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# BIGGER AND BETTER CO-OPERATIVES AND MUTUALS

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THE OPPORTUNITY FOR FEDERATED CMES IN AUSTRALIA

## Discussion Paper

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For BCCM by Peter Hunt, Mutuo

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WE RECOGNISE  
THAT THE VALUES OF  
INDIGENOUS CULTURES  
AND CO-OPERATIVE  
VALUES ARE DEEPLY  
CONNECTED

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# BIGGER AND BETTER CO-OPERATIVES AND MUTUALS

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## TRADITIONAL ACKNOWLEDGEMENT

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The Business Council of Co-operatives and Mutuals (BCCM) recognises the Traditional Owners of the land on which we work and meet. We wish to pay our respects to First Nations peoples and their elders, past, present and emerging.

We recognise that the values of Indigenous cultures and co-operative values are deeply connected through the business model of community owned, people centred enterprise that cares for community and environment.

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## CO-OPERATIVE IDENTITY

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The Global Statement on the Cooperative Identity states that a co-operative is an “autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise.”

### THE 7 INTERNATIONAL CO-OPERATIVE PRINCIPLES\*

- Voluntary and Open Membership
- Democratic Member Control
- Member Economic Participation
- Autonomy and Independence
- Education, Training, and Information
- Cooperation among Cooperatives
- Concern for Community

\*<https://www.ica.coop/en/cooperatives/cooperative-identity>

[www.bccm.coop](http://www.bccm.coop)

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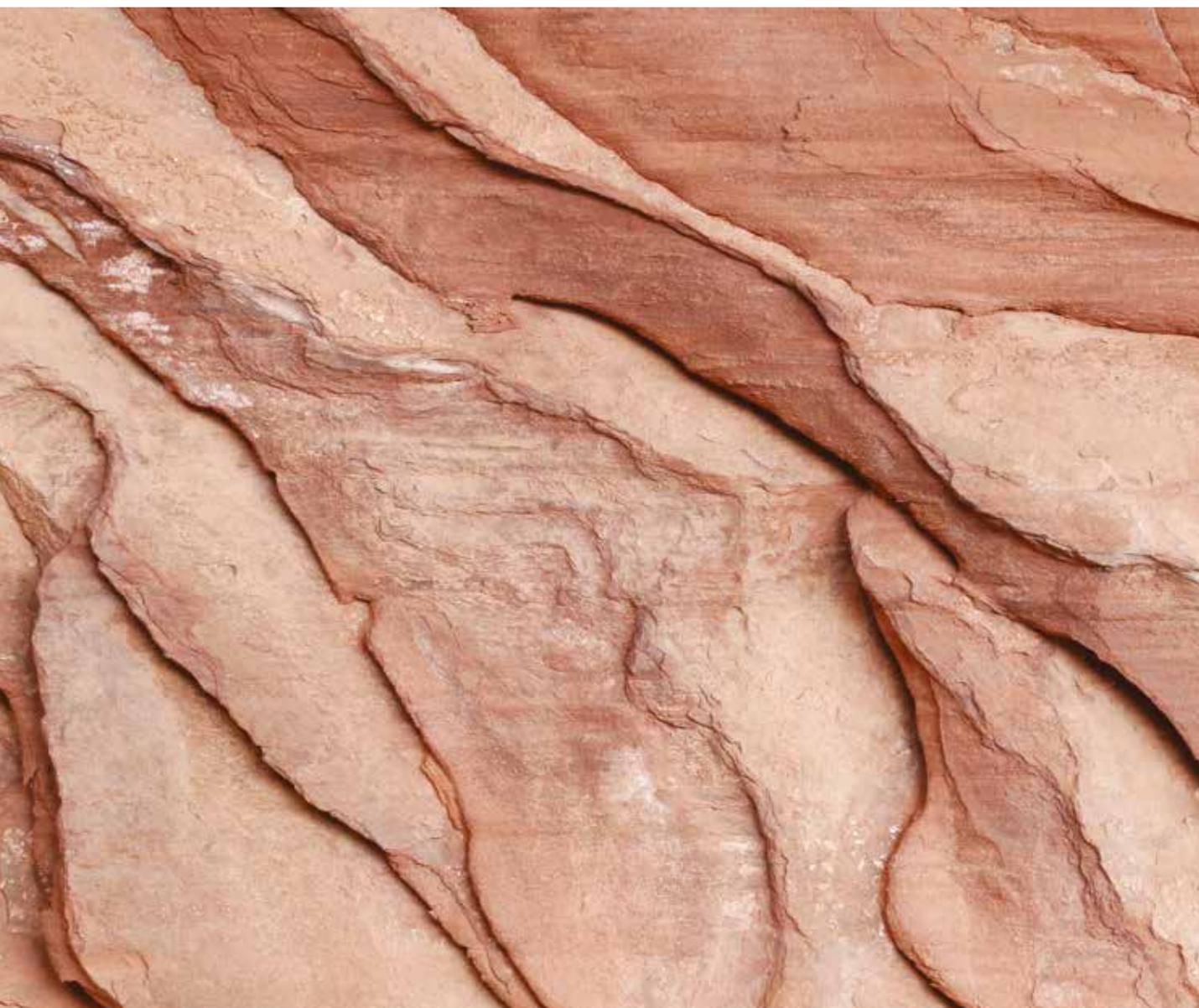
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# BIGGER AND BETTER CO-OPERATIVES AND MUTUALS: THE OPPORTUNITY FOR FEDERATED CMES IN AUSTRALIA

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## EXECUTIVE SUMMARY

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HOW DO WE MAINTAIN OUR  
CORE BUSINESS PURPOSE,  
CONTINUE TO SERVE OUR  
MEMBERS, AND YET COMPETE  
WITH OFTEN MUCH LARGER  
BUSINESSES WITH GREATER  
ACCESS TO CAPITAL  
AND SCALE?

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*In many parts of the world, federated co-operatives represent some of the largest and most successful mutual businesses, yet Australia has no large federal co-operatives or mutuals.*

*Nevertheless, the logic of greater business consolidation among co-operative and mutual enterprises (CMEs) in a number of industries, suggests that alongside merger activity, we should explore how co-operative federations could be developed to build larger CMEs, compete more strongly with other business and strengthen overall CME market share.*

All co-operatives and mutuals were founded on the basis that more can be achieved together than individually. In the words of German co-operative pioneer, Friedrich Wilhelm Raiffeisen, 'what one cannot do alone many can do together.' It is about enlightened self-interest, delivering equity through co-operation.

This quote is just as relevant today. Even though many businesses established as early co-operatives and mutuals might not be so easily recognisable, the business purpose remains just as relevant and their place in their markets just as important.

But times change and so do the requirements of those markets. Small, locally responsive businesses are not always able to compete in large and complex marketplaces.

The establishment of large investor-owned companies in many sectors inevitably presents a challenge for CMEs. How do we maintain our core business purpose, continue to serve our members,

and yet compete with often much larger businesses with greater access to capital and scale?

There are plenty of examples of CMEs that have grown through their lives to match the scale of the competition. Too often however, independence has been maintained at the expense of growth. Ultimately, the market share of the broader sector is the best way to judge success, and this equally well identifies those markets where CMEs are disadvantaged.

If growth is necessary to maintain a market position for CMEs, their continued relevance to their members relies on it. The answer lies in the sixth co-operative principle, which explicitly urges co-operation between co-operatives. This can take many forms, with its ultimate manifestation being the merger of two like-minded bodies.

