentions and actions.

Members were selected by the co-operatives which can result in selection bias. However, from our interviews members were very open and frank in their discussions. The selection of these members was easy to facilitate by the co-operatives rather than us approaching members directly. As noted, WAMMCO was unable to facilitate meetings with their members, for reasons not provided to us.

In total, we interviewed 18 members and 12 executive managers. Interviews ranged from 45 to 80 minutes and were audio-recorded and then transcribed, along with additional notes taken during the interviews. A total of 13 interviews were conducted by telephone due to geographical restrictions. The members had an average of 25 years in business, 19 years as members of their co-operative, employing between one and 17 employees and generating revenues between AUD$250,000 to $2 million per annum. Executives had an average of 18.5 years working in co-operatives and six years in their current positions with experience across the automotive, agribusiness, meat, livestock, dairy, crop and retail industries. We consider the sample drawn for this study representative of the true population.

3.2 Data Analysis

The data were analysed using both the NVivo qualitative analysis software (Jones & Diment, 2010; Bazeley & Jackson, 2013), and the Leximancer text-analytic software (Smith & Humphreys, 2006; Cretchley, Rooney & Gallois, 2010; Birosckak, Scott, Lindenberger & Bryant, 2017). NVivo has been the most prominent software package used (Jones & Diment, 2010) for qualitative research. Leximancer software has also
become frequently used by researchers (Cretchley, Gallois, Chenery & Smith, 2010) to complement NVivo. An advantage of using Leximancer is that it provides a machine-supported analysis that provides a greater level of robustness to the analysis and can be used to cross check the NVivo analysis (Sotiriadou, Brouwers & Le, 2014).

The transcription and coding, guided by Saldaña (2015), commenced with coding the interview data through first- and second-cycle methods. Due to the large amounts of text gathered from the interviews, an initial content analysis from the primary data was performed providing initial inferences (Weber, 1990). We conducted a case-by-case analysis for an initial exploration to ensure context and accuracy in both NVivo and Leximancer. We then analysed the data in separate data files labelled “executives” and “members” through Leximancer to validate our findings and cross check against NVivo.

NVivo is a more labour-intensive process requiring researchers to be highly engaged with the data and analysis process but allowing researchers to be closer to their data. However, it can be subjected to research bias in the coding process (Sotiriadou, Brouwers & Le, 2014). Data analysis of responses was initially conducted with the use of NVivo software using the approach recommended by Saldaña (2015), where first- and second-round coding methods were performed to develop themes. NVivo helps researchers to manage and organise data for analysis, identification of themes, insights and developing conclusions (Sotiriadou et al., 2014). The formatted transcripts were entered as stand-alone interview sources under “members” and “executives” in each co-operative. The depth of understanding of each case study reached a point where no new insights emerged. This was paramount in this approach, leading to a point of saturation (Glaser, Strauss & Strutzel, 1968).
We then conducted our analysis through Leximancer which provides researchers with the ability to explore data more efficiently with automatically generated themes and concepts emerging from the text without researcher input (Coffey & Atkinson, 1996) while displaying linkages between the concepts (Liesch, Håkanson, McGaughey, Middleton & Cretchley, 2011). Concepts are groups of related words that travel together in the text and which begin as seed words and evolve into a thesaurus. Themes are collections of related concepts named from the most noticeable concept found (Leximancer, 2013). Leximancer utilises word frequency and cooccurrence to identify the main concepts and interrelation within themes to test and validate theory (Smith & Humphreys, 2006), which is able to analyse conceptually text data on the principles of content analysis (Verreynne, Parker & Wilson, 2013).

We were able to filter the content in Leximancer. This was similar to a manual coding process where researchers can isolate and define themes and their word relationships (Limnios, Mazzarol, Soutar & Siddique, 2018). Leximancer uses ontological relativity to assemble information to structure and evaluate concepts with indicators of shading (warm and cool themes), closeness, and centrality for explanation (Cummings & Daellenbach, 2009). Results visually display the main concepts depicting relationship summaries similar to a mind map (Verreynne et al., 2013).

The transcripts combined each case study into two separate groups/documents labelled “executives” and “members”. The documents were loaded into Leximancer separately to gather information on the data from executives and members to become familiar with the concepts yielded. We merged similar words that had interchangeability such as “membership and members, owner and owners, producer and producers”. “Provide” was used interchangeably with “value” so we deleted “provide” along with
words such as “their, us, year” etc. We also deleted obvious references to the co-operative and the business they were in i.e., for GFC it was fishing etc. We also deleted the obvious words “co-operative” and “members” to get to the pure basic reasons for joining the co-operative without needing to filter obvious reference to these words. This is similar to second- and third-round manual coding (Saldaña 2015) in NVivo where we can strip away the “fat” and get to the meat of the findings.

4 Findings

4.1 Member and Executive perspectives – NVivo analysis

Table 4.3 provides the themes generated and the level of importance according to executives and members. Both executives and members agreed on the economic reasons for which their co-operatives were formed. The executives provided the context to their respective co-operatives and reasons such as being efficient, lowering costs, improved prices to member and rebates. Members discussed how their co-operatives, through the economic factor of better pricing and lower costs, improved bottom-line performance which led to their dominant reasons for joining their co-operative.

Beyond economics, executives and members placed different levels of importance on the other themes for joining their co-operative. For members, knowledge and networking (social) was more important to them whereas executives viewed these to be of lesser importance. Members reported being isolated with respect to their geographic locations and operating their small businesses. They shared knowledge through social gatherings and networking.
Table 4.3 Executives and Members NVivo Hierarchy Analysis

<table>
<thead>
<tr>
<th>Members</th>
<th>Executives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Economic</td>
<td>1. Economic</td>
</tr>
<tr>
<td>2. Knowledge &amp; Networking (Social)</td>
<td>2. Business Support</td>
</tr>
<tr>
<td>5. Services</td>
<td>5. Lobbying &amp; Advocacy</td>
</tr>
<tr>
<td>7. Lobbying &amp; Advocacy</td>
<td></td>
</tr>
</tbody>
</table>

Members viewed business support as important after knowledge and networking (social), whereas executives said business support was more important after economic reasons. Although some similarities exist between business support and the themes of administration and services, business support for members provided them with the confidence to contact their co-operative at any time as they were “a shoulder to lean on”.

Administration was rated higher by members compared with executives who rated it last. Online reporting facilities provided members with a streamlined process to ensure their paperwork was in order. The administration also provided the information on their patronage, with the co-operative ensuring they knew what was provided and when with respect to the flow of goods. All members had a high regard for the administration which simplified their paperwork of their businesses. CSL was very proud of the administration platform that consolidates and reconciles purchases from many suppliers and creates a simple one-payment system along with credit facilities. CSL executives were the only management interviewees who discussed the power of their administration platforms.
The services theme was more important to executives compared with members. Executives were careful to develop their service propositions for members. They were conscious of creating “false” value that had no mutual economic advantage to either the co-operative or member. Executives found this to be a challenge because it came down to the core skills and ability of the co-operative to provide a service to most members rather than a minority. Members for the most part seemed content with the services provided, with some members acknowledging that the services improved over time especially with respect to their infrastructure.

Another aspect to note was the mention of a “safety net” by members. This safety net was about the prices they received and a feeling the co-operative “had their back”. Pricing related back to the economic theme however, for the members it seemed an important aspect of safety for their business and planning. The term “safety net” did not appear in the discussions with executives. This provided a new frame of reference which co-operatives could utilise to “be on the same page” when communicating to members.

Lobbying and networking, although not ranked highly, was done behind the scenes by the co-operatives with members of CSL and GFC aware of it. The co-operatives discussed their interactions with governments and various associations to guide and direct the industry to benefit their co-operatives’ and members’ interests. WAMMCO executives were careful not to be the representative of all industry players as they were at times concerned about having the perception that it was all about them. They were also inclusive of non-members for the sake of the industry in general.
A series of vignettes from the NVivo themes is provided in Table 4.4. While the findings from NVivo provide an overview of the views expressed, we identified that many of the themes discovered are interrelated, such as pricing and safety net.

**Table 4.4 Summary of reasons provided by executives and members**

<table>
<thead>
<tr>
<th>Theme</th>
<th>Summary</th>
<th>Representative data examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>All executives and members stated the reasons for joining a co-operative had to provide economic benefits. These economic benefits could only be achieved with like-minded people/businesses which provided the economies of scale i.e., strength in numbers.</td>
<td>We need to provide them that efficient and low-cost service, so they're reflected in the price to the member. They haven't had to invest in that infrastructure themselves. – CBH executive</td>
</tr>
<tr>
<td></td>
<td></td>
<td>It is economic because they set the floor price. They’re working for the farmers whereas the private companies are working for their own shareholders who aren’t farmers themselves, so we’re looking after our own industry and CBH provide a great platform for that. – CBH member</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The two factors the way I see it are economic and efficiency which would flow on to be economic. – CSL executive</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The main thing would be economic. Anything that gives you an advantage helps you stay in business. And obviously you have a better bottom line. It’s critical. – CSL member</td>
</tr>
<tr>
<td></td>
<td></td>
<td>I think the biggest factor is that they understand that the value created by GFC will be passed back to their business through prices for their lobster. – GFC executive</td>
</tr>
<tr>
<td></td>
<td></td>
<td>It’s a money thing really at the end of the day, that’s high on the priority. – GFC member</td>
</tr>
<tr>
<td></td>
<td></td>
<td>There’s a lot of people that enjoy the value of being part of a co-operative in terms of the rebates that we supply our members when we’re making a profit. – WAMMCO executive</td>
</tr>
</tbody>
</table>
It was noted that the SME members had limited access to resources that could assist them with various aspects of their businesses. The co-operatives were able to provide the technical and business knowledge to members to ensure consistency with respect to the services and products provided by the SMEs. Members also reported they benefited through the social interaction with other members which also facilitated the transfer of knowledge. They all felt as one, operating as like-minded individuals who owned the co-operative.

Our business-relationship managers do marketing and trading, which is effectively a sales function. They are trying to compete and accumulate their grain, but they’ll sometimes provide marketing advice, or this is what’s happening in the international markets. – CBH manager

You can just talk to them and learn as well. I saw where the end market was, so I saw where CBH is affecting it and where our grain goes. Learning something else, so the more you know, the better it is. – CBH member

When you’re running a small business, you’re on your own and it can get pretty lonely out there, but it’s through us they have a networking opportunity where they talk to other like-minded people. – CSL executive

We have access to service data, technical information and just basic stuff like how to adjust adjustable suspension on the cabby. They’ve brought in the ability to text customers little videos of problems to better understand or if someone doesn’t speak English. – CSL member

The amount of resources we put towards it, meaning that we have scientists, and we have systems and processes in place to make sure everything is top notch and state of the art, and most importantly that it creates value. – GFC executive

Every fortnight we get an update on what’s happening or what’s happened, and if the price has gone down, why it’s gone down, if it’s gone up, why it’s gone up. – GFC member

There’s a demand for a lot of knowledge. – WAMMCO executive

Business support referred to how the co-operatives assisted their members with how to run their businesses. There are similarities between this, services, administration, and knowledge and networking (social) themes.

If you have any queries of their growing, you can ring the offices, they’ll help you sit on the ground. It’s generally anything to do with grain growing, the office is there to help you. – CBH member

We normally have seminars that are business training automotive skills or general running your business doing the financials. How to live better, sleep better, eat better. – CSL executive

They do more than just your parts; they provide insurance, they provide consultation. It’s like a shoulder to lean on. – CSL member
If you’re a small business, you want to ensure you’re maximising profit through whichever company you use but going through a co-operative, their goal, their aim is to return that value or create that value. – GFC manager

Confidence in the company and then it gives you confidence in your business. I know my crays will get picked up.

– GFC member

A lot of farmers will get our guys to even buy their lambs that they see an opportunity on. They’ll ask our guys to look at opportunities, buy them for them, farm them and then we’ll process them. It’s very much an intellectual thing as well.

– WAMMCO executive

The services provided by the co-operative were specific to their industries. Co-operatives had to be careful to manage the expectations of the formal services to ensure they were able to be utilised by all members efficiently and effectively.

Members sometimes had requirements from the co-operatives that were specific to their businesses, however, were not provided by the co-operative as it was not a common service required by most members. This again reflects the utilitarian nature of the co-operative for benefits for all members, rather than a few. This resulted in the co-

Service is very hard to benchmark. I don’t know how detailed we’ve gone on service. The way we keep a check on service is through the interaction with growers in terms of getting that feedback loop and saying, are we doing the right job? If not, you hear about it quite vocally.

– CBH executive

It gives me great facilities that I can store my grain. I don’t have to hold it on the farm. I’m not obliged to sell it to one of the private companies. Logistically, it’s very cheap storage and handling for me.

– CBH member

If there’s a genuine need we’ll continue the search and see if we can find a solution to the problem. If we can’t then again this gets back to this sort of openness and transparency. We need to explain to our members why we can’t, whether that’s because it’s the risk is too great, whether that’s not our core skill sets. We have to be open and up front and honest.

– CSL executive

I know that in five years’ time, I’ll look over their operation and they’ll have all these other services that are available now in the future but aren’t available right now, like five years ago, longer than that, the insurance services weren’t available. Who would ever dream that they’ll have their own mutual insurance company?

– CSL member

At a quality level. We help the vessel owners ensure that they’re delivering the top-quality product.

– GFC manager

Just the store, the general shop, buying your ropes, your gear and such, you’d always get a discount when you’re a member of the co-op. The lift you get if you’re fishing
operatives needing to align the MVP to the overall membership base rather than a few.

with someone else, it’s a little bit more expensive. If you’re fishing for the co-op, it’s cheaper again. – GFC member

The co-operatives provided significant administration support which minimises the time members must allocate in this area. Often the administration function is provided in the form of consolidated financial statements and reports which the members use to assist in meeting their compliance requirements.

Process 30 or 40 different payments every month. It gives them instantaneous access to suppliers you wouldn’t regularly use. The fact that all their transactions are aggregated for them means from a reconciliation perspective they get the benefit of saving time within a month as well as maintaining their books.

– CSL executive

It means that we can focus on the things that are really important to us because we have that support. We are able to put more time and effort into maintaining quality, into developing our staff, into training and things like that. All of those things wouldn’t be possible if we weren’t part of a larger group that helps in as many ways as they do.

– CSL member

Everything online. It’s easy to access. We can just log in and I can see all my details for all my grain. I have how many years I want to go back, it’s all there online all the time. My financial adviser and my agronomist can see it as well. My accountant, we can all just login and see it. Administratively, I have got a good system, their data base is correct.

– CHB member

They do all the work for me that I don’t want to do. I just want to catch the crays, bring it here. All paperwork is done.

– GFC member

Lobbying and advocacy was done mostly behind the scenes from the co-operative. Only one member from CSL was aware of the efforts made. This is supported by the NVivo hierarchical analysis (Table 3) also demonstrating the lower ranking of I have a very close relationship with those representative organisations to make sure they’re lobbying on behalf of what we need for CBH.

– CBH manager

You can’t measure it down to each individual member, but you know what you’re doing is actually having a positive impact on the overall industry and if we weren’t doing it or those associations weren’t doing it, at the small-business level, governments or other people would make decisions sometimes without realising the consequences of what they’ve done having an impact downstream.

– CSL executive
this theme from the view of members. This shows that the members are generally unaware of the lobbying and advocacy done by the co-operatives to benefit the industry and members.

As an industry aggregator, they are definitely lobbying for change in laws and yeah, they are backing the industry for positive change. – CSL member

GFC’s influence in that particular issue is the biggest and most successful interaction with government. We speak with the Fisheries Ministers and state governments and things all the time. We were, we being GFC, were influential and involved in the free-trade agreement with China. You don’t know whether ordinary fishermen members take all that on board or realise exactly what’s gone. – GFC executive

WAMMCO has always been on the front foot in WA. Sometimes, we’re seen as “It’s all WAMMCO”: You know what I mean? You’ve got to be very careful because you want to be able to bring some other members or people that aren’t members (to) do that. You need to be more inclusive. – WAMMCO executive

The safety-net theme was discussed mostly by CBH and GFC members due to the temporal nature of their products. The safety-net theme often referenced economics where payments were made on time and the co-operative was trusted. The strength in numbers within the co-operative also included the sense of the co-operative being a safety net for the members.

I think a lot of people enjoy the security of us being in the marketplace and being there, essentially 52 weeks in a year and not being a short-term operator. – WAMMCO executive

My grain actually has cash value once it’s in the CBH system. Until it’s in the CBH system or it’s delivered to someone who’s paying for it, it doesn’t have a cash value. If you have an earthquake or if you have a flood or something like that and it takes all the grain out of the CBH system, CBH has got it insured and it’s their responsibility. – CBH member

At the end of the day, in a co-operative, you just felt more secure in the sense of payments, and just the communication. You weren’t treated like a number. – CSL member

As far as being a small operator, they slip us under their umbrella as a baby company. I know that I’ll get my money. I know that I’ll get paid. – GFC member
4.2 Member and executive perspectives within cases – Leximancer analysis

Following the NVivo analysis of the differences between members and executives, a within-case analysis was undertaken using the Leximancer software to compare the two groups for each of the case study firms. Table 4.5 provides a summary of the main themes and associated concept seeds for each case study.

Table 4.5 Leximancer case-by-case analysis

<table>
<thead>
<tr>
<th>Co-operative</th>
<th>Executives</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBH</td>
<td>Theme (concepts)</td>
<td>Theme (concepts)</td>
</tr>
<tr>
<td></td>
<td>Market (market, service, cost)</td>
<td>Time (time, support), Money (sell, price)</td>
</tr>
<tr>
<td>GFC</td>
<td>Theme (concepts)</td>
<td>Themes (concepts)</td>
</tr>
<tr>
<td></td>
<td>Supply (supply, price, value)</td>
<td>Money (money, price, sell)</td>
</tr>
<tr>
<td>CSL</td>
<td>Themes (concepts)</td>
<td>Themes (concepts)</td>
</tr>
<tr>
<td></td>
<td>Business (business, people, industry)</td>
<td>Information (information, buy)</td>
</tr>
<tr>
<td>WAMMCO</td>
<td>Themes (concepts)</td>
<td>No interviews conducted.</td>
</tr>
<tr>
<td></td>
<td>Business (people, industry, business)</td>
<td></td>
</tr>
</tbody>
</table>

The findings revealed that CBH members joined their co-operative mainly for the monopoly over the infrastructure assets that this co-operative has. This derives from the history of the co-operative, which was established in 1933 and granted a statewide monopoly under State legislation that lasted until the late 1980s. During that time, CBH invested in a large network of grain silos and conveyor systems at major seaports around the state, which remain a key source of competitive advantage even though the legislative monopoly has now gone.
Memberships have also been inherited through the generations due to its long history. Members can sell their grain where they please as CBH does not capture the full supply from its farmers for sale. The executives of CBH were focused on their services and cost structures to ensure they assisted their members with their harvest in a timely manner which is represented through the “market” theme. CBH members had two main themes, being “time” and “money”, and this was consistent with their business operations of needing to achieve quick harvest times for storage and sale.

GFC members were cognisant of a previous experience relating to a co-operative (Fremantle Fisherman’s Co-operative Society Ltd), which failed, leaving a generation of fishermen disenchanted. As a result, members paid more attention to how GFC operated. Despite an understanding of the vertical integration strategy by GFC, members continued to focus on their co-operative being a price maker and the need for equitable outcomes for all members rather than a select few. Members were explicit in stating their primary motive was financial which was represented by the main theme of “money”. This is supported by our findings where executives of GFC focused on “supply, price and value” which they considered to be economic reasons that members joined their co-operative.

CSL built its reputation on its purchasing power, technical information and administration platform for its members which was represented through the “business” theme. CSL executives focused on helping their members businesses as would a consultant. Members viewed their co-operative as more of a source of technical information to help their businesses and a purchasing platform which was represented in the “buy” concept seed within the “information” theme. Members all agreed on the
importance of the administration platform benefits such as a consolidated statement which provided significant member value.

WAMMCO executives held the view that they had to make it attractive for members to join their co-operative which ultimately evolved around economics represented within the “business” theme. According to the WAMMCO executives, most of their members didn’t rely on WAMMCO as a part of their core business as they had other businesses. For example, many of their members were large grain growers and members of CBH. They could also sell their meat to several local IOF meat processors. For WAMMCO to be successful, their members had to benefit through a reputation of quality products and overseas markets to capture higher prices.

In summary, our case-by-case analysis demonstrated that executives were focusing to provide economic returns and services that aligned within the context of their members’ businesses. Members were specific with respect to what they were seeking from their co-operatives in relation to the services of providing them with economic, knowledge and business support services in addition to a safety net. These results provided confidence in the case studies used, confirming and thus validating the context of each case to analyse the aggregated data from the perspectives of executives and members.

4.3 Member and executive perspectives across cases – Leximancer analysis

A final cross-case analysis was undertaken to examine the perspectives of all the respondents comparing the perspectives of the members and executives. In this approach it was possible for us to examine, through proximity of themes and concept seeds, what was important to executives and members. This is shown in Figure 4.2, where two main themes of “time”, closer proximity and importance to members, and
“business” which had a closer proximity to executives emerged. The concept seeds towards the centre show congruence between executives and members.

The “business” theme related to the economic focus as the reasons SMEs joined the co-operative. The concept seeds within this theme include “value, business, people, market and price”. The “value” concept seed data related to the co-operative providing support to the members and services which included the infrastructure/assets in their respective industries. From the executives’ perspective, this enabled members to achieve quality optimisation when it came to products that had temporal specificity in the cases of CBH, GFC and WAMMCO. This resulted in minimising financial risk via prices, rebates, payment and the power in economics of scale. Executives viewed their roles as guiding the co-operatives’ access to the “market” where premium “prices” were achieved for members.

The “time” theme contained concept seeds of “time, money, people and industry”. The “time and money” concept seeds had an economic nature attached to them. This also provided a safety net to members with respect to payments made on time and an overall de-risking to their businesses. “Time” included the ease of transactions and transparency providing administration advantages. “Time” also related to the coordination of activities that led to efficiencies and de-risking for the members. For example, CBH required storage facilities that could provide quicker turnaround times to off-load product for members. GFC required facilities that would keep products in a good state: i.e., they had temporal specificity for the export market. CSL required certain parts to be available on time to ensure their customers were not waiting too long.
“People, industry, business, money and price” were common concept seeds which both executives and members had congruence in. The “people” concept connects to both the “industry and business” concept seeds. It also related to the knowledge and networking (social) aspects of the co-operative, and the ability for like-minded individuals/business to come together for economies of scale and to develop strength in numbers.

Figure 4.2: Leximancer analysis of executives and members

In Figure 4.2, the pathway of “executives→business→people→money→members” shows how “people” made up the co-operative and this central concept seed formed the basis of the co-operative’s essence. From the members’ perspective, that would translate into the “money” concept seed. The “industry” concept seeds direct pathway from the “people” concept seed was ultimately showing the sum of everyone within the co-operative who contributed to the industry. The “money” concept seed for members related to various topics such as the security of receiving their payments on time and the pooling of funds to create financial resources for investment purposes. For others it was about the best price being paid over time (i.e., the co-operative delivering better industry prices consistently).
Some members also commented that they benefited due to the pooling of product with more power in the market and the ability to receive higher prices while driving down costs i.e., economics of scale. These were the common areas where the executives believed they also provided “value” to their members. The “industry” concept seed related to lobbying and advocacy which was discussed by both members and executives to keep in close contact with industry ensuring members’ interests, in addition to the industry, were kept in check.

4.4 Validation of findings cross-checking NVivo and Leximancer

To ensure reliability and validity across the NVivo and Leximancer analysis, the final stage involved cross checking the finding from these two forms of analysis. Table 4.6 provides a cross check between the NVivo and Leximancer themes. We demonstrate how the “business and time” themes emerging from the Leximancer analysis is supported by NVivo.

The “business” theme and associated concept seeds in Leximancer can be linked to the NVivo themes of economic, business support, safety net and service. The Leximancer analysis provided a general area of congruence between executives and members through the concept seeds of “people, industry, price and business”. These are consistent with the economic nature of the co-operative and confirms our previous findings that economics was the primary motivation behind the reasons members joined their co-operatives. The “value” concept seed in Leximancer confirms the executives knew they had to provide services, business support and to be an overall safety net to their members. Members concurred with this.
The “time” theme and associated concept seeds in Leximancer are linked to the NVivo themes of economic, safety net, administration, knowledge and networking (social) and lobbying and advocacy. The “money” concept seed provided members with the surety of being paid and the pooling of funds which was considered both to have economic importance and to provide a safety net. The “time” concept seed was related to the importance members placed on the administration provided by their co-operatives. The “people” concept seed related to the knowledge and networking (social) theme and represented the association of like-minded people who gave strength and economies of scale to the co-operative. The “industry” concept seed was related to the lobbying and advocacy theme in NVivo.
5 Discussion

Our findings support those of Mazzarol et al., (2013) in relation to the antecedents motivating SME owners to join co-operatives. This provides important validation because research into the reasons that SME owners join co-operatives remains limited. In this sense our study makes a useful contribution to the literature.

Table 4.7 provides a summary of our findings and how they relate to the Mazzarol et al., (2013) antecedents. The strongest antecedents in our study were the willingness to cooperate, a common sense of purpose, member-driven formation, and the need for external resources. The desire to shape the external environment was achieved through the antecedents mentioned above. Regarding environmental uncertainty, which we do at a fundamental level agree is a reason for the co-operative to be established, it didn’t generate much importance from members. In the following sub-sections, we discuss each of these findings in more depth.

