

National Co-op UPDATE

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ACCoRD TO GAIN FURTHER TERM

THE AUSTRALIAN Centre for Co-operative Research and Development (ACCoRD) remains cautiously optimistic that it will receive another three years' funding from the NSW Government.

"We have not signed off on the agreement for the continuation of ACCoRD, but all the indications are that we will be funded again for another three years on a similar basis as was the case when ACCoRD was initially established," said executive officer, **Garry Cronan**.

ACCoRD was launched as a joint initiative between Charles Sturt University and the University of Sydney to look at co-operative issues of national and international importance.

The NSW Government provided funding of around \$300,000, in the form of personnel and a cash injection, while the two universities kicked in with infrastructure and in-kind contributions.

Performance

In its first term, ACCoRD has explored fundraising issues for co-operatives, particularly the CCU issue for Walgett 10 co-operative.

"We have been successful, in our first period, in gaining Australian Research Council (ARC) funding to the tune of around \$200,000 for a major project on membership. It will explore the changing nature of membership in the face of issues such as globalisation, across a range of organisations, including friendly societies, clubs and groups such as LandCare," Mr Cronan said.

ACCoRD has also done public policy work for government and overseas groups.

Despite ACCoRD's successes, *National Co-op Update* put it to Mr Cronan that there had been no recognisable re-energising of the Australian or NSW co-operative sectors during the past three years. To an extent, he acknowledged this point and said connecting with the broader co-operative sector would be a priority in the next three years.

Mr Cronan hopes that ACCoRD's second term will give the centre the opportunity to take some of its research into the marketplace. For instance, he hopes to soon be working with pilot communities to develop co-operative solutions in a way that can be replicated throughout Australia.

Some observers claim ACCoRD's problem is focus. Pressure from within ACCoRD means it must bend to the will of more than one master.

On the one hand, there is the question of the influence wielded by ACCoRD's political masters – the public policy focus of much of ACCoRD's work reflects this.

Notwithstanding the fact that some grant money has been secured, ACCoRD's life blood still flows strongly from government coffers.

If ACCoRD were affiliated with just one university, it could be expected that its focus would be academic and theoretical research areas. The fact that two universities are involved just adds extra complexity, academic rivalry and departmental bureaucracy to the mix. ■

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New dairy co-operative rises to the Challenge

AUSTRALIA'S newest dairy co-operative, Challenge Dairy Co-operative, in Western Australia is progressing well, having just completed its first six months of operation.

Chairman, **Larry Brennan**, told local media that the co-operative had given WA dairy farmers an alternative that allowed them greater control of their destinies.

The co-operative was formed after lengthy negotiation and \$10 million in financial assistance

from the WA Government.

The co-operative then bought the Capel plant from George Weston Foods and the Boyanup plant from National Foods.

This gave the co-operative an annualised throughput of 75-85 million litres of milk a year, plus the capability to manufacture skim milk powder, cheese, whey powder, yogurt and butter.

Challenge has 116 farmer members who own 'delivery rights' to the co-operative, which gives

them both a right and obligation to supply. The delivery rights are tradable and the profits are distributed according to the number of delivery rights owned.

Of the 116 farmers, 46% supply 100% of their production to the co-operative, while the remainder also supply National Foods.

Challenge recently won a contract to supply 120 tonnes of butter to an Indonesian company.

Mr Brennan said Challenge was committed to increasing its

production to 160 million litres in the next 18 months.

The co-operative will concentrate on niche markets and stay away from commodity markets, where possible.

Average payments of 30¢/L make it a viable proposition for farmers to supply when their costs are 20¢/L, Mr Brennan said.

Challenge has appointed **Don Geare** as its chief executive. His background is in horticulture.

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AROUND AUSTRALIA

WESTERN AUSTRALIA

Grain merger approved

The merger of the Grain Pool of Western Australia and Co-operative Bulk Handling (CBH) has been approved.

Eighty five per cent of CBH members voted in favour of the proposal, which will see the Grain Pool become a corporate subsidiary of CBH.

The proposal now requires the WA Government to transfer the Grain Pool's monopoly export powers into the expanded entity.

The Grain Pool of WA trades around three million tonnes of grain a year. CBH operates close to 200 grain receiver points in WA and handles up to 40% of Australia's annual grain production.