**THE ANSWER LIES IN THE 6TH CO-OPERATIVE PRINCIPLE, WHICH EXPLICITLY URGES CO-OPERATION BETWEEN CO-OPERATIVES. THIS CAN TAKE MANY FORMS, WITH ITS ULTIMATE MANIFESTATION BEING THE MERGER OF TWO LIKE-MINDED BODIES.**

*As suggested in this paper, the answer to many of the regulatory and market challenges facing mutuals, is more co-operation. This could be a stronger focus on the mutual value proposition for individual businesses, mergers between mutuals, or the creation of new co-operative federations. There is no single answer, but the federation opportunity should be equally explored to emulate some of the largest and most successful mutual businesses in the world.*

Though autonomy and independence remain very important to individual CMEs and this principle itself could underpin their *raison d'être*, taking the 6th principle literally has enabled some CMEs to come together to create the largest CMEs in the world. Market leading, sector dominating businesses that have also remained true to their independent founders. By federating – compromising on independence in some areas to benefit their business purpose overall – these CMEs have shown how they can equal the scale of the competition.

In banking, agriculture and a whole range of other services, federated co-operatives have taken the co-operative idea to the next level, delivering much greater value for their members than any of the constituent parts could have achieved individually.

We might look jealously at the success of Credit Agricole, Desjardins, DZ bank, Federated Co-operative or others. But their success is not accidental, it is designed and executed in a way that remains available to all CMEs.

Unlike many countries, Australia has no tradition of this type of co-operative federation. There have been some examples but not many, and none that survive today. It is curious that this is the case when it is clear that in a number of areas, Australian CMEs and their members, could benefit greatly from coming together in this way. Indeed, in sectors such as banking and PHI, mutuals have worked together through special service groups and there are strong mutual industry peak bodies.

Australia is remarkable for its strong independent co-operatively owned businesses. Self-describing as co-operative, mutual or customer owned, we see them today as the co-operative and mutual enterprise sector.

In many ways descended from British co-operative traditions, they have developed their own brand of co-operative-ism.

As in other countries, Australia has suffered greatly from waves of demutualisation, first in agriculture and then in insurance and banking. We can describe the survivors as certainly the fittest of the co-operative and mutual tradition, and they are concentrated notably in a number of industries: agriculture, motoring clubs, banking, private health insurance plus individual industry leaders in other services.

What they have in common is that they exist in business sectors where there are some sizeable, alongside a larger number of smaller mutual businesses. The responsibility for market growth falls disproportionately on the larger co-operatives and mutuals which are able only to influence their own destiny.

They also face the same existential threat. The more successful they are, the more of a target they are for demutualisers, who wish to access the legacy assets of these businesses, despite not having contributed to them.

These factors have become facts of life, but they can be challenged. Perhaps what has been missing in Australia all along is the sense of 'movement' that has been successfully embedded in other countries.

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This is reflected in the fractured nature of co-operatives and mutuals, the relatively weak policy and legislative frameworks around these businesses and the lack of unity between different co-operative and mutual sectors, which have a strong identity among themselves, and have their own strong industry peak bodies. This is being corrected to a significant degree by the creation of the BCCM, which has made major strides in a very short space of time. Yet, it is necessary to capitalise rapidly on this to maintain the stabilisation and then to secure the growth of this important business sector.

Ultimately, it comes down to leadership, imagination and enterprise. At a time when consumers and investors are looking for meaningful, purposeful places to do business, the time has never been better for co-operative and mutual enterprise. But it has to respond rapidly to this opportunity and show that it can fit with the expectations of markets as they exist today.

It may seem ambitious to seek to emulate the best global examples of federated co-operatives. Yet, as we can see from their origins, it is entirely possible to start from modest beginnings. Moreover, Australian CMEs are already sophisticated businesses, operating in complex markets. The infrastructure exists within the sector to build larger federations that would encapsulate a number of like-minded mutuals.

## FEDERATIONS COULD BE CREATED IN SEVERAL PARTS OF THE AUSTRALIAN CME SECTOR. IN A SENSE, THERE IS NO TYPE OF CME THAT WOULD NOT BENEFIT FROM THIS APPROACH.

Using the inspiration of the large and successful co-operative federations described in this paper, we would suggest three industries that would benefit from considering this approach to illustrate what might be achieved:

- Fishing co-operatives
- Private health insurance mutuals
- Mutual banking

In each of these examples, mutuals are represented by one or more large CMEs, whilst the majority are much smaller, though more numerous. There has been pressure for merger activity for many years in each example and indeed this is taking place. The creation of federations is not suggested to take the place of merger activity, but instead to be a complimentary route to consolidation.

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The experience from across the world is that consolidation is required in many markets for CMEs to be able to compete. Their individual future depends on this, but more to the point, so does the core objective of their businesses.

Our motivation for suggesting new routes to consolidate is based on the belief that it is every CME's responsibility to maximise the benefits that they can offer their members, grow the mutual footprint in the market they operate, and provide the maximum positive impact on society.

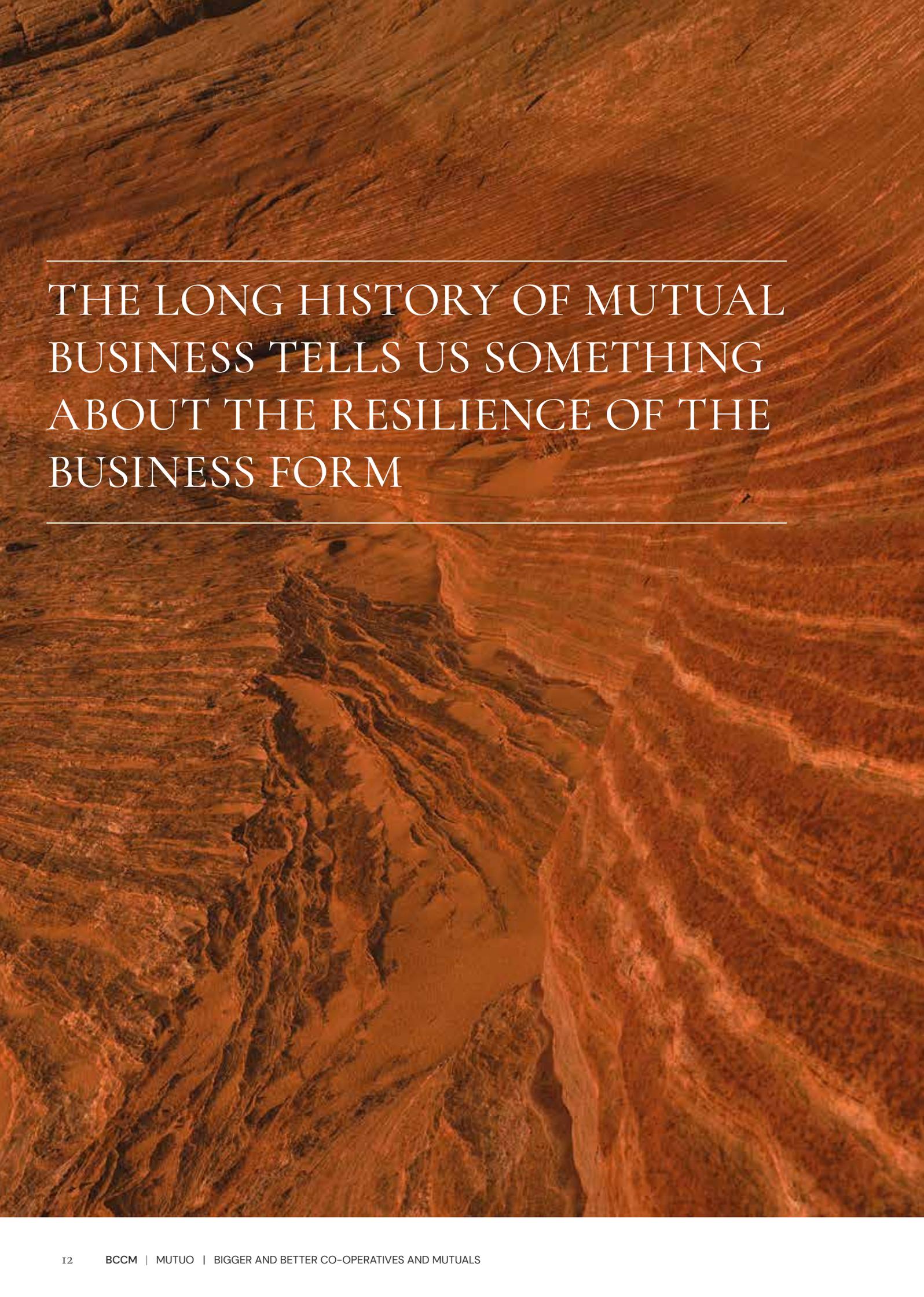
It requires imagination, it requires leadership, and, in some cases, it requires a sprinkle of idealism. Mutual business exists to serve its members and to pursue the different business purpose in the best way it can.