The knowledge and networking (social) themes discussed by executives and members revolved around seeing the co-operative as members of a community working towards the same goals. Members were often quoted at times saying it was lonely operating as an SME. They needed to share ideas among fellow members to address business issues such as wages, leadership and making effective use of their teams, let alone business practices. In pursuing individual aspirations, they saw the power in collective action (Markelova et al., 2009) in pursuit of common goals.
<table>
<thead>
<tr>
<th>Antecedents</th>
<th>Executives</th>
<th>Members</th>
<th>Supporting Theories</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Willingness to cooperate</td>
<td>NVivo: knowledge &amp; networking</td>
<td>NVivo: knowledge &amp; networking</td>
<td>• Mutual Incentives Theory (Birchall &amp; Simmons, 2004)</td>
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<td></td>
<td>(social)</td>
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<tr>
<td>(2) Common sense of purpose</td>
<td>Leximancer: people</td>
<td>Leximancer: people</td>
<td>• Relational Specificity (Karantininis, 2007)</td>
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<td>(3) Member driven formation</td>
<td>NVivo: economic</td>
<td>NVivo: economic</td>
<td></td>
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<td></td>
<td>Leximancer: value</td>
<td>Leximancer: value</td>
<td></td>
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<tr>
<td>(4) Need for external resources</td>
<td>NVivo: business support</td>
<td>NVivo: business support</td>
<td>• Asset and location specificity (Pascucci, Gardebroek &amp; Dries, 2012)</td>
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<td></td>
<td>Leximancer: business, market,</td>
<td>Leximancer: business, market</td>
<td>• Temporal specificity (Sykuta and Chaddad, 1999)</td>
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<td></td>
<td>price, value</td>
<td>Leximancer: business, market</td>
<td>• Partner reputation (Prabhudesai and Prasad, 2017)</td>
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<td></td>
<td></td>
<td>Leximancer: business, market</td>
<td>• Resource Based View (Barney, 1991;2001)</td>
</tr>
<tr>
<td>(5) Desire to shape external</td>
<td>NVivo: business support</td>
<td>NVivo: business support</td>
<td>• Asset and location specificity (Pascucci, Gardebroek &amp; Dries, 2012)</td>
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<tr>
<td>environment</td>
<td>Leximancer: business, market,</td>
<td>Leximancer: business, market</td>
<td>• Temporal specificity (Sykuta and Chaddad, 1999)</td>
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<td></td>
<td>price, value</td>
<td>Leximancer: business, market</td>
<td>• Partner reputation (Prabhudesai and Prasad, 2017)</td>
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<td></td>
<td></td>
<td>Leximancer: business, market</td>
<td>• Resource Based View (Barney, 1991;2001)</td>
</tr>
<tr>
<td>(6) Environmental uncertainty</td>
<td>NVivo: lobbying &amp; advocacy</td>
<td>NVivo: lobbying &amp; advocacy</td>
<td>• Business environment (Mazzarol, Limnios &amp; Reboud, 2013)</td>
</tr>
<tr>
<td>(7) Lobbying &amp; Advocacy</td>
<td>Leximancer: industry</td>
<td>Leximancer: industry</td>
<td>• Economic justification (Cook and Burress, 2009)</td>
</tr>
</tbody>
</table>
5.1 Willingness to cooperate, common sense of purpose and member-driven formation

Birchall and Simmons (2004) refer to both collectivistic and individualistic incentives that determined member participation where shared goals and values play a role, along with a sense of community, benefits and habit. The executives and members interviewed for our study identified that co-operative membership provided them with the networking (social) aspects and a sense of community, which forms a “strength in numbers” relational specificity as suggested by Pascucci et al. (2012). Members reported that price was important to them, and that volume through patronage ensured both costs and price received were fair for all members. All executives and members agreed on the importance of the relationships within their co-operative and that benefits were for all members, not just a select few, a finding that supports the utilitarianism view in co-operatives (Jussila et al. (2012). “People” was a central theme supporting the view that the co-operative was established for members.

Each of the four co-operatives with their relatively long histories, they have been able to develop dominant positions within their respective industries. CBH was granted a monopoly over grain storage and handling within Western Australia via a State Government Act as part of its formation in 1933. Although it lost this monopoly in the late 1980s, its ownership over key port infrastructure, and overall scale of operations, has enabled it to maintain a dominant role within the WA grains industry.

For GFC, the demise of the Fremantle Fisherman’s Co-operative Society, which had operated successful from 1947 until 2006, effectively resulted in the co-operative emerging as a near monopolist. In the case of CSL, its expansion across Australia and New Zealand, following its foundation in 1974, positioned the co-operative as a strong
monopoly within its industry. By comparison, WAMMCO, which was founded in 1971, had less market dominance via incumbency. These co-operatives could not afford to ignore their members or become complacent. All four firms remained strongly focused on retaining member loyalty.

Nevertheless, members inherited the benefits from the investment and commitment made by their predecessors in building up these co-operatives. This is line with Golovina and Nilsson (2011) where the formation of the co-operative is established through the motivation of members rather than other external forces. For this to occur, members need to cooperate with each other towards a common sense of purpose (Mazzarol et al., 2013). Much of the discussion around relationships demonstrated relational specificity (Karantininis, 2007, Pascucci et al., 2012) and shows a high level of interdependence between the co-operative and its SME members.

Working together towards a common goal required the co-operatives to continue providing value to their members to strengthen their market competitiveness. The participation chain created by Birchall and Simmons (2004) explains the “motivation” link where synergies are created between individualistic and collectivistic incentives towards one goal. This demonstrates how all the SMEs enhance their business success due to alliances and formal networks to achieve their business objectives (Schoonjans et al., 2013).

5.2 Need for external resources

The resources required by members is in line with the RBV theory of the firm (Barney, 1991), which has been supported by Birchall and Simmons (2014) that proffers theory for why SME owners join co-operatives. Members coming together and pooling
resources becomes productive for those participants within the joint activity (Conner, 1991).

Securing resources individually is a major obstacle for SMEs and the ability to secure them through the co-operative enhances their competitiveness which, according to Rothschild (1987), results from the control of those resources. By controlling assets collectively, smaller producers manage the uncertainty they are confronted with in their market (Katz & Boland, 2002). Resources are also specific to the needs of the members in our findings and this resulted in the success achieved by these co-operatives over the years. Specificity, as discussed by Pascucci et al. (2012), relates to location, asset and relational specificity identified as temporal specificity by Sykuta and Chaddad (1999). All the executives and members discussed the importance of the assets specific to their industries. For example, CBH required asset specificity in relation to storage systems, GFC with respect to the logistics of their temporal specific product, CSL with respect to relational including knowledge, and WAMMCO in relation to their processing plant. In our findings, executives considered these all to provide economic benefits to their members.

Members stated the importance of economic value-add through what their co-operatives provided. However, they also referred to these as being a saving of time and a safety net. This conforms to the safety-net theme described by Prabhudesai and Prasad (2017) with their antecedent of the “partners reputation”. The members all agreed that their co-operatives had established positive reputations within the marketplace, giving them that safety net. Street and Cameron (2007) refer to the organisational characteristics of the partner through their discussion of prominence and integrity. Members in our study discussed the proven ability of their co-operative’s
performance as their definition of reputation not only among themselves but across the wider industry.

The savings of time did not include only administration, but also location and temporal specificity. CBH members saved on their turnaround between their farms and storage bins. GFC members wanted to ensure lobsters were in good condition throughout the complex supply chain involving the wild catch and live export from Australia to China, which was also the objective of GFC executives to attract premium prices. The need for communication between members and the co-operative confirmed the view of Mentil and Grabenweger (2015) where they stated that regular communications between partners is pertinent for successful cooperation. This was particularly important with the dispersed geographic locations of the members and why the executives were always communicating with members to fine-tune their Member Value Proposition (MVP) (Mazzarol, Clark, Reboud & Mamouni Limnios, 2018).

5.3 Desire to shape external environment

Many members viewed the reputation of their co-operatives as a guarantee of their prices, payments, income and de-risking which provided them with a safety net. Executives believed this business-support function was determined by the value they were trying to give their members. Prabhudesai and Prasad (2017) found a positive correlation between the performance of the members’ own businesses working through a strategic alliance partner, and the partner’s reputation. They stated that reputational characteristics of the partner firm assisted the SME, in this case, to strengthen legitimacy and prominence. This was demonstrated through discussions with members of GFC, WAMMCO and CSL where the brand of the co-operative assisted in better pricing capability. In the case of GFC and the executives of
WAMMCO, it was the prices they received for their produce in markets they built. In the case of CSL it was the reputation of being a member of their co-operative among suppliers that gave them legitimacy and power ensuring they would not be placed in an unfair position due to the larger organisations that provided their supplies. This is consistent with the Mazzarol et al. (2013) findings where the small producers in their study also were better off through the co-operative via access to infrastructure, lower input costs and attractive market prices.

Our findings also suggest that co-operatives are formed when members cannot achieve benefits from other business models (Spear, 2000). The challenges addressed by the co-operatives in this study have been overcome through what Peredo and Chrisman (2006) refer to as a unity to attain their mutual objectives. In order to compete with IOFs in the market, it is important for the co-operatives to be consistent in generating higher financial returns to members (Mazzarol, 2015). In other words, the co-operative can shape the external environment in which it operates.

5.4 Environmental uncertainty / lobbying and advocacy

Mazzarol et al. (2013) noted that this antecedent where issues and challenges such as increased competition or market deregulation had a negative impact on the SMEs’ business environment. Cook and Burress (2009) also suggest the reasons for a co-operative to exist are based on an economic justification towards improving a position in the market collectively.

However, in our study, environmental uncertainty was framed in line with lobbying and advocacy. Executives and members didn’t place as much importance on this compared with the already mentioned antecedents. Street and Cameron (2007) note that small business relationship impacts on society do not receive much attention. In
our study the executives were prouder of their involvement with industry and some members acknowledged the work done by the co-operatives. For example, GFC and CSL members believed their co-operatives played major roles in their respective industries. This was only possible due to the strength and reputation of their co-operatives enabling them to be at the forefront of industry issues.

Conclusion

This study provides a unique perspective in the field of co-operative research by investigating executives and members simultaneously on the reasons that SME owners join co-operatives. Our findings support the previous research into this undertaken by Mazzarol et al., (2013), but provide evidence from both the co-operative executive and member perspectives. Executives and members agreed their co-operatives were established with the members as the focus and beneficiaries, with economic outcomes as a significant performance indicator. SME owner-members achieved value from their membership via their co-operatives through asset, location, temporal and relational specificity.

Executives and members also supported the view that benefits were achieved through strength in numbers. This was required to ensure their co-operatives functioned with a supportive and committed membership base. We also note that members often referred to the co-operative being their safety net, saving them time through benefits from the administration platforms. As the co-operatives in this study were mature, established and successful, we found the main antecedents were the need for external resources to shape the external environment and the challenges they faced (Mazzarol et al., 2013). For this to happen, it was logical that there had to be a willingness for members to cooperate, and a common sense of purpose being member-driven. These
are consistent with the antecedents postulated by Mazzarol et al., (2013). The reputation and market power of the co-operatives also enhanced their ability to lobby and advocate on behalf of their members.

6.1 Managerial implications

Co-operatives can utilise these antecedents when recruiting new members and assist in member retention through the communication and development of their MVP. They can also be used as a general framework to ensure executives and members are on the same page. As the co-operative grows and goes through its lifecycle, patron drift may occur where the new members may not see the same justification of the co-operative as previous memberships (Cook & Burress, 2009). SMEs can use the antecedents to easily identify whether membership will provide them with the benefits they seek for their businesses and to ensure the MVP facilitates some or all their business goals.

The MVP could also utilise specific terminology of safety net, time and administration when communicating with members. The antecedents can also be used to transform the MVP to ensure it remains relevant to members. This will ensure the co-operative remains true to purpose and continue benefitting members amid changing circumstances in the business environment. Mazzarol et al., (2011) support this by stating that co-operatives’ success hinges on strategic MVPs through the configuration of resources, processes, and a revenue/profit model. For this to occur, a sustainable MVP should be compelling to co-operative members regardless of the stage and size of their businesses. These reasons, we argue, can be reconfigured through remembering the reasons that SME owners joined the co-operative.
Key performance indicators, or some form of dashboard metrics can be developed by the co-operative. This may be beneficial for governance and relevant MVPs, in addition to serving as a marketing tool to lure SMEs into membership. For existing members, it could re-emphasise the advantages of co-operative membership based on tangible results. We must also note that non-financial metrics should also be introduced once the co-operative has a history. This type of dashboard was developed by CBH in 2011 as a Grower Value Statement, comprising both financial and non-financial measures targeted at each individual member. This was further developed into a Grower Value Return on Capital (GVRoC) measure, designed to provide members with an objective metric to compare the value received by members against comparable alternatives. This was motivated by the non-distributing nature of CBH, which could not rely purely on pricing and investment returns via dividends.

In the event of any discussions around de-mutualisation where economic focus takes a priority, these could be countered by application of key performance indicator metrics to demonstrate the co-operative can sustainably deliver membership advantages, especially when trying to shape the environment in which it competes. This in fact was the use to which CBH has put their GVRoC measure when faced with pressure from minority members seeking to demutualise the co-operative.

The antecedents, from our findings, do not solely focus on the economics. We have seen in this study that other antecedents for SMEs to join co-operatives require a willingness to co-operate, have a common sense of purpose and be member driven.
6.2 Limitations and further research

This study is not without limitations. It was undertaken in Australia. Future studies should provide a comparison across more geographic locations where the business and cultural environments might be different. This study focused on four well-established co-operatives and results cannot be generalised or related to newly formed co-operatives.

Further research should compare our findings with co-operatives that are about to be established to determine whether members’ views remain consistent at the beginning of the co-operative lifecycle or confirm whether the primary motivator for joining is purely economic. Of interest would be an exploration to see whether these results can be made general to include consumer and worker co-operatives rather than SME owners.

Another area of research should compare whether the reasons for joining the co-operative remain consistent after different business horizons. This could benefit co-operatives and members to determine what factors, if any, affect their reasons for joining the co-operative over time. This can assist in the adjustment of the MVP to cater for the different lifecycles of both the co-operative and SME owner. In doing so, opportunities may present themselves to explore how drift between the co-operative and members occurs, and to develop strategies for re-alignment.

Acknowledgments: The authors would like to sincerely thank the co-operative executive and management teams for taking time out of their busy schedules. A special thank-you is also extended to them for entrusting us with meeting their members. We are extremely thankful to the members who took time out of their daily businesses to give their views to us so openly and candidly.
Chapter 5: Values congruence and SMEs’ active membership in co-operatives

Summary of the chapter

This research paper has been submitted and under review with the Scandinavian Journal of Management. This paper addresses research question 2: How does value congruence impact on SMEs active membership?

Values congruence and SMEs’ active membership in co-operatives

Abstract

The purpose of this paper is to examine how values congruence, affective commitment and perceived value influence the active membership of SME members of co-operatives. A sample of 264 SME members was drawn, and a path model using a partial least squares (PLS) analysis was used to estimate the interrelationships between the constructs. Significant relationships were found between all constructs. Values congruence influences both affective commitment and perceived overall value as mediators, which in turn influence active membership, while also directly influencing active membership. This paper provides empirical support for suggestions on the factors influencing active membership within co-operatives, particularly those with SMEs as members. It also suggests that the managers of co-operatives should focus on ensuring that there is a congruence in values with members rather than solely relying on member patronage as the focus. The aim for co-operatives is to find a balance between both economic and social objectives.

Key Words: SMEs, co-operatives, member value proposition, perceived value, subjective values congruence perception, affective commitment, active membership.

Paper Type: Research paper
Introduction

This paper focuses on the roles that values congruence, perceived value and affective commitment play in influencing SME managers and owners’ active membership within co-operatives of which the membership is comprised. Active membership involves members using the co-operatives’ services through their patronage (e.g., selling or buying) and through supporting their co-operative’s primary activities or purposes for which their co-operative was created. Members of co-operatives come together to conduct a common economic activity while having a share of its ownership (Cabaleiro-casal, Iglesias-malvido & Martinez-fontaiña, 2019). For example, under Australian co-operative law, there needs to be an alignment between a co-operative’s purpose and activities and the activities a member is expected to undertake, to determine whether they are “active” members (CNL, 2013). However, patronage is not the only measure of active membership, as it can also include members’ participation in the co-operative’s governance (e.g., attending general meetings, participating in committees, or serving on the board) (Verhees et al., 2015).

A co-operative is a business that is owned and controlled by its members who use its services as patrons (Briscoe & Ward, 2000; ICA 1995). Co-operatives have a governance system based on the one-member-one-vote model, rather than the one-share-one-vote model found in IOFs. A co-operative’s focus is on the economic and social objectives that are important to its members, rather than on the maximisation of returns to shareholders (Novkovic, 2008). Members can be individuals or businesses. In the latter case, members are typically SMEs (e.g., farmers, fishermen, and small retailers) and it was this group that was of interest in this study. Here, we defined an SME as a firm having fewer than 250 employees and an annual turnover and assets of
less than €50 million and €43 million respectively (OECD Statistics, 2004). SMEs join co-operatives to overcome common problems they cannot solve alone (Scarinci, 2003), such as resource constraints (Birchall & Simmons, 2004) and market failures (Haque, 2008). Such SMEs, which are traditionally very independent, commit to co-operative action to address challenges common to them and similar SMEs in the hope these actions will solve the problem, so they obtain value from their membership (Markelova et al., 2009).

The importance of perceived value to motivating customer loyalty is well recognised (Boksberger & Melsen, 2011). However, the role of perceived value in co-operative contexts is underexplored and requires investigation to understand how members perceive or expect value to be given (Talonen et al., 2016). If a member does not perceive that their membership is of value, it is unlikely they will remain active. According to Talonen et al. (2016), it is the members’ value perception that drives their patronage and ensures their co-operative’s success.

Delivering value to stakeholders is an ongoing management concern, regardless of the type of business (Ulaga & Chacour, 2001). This can be facilitated through alliances and partnerships (Sharma & Sheth, 1997), including through co-operative membership. Through such membership, organisations can maintain a competitive advantage (Hansen et al., 2008), which is an important consideration in any business model (Chesbrough, 2007; Teece, 2010; Zott et al., 2011). However, a distinction must be made between the ways co-operatives and IOFs perceive value or benefit due to their differing governance and ownership structures. Borgen (2004) suggested IOFs focus on the maximisation of shareholder return, while co-operatives provide value through patronage benefits (e.g., a better price or access to services otherwise not
obtainable outside membership). However, it is unclear what factors might impact on such perceptions and what impact these perceptions might have on members’ loyalty, and this led to the present study.

Affective commitment impact on loyalty has also been recognised for some time (Meyer & Allen, 1990a; Iglesias et al., 2011). Further, perceived value seems to increase customers’ commitment (Chiu et al., 2018; Lai, 2019) and its importance in ensuring sustainable and successful co-operatives has been acknowledged (Jussila et al., 2012), although little empirical research has been undertaken into this relationship in co-operative settings. However, a recent study found this relationship was relevant in co-operative settings (Mazzarol et al., 2019), suggesting commitment should also be examined in this study.

Prior research suggests personal values, but especially values congruence, influence employees’ commitment to their organisation (Finnegan, 2000; Cable & DeRue, 2002) and to brands they purchase (Zhang & Bloemer, 2011), as well as playing a role in customers’ decision-making processes (Anwer et al., 2020), suggesting values congruence should also be examined. The role-values fit plays (e.g., person-organisation-fit) has been recognised as being important to the enhancement of people’s identification with an organisation and their commitment to it (Cable & DeRue, 2002). Further, the importance of values and members’ values alignment has been recognised in co-operative settings (Novkovic & Power, 2005; Novkovic, 2006; Cicognani, Palestini, Alabani & Zani, 2012; Sacchetti & Tortia, 2016), although these studies have been qualitative, suggesting further quantitative research is needed.
Despite their importance, relatively little attention has been given to understanding the relationships between active membership and the antecedent variables of values congruence, perceived value and commitment. Understanding the nature of these relationships would enable a co-operative’s managers and directors to be better placed to ensure members remain active (Sergaki, 2006). Consequently, this study explored how active membership is influenced by these factors, asking:

What influences do subjective values congruence perception (values congruence), perceived value and affirmative commitment have on active membership within a co-operative?

Before discussing the study, we provide a literature review and a theoretical background for the concepts used. We then outline the research approach used, including a discussion of the design of the questionnaire, sampling, data collection methods and data analysis. Finally, we discuss the results and the findings, as well as some implications for management and future research.

**Literature Review**

Birchall and Simmons (2004) and Fulton and Adamowicz (1993) have suggested the key challenge facing co-operatives is an ability to maintain active membership through member commitment to regular patronage. Success is more likely when co-operatives provide members with products and services relevant to their needs (O'Connor, 2003). Therefore, the focus should be on what members want, rather than on what a co-operative has to offer (Suter & Gmüür, 2013). Co-operatives need to provide economic and social benefits through a member-value maximisation strategy through which members as patrons are satisfied (Talonen et al., 2016).
2.1 The member value proposition and active membership in co-operatives

An important element in the development of active membership is the development of a compelling member value proposition (MVP), which is best done by listening and responding to members’ needs and wants (Cook, 1994; Tuominen et al., 2009). The MVP encapsulates the value the co-operative offers its members (Mazzarol et al., 2018) and provides the foundation upon which ongoing relationships between customers or members and a business are formed (Frow et al., 2014). They highlight a product or service’s visible benefits in such a way that the product resonates with target end-users (Anderson et al., 2006; Chesbrough, 2007). For co-operatives, the MVP needs to attract not only members’ patronage but should also be delivered sustainably over time (Mazzarol et al., 2018). It is important there be an alignment between the co-operative’s purpose, the activities it undertakes and the value perceived by members. Despite this, relatively few co-operatives have formally articulated their strategic purpose (Mazzarol, 2015). However, they are not much different from other firms. Frow and Payne (2011) found less than 10% of their IOF sample had formal approaches to the development and communication of their value propositions.

The MVP a co-operative makes to its members needs to be unique and not readily available from alternative sources (Nguyen, 2006). As noted earlier, the alignment between a co-operative’s purpose and how its activities (e.g. products and services) are configured to deliver value to members is important, but these must also be relevant to members and perceived as valuable (Mazzarol et al., 2019).
Over time, as membership grows and heterogeneity develops, it is possible that members’ commitment and, therefore, their active membership, will decline (Bijman & Verhees, 2011), leading to patron drift, substitution effects and diversification (Cook and Burress, 2009). The dilemma to flourish as a business, while guarding the best interests of members who may prefer one direction over another (LeVay, 1983), is to manage these large heterogeneous groups. This led Hind (1999) to suggest eight performance indicators (four from the co-operative’s perspective and four from a member perspective). The suggested co-operative’s business indicators were: i) maximising profits; ii) being financially secure; iii) having a good industry image; and iv) pursuing growth, while the suggested members’ indicators were: i) paying maximum dividends to members; ii) giving the best deal to members; iii) paying maximum trade bonuses; and iv) ensuring member participation in decision-making (Hind, 1999).

Although co-operatives have a social purpose, they must also be efficient and economically sound businesses if they are to be sustainable (Laidlaw, 1981). O’Connor (2003) suggested successful co-operatives are successful businesses first. Thus, a co-operative must be structured to perform economically if it is to provide value to its members. However, Suter and Gmür (2013) argued that if members are not interested in the products or services a co-operative has to offer, no member value will exist, again highlighting the central importance of perceived value.

2.2 Perceived value in co-operatives

Zeithaml (1988) defined perceived value as people’s perception of what is received for what is given, which has led to other related definitions (Geraerdts, 2012; Kwun, 2011; Sun & Su, 2012; Sweeney & Soutar, 2001). An early suggestion was that
perceived value was a trade-off between quality and price of a product or service (Dodds et al., 1991). Within service environments, perceived value involves an interaction between service representatives and customers, in which information helps the tailoring of products and services so they meet customers’ needs (Hansen et al., 2008).

2.3 Values congruence and active membership in co-operatives

While the concept of value is associated with trade-offs between benefits and costs, personal values are associated with a complex mix of human beliefs, attitudes, social norms, interests, ideology, and philosophy (Kluckhohn, 1951; Rokeach, 1973; Williams, 1979). Alignment between an individual’s values and those of an organisation strengthens commitment and loyalty (Branson, 2008) and improves organisational performance (Vveinhardt & Gulbovaite, 2017; Posner & Schmidt, 1993). It is therefore important that co-operatives pursue values that are shared by their members and that these values contribute to the overall value perceived by members (Brown, 1997). Co-operatives should focus on the economic and social goals members desire (Birchall & Simmons, 2004) and align members’ roles and interests with those of the co-operative (Mazzarol et al., 2013).

Co-operatives have an identity based on their globally recognised principles and values (Nilsson et al., 2012) and their performance is not measured purely by investor returns, as is common with IOFs (Sacchetti & Tortia, 2016). The co-operative principles and values define the relationships between members and the co-operative and how it functions at a relationship level (Nilsson, 1996). However, to manage and motivate members when direct investment returns may not be possible, co-operatives need to leverage non-financial benefits such as the alignment of common purpose and
shared values (Novkovic, 2006). Interestingly, co-operative members can become dissatisfied when they feel their own organisation is not adhering to co-operative principles and values (Anderson & Henahan, 2003), suggesting why co-operative managers need to understand these principles and values.

Sharing common values and purpose is important because when a co-operative grows and member heterogeneity develops, it becomes more difficult to satisfy everyone with specific products and services (Arrow, 2012). Indeed, Klein, Richards and Walburger (1997) found significant differences in the needs of member farmers based on the age and size of their farm, with older farmers and those with larger farms being more active patrons of their co-operatives than were younger and smaller farm holders.

3 A model of the factors influencing active membership

The literature review suggested several hypotheses that led to a model of the factors influencing active membership within co-operatives. Cable and DeRue’s (2002) and Cennamo and Gardner’s (2008) research suggests values congruence will influence member commitment and their active membership, suggesting:

H1: The more congruent a member’s values are with a co-operative’s values; the greater will be their affective commitment.

H2: The more congruent a member’s values are with a co-operative’s values; the greater will be their continuance commitment.

H3: The more congruent a member’s values are with a co-operative’s values, the more positive will be their perception of the value they obtain from their co-operative.

H4: The more congruent a member’s values are with a co-operative’s values, the more active their membership will be.
Further, Mazzarol et al.’s (2019) study found commitment influenced loyalty and word of mouth, suggesting:

$H_5$: The greater a member’s affective commitment, the more active their membership will be.

$H_6$: The greater a member’s continuance commitment, the more active their membership will be.

Mazzarol et al. (2019) also found value impacted on commitment, suggesting:

$H_7$: The more positive a member’s perception of the value they obtain from their co-operative, the greater will be their affective commitment.

$H_8$: The more positive a member’s perception of the value they obtain from their co-operative, the greater will be their continuance commitment.

Finally, Grace and O’Cass (2005), El-Adly’s (2019) and Yuan et al.’s (2020) research found value impacted on loyalty, while Byrne and McCarthy (2014) found a relationship between members’ views about their co-operative’s value proposition and their patronage activities, suggesting:

$H_9$: The more positive a member’s perception of the value they obtain from their co-operative, the more active their membership will be.

Figure 5.1 illustrates this model, in which values congruence is an antecedent to members’ commitment (both affective and continuance; $H_1$ and $H_2$ respectively), perceived value ($H_3$) and active membership ($H_9$). These three constructs impact on active membership ($H_4$, $H_5$ and $H_9$). Further, perceived value is modelled as an antecedent to commitment (both affective and continuance; $H_7$ and $H_8$ respectively). The present study was undertaken to estimate this model for a sample of co-operative members, all of whom owned or managed SMEs.
4 The Present Study

4.1 The questionnaire and data collection

The scales used to estimate the model’s constructs were adapted from well-established scales used in prior research in management and marketing research. In each case, Likert-type scales that ranged from strongly disagree (1) to strongly agree (5) were used to measure the construct. The values congruence scale was adapted from Cable and DeRue’s (2002) and Cennamo and Gardner’s (2008) research into person-organisation fit, while affective and continuance commitment were adapted from Allen and Meyer’s (1990a/b) research and perceived value was adapted from Dodds, Monroe and Grewal’s (1991) study. Finally, the active membership scale was adapted Söderlund’s (2002) general intention scale.
Table 5.1 lists the constructs, provides examples of their items and the number of items in each construct, and lists the sources of the scales used to measure the constructs. The various items were included in a larger online questionnaire that was designed to ask respondents several questions about their interactions with the co-operatives.

