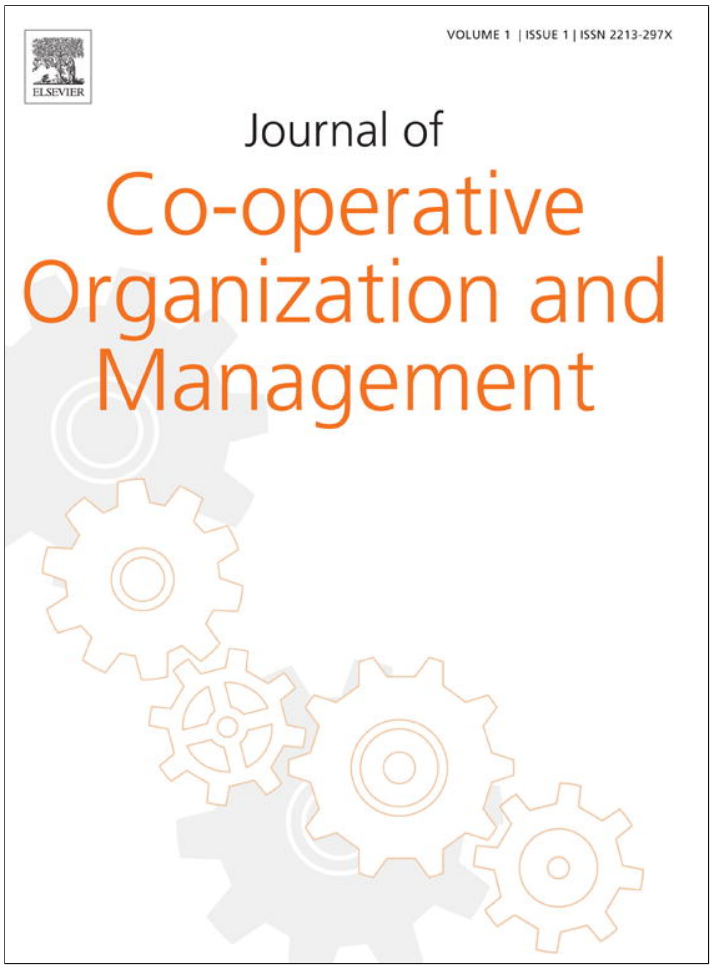

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Co-operatives as a strategic network of small firms: Case studies from Australian and French co-operatives

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ABSTRACT

Co-operatives have been likened to a 'network of contracts' or 'coalition'. This is particularly the case for 'producer owned' co-operatives that have small business operators such as farmers as their members. Although there has been some research into the strategic networking of co-operatives, there has been little attention given to the network behaviour and benefits to small firms as members of co-operatives, in particular to the benefits, risks and management issues associated with such networks. This research draws on case study data from Australian and French producer co-operatives to examine how small firms use co-operatives as a strategic network. It uses a conceptual framework for small firm alliances and networks originally developed by Street and Cameron (2007), and examines three research questions proposed in that study along with three interrelated theories (the resource based view, resource dependency and punctuated equilibrium). The study finds support for the conceptual framework and the theories as useful research tools. It also provides insights into the way small firms can use co-operatives to secure access to resources and mitigate environmental risk. However, the sustainability of these co-operatives is contingent effective network management, adaptability and the maintenance of member trust and loyalty.

1. Introduction

Co-operative enterprises are built on the idea of an association of individuals and/or entities (Jussila, 2012). Thereby, these enterprises can adopt a range of different forms (Nilsson, 1999). A substantial share of co-operatives and mutual businesses represent what Birchall (2011) refers to as "producer owned". Such co-operatives typically include those owned by primary producers, who are small scale business operators in industries such as farming, fishing and forestry. It can also include retailer owned co-operatives in areas such as motor trades, pharmacy, hardware stores and supermarkets; as well as shared services co-operatives for self-employed, small firms and professionals.

In this study, our focus is on those co-operatives with a membership comprised of small or medium sized firms (SMEs). For the purposes of clarification such firms may be defined as businesses with fewer than 250 employees and an annual turnover of less than €50 million (OECD, 2004). Such firms are also typically independently owned and managed. They include rural farm businesses and small firms in other sectors. For simplicity, we will refer to these firms as small firms. Academic literature in this area describes the co-operative enterprise as a "nexus of contracts" (Sexton, 1983, 1986) or as a "coalition" (Staatz, 1983, 1987a), reflecting the network alliance nature of the co-operative business model. The producer owned co-operative is therefore an alliance or coalition of small firms, who form its membership (Helmberger & Hoos, 1962). It is noteworthy that while such association refers to becoming united, it does not mean total abandonment of independence. Thereby, as Emelianoff (1942) suggests, it is important to view small firm (producer) co-operatives as a coalition of independent businesses rather than just a unified single organisation. With this in mind, it is important to view co-operation from the perspective of the small firms and not only from the perspective of the co-operative.

From the small firm's perspective, one of the most important questions is the value that can be gained through such co-operation. Relatively few studies have examined the benefits to small firms of co-operative membership (e.g. Dana, 1998; Lee & Mulford, 1990). In this paper we examine this phenomenon using the example of several producer co-operatives from Australia and France, and apply a conceptual framework originally proposed by Street and Cameron (2007). This conceptual framework was

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developed from the literature relating to small firm networking and alliances and comprises the antecedents, processes and outcomes that apply to such networks. Since its publication the paper has been highly cited, but few papers have specifically attempted to make significant use of the conceptual framework or address the research questions it proposed. An exception was Lasagni (2012) who applied the framework in a different context, but demonstrated its usefulness as a research tool. Our study examines three research questions originally proposed by Street and Cameron (2007) from the perspective of the co-operative enterprise as an alliance mechanism for small firms. We adapt these research questions as follows:

1. How do small firms derive value from an external relationship facilitated via a co-operative business model?
2. What are the risks involved in engaging in external relationships facilitated via a co-operative business model?
3. How do these relationships develop over time?

At the time of the publication of Street and Cameron's (2007) work these three questions represented the "current state of inquiry" in small firm alliance and network research. In our view, these research questions remain important to both the theory and practice of co-operative enterprise. Many co-operatives are of the producer owned type and key factors in their formation and sustainability are the value that small firm owners as farmers and those in manufacturing, retailing or services derive from membership. In their review of small firm alliance and network literature, Street and Cameron (2007) warned that there is no "single unifying theory that currently ties all of this literature together" (p. 254). However, they identified the 'resource-based-view' (RBV) of the firm (Barney, 1991), the 'resource dependency theory' (Pfeffer & Salancik, 1978) and the 'punctuated equilibrium theory' (Gersick, 1991; Romanelli & Tushman, 1994) as useful theoretical lenses for addressing the research questions outline above. In this paper we will follow this insight.

The paper is organised as follows. We first review extant small firm collaboration literature in general and co-operative literature in particular by using the above-specified theories as a lens. Next we provide an overview to Street and Cameron's (2007) conceptual framework that served, in their work, as the basis for proposing the above research questions. There are three primary units of analysis that relate to the above research questions. First, the antecedents to external relationships relate to the associated risks to a small firm in entering a strategic alliance (e.g., loss of control or independence). Their decision to enter such an alliance is contingent on their ability to assess the benefits of membership outweigh any potential risks. Second, the processes associated with external relationships relate to their development and sustainability. Third, the outcomes of external relationships relate to their value to the members. It is this Street and Cameron's (2007) framework that provides structure to our empirical work and, consistently, these units that provide the basis for our analysis of the Australian and French cases. In the summary of our findings, we return to the above three theoretical lenses. Finally, we conclude with recommendations for research and managerial practice.

2. Small firm alliances and the co-operative business model

Before moving on to the co-operative business model, it is worth pointing out that the need for small firms to forge relationships with other firms has been recognised within the academic literature as providing small firm owners and entrepreneurs with enhanced competitiveness via personal networking (Alvarez, Ireland, & Reuer, 2006; Birley, 1985; Ostgaard & Birley, 1994). There are also benefits from the level of proactivity within these alliances (Sarkar, Echambadi, & Harrison, 2001), and there are benefits, as well as challenges, for small, entrepreneurial firms that forge alliances with larger companies (Alvarez & Barney, 2001). Cooperation between firms has also been found to produce competitive advantage within technology-based enterprises (Bruque, Moyano, Vargas, & Hernandez, 2003).