VICTORIA

Herd improvement merger

West Gippsland Herd Improvement Co-operative and Warrnambool Co-operative's Western Herd have merged to form the largest herd improvement service in Australia. The new group is expected to service more than 270,000 herd-tested cows, sell 330,000 doses of semen and inseminate around 160,000 cows.

Warrnambool Co-operative is also reported to be in the final stages of buying Victorian Herd Management Services.

QUEENSLAND

Dairy Farmers Co-op investment

The Dairy Farmers Group has approved the development of a \$21 million protein production plant at its factory in Malanda on the Atherton Tablelands. It will extract four protein fractions from whey for the nutraceutical market.

Development of the plant is in conjunction with joint venture partner, Probiotec, a Brisbane-based biotechnology company that will provide the technology. The plant will be developed in two stages, with the first stage to be completed by September.

Grainco Australia

Former grain co-operative, Grainco Australia, has warned that the cumulative effect of three consecutive poor harvests in Queensland will have a big impact on its first half performance.

Grainco is expected to release its half-year results in April, after its board meets to decide whether the new group should list on the Australian Stock Exchange.

INTERNATIONAL NEWS

ICA international research conference

The conference, *Local society and global economy: the role of co-operatives*, will run in Thessaloniki, Greece, from May 9 to 12.

The conference's themes have been chosen to reflect problems in south-eastern Europe: agricultural co-operatives and local development; credit unions, co-operatives, social capital, local development and local welfare; and co-operatives and the new economy.

CONTACT: Conference secretariat, tel + 30 4614 0161 (ext. 624 or 625) or e-mail ica2002@kozani.teikoz.gr

24th international CIRIEC congress

The 24th Congress of the International Centre of Research and Information on the Public and Co-operative Economy (CIRIEC) will be held in Naples, Italy.

CONTACT: CIRIEC Italia, Tel +39 02 8646 0848, e-mail ciriec@tin.it or Internet www.ciriec.it

\$5 million for Latin American development

The Canadian International Development Agency is to give the Université de Sherbrooke C\$5 million, over five years, for a project with four Latin American universities that will develop entrepreneurship through local co-operatives.

This is part of an effort to encourage Canadian universities to co-operate with universities in developing countries to improve the well-being of the world's poor. The project will also train local teachers to teach communities how to run co-operatives.

French co-operative cashes in

French dairy co-operative, Sodiaal, has announced plans to sell 50% of its Yoplait fresh dairy product brand to private equity firm, PAI. The Yoplait brand, valued at around one billion Euro, will now be jointly developed on a global basis by the two groups.

Sodiaal is a milk-producing co-operative with 13,500 members and an annual turnover of nearly three billion Euro.

The two groups want to float Yoplait on the stock market within two years.

Low-risk profile for credit unions

Credit unions have a low-risk profile compared with other financial institutions, according to a recent report from the Filene Research Institute, *Differences in bank and credit union capital needs*. The US study covers data from all States from 1986 to 2000.

According to Filene's executive director, **Bob Hoel**, the researchers estimate that the capital requirements of credit unions are two-thirds those needed by banks to cover loan losses in the event of recessions and other macro-economic shocks.

CONTACT: To order a copy of the study, visit the Filene Research Institute's web site at www.filene.org

Seed funds for forestry co-operatives

The US Senate has approved funding for the development of forestry co-operatives, to enhance rural income and improve private forestry management practices. About US\$2 million will be granted annually to develop co-operatives that help landowner-members improve land management and timber harvesting practices, and provide wood processing and marketing services.

UK's urge to merge

UK co-operatives, Zenith Milk and The Milk Group, have announced an intention to merge. If the merger goes ahead, the new group will control about 19.5% of the raw milk supply in England and Wales.

Arla's Express move

Scandinavian dairy co-operative, Arla Foods, has offered nearly £105 million for Express Dairies' business in the UK. Express Dairies the largest supplier of liquid milk in the UK. If successful, Arla will control 45% of the UK's liquid milk market.

Acknowledgement: Co-operative News Briefs, an electronic newsletter of the Canadian Co-operative Association, is published every two weeks and distributed by e-mail. It is available free of charge to anyone with an e-mail address and an interest in co-operative developments in Canada and around the world.