**Table 5.1: The research constructs**

<table>
<thead>
<tr>
<th>Construct</th>
<th>Sample Item</th>
<th># Items</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Values Fit</td>
<td>My personal values match (co-operative)’s values and culture.</td>
<td>3</td>
<td>Cable &amp; DeRue, 2002</td>
</tr>
<tr>
<td>Affective Commitment</td>
<td>I think of (co-operative) as a long-term ally.</td>
<td>4</td>
<td>Allen &amp; Meyer, 1990b</td>
</tr>
<tr>
<td>Continuance Commitment</td>
<td>I would give up a lot if I left (co-operative).</td>
<td>3</td>
<td>Allen &amp; Meyer, 1990b</td>
</tr>
<tr>
<td>Overall Value</td>
<td>I receive good value from being a member of (co-operative).</td>
<td>5</td>
<td>Dodds, Monroe &amp; Grewal, 1991</td>
</tr>
<tr>
<td>Active Membership</td>
<td>I want to remain actively engaged with (co-operative) in the future.</td>
<td>3</td>
<td>Söderlund, 2002</td>
</tr>
</tbody>
</table>

The data were obtained from members of a large Australian online consumer panel provider, with supplementary recruitment undertaken with the assistance of four large Australian co-operatives. Respondents were screened to make sure they were active members of a co-operative or mutual enterprise (CME) and were SME owner-operators. In the recruitment process, respondents were provided with a definition of what a co-operative or mutual enterprise is and what an SME is to ensure all were aligned with the definitions used in the study. In addition, respondents were asked to name the one CME they felt was the most important for them and all questions were focused on their relationship with that enterprise, with the online questionnaire being personalised to that co-operative.

The study used an online questionnaire to measure the constructs of interest. A pilot study was undertaken with the online panel, which led to some minor wording
revisions. Once revised, a final sample was obtained from the same online panel provider’s database. No problems were found during the data collection process and the quality of the data obtained was excellent.

A final sample of 264 respondents was obtained. Of these most were males (68%). Ages ranged from 18 years to over 55 years, with just over half (53%) being aged over 35 years. The sample was drawn from all Australian states and territories and from a wide range of industries. Just over half (51%) were consumers of services provided by their co-operative or mutual, 37% were suppliers to the CME and the balance (26%) were both suppliers and consumers. Forty-five percent indicated they had voting rights, while 32% had the right to receive dividends and/or rebates. The sample’s background was consistent with the known population of co-operatives registered in Australia (BCCM, 2020).

4.2 Data analysis and findings

Prior to estimating the suggested model (Figure 5.1), the constructs’ descriptive statistics and measurement properties were examined (Table 5.2). All the means were very similar, ranging from 3.77 (values congruence) to 3.97 (active membership), suggesting respondents had very similar views about the constructs. While all were significantly above the midpoint of the scale (3.00), none was above 4.00, suggesting respondents, on average, did not hold very strong views about the constructs. The standard deviations were also similar, ranging from 0.73 (affective commitment) to 0.85 (active membership). However, there was sufficient variation within each of the constructs to suggest further analysis would be worthwhile.
Internal consistency was assessed by computing Composite Reliability (CR) and Cronbach’s alpha coefficients. All were reliable, with alpha coefficients ranging upwards from 0.79, while the CR coefficients ranged upward from 0.88. As all exceeded the suggested minimum of 0.70 (Kock, 2017) by a considerable margin, all the constructs were considered reliable. Convergent validity was assessed by computing AVE scores. Fornell and Larcker (1981) argued an AVE score of 0.50 or more implied there was more information than noise in the construct, suggesting convergent validity. The AVE scores (Table 5.2) ranged from 0.71 (continuance commitment) to 0.81 (active membership). Clearly all were considerably higher than the recommended minimum, suggesting the constructs had convergent validity.

Fornell and Larcker (1981) suggested discriminant validity could be assumed between two constructs if the square root of their AVE scores were greater than the correlation between them. Here, all the construct pairs met this requirement. Further, all the full collinearity VIF scores were less than 3.3 (Kock, 2020). Finally, all the constructs had HTMT ratios less than 0.85 (Henseler et al., 2015). Thus, discriminant validity could be assumed for all the constructs. Common method bias was also assessed using Kock’s (2017) suggestion that such bias is not likely if all the full collinearity VIF scores are less than 3.3. As can be seen (Table 5.2), these scores ranged from 1.81 to 3.03, suggesting common method bias was not an issue in this case.
Table 5. 2: The path model statistics

<table>
<thead>
<tr>
<th>Factor</th>
<th>Mean</th>
<th>Std dev</th>
<th>Alpha</th>
<th>Composite reliability</th>
<th>AVE Score</th>
<th>Full Collinearity</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Values Congruence</td>
<td>3.77</td>
<td>0.84</td>
<td>0.87</td>
<td>0.92</td>
<td>0.79</td>
<td>1.92</td>
<td></td>
</tr>
<tr>
<td>Affective Commitment</td>
<td>3.97</td>
<td>0.73</td>
<td>0.83</td>
<td>0.90</td>
<td>0.75</td>
<td>2.80</td>
<td></td>
</tr>
<tr>
<td>Continuance Commitment</td>
<td>3.78</td>
<td>0.83</td>
<td>0.79</td>
<td>0.88</td>
<td>0.71</td>
<td>1.81</td>
<td></td>
</tr>
<tr>
<td>Perceived Overall Value</td>
<td>3.87</td>
<td>0.85</td>
<td>0.88</td>
<td>0.92</td>
<td>0.81</td>
<td>2.52</td>
<td></td>
</tr>
</tbody>
</table>

PLS is a well-established approach to estimating models such as the one suggested here and is widely used in marketing and management research (Chin, 1998; Chin & Newsted, 1999; Henseler, Ringle & Sinkowics, 2009; Kock, 2017). PLS is an effective SEM analysis tool for use in situations with small samples, unknown data distributions, or multicollinearity (Milson, 2013), or where the examination is more exploratory than confirmatory in nature (Garson, 2016). PLS procedures have a good ability to deal with non-normal data, which was likely in this study. Further, their use of a bootstrapping approach means fewer assumptions are made when examining significance tests (Manley et al., 2020). Finally, the model being estimated was not likely to be identified if a CB-SEM approach was used, as there was only one exogenous construct and four paths to active membership (Hess, 2001; Bollen 1989). Consequently, it was felt PLS was the most appropriate way to estimate the suggested model (Chin, 2010) and, in this case, the Warp PLS (version 7) program was used to do this.

The initial model found continuance commitment did not impact significantly on active membership ($\beta = 0.04; p = 0.26$), suggesting $H_7$ was not supported. Consequently, as this was the crucial relationship for continuance commitment, it was
decided to delete this construct and re-estimate the model. When this was done, all the paths were significant beyond the 0.05 level and in the expected direction, suggesting it would be useful to examine the revised model in detail. All the models fit, and quality indexes suggested by Kock (2020) were acceptable. For example, Tenenhaus’s goodness of fit (GOF) index was 0.63, suggesting there were “large” relationships in the model, while the standardised root mean squared residual was 0.06 and the standardised mean absolute residual was 0.05, both well below the suggested 0.10 maximum level. Further, the Simpson’s paradox index was 1.00, suggesting the path coefficients and the relevant correlations had the same signs and that no such paradoxes exist in this case (Kock, 2020). Thus, as the revised model seemed to be a good representation of the obtained data, the estimated paths (Table 5.3) were examined.

As can be seen in Table 5.3, and as is shown in Figure 5.2, all the paths were significant at the 0.05 level, with five significant well beyond 0.001 level, supporting the six hypotheses that remained after continuance commitment was removed from the model. It is worth noting that the strongest relationships were found between values congruence and perceived value (β = 0.60) and perceived value and affective commitment (0.54) and perceived value and active membership (0.46), making perceived value’s important role very clear. Further, the estimated model had strong R2 statistics for all the endogenous constructs (0.36 for perceived value, 0.61 for affective commitment and 0.60 for active membership), suggesting the model was a good predictor of these constructs. As values congruence was the only predictor of perceived value, its crucial role within the estimated model is also clear.
As perceived value and affective commitment mediated the impact values congruence had on active membership, this aspect was also examined (Table 5.3). The path between values congruence and active membership was significant ($\beta = 0.12$; $p = 0.03$), although considerably smaller than the other path coefficients, suggesting mediation was likely. This was initially examined by estimating the path between values congruence and active membership in the absence of other constructs ($\beta = 0.57$; $p < 0.001$). While the path was still significant when the mediators were included, the reduction in the path coefficient was significant ($t = 5.58$; $p < 0.001$), suggesting perceived value and affective commitment at least acted as partial mediators of the relationship between values congruence and active membership (Zhao et al., 2010).

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Path</th>
<th>$\beta$ Coefficient*</th>
<th>P value</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>values congruence $\rightarrow$ affective commitment</td>
<td>0.33</td>
<td>&lt;0.001</td>
</tr>
<tr>
<td>H2</td>
<td>values congruence $\rightarrow$ continuance commitment</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>H3</td>
<td>values congruence $\rightarrow$ perceived overall value</td>
<td>0.60</td>
<td>&lt;0.001</td>
</tr>
<tr>
<td>H4</td>
<td>perceived overall value $\rightarrow$ affective commitment</td>
<td>0.54</td>
<td>&lt;0.001</td>
</tr>
<tr>
<td>H5</td>
<td>perceived overall value $\rightarrow$ continuance commitment</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>H6</td>
<td>affective commitment $\rightarrow$ active membership</td>
<td>0.28</td>
<td>&lt;0.001</td>
</tr>
<tr>
<td>H7</td>
<td>continuance commitment $\rightarrow$ active membership</td>
<td>NS</td>
<td>NS</td>
</tr>
<tr>
<td>H8</td>
<td>values congruence $\rightarrow$ active membership</td>
<td>0.12</td>
<td>&lt;0.03</td>
</tr>
<tr>
<td>H9</td>
<td>perceived overall value $\rightarrow$ active membership</td>
<td>0.46</td>
<td>p &lt;0.001</td>
</tr>
</tbody>
</table>

NA = Removed from the final estimation of the model
Whether this is partial or full mediation can be considered further by computing the relevant variance accounted for (VAF) score (Hair et al., 2014), which is the proportion of the total effect of a construct due to indirect effects (i.e., the mediated effects). If a VAF score is greater than 80 (i.e., more than 80% of the total effect is attributable to indirect relationships), full mediation can be assumed. If the VAF is less than 20 (i.e., less than 20% of the total effect is attributable to indirect relationships), no mediation should be assumed. Here the VAF score was 0.81, which suggests full mediation can be assumed. As there were two mediation paths (through perceived value and affective commitment), their mediation impacts were isolated to see which had the stronger mediation effect. In this case, both mediation paths were significant at least at the 0.05 level, with the path through perceived value being somewhat stronger that the path through affective commitment (0.28 compared with 0.18). However, it is clear both paths play a significant role in the way values congruence impacts on active membership.

Figure 5.2: The final model
5 Discussion

Previous research had suggested a positive relationship between emotional value and both affective and continuance commitment that acted as mediators on CME members’ intentions to remain loyal and give positive word of mouth (Mazzarol et al., 2019). It also highlighted the importance of relational value to increasing patronage and active membership (Byrne & McCarthy, 2014). The current study provides empirical support for the role that values congruence has on active membership. Our findings suggest active membership is mediated by overall perceived value (perceived value) and affective commitment.

The influence that values congruence has on affective commitment, perceived value and active membership, suggests co-operatives, particularly those with SMEs as members, should not focus on MVPs based exclusively on transactional value attributes, such as functional and financial value, to ensure their members remain active. Even a reliance on continuance commitment may be insufficient. Of equal importance is a recognition that relational attributes, such as aligning the co-operative’s purpose, principles and values with those of its members, is required (Novkovic, 2006). This is consistent with earlier research suggesting active membership can be enhanced by co-operatives adhering to co-operative principles and values, and sharing a common purpose with members (Anderson & Henehan, 2003; Mamouni Limnios et al., 2018). While co-operatives need to be efficient businesses, their use of common purpose, principles and values can strengthen their identity formation in what is both an economic (transactional) and a value-driven (relational) process (Nelson et al., 2016).
5.1 Developing an MVP based on values congruence

It is important for co-operatives to develop compelling MVPs that can attract and retain members. This has traditionally been viewed as being primarily focused on transactional issues such as financial and functional value (Hind, 1999), or the alignment of patron and investor roles or aligning expectations about ownership rights (Nilsson, 2001; Chaddad & Cook, 2004). Other research has highlighted the importance of relational issues such as emotional value and affective commitment (Byrne & McCarthy, 2014; Mazzarol et al., 2019). Our study suggests values congruence also plays an important role in enhancing active membership within co-operatives that have SME members, which have typically been viewed as primarily focused on transactional issues when assessing member value. While transactional issues, such as product or service quality, pricing and financial returns, are important (Cook & Iliopoulos, 1999; Tuominen et al., 2009; Suter & Gmür, 2013), so too are relational issues that engender trust, common purpose and mutual values (Jiménez, Martí & Ortiz, 2010) (Levi & Davis, 2008; Puusa et al., 2016). By focusing on both transactional and relational issues, co-operatives can create an MVP that is unique and appeals to members at both a rational and affective level (Nguyen, 2006).

The study’s findings show the important influence values congruence has on affective commitment and perceived value, even for “pragmatic” SME owners who are members. This suggests that in most producer co-operatives (e.g., farmer supplier members), or consumer co-operatives with SME members (e.g., retail co-operatives), the foundations of a strong MVP must consider not only transactional issues (e.g. products, services, prices, and dividends) but also the relational issues of common purpose and principles, shared values, and identity (Novkovic, 2004; 2006; 2008;
Byrne & McCarthy, 2014; Nelson et al., 2016) if they are to overcome the generic problems of most co-operatives (Cook, 1995; Nilsson, 1999).

Active membership is essential for the success and sustainability of any co-operative or mutual enterprise. People’s willingness to continue as a patron, investor, owner or member of a community of common purpose is contingent on the enterprise offering a unique and compelling MVP (Verhees et al., 2015). This study supports Mazzarol et al.’s (2019) research, which found emotional value enhanced loyalty and increased positive word of mouth. However, our study suggests there is also a need to pay attention to values congruence, aligning those of the organisation with its members.

6 Conclusions

This study provides a contribution to the literature as its empirical findings suggest values congruence has a positive impact on active SME membership in co-operatives. This impact is strengthened through mediation by perceived value and affective commitment. Thus, co-operatives should promote a culture in which the co-operative aligns its values with those of its members. The results also suggest perceived value and affective commitment can guide the balancing act between a co-operative’s economic and social goals and that, when this is achieved, active membership is increased.

6.1 Managerial implications

Co-operative managers can benefit from this study by implementing strategies to align their co-operative’s values with members’ values. This also includes amalgamating their beliefs and value systems towards a management style akin to a social economy manager rather than a business school manager (Chaves & Sajardo- Moreno, 2004).
Co-operatives should be aware that SME members may also have their own mission, vision and core values in their businesses that reflect personal values. By understanding these, values co-operatives could ingrain some of these key themes into an overall co-operative mission and vision, although co-operative principles and values can, and should, provide a moral compass for the operationalisation of these values.

Co-operatives should also consider identifying members’ requirements by engaging with them on a regular basis in forums and facilitation groups. Such activities provide an opportunity to generate ideas that may be useful and that can be implemented for members in general. Importantly, with large heterogeneous memberships, co-operatives can, through facilitation and engagement with member groups, achieve a consensus and so avoid implementing things few members desire. This could improve the co-operative’s democratic processes, thereby improving values congruence, perceived value and affective commitment, which ultimately improves active membership.

Co-operatives and their members should also understand the roles members have in their co-operatives. In the pursuit of activating owner and community member roles, it may be possible for a co-operative to encourage members to attend annual general meetings and vote. In addition, members may also be proud flag bearers for the co-operative movement within their broader communities, as well as being SME owners or managers. As patrons, members taking an active interest in co-creating value may also help their co-operative develop products and services that can be readily and easily absorbed into their resource-constrained SMEs, thereby avoiding the free-rider problems that have been reported in co-operatives.
6.2 Future research and limitations

Future research could investigate the congruence between co-operative principles and values and between co-operatives and their members in general. Specifically, it would be useful to determine which co-operative principles and values impact on values congruence, perceived value and affective commitment. Obtaining the perspectives of executives, management, staff and members through qualitative and quantitative research would improve our understanding of these important ideas. Another important area of research is the investigation of the roles members that play in their co-operatives. By using Mamouni Limnios et al.’s (2018) four-hat framework (patron, investor, owner and community member), researchers could determine which roles improve values congruence, perceived value and affective commitment and, hence, active membership. Future research could also see whether the relationships found in this study are applicable in co-operatives operating in different cultures (e.g., high or low power distance cultures).

The study is not without limitations. The data were collected in one country (Australia), and future research should seek to examine the suggested model in other nations. In addition, the data were obtained from SME members (e.g., small business operators, farmers, fishermen etc.), rather than individual householders (e.g., members of financial mutual banks, or retail consumer co-operatives). Whether the same relationship holds for such members should also be determined, as this impacts on the usefulness of our suggestions for Co-operatives that do not have SME members.
Chapter 6: Co-operative principles and values: Does the talk match the walk?

Summary

This research paper was submitted to the UK Society of Co-operative Studies and accepted for publication on the 29 April 2021 and will be published in the 2021 Winter edition. This paper addresses research question 3: Are co-operatives principles and values implemented and identified in action?

Submitted paper

Co-operative principles and values: Does the talk match the walk?

Abstract

Co-operatives are defined around a set of principles and values. If these are misunderstood, ignored or dismissed, there is a risk the co-operative will depart from its purpose and resemble or demutualise into an investor-owned firm. Adherence to co-operative principles and values can also strengthen active members’ participation or diminish this if they are ignored. In some jurisdictions, a co-operative’s failure to adhere to these principles may place the entity at odds with co-operative law. Members and executive managers from four large Australian co-operatives were asked about their understanding of and adherence to the co-operative principles and values. While the executives and managers were aware of the seven co-operative principles, only one understood the five values. Members’ awareness of principles and values was much less. Only five of the seven principles appeared to be actively followed and alternative values were used when organisational values were identified. The implications of these findings are discussed.

Key Words:

Values, Co-operative Principles & Values, Trust, Members, Executives/Managers
Introduction

Defining a co-operative and differentiating it from an investor-owned-firm (IOF) is challenging due to the complex nature of co-operatives’ structures and strategic purposes. For example, some focus predominately on social objectives, while others are more concerned with economic goals (Novkovic, 2008). However, the definition of co-operatives and their differentiation from IOFs has focused on seven co-operative principles, six values and the democratic nature of its governance. As the identity statement defining co-operatives reflects:

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. (Prakash, 2003, 4)

As reflected in this definition, co-operatives are identified by autonomy (independence from governments and private corporations) and an association of voluntary people (individuals or incorporated entities) who are free to choose whether they wish to become members. In addition, members join and support co-operatives to achieve economic, social and cultural objectives, while owning and governing the co-operative through a one-member-one-vote democratic governance structure. Co-operatives’ values are encapsulated in the following statement:

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others. (Prakash, 2003, 5)
Co-operatives have a dual purpose, as they serve economic and social objectives that are often equally important, but which can create conflicts of interest (Levi & Davis, 2008). When this occurs, and profit becomes the sole focus, a co-operative is at risk of de-mutualisation (Battilani & Schröter, 2012), even if it has a successful business history (Mamouni Limnios & Mazzarol, 2014). This is a pattern often found in the lifecycle of many co-operatives (Cook, 1995).

Although successful co-operatives use their principles and values to identify and promote their co-operative advantages (Novkovic & Power, 2005), research suggests the presence of co-operative principles can be problematic and values and adherence to them is weak (Novkovic, 2006). Globally, co-operatives are governed by state/provincial or national laws, most of which contain a definition of what a co-operative is, that is in keeping with the seven principles and five values (Cracogna, Fici & Henrý, 2013). These fundamental elements identify co-operatives’ characteristics and form the foundations of what these enterprises are in a legal sense. As such, the principles and values form a legal, as well as an ideological, basis, suggesting how co-operatives should be managed (Henrý, 2013).

The co-operative principles and values are, therefore, a foundation for a co-operative’s identity for members, managers, government regulators and the wider economy (Mazzarol, 2015). Indeed, economic interests alone cannot create a shared identity (Mendell, 1994). If co-operatives move away from their principles and values, their legitimacy as a co-operative entity rather than an IOF can be questioned (Côté, 2000).

Given their importance, we examined members’ and executive managers’ awareness and understanding of these principles and values. Our study was designed to investigate how well these foundational principles and values were known and applied
within co-operatives, as, if co-operatives wish to be differentiated from IOFs and to encourage greater active member participation and loyalty, they need to place some importance on these important elements of co-operative identity. First, we examine the literature relevant to our research, after which we describe our methodology and analysis. We then present our findings before providing a discussion and some conclusions and implications, as well as some future research opportunities.

**Literature Review**

Co-operatives are autonomous associations of people voluntarily united to meet common economic, cultural and social goals, controlled equally by their members (Cicognani, Palestini, Albanesi & Zani, 2012). Co-operatives promote values that are ethical, allowing active voice democracy and a sense of ownership by members (Spear, 2000). The mutual ownership and governance inherent in the co-operative business model is a significant differentiator from IOFs (Michie & Rowley, 2014).

How members comprehend and apply co-operative values and principles has a significant bearing on the success of their co-operatives (Oczkowski, Krivokapic-Skoko & Plummer, 2013). Our study, therefore, focused on understanding members’ and executive managers’ awareness and understanding of these principles and values through a qualitative study designed to garner in-depth insights (Karhu, 2015; Oczkowski et al., 2013). Participants were small-business owners (e.g., farmers, fishermen and automotive service providers) who make up a significant proportion of co-operative membership at a global level and play an important role in economic development (Kotey & Meredith, 1997).
Such research within co-operatives has been recognised as being needed and important (Maxham & Netemeyer, 2003). Here, we used the definition of small to medium enterprises (SMEs) recognised by the European Union and the OECD as a business having fewer than 250 employees and an annual turnover and assets of less than €50 million and €43 million respectively (OECD Statistics, 2004).

*Co-operative Principles*

The International Co-operative Alliance (ICA) is the representative body for co-operatives and has maintained and promulgated co-operative principles and values, as well as the official definition described earlier (ICA, 1995). Established in 1895, the ICA is the global authority on how these principles and values should be defined and understood. The first formal declaration of the co-operative principles was made by the ICA in 1937, which was followed by revisions in 1966 and 1995 (Prakash, 2003). Such revisions have been infrequent but, when undertaken, such changes reflect the current economic, social and political context. Table 6.1 provides the ICA’s (1995) definitions for these co-operative principles.

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Voluntary and open membership</td>
<td><em>Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.</em></td>
</tr>
<tr>
<td>Democratic member control</td>
<td><em>Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.</em></td>
</tr>
<tr>
<td>Concern for the community</td>
<td><em>Co-operatives work for the sustainable development of their communities through policies approved by their members.</em></td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Member economic participation</td>
<td>Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.</td>
</tr>
<tr>
<td>Autonomy and independence</td>
<td>Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.</td>
</tr>
<tr>
<td>Education, training and information</td>
<td>Co-operatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their co-operatives. They inform the public, particularly young people and opinion leaders, about the nature and benefits of cooperation.</td>
</tr>
<tr>
<td>Cooperation among co-operatives</td>
<td>Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.</td>
</tr>
</tbody>
</table>

Birchall (2012) suggested the first four principles have the most credence, while the last three are “aspirational”. However, Battilani and Schröter (2012) argued the principles of cooperation among co-operatives and concern for the community were included in the 20th century to create a stronger point of differentiation for co-operatives. Prior research also provides some guidance on these principles and values. For example, Mazzarol (2009) suggested co-operatives have five key principles: (i) membership is voluntary; (ii) governance is democratic; (iii) ownership is solely by members; (iv) co-operatives can be formed by individuals or organisations; and (v) co-operatives exist for the benefit of their members. The ICA (1995) seven principles and the five highlighted by Mazzarol (2009) emphasise membership and democracy.
Researchers have also suggested principles should focus on user-owners, user-controllers, and user-benefits (Birchall, 2005; Dunn, 2002; Zeuli, Cropp & Schaars, 2004). Oczkowski et al. (2013) examined members who were office bearers and consultants (i.e., not solely members) to determine their understanding of the meaning of these co-operative principles. They found the understanding, adoption and perceived importance of these principles varied between co-operatives, although the commitment of directors in implementing co-operative principles and values was particularly important. Wilson and MacLean (2012) found these principles were often not followed in a coherent manner, confirming earlier findings by Birchall (2005), who suggested there were differences in adherence to these values and principles across industries. Other research has suggested these principles are used by co-operatives to some extent and provide guideposts to achieving human value and social objectives (Oczkowski et al., 2013). This supports Wilson and MacLean’s (2012) suggestion that, while co-operative principles and values are not often strictly followed, they are applied contextually in various ways. Interestingly, Majee and Hoyt (2009) found that when co-operative principles and values were practiced, members became more actively engaged.

Novkovic (2004) highlighted the importance of aligning co-operative principles and values with organisational strategy. She suggested using Collin’s (1999) catalytic mechanisms process to achieve this. At the foundation of the process was what Collins (1999) referred to as “Big Hairy Audacious Goals” (BHAG), which have a long-term horizon, are clear, easy to understand and comprehend, and connect to an organisation’s purpose and values. The catalytic mechanisms used to achieve BHAGs have five characteristics. First, they seek to achieve outcomes in innovative and, often, unpredictable ways. Second, they distribute power away from traditional centres of
control for the benefit of the system. Third, they focus on specific outcomes designed
to create maximum value and benefit (i.e., they have “sharp teeth”). Fourth, they
empower the right people (i.e., they attract the right people and eject “viruses”). Fifth,
they produce an enduring, ongoing effect (Collins, 1999). According to Novkovic
(2004), co-operative principles and values offer a ready-made framework around
which managers can apply catalytic mechanisms that align their purpose and related
economic, social, and cultural “BHAGs” to engage and enhance active participation
and loyalty from members.

Co-operative Values

Co-operative principles and values help align members with their co-operatives and
members with each other, in what is a process of values congruence (i.e., the degree
to which an individual’s own values match those of the organisation) (Vveinhardt,
2017). Here, we examined congruence from a member and executive manager
perspective in relation to their understanding and acceptance of co-operative principles
and values, because such an alignment is the foundation for long-term organisational
success (Branson, 2008) especially as it can have a positive or negative impact on
priorities, decisions, strategies, behaviour and planning (Hultman, 2005). Alignment
provides consistency between what is advocated and what occurs (i.e., the talk matches
the walk) (Hultman, 2005). Thus, we thought that exploring how co-operative
members and managers understand and apply co-operative principles and values
would offer useful insights into their underlying culture (Dutton & Dukerich, 1991).

The concept of organisational values and their alignment with individuals’ values is
important to understanding members’ relationships with their co-operatives. Some
similarities between co-operative values and SME values were identified by Goel
(2013). These similarities (Table 6.2), suggest co-operatives and SMEs can share similar perspectives when it comes to understanding co-operative principles. Table 6.2 suggests similarities between how they operate their businesses and act as a member of their co-operative. Karhu (2015) provided commentary from the 2014 annual conference of the International Family Research Academy, where academics found that when values, visions and goals are aligned, collaboration flourishes. Table 6.2 also provides an opportunity to draw parallels between co-operatives and SMEs, although it is reasonable to suggest that not all SMEs, for example, invest in the future generations of family for their businesses.