According to Hansmann (1996) the formation of a co-operative is usually justified when the cost of contracting with a firm's suppliers or customers is greater than the cost of these same suppliers or customers owning the firm. This provides an immediate value to the small firm as member. In agricultural markets the presence of a co-operative can have a major impact on the prices paid at farm gate, with producers generally receiving superior prices to those paid when there are no co-operatives present (Tennbakk, 2004). Although there has been research undertaken in the use of strategic alliances and networks by co-operatives to assist in growth and market competitiveness (see: Juliá-Igual, Meliá-Martí, & García-Martinez, 2012), research into the role played by co-operatives as a means of enhancing the competitive position of small firms has not been given much attention. While these previous contributions are valuable, a comprehensive understanding of the role played by co-operatives as strategic alliance networks for small firms is missing. As introduced, this paper attempts to fill this gap by making use of the Street and Cameron (2007) framework and the three theoretical lenses (i.e., RBV, resource dependency, and punctuated equilibrium) they proposed as valuable in this effort.

In more detail, the RBV theory proposes that a firm's competitiveness can be attributed to its control over specific assets or resources (Chamberlin, 1935; Penrose, 1959; Schumpeter, 1934). If such resources are unique, valuable, and difficult to copy or substitute they can potentially provide a source of sustained competitiveness (Barney, 1991). RBV theory has been applied to small entrepreneurial firms in relation to their relative lack of resources and the need this creates for them to form strategic alliances and networks (see: Alvarez & Barney, 2004, 2005; Alvarez & Busenitz, 2001; Alvarez et al., 2006). While firms may lack resources they can possess unique capabilities (Amit & Schoemaker, 1993). This ability to take limited resources and successfully configure them in unique ways is a key focus of entrepreneurial business model design (George & Bock, 2011).

Small firms gain benefits from alliances and networks by securing access to resources and capabilities such as access to markets, technologies and knowledge, as well as a degree of protection from competitive threats (Jarratt, 1998; Lee, Lim, & Tan, 1999; Lee, Kelley, Lee, & Lee, 2012). Small producers who join co-operatives secure benefits such as greater market access, better pricing and lower input costs (Krivokapic-Skoko, 2002). The pooling of resources and sharing of knowledge that occurs within co-operatives is also a major benefit to such small firms (Rickenbach, 2009). They may also see their membership as contributing to the building up of social and economic capacity within their community (Skurnik, 2002).

Lee and Mulford (1990) examined the role played by Japanese *kyodokumiai* co-operatives formed by small firms. They found such firms joined co-operatives to secure enhanced access to information and to strengthen their "self-concept" and company image. Dana (1998) also examined Japanese small firms and their use of inter-firm linkages including the *kyodokumiai* co-operatives. Protected from Japanese anti-trust legislation the *kyodokumiai* provide their members with enhanced access to purchasing, transport, insurance and inter-firm knowledge sharing. Another study by Pache (1996) examined the role played by French co-operatives in enhancing the business prospects of small producers.

This identified the benefits of co-operative business structures to small firms from the perspective of securing supply chain contracts. However, the findings did not indicate that all was positive with these small producers despite their supplying to these co-operatives and it was noted that the future of such small firms was not guaranteed.

The opportunity offered to small firms by a co-operative business model was further addressed by Gall and Schroder (2006) in their examination of agricultural producer co-operatives as strategic alliances. In addition to highlighting the absence of research in this area, Gall and Schroder also hypothesised the application of the RBV theory as well as social network theory and theories relating to trust and cooperation, as being relevant to understanding strategic alliances in co-operatives. In particular the ability for farmers to use the co-operative as a network through which to enhance their knowledge through reciprocal exchange within what became a 'learning network'. However, their analysis of two case studies suggested that over time the benefits from this exchange may erode as the network enlarges and becomes formalised. Jussila, Kotonen, and Tuominen (2007) employed the RBV theory in their examination of corporate social responsibility (CSR) in Finnish co-operatives, as did Roessl (2010) in his study of CSR in credit co-operatives. Grande (2011) also drew on the theory for a study of new venture creation in the farm sector. However, none of these studies specifically examined the RBV as it applies to small firms engaging with a co-operative as a strategic alliance process.

Resource dependency theory suggests that organisations are dependent on their external environment, which places constraints on their operations. Firms can either seek to change their environment (e.g. by political lobbying), or form strategic alliances to control or absorb environmental uncertainty (Pfeffer & Salancik, 1978). Small firms that form alliances with larger ones risk dependency if they lack unique or complementary resources, such as intellectual property rights or legal contracts (Alvarez & Barney, 2001; Dickson & Weaver, 1997). A primary motivation for small producer firms to join co-operatives is the chance this type of collaboration can reduce the impact of external factors on their business (Katz & Boland, 2002). This has been demonstrated in agricultural producer co-operatives with respect to supply chain management (Garcia-Perez & Garcia-Martinez, 2007; Giannakas & Fulton, 2005). Co-operative enterprise has also enabled small producers to compete against large investor owned firms (Mora & Menozzi, 2005; Núnez-Nickel & Moyano-Fuentes, 2004). Resource dependency theory has been used to explain the role played by boards within co-operatives (Cornforth, 2004), and how co-operatives and mutual enterprises engage in marketing and supply chains (Hanf, 2009; Palmer, 2002). However, these studies have not specifically examined the role of small firms within co-operatives.

Punctuated equilibrium theory suggests that organisations evolve over time with periods of rapid change and growth punctuating longer periods of relative stability and equilibrium (Gersick, 1991; Miller & Friesen, 1980; Romanelli & Tushman, 1994). The theory has been used primarily in the strategic management literature to analyse the lifecycles of large firms, but also in small entrepreneurial ones (Mintzberg & Waters, 1982). Co-operatives can take a wide range of network forms (Desrochers & Fischer, 2005), and the nature of their network structure and governance is subject to evolution (Cook, 1995; Helmberger, 1966; LeVay, 1983; Staatz, 1987a, 1987b). Street and Cameron (2007) suggest that punctuated equilibrium theory could be used to examine not only the way in which small firms join and exit strategic alliances, but to also enhance understanding of how and why they do so and the planning, strategy development and relationship management components of their framework. The co-operative lifecycle theory proposed by Cook (1995) supports the punctuated equilibrium theory and helps to explain why some producer co-operatives often change their structure or even demutualise as they seek to adapt to external forces and internal pressures from their members (Brewin, Bielik, & Oleson, 2008).

As outlined in the preceding literature review there have been studies of how small firms, particularly agricultural producers make use of co-operatives for benefit and some of this research has used the RBV and resource dependency theories. However, this research has not been extensive and even fewer studies could be found that specifically applied punctuated equilibrium theory to co-operatives and small firms. As a result of our review of the literature we feel that there is a gap in the understanding of how small firms as members gain benefit from co-operative enterprises.

3. A conceptual model of small firm alliances and networks

As noted above, Street and Cameron (2007) identified three primary units of analysis focusing on the antecedents, processes and outcomes. Fig. 1 illustrates each of these primary elements has a set of subordinate units of analysis that emerged from the research literature.

The antecedents that influence the decision by a small firm to engage within a network are the characteristics of the entrepreneur or owner–manager leading the company this can include their propensity to collaborate or desire to seek resources or influence their external environment. Also influential are the characteristics of the firm and the partner organisation that they might seek to form an alliance with. As noted above the small firm's lack of resources may be influential in this decision, as will the firm's perception that it can trust the network it is joining. Here the relationship characteristics play a role with respect to how well the network partners feel that they know and trust each other and the network organisation they are joining. The level of uncertainty or turbulence within the external environment can also play a role in motivating the small firm to form alliances and networks. Other external environmental factors can include the level of market competition and government regulation.

Key outcomes that small firms such as small producers may obtain from such alliances include the access to resources and business development that can enhance their own growth. By being part of the alliance or network the small firm also has the opportunity to secure advantages that it would otherwise not possess and this can enhance its competitiveness. If such benefits from network membership accrue the firm will enjoy performance improvements and success not otherwise possible by acting alone.

Finally, in terms of keeping the alliance working in a sustainable manner, there must be processes that address the development of the alliance's strategy and how members of the network are managed. This can involve the rules by which members are permitted to enter or exit the alliance, rewards for active participation, and the level of trust within the membership and how knowledge and information flows across the network. We will return to these issues in more detail in the subsequent analysis of the case study data.