UNITED, DO WE STAND A BETTER CHANCE?

IN THE December issue of *National Co-op Update*, **Don Kinnersley**, a former consultant to the NSW Co-operative Federation and its current chairman wrote, "rather than having five parochial, poorly resourced federations, co-operatives all around Australia should belong to one national federation, with the resources and encouragement necessary for it to take a pro-active and highly visible role in developing Australia's mutual business sector."

As a result, *National Co-op Update* put the issue to Co-operative Council of Australia (CCA), president, **Ian Wilson**.

Mr Wilson said he had received only limited feedback from member federations, but he believed the proposition was not one that was supported by the CCA.

According to Mr Wilson, it is an issue that has been on the agenda for some time, with the push coming from Victoria and NSW.

"It might have worked well in the old days, but federation – from the point of view of national bodies determining what goes on in the States – is not really on in today's climate," Mr Wilson said.

Federating would also raise the issue of whether a national body should facilitate or govern.

Mr Wilson said CCA would have problems with a national body becoming a governing

SNAPSHOT

Don Kinnersley's call for the formation of a well-resourced national co-operative body in National Co-op Update's December 2001 issue has stimulated debate in the co-operative sector.

body. However, in terms of facilitating the activities of the States to affect government or legislation, he said there was quite clearly a role for the CCA, and one which it wanted to fulfil.

The State federations did not want to be in the position of having a national body dictate their actions, Mr Wilson said.

"If we did away with state federations and made a federated group the governing body, then we would lose the individuality of individual States. The smaller States would simply be absorbed into the bigger States, and we would have no opportunity to control where they were going," he said.

"Whereas, on a consultative basis, the issues can be argued through and size does not necessarily come into it."

Things should be done by persuasion, rather than amalgamating groups into one group and expecting them to make all the decisions for all the States, Mr Wilson said.

Local federations have to do a lot more in

terms of promoting the advantages and uniqueness of co-operatives than had been the case, Mr Wilson said.

However, as Mr Kinnersley pointed out in his article, the state federations are poorly resourced and have difficulty getting nominations for their boards. The synergies gained by pooling resources could actually allow a national body to be an effective and publicly visible organisation, arguing the case for Australia's co-operative and mutual sector.

Mr Wilson acknowledged the problem of trying to promote the advantages of co-operatives without the necessary resources, but said things could be done and that the CCA was, in fact, doing them.

Despite its best intentions, co-operative observers point to difficulties in seeing how a group such as CCA can be truly effective. It meets two, perhaps three, times a year, and has no budget to speak of, nor does it have any plans to raise its profile or funds that could be used for development.

A quiet achiever, is how some on the council see the CCA's role in the sector. However, judging from the comments of some co-operative members about the lack of consultation on national legislation issues, that 'quiet achieving' might be approaching a whisper. ■

We cannot but want to be more effective and efficient

DON Kinnersley has proposed establishing an appropriately resourced national federation to replace the under-resourced and intermittent Co-operative Council of Australia – an idea that should be revisited.

Revisited because we should be concerned with how to maximise our effectiveness and efficiency, and to adapt, if necessary, to changing circumstances and challenges.

A reflex 'yes' or 'no' to the question of a national federation is ultimately a disservice to the co-operative movement. I hope, therefore, that Mr Kinnersley's challenge will be seen for what it is – an open dialogue on how we can be more effective and efficient.

The basic strength of the co-operative movement is successful individual co-operatives adhering to co-operative principles and practices. Without this strength, any state or national federation or Council will experience difficulties of legitimacy and relevance.

Indeed, co-operative support for the state and national federations is a natural

SNAPSHOT

In this letter to the editor, Victorian Federation chairman, David Griffiths, responds to Don Kinnersley's call for a well-resourced national co-operative body.

outcome of co-operative principles and practices, and it is inevitable, that a state or national federation will reflect and reinforce this strength – or weakness.

We need to learn from the past. The experiences of the Australian Association of Co-operatives and the Co-operative Federation of Australia need to be seen in the context of the strengths and weaknesses of co-operatives.