Table 6.2: A Comparison between Co-operative and SME Values (Goel, 2013)

<table>
<thead>
<tr>
<th>Co-operative Principles</th>
<th>SME Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Democratic member control</td>
<td>Can be democratically run by votes within the family unit</td>
</tr>
<tr>
<td>Member economic participation</td>
<td>Family members need to be contributing to the business</td>
</tr>
<tr>
<td>Autonomy and independence</td>
<td>Autonomous to the point family members do not like outside influence</td>
</tr>
<tr>
<td>Education, training and information</td>
<td>Tend to invest in the future generation of family into business</td>
</tr>
<tr>
<td>Cooperation among co-operatives</td>
<td>Have seen benefits from networking</td>
</tr>
<tr>
<td>Concern for the community</td>
<td>Are embedded in the community in which they operate, employ locals and sponsor events.</td>
</tr>
</tbody>
</table>

When there is an alignment between individual and organisational values, relationships between stakeholders are strengthened (Branson, 2008). Organisations that work deliberately to understand and align values between stakeholders (Henderson & Thompson, 2003) demonstrate a purpose beyond a profit motive and can create favourable foundations for social capital and strengthen the social fabric (Putnam, Leonardi & Nanetti, 1994). Values will vary within large systems (Liedtka, 1989) and are difficult to measure, as they are intrinsic by nature, making them
difficult to see (Posner, 2010). Table 6.3 provides a list of the ICA’s (1995) co-operative values.

**Table 6.3: Co-operative Values**

<table>
<thead>
<tr>
<th>Value</th>
<th>ICA (1995) Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-Help</td>
<td><em>In co-operatives, people help each other while helping themselves by working together for mutual benefit.</em></td>
</tr>
<tr>
<td>Self-Responsibility</td>
<td><em>Individuals within co-operatives act responsibly and play a full part in the organisation.</em></td>
</tr>
<tr>
<td>Democracy</td>
<td><em>A co-operative will be structured so that members have control over the organisation one member, one vote.</em></td>
</tr>
<tr>
<td>Equality</td>
<td><em>Each member will have equal rights and benefits (according to their contributions).</em></td>
</tr>
<tr>
<td>Equity</td>
<td><em>Members will be treated justly and fairly.</em></td>
</tr>
<tr>
<td>Solidarity</td>
<td><em>Members will support each other and other co-operatives.</em></td>
</tr>
</tbody>
</table>

People are attracted to work for, or with, organisations with which they share dominant values (Maxham & Netemeyer, 2003). Posner and Schmidt (1993) examined shared values from both an organisational and personal perspective and found a positive relationship between organisation performance and values congruence. A co-operative is no different from other types of organisations in this regard. However, prior research suggests some incongruence between co-operative members and management. Anderson and Henehan (2003) found some members were dissatisfied with their co-operatives, seeing them as impersonal, having abandoned their original purpose or having only operational business principles, rather than co-operative principles, suggesting their importance. Further, Novkovic (2006) found members felt co-operatives’ most important values (in ranked order) were democracy, equality, self-responsibility, equity, self-help and solidarity. No executives or managers of the co-operative were questioned about their regard to the values in ranked order. There needs
to be a mechanism that coalesces the values shared by co-operatives and their members, and the value co-operatives create for their members (Brown, 1997). This balance can be challenged over time as members’ orientations shifts due to changes in background characteristics (e.g., age), industry or community needs. Consequently, co-operatives should continuously monitor whether this alignment is to be achieved (Nelson et al., 2016).

A Conceptual Framework

Our study was guided by Napoli, Whiteley and Kathrine’s (2015) PATOP (philosophy, assumptions, theory, organising, and practices) model (Figure 6.1 in an adapted form), which provided the basis for determining whether what is being said within an organisation is being done. The framework is a “mirror test” to determine underlying values (Drucker, 2005). Philosophy, assumptions and theory are the “talk”, while organising and practices are the “walk”. Here, we used the model to explore the “walk” in the context of what co-operative principles and values were being implemented. The model asks four questions that require a simple yes or no answer within the “walk” segment.

**Figure 6.1: The Study’s Conceptual Model**
Methodology

A multiple-case study design, guided by Eisenhardt’s (1989) suggested structure, was used in this case. This design has a number of steps: define the research question(s); select the cases; develop the case study protocols and discussion guide; collect the data; analyse the data; shape hypotheses; enfold the literature; and reach closure. The research questions guiding the study were:

\[ Q1. \text{ How well do co-operative members and executive managers understand the seven co-operative principles and six co-operative values?} \]

\[ Q2. \text{ What use is made of these principles and values to align members’ active engagement with the co-operatives’ purpose and strategic objectives?} \]

Four, large Australian co-operatives (Table 6.4) were included as cases in this study. These organisations represented producer-owned, supply-side entities in grains, meat and fishing, as well as a buyer-owned, demand-side entity within the automotive services retail sector. The organisations were chosen because they are all successful, well-established co-operatives with SME owner-members.

Three of the co-operatives are registered in Western Australia under the Co-operatives Act (2009), which states:

In the interpretation of a provision of this Act, a construction that would promote co-operative principles is to be preferred to a construction that would not promote co-operative principles. (Division 3, Part 7, page 12)
As Australia does not have a federal statute for co-operatives, all states and territories have aligned their legislation to conform to the Australian Co-operatives National Law (2012) (CNL), which formally lists the seven co-operative principles. From a legal perspective, adherence to these principles is recognised as essential to the operation of co-operatives in Australia.

Table 6.4 Selected Co-operatives

<table>
<thead>
<tr>
<th>Co-operative</th>
<th>Background</th>
<th>Number of Interviewees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-operative Bulk Handling Group Ltd (CBH)</td>
<td>CBH is one of Australia’s largest agricultural co-operatives with more than 4200 members and reported revenues of more than $3.4 billion in the 2018 financial year. CBH is a non-distributing co-operative.</td>
<td>6 x members 2 x executives 1 x manager</td>
</tr>
<tr>
<td>Geraldton Fishermen’s Co-operative (GFC)</td>
<td>GFC has approximately 200 members with reported revenue of $303 million in the 2018 financial year. GFC derives its revenues within the fishing industry.</td>
<td>6 x members 2 x executives 1 x manager</td>
</tr>
<tr>
<td>Capricorn Society Limited (CSL)</td>
<td>CSL has approximately 17,000 members Australia wide with revenues of more than $111 million reported in the 2018 financial year. CSL derives its revenues within the motor vehicle industry.</td>
<td>6 x members 2 x executives 1 x manager</td>
</tr>
<tr>
<td>West Australian Meat Marketing Co-operative (WAMMCO)</td>
<td>WAMMCO has approximately 1000 members with consolidated revenues of more than $296 million reported for the 2018 financial year. WAMMCO derives its revenues from within the livestock/meat industry.</td>
<td>2 x executives 1 x manager</td>
</tr>
</tbody>
</table>

Note: no members were interviewed, as we were not provided with access to members.

Capricorn Society Ltd (CSL) is registered under the Federal Corporations Act (2001) as a company limited by shares. CSL operates as a co-operative through its constitution, which stipulates a one-member-one-vote democratic governance. Although its constitution does not contain any specific reference to co-operative principles or values, the company’s website contains a clear statement that:
We are a member-based organisation proudly operating by co-operative principles to primarily support businesses in the automotive industry. Our approach allows our members to better manage their businesses by saving time and money.

Sampling and data collection

The study’s design and subsequent data collection process followed Yin’s (2013) guidelines that allow investigators to study real-life contexts through in-depth data collection from multiple sources of information. Data collection until no new insights emerge (i.e., saturation) is paramount in this approach (Glaser, Strauss & Strutzel, 1968). We interviewed 18 members and 12 executives (including a senior manager from each co-operative), at which point saturation was reached. The data were aggregated into executives and members to examine their respective views. Members, who had an average of 25 years in business and 19 years as members of their co-operatives, employed between one and 17 employees and generated between $250,000 and $2 million revenue per annum. Executives had an average of 18 years working in co-operatives and six years in their current positions. Thus, the sample had a great deal of industry and co-operative experience.

The first phase of the data collection was a review of secondary information about the co-operatives available through website content, press articles, published histories, annual reports and available presentations. This provided good triangulation, as suggested by Bell, Bryman and Harley (2018). An initial pilot was conducted with CSL to test the case study approach and the interview guiding questions, which led to some minor changes to these questions. We also realised we needed to provide interviewees with a copy of the co-operative principles and values if they could not identify them, as this allowed the conversation to flow freely.
The semi-structured interviews, which were discussions of co-operative principles and values, lasted 45-80 minutes. The interviews were audio-recorded and then transcribed, along with additional notes taken during the interviews. Two executives and eight members were interviewed by telephone due to geographical restrictions. The semi-structured interviews provided real-time and retrospective accounts and perspectives of people experienced in the phenomenon being investigated (Gioia, Corley & Hamilton, 2013). The approach recognises people in the organisations are “knowledgeable agents” who can explain their thoughts, intentions, and actions (Gioia et al., 2013) and led to engaging research for informants, who were surprisingly open in sharing their thoughts (Morgan, 1983).

Data Analysis

The data analysis used NVivo and Leximancer software to provide a broad and balanced approach (Sotiriadou, Brouwers & Le, 2014). While NVivo has been the most prominent “qualitative” software package used in such research (Jones & Diment, 2010), Leximancer is also being used (Cretchley, Gallois, Chenery & Smith, 2010). Sotiriadou et al. (2014) suggested both NVivo and Leximancer can be used to analyse data as this adds to our understanding, a point supported by Wilk, Soutar and Harrigan (2019, p. 110), who found “each program has its strengths and limitations,” suggesting their joint use was likely to be advantageous.

NVivo is a labour-intensive process requiring researchers to be highly engaged with the data and analysis process, allowing researchers to get “closer” to their data. However, this can lead to research bias (Sotiriadou et al., 2014). Consequently, NVivo was initially used following Saldaña’s (2015) approach in which first- and second-round coding methods were undertaken to develop themes. Due to the large quantity
of text gathered from the interviews, an initial content analysis of the primary data was undertaken, which allowed for some initial inferences (Weber, 1990). This analysis was conducted initially case-by-case, which ensured context and accuracy in both the NVivo and Leximancer analyses. Once satisfied with the initial NVivo exploration, the data for the executives (including managers) and members were analysed separately in Leximancer to examine differences between the two groups.

Leximancer provides researchers with an ability to explore data more efficiently, with automatically generated themes and concepts emerging from the text without researcher input (Coffey & Atkinson, 1996), while displaying links between concepts (Liesch, Håkanson, McGaughey, Middleton & Cretchley, 2011). Concepts are groups of related words that are found together in the text and that begin as seed words and evolve into a thesaurus. Themes are collections of related concepts (Leximancer, 2013). Leximancer uses word frequencies and co-occurrences to identify the main concepts and interrelations within themes to develop relevant models that can be displayed graphically to aid interpretation (Smith & Humphreys, 2006).

**Findings**

This section outlines the findings obtained from the NVivo and Leximancer data analyses. It examines the executives/managers’ and members’ perspectives in relation to co-operative principles and values.

**Co-operative Principles**

Only one member, who had previously served on the board, could recall the co-operative principles and values. Conversations around these principles were only possible when these were shown to participants, who then made comments such as
“oh yes, I recall seeing these”. While the managers knew the co-operative principles, they needed to be reminded about the values. Only one executive knew both the principles and values without needing a prompt. Table 6.5 provides some results from the interviews that reflect the views of executives and members about co-operative principles. When the executives were questioned about why they felt members did not have a comprehensive grasp of co-operative principles and values, they suggested members were operating their own businesses so did not focus on co-operative principles and values as long as the co-operative provided them with the services they required. The executives felt such principles were based more on “trust, integrity, honesty and loyalty”, a view confirmed by members. This can be seen in some comments from the executives:

I think the majority of our members in their general life while they wouldn’t know the co-operative principles, run a reputable business. Then by default they sort of have a lot of values.

I don’t think it’s relevant to them … the actual principles of the co-operative model don’t probably rank highly on their radar.
Table 6.5: Co-operative principles, views of executives and members

<table>
<thead>
<tr>
<th>Principle</th>
<th>Executives</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voluntary and open membership</td>
<td>The notion of this principle was agreed by all executives, and they considered themselves to be espousing this principle. The executives needed the “numbers” to provide the economics of scale to strengthen the overall position of the co-operative.</td>
<td>Some members, despite the majority agreeing with this principle, were concerned about the different sized businesses making up the membership that created some inequality.</td>
</tr>
<tr>
<td>Democratic member control</td>
<td>Executives noted that members did vote, however, they had mixed feelings about members attending AGMs. On one hand, executives wanted more members to attend. However, on the other hand, they felt it was a good sign members did not attend, as it showed them members were satisfied with performance.</td>
<td>All members knew they had the power to vote on important matters with respect to serious business matters, such as an offer by an IOF rendering a potential de-mutualisation offer. In this instance, all the members felt they had the power to protect the co-operative. With respect to general business matters, members did not have much input into operations, apart from representation by members elected to the Board. All members reported the ability to contact the CEOs if there were major concerns, demonstrating their power to voice concerns and generally agreed this principle was being followed.</td>
</tr>
<tr>
<td>Member economic participation</td>
<td>Executives relied on the patronage of members to drive financial performance. The value proposition was created to achieve economic participation.</td>
<td>Members did not focus on this principle, as they viewed the co-operative’s value proposition as positive for their businesses and the returns they were receiving from their economic participation.</td>
</tr>
<tr>
<td>Autonomy and independence</td>
<td>Executives all agreed they were an independent and autonomous organisation.</td>
<td>Most members regarded the co-operative as a business, thereby rendering it independent, thus agreeing with the principle being espoused.</td>
</tr>
<tr>
<td>Education, training and information</td>
<td>Executives knew this principle, and those members who were elected to the Board had a better understanding of the principles compared with members who did not hold a position on the Board. Executives became familiar with the principles through courses and their need to understand the co-operative business model to differentiate it from the IOFs where most had started their careers.</td>
<td>Members mostly viewed this principle from a technical point of view. This principle was regarded as training and information about the industry rather than the co-operative principles and values per se.</td>
</tr>
<tr>
<td>Principle</td>
<td>Executives</td>
<td>Members</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Cooperation among co-operators</td>
<td>Executives discussed their involvement in the formation stages with the Business Council of Co-operative and Mutuals and were proud to be members of the International Co-operative Alliance.</td>
<td>Members did not know of any cooperation among co-operatives.</td>
</tr>
<tr>
<td>Concern for community</td>
<td>Some executives were mindful about not overdoing community contributions that did not provide actual benefit to their members.</td>
<td>Overall, members seemed proud of the co-operatives’ contributions to the communities to which they belonged, either for economic reasons (e.g., employment and the supply chain) or through supporting local causes and building infrastructure. Members believed they contributed through their own businesses but acknowledged the co-operatives also contributed.</td>
</tr>
</tbody>
</table>
Co-operative Values

As already noted, only one executive knew of the co-operative values and no members knew of them. Thus, we discussed their opinions of co-operative values after participants were shown a copy. However, this discussion was difficult to unpack, as values are psychological constructs internal to an individual rather than an organisation (Hultman, 2005). Elements of solidarity, self-help and self-responsibility were seen as values that would assist the co-operative, as individual member businesses would ensure their “self” was regulated. Members felt integrity, honesty, loyalty and trust should not be compromised, as “one bad egg” would ruin it for the others. Cechin, Bijman, Pascucci, and Omta (2013) discussed how members do not like being controlled, supporting members’ responses about the need for self-responsibility and self-help, rather than being “policed” by the co-operative. This was particularly important within CBH, GFC and WAMMCO, where product quality and volume are crucial.

Trust

Trust was commonly mentioned, as were honesty, integrity, and loyalty. Trust from both the executives and members perspectives were seen as critical to success. All members trusted their co-operative and knew they could “pick up the phone and speak to the CEO if they needed too.” All members felt employees within the co-operative did what they said they would. As Hultman (2005, 35) noted: “values aren’t defined by what we say, but what we do.”
The Leximancer results

Figure 6.2 shows the Leximancer results from the views of executives and members. The Leximancer concept map (Figure 6.2) displays the concept seeds that emerged from the analysis and their relative relationship and proximity with each other. The large “bubbles” containing the clusters of concepts are themes which have been labelled. The “members” theme is the most important, followed by “people” and “value”. Also shown are the relative positions of the two groups (executives and members).

Figure 6.2: Leximancer Themes

The “members” theme was central to the co-operative, confirming the purpose of the co-operative was established by and for members. Figure 6.2 suggests the executives were closer to the “value” theme, while members were closer to the “people” theme. In this analysis, reference to values emerged in the members’ theme. However, this did not relate to co-operative values but, rather, to trust, honesty, loyalty and integrity.

Table 6.6 summarises the Leximancer analysis and suggests how it linked the co-operative principles. Some comments from executives and members are also provided to support the analysis.
Table 6.6: Leximancer themes supporting co-operative principles

<table>
<thead>
<tr>
<th>Leximancer Theme</th>
<th>Relationship to Co-operative Principle</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member</td>
<td>Voluntary and open membership</td>
<td>“Voluntary and open membership is very important because if you close it, then you’re not really a co-operative. You’re a business, a closed business. We need everybody in the business.” – Executive</td>
</tr>
<tr>
<td></td>
<td>Concern for community</td>
<td>“When I started, we were funding every netball team on the coast. That’s not real community involvement so what we’ve looked at is: “What is our community and how do we support it?” We just looked at it slightly differently so the thing we do is to support the industry community more so than the local football team.” – Executive</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“You could look at that two ways: it’s abdicating some community responsibility, or we give more money to members, and they can decide whether to be philanthropic or not. It’s not just donations of course.” – Member</td>
</tr>
<tr>
<td>Value</td>
<td>Democratic member control</td>
<td>“You're not controlled by one person, or by someone’s agenda. It’s very democratic control by peers.” – Executive</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“Democratic member control. Once again, I don’t think that’s probably widely known enough that the members can change the whole ruling if they want to, they have got control.” – Executive</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“I didn’t ever used to get anything until there was the bid and then the co-op made quite an effort. They were educating everyone on their governance, ownership, control and all that stuff. But prior to that, there wasn’t anything.” – Member</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“I think it’s very important, it gives that confidence that growers have got control of their business, and they’re looking after our business all the time.” – Member</td>
</tr>
<tr>
<td>People</td>
<td>Education, training and information</td>
<td>“I think the co-operative ethos about giving as much information back to the client or to the members is very important. I think the members that utilise that as well as they can.” – Executive</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“They quite often have events and or provide you with information about events with certain people that can help you with business coaching.” – Member</td>
</tr>
</tbody>
</table>
**Member’s Theme**

The concepts contributing to the member theme included “open, community and values”, suggesting the principles of open and voluntary membership and concern for community were being followed. With respect to the community concept seed, most executives framed their concern for community as providing economic benefits through employment, infrastructure, and support for the industry. Members felt they contributed more to the community through their own businesses, as this had more impact. The “values” concept seed focused on trust, honesty, loyalty and integrity as descriptors of the relationship between members and their co-operatives. Executives talked about organisational rather than co-operative values, while members wanted truth and honesty from the co-operative and other members.

**Value Theme**

The concepts contributing to the value theme include “participation and control”. The value theme was economic focused as it was concerned with what the co-operative provided to members. However, it is interesting to note there was still an element of the co-operative principles included in this theme, as this theme provides a direct pathway to the “control” and “participation” concept seeds.

The executives agreed “participation” was fundamental to co-operative success, as it provided the balance between the co-operative ideology, principles and values and economic value. All executives felt they had to ensure the co-operative delivered “value” to members to ensure their objectives were achieved, while members saw trust in performance as crucial.
The executives saw the “control” concept as the co-operative principle of democratic member control and understood that members owned the co-operative and had the right to voice their rights. All the co-operatives were proud that members were elected to the Board, as can be seen in the Leximancer analysis, where there was a direct path between the “member” concept and theme to the “control” seed. Further, the “Board” concept was linked to the “control” concept through the “member” concept and theme.

People Theme

The concepts contributing to the people theme included “people, involved, information and everyone”. The “people” concept referred to the collective group of people that made up the co-operative. Executives and members talked about like-minded individuals working towards the same goals. The “everyone” concept seed merged into the “people” theme from the pathway from the “members” theme/concept seed → “support” → “community” → “everyone”.

With respect to the “information” concept seed, members were split about the principle of education, training and information. Most viewed this as technical information that was relevant to their industry as well as business knowledge. There was limited formal training on the co-operative business model and how it operates, let alone co-operative principles and values, although CBH members were sent booklets about co-operative principles and values when there was an attempt at de-mutualisation. This information was useful to having members understand the benefits of remaining as a co-operative rather than de-mutualisation. This demonstrated a concerted effort to educate members on democratic member control to participate in decision-making rather than leaving decisions to management.
Some members commented on tours held by their co-operatives. For example, GFC took members overseas to see the operations and members regarded this as valuable. Although beneficial for members, they were designed more to demonstrate these investments and allow members to see operations first-hand. CSL has yearly overseas conferences, which are paid by the members, to build social cohesion to generate satisfaction and trust. However, there was no firm education emphasis on co-operative principles and values.

The “involved” concept seed merged into the “people” theme and related to the need for members to be involved in the co-operative. Executives considered this to be a form of contributing towards the democracy principle so members would be involved, especially during AGMs.

These results provided the foundations to complete the conceptual framework (Figure 6.3). The findings provided insights into what is driving the “walk” and highlighted where there were incongruencies with the “talk”. It is worth noting that, although not all co-operative principles and values were identified, our findings suggested some of principles were being followed. The purpose of the conceptual model was to see whether co-operative principles and values were in action, even if they were not formally recognised.
Figure 6.3: Conceptual Framework and Findings

Discussion

The results demonstrated that the “talk” did not match the “walk”. Once interviewees were prompted, however, five of the seven co-operative principles were understood and, to some degree, identified in action. These were member economic participation, voluntary and open membership, democratic member control, concern for community and autonomy and independence. The principles with which members did not resonate were education, training and information and cooperation between co-operatives. Interestingly, Birchall (2012) and Mazzarol (2009) did not place great emphasis on these two principles, although Birchall (2012) did regard education, training and information for members and cooperation between co-operatives as aspirational goals.

Co-operative Principles

Voluntary and open membership: Co-operatives are designed to assist industry participants through collective action, as demonstrated through the “open” concept
within the “member” theme in the Leximancer analysis (Figure 6.2). Goel (2013) suggested this principle meant co-operatives should be non-discriminatory in terms of gender, social, race, religion or political dispositions. The co-operatives did support this principle, although some members wondered about the fairness in terms of the contributions of earlier and more recent members.

*Democratic member control:* When exploring this principle at a small-business level, Goel (2013) related it to families who defer important strategic matters to other family members involved in the business. This can be regarded as a democracy in which all have input into the family business’s direction. Members were aware of their voice, but only exercised it strongly when they felt the co-operative was not producing results. In doing this, collective ownership was promoted, as members felt the business was theirs (Rantanen & Jussila, 2011). The power given to members is like a catalytic mechanism through which power is distributed from the centre down (Novkovic, 2004).

*Member economic participation:* Nelson et al. (2016) suggested membership begins with patronage and an anticipation of returns. The co-operatives in this study recognised the importance of providing tangible value to their SME members through factors such as the cost of patronage, shares, rebates and dividends.

*Autonomy and independence:* Executives and members referred to this principle in the context of members being able to operate their businesses without control from the co-operative. Oczkowski et al. (2013) found market concentration affected the ability of co-operatives to be independent from other organisations. However, the co-operatives
in this study were not reliant on other stakeholders and, so, had an ability to operate autonomously.

*Concern for the community:* Oczkowski et al. (2013) observed co-operatives were intertwined with their communities and Goel (2013) discussed how family businesses were often embedded within their communities. This was not a difficult principle for executives or members to comprehend and implement. Some members provided examples of how their businesses were involved with the community and were generally happy with the way their co-operatives were involved with in this way.

*Education, training and information:* Although information was important to members, this formed part of the value provided by the co-operative through technical and industry relevant information. This principle, however, is designed to integrate co-operative principles and values with the membership. This can be important because Oczkowski et al. (2013) have suggested adhering to these principles and values is the main driver that differentiates co-operative from IOFs.

Barros and Santos (2003) found a strong relationship between co-operative education and co-operative efficiency, while Dunn (2002) highlighted the importance of the board understanding and applying co-operative principles. Cechin et al. (2013) believed sharing knowledge and attending co-operative training courses strengthened social cohesion, explaining why members accepted short-term economic sacrifice in the pursuit of long-term success. Co-operatives should keep their members passionate and enthused if they are to be successful and education can help them do this (Novkovic, 2004).
Cooperation among co-operatives: Goel (2013) refers to this principle in family businesses that recognise learning opportunities are created when working within networks. If members were aware of this principle, co-operatives may be better known within the broader communities, resulting in more co-operatives being established.

Co-operative Values

Members were not aware of co-operative values and executives were not motivated by them. This validates Bickle and Wilkins’ (2000) study of the “UK values, principles and future” program, which found only 10% of managers saw democracy, equality, equity and solidarity as important co-operative values.

Our findings suggest some executives and members were concerned about the applicability of the co-operative values of equality and equity. Co-operatives deliver social efficiency through values designed to reduce inequalities among stakeholders (Spear, 2000). These values can help determine whether organisational fit occurs between members and their co-operatives (Borg et al., 2011) and is the most common method used to see whether congruence exists (Sekiguchi, 2004). However, members agreed on self-help and self-responsibility. They saw democracy in process and believed in solidarity. Democracy, according to Österberg and Nilsson (2009), relates positively to collective action, especially where voice mechanisms provide ownership perceptions that lead to greater commitment (Fenwick, 2005).
Trust

Giagnocavo (2011) suggested that, without trust, co-operatives would lose their organisational cohesion, as it was the foundation for building social capital. Trust was the glue that meant members did not need to attend AGMs and gave executives the freedom to operate the co-operative. Globally, SMEs enter strategic co-operative interfirm relationships (Contractor & Lorange, 1988) and, according to Hadjielias & Poutziouris (2015), trust is central when family businesses decide to cooperate. Verhees, Sergaki and Van Dijk (2015) found trust among co-operative members was strongly linked to member commitment and loyalty. Indeed, Sabatini, Modena and Tortia (2014) suggested trust can reduce transaction costs and uncertainty.

Successful co-operatives are developed by enhancing trust in personal relationships (Pesämaa, Pieper, da Silva, Black & Hair, 2013) which is also the dominant factor in family business success (Ring & Van de Ven, 1994). Trust can be regarded as a catalytic mechanism that ensures the individuals (or SMEs) associated with a co-operative share its core values (Novkovic, 2004). The challenge is to determine which co-operative values are associated with trust. It seems likely self-help, self-responsibility, equity and solidarity could be such principles, but further research is needed to assess this in more detail.
Conclusions

This study suggests executives believed members were not overly concerned about co-operative principles and values because they operated within a set of values relevant to their own businesses. Interestingly, only one participant was aware of co-operative values.