Structure should not be set in aspic for all time. CMEs can and should continue to evolve to meet the challenges of the markets that they find themselves in.

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Co-operative business, customer ownership and mutuality, all have something in common. They are part of a global movement that has changed and adapted as the world around it has changed. Australia has made great strides in the last few years by bringing together member owned businesses from different industries to press the case for mutual ownership and improve the business environment for those firms. There is now an opportunity to take the next steps to build an even stronger co-operative and mutual enterprise sector in Australia.



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THE LONG HISTORY OF MUTUAL  
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ABOUT THE RESILIENCE OF THE  
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## CO-OPERATIVE PRINCIPLES

*The 6th Co-operative Principle explicitly urges co-operation between co-operatives.<sup>1</sup> The purpose of such mutual self-help is to expand individual co-operatives, and the co-operative business sector of the economy, at a national and global level.*



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#### 1. VOLUNTARY AND OPEN

Membership: Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

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#### 2. DEMOCRATIC MEMBER CONTROL

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

#### 3. MEMBER ECONOMIC PARTICIPATION

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

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#### 4. AUTONOMY AND INDEPENDENCE

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

#### 5. EDUCATION, TRAINING, AND INFORMATION

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of co-operation.

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#### 6. CO-OPERATION AMONG CO-OPERATIVES

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

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#### 7. CONCERN FOR COMMUNITY

Co-operatives work for the sustainable development of their communities through policies approved by their members.

<sup>1</sup> International Co-operative Alliance Principles: <https://www.ica.coop/en/cooperatives/cooperative-identity>

## WHAT CO-OPERATIVES NEED TO SUCCEED AT WORKING TOGETHER

*According to the International Co-operative Alliance<sup>2</sup>, the effective application of the sixth principle requires several behaviours to be present. These behaviours, in turn, will be reflected in the constitutional arrangements through which inter-co-op co-operation takes place:*

### BY POOLING INTERESTS, LIKE-MINDED INDIVIDUAL BUSINESSES CAN ACHIEVE MORE TOGETHER THAN THEY CAN ALONE.

This can help them to increase the scale and scope of their operations through compromises between individual firms. This can be achieved loosely, such as through specific initiatives to work together, or in a more formal way – the ultimate example of which is the federated co-operative.

The examples of federated co-operatives in the section below shows how individual co-operatives have flourished by working together on specific aspects of their business e.g., procurement, logistics, shared services and marketing.

Such co-operation can mean individual sacrifice to achieve shared goals, which can present challenges where mutual interests override what may be beneficial to an individual co-operative in the short-term. Equally, effective business co-operation takes time, resources, and problem-solving skills. High levels of trust between businesses are crucial and this is assisted by the careful application of the second co-operative Principle: that there must be open, transparent, accountable, democratic decision-making processes where co-operatives work together for mutual benefit.

Where this works, co-operation among co-operatives has led to the development of some of the largest and most effective co-operatives in the world.

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## OPENNESS AND TRANSPARENCY

Co-operatives participating in local, national, and international co-operative structures respect and practice openness and transparency in their dealings with each other.

## ACCOUNTABILITY

The strategy for inter-co-operative action should be brought to and approved by the general assembly of a co-operative's members; it should not be simply a board or management decision. It is good practice for the annual report of a co-operative to include a report on inter-co-operative co-operation and how the co-operative has applied this 6th Principle.

## REPRESENTATION

Decision making within ventures between multiple co-operatives should be equitable and representative of the interests of each co-operative's members and community.

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## FLEXIBILITY

By nature, co-operation involves unknowns when multiple parties with multiple voices, backgrounds and opinions come together. A commitment to flexibility allows them to compromise, innovate and bring about more effective results. Working together requires flexibility and an understanding that no one person or group can be permitted to dominate the process.

## RECIPROCITY

Effective co-operation involves mutual benefit. Throughout the lifecycle of individual co-operatives there are times when they will need support and others when they will be capable of giving it. Reciprocity is the bedrock of trust and mutual trust is the foundation of co-operation. Co-operatives that adhere to this 6th Principle will reciprocate, giving and receiving mutual assistance from other co-operatives over time.

## ADHERENCE TO THE CO-OPERATIVE IDENTITY

This involves more than just being a co-operative in name only. It means upholding and acting in accordance with the Co-operative values and Principles as defined in the Alliance's Statement on the Co-operative Identity.

<sup>2</sup> This section is an edited and enhanced version of the ICA Principles guidance notes.

### STRUCTURES AID CO-OPERATION

Successful co-operation requires an operational structure that embodies the behaviours above. Co-operatives have a long and successful history of organising local, national, and international structures that aid co-operation among co-operatives.

Throughout the co-operative movement, ways of organising in accordance with this 6th Principle vary according to the political and economic contexts in which they are created. What remains true is the necessity of the co-operative movement's infrastructure to facilitate mutual aid and reciprocity over time.

### INFORMAL PROJECT BASED COLLABORATIVE ARRANGEMENTS

To promote shared interests often precede the establishment of secondary co-operatives and apex organisations. These informal collaborations contribute to building trust and solidarity and can lead to the creation of formal structures to facilitate co-operation among co-operatives.

### NETWORKS

Tend to be more fluid and are characterised by a lack of rigid policies or structure and are relatively decentralised, though there will most likely be some informal representative structures in place. One of the most significant roles networks play is in engaging individuals and emerging co-operatives.

### CO-OPERATIVE FEDERATIONS

Tend to be more structured in their representation, voting, and operation. They are often the stewards of many types of work such as development, education, and advocacy. Creating federations that leverage scarce resources whilst respecting the identity of smaller members is key to, and the intention of this 6th Principle. The 1st Principle of open voluntary membership without discrimination also applies to federations and other co-operative structures to ensure that they do not operate as cartels.

National co-operative federations and national apex organisations too are vital for a thriving co-operative enterprise structure in any nation's economy. They represent co-operatives in all sectors and at all levels and apply the 5th Principle in promoting understanding of co-operative enterprise among the general public, the media, political leaders and opinion formers. They also help to ensure that co-operatives are treated fairly and as equitably as any other form of business enterprise in national legislation and tax policy.

### THE DUAL FOCUS OF INTER-CO-OPERATIVE STRUCTURES

Typically, the structures co-operatives build between and among themselves focus on one of two types of activities. They tend to focus either on the economic dimension of co-operatives, to trade goods and services, such as business to business trade, or on the social and political dimension of joining forces for networking purposes and to advance shared interests. Sectoral peak bodies take the latter form, in the main. The social and political dimension of inter-co-operative structures is frequently the framework upon or through which economic relationships and structures are built. These two dimensions are evident in many inter-co-operative structures at local, regional, national and international levels.

Co-operatives with a strong commitment to this 6th Principle understand that committing time and resources to co-operative efforts holds potential to drive better outcomes for both individual co-operatives and the wider movement. More effort equals more positive results.

## THE ROLE OF FEDERATED CO-OPERATIVES

*In globalised markets and complex supply chains, it is essential that co-operatives in all sectors work together to maximise the co-operative advantage.*

It is particularly desirable, for example that farmers not only work together to set up primary level co-operatives, but that these co-operatives work together through federated co-operatives to secure better market access, marketing and storage facilities. The creation of secondary and apex organisations is a helpful way to build strong producer organisations.