It would be foolish to assume that the difficulties experienced by state federations and the CCA can simply be resolved by establishing a national federation. If we are not careful, we will simply recreate and transfer the problems of the state federations to a national model.

It is critical, therefore, for any 'solution' to

be based on a clear understanding, analysis and agreement of the 'problem'. If we don't, we will develop a solution that does not address the problem.

All the state federations are under-resourced and experiencing difficulties in being effective and efficient in promoting the co-operative way, and being taken seriously in public policy debate.

The Australian Centre for Co-operative Research and Development is making an important contribution to public policy debate, but it is not, and is not seen to be, of the co-operative movement.

We need to ask ourselves why we are not more effective and efficient; why co-operatives tolerate, ignore and/or don't care; and the extent to which organisational fixes resolve or contribute to the problem.

I don't have a 'solution', other than to say that we should be open to dialogue and be willing to work on the issue for as long as it takes, because we cannot but want to be more effective and efficient.

NEW ZEALAND NEWS

'A movement' or a collection of co-operatives?

In New Zealand, most co-operatives are commercially focused and getting on with doing the best by their members/shareholders; that is probably also the case in Australia.

Our experience is that co-operatives get together if and when threatened by proposed government action that could adversely affect them. The New Zealand Co-operatives Association plays a role in co-ordinating issues to represent to government or their agencies.

Apart from getting together for educational seminars and international liaison speakers, there is little on-going liaison between co-operatives.

That is a long way from being 'a movement'.

Perhaps co-operatives do not want to be part of a movement? After all, a movement is a 'group of people with a common ideology'.

Hang on, isn't that largely the platform on which co-operatives are based?

Shouldn't co-operatives also be seeking to associate with other kindred organisations, so that they can advance the 'self-help' business models more effectively? In NZ, there is little contact between co-operatives, mutuals such as credit unions, friendly societies, building societies and community trusts.

If we had a real movement, with liaison between the various sectors, then surely it would be possible to achieve more when dealing with government.

Whether we like it or not, governments listen when they have to. They listen when large numbers of people speak through their representative organisations.

If NZ's wider co-operative and mutual organisations were to link actively to deal with government, they would be a worthwhile political force and much more likely to be heard.

This is not 'rocket science', but sometimes we are too narrowly focused to see that genuine co-operation can enable us to make progress on issues that might be outside our individual scope.

Are you any better placed in this regard in Australia?

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CONSUMERS YET TO SWITCH ON TO ENERGY COMPETITION

CONSUMER choice of energy services began on January 13, but the concepts of 'full contestability' or the 'co-operative option' for aggregating supply, have yet to register with consumers.

According to **Dr John Tamblin**, chairperson of the Essential Services Commission, retail choice has the potential to benefit customers in two related ways.

"First, competition will pressure all retailers to offer supply arrangements that reflect market conditions and customer preferences. Second, customers will be able to shop around among different retailers to find the supply arrangement that best suits them," Dr Tamblin said.

"Consumers should prepare themselves for electricity retail competition by informing themselves about the changes and by assessing their own electricity consumption and retail supply arrangements."

However, according to **Graeme Charles**, chairman of Co-operative Energy, a co-operative established to facilitate energy aggregation amongst co-operatives, full contestability has yet to make it onto the radar screen of most consumers.

"Out of the nearly six million energy consumers in Victoria and NSW that became eligible for full contestability on January 13, only around 3000 in Victoria and about 300 in NSW have switched from their previous supplier to another one," he said.

Despite this, there are some signs of life in the area.

Co-operative Energy is the project manager of an aggregated energy initiative in north-east Victoria called, Our Energy, which involves the regional credit union with the support of a number of local governments in the area.

"Our Energy is attempting to 'sign up' sufficient energy consumers to enable it to negotiate a better deal on their energy purchasing. It has set a target of 5000 individual consumers signing on. When they get to that, they believe they will have enough volume to be able to leverage something with energy providers in the marketplace," Mr Charles said.

In late 2000, a seminar sponsored by energy retailer, TXU, highlighted some of the financial benefits of the co-operative model for aggregating energy demand.

As full contestability has approached, it has become more apparent that the actual dollar benefit for each individual house-

holder may be less than first envisaged.

"The initial up-front dollar benefit to the individual household may be quite small, which is obviously a problem in trying to sell the benefits of aggregation," Mr Charles said.