The principles of voluntary and open membership, democratic member control, member economic participation, autonomy and independence resonated with members and could be seen in action. The principle of education, training and information needs to be delivered in innovative ways if it is to engage and motivate co-operatives and members. Members placed value on the people or the human side of the co-operative because of the trust that had been generated through performance of their co-operatives. Executives focused on delivering tangible economic value, rather than “values” per se. Both agreed on the most common value word (trust) and its role in allowing a co-operative to operate and produce value for members.

Having a culture and business operation contextualised around co-operative principles and values should ensure co-operative principles and values are anchored in the co-operative business model. They have the potential to become specific catalytic mechanisms that help meet long-term goals (Novkovic, 2004). If co-operative principles and values are operationalised, some short-term economic losses can be tolerated during the pursuit of long-term economic performance that benefits all members (i.e., the focus should be on a sustainable future rather than short-term profit motives). If this occurs, all stakeholders can benefit by the pursuit of co-operative
principles and values and co-operatives will operate in ways that clearly distinguish them from IOFs.

**Implications for management and government policy**

Table 6.7 provides a summary of how co-operative principles and values might be operationalised by management. When members are involved as owners, they can maintain and influence their co-operatives’ values and meanings (Talonen et al., 2016). The owner role, identified by Mamouni Limnios et al. (2018), can be stimulated to ensure strategic planning is strengthened, rather than burdened, by co-operative principles and values. They can also be deferred when disputes arise or where de-mutualisation threats appear.

Government policy and legislation can be designed to reflect the importance of making co-operative principles and values explicit as a powerful differentiator from IOFs. As a result, incentives such as tax breaks or accelerated capex deductibility for co-operatives could be regulated by legislation, providing a competitive advantage for this business model.

For managers and government regulators, it is important that co-operative principles and values are clearly understood and formally enshrined in co-operatives’ constitutions. As noted earlier, the seven co-operative principles have been formally enshrined in Australia’s Co-operative National Law (CNL) and there are similar moves in some other countries (Cracogna et al., 2013). The seven principles are an important framework upon which co-operative identity is based and suggests how
such entities are defined. Consequently, they play a central role in how co-operatives are legally defined and how they are differentiated from IOFs (Cracogna, 2002).

Table 6.7: Managerial implications related to co-operative principles and values

<table>
<thead>
<tr>
<th>Managerial Implication</th>
<th>Principle</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>As an industry, more like-minded SMEs could be attracted to the co-operative to strengthen their collective economic interests and their position in the industry.</td>
<td>Voluntary and open membership</td>
<td>Self-help</td>
</tr>
<tr>
<td>Regardless of the status/lifecycle of the SME member, everyone is treated equally, which can create a more homogeneous group of members.</td>
<td>Democratic member control</td>
<td>Equality, equity</td>
</tr>
<tr>
<td>SME members can be engaged in developing the member value proposition to ensure it remains competitive and to deliver economic returns to members in the form of services and products based on patronage by the SME member.</td>
<td>Member economic participation</td>
<td>Self-responsibility</td>
</tr>
<tr>
<td>Co-operatives and members can determine how, as a collective, they will benefit wider stakeholders within their co-operative and communities.</td>
<td>Cooperation among co-operatives, Concern for community</td>
<td>Solidarity</td>
</tr>
<tr>
<td>Innovative methods to engage and motivate staff and members on the principles and values related to business strategy, decisions and purpose of the co-operative.</td>
<td>Education, training and information</td>
<td>All values</td>
</tr>
<tr>
<td>Facilitate enhanced governance of the co-operative and control over the co-operative’s destiny.</td>
<td>Autonomy and independence</td>
<td>Democracy</td>
</tr>
</tbody>
</table>
Given the legal importance of co-operative principles, directors and executive managers need to understand these principles, enshrine them in their organisations’ constitutions and proactively communicate them to members. In doing so, we recommend they place the principles in their constitutions as objectives that flow from their organisation’s purpose. The seven principles can be reworded to reflect the goals of a specific co-operative. This can be achieved without loss of fidelity to their original intent. It is something we have achieved in discussions with co-operatives seeking to strengthen their identity and members’ commitment and engagement.

Future research

Future research should include more case studies of co-operatives and SMEs across different sectors and locations. There may be opportunities to identify members having two or more co-operative memberships to see whether the principles and values are being applied in the same manner within each co-operative. Research of co-operative legislation across the globe could be undertaken to see whether the co-operative model is more evident when co-operative principles and values are explicit in relevant Co-operative Acts. Future research should also examine the roles of trust, integrity, honesty, and loyalty in relation to the co-operative values for co-operatives and members to identify with the context of their co-operatives. Research could also be undertaken to identify the different roles members have in their co-operatives to see how each role might be stimulated by the implementation of the principles and values as catalytic mechanisms, ensuring the walk matches the talk.
Limitations

Participant members were selected by the co-operatives, which may have led to selection bias. However, members were very open in their communications and shared valuable information. Further, this study focused on four successful Western Australian co-operatives. Consequently, the results may not be generalisable to other contexts or to newly formed co-operatives.
Chapter 7: What roles do SME members have in co-operatives?

Summary

This research paper was submitted to the *Journal of Co-operative Organisation and Management* and was accepted for publication on the 7\textsuperscript{th} of March 2021. This paper addresses research question 4: What roles do SME members have in co-operatives?

Submitted paper

What roles do SME members have in co-operatives?

Abstract

What makes the co-operative business model unique is the various roles members have. We interviewed executives and members of four large Australian co-operatives to determine what these roles were. Our results show differences in terminologies and conflation of member roles relating to patronage, ownership, investment and community membership. We introduced the “Four Hats” (4Hs) framework proposed by Mamouni Limnios et al. (2018), which describes the distinct roles of patron, investor, owner and community member. All interviewees responded positively to these roles. By isolating these specific roles, potential activators for each role could be developed to improve participation. Executives rated (in order of dominance), the patron, owner, community member and investor roles. Members rated (in order) owner, investor, patron and community member.

Key Words:

*Co-operatives, Member Participation, Identities, Roles, Value Proposition*
Introduction

Most of the benefits and value members receive from their co-operative are generated from active participation (Verhees, Sergaki & Van Dijk, 2015; Birchall & Simmons, 2004). While the question of how co-operatives might establish and maintain active member participation has been researched (Birchall & Simmons, 2004; Gijselinckx & Bussels, 2014; Hernández-Espallardo, Arcas-Lario & Marcos-Matás, 2013; Verhees et al., 2015), few studies have tried to understand the often-complex nature of the various roles members play within their co-operative and how these can encourage active member participation. Further, fewer studies have examined this from the perspectives of both members and co-operative managers (Suter & Gmür, 2013), particularly when members are owner-managers of small to medium enterprises (SMEs). This research gap led to the research questions that guided this study, namely:

1. What roles do SME owner-members play within their co-operatives?
2. How do these members and the managers of their co-operatives understand and identify with these roles?

Identifying members’ roles is a challenging task for co-operatives (Brown et al., 2015). Past research has focussed on the relationships members have with their co-operatives, which are generally seen as patronage, investment, or community-member roles (Jussila, Goel & Tuominen, 2012; Nilsson, 2001; Puusa, Hokkila & Varis, 2016). Classifications vary and have generally been limited to two roles in most studies. Verhees et al. (2015) suggested co-operatives should communicate the active roles members must undertake to obtain mutual benefit. A recognition of these multiple
roles can enhance co-operatives and their members’ opportunities to effectively engage with each other and strengthen their commitment (Mamouni Limnios, Mazzarol, Soutar & Siddique, 2018). If these different roles are not recognised, tensions can develop, such as when the investor role overwhelms the patron role, often leading to a co-operative being de-mutualised (Nelson et al., 2016).

Mamouni Limnios et al. (2018) suggested a need to see whether members’ views about their roles within their co-operatives are consistent with those of management, as this would improve acceptance of the 4Hs framework that could be used in the member value proposition (MVP). This may also strengthen active participation by improving the co-operative’s understanding and recognition of member roles, which would be useful given the challenge of maintaining active member participation (LeVay, 1983).

Co-operatives exist to achieve economic and social objectives desired by their members. Such organisations are governed democratically by members who use their services (Birchall & Simmons, 2004; Cicognani, Palestini, Albanesi & Zani, 2012). This mutual ownership and democratic governance should also create a sense of ownership among members (Spear, 2000). Co-operatives typically pursue not only economic goals, but also social objectives designed to benefit members’ interests (Novkovic, 2008). However, to be successful, they must recognise the importance of aligning members’ roles and interests with the co-operative’s interests (Mazzarol et al., 2013).

By leveraging non-financial benefits, such as aligning a common purpose and values (Novkovic, 2006), co-operatives can motivate members even when direct financial returns are minimal (e.g., in non-distributing co-operatives). Further, having an
accepted MVP should ensure members’ needs are addressed to avoid members using alternative sources (Nguyen, 2006) and during times when financial returns may not be possible (e.g., dividend payments).

For the purposes of our study, we provide definitions for co-operatives and SMEs. The International Co-operative Alliance (ICA) defines a co-operative as “an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise” (ICA 1995, p.1). OECD statistics (2004) defined an SME as a business having fewer than 250 employees with an annual turnover of less than €50 million and assets of less than €43 million.

Interviews were undertaken with the members and managers of four large Australian co-operatives, including some of the nation’s largest and most successful co-operatives that were based in bulk grains handling and storage, meat processing, fishing and the retail automotive services sector. The interviews were undertaken to provide an in-depth exploration of how members and managers understood members’ roles (Karhu, 2015; Oczkowski, Krivokapic-Skoko & Plummer, 2013) to provide new insights into members’ views (Mazzarol et al., 2013; Verhees et al., 2015). We first examine the relevant literature related to our research, after which we describe our research methodology and outline the software used to analyse our data. We then report our findings before providing a discussion and some final conclusions, along with managerial implications and future areas of research.
2 Literature Review

Members can be customers and patrons with shared values of a non-transactional manner (Nelson et al., 2016). Nilsson (2001) provided a categorisation of co-operatives where members’ roles as patrons and investors were important versus non-important. Where patronage provides greater reward, the investor role becomes overshadowed and where rewards from investing occur, then members are willing to invest to strengthen their market position through the co-operative (Nilsson, 2001). Further, Byrne and McCarthy (2014) found members were more inclined towards a relational value proposition than one based solely on technical transactions (e.g., interest rates, feeds), which was reflected in increased patronage. These studies suggested the patron role was clear, while other roles were fluid, leading to conflation and members acting on all of them simultaneously (Mazzarol et al., 2013).

According to Suter & Gmür (2013), the notion of multiple roles is justified by the need for the value concept to be differentiated, with members making judgements about the essential value needed for their circumstances (Byrne & McCarthy, 2014). This research was complemented by Mamouni Limnios et al.’s (2018) “Four Hats” (4Hs) taxonomy (i.e., patron, investor, owner and being a member of a community of purpose). The major assumption behind the 4Hs was that a co-operative’s MVP needed to pay attention to all four. Mazzarol and Soutar’s (2013) survey of Australian and New Zealand co-operatives found that 63% of members considered the patron role to be valuable to them, while 57% valued their role as a community member, 50% saw themselves as investors and 49% as owners, with most wearing more than one of these hats, which are discussed in subsequent sections.
2.1 Patron Role

Nilsson (2001) suggested the patron role is the most important factor motivating members, a view supported by Talonen et al. (2016). When there is more use, there is more advantage when pricing benefits a buyer or supplier (Jussila et al., 2012; Tennbakk, 2004). The patron role stems from a co-operative’s trading relationships, in which financial and functional value are critical (Mamouni Limnios et al., 2018). Members ultimately patronise a co-operative if they obtain fair prices, quality service and transactional efficiency (Mazzarol et al., 2014).

Depending on when members join a co-operative (i.e., early formation, growing or in maturity), a challenge with the patron role is what is commonly referred to as the free-rider problem, as new members obtain the same patronage benefits as do existing or founding members. This can create a dilution effect, which can cause members to be less inclined to invest in their co-operatives (Cook, 1995). In essence, patron and investor roles can become conflicted, with a risk of de-mutualisation if the latter role predominates (Nilsson, 2001).

2.2 Investor Role

The investor role is important when a co-operative wants to raise capital and grow or offer financial returns from profits to its members (Cook, 1995). This role emerges when co-operatives have residual share ownership rights that can be traded (e.g., through share ownership which may be an upfront investment or shares obtained through patronage) (Nilsson, 2001). The investor role is one in which a member is
rewarded for patronage by receipt of dividends or tradable shares that have appreciable value (Mazzarol et al., 2014).

Two issues common to co-operatives are the horizon and portfolio problems, which are associated with the investor role. The horizon problem occurs when members have different timeframes or cycles within their own businesses (e.g., retirement or investment needs), or members require short-term returns that are not congruent with a co-operative’s longer-term strategy (Mazzarol, 2015). This becomes problematic when a co-operative needs investment for the longer term, but members cannot visualise benefits for themselves (Nilsson, 1999). The portfolio problem occurs when co-operatives have sub-optimal investment portfolios (Cook, 1995). As a result, members such as SME owners may vote for surplus profits to be paid to them as shareholders and invested into their businesses rather than in the co-operative to fund its future growth (Mazzarol, 2015). This is particularly important when SME owner-members are in financial distress or when they are nearing retirement and wish to see some of a co-operative’s residual value distributed to them personally.

2.3 Owner Role

Members have a stronger appreciation and acceptance of their ownership when they see the co-operative as their own property. However, this can be difficult, as the mutual ownership and control nature of a co-operative can dilute members’ sense of ownership (Jussila & Tuominen, 2010). Members have a stronger sense of ownership when they recognise the co-operative as their own, comprehending its true meaning and investing their personal resources (Jussila & Tuominen, 2010).
Nelson et al. (2016) found that commitment to a co-operative’s values and practices can be stimulated when members understand their owner role. Further, a distinction can be made between the investor and owner role, as the latter has a focus on “member control” (Mazzarol et al., 2014). This is different from an investor role, where the emphasis is on return on capital (Gupta, 2014). While Verhees et al. (2015) have suggested the owner role is associated with contributing capital (i.e., investor role), Vandewalle et al. (1995) suggested positive engagement can happen without an equity position if psychological ownership exists (i.e. an individual feels a sense of ownership) (Pierce et al., 1992). From our perspective, the owner and investor roles are separate and should be viewed as such, as suggested by Mamouni Limnios et al. (2018).

2.4 Member of a community of purpose role

Co-operatives are commonly established in response to a market failure, when collective action is the only way a community can achieve a necessary solution to the problems they are facing (Cook & Iliopoulos, 1999). The sense of belonging to a community of purpose (i.e., the purpose that forms the foundation reason for a co-operative’s creation) can be a powerful motivator for members, even when the co-operative may not provide them with the best price or good investment returns (Fulton, 1999). “Soft” or social outcomes can be combined with “hard” economic outcomes when developing a co-operative’s MVP (Simmons, 2015). Keeping social and economic objectives in members’ minds can be a valuable way to strengthen their commitment to the co-operative (Jussila et al., 2012).
While members might be initially attracted to join based on patronage or investment roles, they are likely to remain loyal if their sense of ownership and belonging to a community of purpose are strengthened (Palmer et al., 2000). Indeed, Puusa et al. (2016) suggested co-operatives are best situated close to members and most co-operatives are embedded within their local communities (Levi & Pellegrin-Rescia, 1997), which can improve the congruence between a community’s and a co-operative’s goals (Mazzarol et al., 2014).

2.5 Active member participation

An important element of a co-operative’s success is active member participation (i.e., members actively trade with the co-operative, invest if share capital is needed, participate in its governance, and remain committed to seeing it pursue its purpose) (Couture et al., 2002). Members’ willingness to attend general meetings or volunteer to become directors complements patronage and strengthens loyalty (Barraud-Didier et al. 2012). Active participation facilitates co-operatives’ democratic nature and can assist collective decision-making (Jussila et al., 2012), providing a competitive advantage (Birchall & Simmons, 2004; Hakelius, 1999).

Members are a co-operative’s lifeblood and without their participation, the co-operative can lose its raison d’être (Xiang & Sumelius, 2010). It is therefore important that a co-operative engages with its members to achieve active participation, as this increases the success of the co-operatives (Verhees et al., 2015). Active participation is also essential to ensure appropriate control rights and good performance (Barraud-Didier et al., 2012; Österberg & Nilsson, 2009).
Co-operatives have been viewed as hybrid organisations that pursue economic and social objectives, which require them to focus simultaneously on maintaining an efficient business enterprise and a social network of members (Draheim, 1952). Compounding this issue is that members take on different roles at different stages of their personal and business lives. Suter and Gmür (2013) suggested new members may have different requirements from older members, adding a further difference between recently founded and mature co-operatives. Further, SME owners’ willingness to join a co-operative is likely to depend on their social position and life stage, which could affect their attitude towards active membership (Sorokin, 1954).

Members’ interest in a co-operative can decline when they perceive their needs are not being met and their voices are unheard (Simmons & Birchall, 2004), which is why Suter and Gmür (2013) argued co-operatives should focus on what members want rather than what they offer. Members evaluate the capacity of their co-operatives to provide added value (Theuvsen & Franz, 2007) and, if there is no perceived value, there is no need for the co-operative (Gijselinckx & Bussels, 2014).

Birchall and Simmons’ (2004) Mutual Incentives Theory suggests some motivations for people to join and participate in co-operatives. Participation is based on individualistic motivations, as suggested by social exchange theory (Homans, 1974), in addition to collectivistic ones. Individualistic incentives occur when there are benefits to membership (Birchall & Simmons, 2004), while collectivistic incentives evolve when there is a sense of community and shared values and goals (i.e., the “community member” role) (Van Vugt et al., 2000).
Congruence between members’ and co-operatives’ identification and understanding of members’ roles can enhance members’ participation. Consequently, there is a need to identify the activators for each role and to develop strategies that reinforce members’ awareness of them. In the following section we outline the approach used to improve understanding of this issue.

3 Methodology

A multiple case-study design, guided by the structure suggested by Eisenhardt (1989), was used here. This approach has eight steps: defining the research question(s); selecting the cases; developing the case study protocols and discussion guide; collecting the data; analysing the data; shaping hypotheses; enfolding the literature; and reaching closure. The cases used here were four large Australian co-operatives. These co-operatives were chosen as they are all successful, well-established co-operatives with SME owner-members. Details of these co-operatives are provided in Table 7.1. Co-operative Bulk Handling Group Ltd (CBH) and the West Australian Meat Marketing Co-operative (WAMMCO) are agricultural producer co-operatives with farmer members who supply grains and meat. CBH is a non-distributing co-operative (e.g., not-for-profit) and does not issue dividends rewarding its members through pricing, rebates and services. By contrast, WAMMCO is a distributing co-operative that issues share capital based on patronage and distributes profits through dividends.
Table 7.1: Selected co-operatives

<table>
<thead>
<tr>
<th>Co-operative</th>
<th>Background</th>
<th>Number of Interviewees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-operative Bulk Handling Group Ltd (CBH)</td>
<td>CBH is one of Australia’s largest agricultural co-operatives with more than 4200 members and reported revenues of more than $3.4 billion in the 2018 financial year. CBH is a non-distributing co-operative.</td>
<td>6 x members</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 x executives</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1 x manager</td>
</tr>
<tr>
<td>Geraldton Fishermen’s Co-operative (GFC)</td>
<td>GFC has approximately 200 members with reported revenue of $303 million in the 2018 financial year. GFC derives its revenues within the fishing industry.</td>
<td>6 x members</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 x executives</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1 x manager</td>
</tr>
<tr>
<td>Co-operative</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capricorn Society Limited (CSL)</td>
<td>CSL has approximately 17,000 members Australia wide with revenues of more than $111 million reported in the 2018 financial year. CSL derives its revenues within the motor vehicle industry.</td>
<td>6 x members</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 x executives</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1 x manager</td>
</tr>
<tr>
<td>West Australian Meat Marketing Co-operative (WAMMCO)</td>
<td>WAMMCO has approximately 1000 members with consolidated revenues of more than $296 million reported for the 2018 financial year. WAMMCO derives its revenues from within the livestock/meat industry.</td>
<td>2 x executives</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1 x manager</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Note: no members</td>
</tr>
<tr>
<td></td>
<td></td>
<td>interviewed</td>
</tr>
</tbody>
</table>

The GFC provides Western Australian rock lobster fishermen with processing and export marketing services. Like WAMMCO, GFC is a distributing co-operative and issues shares and dividends based on patronage. Finally, CSL, is a distributing co-operative that provides purchasing services to SME owners in the Australian and New Zealand automotive services industries. It also owns an insurance mutual that provides members with a range of general insurance services. Members receive dividends, rebates, and services. An initial pilot case study was conducted with CSL to revise the case study approach and interview questions. After the pilot we refined the interview questions (Table 7.2).
In-depth semi-structured interviews were undertaken with members and managers of these co-operatives. In total, we interviewed 18 members and 12 executives (including a senior manager of each co-operative). While we could not interview WAMMCO members, we obtained good data from interviews with their managers. Consequently, this case was retained. Open-ended semi-structured interviews that ranged from 45 to 80 minutes were undertaken, which were audio-recorded and transcribed. Thirteen interviews were conducted by telephone due to geographical considerations. According to Gioia et al. (2013), semi-structured interviews provide real time and retrospective accounts and perspectives of people and phenomena. They suggest people studied in organisations are often “knowledgeable agents” who can explain their thoughts, intentions, and actions and this was the case here. Indeed, the interviews were engaging for the informants who were interviewed (Morgan, 1983).

The members interviewed had an average of 25 years in business, 19 years as members of their co-operative, employed between one and 17 employees and generated revenues of between $250,000 and $2 million annually. Executives had an average of 18 years working in the co-operative environment. They had an average of six years in their current positions with experience across the automotive, agribusiness, meat, livestock, dairy, crop and retail industries. This profile was representative of the population of members across these co-operatives.
Table 7.2: Guiding questions used in interviews

<table>
<thead>
<tr>
<th>Guiding questions for executives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. What types of roles do you believe members play in the co-operative?</td>
</tr>
<tr>
<td>2. Before joining a co-operative, do you think members are aware of the roles they will play?</td>
</tr>
<tr>
<td>3. Over time, how do the roles of members develop within your co-operative?</td>
</tr>
<tr>
<td>4. How do you see any of the member roles impacting on the “member value proposition” offered by your co-operative and the “values” of your co-operative we discussed earlier?</td>
</tr>
<tr>
<td>5. How would you and your members feel if your co-operative de-mutualised? What would your members do about it?</td>
</tr>
<tr>
<td>6. How do you deal with conflicts or different ideas with respect to how you run your co-operative and the impact it would have on your members and their businesses?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Guiding questions for members</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. What types of roles do you believe you play in the co-operative?</td>
</tr>
<tr>
<td>2. Over time, how has your role developed with your co-operative?</td>
</tr>
<tr>
<td>3. Before joining the co-operative, what role did you think you would be playing with the co-operative?</td>
</tr>
<tr>
<td>4. How do you see any of your roles (i.e., patron, investor, owner and community member) impacting on the “member value proposition” offered to you by your co-operative and the “values” under which your co-operative operates as we discussed earlier?</td>
</tr>
<tr>
<td>5. What activities do you participate in with your co-operative?</td>
</tr>
<tr>
<td>6. How do you ensure value is achieved for your business?</td>
</tr>
<tr>
<td>7. How do you provide value to your co-operative?</td>
</tr>
<tr>
<td>8. What do you do when you feel the co-operative does not provide you with the benefits you feel you need?</td>
</tr>
<tr>
<td>9. How would you feel if your co-operative were to demutualise? Why would you feel that way? What would you do about it?</td>
</tr>
</tbody>
</table>
4 Data analysis

Two software tools now commonly used in qualitative studies (NVivo and Leximancer) were employed as they offer different but synergistic value to the analysis of qualitative data (Sotiriadou et al., 2014; Wilk et al., 2019). While NVivo has been the most common software package used in qualitative research, (Jones & Diment, 2010), Leximancer’s use has grown in recent years (Cretchley et al., 2010). A stepped approach was used by initially analysing the data with NVivo as a within-case analysis that compared managers’ and members’ views, after which a Leximancer analysis was used to separate the executives and members to cross check the earlier results and obtain additional insights not possible with NVivo alone.

4.1 The NVivo analysis

The transcription and coding were guided by Saldaña’s (2015) suggestion, commencing with the coding of the interview data through first and second-cycle methods to identify themes. Due to the large amounts of text gathered from the interviews, an initial content analysis was undertaken to provide some initial inferences (Weber, 1990). NVivo is a labour-intensive process requiring researchers to be highly engaged with the data. This process allows researchers to be “closer” to the data, but it can lead to bias in the coding process (Sotiriadou et al., 2014). NVivo assists researchers to manage and organise data for analysis, identify themes, provide insights, and develop conclusions (Sotiriadou et al., 2014). The formatted transcripts were entered as stand-alone interview sources for members and executives in each cooperative.
4.2 *The Leximancer analysis*

The data were then analysed by Leximancer in separate executive and member data files to cross-check the NVivo findings and identify relationships between the two groups. Leximancer provides researchers with an ability to explore data more efficiently as it provides automatically generated themes and concepts that emerge from the text (Coffey & Atkinson, 1996). The software displays links and associations between concepts (Liesch, Håkanson, McGaughey, Middleton & Cretchley, 2011), which are groups of related words in the text that begin as seed words and evolve into a thesaurus leading to themes of related concepts named for the most noticeable concept found (Leximancer, 2013). Leximancer uses word frequencies and co-occurrences to identify the main concepts and interrelation within themes to test and validate theory (Smith & Humphreys, 2006).

Previous research, such as Mamouni Limnios et al. (2018), used Leximancer to define themes and related concepts, enabling an analysis of conceptual text data on the principles of content analysis (Verreynne et al., 2013) and in a similar way to a manual coding process through which researchers can isolate and define themes and their word relationships (Mamouni Limnios et al., 2018) Leximancer uses ontological relativity to assemble information to structure and evaluate concepts with three indicators of shading (warm and cool themes), closeness and centrality for explanation (Cummings & Daellenbach, 2009). Results visually display the main concepts depicting relationship summaries in a similar way to a mind map (Verreynne et al., 2013).
The interviews were labelled as “executives” and “members” so differences could be examined. Further, we merged similar words that had interchangeability (e.g., “membership and members, owner and owners, producer and producers”). “Provide” was used interchangeably with “value” so we deleted “provide” as well as words such as their, us, year, stuff and things. We also deleted obvious references to the co-operative and their industry (e.g., for GFC it was fishing and for CBH it was grains). This is like second- and third-round manual coding in NVivo (Saldaña (2015)).

5 Findings

The NVivo analysis results are shown in Table 7.3. In summary, executive managers and members conflated various roles, using them interchangeably (Table 7.4).