Federated co-operatives, which are co-operatives whose members are primary co-operatives in a particular business sector, have long established associations, federations, and apex organisations to enable co-operatives to speak with one voice. Federated co-operatives can speak with credibility for an industry sector, as a place to share knowledge and resources, and to support co-operatives independently and collectively. Through such organisations producers are able to increase their negotiating power in policy-making processes at local, regional and national levels.

Forming federated co-operatives to provide services is also a beneficial application of this 6th Principle in other co-operative business sectors. In many countries housing co-operatives have formed federated co-operatives to provide professional management support, construction and building maintenance services, education and training services, and governance advice. Credit unions too have formed federated service co-operatives to achieve the economies of scale to operate efficient and integrated IT systems that are now needed for the delivery of financial services. Local consumer co-operatives form federated co-operatives too for wholesaling and joint bulk-purchasing and have created joint ventures to enhance combined purchasing power and production units across national boundaries.



### APPLYING THIS 6TH PRINCIPLE

Co-operation among co-operatives involves many of the challenges individual co-operatives face, albeit at a different scale. The need for co-operation amongst co-operatives is synonymous with the need for co-operatives in the first place: meeting common needs through democratic association. Adopting strategies that improve relationships within individual co-operatives can also contribute to improving the relationships between co-operatives. By improving internal relationships members become less insular and develop the capacity to look outwards beyond their own co-operative's needs and aspirations.

### USING A SHARED CO-OPERATIVE IDENTITY

The practical application of the 6th Principle typically involves the adoption of a shared identity – a group logo or branding, for example. A stronger sense of collective identity can be used to raise the profile of individual co-operatives through a collective marketing appeal that reflects the larger business group and shared business purpose.

### POSITIONING CO-OPERATIVES STRATEGICALLY

Whilst each co-operative grows out of specific economic, political and social circumstances, the application of this 6th Principle enables co-operatives to achieve the strategic positioning of co-operatives as a leading business model, clearly demonstrating their features as mutuals, leaders in stakeholder participation and in facilitating genuine community engagement.

Larger more established co-operatives or co-operative groups are able to take a close interest in inter-co-operative engagement and links with smaller co-operatives, newer co-operatives and those at different stages of development. This is of mutual benefit in sustaining the broader co-operative sector and in demonstrating the diversity and adaptability of the co-operative approach to business.

Building a strong sustainable co-operative economy is at the heart of why many people in the 21st century in numerous countries are choosing to form co-operative businesses. Co-operatives offer an empowering model based on self-help and self-reliance; a stark contrast to the consolidation of wealth and power in the hands of the small number of investors that has characterised the global economy for decades. Co-operation amongst co-operatives is fundamental to creating an economy in which the production and distribution of goods and services is undertaken in the spirit of mutual self-help and in the best interests of all the communities that co-operatives serve.

### INVESTMENT CO-OPERATION AMONG CO-OPERATIVES

Investment co-operation among co-operatives can provide an essential source of capital. Working in a federation allows smaller co-operatives to gain power and resources and share in the benefits of research and development. Financial co-operation between start-up co-operatives and larger or well-established co-operatives and through sector-based financing mechanisms can be a unique path to leverage capital resources that would be hard to obtain from other sources and investing part of their surplus back into the co-operative economy, rather than into non-co-operative ventures.

In some countries, co-operatives have successfully created solidarity funds engineered to pool financial resources among co-operatives. In Australia, the BCCM has now created a new co-operative development fund<sup>3</sup>, which itself is a collaboration between leading mutual businesses.

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Through these applications of the 6th Principle new and smaller co-operatives can access financial support and technical assistance while larger co-operatives gain the benefit of seeing a social return on their investment in addition to a fair capital return where this is required, through the growing strength and diversity of the co-operative economy.

Financial support from co-operatives to other mutuals, as well as to new co-operatives through investments, grants or loans within countries or at the international level is an important aspect of the application of this 6th Principle. Technical assistance, in the form of business management support, education and training and the secondment of experienced staff and leaders, is an important expression of this 6th Principle and an expression of co-operative solidarity where it occurs between new and emergent co-operatives in both developed and developing economies.

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## RABO PARTNERSHIPS

*Offers consulting services and management support to financial institutions in emerging markets and developing countries in the fields of rural banking, co-operative development and agricultural chain development.*

*It also disseminates knowledge through studies and seminars, helping improve in both the expertise and the administrative quality of the financial institutions. Its priority lies in improving financing options for the bottom and middle layers of society, including farmers and SMEs in rural areas.*



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<sup>3</sup> <https://bccm.coop>

CO-OP<sub>2</sub>CO-OP TRADE

Building and strengthening the co-operative economy is also advanced by creating partnerships, co-operative consortia and trade relationships between co-operatives at every scale, local to global. Strong economic co-operation at all levels facilitates the sustainability and growth of the co-operative movement.

Co-op<sub>2</sub>Co-op trade is the most direct economic expression of this 6th Principle. It happens when co-operative businesses collaborate within an industry or economic sector, often via sectoral federations, to advance shared economic goals. Co-op<sub>2</sub>Co-op trade includes aggregated purchasing and supply chain contracts with other co-operatives, which benefits both the supplier co-operative and the purchaser.

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*The Co-operative Federal Retail and Trading Services is the central buying group for co-operative retail societies in the United Kingdom. It came into its current structure in 2015, though its predecessor was established in 1993, and it supplies almost all food bought for sale by the over 9,000 co-operative food stores in the UK.*

*The buying group is owned and controlled by each of its independent member co-operative societies but is managed by The Co-operative Group on their behalf.*

*It operates by pooling the collective £12 bn buying power for 18 co-operative societies in the UK, allowing them to negotiate better prices from suppliers, so as to compete effectively with other UK supermarket chains.*

*It has a simple governance structure, with 8 Directors. The Board has independent chair*

*Members are all co-ops and elect their 7 representatives. All elections are undertaken by OMOV, regardless of trade volumes.*

-----

SUCCESSFUL EXAMPLES

Of Co-op<sub>2</sub>Co-op trade are the relationships between agricultural co-operatives and consumer co-operatives in countries like Japan and the role of co-operatives in developing the fair-trade movement. The emphasis on relationship building and supply chain development between purchasing and consumer co-operatives in the global north and farmer and producer co-operatives in the global south has had a powerful impact in increasing market share for co-operatively produced commodities. This strengthens the livelihood of co-operative farmers and enables wider social development through the application of the fair-trade premium.

CO-OPERATION ACROSS DIFFERENT CO-OPERATIVE BUSINESS SECTORS

Co-operation across sectors happens similarly through purchasing products and services from other co-operatives, cross-promotion and joint marketing, shared member and employee co-operative education and training programmes. This cross-sectoral co-operation also occurs when co-operatives provide co-operative development support, financial and in-kind, to other co-operatives and when co-operatives intentionally choose to do business with another co-operative outside their sector. For example, an agricultural or housing co-operative may choose to partner with a credit union or co-operative bank for loans and for financial services.

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## INFLUENCING GOVERNMENTS

By creating a platform for a collective and representative voice of an industry or sector, the co-operative movement is able to establish strategic partnerships with the state to work on laws and regulations beneficial to co-operatives, but which also respects their autonomy and right to member democratic control. By evidencing the success and necessity of certain legislative structures, requests for action in the legislative area in question gains credibility and substance.

Similarly, working in coordination to interact with the state and around legislative issues provides a visibility and platform necessary for working with non-co-operative sectors and issues, for example with labour unions, other third sector social economy organisations such as non-profit enterprises, charities and other civil society organisations towards greater social visions, aims and objectives.

## TRANSFORMING SOCIETY TO GROW THE CO-OPERATIVE MOVEMENT

The premise of the 6th Principle is not that co-operatives cannot exist without each other.

Co-operatives by their design are self-sustaining organisms. Co-operatives can operate and succeed alone but will only thrive and grow the co-operative movement when they work together.