4. Methodology

This research is part of a study into the sustainability of the co-operative business model funded by the Australian Research Council (ARC) and industry partners, Co-operatives WA, Co-operative Bulk Handling (CBH Group Ltd), Capricorn Society Ltd and Ravensdown Fertilizer Co-operative. The French part of the study has been funded by the Regional Council of Burgundy (*Conseil régional de Bourgogne*). The larger research project has involved collecting case study data from a range of co-operatives around the world with the purpose of understanding how to

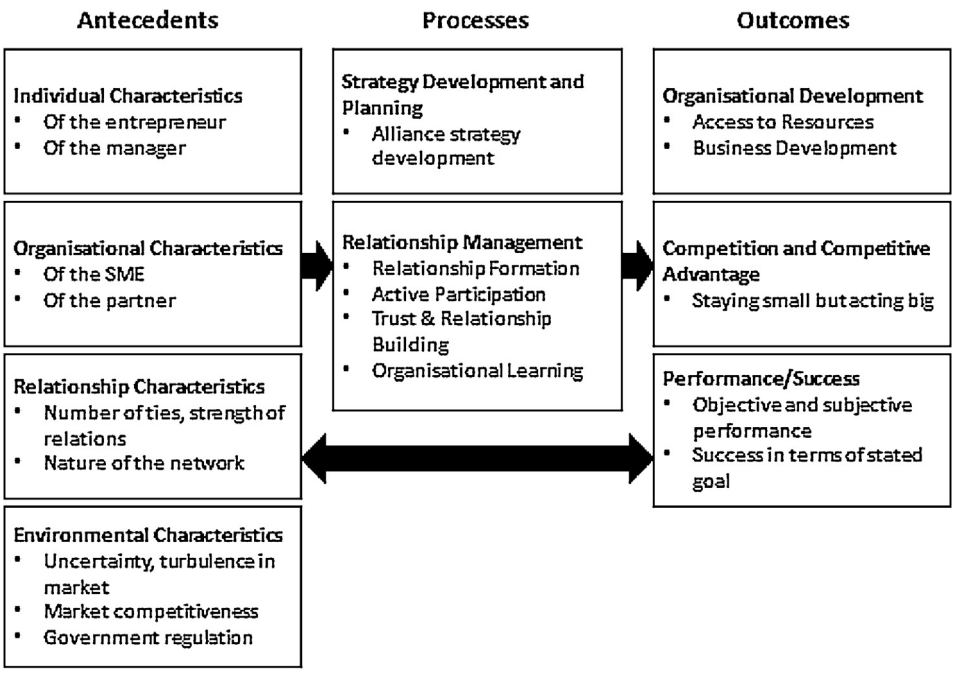

Fig. 1. Conceptual model of external relationship influences, management processes, and effects in small business. *Source*: Street and Cameron (2007).

develop more sustainable and resilient businesses. One area of research focus is the conceptualization and measurement of member benefit from being part of a co-operative and it is in this area that our paper is focused with the aims introduced above.

The case study method was chosen for this research because it offers a suitable mechanism for exploring in depth, areas that have little well developed theory and have demonstrated this value in the social sciences, in particular in relation to small firms (Chetty, 1996). Cases, especially historical case studies, are also an effective mechanism for the development of theory (Eisenhardt, 1989). The principal specificity of this methodology is that it enables a better understanding of causal relations where they are complex and a description of a situation within its real life context (Juliá-Igual et al., 2012; Yin, 1989). Multiple case studies enable comparisons and can support more robust theory (Eisenhardt & Graebner, 2007). Moreover international comparisons serve to: "highlight the interaction between the institutional environment – the "rules of the game," such as property rights, the legal system, the political process, and social norms – and the organizational arrangements trading partners design to govern their relationship" (Ménard & Klein, 2004, p. 750).

Five case studies were selected for this analysis from a larger pool of cases developed within the main study. The process of selecting the cases was guided by the desire to maximise diversity in an exploratory approach. In choosing these cases we drew upon a review of the extant literature relating to the co-operative business and also held discussions with our industry partners to identify suitable organisations to approach. Assistance was then provided in recruiting these firms where required including support from co-operative associations who hold databases of co-operatives and who facilitated introductions to key executives and board members in these organisations.

The procedure for undertaking the case study development was informed by the work of Yin (1989) and involved developing a detailed case study protocol that guided all case data collection. As recommended, a pilot case was undertaken with CBH that was then used to revise the case study method. The data collection process involved reviewing published histories where available, plus other reports, website content, newspaper and press articles and internal organisational reports, memos and presentations. This use of multiple data sources and the subsequent ability to examine several cases provided good triangulation (Bryman & Bell, 2003). An examination was made during this data collection on the key units of analysis relating to the co-operative's purpose, membership, governance and share structure, business operations – specifically value chain processes – resources and strategic decision making. The interplay between the members, the board and the executive were examined in order to observe how these elements impacted on the successful operation of the co-operative. A series of critical incidents were then identified within the time line to mark periods of major strategic change or importance. This critical incident time line was then used to guide in-depth interviews with current and past board members and executives from each co-operative (Flanagan, 1954; Gremler, 2004). These interviews typically lasted for around two hours with all discussions audio recorded for accuracy of subsequent transcription. The final transcript data was substantial, and in both English and French. However, for reasons of brevity we have not included representative quotations in our paper.

Our analysis followed a chronological approach as defined by Yin (1989) and drew together the available evidence using a historical case analysis technique (see: Coldwell, Joosub, & Papageorgiou, 2012; Superfine, 2009). In doing so it focused on the key constructs from the conceptual framework proposed by Street and Cameron (2007) and the three research questions that emerged from it. As these cases were designed to examine matters of strategic management, in particular the punctuated equilibrium theory, the approach taken by Mintzberg and Waters (1982) in their case study development was also followed. They recommended a four-step process to study a firm's strategic trajectory, from the systematic collection of data, to the identification of the pattern and periods inside the trajectory, then an analysis of each

Table 1
Co-operatives selected for the case studies.

Cooperative Bulk Handling Group Ltd (CBH Group)
Established in 1933 CBH Group is Australia's largest co-operative and one of the largest bulk grain handling and storage operations in the world. CBH is also one of Australia's major exporters. Headquartered in Perth Western Australia (WA), it has an annual turnover of A$2.63 billion and 4500 members representing the grain growers of WA. In 2010 the co-operative employed 2500 people and exported 95% of its harvest to more than 20 international markets. It has total storage and handling capacity for more than 20 m tonnes. Although it is a non-distributing co-operative, CBH Group owns join ventures that include a flour processing business in South East Asia, a shipping company and a rail fleet company.
Murray Goulburn Co-operative (MGC)
Established in 1950 MGC is headquartered in Melbourne Victoria. It is a dairy co-operative and Australia's second largest co-operative business with an annual turnover of A$2.24 billion. MGC is also Australia's largest producer of milk and the largest exporter of processed food products (e.g. milk, butter and cheese) and holds 30% of the milk market on the east coast of Australia. It owns successful retail brands and has diversified into hardware and farm supplies. MGC has some 2685 members and employs over 2200 people with nine processing plants located across Victoria. MGC operates as an unlisted public company wholly owned by the dairy farmer suppliers. The co-operative is also a major exporter and generates annual export income of over A$1.16 billion from Asia, North America and the Middle East. It owns a transport fleet and subsidiaries in Asia and Central America.
United Farmer's Co-operative Company Ltd (UFCC)
UFCC was established in 1992 at Morawa Western Australia and specialised in the supply of fertiliser and chemicals. It was established by WA grain farmers who were seeking to lower substantially the cost of these critical inputs. With initial start-up capital of $5000, UFCC quickly grew to a membership of 3000 and had an annual turnover of A$100 million by 2006. At that time UFCC was the third largest fertiliser supplier in WA. In its growth UFCC developed a network of storage terminals and distribution points. It also diversified into a range of other services but was impacted by drought, rising costs and divisions within the members and the board. By 2008 it had merged into New Zealand fertilizer co-operative Ravensdown.
Union Auboise (UA)
UA is a federation of co-operatives established in 1967 by 11 wine growers' co-operatives from the Aube region of France. Its purpose was to create a common processing and marketing system for Champagne and to regain a more substantial part of the value added for producers. UA currently has 900 members from 12 co-operatives who are independent and carry out complementary services. It is one of the major agricultural businesses in the region and owns its own brand "Devaux" which has a prestige reputation, plus other brands that belong to the Alliance Champagne, a federation composed of co-operatives from the Marne and Aisne regions.
Société Coopérative Agricole de céréales Bio Bourgogne (COCEBI)
The COCEBI was created in 1983 in Burgundy and today is the leading French organic cereals cooperative. It now counts 171 members, 106 of whom supply grains. The rest is made up of breeders, wine makers and truck farmers for their food supplies or organic enrichment. Members respect one of the cooperative status principles; total financing COCEBI only collects organic products. Collection for 2009/2010 was 10,410 certified organic tonnes and reached across the Burgundy zone and its border departments. The cooperative has 10 employees and it has a €5.2 M turnover. Its certified organic planting activity represents a significant part of the turnover.

period and finally the building of the theory. Once the raw data was collected a descriptive and largely historical case summary was developed. This was then sent back to the representatives from the co-operatives who were interviewed and any errors, omissions or misunderstandings were corrected.