<table>
<thead>
<tr>
<th>Group</th>
<th>Summary</th>
<th>Representative sample of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executives</td>
<td>The patron and investor roles were often conflated because to benefit financially, which was an investment, patronage was rudimentary. Ownership was stated by reference of members having shares.</td>
<td>“Ownership of the system making members the sole beneficiary.” (CBH)                                                                                      “There must be a sense of belonging and ownership versus membership and customiership.” (CBH) “There is a lifecycle journey before members grasp their roles as owners.”(CSL) “The development of ‘personas’ across our members.”(CSL) “We have two types of investors, one who gets in and gets a dollar amount, the other, where they get a percentage of the bonus which makes them more engaged. This changes from being just a pure investor to an ownership type of scenario where they are more involved.” (GFC) “As an investor/owner, they want to see you developing their earning potential going forward and that their shares are going to be worth something if they get out after 20, 30 or 40 years or pass it on to the next generation. They want to see that we are running the co-operative commercially.” (WAMMCO)</td>
</tr>
</tbody>
</table>
Interestingly, none of the interviewees referred to the community member role. However, when prompted, all interviewees identified with the 4Hs (Table 7.5).

### Table 7.4: Summary of Roles through the NVivo Analysis

<table>
<thead>
<tr>
<th>Group</th>
<th>Summary</th>
<th>Representative sample of responses</th>
</tr>
</thead>
</table>
| Members | Members viewed themselves as customers/users of the co-operative of which they were members. Members didn’t regard themselves as owners. They were investors and shareholders due to the shares they had. CBH members didn’t place any value on their shares because they were not tradable. | • “You have partial control, you’re part of a bigger picture. You have an influence but no control.” (CBH)  
• “It’s quite a conflict because it does not feel our company. It’s not ours individually.” (CBH)  
• “They say you are an owner but in regard to owning a business, it’s not the same as me owning my business.” (CSL)  
• “I wouldn’t go around spruiking I’m the owner of that co-operative. I just say I’m a member of the factory, I’m a member of the co-operative. I’m a shareholder.” (GFC) |

<table>
<thead>
<tr>
<th>Co-operative</th>
<th>Executives</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBH</td>
<td>Users</td>
<td>Supplier</td>
</tr>
<tr>
<td></td>
<td>Sole Beneficiaries</td>
<td>No control, just influence</td>
</tr>
<tr>
<td>CSL</td>
<td>Customers</td>
<td>Customer</td>
</tr>
<tr>
<td></td>
<td>Personas</td>
<td>No control, just influence</td>
</tr>
<tr>
<td></td>
<td>Investor</td>
<td>Shareholder</td>
</tr>
<tr>
<td></td>
<td>Shareholder/Owner</td>
<td></td>
</tr>
<tr>
<td>GFC</td>
<td>Supplier</td>
<td>Supplier</td>
</tr>
<tr>
<td></td>
<td>Investor</td>
<td>Shareholder</td>
</tr>
<tr>
<td></td>
<td>Owners</td>
<td>Investor</td>
</tr>
<tr>
<td>WAMMCO</td>
<td>Supplier</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Investor</td>
<td>No data available</td>
</tr>
<tr>
<td></td>
<td>Owner</td>
<td></td>
</tr>
</tbody>
</table>
5.1 Case-by-case perspectives of executives and members

The following section examines the findings from the within-case analysis results obtained from the NVivo analysis.

5.1.1 CBH Group Ltd executives

The CBH executives referred to their members as “users” and “beneficiaries” rather than patrons and investors because members did not invest in the co-operative or receive financial distributions in the form of dividends. Members’ returns were generated in the form of rebates through patronage. Members were viewed as sole beneficiaries because, through the co-operative, they effectively “owned” the system and value chain. The topic of ownership emerged when de-mutualisation was discussed, as members had recently activated their voting rights and attended annual general meetings to thwart de-mutualisation, demonstrating their voices as was the case in the past. In relation to community-based activity, executives discussed their community investment fund. However, this was more about brand identity and giving back to the community.

Executives’ understanding of what members wanted is ascertained through surveys, roadshows and business relationship managers. These strategies focused on using the MVP to increase patronage. Members’ participation was gauged mostly using CBH services, involvement in the growers’ council and voting. Executives would prefer increased attendance and involvement. However, they also commented that it might be a good sign, as members typically attended such meetings when they had grievances.
By comparison, CBH members were very clear in their roles as suppliers, mostly because they had limited options due to the dominant position CBH commands within the state in relation to bulk grain handling and storage infrastructure. Members did not consider themselves as owners because they had no control, only influence through grower advisory boards where they could provide feedback to CBH. Members recalled receiving booklets on CBH’s structure and understood they played a role in protecting CBH from de-mutualisation. Members were very clear they received benefits through patronage.

Technical and servicing matters were generally provided to members through patronage. Members were cognisant of CBH’s large membership base and had differing opinions about the co-operative making correct decisions in the best interest of members. Members felt they had plenty of opportunities to engage through advisory councils and AGMs. In addition, some members felt they had opportunities to go on the board. Ultimately, most participation involved using the infrastructure to store their grain (i.e., the patron role).

5.1.2 Capricorn Society Ltd

CSL executives referred to their members as customers, investors and shareholders. Members are categorised as “personas” (mechanics, business owners and third-party supporters, who are family members or staff working in the members’ businesses who were the contact point between members and co-operative). The executives felt it could take up to 10 years for members to understand the roles they played and to realise they were also owners.
The area managers have a lot of experience in the sector and are on the front line engaging with members. This provides CSL with information on members’ needs. CEO forums are also held, along with other events throughout the year, through which CSL tries to understand how best to improve its MVP. Again, this is more targeted to the patron hat. Member participation is also gauged through attendance at events, in addition to the major activity of purchasing through the CSL platform.

CSL members did not view themselves as owners in the way they owned their own businesses. However, through patronage they received financial incentives through shares and dividends that made them feel like investors or “part owners”. Members were very focused on their own businesses and were happy with what CSL provided to them. Members were proud of their co-operative and realised its importance to their businesses and, to that end, wanted to ensure the co-operative operated effectively.

Most communication with the co-operative revolved around services to ensure members were satisfied. Again, this was mostly through the patronage lens. Members agreed CSL reminded members they were shareholders and that their input was needed to improve on what the co-operative provided. Members felt very comfortable providing feedback to CSL and participated in events such as surveys and research. Active participation was seen as using the CSL platform and attending road shows, functions and information evenings. The main event members looked forward to attending was the yearly trip where they had the feeling of being with like-minded business partners. This social aspect was important to make members feel as though they were all part of a bigger picture (i.e., community member role).
5.1.3 The Geraldton Fishermen’s Co-operative

GFC executives referred to members as suppliers because they required produce to sell through the supply chain. Members were also regarded as investors because funds from sales were used to improve infrastructure. Executives also suggested that, after members participated in social functions and relationships developed, they felt they were also owners of the co-operative. Most engagement with members revolved around building the business case for the services that were to be provided. Executives wanted more attendance at AGMs as members were both owners and investors, because if there were poor results, at least some members were informed of the reasons. GFC executives seemed pleased when members made them more accountable, stemming from members being regarded as investors and owners.

There were mixed responses from members. All members believed they had an important role to act as suppliers of quality produce to their co-operative. However, they did not necessarily use all GFC’s services. Some members referred to themselves as shareholders and investors but not owners because they felt they did not always have a full understanding of what GFC was doing, which meant they could not say they owned it.

Members felt they were able to contact the managers and CEO if necessary to discuss issues. The ease of communications made it possible to discuss matters in relation to the MVP as patrons. Apart from the AGM, members noted there were frequent meetings at all ports and depots that provided opportunities to discuss improvements. Attending these meetings and social event were seen as signs they were active members. Members also agreed their main role was sending produce to the co-
operative which was a sign of their true commitment and participation (i.e., the patron role).

5.1.4 The West Australian Meat Marketing Co-operative

WAMMCO member benefits are based on supply and related financial benefits in the form of dividends through their shares that are linked to patronage. This resulted in some WAMMCO executives conflating the patron and investor roles. Others conflated the patron, investor, and owner roles under the term “owner”. WAMMCO gauged their membership participation rates through the supply obtained from their members. Information exchanges revolved mostly on pricing and technical matters and attendance at AGMs was generally regarded as poor due to reasons such as distance and the timing of AGMs. WAMMCO measured membership participation mostly through supply. It was not possible to obtain access to members for this study, which meant we only had the executives’ perspectives in this case.

5.2 A discussion of the 4Hs framework

When shown Mamouni Limnios et al.’s (2018) 4Hs framework, interviewees could easily relate to them. The results are provided in the NVivo hierarchy analysis (Table 7.5), which was supported by the Leximancer analysis. The most powerful “hat” to emerge for members was the “owner hat” and there was no conflation with other roles. Being an owner protected their interests and investments. However, the owner role was unambiguously evident. It was interesting to note executives ranked the “investor” role last. This may be due to reasons outlined in the literature review that suggested
horizon and portfolio problems made it difficult for a co-operative to influence SME members’ short-term investing.

Another interesting point to note was that members viewed the “community member hat” as least important. Members understood they were a collective community but did not place much emphasis on it. Rather, members viewed this hat as giving back to the community, which they did through their own businesses rather than through the co-operative. Only when asked about them being collectively a community through their co-operative did they understand this role. Executives did not see their members as “investors” per se, as seen in their ranking of this role in Table 7.5. Patronage resulted in rebates and dividends, which is consistent with them conflating the “investor and patron” hats.

**Table 7.5: NVivo hierarchy analysis after 4Hs framework prompts**

<table>
<thead>
<tr>
<th></th>
<th>Members</th>
<th>Executives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Owner</td>
<td>1. Patron</td>
</tr>
<tr>
<td>2.</td>
<td>Investor</td>
<td>2. Owner</td>
</tr>
<tr>
<td>3.</td>
<td>Patron</td>
<td>3. Community Member</td>
</tr>
<tr>
<td>4.</td>
<td>Community Member</td>
<td>4. Investor</td>
</tr>
</tbody>
</table>

5.3 Perspectives of executives and members – the Leximancer analysis

The themes and concepts from our findings from both an executive and a member perspective are shown in Figure 7.1. Representative quotations from the transcripts are also included. The lines between the concepts demonstrate their relationships and the frequency of concept occurrences are represented by the size of the dots (Mamouni Limnios et al., 2018). Two main themes emerged (i.e., “members” and “business”),
with the concept seeds for the “members” theme including “value, members, investor and board”. Within the “business” theme the concept seeds were “shares, business, owner, money, community, involved and people”. In general, as can be seen in the placement towards the centre of Figure 1, the concept seeds of “investor, owner, community, board, business and involved” were central to executives and members, suggesting a general congruence between executives and members, supporting the NVivo analysis results.

5.3.1 Executives’ perspectives

The executives’ emphasis was on their members, which was expected (i.e., “no members, no co-operative”) (Gijselinckx & Bussels, 2014, p. 511). The “value” concept seed was strongly linked to the executives because it was the value they were trying to provide to members. This value is constructed through MVPs to serve members. In essence, this can be regarded as the “patron” hat because, without this “value,” there would be no consumption by members.

The “investor” concept seed was based on members’ patronage, which resulted in the realisation of returns through dividends, shares and rebates. While there is a direct link with the “owner” concept seed, the two are separate (i.e., not conflated), as in the NVivo analysis before the four-hat framework prompts. There is no direct link from executives to the investor concept seed as it stems from a different pathway (members-\rightarrow\text{business}\rightarrow\text{owner}\rightarrow\text{investor}). This is consistent with the NVivo analysis from the discussion that preceded the introduction of the four-hat framework, where members conflated the investor and owner roles.
INVESTOR HAT

Executives:
“We’ve had a few of them who tried to be just the investor, but our share structure is based upon patronage. The more you patron, the more shares you can buy, up to a limit and then it’s capped.”

“Their asset is the quota which they own. They engage in the co-op because they know that we have a long-term view to increase their asset value.”

Members:
“Over a period of time it has become very appealing because my shareholding has become quite large and as I head towards retirement, it is a significant part of my portfolio.”

“I guess an investor yes, but we’re not putting anything else into it.”

COMMUNITY HAT

Executives:
“I’ve had a lot of members that have supported us with the council and that sort of thing. With housing, I was telling you about workers, we’ve had to bring in workers from Korea and we’ve had to house them, and we’ve had help from the community in that.”

“Each year, we spend $1.5 million going back into communities through various programs. They have to apply to get those funds, but the idea is they are all going back into the community. Once again, it’s part of being a member-based organisation and giving something back from a cooperative point of view.”

Members:
“I think active participation is not just doing things that benefit only you. But also looking to benefit the greater community.”

“I’ve never really considered myself to be a community member, but now I’m thinking about this with you, it actually was about being a member of concerned community, of like-minded community members trying to solve this, or save this cooperative.”

“I think I was actually playing the part of a community member in that instance and I didn’t really realize it.”

OWNER HAT

Executives:
“As the owner, I think that is around participation in our events more than anything else and particularly our core event, and voting. That is very much the networking, come to all those collaboration activities.”

Members:
“I invest my time but there’s no monetary investment. I’m a part of the committee; I feel like an owner of that and direct what’s going on.”

BUSINESS (i.e. PATRON HAT)

Executives:
“They’re a producer 99% of the time and they’re involved in the supply chain such a small period of time.”

“Basically, they invest through putting their volume through us and the business and that’s how our business survives.”

“I hope they’d spend more through our trade account.”

Members:
“I’ll be saying that 80% economic, you want to look after your business, you want to look after your bottom line.”

“It’s probably by delivering grains into the system again.”

“Straight from a business point of view, we should be leaders in the business world.”

“As a farmer you know you just go about your business as a farmer.”

“But I’ve always been so focused on my own business and/or its survival.”

Figure 7.1: A Leximancer analysis of executives and members
Executives conflated patronage with the investor role, explaining patronage’s proximity to the “investor” concept seed. This also explains why, in the NVivo analysis, the investor hat was ranked fourth. There is a pathway from “executives→members→board→community,” which provides the community member hat from an executive perspective.

5.3.2 Members

Members were close to the “business” theme and its related concept seeds. This seems correct, as there must a compelling reason for them to be members. The “business” concept seed was, in essence, the “patron hat,” as the text making up this concept seed revolved around producing, supplying and consumption. Members had direct pathways to the “people”, “business” and “shares” concept seeds. Shares were discussed by GFC and CSL members, as they were able to trade the shares with other members and receive dividends. CBH is a non-distributing co-operative, so the shares discussed by members related to their rights to vote.

The “owner hat” was ranked first in the NVivo analysis, which is consistent with the Leximancer analysis, as there was a pathway from the “business” concept to the “owner” concept. Ownership is not viewed from a monetary aspect, as there is a separate concept labelled “money,” which is a result of the “business” concept (i.e., patronage). It was more associated with a “feeling of ownership” due to the shares held, which allowed members to vote at AGMs and, as previously noted, the “owner hat” emerged enthusiastically when the discussions of de-mutualisation occurred.
Although not explicitly found in the NVivo analysis until after the four-hat framework prompts, a “community” concept seed appeared. However, this hat was ranked last by members. Within the Leximancer analysis we can see the “community” concept appeared from the “people→involved→community” pathway. This suggests members were individuals involved in a co-operative community. Members, for the most part, did not identify with this role before the prompt. This may be due to the focus SME members had on their own businesses. Nonetheless, the Leximancer analysis suggested there was a “community” concept seed that can be regarded as the “community member hat.”

6 Discussion

Before the four-hat framework prompts were introduced, the co-operatives used their own terminologies when classifying members’ roles, which led to some conflation between them. We found the four-hat framework facilitated discussions and could be activators to engage members. Executives referred to the importance of providing value to their members within their patron role, as this was seen as the primary business relationship from their perspective. The executives’ focus was on providing an MVP that ensured members would use the services provided. Increased active participation by members through attendance at AGMs was desired (Verhees et al., 2015). However, the executives also understood geographical distances made it difficult for some members to attend. This is where much of the emphasis on roadshows. Various networking events throughout the year provided contact opportunities with members.
Prior research studies that found decreasing active membership have attributed this to increased member heterogeneity (Bhuiyan, 2007; Fulton & Giannakas, 2001) which results in some members’ interests not being met and some members not fully understanding their co-operative (Verhees et al., 2015). When faced with this situation, co-operatives must reconfigure their MVPs to appeal to all members (Mazzarol, 2015). Without this appeal, a co-operative’s financial and organisational health deteriorates, as members are not engaged (Fulton & Giannakas, 2001). For a co-operative to remain sustainable, there should be repeated exchanges that generate collective benefits for members and the co-operative (Jussila et al., 2012), suggesting the “patron” role is critical.

The “investor and owner” terms were explicitly used by executives, except for CBH, which referred to members as sole beneficiaries. The executives of each co-operative referred to the patronage role when discussing their business models. For example, CBH members were “users” of the infrastructure and not necessarily suppliers, as members had an option to on-sell their grain to other buyers. CSL referred to their members as customers because they purchased parts and services through the CSL platform. Both GFC and WAMMCO referred to their members as suppliers (lobsters and lambs), suggesting members’ roles were a result of how a co-operative identified with its members. Members, on the other hand, referred to being suppliers and customers, as well as investors. The onus must fall back on co-operatives’ management to use the four roles distinctly, as this would improve congruence with members, while acknowledging the different ranking of importance of each role.
As shown in Table 7.5, when introduced to the 4Hs framework (Mamouni Limnios et al., 2018), executives considered the “patron hat” was the most important role members played. It was important for executives that members used the co-operative to buy or sell, as this ensured the co-operative’s economic viability and helped the co-operative remain true to its operational purpose. However, when asked about prospects of de-mutualisation, executives were adamant the “owner hat” should be encouraged and activated. In this context, the “owner hat” was seen as separate to the “investor hat”, although some executives saw a close link between the two. This stemmed from the view that, if the co-operative didn’t exist, members would not benefit financially from any investment.

Indeed, the “community member hat” emerged before the “investor hat”. This was an interesting insight because the “community member hat” did not appear before the framework prompts was introduced. The “community member hat” was referred to as a collective group of individuals and small businesses working together. The “investor hat” was ranked last due to a realisation that most of the financial benefits were driven by patronage and not by capital investment. For example, when share capital and dividend distributions did exist (e.g., CSL, GFC and WAMMCO), all “investment” activity arose out of patronage and not from investing funds into the co-operative.

As might be expected, the SME owner-members engaged with their co-operatives from a business-to-business perspective. This was the primary focus of the MVP offered to them by their co-operatives (e.g., value through use). As busy SME owners, their attention was on their own firms, rather than on the co-operative’s operations. So long as the co-operative delivered efficient, quality services, competitive prices, and
good rebates and/or dividends, there was little need to get involved. In effect, the attitude of “if it isn’t broken, then don’t fix it” prevailed, which is why many members did not get involved too much with the AGMs.

According to Chaddad and Iliopoulos (2013) and Simmons and Birchall (2008), members have a sense of ownership when they attend AGMs and are actively involved in governance. In essence, the owner role can be considered when a member is involved at a higher level in the co-operative without any direct financial benefits delivered to them (Mazzarol et al., 2014). Mazzarol and Soutar (2013) found affective commitment had the strongest direct influence on intention to remain a member of a co-operative and member loyalty, suggesting the owner role continues to be relevant and more emphasis should be placed on creating a sense of ownership, particularly when members are also consumers (Byrne & McCarthy, 2014). Here, the owner role took precedent over other roles, especially after members were asked what they would do if their co-operative de-mutualised. This triggered a change in the members’ mindsets, as initially they viewed themselves as patrons.

Nilsson (2001) has suggested that, where the investor role becomes more important to members than patronage, a co-operative risks de-mutualisation. To combat this, he proposed a co-operative restructure to emulate the New Generation Co-operative model being developed in the United States. Such co-operatives are closed to new members and require existing members to make formal commitments to supply contracts before receiving any dividends. However, an alternative approach might be to activate the owner and member of a community roles, thereby reducing the
dominance of the investor role and reminding members a co-operative is not an investor-owner firm.

In the case of CBH, prior to the introduction of the 4Hs framework, members referred to themselves as “suppliers” and “users”, highlighting their patron role. They did not consider themselves to be owners, describing themselves as “influencers” without much control. However, they discussed their connection with the grower advisory council and noted opportunities to become a member of the board. A similar pattern emerged in the CSL case, where members described themselves as “customers”, and with GFC, where the term “suppliers” was used. In both cases, share capital and subsequent dividends were linked to patronage, making the investor role subordinate. Nevertheless, GFC members did regard themselves as “shareholders”.

It is noteworthy that the “owner” role did not appear in the conversations with the members until the 4Hs framework prompts were introduced. The “owner” role became particularly visible when discussions around de-mutualisation occurred. It was this discussion that made members realise their ownership and voting rights protected their co-operative and in effect, their investment. This is reflected in Table 5, where the “owner hat” and “investor hat” were ranked above the “patron” hat.

The emergence of the “community member hat” was a result of realising it was in the best interests of all members for the co-operative to exist and perform as a community of purpose (Peredo & Chrisman, 2006). This was a significant turning point for most members, akin to an “a-ha” moment. While a community role may not provide a direct economic gain to members, it is an important part of the co-operative members’ ability to identify with the organisation. This is like the point of intrinsic motivation.
highlighted by Locke and Kasper (2019), through which there is joy in doing something without a financial incentive.

6.1 A conceptual framework

Figure 7.2 suggests a conceptual framework with each role and the activators that can lead to active participation within the co-operative. From a “patron” perspective, the activators are ensuring the MVP is configured so members use the co-operative more frequently. The “investor” role includes configuring members’ financial rewards effectively, although it should also promote longer-term investment horizons. The “owner” role ensures the co-operative does not resemble an investor-owned firm and avoids going down the de-mutualisation path. The “community member” role can be activated by promoting not only community purpose, but also the fact that SMEs are run by like-minded individuals and are similar businesses.

![Figure 7.2: A conceptual framework](image)

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7 Conclusions

This research examined the perspectives of executives and members of four large Australian co-operatives to better understand how they perceived and understood members’ roles. In addition, the study examined their perspectives of the 4Hs framework suggested by Mamouni Limnios et al. (2018) and identified some potential activators for each role that could inform strategies to increase member’s active participation.

Creating a shared sense of common purpose and perceived value among a co-operative’s membership requires the members to be aligned to the co-operative’s purpose (Lorenzi, 2016). As a co-operative grows and its membership becomes more heterogeneous, differences between members can create challenges for co-operatives if they try to satisfy everyone (Arrow, 2012). Where a co-operative might place too much focus on the patron or investor roles, there is the risk tensions will increase, risking de-mutualisation (Nilsson, 2001).

However, the inclusion of the owner and community member roles offers co-operative managers an additional set of factors upon which to build an MVP that can help unite the members. Collaboration between members around a common purpose and shared values will enhance value creation (Alford, 2002). Co-operatives, therefore, need to understand the power of the patron, investor, owner and community member roles when engaging with their members. In doing so, members are likely to gain a clearer understanding of the roles they play in their co-operative and become more engaged beyond the patron or investor roles.
Prior to introducing the 4Hs framework, executives and members had differing terminologies for the roles played by members. While the executives discussed “owners,” members did not. Only when provided with prompts and an explanation of the concept did members refer to themselves as owners. This suggests the 4Hs framework can be used to structure and align executives’ and members’ views of members’ roles. Nelson et al. (2016) suggested co-operatives’ and members’ communication strategies should be aligned to strengthen a shared sense of identity through a common purpose and ownership. Mamouni Limnios et al.’s (2018) 4Hs framework provides a potentially useful conceptual model to this and provides a language structure through which a co-operative could activate such an alignment.

7.1 Managerial implications

Co-operatives can operationalise each of the member roles to activate components relevant to their lifecycle and membership. Active member participation can be improved outside the patron role. The investor role becomes activated through rebates, shares and dividends, based on patronage. Earlier research suggests a relationship between patronage, investment and the value members receive (Nilsson, 2001). The MVP, therefore, needs to encourage members to strengthen their patron role by not only offering good service and prices, but also by rewarding patronage with financial benefits (e.g., rebates, shares, and dividends), thereby linking the investment role to the patron role.

However, these transactional factors are not sufficient to build member commitment and loyalty (Mazzarol, Soutar & Mamouni Limnios, 2019). What is needed is an equal focus on relational factors, as exemplified by the “owner” and “member of a
“community of purpose” roles. Without this, members can lose their identification with their co-operative’s purpose (Byrne & McCarthy, 2004), which can leave co-operatives struggling to maintain active and committed members (Fulton & Adamowicz, 1993). However, fostering of a sense of ownership can strengthen active membership (Jussila et al., 2012).

Educating members about their role as owners can provide opportunities to involve them in configuring the MVP and protecting the co-operative from de-mutualisation. Further, if they are also taught to understand and appreciate their membership of a community of purpose, attempting to solve economic and social problems within the members’ community, it is likely they will be more committed and loyal. For example, here, members initially believed most of their community engagement was through their own businesses, rather than through the co-operative. However, after reflecting on the “community member” role, they realised they belonged to a community of purpose and were associated with other like-minded individuals. Unlocking this awareness could enhance collective engagement between members and executives if they understand these roles and the importance of cooperation rather than competition. This mindset is also likely to reduce free-riding, portfolio, horizon, control, and influence cost problems by providing members and executives with a common way to look at their roles, the interrelationships between them and the activators that can align them with active member participation. We believe it is a co-operative’s responsibility to initiate the four roles, as emphasis could then be placed on the community member and owner roles, ensuring the co-operative identity is not lost.
Being an active member of a locally respected co-operative that is embedded in its community improves the respect others have for members and enhance their reputation within the community (Verhees et al., 2015). Business relationships within the community could also be referred to the co-operative by active members, allowing the co-operative to become the “glue” of the local economy (Burt, 1997).

7.2 *Limitations and future research*

Although the four co-operatives were all large and successful and the interviewees were broadly representative of the membership base, the study relied on a small number of interviews. In addition, the study took place in a single country. Future research should test the validity of the 4Hs framework in different contexts, such as smaller consumer-owned co-operatives from different countries and industries. Quantitative research approach should also be used to examine the 4Hs framework more deeply and its role as a strategic tool for co-operatives. Further research could also explore how an understanding of the four members’ roles might reduce free-rider, horizon, portfolio and control problems that can be prevalent in co-operatives. Another interesting area to research would be the roles SME members believe they have within their communities due to their belonging to a co-operative.

Longitudinal studies could also examine the co-operatives’ roles at each of their five lifecycle phases to determine how each role might be activated to ensure the co-operative is operating optimally, ensuring continued sustainability (Cook, 1995). Studying past co-operatives that de-mutualised would also provide useful historical data to determine which of the member roles were not used by such co-operatives.
trying to block de-mutualisation. It may be possible to reflect on the roles which were used, or indeed not used, during the de-mutualisation event.
Chapter 8: Discussion, implications, and future research

Introduction

The research questions in this thesis were designed to understand what the antecedent factors are that motivate SME owners to become members of co-operatives. Specifically, the research questions were as follows:

Research Question 1: Why do SMEs join co-operatives?

Research Question 2: How does values congruence impact on SMEs active membership?

Research Question 3: Are co-operative principles and values implemented and identified in action?

Research Question 4: What roles do SME members have in co-operatives?

They also explored the congruence of values between these SME members and their co-operatives, and the roles members have in their co-operatives. This provides a unique research proposition as, to date, and as far as the researcher is aware, no other research has addressed questions of SME members from the perspectives of co-operative executives, managers, and SME members simultaneously.