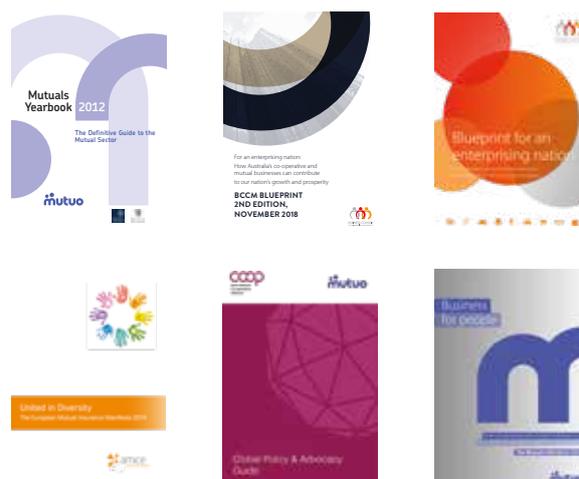
It is, perhaps, because each co-operative can do so much by themselves that co-operatives fail to realise how much more they can do together. This 6th Principle embodies the unique characteristic of the value of mutual self-help, which is that by working together co-operatives can be greater than the sum of their parts. Co-operatives co-operating with others serve members most effectively and strengthen the co-operative movement because none alone is as skilled, smart, or as passionate as when all are working together.

The desire to build a better co-operative world is not exclusive to existing co-operative members but extends beyond to other civil society movements and peoples. The co-operative movement has, since its foundation, allied itself with and co-operated with

other progressive movements and peoples working towards social justice and collective human progress. Joint campaigning work, combined with the economic work of co-operatives, contributes to the construction of a global co-operative movement, which is and always will be the fullest manifestation of this 6th Principle. Co-operatives can only maximise their impact through practical, rigorous collaboration with each other.

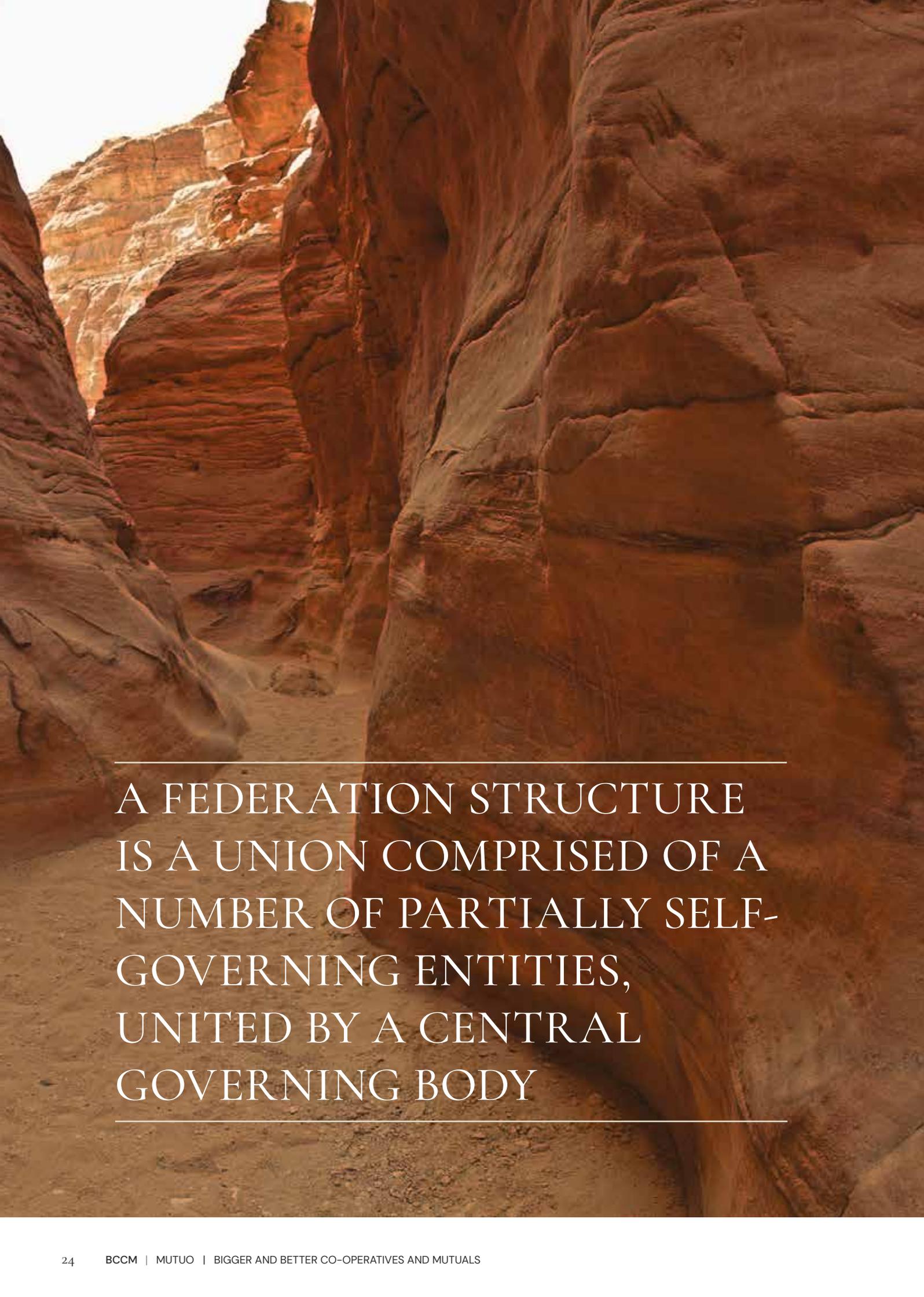
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## NATIONAL AND INTERNATIONAL POLICY GUIDES



*Mutuo has worked with peak bodies at a national and international level to develop and promote positive policy for CMEs.*

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A FEDERATION STRUCTURE  
IS A UNION COMPRISED OF A  
NUMBER OF PARTIALLY SELF-  
GOVERNING ENTITIES,  
UNITED BY A CENTRAL  
GOVERNING BODY

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## THE PURSUIT OF GROWTH IS INEXORABLE

*CMEs, like all businesses need growth to ensure their long-term survival. It helps to acquire assets, attract new talent and fund investments, as well as drive business performance.*

Growth enables business to take advantage of new opportunities, expand products or services, attract more customers and increase sales. It often spurs innovation, aiding differentiation in the market and helps competition by increasing market share.

Growth can also boost business credibility and increase stability and profits. However, to be successful and sustainable, growth has to be strategic and continue to deliver the basic business purpose.

### REASONS TO GROW

- Greater sustainability or resilience in the market
- Lower costs through economies of scale
- Increased market share
- Ability to mitigate commercial risks
- Improve competitiveness and increase market share
- Attract the best talent and staff

Most importantly for CMEs, growth facilitates the maximum opportunity to achieve their mutual business purpose.

CMEs tend to last longer than proprietary businesses and the long history of mutual business tells us something about the resilience of the business form. In simple terms, they have been able to survive major challenges over decades, sometimes centuries to continue to serve their members. They can survive because their purpose is focussed on service rather

than profit distribution; co-operative business purpose is key to their success.

This contrasts with the overall downward trend for corporate longevity. A Boston Consulting Group Henderson Institute study<sup>4</sup> of 35,000 listed companies in the US has shown that public companies are perishing sooner than ever before. Since 1970, the life span of companies, as measured by the length of time that their shares are publicly traded, has significantly decreased from just over 55 years to less than 35 years. In Australia, it hasn't got to that point yet. However, the average age of an ASX top 50 firm is 65 years. In contrast, the average age of a top 50 Australian CME is 82 years, a full 17 years and 25% longer.<sup>5</sup>

Professor Michael Cook, of the University of Missouri, developed a theory to explain why and how some co-operatives endure for long periods of time. 'The Co-operative Lifecycle framework'<sup>6</sup> uses the example of agricultural co-operatives and suggests that a co-operative will transition through 5 life phases, until ultimately it is required to either re-invent itself or dissolve.