"However, if you look upon it as a continuum of pricing, aggregation will at least reduce the price by some amount and provide the basis for further reductions as actual energy requirements become more apparent."

"Further down the track will be the opportunity to offer a range of other services such as green power and energy efficiency measures which can help reduce users overall energy bill."

In addition, no-one knows where prices are going to go in the future.

"Savings that may be only marginal at present, may in fact end up being significant in the long term and if you have added bargaining power through aggregation of demand, you are in a much better position to take advantage of any price reductions on offer," he said.

According to Mr Charles, a number of groups had shown interest in forming a co-operative for bulk purchasing of energy, but ran into problems by not fully thinking through the procedure.

These groups have formed a co-operative and started negotiating with energy providers without gaining authorisation to deal on behalf of their individual members.

"It is no use putting out a tender to retailers without have a secure base of consumers that have given you authorisation to negotiate on their behalf," Mr Charles said.

A number of co-operatives have expressed, to Co-op Energy, their interest in aggregating supply on behalf of their members, but have been slow to sign up.

"At the end of the day, it is all about providing member benefits, but I'm not sure many co-operatives realise this and its importance," he said.

"If a co-operative can go into bat on behalf of its members and negotiate a better price with a range of energy providers it has to impact on the loyalty of those members."

Perhaps pursuing energy aggregation savings should be under the jurisdiction of the co-operative's 'member relations' department, rather than the financial management department. ■

DIRECTIONS FOR DIRECTORS

EVEN experienced co-operative directors will admit there is always something more they can learn about the job.

The latest issue of *Co-operative Business Journal*, published by the US National Co-operative Business Association, recently featured some valuable thoughts about director conduct from **Douglas Kleine**, executive director of the National Association of Housing Co-operatives in the US.

He said a board's primary roles were to plan, decide and evaluate. To do this, board members must stay 'informed'.

However, being informed means more than reading the material, it means ascertaining whether the materials you have been given are sufficient in scope to enable a decision to be made.

"It means asking clarifying question and, when faced by technical matters and 'experts', not being intimidated and making sure the expert is a good resource," he said.

Keeping an open mind

It is important for directors to go into the board room with an open mind.

"When power blocs are already lined up, dialogue has no chance," Mr Kleine said.

New and win-win solutions can emerge when parties take the time to rationally and intelligently discuss issues with an open mind, taking the time to understand both sides. To do this, Mr Kleine advocated the 'Three Rs':

- Reasons – Why are we doing this?
- Risks – What are our chances of success?
- Rewards – What will the benefit be to us and our members?

Executive management

Mr Kleine encouraged a fostering of the board's relationship with its chief executive.

He noted that the board was only in session for a few hours each month, whereas the CEO had to interpret new directions and keep things running on a constant basis. Thus, he said it was important to clearly state, in those few hours, the priorities, goals and expectation of the board.

Just as importantly, Mr Kleine advocated a respect for the boundaries between staff and board functions, while recognising that every board decision requires implementation by the co-operative's staff.

Homework

Directors must do their 'homework'; that means understanding the co-operative's finances, so that adequate resources can be allocated.

"Too many co-operatives adopt budgets

with arbitrary expense cuts and unrealistic revenue targets. Too many are far behind in technology and the technology lag affects so many things – staff productivity customer service and the data collection needed for evaluation and decision making," he said.

Getting things out in the open

According to Mr Kleine, conflicts of interest on the board was not an issue – everyone has them. What was important, was disclosing the conflicts, so that the co-operative recognised them and could deal with them as they arise.

Out and about

Winston Churchill is often credited as saying that he never criticised his country when abroad, but never stopped criticising it once he had got home.

It is an idea that can also be applied to the boardroom. Mr Kleine said some of the most unethical director conduct could occur outside the boardroom.

To avoid this problem, do not speak on behalf of your co-operative until authorised.

"(As a co-operative director), you are not a 24-hour ombudsman – you have no authority to intervene in operations, customer transactions and staff intrigue," he said.

"Learn to ask deflecting questions when members seek your intervention, and to be sympathetic without promising something

beyond your ability to make it happen."