The methodology utilised involved both qualitative and quantitative analysis for the case studies involved. Whilst SEM modelling is a common research method, the qualitative approach to this research has been advanced through a two-step approach utilising both Leximancer and NVivo software. With respect to NVivo, the researcher
is close to the data and potential biases may impact on coding. To combat this, Leximancer was utilised to support the findings from NVivo therefore providing a more robust manner to analyse qualitative data.

A co-operatives sustainability depends on an optimisation of returns not only to members, but to the co-operative itself (Bontems & Fulton, 2009). Co-operatives need to satisfy the dual nature (e.g., social and economic) of the organisation’s goals, and the often-competing demands of members (Nilsson, 2001). Understanding the roles members perceive they have in their co-operative is important, as co-operatives and members, from our findings, can “activate” or stimulate a particular role to achieve required outcomes. These roles can facilitate an understanding of how co-operatives can achieve values congruence, as, ultimately, co-operatives are founded on their membership (Zainol, Awang, Rahman, Abdullah & Dzulkifli, 2015). Our findings suggested there are reasons why SMEs join co-operatives. This provides an important starting point in this chapter, as an understanding of these factors should assist both co-operatives and their members.

**Antecedent factors**

The findings from the analysis undertaken to answer research question 1 provided support for the framework of the seven antecedents related to co-operatives suggested by Mazzarol et al. (2013). From the NVivo analysis, the antecedents of all interviewees showed knowledge and networking, economic, time, business support and lobbying and advocacy are the reasons SMEs joined their co-operatives. Further, the SME members referred to the theme of a “safety net”, which was not referred to by the executives and managers.
Executives and members both agreed that economic issues (e.g., prices, rebates, dividends) were the main priority. Executives regarded business support, its services and knowledge and networking (social) to be the next important aspects. Members suggested knowledge and networking (social), business support and administration were important in these rankings. Of interest was the executives’ ranking of administration last, whereas members placed it fourth (Table 4.3). Members placed services fifth and the safety net sixth. The executives provided a valuable service in the administration aspect which was clearly separated from overall services. Executives can see from this that administration, which represented a savings in time through consolidated reporting, was important to members. Another interesting point to note is that members referred to their co-operatives as a “safety net”.

The safety-net theme that emerged was related to a need for external resources and a desire to shape the external environment. With respect to the latter, it was the reputation of their co-operative that de-risked their businesses. Prabhudesai and Prasad (2017) also noted a positive correlation when businesses worked with a reputable strategic alliance partner. Mazzarol et al.’s (2013) study of small producers also supported the notion that SMEs obtain advantages due to access to infrastructure, lower input costs and better market prices through a co-operative. Members’ need for resources to assist with their business operations, which is one of the reasons members joined, is supported by the RBV theory of the firm (Barney, 1991). In addition, the findings support the Mutual Incentives Theory (MIT), which suggests resources are a link in the participation chain (Birchall & Simmons, 2014). For example, the pooling of resources facilitates productivity in co-operative activities (Conner, 1991). This also
enhances competitiveness as the co-operative has more control of these resources (Rothschild, 1987).

The findings also suggest such resources are specific to the SME member and the industry in which they operate. All of the co-operatives that participated in this research have assets specific to their industries, which ensured members did not need to find resources outside the co-operative. A GFC executive was reserved with respect to providing value to members, stating that when it came to value, he was very “careful”, as members tend to have an ability to make requests, which he deemed “unreasonable” and “dangerous” precedents could be set in trying to meet individual requests. Therefore, core to the success of co-operatives wishing to offer perceived value to their members is to deliver what is essential for the broader SME-membership in mutual, so as to enhance their ability to successfully operate within their industry, rather than pandering to the demands of individuals or groups within the broader membership community.

Co-operatives have social and economic goals, but it can be argued they must be efficient businesses if they are to succeed (Laidlaw, 1981). Successful co-operatives are, therefore, successful businesses (O’Connor, 2003) and must be economically efficient to provide benefits to members. This requires co-operatives to deliver products and services its members want and will perceive as offering value (Suter & Gmürr, 2013). This is no different from an IOF, which must also deliver perceived value to its customers. Therefore, the differentiation of the co-operative from the IOF does not lie in the operational or transaction costs associated with the provision of quality products and services at competitive prices. Rather, it is found in other areas,
such as democratic governance and a sense of collective ownership and membership of a community of purpose.

Creating a well-defined MVP could increase members’ patronage, especially if they are involved in creating the value proposition (Mazzarol, Simmons & Mamouni Limnios, 2011). Members are motivated to be active when their co-operative provides value (Verhees, Sergaki & Van Dijk, 2015) and this active participation is a resource the co-operative can use to improve members’ welfare (Fulton & Ketilson, 1992). The value offered should reflect the reasons members join co-operatives and demonstrate how members’ needs are met (Lorenzi, 2016). This is important, as it is members’ perception of value that drives their behaviour and leads to the co-operative’s success (Talonen et al., 2016). However, perceptions of the value co-operatives provide is complex because of the nature of roles held by members, with value depending on which role is most important to the members (e.g., patron, investor, owner or member of a community of purpose).

**Managerial implications for research question 1**

**Member recruitment**

Recently formed or young co-operatives can use the antecedents suggested by this research to recruit new SME members. They should emphasise members’ benefits, configuring them through a MVP and suggesting how the co-operative can contribute to members’ businesses. SMEs considering developing their networks and alliances might then see the co-operative business model as an option and better understand the benefits available through collective action.
Congruence between the co-operative and members

As co-operatives navigate through their lifecycle, member growth and heterogeneity can lead to patron drift (Cook & Burress, 2009). Consequently, co-operatives need to realign their MVPs to re-establish demand for their products and services. Co-operatives need to maintain industry and market knowledge so as to configure their resources (asset, temporal, relational and geographic) to ensure members patronise their offerings. Using the suggested antecedents as a foundation should provide co-operatives with a framework to avoid such a drift.

Synthesise specific terminologies with the MVP

The MVP needs to be configured to be relevant to members’ needs. If members do not feel they receive benefits, no value will exist for them, which can result in patron drift or de-mutualisation. The findings suggested that, in addition to economic benefits, members ranked knowledge and networking (social), business support, administration, services, safety net and lobbying and advocacy as important outcomes. Each of these elements should be operationalised within a co-operative’s context and industry and it should be easy for members to identify these aspects. For example, administration services save members’ time and cost through consolidated statements and cheaper bookkeeping costs. In CSL’s case, for example, the co-operative provided an interest-free period of credit on purchases in addition to a safety net as it ensured large suppliers did not overpower small business owners.
The development of KPIs

Co-operatives provide economic and social outcomes that should be benchmarked and audited to ensure there is congruence between the co-operative and its members (Peredo & Chrisman, 2006). This may assist in governance and in developing MVPs, with opportunities to showcase them to stakeholders and potential members. There is a need to emphasise the co-operative advantage based on tangible results, including soft indicators.

Maintaining the co-operative identity

When economics becomes a priority, co-operatives start to resemble IOFs. When portfolio or horizon problems emerge, the co-operative might move down the path to de-mutualisation. By focusing on soft and non-economic indicators, values congruence (discussed in the paper that addressed research question 2) can be maintained when members have an emotional connection (affective commitment) towards their co-operative, which provides a sustainable path that is consistent with the ICA’s (1995) co-operative principles and values.

Values congruence and co-operative principles and values

Chapter 5 discussed the impact values congruence has on active membership. The model that was estimated included a number of constructs (i.e. values fit (Cable & DeRue, 2002), affective and continuance commitment (Allen & Meyer, 1990b), overall value (Dodds, Monroe & Grewal, 1991) and active membership (Söderlund, 2002)). All of the constructs, except for continuance commitment, had significant relationships within the model and active membership was well explained (R² = 0.60).
Values congruence had an influence on affective commitment ($\beta = 0.33$, $p < 0.001$), perceived value ($\beta = 0.60$, $p < 0.001$) and active membership ($\beta = 0.12$, $p = 0.03$), highlighting its importance in a co-operative context.

Further, while values congruence had a significant direct impact on active membership, its impact was mediated by perceived value and affective commitment. There was also a significant and very strong direct path from perceived value to affective commitment ($\beta = 0.54$, $p < 0.001$). The findings suggested co-operatives should not focus on economic attributes alone, but relational attributes, such as aligning the co-operative’s purpose, principles and values, should also be engaged (Novkovic, 2006). By developing a common purpose and operationalising co-operative principles and values, co-operatives can strengthen their identity into a fusion of an economic and values driven organisation (Nelson, Nelson, Huybrechts, Dufays, O’Shea & Trasciani, 2016).

Co-operative principles and values unite the co-operative movement at a global level (Battilani & Schröter, 2012), but can also help local co-operatives if members agree with the principles and values (i.e. have a co-operative spirit). Co-operatives that use the principles and values to encourage member identification seem to be more successful (Novkovic & Power, 2005). However, prior research has suggested adherence to and the presence of these principles and values may be weak (Novkovic, 2006). The results reported in Chapter 6 supported the idea that co-operative principles and values are not well known, suggesting greater education is needed. Clearly, it is important to understand how co-operatives can use these principles and values to
facilitate values congruence (i.e., aligning these principles and values with organisational strategy) (Novkovic, 2004).

The present study found an initially surprising result as only one executive knew of the co-operative principles and values without prompting. Once prompts were provided to executives and managers, recollection was swift. Members, on the other hand, were less likely to recall seeing these principles and values, supporting Mazzarol’s (2015) and MacPherson’s (1950) views that these principles and values are not being applied with purpose.

However, this does not mean co-operative principles and values are useless. When discussing these principles and values with prompts, executives, managers and members were able to see how some were relevant and being used in their co-operatives. Although the findings suggested the “talk” did not match the “walk”, five of the seven principles were supported and identified in action. Of the values identified by members and executives, self-help and responsibility, solidarity and democracy were seen in some form of action, although members were not overly enthusiastic about them. Members and executives knew the co-operative belonged to the members and that, through voting and attending AGMs, members could impact on the co-operative’s strategic direction, a point covered more in the member role discussion.

The five principles identified in action were member economic participation, voluntary and open membership, democratic member control, concern for community and autonomy and independence. The principles of education, training and information and cooperation between co-operatives, which Birchall (2012) viewed as aspirational goals, did not resonate with members. Although all of the co-operative
principles and values were not easily identified by executives, managers or members, once prompted they opened an opportunity to discuss members’ roles. For example, if members felt they had a say in their co-operatives, they were asked about the capacity or role this came from.

Novkovic (2004) wrote of “catalytic mechanisms” when principles and values are operationalised within a co-operative, as this may allow short-term losses to be accepted for long-term sustainability to the benefit all members. In this situation, the conflicting dual purpose of economic and social goals (Levi and Davis, 2008) can be tamed to obtain an outcome that is aligned to the co-operative ideal. Over time, as member heterogeneity occurs, it is possible for a common purpose to diminish. Consequently, in the interest of co-operative sustainability, principles and values needed to be reinforced (Novkovic, 2008), re-orientating and recalibrating operations towards the original purposes for which the co-operative was created.

Managerial implications from the results obtained for research question 2 and research question 3

The alignment of co-operative values with member values

A conscientious effort should be made by all stakeholders within the co-operative to seriously consider belief and value systems. When unpacking the questions within the construct of “values congruence”, some of the questions were based around “I share the same values as (my co-operative)” and “I share the same values as other members of (my co-operative)”. Co-operatives and members should acknowledge which values these are. For example, research paper 3 (Chapter 6) found only one interviewee was aware of co-operative values. Trust was the main value word discussed and other co-
operative values were not all identified in action. A more concerted effort should be considered to achieve values congruence in its true sense.

**Cognisance of the dual mission, vision and core values**

Some of the SMEs had their own overarching business mission, value propositions and set of values within which they operated. Co-operatives should consider researching or collecting data on these aspects of their SME members so as to identify common themes between members. Co-operatives could then use some of these themes and synthesise them with the co-operative’s mission, vision and core values, including co-operative principles and values.

**Emphasising the democratic processes**

Co-operatives have an opportunity to engage and facilitate with cross-sections of their membership base to generate ideas and achieve consensus about the co-operative’s MVP. This would demonstrate the co-operative’s desire to understand the issues that are important to members and may impact positively on members’ affective commitment, leading to more active participation.

**Operationalising co-operative principles and values**

Table 6.7 in Chapter 6 provided an overview of how each co-operative principle and value can be related to operational aspects. These include the recruitment of new members, working towards a more homogenous membership base, engaging members to develop the MVP, demonstrating how co-operatives are beneficial to society to the
wider community, developing innovative methods to enshrine co-operative principles and values into day-to-day operations and improving governance of the co-operative.

**Government policy**

Industry and governments across the globe can align their legislation and policies to ensure co-operatives include co-operative principles and values within their constitutions. Through this formal method of distinguishing between IOFs and co-operatives, incentives such as tax relief or accelerated capex deductibility and the ability to attract capital or investment within defined parameters could continue to provide competitive advantages for this form of business structure. Flow-on benefits to economies from a strong co-operative movement are also likely to be beneficial.

**Member roles**

The preceding discussion on values congruence suggests a need to address research question 4, which examined the roles members have in their co-operatives. As co-operatives mature over time, member engagement will depend on how executives and management align the co-operative’s identity with not only the common values, but also members’ roles (Nelson et al., 2016). If not addressed, tensions can develop between members’ roles as patrons and investors, which puts at risk the co-operative’s identity (Nilsson, 2001).

Executives and members referred to various roles they believed were in action. The co-operatives had also identified member roles in the context of their culture and operations. For example, CBH referred to their members as users, while CSL talked about customers/personas rather than using the formal term of “patron” role. CBH and
GFC members referred to themselves as suppliers, while CSL members referred to themselves as customers. While the patron role was clear in previous studies, other roles were conflated, such as the owner and investor roles, where members can act them out simultaneously,

Table 7.4 provided a summary of the roles co-operative executives and managers mentioned. Although the patron role was not stated formally, reference to it was obvious, with executives focusing mostly on this role as the primary relationship from their perspective (i.e. it was the economic engine through which the co-operative functioned). It was accepted that a co-operative has be economically efficient as a business entity to deliver value to members. However, it is also important to explore other roles that can impact on the non-economic aspects (e.g. the owner and community member roles). It was also very noticeable that the community member role was not mentioned in these interviews until prompted.

Once prompted with a copy of the 4Hs framework (Mamouni Linnios et al., 2018), all interviewees could relate to the four distinct roles and this provided an opportunity to discuss co-operatives’ economic and social aspects. Table 7.5 suggested executives ranked roles in order of importance from patron, owner, community member to investor, while embers ranked the roles from owner, investor, patron to community member. There was no real surprise about the executives’ viewpoint, as patronage was clearly their main objective. Therefore, they focused on their MVP and the reason members joined their co-operatives. After all, a business-to-business relationship does exist between members and their co-operatives. As some executives stated:
Basically, they invest through putting their volume through us and the business and that’s how our business survives.

I hope they’d spend more through our trade account.

Of interest was the executives’ ranking of the investor role last. This was attributable to not being able to attract direct investment or capital from members. The investor role was viewed by members as the rebates, dividends and shares they received. Before the prompts, members did see themselves as owners of their co-operative. This sentiment was captured by members from each co-operative:

It’s quite a conflict because it does not feel like our company. It’s not ours individually. (CBH member)

They say you are an owner but in regard to owning a business, it’s not the same as me owning my business. (CSL member)

I wouldn’t go around spruiking I’m the owner of that co-operative. I just say I’m a member of the factory, I’m a member of the co-operative. I’m a shareholder. (GFC member).

When the topic of de-mutualisation was discussed, members realised they had the power to object to such a decision (i.e. the owner role became evident with members understanding they had control and could determine the destiny of their co-operative). Being an owner was associated with a sense of responsibility to other owners who have shared interests and a desire to protect the organisation. In effect, members become more active in the co-operative outside the patron role. This important finding
resulted in conversations around ensuring the co-operative identity remained, which helps balance the dual nature of co-operatives (Battilani & Schröter, 2012).

For members, the investor role was ranked second. This was important for members of CSL and GFC because it provided them with incentives to patronise the co-operative regardless of market conditions. One of the issues with co-operatives is the free-rider problem when prices determine patronage (Cook, 1995; Nilsson, 1999). It was evident from members that the rebates, dividends, and shares provided them with an understanding that patronage improved their investment and that the investor role was not one of members having to contribute capital to their co-operative.

Over a period of time, it has become very appealing because my shareholding has become quite large and as I head towards retirement, it is a significant part of my portfolio. (CSL Member)

I guess an investor yes, but we’re not putting anything else into it. (GFC Member)

This is an important factor to consider because if members’ mindsets are based purely on being an investor in its traditional sense, they would be more concerned about their returns on capital. Nilsson (2001) suggests this would mean such co-operatives would resemble an IOF and would, likely, lead to de-mutualisation.

Although ranked last by members, they at least accepted the community-member role and felt this should remind members it was in the best interests of all members to retain the co-operative identity and perform as a community with purpose. Thus, this research suggests the owner and community member roles have an impact on
maintaining the co-operative identity in line with the principles and values that differentiate them from IOFs. The conceptual framework discussed in Chapter 7 (Figure 7.2) provides a summary of these findings and suggests how each member role might be stimulated to ensure active participation. It is ultimately active members who assist co-operatives to obtain a competitive advantage (Bhuyan, 2007), thereby increasing co-operatives’ chances of success (Verhees et al., 2015).

Managerial implications for research question four

Focus on the owner role

Co-operatives should make more concerted efforts to explain the owner role to members, as strengthening their sense of ownership can improve active membership (Jussila, Goel & Tuominen, 2012). This could assist co-operatives as members would pay more regard to governance, in addition to understanding the need for members to play other important roles in their co-operative. For example, as owners of any business, they would understand patronage forms an important function for its sustainability. Therefore, as owners they could work to develop a compelling MVP that is valuable to them as patrons. This could minimise free-riding or members searching for alternatives outside their co-operative.

Activating each role for active membership

Figure 7.2 in Chapter 7 provides a conceptual framework that suggested a series of “activators” for each role that might lead to active participation. Each role has an activator (e.g. the owner role ensures control is maintained by the members, reducing the risk of de-mutualisation). The patron role requires an MVP that encourages
members to use the co-operative as such patronage benefits them. Co-operatives should configure their rebates, dividends and shares based on patronage to activate the investor role. The community member role may see members attend more social events to build their networking and develop stronger bonds with fellow members and enhance their disposition to take collective action.

The importance of sharing a common sense of purpose

The SME members questioned in this research had a disposition towards collective action to achieve mutual benefits and strengthen their industry position. The owner and community member roles serve to ensure the co-operative solves both economic and social problems within communities through members working with like-minded individuals. When collaboration occurs around a common purpose and shared values, value is created (Alford, 2002). Co-operatives and members, therefore, need to continuously build social cohesion and align values. The results from research question 2 found values congruence had a significant impact on active membership, outlining its importance to co-operatives.

Active engagement

Active members are involved in decision processes that enhance their co-operatives’ overall wellbeing (Verhees et al., 2015). This research found some members attended networking and social events, although attendance at AGMs was low. According to the members, their reasons for not attending were two-fold. First, distance limited members from travelling to AGMs, especially for some of the co-operatives studied where members were many hundreds of kilometres from where
AGMs were held. Second, members trusted their co-operatives due to their performance. CBH was the only co-operative in this study that went through a de-mutualisation vote. The vote to de-mutualise did not achieve the required voter turnout required by CBH rules rendering a failure of the de-mutualisation attempt. This trust was seen in a number of member comments.

I have been happy to hand in proxies or let them get on with it because we’ve been really busy, and it’s been a low priority. I have that trust, so I haven’t felt like I needed to be involved. (Member)

I know they’re doing a good job. I know there are people there I have absolute trust in who are directors and people I respect enormously and people that I would have personally spoken to if I’ve had any concern and it’s been pretty rare that I would have. (Member)

“The same old story: if the ship’s running smooth, well no one gives a damn, but as soon as there’s a problem, I’ve seen it all the time, people come (and) make their face known. (Member)

The last quote also captures the views of members about de-mutualisation, where all interviewees agreed the owner role was dominant. According to Birchall and Simmons (2004) and Bhuyan (2007), the owner and patron roles require active participation. By attending regular meetings and keeping themselves informed of the co-operative’s activities, members can voice their concerns when there are problems (Verhees et al., 2015). All interviewees agreed members could pick up the phone and speak to someone at the co-operative if necessary. This hardly needed to occur because of the trust between the co-operative and the members that had developed over the years.

Another benefit of distinguishing members’ roles and understanding what activates them is that people do not tend to participate towards common goals unless individual
incentives are provided (Verhees et al., 2015). In addition to incentives in the form of rebates, dividends and shares, the MVP should include elements that provide the resources that help SME member businesses to succeed, as these are the reasons SME owners join a co-operative, as was noted in Chapter 4.

Chapter 5 outlined the research undertaken to see if values congruence impacted on active participation. It was found that values congruence did influence active membership, although it direct impact was mediated by perceived value and affective commitment. Perceived value also impacted strongly on affective commitment, suggesting the MVP must deliver real value to members. If it does not, no member value exists (Suter & Gmür, 2013).

When co-operatives commence, members are likely to be enthusiastic about their co-operative and want to be active. However, over time if no value is generated, member enthusiasm may decline. As the SME members surveyed were mostly long-term members of their co-operatives, we can infer they were satisfied with the value they received and that they trusted their co-operative. We may also infer this was the reason values congruence and affective commitment had a significant impact on active membership. In summary, these research questions suggest membership can be activated by:

- The reasons SMEs joined the co-operative (Chapter 4).
- Values congruence, perceived value and affective commitment (Chapter 5),
- An understanding of co-operative principles and values (Chapter 6).
• An understanding and acceptance of members’ roles (Chapter 7).

Future research

All of the co-operatives examined here were based in Australia. Future research should explore co-operatives across different countries to see if the findings are replicated, as this would increase their generalisability. By researching members across international borders, scholars could determine whether social and/or cultural norms influence the reasons SME owners join a co-operative. In addition, non-SME members could be questioned to see if the suggested relationships are relevant to this group. Co-operatives goes through five stages (Cook & Burress, 2009). Future research might also examine these suggested relationships at each stage of the lifecycle. Of particular interest would be to see how economic and social objectives are ranked across time through a longitudinal study of co-operatives and member.

Future research should also investigate co-operative values to see whether they impact on values congruence. Understanding executives’, managers’ and members’ perspectives could assist in the development on important co-operative attributes (e.g. affective commitment, emotional and social value). Such studies could consider various industry and country contexts, as this would provide greater cultural understanding of the ways value impact active membership.

Future research also should see whether non-SME members can identify co-operative principles and values in action. There may be situations in which SMEs and individuals are members of more than one co-operative. Examining such scenarios
should provide insights into how all types of members decide to be active in one or all of their co-operatives.

A study of co-operative policy and legislation across the globe would provide a useful point of reference for the co-operative movement globally. This would facilitate a consistent policy framework across various jurisdictions and ensure a consistent co-operative identity across the globe. Future research should see whether the four member roles exist across all types of member co-operatives and across geographic locations and cultural contexts. Some of the common problems faced by co-operatives (e.g. free-rider, horizon, portfolio, and control problems) could be examined by researching members’ roles to see which roles might mitigate such problems. Longitudinal studies could also see whether these roles can be activated at the various lifecycle stages and whether their importance changes over time.

**Limitations**

The study is not without limitations. Data for the qualitative analyses were drawn from four (albeit large, successful and well-established) co-operatives located in one country (e.g., Australia). Interviews, while in-depth, were undertaken with a relatively small cross-section of managers and members, and it was not possible to secure interviews with WAMMCO members. Although the managers and members who were interviewed were representative of their co-operatives, additional cases would have enhanced the robustness of the findings. Despite this, the qualitative research did provide a depth of understanding of the research problems investigated due to a richness and volume of data obtained. The quantitative analysis drew on a large and representative sample of SME owner-members. However, as with the qualitative
analysis, the data were collected from only one country (e.g., Australia), and future research should seek to replicate this study in other countries.


CNL (2013). Co-operatives National Law (South Australia) Act, 2013 (Pt.6, Div 2, Section 150a&b).


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Appendix 1: Formal letters to co-operatives

Participant Information Form - Interview

Project title - “Value congruence between Australian small business member firms and their Co-operatives”

Name of Researchers:

1- Winthrop Professor Tim Mazzarol (Supervisor)
2- Winthrop Professor Geoffrey Soutar (Co-supervisor)
3- Shahid R. Ghauri (Student)

The research will be conducted by the student and his supervisors as named above.

Invitation:

You are invited to participate in a project that explores value congruence between Small Business Member Firms and their Co-operatives. You are asked to take part in this project because your participation in this study will be of significant value to the wider understanding of Co-operatives specifically from the members perspective.

Aim of the Study

The aim of this study is to identify the key factors influencing member value congruence with that of the Co-operative. This research will explore the various roles members perceive they play to extract value towards their purpose of being a Co-operative member. We will be investigating how the various roles members play will impact on the Member Value Proposition and the Intrinsic Values to determine if there is congruence between the members business and that of the Co-operative.

What does participation involve?

We would like to interview you for approximately 30-60 minutes, to find out about your ideas and experiences on this important topic. It is important to note there are no right or wrong answers; we are interested in your own personal experiences/opinions/perceptions.

Voluntary Participation and Withdrawal from the Study

Participation in this research is voluntary, and participants can withdraw from the study at any time, without giving an explanation and with no consequences associated with your withdrawal. Should you wish to withdraw at any stage, all recordings of your interview will be destroyed.
Your Privacy

The privacy and confidentiality of participants is paramount. Your participation in this study and any information you provide will be treated in a confidential manner. Information from this project may be published but your name and identifying details will not be used in any publication arising out of the research. The data will be kept in a de-identified format, in a password protected computer or a secure server for minimum seven years.

Possible Benefits

As a participant, you will have the opportunity to delve into this important issue in some detail. This research may contribute to the body of knowledge on an important issue to the community.

Possible Risks and Risk Management Plan

There are no foreseeable risks associated with the research.

Contacts

If you would like to participate or discuss any aspect of this study, please feel free to contact either Tim Mazzarol on (work) Tel: +618 6488-3981; Mobile: +61 (0) 422-914-850, or Shahid R. Ghauri on Mobile: +61 (0) 419-190-901.

Sincerely

Chief Investigator

W/Prof Tim Mazzarol

Marketing Discipline

UWA Business School • M263, Perth WA 6009 Australia

T  +61 8 6488 3981 • E tim.mazzarol@uwa.edu.au

Approval to conduct this research has been provided by the University of Western Australia with reference number RA/4/1/8596, in accordance with its ethics review and approval procedures. Any person considering participation in this research project, or agreeing to participate, may raise any questions or issues with the researchers at any time. In addition, any person not satisfied with the response of researchers may raise ethics issues or concerns and may make any complaints about this research project by contacting the Human Ethics office at UWA on (08) 6488 4703 or by emailing to humanethics@uwa.edu.au. All research participants are entitled to retain a copy of any Participant Information Form and/or Participant Consent Form relating to this research project.
Participant Information Form - Survey

Project title - “Value congruence between Australian small business member firms and their Co-operatives”

Name of Researchers:

1- Winthrop Professor Tim Mazzarol (Supervisor)
2- Winthrop Professor Geoffrey Soutar (Co-supervisor)
3- Shahid R. Ghauri (student)

The research will be conducted by the student and his supervisors as named above.