<sup>4</sup> <https://www.bcg.com/publications/2015/strategy-die-another-day-what-leaders-can-do-about-the-shrinking-life-expectancy-of-corporations>

<sup>5</sup> <https://bccm.coop/wp-content/uploads/2020/11/BCCM-Leading-Resilience-Report.pdf>

<sup>6</sup> <http://departments.agri.huji.ac.il/economics/en/events/p-cook.pdf>

**PHASE 1.**  
**ECONOMIC JUSTIFICATION**

Co-operatives are established as a result of the failure of the market to deliver required outcomes.

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**PHASE 2.**  
**ORGANISATIONAL DESIGN**

The organisational design of the co-operative constitution tests the scope and degree of member interaction through principal-agent relationships, collective decision-making processes, and risk bearing responsibilities.

**PHASE 3.**  
**GROWTH, GLORY AND HETEROGENEITY**

Over time, individual members of a successful co-operative may experience a divergence of interests. A co-operative possessing sufficient financial slack has an opportunity to attempt to appease multiple distributional coalitions in the short run. In the long run, however, this strategy can result in specific costs that erode the competitive advantage of the co-operative organisation.

Multiple opportunities for expansion are likely to be of interest to member patrons. However, each opportunity for expansion into new products or services also has the potential to exacerbate differences in member heterogeneity, polarising the membership. If co-operative success is generated as a result of member allocated equity investments, without reward to this equity capital, members have an incentive to favour measures which force the co-operative to disgorge dividend rewards.

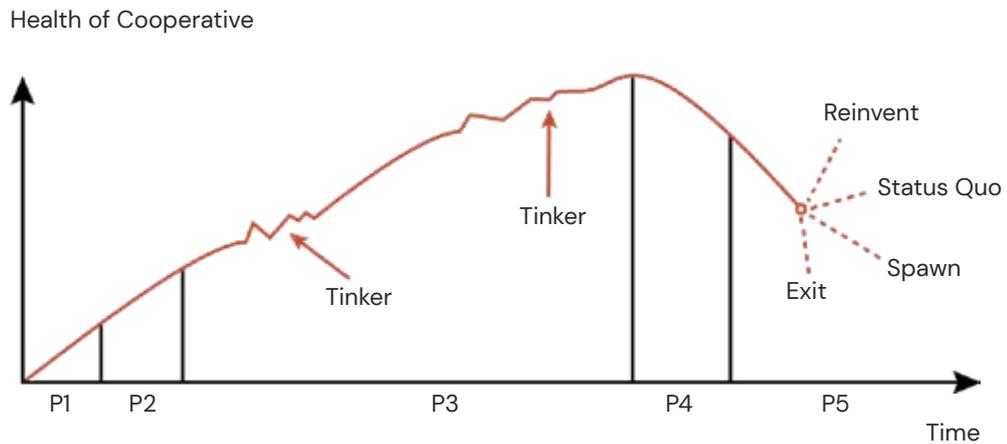
**PHASE 4.**  
**RECOGNITION AND INTROSPECTION**

As the once healthy consequences of member heterogeneity diminish, the co-operative purpose and direction can become less focused and ill-defined thus accelerating a self-reinforcing degenerative spiral. The end of this phase draws near when co-operative leadership presents or membership demands explicit action to remedy perceived and real challenges.

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**PHASE 5.**  
**CHOICE**

At this stage, if the full range of options is available, the member will choose to either: tinker, reinvent, spawn or exit.



- Phase 1 = Justification
- Phase 2 = Organisational Design
- Phase 3 = Growth - Glory - Heterogeneity
- Phase 4 = Recognition and Introspection
- Phase 5 = Choice

Figure = *The Cooperative Lifecycle*

This framework suggests the relevance of theory and observations to a particular co-operative enterprise may vary depending on the co-operative’s economic justification, organisational architecture, bundle of economic goods provided and development phase.

The key question is what to do at these inflection points – tinker- reinvent – spawn-status quo. What is not in doubt is the co-operative’s life cycle is predicated on the requirement to grow.

### GROWTH IN CMES

In contrast to a proprietary company, where the primary purpose is to maximise profits for the benefit of shareholders, CMEs exist to provide goods and services to their members over a long-term in the most equitable way.

At the outset of a CMEs existence, this different business purpose distinguishes it from its competitors. Over its entire life, the business purpose will remain the guiding factor in how the business develops.

Most CMEs were established as local organisations serving a distinct group of stakeholders. If they are successful, they will grow organically over time, increasing the turnover and profitability and often the range of goods and services that they provide. As a result, successful CMEs might not resemble the original business after some time. The business purpose will be unchanged, but the scale and scope of operations can be very different.

One particular feature of CMEs is that although they tend to grow organically, merger activity between similar cooperative businesses is a significant factor in their growth. This type of inorganic growth strategy has been a significant feature of many co-operative and mutual sectors across the world.

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## CONSOLIDATION OF UK MUTUAL BUSINESSES THROUGH MERGER 1900-2020

**Co-operative retail**<sup>7</sup>  
1,400 in 1900 to 18 today

**Building societies**<sup>8,9</sup>  
2,286 in 1900 to 49 today

**Friendly societies**<sup>10</sup>  
27,000 in 1900 to 200 today

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Many CMEs face larger, more powerful competitors that enjoy economies of scale. As with so many aspects of the way they behave, the lack of access to investment capital has been a barrier to growth.

Many industries have undergone significant change over the last decades. The increase in scale of many operations has led to a new class of owners such as strategic investors, institutional investors and investment funds. The investment capital that can be leveraged by these new entrants is a real challenge to CMEs that traditionally have had fewer routes to capital raising.

Depending on the industry, and the importance of new capital, different strategies are required for CMEs to maintain their market position. Again, there is an opportunity created by CMEs working together and sharing their resources and market intelligence.

Unable to grow in the same way, CMEs could instead potentially access the benefits of greater size through alliances or joint ventures with other CMEs: similar but non-competing businesses can consider ways of collaborating within their current lines of business. This could include pooling purchases to increase the bargaining power, the development of white label products or sharing of business services such as employee training, marketing or logistics.

CMEs in the same market will have common roots and common objectives which are more open to collaboration than their competitors would be. This is a distinct competitive advantage of CMEs.

## GROWTH THROUGH MERGER AND CONSOLIDATION

The most common justification for a merger is the search for synergy – the desire to create a whole that is greater than the sum of its parts. Potential benefits flowing from mergers include revenue enhancement through increased market power, cost reductions from economies of scale, lower internal transaction costs or improved management efficiency in general.

Merger becomes attractive whenever there appears to be an opportunity to:<sup>11</sup>

1. Realise better prices
2. Increase bargaining power
3. Reduce operating costs
4. Provide business services not otherwise possible or feasible
5. Strengthen the sustainability of the organisation

There are also many reasons why mergers may be unattractive to potential partners. The rationalisation and synergies that can be achieved by combining work forces might involve the removal of duplicated functions, shedding of long serving staff and the difficulty in deciding what to do with excess personnel or where employees feel a loss of status.

<sup>7</sup> [https://www.uk.coop/sites/default/files/2021-06/Economy%202021\\_0.pdf](https://www.uk.coop/sites/default/files/2021-06/Economy%202021_0.pdf)

<sup>8</sup> [https://www.bsa.org.uk/information/consumer-factsheets/general/mergers-and-conversions-\(1\)](https://www.bsa.org.uk/information/consumer-factsheets/general/mergers-and-conversions-(1))

<sup>9</sup> <http://bsa.lansdownepublishing.com>

<sup>10</sup> <https://www.financialmutuals.org/owned-by-you/mutuals-a-history/>

<sup>11</sup> Economic explorations into mergers: Martin A Abrahamson 1961

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In many cases, this is a 'can that is kicked down the road,' with staff changes implemented gradually according to normal rates of attrition. In the case of a stronger CMEs taking over the assets and liabilities of a weaker one, the managers of the smaller partner might realise that a lower status in a larger organisation is more secure employment than continuing in a declining business.