The data analysis process was ongoing throughout the research and involved both within case and cross-case analysis as suggested by Strauss and Corbin (1998). The cross-case analysis was undertaken with reference to the work of Stake (1995), which brought together the findings with the literature and employed the use of word tables and pattern matching suggested by Miles and Huberman (1984, 1994). Coding was undertaken with an initial set of categories as developed from the literature and relevant units of data were attached to these categories using Nvivo and tables with a process of iteration as patterns and themes were examined (Saunders, Lewis, & Thornhill, 2003). The use of a predefined analytical framework such as that of Street and Cameron (2007) in case study analysis has been recognised as helpful to the maintenance of structure and consistency when large amounts of data are to be examined (Coffey & Atkinson, 1996; Creswell, 2007). Emerging from this analysis was a series of narratives and themes that were mapped to the original conceptual foundations contained in the case study protocol (Mazzarol, Simmons, Mamouni Limnios, 2011). However, the application of the Street and Cameron (2007) conceptual framework also emerged as a worthwhile mechanism for understanding the role co-operatives could play in enhancing small firms as members of producer co-operatives. To this end it was decided to explore the phenomena of small firm network and alliance behaviour via co-operatives through this framework and with reference to the three "theoretical lenses" described within the literature review.

5. Case study analysis

The five producer case studies that were selected for this study are outlined in Table 1 and comprise the CBH Group (CBH), Murray Goulburn Co-operative (MGC) and United Farmers' Co-operative Company (UFCC) from Australia, and the COCEBI and the Union Auboise (AU) from France.[1] The co-operative is conceptualised as an alliance of small to medium size businesses (in this paper referred to simply as small businesses), therefore the elements of the Street and Cameron (2007) framework, namely: (i) external relationship influences; (ii) management processes and (iii) the effects in small firms will be explored in relation to co-operative member's businesses, rather than the larger member-owned co-operative organisation.

While the co-operative member firm is the unit of analysis, we will refer to both levels of analysis (the co-operative member and the co-operative organisation), as appropriate. Each co-operative member develops external relationships with other members and the co-operative. Furthermore member management practices impact and are impacted upon by co-operative management practices. Lastly, effects in co-operative member business are an outcome of their relationship with other members and the co-operative.

5.1. Antecedents to the external relationship process

Street and Cameron (2007) refer to the importance of individual characteristics of the entrepreneur and manager, as well as organisational characteristics of the small firms and partner. We find that indeed co-operatives are formed by individual member-owners and member-businesses that operate in the same industry and geographical locality, facing the same challenges and opportunities. They commonly come together in this business alliance to provide a service in the form of self-help that is not provided by private industry or the government (CBH, COCEBI and MGC cases, refer to Table 2), or use the collective bargaining power of member businesses to achieve a better price for member

[1] Those two cases have been collected by Corinne Tanguy and Michel Martin, from the CESAER Research Center in Dijon, France.

Table 2
Antecedents.

Individual characteristics	• Common locality, ethnicity, collective values • Common business challenge/market failure • Strong member involvement, trust and sense of self-interest/self-help
CBH	By 1929 the Great Depression hit Australia hard due to its dependence on agricultural exports. The price of wheat fell dramatically and the labour intensive and expensive grain handling system (bagged wheat) became a matter of political debate. Co-operative Bulk Handling (CBH) was established in 1933 as a result of an ongoing effort and debate over the benefits of bulk grain handling that had taken place for more than a decade prior to its formation.
MGC	In 1949 Soldier settlers in Cobram are coming into milk production, bringing an additional 8000 cows in the district within 2 years. The Shepparton co-operative was unwilling to build a factory in Cobram. 1950 the Murray Valley Co-Operative Dairy Produce and Trading Company is formed by the Murray Valley Soldier Settlers to satisfy the farmers' needs.
UFCC	In 1991 rural Western Australia was in crisis. Successive poor seasons, high interest rates and an international price of wheat below the cost of production drove wheat farmers to protest on the streets. United Farmers' Cooperative Company was formed in 1992 as a progression of the political Rural Action Movement (RAM). UFCC's purpose was to provide farmers with lower cost fertilisers and chemicals, breaking the market duopoly that enjoyed high profit margins in the range of 200% at the time.
COCEBI	Back in the 1980s, seven passionate farmers decided to set up a cooperative in order to organise both the offer and the marketing of their organic products with the objective to sell them. This cereal cooperative that was a pioneer in developing organic cereals was made up of militants, who base their work on a certain ecological ideology. This militancy partly explains the way in which they decided to develop their company; it is considered as alternative and is coherent with the essential purpose of their project.
UA	The interdependence between the two industries, the wine makers and the wine dealers, is at the origin of the *Champagne Region balance*. These sets of contracts have, until recently, guaranteed that the added value is fairly shared between them.
Organisational characteristics	• Lack of necessary infrastructure and resources at member business level • Lack of technological expertise and advanced management practices at member level at time of co-operative formation
CBH	Co-operative members were farmers' businesses of similar size and age, without the available technology and resources to safely store and transport their product to port.
MGC	Co-operative member businesses were milk producers which did not have access to resource intensive milk processing facilities in their locale.
UFCC	Co-operative member businesses were small farmers that did not have the volume to strike individual deals with the fertiliser importers and thus paid high prices for what is the most expensive input in the farming business.
COCEBI	In the 1980s the cereal business and operators (conventional collection cooperatives, mills, etc.) were hostile to the idea of organic production. Creating an organic cooperative was thus an indispensable organisational innovation for the first organic farmers in order to sell their harvests.
UA	The contracts' role has always been to regulate the market and balance between the different players in the Champagne region.
Relationship characteristics	• Democratic governance • Supply/demand relationships with the co-operative • Horizontal member networks with representation at co-operative level • Increased member diversity as co-operatives grow
CBH	Member diversity grew increasing the difficulties associated with managing the co-operative. Value adding through marketing and primarily flour processing ventures.
MGC	Value-adding relationship as the co-operative is committed to "grow with its members", enabling them to produce and deliver as much milk as they wish (whereas private processors charge less for excess milk in good years).
UFCC	Member and UFCC goals diverged and relationship management failures led to loss of trust and eventually the merger with Ravensdown.
COCEBI	At the beginning there was no organisation for organic products in France. The relationship with regular producers was not very good.
UA	The growing power of the wine dealers enabled them to capture the value created mainly by the wine growers. Wine makers regarded this pressure as a means for Champagne houses to protect themselves from the crises at the expense of wine growers which questions the established partnership.
Environmental characteristics	• Agricultural markets are highly uncertain due to natural environment factors, currency fluctuations and international demand and supply changes • Governments have a strong influence through market regulation and privatisation initiatives
CBH	Deregulation of the Australian agricultural industry throughout the late 1980s, 1990s and 2000s greatly impacted on the viability of CBH. A visionary management team enabled the merger with a grain marketer and established a flour processing operations in Asia, which today add to the bottom line of the co-operative entity.
MGC	Deregulation in the dairy industry increases competition but also opens international markets. Following an unprecedented growth via mergers and acquisitions, MGC embarked in a series of rationalizations in the 1960s and 1970s and another cost cutting restructure in the early 1980s, gradually positioning themselves as a major export-oriented player. Specialising in various customised dairy based products, MGC and their members aim to reduce their dependence on the fluctuation of the milk price and value add to their product.
UFCC	UFCC succeeded to change the duopolistic structure of the market that was profiteering against their members. However, when the market corrected they lost their point of differentiation. They transitioned from a focus cost leadership strategy to a differentiation strategy, but lacked the financial and marketing resources to successfully implement it. Lacking a clear member value proposition they lost member trust and support.
COCEBI	The evolution of customers' preferences towards more organic food made the lack of industrial organisation for organic food became problematic.
UA	The Champagne business had been suffering from the economic crisis with even higher falls in sales in 2009. The evolution of customers' preferences towards more organic food also impacted on the wine sector.

products, services or supplies (UFCC, UA cases, refer to Table 2). Member trust and involvement are key individual characteristics that are strengthened by pre-existing personal and political networks, as well as common ethnicity, values and business challenges faced due to the common nature of member businesses (like the shared passion about organic food in the COCEBI case). Member businesses are initially homogeneous in terms of size, products and available processes and therefore face similar challenges that motivate them into forming the co-operative. An example of member support and involvement can be sourced from the history of United Farmers, where the two founding directors had to prioritise the co-operative over their own business: "*In the*

first year of United Farmers I spent 100 days off my farm, 100 days" (source: 2011 interviews). The directors' farms were worked by their neighbour farmers who all took turns to assist throughout the difficult first year of the life of the co-operative.