Respecting board decisions

Given the range of issues a co-operative board has to consider, there may be times when an individual director disagrees with the ultimate board decision.

In such a situation, Mr Kleine's said it was necessary for that director to support that decision in public.

"The damaging conduct is to undermine the board's decision, by citing to the members all the reasons why you think the decision is wrong," he said.

"You represent the whole, not the part. If you were elected by one membership sector or geographic area, you can represent them by bringing their concerns to the board, but you must act on behalf of all the board."

Getting personal

Sometimes, a director's personal life can receive publicity that is damaging or embarrassing for the co-operative. If such a situation arises, step down immediately, Mr Kleine said.

Being a director is a commitment and a service, Mr Kleine said. During your service, make room for others and invite their input, share what you know and reach out to under-served or under-represented members.

Time to go

"As your service winds down, don't linger. Let other follow in your footprints, and be comfortable in them making some of their own footprints," Mr Kleine said. ■

Director education – a conference winner

Netco Grain Co-operative, one of Australia's few second-tier co-operatives, held its annual conference in Orange, NSW, in late February, and used the opportunity to participate in some director education.

Graeme Charles, formerly executive officer of the Co-operative Federation of Victoria, and now its manager – co-operative development and training, conducted the sessions.

Mr Charles conducted a series of workshops about these issues:

- Identifying a real co-operative
- Indicators of a well-informed board
- What do co-operative directors do?
- Understanding the board/management relationship
- Developing a job description for directors
- How co-operatives are winning in competitive markets.

Conference organiser, **Lisa Miller Bradley**, reported positive feedback about the workshops from directors. She said it had resulted in a higher level of awareness among directors of their roles and responsibilities.

Netco's members are:

- Australian Producers Co-operative (Parkes, NSW);
- CapGrains Co-operative (Rockhampton, Qld);
- Gilgandra Marketing Co-operative;
- Mirrool Creek Grain Co-operative (Ardlethan, NSW);
- Peagrowers Co-operative (Donald, Victoria);
- Shepherds Producers Co-operative (Wagga Wagga, NSW); and
- Southern Quality Producers Co-operative (Lake Bolac District, Victoria).

The Netco board has six representatives from its member co-operatives, and the special expertise of former Minister for Co-operatives in NSW, **Gerry Peacocke**.

Education is a one of the seven principles of co-operation that helps to define co-operative identity. Combining director and/or member education with a function such as an annual conference makes logistic sense.

Contact: Graeme Charles, e-mail graemech@netc.net.au

MEMBER ORIENTATION: WHAT IS IT AND HOW DOES IT WORK?

GIVEN the increasingly competitive and dynamic markets in which co-operatives operate, it is logical that they pursue a customer focus. However, co-operatives are formed for the primary purpose of meeting member requirements and therefore often have conflicting objectives.

Market orientation recognises the importance of a focus on customers and competitors. However, it does not account for a co-operative's members.

Hamish Cook and Dr Jodie Conduit from the Department of Marketing, Monash University, undertook nine interviews of management, employees, consultants and members of three Australian dairy co-operatives.

Their research looked at the nature of a co-operative's member focus and developed a model of 'member orientation'. Figure 1 outlines what a co-operative should pursue to satisfy members.

What is a member focus?

A member focus was recognised as the primary objective of a co-operative. It is management's obligation to care for the interests of the members above and beyond other business activity. The key aspects of a member focus were seen to be:

1. A reasonable attempt by management to maximise member wealth.
2. A formal policy recognising that the overriding objective of the co-operative is to uphold the interests of its members.