Community status, particularly in regional towns can be extremely important to a business leader. It is one thing to be the chief executive of an independent business, and another to be employed as a middle manager in a larger firm, with the head office some distance away. This factor has undoubtedly been significant in influencing the attitudes of key employees towards a proposed merger. Personal opinions of managers of existing CMEs may have an undue influence upon a decision of directors and others concerning merger proposals.

Succeeding with the merger depends very much on the attitudes of the individuals involved. Even though in theory members would expect to gain economic advantage from a merger, this will not be realised if the leadership is indifferent or incompetent. The human aspect of the whole process cannot be ignored.

Many will be aware of mergers that have not happened because of personality clashes between leaders of different mutuals that might otherwise have been expected to work more closely together. Equally, there are many examples of mergers that have taken place built on close personal relationships between chief executives or chairs. Inevitably the interests of senior managers and directors will have a significant bearing on the likelihood of businesses working together.

Often, we hear about co-operatives or mutuals merging from 'a position of strength' which is based on the belief that they can deliver their similar business purpose by combining their resources and talents. There are also plenty of examples of CMEs that have merged where one business has been in distress and another, larger and stronger, has rescued it and absorbed it into the larger business.

Often, friendly mergers among CMEs are completed despite the apparent superior value of one of the merger partners. This contrasts with the proprietary marketplace where M&A activity is more about the 'A' -the acquisition.

Ultimately, one significant advantage of CMEs being able to work together is a shared sense of mission. Across the world, CMEs describe themselves as part of a 'movement' rather than merely participants in an industry. Adherence to this idea varies significantly between different CMEs, it is often cynically characterised as an overly 'romantic' notion. It is important that the appropriate amount of credence is given to this idea, but it goes very much to the heart of the whole concept of principle six and the motivation for CMEs to work together. Unless they exist to do something different and special, what is the point of a co-operative or mutual?

In a sense, this idea of a movement offers a potential solution to human barriers to merger. It may be that the range of options for consolidation and growth are greater than those simply offered through a one-to-one merger. The importance of individual identity of co-operatives, specific mission and history plus the personalities involved in their leadership could point more productively towards different types of collaboration. It could well be that consolidation through federal federated structures are more likely to be achieved than traditional merger.

**IN ALL CASES, OPEN MINDS,  
SINCERITY AND DIPLOMACY  
ARE REQUIRED TO ACHIEVE  
ANY SUCCESSFUL MERGER OR  
CONSOLIDATION OF CMES**

### USES AND APPLICATION OF SECONDARY/FEDERAL CO-OPERATIVES

A secondary co-operative is often referred to as a 'federal' which can help to understand how it operates. When several local CMEs unite under the same offices, the group becomes a 'federated' co-operative, with a central office overseeing the operations of each member co-operative.

A federation structure is a union comprised of a number of partially self-governing entities, united by a central (federal) governing body.

In a federation, the self-governing status of the members is typically constitutionally entrenched and may not be altered by a unilateral decision of the central governing body. However, so much of the members' business is tied up in the central governing body that they are unable to consider leaving without dramatic consequences.

In terms of management and day-to-day issues, the corporate structure needs to permit local decision making, to maintain good working relations. One of the benefits of a federal structure is that it is easily scalable with the addition of new and different business entities.

Federated co-operatives can offer a wide array of services including purchasing of products or support services such as accounting, management information, staff training, insurance, and legal support, depending on the needs of its members. Most began by offering a single service or function and then building on that as the co-operative matures.

The goal of federated co-operatives is to meet the service needs of its members at a total cost that is less than the combined costs that individual members would incur themselves, generating savings that will benefit the individual co-ops and their members. Importantly, it will also permit business that may not be possible alone. In some of the examples below, we can see how federated co-operatives can provide products and services to individual CMEs that they would find difficult or impossible to achieve themselves.

Federated co-operatives are controlled by the CMEs that own and use the business. Representation is assured through boards and through participation in membership meetings and committee work. The board sets the overall operating policies, approves the annual budget, oversees its operation, and distributes the benefits derived from use of the co-operative. The board also hires management to handle the day-to-day operations of the co-operative. The manager hires staff and implements the board's policies.

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## PRIMARY CO-OPERATIVES

## SECONDARY CO-OPERATIVES

*Primary co-operatives and mutuals are enterprises established to realise the common economic, social, and cultural needs and aspirations of a group of like-minded individuals.*

Secondary co-operatives are groups of primary CMEs that come together to undertake a shared task, such as joint procurement, marketing or logistics. They are often referred to as 'Federated.'

It is widely known that co-operatives were established in large numbers across northern Europe from the 1850s onwards. As the age of European imperialism continued, these ideas were exported across the world.

In many ways co-operatives were a response to the twin challenges of industrialisation. Large, new populations in cities found themselves poorly served by private enterprise and sought new ways of providing affordable basic goods. The first consumer co-operatives had been born and were phenomenally successful, growing to many thousands of local co-operatives in just a few decades.

As the drift away from agricultural land continued, rural communities faced their own new challenges. Again, the response was to establish mutual self-help businesses which would operate in the interest of those at the bottom of the pecking order. Agricultural production co-operatives and farmers' financing unions were critical in maintaining life in rural communities and building prosperity despite the huge migration of labour to urban areas.

In all cases, it did not take long for the new co-operatives to come up against the challenges of growth. Competition in many markets required more capital, from the mechanisation of farming through to the costs of acquiring wholesale and manufactured goods in towns and cities.

The solution was more co-operation. Individual, local co-operatives banded together to create larger businesses that could fulfil these tasks. They traded part of their independence for the collective benefits of working with other co-ops.

Joint procurement, manufacturing, shared logistics, and capital raising all became possible through the establishment of federated co-operatives.

Some of the largest CMEs we see today have their origins in these secondary structures. From food retail to agriculture to banking and a whole range of business services, federated co-operatives made the success of the individual members possible. Remarkably, many of these structures continue today, with local autonomy persisting in local CMEs where this is of benefit, and shared decision-making, responsibility and rationalisation provided through the federal.

What makes all this possible is the shared business purpose of like-minded CMEs. They did not compete on the same basis as proprietary businesses because their objective is similarly equitable.

The slogan of the German Raiffeisen movement is 'Was einer allein nicht schafft, das schaffen viele.' ('What one cannot do alone, many can do together') This motto reflects a simple truth that small independent co-operative businesses share an objective with one another. By working together, they can achieve this in accordance with the broad principles that they share.

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# BENEFITS OF A FEDERAL CO-OPERATIVE TO AN INDIVIDUAL CME

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## EMPOWERMENT/CONTROL

By co-owning the co-operative that provides services and products, members can exercise shared control over a major component of their business.

## SCALE AND SCOPE

Services provided by the federated co-operative will exceed the individual capacity of single CMEs.

## SAVINGS

Cost savings will be achieved by combining functions.

## STABILITY AND RELIABILITY

Federated co-operatives provide members with a stable, long-term organization to meet various needs. The co-operative needs the commitment of its members, but at the same time offers a constant, supportive access to products and services.