The co-operative network is commonly structured horizontally based on democratic governance principles, all members having equal voice (one-member-one-vote principle adopted in some countries; in others voting is proportional to the amount of trade with the co-operative) (Torgerson, 1977). The co-operative is positioned centrally in the network, having a supply or demand (or sometimes both) relationship with co-operative members. As the co-operative is owned by its members there is a process by which member representatives are elected to serve on the co-operative board. Best practice internationally suggests that non-member directors improve the governance of the co-operative (Cornforth, 2004; Hart & Moore, 1996), providing an external perspective. This opinion is shared by the largest co-operatives in Australia. It should be noted that a co-operative is a network that is more formal than a strategic alliance, but less formal than a franchise network. Whereas a minimum level of trade with the co-operative is commonly required, co-operative members are free to transact with the co-operative and/or its competitors. Free-riding behaviour occurs as less loyal members commonly enter or exit the co-operative year after year, while the existence of the co-operative in the market keeps prices low.

Tensions among co-operative members or between members and the co-operative have been observed to grow as co-operatives increase in age and size and diversity of member businesses. This is commonly attributed to poorly defined ownership rights, a lack of appreciation in the value of co-operative shares and a lack of transferability of these shares (Cook & Iliopoulos, 1999). As the co-operative grows, organisational needs associated with investment and decision-making necessary to ensure co-operative success can differ from member needs that may not extend beyond the horizon of the member's own business (Karantininis, Nilsson, & Fahlbeck, 2007). As members' investment in the co-operative is commonly nominal in value and is therefore unrelated to the end value of the co-operative, bridging co-operative and member-business interests becomes challenging.

For example, CBH has faced the threat of privatisation, which was discussed for more than a decade as members were trying to find a way to extract value from the business as they were approaching retirement. A successful relationship management process was critical in enabling members to see the value that CBH adds to their member-business when run as a co-operative. CBH has recently confirmed their member decision to remain a non-distributing co-operative. United Farmers on the other hand identified the need to diversify their purpose to "drought-proof" their business, however failed to successfully communicate this need and materialise the forecasted value of their strategy, eventually losing member trust and support. The retention of member trust is critical to the co-operative's ability to achieve cohesion and implement strategic change (Hansen, Morrow, & Batista, 2002).

Co-operative members' ability to successfully form and compete in a co-operative form is highly dependent upon environmental characteristics (Torgerson, 1977). Uncertainty is introduced by the natural environment, which has historically increased farmers' and producer co-operatives' stress (Galdeano-Gomez, Cespedes-Lorente, & Rodriguez-Rodriquez, 2006). UFCC's operations were impacted by drought which prevented a reorganisation effort in its later years from succeeding. Even large co-operatives such as CBH and MGC recognise the negative impact of drought on operational costs and member loyalty. This is a common challenge for processing co-operatives, which require member loyalty in low years to maintain low costs per unit. Smaller private competitors can have an advantage in low years and may be able to offer better prices further damaging the co-operative that can be trapped in a downward spiral. Furthermore, government policy can play a great role on market characteristics and co-operative viability (Gentzoglanis, 2007; Tennbakk, 2004). For example, the increasing interest towards the protection of the natural environment in France saw the introduction of new laws known as "*Grenelle de l'Environnement*". These laws in turn led more conventional farmers to become interested in the development of organic foods and so the movement towards the establishment of the COCEBI group took place.

In Australia agricultural co-operatives operated in less competitive environments until the 1970s and 1980s when national and international deregulation resulted in a gradual opening of markets and increase of competition. That was coupled with government authorities recognizing opportunities for efficiencies, mergers and capital accumulation in newly deregulated markets, changing the ownership of government institutions and providing incentives for privatizations under the new regulatory environment (Brewin et al., 2008; Dong, Marsh, & Stiegert, 2005). Finally, currency fluctuations, and international demand and supply impact on export-oriented producer co-operatives that market and sell their produce internationally, like they do on any other form of business engaged in such activities. It should be noted that co-operative members are thus directly affected by these forces; however they rely on the skills of the co-operative's leadership to best manage associated risks and protect member interests.

5.2. External relationship process

Street and Cameron (2007) stress the importance of strategy development and planning at the alliance level, as well as the relationship management process. A key feature of producer co-operatives is their role as the coordinators of supply chain networks (Goddard, Boxall, & Lerohl, 2002). In comparison to conventional business networks, co-operatives have been found to forge stronger supply-chain linkages that help to draw the suppliers (as members) into the ownership structure of the network (Núnez-Nickel & Moyano-Fuentes, 2004). Supply chains can derive significant benefits from a closer engagement of members within the network willing to share information up and down the chain (Collins, Dunne, & O'Keeffe, 2002). Key elements that must be addressed for effective co-operative supply chain networks are the way they are structured, and the mechanisms that the co-operative puts into place to coordinate the network, as well as internal and external influences such as environmental uncertainty (Garcia-Perez & Garcia-Martinez, 2007). In comparison with conventional business networks managed by investor owned firms, the co-operative tends to adopt a "member welfare maximising strategy" that serves to help reduce the price of agricultural inputs, boost innovation and enhance the farm gate price for producers (Giannakas & Fulton, 2002).

Evidence from the case studies suggests that co-operative success is dependent upon the development of a sustainable business model that has a strategy in place to deliver a member value proposition through the configuration of the profit formula, co-operative processes and resources (Mazzarol, Mamouni Limnios, & Reboud, 2011). Co-operatives may initially be established to correct a market failure or provide a new or not available service. However upon their successful establishment and market correction they commonly play the role of a "pacemaker" in the industry (LeVay, 1983). For example, MGC with its strong market share on the Australian east coast effectively sets the farm gate benchmark price for milk within that market.

The near monopoly position of CBH within the WA grains industry has been questioned by some producers over the years.

However, the co-operative has focused strongly on delivery of member value. As CBH is a non-distributing co-operative it must strive to reinvest continuously into processes and resources that offer enhanced service or lower handling charges to growers. The demutualisation of the South Australian equivalent of CBH, ABB Grain Ltd and its subsequent takeover by Canada's Viterra in 2009 has been used by CBH as an example of why remaining a co-operative is to the benefit of producers. WA growers have learned from the SA experience that demutualisation can introduce risks of takeover, loss of control and possibly loss of service quality that can directly impact their member-business. There are also concerns over higher handling charges.

Co-operatives suffer from the separation of co-operative ownership and control, which leads to what is termed in agency theories agency or control problems (Cornforth, 2004). As co-operatives grow and professional managers are introduced, management interests can diverge from member interests, the former being driven by organisational profits and growth. The co-operative can become management driven and growth oriented, effectively prioritising co-operative business growth over member interests (Siversten, 1996). Such cases can lead to low member satisfaction and either co-operative failure or demutualisation. For a co-operative alliance to remain successful it is of utmost importance to align member interests and co-operative interests, recognizing that members can simultaneously act as patrons, owners, investors and community members. Co-operative strategies and communication processes need to be in place to address the multiple member needs, build social capital and long-lasting member loyalty and commitment (Stoel & Sternquist, 2004). When CBH moved to establish its international joint venture "Interflour" it was necessary for the co-operative management and board to keep the negotiations confidential. This created some concerns amongst members who could not see the 'big picture' associated with the substantial investment that it involved. It was a strategic move designed to "drought proof" the co-operative, and today, a decade after its implementation, this investment has proven to add significant value to the bottom line of the co-operative and its members.