Invitation:

You are invited to participate in a project that explores value congruence between Small Business Member Firms and their Co-operatives. You are asked to take part in this project because your participation in this study will be of significant value to the wider understanding of Co-operatives specifically from the members perspective.

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The aim of this study is to identify the key factors influencing member value congruence with that of the Co-operative. This research will explore the various roles members perceive they play to extract value towards their purpose of being a Co-operative member. We will be investigating how the various roles members play will impact on the Member Value Proposition and the Intrinsic Values to determine if there is congruence between the members business and that of the Co-operative.

What does participation involve?

We would like for you to please complete the survey to find out about your ideas and experiences on this important topic. It is important to note there are no right or wrong answers; we are interested in your own personal experiences/opinions/perceptions.

Voluntary Participation and Withdrawal from the Study

Participation in this research is voluntary, and participants can withdraw from the study at any time, without giving an explanation and with no consequences associated with your withdrawal. Should you wish to withdraw at any stage, all recordings of your interview will be destroyed.
Your privacy

The privacy and confidentiality of participants is paramount. Your participation in this study and any information you provide will be treated in a confidential manner. Information from this project may be published but your name and identifying details will not be used in any publication arising out of the research. The data will be kept in a de-identified format, in a password protected computer or a secure server for minimum seven years.

Possible Benefits

As a participant, you will have the opportunity to delve into this important issue in some detail. This research may contribute to the body of knowledge on an important issue to the community.

Possible Risks and Risk Management Plan

There are no foreseeable risks associated with the research.

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Approval to conduct this research has been provided by the University of Western Australia with reference number RA/4/1/8596, in accordance with its ethics review and approval procedures. Any person considering participation in this research project, or agreeing to participate, may raise any questions or issues with the researchers at any time. In addition, any person not satisfied with the response of researchers may raise ethics issues or concerns and may make any complaints about this research project by contacting the Human Ethics office at UWA on (08) 6488 4703 or by emailing to humanethics@uwa.edu.au. All research participants are entitled to retain a copy of any Participant Information Form and/or Participant Consent Form relating to this research project.
Participant Consent Form - Interview

Project title - “Value congruence between Australian small business member firms and their Co-operatives”

I, ________________ have read the information provided and any questions I have asked have been answered to my satisfaction. I agree to participate in this research project, realising that I may withdraw at any time without reason and without prejudice.

I understand that all identifiable information that I provide is treated as confidential and will not be released by the investigator in any form that may identify me unless I have consented to this. The only exception to this principle of confidentiality is if this information is required by law to be released.

I have been advised as to what data is being collected, the purpose for collecting the data, and what will be done with the data upon completion of the research.

I agree that research data gathered for the study may be published provided my name or other identifying information is not used without my prior written permission.

I agree to have my conversation audiotaped.

__________________________________________  ______________________________
Participant signature                Date

Approval to conduct this research has been provided by the University of Western Australia, in accordance with its ethics review and approval procedures. Any person considering participation in this research project, or agreeing to participate, may raise any questions or issues with Supervisor Winthrop Professor Tim Mazzarol, or the researcher Shahid R. Ghauri at any time.

In addition, any person not satisfied with the response of researchers may raise ethics issues or concerns, and may make any complaints about this research project by contacting the Human Ethics Office at the University of Western Australia on (+618) 6488 3703 or by emailing to humanethics@uwa.edu.au

All research participants are entitled to retain a copy of any Participant Information Form and/or Participant Consent Form relating to this research project.
Appendix 2: Interview guides

EXECUTIVE INTERVIEW GUIDE

Background information on interviewee:

1) How many years have you worked at <co-op>?
2) How many years have you held this position?
3) What industries have you worked in?
4) How many years have you worked within co-operatives?

Research Question 1

What factors motivate a small business owners’ decision to join and commit to a co-operative?

Ancillary questions:

i. What reasons do you think members join your co-operative?
ii. What specific areas do you feel your co-operative helps your members’ businesses?
iii. Are you aware of alternatives outside of your co-operative available to your members? If so, how does it impact you?
iv. In your opinion, what does “commitment to your co-operative” mean?

How do you achieve an understanding of your members’ businesses, their goals and challenges they face?

Research Questions 2 and 3

A) “What ‘value’ is important for member firms to perceive they obtain benefits from their co-operative membership?”

Ancillary questions:

i. What activities do you want members to participate in with your co-operative?
ii. How well is the co-operative able to provide solutions to your members’ businesses?
iii. How do you ensure members are fully aware of the services your co-operative provides to them?

iv. What is missing from the value you expect to provide your members?

B) “What ‘values’ are important for member firms to commit to their co-operative?”

i. Do you think the things your co-operative values are very similar to the things that the member values in his/her life? How? Why?

ii. Do you think the co-operative’s values and culture provide a good fit with the things that your members value in their life? How? Why?

iii. Do you think your co-operative’s values and culture match its members’ personal values? How? Why?

Research Question 3

How do small business owners understand and value their engagement with a co-operative with respect to their roles as:
- a patron of the co-operative;
- an investor of the co-operative;
- an owner of the co-operative; and
- a member of a community of purpose around which the co-operative was formed?

i. What type of roles do you believe members play in the co-operative?

ii. Before joining a co-operative, do you think members are aware of the roles they will play?

iii. Over time, how do the roles of members develop within your co-operative?

iv. How would you and your members feel if your co-operative de-mutualised? What would your members do about it?

v. In your opinion, what constitutes active participation from your members?

vi. What do you do when you feel your co-operative cannot provide more to members and their businesses?
vii. How do you deal with conflicts or different ideas with respect to how you run your co-operative and the impact it would have on your members and their businesses?

viii. How do you see any of the member roles impacting on the “member value proposition” offered by your co-operative and the “values” of your co-operative we discussed earlier?

**MEMBER INTERVIEW GUIDE**

**Background information on interviewee:**

1) **How many years have you been a member of <co-op>?**

2) **How many years have you been in small business?**

3) **How many people do you employ?**

**Research Question 1**

What factors motivate a small business owners’ decision to join and commit to a co-operative?

**Ancillary questions:**

i. What made you think about joining the co-operative?

ii. How did you weigh up the pros and cons of joining the co-operative?

iii. Do alternatives or competitors of the co-operative exist outside of your co-operative? Why do or don’t you use them?

iv. What specific areas did you see the benefit your business would achieve from joining your co-operative?

v. How do you deal with conflicts or different ideas with respect to how you run your business and the impact the co-operative has on your business?

vi. How do you explain how your co-operative operates as a business?
Research Question 2

i) “What ‘value’ is important for member firms to perceive they obtain benefits from their co-operative membership?”

Ancillary questions:

v. How does the co-operative offer value to you? How do you define that value?
vi. How well is the co-operative able to provide solutions to your business?
vii. Are you fully aware of the services your co-operative provides you?
viii. What is missing from the value you expect from your co-operative?
ix) What “values” are important for member firms to commit to their Co-operative?

Can you explain, with examples, the values that are important to you in business and how that is demonstrated with the interaction of your co-operative?

Research Question 3

How do small business owners understand and value their engagement with a Co-operative with respect to their roles as:
- a patron of the co-operative;
- an investor of the co-operative;
- an owner of the co-operative; and
- a member of a community of purpose around which the co-operative was formed?

Ancillary questions:

i. What type of roles do you believe you play in the co-operative?
ii. Before joining the co-operative, what role did you think you would be playing with the co-operative?
iii. Over time, how has your role developed with your co-operative?
iv. What activities do you participate in with your co-operative?
v. In your opinion, what constitutes active participation with your co-operative?
vi. How do you ensure value is achieved for your business?
vii. How do you provide value to your co-operative?

viii. What do you do when you feel the co-operative does not provide you with the benefits you feel you need?

ix. How do you see any of your roles (i.e., patron, investor, owner and community member) impacting on the “member value proposition” offered to you by your co-operative and the “values” under which your co-operative operates as we discussed earlier?

x. How would you feel if your co-operative were de-mutualised? Why would you feel that way? What would you do about it?
Appendix 3: Member survey

CME MEMBER QUESTIONNAIRE
MAY 2018
Member Engagement and Loyalty Study

IMPORTANT NOTE

It is intended that persons who agree to participate in this survey will do so on an anonymous basis. The confidentiality of their identity will be preserved. Further, they are under no compulsion to participate in this research and can refuse to answer any question that they deem may compromise their privacy. However, their decision to provide responses to this survey will be deemed consent from them for their data to be used for analysis purposes and distribution to third parties for such purposes.

This survey is part of a research study being undertaken by UWA and the Business Council of Co-operatives and Mutuals (BCCM). Its aim is to examine member attitudes towards the membership of co-operative and mutual enterprises. Findings from the research will be used to enhance our understanding of the role played by a variety of factors in enhancing member loyalty and commitment to co-operative and mutual enterprises (CMEs).

Please ensure that you take time to complete the questionnaire and answer all items fully. All responses will be treated with strict confidence and no individual responses will be identified.

Please allow approximately 15 minutes to complete this questionnaire

Should you have any questions concerning the questionnaire or this research program, please contact Professor Tim Mazzarol email: tim.mazzarol@uwa.edu.au.
Instructions

This questionnaire contains statements and questions about the factors influencing members’ engagement with and loyalty to co-operative and mutual enterprises (CMEs). Please read each question item carefully and score your responses on the rating scales and other boxes giving answers that most closely represent your views. There are no “right” or “wrong” answers; what matters is your opinion, so please be as honest and accurate as you can. All responses to the questionnaire are confidential and your identity will not be disclosed in any future reporting or use of this questionnaire.

Screening Items

S1: Are you an active member of a co-operative or mutual enterprise (CME)?

Yes ☐ 1
No ☐ 2

If Yes:

S2: What best describes the nature of your active membership? (tick all that apply)

I am a member of a CME where...

...I am a supplier of produce (e.g., milk, grain, fruit, poultry) ☐ 1
...I am a consumer of services (e.g., retail, automotive club, banking, insurance) ☐ 2
...I both supply and buy goods and services ☐ 3
...I have the right to vote at Annual General Meetings ☐ 4
...I have the right to receive dividends and/or rebates based on my patronage ☐ 5

S3: Please name at least ONE CME where you feel you are most actively engaged as a member:

____________________________________________________

Please remember this organisation as it will be the focus of the remaining questions in this survey.

If NO:

S4: What type of organisations do you have a regular buyer or supplier relationship with?

Banks (e.g., Westpac, NAB, ANZ, Commonwealth) ☐ 1
Supermarkets (e.g., Coles, Woolworths) ☐ 2
Health insurance providers (e.g., Bupa, Medibank Private) ☐ 3
Small to Medium-sized business (1-199) employees ☐ 4
Large business (>200 employees) ☐ 5
S5: Please name at least ONE non-CME business where you feel you are most actively engaged as a customer or supplier:

____________________________________________________

Please remember this organisation as it will be the focus of the remaining questions in this survey.

Demographic Information

D1: Gender
   Male □ 1
   Female □ 2

D2: What best describes your age?
   15-24 years □ 1
   25 to 34 years □ 2
   35 to 44 years □ 3
   45 to 54 years □ 4
   Over 55 years □ 5

D3: Where is your place of residence?
   ACT □ 1
   NSW □ 2
   NT □ 3
   QLD □ 4
   SA □ 5
   TAS □ 6
   VIC □ 7
   WA □ 8

D4: What best describes your highest level of formal education?
   No formal education □ 1
   Completed primary education □ 2
   Completed high school education □ 3
   Completed trade or vocational certificate □ 4
   Technical / Vocational diploma □ 5
   Undergraduate degree □ 6
   Postgraduate degree □ 7
   Higher degree (e.g., PhD) □ 8

D5: Are you a small business owner? (e.g., you employ less than 200 people)
   Yes □ 1
   No □ 2

D6: What best describes your industry sector?
   Agriculture, Forestry & Fishing □ 1
   Mining □ 2
   Manufacturing □ 3
   Electricity, Gas & Water Supply □ 4
   Construction □ 5
   Wholesale Trade □ 6
   Communications Services □ 10
   Finance & Insurance □ 11
   Property & Business Services □ 12
   Government Administration & Defence □ 13
   Education □ 14
Your relationship with your business enterprise

The following questions relate to your relationship with the business enterprise that you identified as the one in which you feel you have the strongest engagement as a buyer or supplier. Please indicate how true each statement is for you using the 1-5 scale where 1 = strongly disagree; 2 = disagree; 3 = mixed views; 4 = agree; 5 = strongly agree.

Question 1: do you agree or disagree with the following statements about your relationship with [insert name of business enterprise]?

[These items will be randomised]

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<tr>
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<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Mixed views</th>
<th>Agree</th>
<th>Strongly Agree</th>
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<td><strong>Affective Commitment</strong></td>
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<td>ACOM1: I think of [XXX] as a long-term ally.</td>
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<td>ACOM2: I agree with [XXX]'s policies and procedures</td>
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<td>ACOM3: I am proud to be associated with [XXX].</td>
<td>❑ 1</td>
<td>❑ 2</td>
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<td>❑ 5</td>
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<td>ACOM4: I care about [XXX]'s success.</td>
<td>❑ 1</td>
<td>❑ 2</td>
<td>❑ 3</td>
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<td>❑ 5</td>
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<td><strong>Active Engagement</strong></td>
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<td>ACTIVE1: I plan to remain actively involved with [XXX] in the future.</td>
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<td>ACTIVE2: I am likely to remain actively engaged with [XXX] in the future.</td>
<td>❑ 1</td>
<td>❑ 2</td>
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<tr>
<td>ACTIVE3: I want to remain actively engaged with [XXX] in the future.</td>
<td>❑ 1</td>
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<td><strong>Continuance Commitment</strong></td>
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<td>CCOM1: Changing from being actively engaged with [XXX] would be impractical for me.</td>
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<td>❑ 2</td>
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<tr>
<td>CCOM2: My present circumstances would have to change for me to stop engaging with [XXX].</td>
<td>❑ 1</td>
<td>❑ 2</td>
<td>❑ 3</td>
<td>❑ 4</td>
<td>❑ 5</td>
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<tr>
<td>CCOM3: I would give up a lot if I left [XXX].</td>
<td>❑ 1</td>
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Emotional Value
**EVAL1:** I enjoy being actively involved with [XXX].

- [ ] 1
- [ ] 2
- [ ] 3
- [ ] 4
- [ ] 5

**EVAL2:** I feel good about my relationship with [XXX].

- [ ] 1
- [ ] 2
- [ ] 3
- [ ] 4
- [ ] 5

**EVAL3:** My relationship with [XXX] is pleasurable.

- [ ] 1
- [ ] 2
- [ ] 3
- [ ] 4
- [ ] 5

**EVAL4:** I like the way [XXX] operates.

- [ ] 1
- [ ] 2
- [ ] 3
- [ ] 4
- [ ] 5

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<thead>
<tr>
<th><strong>Community Focus</strong></th>
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<tbody>
<tr>
<td><strong>COMMTY1:</strong> As a member of my community, I have an interest in [XXX]’s decisions.</td>
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<td>[ ] 1</td>
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<tr>
<td><strong>COMMTY2:</strong> I give back to my community through my involvement with [XXX].</td>
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<td>[ ] 1</td>
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<thead>
<tr>
<th><strong>Engagement Attention:</strong></th>
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<tbody>
<tr>
<td><strong>ENGATT1:</strong> I pay a lot of attention to anything I hear about [XXX].</td>
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<td>[ ] 1</td>
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<tr>
<td><strong>ENGATT2:</strong> I like learning more about [XXX].</td>
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<tr>
<td>[ ] 1</td>
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<tr>
<td><strong>ENGATT3:</strong> When I hear anything about [XXX], it grabs my attention.</td>
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<td>[ ] 1</td>
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<tr>
<td><strong>ENGATT4:</strong> I spend a lot of time on things related to [XXX].</td>
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<tr>
<th><strong>Engagement Co-Development:</strong></th>
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<tr>
<td><strong>ENGCOD1:</strong> I discuss service-related issues with people at [XXX].</td>
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<td>[ ] 1</td>
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<td><strong>ENGCOD2:</strong> I let people at [XXX] know ways through which they can better help me.</td>
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<td>[ ] 1</td>
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<tr>
<td><strong>ENGCOD3:</strong> I make constructive suggestions to people at [XXX] about how to improve their services.</td>
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<tr>
<th><strong>Engagement Enthusiasm:</strong></th>
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<tr>
<td><strong>ENGENTH1:</strong> I am enthusiastic about [XXX].</td>
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<td>[ ] 1</td>
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<td><strong>ENGENTH2:</strong> I am passionate about [XXX].</td>
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<tr>
<td>[ ] 1</td>
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<tr>
<td><strong>ENGENTH3:</strong> I really like [XXX].</td>
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<td>[ ] 1</td>
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<tr>
<td><strong>ENGENTH4:</strong> I am a dedicated member of [XXX].</td>
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| **Engagement Interaction:** |
**ENGINACT1:** I like discussing things to do with [XXX].

**ENGINACT2:** I enjoy interacting with other people involved with [XXX].

**ENGINACT3:** I often participate in activities run by [XXX].

**Values Fit:**

**VALFIT1:** The things that I value in life are very similar to the things [XXX] values.

**VALFIT2:** [XXX]'s values and culture provide a good fit with the things that I value in life.

**VALFIT3:** My personal values match [XXX]'s values and culture.

**Service Quality Responsiveness**

**SQR1:** Staff at [XXX] are courteous.

**SQR2:** Staff at [XXX] give prompt attention.

**SQR3:** Staff at [XXX] give members personal attention.

**SQR4:** Staff at [XXX] are willing to help.

**Functional Value:**

**FVAL1:** [XXX] performs well.

**FVAL2:** [XXX] performs consistently well.

**FVAL3:** [XXX] is a well-run organisation.

**Value for Money:**

**VFM1:** [XXX]'s services are reasonably priced.

**VFM2:** [XXX] offers me value for money.

**VFM3:** I am sure [XXX] is worth the money it costs me.

**VFM4:** [XXX]'s prices are reasonable compared to others.

**VFM5:** The cost of being a member of [XXX] is low compared to other such organisations.
**VFM6:** [XXX]’s prices are fair compared to others.  

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### Member Hats

**HAT1:** I get good value from being a patron of [XXX].

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**HAT2:** I get good value from being an investor in [XXX].

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**HAT3:** I get good value from being an owner of [XXX].

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**HAT4:** As a member of the community for whom this organisation exists, I get good value from [XXX].

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### Identification:

**IDENTIF1:** If a story in the media criticised [XXX], I would feel embarrassed.

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**IDENTIF2:** When I talk about [XXX], I usually say “we” rather than “they”.

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**IDENTIF3:** When someone praises [XXX], it feels like a personal compliment.

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**IDENTIF4:** When someone criticises [XXX], it feels like a personal insult.

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**IDENTIF5:** [XXX]’s successes are my successes.

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### Image:

**IMAGE1:** [XXX] has a good reputation.

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**IMAGE2:** People think highly of [XXX].

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**IMAGE3:** [XXX] has a professional approach.

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### Loyalty intent:

**INTENT1:** I plan to remain a member of [XXX] in the future.

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**INTENT2:** I am likely to remain a member of [XXX] in the future.

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**INTENT3:** I want to remain a member of [XXX] in the future.

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### Involvement:

**INVOLV1:** Being a member of [XXX] is significant to me.

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<tr>
<td>INVOLV2: Being a member of [XXX] means a lot to me.</td>
<td>1 2 3 4 5</td>
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<tr>
<td>INVOLV3: Being a member of [XXX] is useful to me.</td>
<td>1 2 3 4 5</td>
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<td>INVOLV4: I feel being a member of [XXX] is desirable.</td>
<td>1 2 3 4 5</td>
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<td>INVOLV5: Being a member of [XXX] is vital to me.</td>
<td>1 2 3 4 5</td>
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<td>INVOLV6: Being a member of [XXX] is good for me.</td>
<td>1 2 3 4 5</td>
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<td>INVOLV7: Being a member of [XXX] is wise for me.</td>
<td>1 2 3 4 5</td>
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<td>INVOLV8: Being a member of [XXX] is beneficial to me.</td>
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<td>Overall Value:</td>
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<tr>
<td>OVAL1: Membership of [XXX] provides value.</td>
<td>1 2 3 4 5</td>
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<tr>
<td>OVAL2: I receive good value from being a member of [XXX].</td>
<td>1 2 3 4 5</td>
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<tr>
<td>OVAL3: [XXX] provides good value.</td>
<td>1 2 3 4 5</td>
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<tr>
<td>OVAL4: I personally receive good value from [XXX].</td>
<td>1 2 3 4 5</td>
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<td>OVAL5: I value my relationship with [XXX].</td>
<td>1 2 3 4 5</td>
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<td>PBC:</td>
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<td>PBC1: There is nothing that stops me from remaining a member of [XXX].</td>
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<td>PBC2: I have control over the decision to be a member of [XXX].</td>
<td>1 2 3 4 5</td>
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<td>Positive Emotions:</td>
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<tr>
<td>POSEM1: I am enthusiastic about my interactions with [XXX].</td>
<td>1 2 3 4 5</td>
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<td>POSEM2: I am delighted about my interactions with [XXX].</td>
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<tr>
<td>POSEM3: I am happy about my interactions with [XXX].</td>
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<td>Perceived Quality:</td>
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<tr>
<td>PQUAL1: [XXX]’s products and services are very good.</td>
<td>1 2 3 4 5</td>
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<tr>
<td>PQUAL2: [XXX] has consistently high-quality standards.</td>
<td>1 2 3 4 5</td>
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</table>
**PQUAL3:** [XXX] sells high-quality products/services.  
- 1  - 2  - 3  - 4  - 5

**PQUAL4:** [XXX] meets my expectations.  
- 1  - 2  - 3  - 4  - 5

### Perceived Risk:

**PRISK1:** Remaining a member of [XXX] could cause trouble.  
- 1  - 2  - 3  - 4  - 5

**PRISK2:** It would be risky for me to remain a member of [XXX].  
- 1  - 2  - 3  - 4  - 5

**PRISK3:** There is a potential loss for me if I stay a member of [XXX].  
- 1  - 2  - 3  - 4  - 5

### Social Capital:

**SCAP1:** I think [XXX] is believable.  
- 1  - 2  - 3  - 4  - 5

**SCAP2:** I think [XXX] can be trusted.  
- 1  - 2  - 3  - 4  - 5

**SCAP3:** I think [XXX] is fair.  
- 1  - 2  - 3  - 4  - 5

**SCAP4:** I feel a sense of solidarity with [XXX].  
- 1  - 2  - 3  - 4  - 5

**SCAP5:** I feel a sense of fellowship with [XXX].  
- 1  - 2  - 3  - 4  - 5

**SCAP6:** I feel a sense of comradeship with [XXX].  
- 1  - 2  - 3  - 4  - 5

**SCAP7:** I have a very good relationship with [XXX].  
- 1  - 2  - 3  - 4  - 5

**SCAP8:** I am very close to [XXX].  
- 1  - 2  - 3  - 4  - 5

**SCAP9:** I often have lengthy discussions with the people at [XXX].  
- 1  - 2  - 3  - 4  - 5

**SCAP10:** I know [XXX] will try to help me out if I get into difficulty.  
- 1  - 2  - 3  - 4  - 5

**SCAP11:** I can trust [XXX] to lend me a hand if I need it.  
- 1  - 2  - 3  - 4  - 5

**SCAP12:** I can rely on [XXX] to make things easier for me.  
- 1  - 2  - 3  - 4  - 5

**SCAP13:** The people at [XXX] and I generally agree on what is important for me.  
- 1  - 2  - 3  - 4  - 5

**SCAP14:** The people at [XXX] and I share the same ambitions and vision.  
- 1  - 2  - 3  - 4  - 5

**SCAP15:** The people at [XXX] and I are enthusiastic about pursuing the same goals.  
- 1  - 2  - 3  - 4  - 5
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<td><strong>SNORM1</strong>: Most people who are important in my life think I should be a member of [XXX].</td>
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<tr>
<td><strong>SNORM2</strong>: Most people who are important to me are pleased I am a member of [XXX].</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Social Value:</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SVAL1</strong>: My being a member of [XXX] makes me feel acceptable.</td>
<td></td>
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<tr>
<td><strong>SVAL2</strong>: My being a member of [XXX] improves the way I am perceived.</td>
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<tr>
<td><strong>SVAL3</strong>: My being a member of [XXX] makes a good impression on other people.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Trust:</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TRUST1</strong>: I trust [XXX] to do what it says it will do.</td>
<td></td>
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<tr>
<td><strong>TRUST2</strong>: I feel [XXX] has my best interests at heart.</td>
<td></td>
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<tr>
<td><strong>TRUST3</strong>: [XXX] is very reliable.</td>
<td></td>
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<tr>
<td><strong>TRUST4</strong>: [XXX] is always honest with me.</td>
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<tr>
<td><strong>TRUST5</strong>: Overall, I feel [XXX] is trustworthy.</td>
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<tr>
<td><strong>TRUST6</strong>: [XXX] makes every effort to address my needs.</td>
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<tr>
<td><strong>TRUST7</strong>: [XXX] has a reputation for being reliable.</td>
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<tr>
<td><strong>TRUST8</strong>: [XXX] has a reputation for being honest.</td>
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<tr>
<td><strong>TRUST9</strong>: [XXX] has a reputation for being dependable.</td>
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<tr>
<td><strong>TRUST10</strong>: [XXX] has a reputation for looking after its customers.</td>
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<tr>
<td><strong>TRUST11</strong>: [XXX] has a reputation for having its members’ best interests at heart.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Service Quality Assurance:</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SQA1</strong>: Staff at [XXX] can solve my problems.</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>SQA2</strong>: Staff at [XXX] know what they are talking about.</td>
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</tbody>
</table>
SQA3: Staff at [XXX] have knowledge to answer questions.

Values Congruence:

VCONG1: I share the same values as [XXX].

VCONG2: I share the same values as other members of [XXX].

VCONG3: [XXX] has the same concerns that I do.

Word of Mouth:

WOM1: I frequently mention [XXX] to others.

WOM2: I seldom miss an opportunity to tell others about [XXX].

WOM3: I talk about [XXX] a great deal.

WOM4: I recommend [XXX] to people who ask.

WOM5: I generally say positive things about [XXX].

WOM6: I encourage friends and family to join [XXX].

Involvement and Attitude

The following questions are about how you feel about your involvement with and attitude towards [XXX]. Please indicate how true each statement is for you using the 1-5 scale.

**Question 2: Being actively engaged with [insert name of business enterprise] is:**

<table>
<thead>
<tr>
<th>Question</th>
<th>Involvement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2a:</td>
<td>Insignificant</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Q2b:</td>
<td>Means nothing to me</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Q2c:</td>
<td>Means nothing to me</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Q2d:</td>
<td>Useless</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Q2e:</td>
<td>Undesirable</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Q2f:</td>
<td>Superfluous</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Q2g:</td>
<td>Bad</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
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<td>------</td>
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<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Q2h:</td>
<td>Foolish</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Q2i:</td>
<td>Harmful</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

THANK YOU FOR YOUR ASSISTANCE