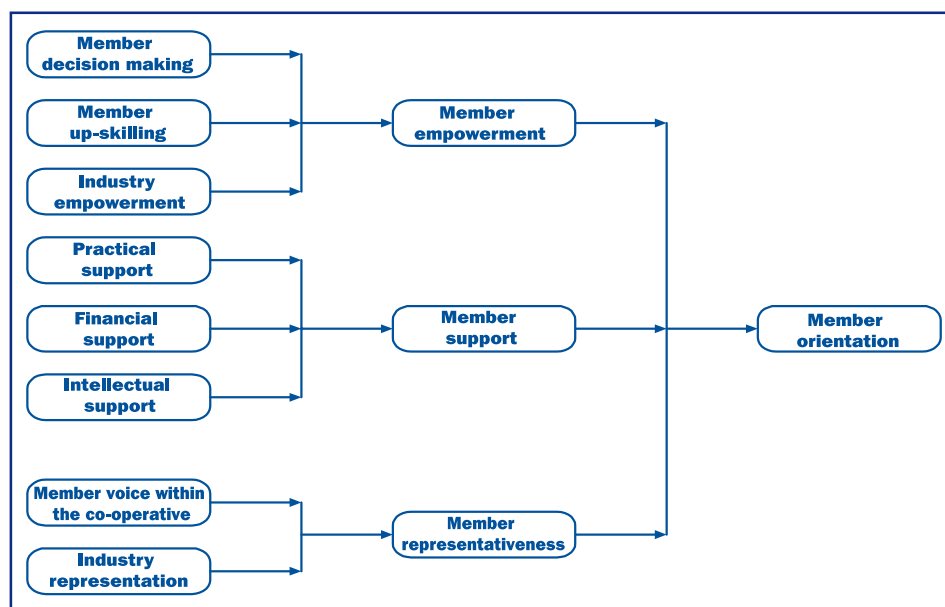


Figure 1: Member orientation.

SNAPSHOT

A survey of member orientation within select Australian co-operatives suggests it may be possible to have a credible members-focused strategy sitting alongside a broader customer focus.

3. A continual assessment of management's obligation to satisfy the requirements of co-operative members.

What dimensions constitute a member orientation?

This research was the first to determine what activities agricultural co-operatives should pursue to achieve a member focus. It found that a member orientation included member empowerment, member support and member representation.

Identifying the characteristics of a member orientation has implications for co-operative management. It presents a basis from which firms can begin assessing their member focus and meeting members' needs. It reminds us that, as stakeholders of the company, members are just as important, if not more important, than customers and competitors.

Member empowerment

"In many ways, members should be involved in the early stages [of the co-operative] in order to form some sort of direction of the co-operative,

otherwise you get a board and management pushing one outcome and members another."

As key stakeholders in a co-operative, members require some level of control over business activities. These activities provide a sense of empowerment for members.

- Allow members to voice their opinions and offer feedback. Direct participation in decisions results in greater 'buy-in' from members.
- Increase the skill base of co-operative members. Many co-operatives invest in training their members in technical and informational skills, such as accounting and computers.
- Discourage members from switching to other co-operatives. As members become empowered, agendas need to be developed that help prevent a high degree of defection by the membership base. This is essential to securing the long-term supply of members' raw product.

Member support

"Below the need for a guaranteed market for their milk, there's the need for support services."

Sustainable development of the member's business is recognised as the key reason for member support. Through support services, members can enhance the production efficiency of their businesses and improve the performance of the co-operative.

- Practical support involves services such as on-farm machinery engineering assistance and the operation of trading stores.
- Financial support can come in the form of fee exemptions, subsidising equipment installation or providing low-interest loans to members. Financial assistance is the most rapidly expanding area of support that co-operatives are providing to members.
- Intellectual support helps to increase member's knowledge of the market, including liaising with regulatory bodies on their behalf in areas such as commerce, law and the environment.

Member representation

"... a member focus has to be represented within the structure of an organisation, so if you haven't got a number of people or a number of sections of your organisation whose responsibility it is to consult your members, you're not going to get a member focus."

The need for member representation starts with the board and senior management. To provide members with a voice at this level, the following activities can be adopted.

- give members voting rights and representation on the board of directors;
- allow members to voice their opinions and question management at AGMs and regional meetings;