The dual characteristic of co-operative members as patrons and owners alters the nature of their relationship with the co-operative. The members have commonly easy access to the control and governance structure of the co-operative, which can take the form of direct access to the CEO and board members. The majority of board members are also co-operative members elected by their fellow-members. This introduces an organisational political character to the co-operative board and challenges associated with a potentially higher degree of personal conflict, as well as the need to represent member interests as well as the interests of the co-operative.

For example, in the case of CBH the role of the Chairman has been highly influential. During the 1960s, the Chairman Mick Gayfer travelled throughout the state advocating the need for change in relation to the rationalisation of receival points. Many farmers resisted this change (Ayris, 1999). Later, when the "Interflour" offshore joint venture project was in play, CBH Chairman Robert Sewell worked closely with the CEO Imre Mencshelyi to argue the case for the strategy, often in the face of vocal opposition from members who saw it as a move towards "*corporatization*" of the co-operative (Interviews, 2011). This key role of the Chairman of the co-operative has also been highlighted in French co-operatives where those who had been groomed from within the membership ("mountain climbers") were more likely to embrace collective democracy than those brought in from outside ("helicopters" and "parachutists") (Bataille-Chedotel & Huntzinger, 2004).

Due to these unique challenges and the tight nature of the co-operative network, as members are also part of pre-existing personal networks that are sub-groups of the larger network, relationship management processes need to prioritise transparency and information sharing, identify and manage member clusters accordingly and develop opportunities for participation and networking at local levels, as well as at the overall level. In both French cases, members of the two co-operatives acknowledged that sharing information between them had helped them to respond quickly and in a uniform manner in order to adapt to the competition. For COCEBI this was through the creation of the organic food value chain, and in the case of UA the quality labelling system for Champagne.

Managing network relationships becomes increasingly difficult as co-operatives expand geographically. Cases where the member network is internationalised are few (with the example of the Australian, New Zealand and African co-operative Capricorn and the New Zealand and Australian co-operative Ravensdown), with most co-operatives choosing to operate as corporations abroad (e.g. the New Zealand dairy co-operative Fonterra, CBH and MGC investments overseas via joint venture, or the co-operative bank Rabobank operating as a corporate outside the Netherlands). Canada's *Agropur* co-operative established operations in the United States during the 1990s, but did so via acquisition (Doyon, 2002). However, an exception has been Spain's *Mondragon Corpracion Cooperativa* (MCC), which created a dual system of ownership to allow for its international subsidiaries to be engaged as members under a system known as "neo-cooperativism" (Errasti, Heras, Bakaikoa, & Elgoibar, 2003). This an area where further research is required to gain better insights into the relationship management process of the co-operative's that internationalise their operations (Table 3).

5.3. Small business outcomes

The involvement of small firms in alliances and networks outlined in Street and Cameron's (2007) conceptual framework results in the development of the business organisation through access to resources, services, knowledge and enhanced social capital. Under appropriate conditions it also leads to the individual firm securing a potential competitive advantage through collaboration that assists in lowering costs, maintaining market share or strengthening bargaining power. This is likely to result in improved performances and enhanced success. As noted above, there is evidence that a small farmer producer's engagement in a co-operative results in similar outcomes (Krivokapic-Skoko, 2002).

As outlined in Table 4 the evidence from the five case studies suggests that small farmer producers secured these same outcomes via their participation as members of the co-operatives. The strategy of these co-operatives has been to provide members with secure markets for their produce, and access to lower cost inputs via bulk purchase. New services and value adding via innovation have also been features of these co-operatives that have offered benefits to members (Olson, Kibe, & Goreham, 1998). Members also enjoy business development benefits through the ability to add value to their farm product through co-operative investments and services (Livingston, Cook, Reynolds, & Trechter, 1998), and enjoy access to better priced farm inputs, new technology and a greater pool of knowledge and resources (Harris & Fulton, 2000a, 2000b, 2000c; McLaughlin, 1996; Olson et al., 1998). The above contribute to increased farm income and productivity (Olson et al., 1998).

For example, CBH has mitigated the grain storage risks and transportation costs for its member businesses through its continuous investment in the state of art storage and handling facilities, even in remote locations. MGC, on the other hand, provided dairy producers with access to a reliable purchaser for

Table 3
Processes.

Strategy development and planning	• Build a sustainable co-operative business model that can deliver the member value proposition • Pacemaker co-operatives need to be efficient, strategic and focused on value adding to remain successful • Member businesses face opportunity cost and risk associated with co-operative failure in the market
CBH MGC	CBH and MGC were formed by member need for infrastructure, however as the competitive environment changed they both transitioned to a value adding strategy, became export oriented, diversified into manufacturing and focused on building product brands, thus capturing value down the product chain. Member businesses cannot extract the value that is generated within the co-operative business as a private investor in an IOF would. They recognise however that the co-operative failure or demutualisation could introduce opportunity costs and increase the vulnerability of their business.
UFCC	UFCC developed a diversification strategy which was not implemented successfully. In the process of implementation costs increased and the member value proposition was not delivered. Members could not see a strategic or operational benefit for remaining with the co-operative as the market had corrected itself and they could get the product and services of similar quality at the same or better price from UFCC competitors.
COCEBI	The Cocebi cooperative innovated on an organisational level in order to promote an agricultural and rural eco-development project that did not follow the agricultural productivist model. To implement the project the cooperative relies on a cooperative ideal organisation that distinguishes it from other cooperative organisations.
UA	One of the Union Auboise's strategies was to find a differentiation advantage to emphasise its brand policy. The objective of the Quality Vineyard Approach is to improve qualitative and environmentally friendly methods and is has been implemented in the volunteer vineyards for the past 10 years
Relationship management	• Align member and co-operative interests • Build member loyalty and commitment • Members can act as patrons, owners, investors and community members • Communication practices between the co-operative and its members are more informal than in investor-owned firms and co-operative executives and board members are commonly easily accessible. • Invest in social capital
CBH	The executive invests in trust and relationship building between co-operative members and the co-operative. Co-operative members have direct access to board members and the CEO. Transparency and knowledge transfer are prioritised and a number of less and more formal events are organised to network with members throughout the year. The co-operative invests in local member communities and encourages members and their families to actively participate, get informed, provide feedback and contribute to their co-operative. The co-operative has established a scorecard that measures and communicates member value creation that constitutes best practice.
MGC	MGC uses the farmer as the central point of any communication and advertising materials, invests in relationship building and the development of services that add value to members. The success of MGC is partly attributed to Jack McGuire who was appointed manager in 1952 and drove the expansion, mergers and acquisitions until 1979, establishing MGC as a leader in the industry. He was a unique historical figure in the Australian dairy industry, a strong leader that had the farmers' devoted trust and support. In 1981 he was asked to return and save the co-operative from imminent failure. Within three years "Jack the knife" took drastic measures to cut costs and re-motivate member-suppliers.
UFCC	In contrast to the CBH and MGC cases where diversification was effectively communicated and supported by members, UFCC board and management failed to bring members along in their strategic transition. Members did not understand the need for strategic change. Poor implementation of the new strategy led to rising costs and loss of member trust and support. In 2006/07 the co-operative tried to re-establish a member focused approach, but it was too late. Poor member loyalty failed to support the restructure which was negatively impacted by the 2007 drought, leading to the merger with Ravensdown in 2008 which was effectively an exit strategy for UFCC.
COCEBI	There is a strong link between the cooperative and its members; the farmers manage a part of the stockpiling and the transformation in return for financial help
UA	The objective was to become an ineluctable partner and to anticipate supply changes at the Champagne houses that buy half of the federation's cooperatives' production. The Union Auboise set up different strategies to create member loyalty. Its development department is responsible for maintaining and increasing membership in the different cooperatives. The technical department offers help to members regarding regulatory, environmental and quality methods of the vineyards. Members accept this help, called Quality Vineyard Approach (DQV) on a voluntary basis. The respect of the environment as well as regulatory changes that also occur (Plan Ecophyto 2018, directives Nitrates, etc.) oblige the Champagne industry's players to adapt to and develop new practices. Studies show, however, that this effort to adapt and to implement new organisational methods has not yet happened and that several years will be necessary to learn to do so.

their milk. Unlike some of the competing investor-owned dairies, MGC is committed to taking all the milk that a producer wishes to supply. This allows the dairy producer to grow their business and ensure that they can always get a fair price for every litre of milk. By comparison the investor owned dairy processors only take what milk they want and will raise or lower prices above or below the price set by MGC to secure the quantity of milk they need. Similarly, in the case of COCEBI, the strategy of the farmer members was to provide organic food producers with all the elements they needed to efficiently grow, store, handle and market organic produce at a time when this type of supply chain system did not exist.

Benefits of competition and competitive advantage (Street & Cameron, 2007) are both one of the key incentives for the formation of co-operatives and the key outcomes as co-operatives have been proved to acquire and exploit market power overcoming the weak bargaining position of individual farmers (Farrell & Tozer, 1996; Gasson, 1977; Schrader, 1989), as well as overcoming conditions of market failure or imperfect markets (Cook, 1995; Knutson, 1966; Schrader, 1989). Effectively a co-operative strengthens farmer's bargaining position, increases access to value-adding markets (Bhuyan, 2000; Olson et al., 1998), can establish local and international markets (Livingston et al., 1998) and reduces marketing risk (Bhuyan, 2000; Olson et al., 1998) through the creation and management of commodity pools.

For example, the farmers who joined the UFCC secured significant cost savings on their fertilizer and chemicals. They also collectively helped to drive a longer term change to the way the fertilizer market in WA was operating. By introducing a third competitor into the market they strengthened their bargaining power as buyers and affected change from the major incumbents. MGC has ensured that its members are able to improve their market access and secure long term demand for their products. This is achieved by adding value through the development of their Devondale brand for milk and cheeses, and export market development. CBH has produced similar outcomes for its members

Table 4
Outcomes.

Organisational development	• Access to resources • Access to services not provided by private industry or government • Investment in local communities and creation of social capital • Member business development through education
CBH	Access to quality service (grain handling) and a grain transportation network that was built by the co-operative. For remote farmers transportation costs would have been prohibiting without the CBH rail network. Access to competitive marketing services. Member business further development through co-operative innovation, knowledge creation and transfer. Social support and financial support in bad seasons as co-operative carries and spreads the cost amongst regions.
MGC	Access to milk processing services and value creation through marketing and investments in multiple retail brands and farm supplies. Ability to grow members' business with the assurance that all milk produced will be bought by the co-operative at the same price.
UFCC	UFCC reduced the cost of the most significant farm input by 60% within the first year of operation, a saving that was maintained for the years to come.
COCEBI	Cooperatives are striving to structure an organic cereal industry by entering into long term contracts and planning part of its production in order to avoid the risks of market destruction. Long term contracts for specific volumes came with a price range that ensured a fair and stable income for the producer.
AU	Consequently, cooperative status for both Champagne and Burgundy cooperatives has implied developing marketing capabilities and has enabled quick information sharing among members as well as membership that facilitates a collective strategy The result is for the Champagne industry, a better appropriation by the growers of the value created.
Competition and competitive advantage	• Aggregate member's bargaining power to gain competitive advantage and stronger market position • Direct financial (dividend or patronage reward) and indirect benefit (lower transaction cost) for member businesses through co-operative core operations and/or diversified investments • Allow to stay small but act/benefit big • Marketing and other service benefits
CBH	Low transaction costs for grain storage and handling, reducing the risk of grain handling on-site. Members can stay small and benefit by their co-operatives skillset, strategies, investments and value creation.
MGC	Dividend and patronage rewards Members can stay small and benefit by their co-operatives skillset, strategies, investments and value creation. The co-operative sets the floor price for milk and is export-oriented, thus protecting member-farmers against price-wars that can be initiated by private processors and retail outlets.
UFCC	Despite its short history, UFCC has had a lasting impact on the structure of the fertiliser market in WA, which is now highly competitive. Farmer businesses (members and non-members) have benefited over the last two decades and possibly for generations to come.
COCEBI	There are two steps: they have innovated through a network that they have built and thanks to organisational innovations they build the necessary environment to achieve their projects. In a second phase, the step which is legitimised by the socio-political environment, the partners with the biggest organisations grow and the example is now emphasised since it has been legitimised
UA	This approach is able to bring a competitive advantage to the Union Auboise provided that this quality is perceived and valued by its consumers. Indeed, consumer requirements in terms of product and sanitary quality, respect of the environment as well as regulatory changes that also occur
Performance/success	• (Unlimited) support for sales and profitability growth • Adding value to products and services • Lower transaction costs and environmental risks managed by the co-operative • Educational benefits • Being part of the co-operative community • Creating value for/protecting future generations • Sense of achievement and pride
CBH	Increased member profitability through lower transaction costs and the ability to collectively respond and mitigate environmental risks. Social benefits of being a member of the co-operative community, member sense of pride as owners of a successful co-operative, a legacy that they can pass on to their successors.
MGC	The ability to grow member business without being limited by the milk intake that private processors determine on an annual basis. In that sense the co-operative offers unlimited support for member profitability growth. Pride associated with co-operative brands being successful locally and internationally. Success at maintaining an alliance that can protect farmers' business interests and deliver community and educational benefits.
UFCC	UFCC increased member profitability in the early years witch led to its early success. The ability to add to the members' bottom line or deliver better value was not maintained, leading to the demise of UFCC.
COCEBI	Cooperatives bring an active solution to creating other organic cooperatives in the regions. These actions help to develop an essential organisation for the development of organic cereals industries. Creating Cocebi has helped promote its members' organic cereals by organising markets at the time when conventional operators did not consider organic farming as economically viable.
UA	Diffusion towards the Burgundy region: There is worldwide recognition of Champagne's sparkling wine sparkling wine expertise and Burgundy wine makers refer to the technological expertise of the people from the Champagne region. It is important to remember that Crémant de Bourgogne comes from Champagne makers who relocated their knowledge and know how.

through its forward integration into overseas markets via the joint venture "Interflour". Finally, in the case of UA the collective action of the wine-makers through the co-operative helps to strengthen their bargaining power with the wine dealers. Then as the Champagne labelling system was applied they were able to secure more value from this quality trademark and secure premium pricing.

Finally, in terms of performance and success co-operative members enjoy financial benefits that may contribute to their utilitarian commitment to the external relations (Jussila, Goel, & Tuominen, 2012a). These benefits from economies of scale, capturing profits from another level (e.g., the export strategies of CBH and MGC), services that otherwise would not be available (e.g., bulk grain storage and handling), assurance of suppliers and markets, and risk reduction (Schrader, 1989). A well-run co-operative achieves lower operating and marketing costs for its members and reduces their transaction costs (Misra, Carley, & Fletcher, 1993; Staatz, 1987a, 1987b), achieving higher prices for equal or better quality service (Misra et al., 1993). In addition to

that, co-operative members indirectly contribute to the development of grades and standards in agricultural production that benefit the entire industry (Reynolds, 2000).

5.4. Summary of the findings

The findings from these cases suggest that it is useful to apply the conceptual framework outlined by (Street & Cameron, 2007) to co-operative enterprises. Of importance are the common antecedents of the small farmer producers who formed these five co-operatives. As agricultural producers they were united by a need for common user infrastructure such as grain storage and handling, milk processing and coordinate marketing and distribution systems. A lack of government or private sector provision of these resources led the pioneering founders of these co-operatives to self-organise. The co-operative business model offered a strong and democratic framework around which to organise their network and the corporate structure of the co-operative enterprises enabled them to better coordinate their activities and negotiate within national and international markets. In all cases the changing political, economic, social and natural environments were forcing change in the market and posing both threats and opportunities to these small producers. Through the collective organisation of the co-operatives they were able to better meet these challenges. This common sense of purpose and willingness to collaborate is consistent with the theories of community-based enterprise (Peredo & Chrisman, 2006) and social-cooperation" (Birchall & Simmons, 2004), and social exchange in co-operation (Jussila et al., 2012a), which suggests such collaborative enterprises rely upon the willingness of members to work together before they can form.

The formation of such co-operatives should be driven by a bottom-up member motivation and not as a result of a top-down initiative by government or other external forces (Golovina & Nilsson, 2011). The member firms should feel that their engagement in the co-operative will not risk their independence and there should be a sense of common purpose with the other firms in the network as well as a sense of mutual trust (BarNir & Smith, 2002; Roessl, 2005; Volery & Mensik, 1998). Also of importance were their willingness to learn, to trust others and their self-interest and motivation to forge alliances (Beecham & Cordey-Hayes, 1998). Fig. 2 illustrates the interrelationships between the three primary elements in the Street and Cameron (2007) conceptual framework but adapted to the small firm's engagement with a co-operative.