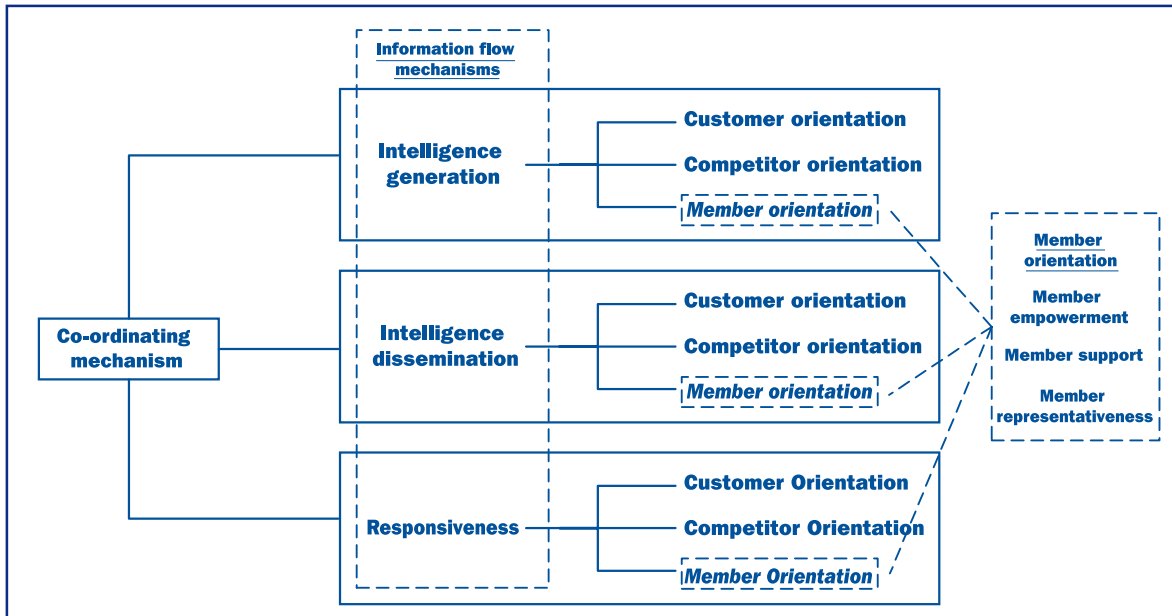


Figure 2: A broader market orientation incorporating members.

Adapted from Cadogan, J.W. and A. Diamantopoulos. (1995), "Narver and Slater, Kohli and Jaworski and the market orientation construct: integration and internationalisation," *Journal of Strategic Marketing*, 3, 41-60.

- employ key personnel to look after members' interests; and
- implement formal mechanisms (surveys, member help-lines, etc) that allow members to constantly voice concerns.

The second level of representation required is at the industry level.

Farmers join co-operatives to experience the strength and bargaining power that they could not otherwise achieve. Their expectations are that the co-operative corporate body represents their needs in a professional capacity.

Members assess the performance of management in this role. If they are not satisfied, they demand an avenue to influence the personnel that represent them.

Integrating member orientation and market orientation

Having recognised the components of a member orientation, it was important to

understand two things:

1. How can a member orientation be implemented in a co-operative?
2. How does it integrate with a broader market orientation?

The implementation of a member relations program revolves around information flow. Information regarding the activities, opinions, expectations and movements of members is needed.

- Co-operative management must meet with their members and install formal structures such as surveys and follow-up calls. They should discuss and record any issues that the members might have.
- Management must disseminate that intelligence throughout the co-operative organisation and among the members themselves; this is so that every person is aware of and committed to the development of a member focus.
- The information must be acted on

through strategies aimed at meeting the members' needs.

Intelligence generation, dissemination and responsiveness are the means by which member information flows through the co-operative. However, the same mechanisms provide and respond to information about customers and competitors.

Figure 2 recognises that a member focus can coexist alongside a customer and competitor focus. If information about members is fed into decision-making alongside information about customers and competitors a balanced approach will result.

Managers can pursue the corporate ideology while also responding to market pressures. This will allow co-operative managers to optimise the value that they return to their key stakeholders. They will maximise member wealth through good business performance, and also provide empowerment, support and representation for members. ■

Because I say so – that's why!

... Then again, sometimes it is better to 'communicate' professionally with your members.

National Co-op Update has teamed up with rural communication company, SUBStitution, to offer communication advice to co-operatives large and small.

The services we offer include:

- member communication strategies;
- communication audits;

- member newsletter and publication production; and
- development of public relations and media strategies.

With more than 10 years' experience in the co-operative sector, we understand the need for good member relations and cost effective communication strategies.

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National Co-op Update will keep you in touch with the diverse industries,

issues and developments which are shaping this thriving force in Australia and internationally.

The principles of co-operation encompass the need for those involved in the sector to take an active part in its future.

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