In keeping with the RBV theory the motivation for these small producers to participate in the co-operatives was to secure access to resources that they could not acquire or control alone. This included the need to build infrastructure, processing plant and equipment, lower operating costs through collective buying power, as well as the need to enhance their market access and farm gate prices. The creation of these collectively owned assets demonstrates the ability of these small producers to seek to control the uncertainty within their external market environment as predicted by the resource dependency theory (Katz & Boland, 2002). However, their ownership of the co-operative mitigated the risk of these small firms becoming dominated by the larger entity. Yet the cases also demonstrate the punctuated equilibrium theory as each co-operative evolved through its lifecycle. Growth and development followed the pattern of relatively long periods of stability interspersed with shorter periods of rapid change triggered by external or internal forces.

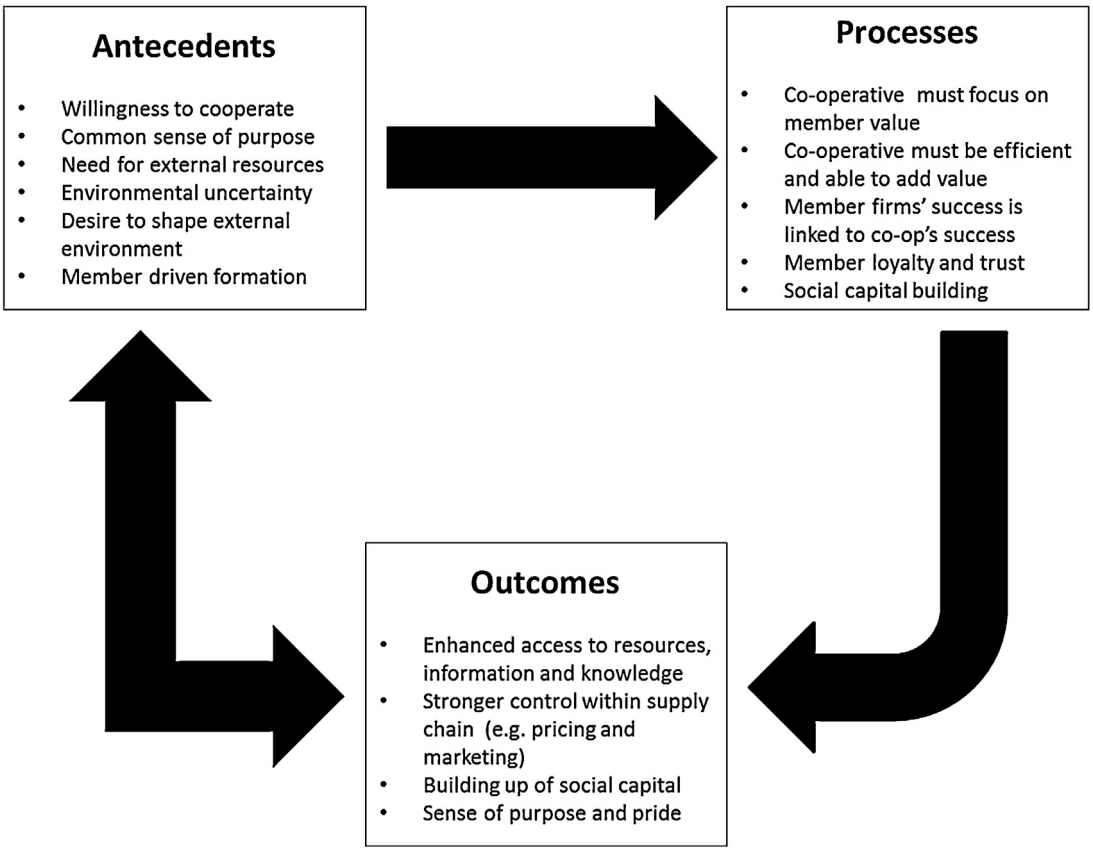

Fig. 2. Conceptual model of small firms network engagement with co-operatives.
Source: Adapted from Street and Cameron (2007) and Lasagni (2012).

With respect to the first of our research questions (How do small firms derive value from an external relationship facilitated via a co-operative business model?) the findings suggest that membership of a co-operative can result in small firm operators gaining access to resources that will enhance their organisational development. Through their access to infrastructure, secure markets, better farm gate pricing, lower input costs and better knowledge and information, these producers were able to secure a competitive advantage. The pattern of performance and success varied from case to case, yet overall these small producers were better off as members of the co-operative.

In relation to the second research question (What are the risks involved in engaging in external relationships facilitated via a co-operative business model?) the findings suggest that rather than increasing risk, the participation by small producers in these co-operatives was a substantial opportunity to reduce the level of risk and uncertainty. Consistent with the theory of resource dependency, membership of these co-operatives offered these small firms an opportunity to deal with external environmental challenges such as market deregulation, increased competition or the impact of the natural environment. Where risks emerged were in the ability of the co-operatives to retain the common purpose and loyalty of their members as they evolved and took strategic decisions that were not always fully understood by all members who had different horizon and portfolio perspectives in relation to their businesses. This emerged within the co-operatives as they grew and their membership based expanded and became more diverse. Key factors in mitigating this risk were the relationship characteristics taking place within the co-operatives.

The study also addresses the third research question (How do these relationships develop over time?). Here the findings suggest that these co-operatives' ability to grow and remain stable over time was contingent on the relationship characteristics taking place within these networks. This included their governance structures, board and managerial leadership capabilities, supply chain configuration and ability to retain member trust and loyalty (Brunetto & Farr-Wharton, 2007). A key finding here was the need for the co-operatives to adapt their business models to accommodate enhanced diversity and sophistication amongst their membership. In addition there was a need to remain responsive to member needs and work towards fostering a common sense of purpose and the delivery of value to membership. The original market failures that led to the formation of these co-operatives changed over time and it became necessary for these organisations to adapt to technological, environmental, market and regulatory forces in order to remain relevant to their membership.

6. Conclusions and implications

Producer co-operatives whose membership is comprised of small firms need to be viewed more as coalitions or networks than single corporate entities. There has been relatively little research published on the producer co-operative from the perspective of the small firm. This study has sought to fill a gap in the current academic literature and has applied the conceptual framework developed by Street and Cameron (2007). The study suggests that co-operatives formed by small firms can offer substantial value to their membership in the form of access to resources, sharing of knowledge and information they would otherwise not be able to acquire outside the network. Other benefits can include securing greater control or influence over their external environment such as better prices or marketing. This can also result in the boosting of these firms' sense of purpose and pride in being part of this larger collaborative alliance.

For many small firms the benefits of collaborating within a strategic alliance network are outweighed by the fear that to do so will risk the loss of their independence or theft of valuable intellectual property (Dean, Holmes, & Smith, 1997). Many strategic networks fail due to the focal firm (typically a large investor owned firm) seeking to secure excessive control over all key resources, and/or attempting to dominate the way the network is managed. Other times the problem is due to excessive specialisation by network members, lack of ownership and control over key network assets, unbalanced relationships between members, and excessive protection of core competencies by members (Miles & Snow, 1992). However, these risks do not seem to be as prevalent in co-operatives due to their democratic governance and mutual ownership. Nevertheless, the ability to maintain the unity and stability of the network requires the fostering of a common sense of purpose and the commitment of the co-operative to focus on delivering value to member (Fulton & Giannakas, 2001; Jussila, Goel, & Tuominen, 2012b). Without trust, and the members seeing value in their membership, it will be difficult to sustain cohesion (McCain, 2008; Nowak & Sigmund, 2000; Ole Borgen, 2001). It is therefore important for co-operative boards and executive teams to encourage a strong sense of community identity within the co-operative based on trust and a sense of common purpose (Morrow, Hansen, & Pearson, 2004). Successful co-operatives have managed to secure these outcomes while less successful organisations have failed due their inability to unite the membership into a common purpose (Birchall, 2011; Fulton, 1999). There must also be trust between members and the co-operative leadership (e.g., board and management) (Stoel & Sternquist, 2004).

While a co-operative business structure may not suit all small (or medium) firms seeking to forge strategic alliances, the principles of democratic governance, tolerance of diversity and the fostering of social capital via the building of trust and mutual reciprocity within the network are useful touchstones. This study has some limitations. The experience of producer co-operatives may not apply to all kinds of small firms across all industries. Further, the data was collected from discussions with managers and board members of these co-operatives and while the latter, as members, provided an insight into the perspectives of the membership, future research should undertake case studies of the small firms as members not just the co-operative as a network of such firms. Future research should examine the individual member level through both case study and quantitative analysis the linkages and performance outcomes of these firms. In particular this should include the collection of longitudinal data from the small firm members so as to track their accumulation of economic and social capital accruing from their membership.

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