## NETWORKING

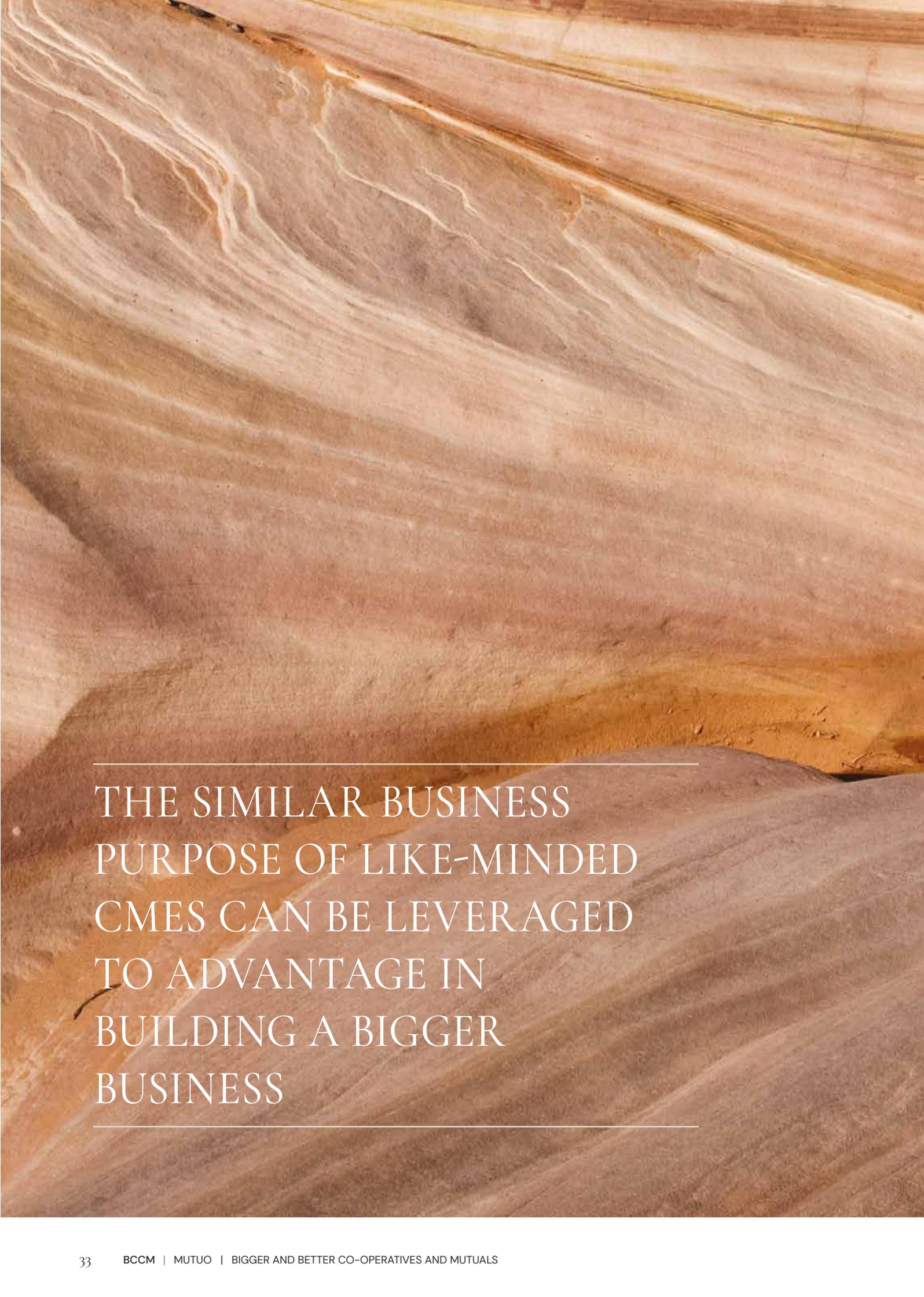
Federated co-operatives offer members an opportunity to meet and discuss problems and topics of mutual concern. This can occur at all levels of the members' organizations.

## FLEXIBILITY

Services offered are based on the requirements of members. As members' needs change over time, co-operatives respond by adjusting their services. The ability to respond to change depends upon the purpose and objective of the organization.

## SHARED PURPOSE

The similar business purpose of like-minded CMEs can be leveraged to advantage in building a bigger business, achieving greater market share and creating a movement that customers are excited to be part of.



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THE SIMILAR BUSINESS  
PURPOSE OF LIKE-MINDED  
CMES CAN BE LEVERAGED  
TO ADVANTAGE IN  
BUILDING A BIGGER  
BUSINESS

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## THE FIRST FEDERATED CO-OPERATIVE

*The Co-operative Wholesale Society (CWS)*

*The modern co-operative movement began in 1844 in Rochdale, Lancashire, when a group of 28 workers from a weaving factory joined together to form the Rochdale Equitable Pioneers' Society. The Rochdale idea caught on quickly and soon many local co-ops were established across the UK.*

In 1863, 300 co-operatives in the Lancashire and Yorkshire regions banded together to create their own wholesaling group, 'the North of England Co-operative Society.' This would combine their purchasing power to obtain better prices for its bulk purchases. As a co-operative itself, The North of England Co-operative Society was the first federated co-operative, with co-operatives themselves as its members. Profits were passed back to the retail co-operatives, and it soon expanded beyond wholesaling to manufacture goods such as shoes and clothing, which were sold in the retail

co-operatives. In 1867, the Co-operative Insurance Society was founded, fully merging into the CWS by 1913.

In 1872, to reflect its national growth, the North of England Co-operative Society changed its name to Co-operative Wholesale Society (CWS) and continued to expand its manufacturing operations, adding new products such as soap, biscuits, and jam. At that time, CWS formed its own banking operation as the Loan and Deposit Department of the CWS, becoming the CWS Bank four years later. It began operating farms to provide dairy and meat products, as well as tea plantations in India. The growing range of CWS's import activities led to the launch of its own shipping fleet.

By 1900, over 1,000 co-operative societies existed in the UK and CWS remained the central body supplying wholesale purchasing services, as well

as banking and insurance products, and an increasing number of its own manufactured goods.

Diversification continued and in 1904, CWS inaugurated its first convalescent home; the society had also begun to offer funeral and burial services, becoming one of the largest providers in the United Kingdom. At the end of the first world war, the co-operative movement became a leader of social change when it began reducing work hours, increasing wages, improving working conditions, and providing paid holidays and pensions as well as paid sick leave.

Today through a series of mergers with retail co-ops, CWS has become the Co-operative Group, the UK's largest co-operative, with its wholesaling operation now managed through FRTS, of which it is the largest stakeholder.





# FEDERATED CO-OPERATIVES LTD

*Conglomerate, Canada*

*Federated Co-operatives Limited (FCL) is a Canadian wholesaling, manufacturing, marketing and administrative co-operative owned by more than 160 independent local retail co-operatives which are in turn owned by more than 1.9 million individuals. These local co-ops own and operate agro centres, food stores, gas bars/ convenience stores and home centres.*

FCL recorded nearly \$9.1 billion in revenue and \$495 million in earnings for the financial year ending Oct. 31, 2021, up from \$7.9 billion in revenue and \$177 million in earnings in 2020. FCL will return \$353.5 million to local Co-ops across Western Canada.

FCL shares its success with members by distributing a portion of profits as an allocation based on patronage, which is the value of products and services purchased by a member.

A patronage allocation is equity, essentially an investment or shares in the company, which the co-operative may pay back in cash (share redemption).

FCL's business is largely business-to-business (B2B). It focuses on serving its independent retail co-operative members, but also works with other businesses and individuals. Its core business includes wholesaling, manufacturing, marketing and administration in four areas: agriculture, energy, food and home and building solutions services, risk-management services, human resources support, recruitment and ongoing employee training. FCL also assists with planning and developing capital construction projects. It also owns and maintains a trucking fleet that distributes fuel, food, and home and building supplies across the CRS.

Working together, FCL and local retail co-operatives form the Co-operative

Retailing System (CRS), which helps build, feed and fuel individuals and communities from Vancouver Island to northwestern Ontario and into the Arctic.

The Co-operative Retailing System has an extensive network of product and service offerings. The data provided is a general overview of the primary business for FCL and its retail co-operative members.

## GOVERNANCE AND REPRESENTATION

FCL's local co-operative members are divided into five districts. The Board consists of fifteen Directors, elected by the co-operative membership.

Three directors represent each district and each serve three-year terms. The directors then elect a president/ chair and a vice-chair. The board of directors arranges for and supervises the management of FCL.





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## DESJARDINS GROUP

*Desjardins is a co-operative financial group, based in Quebec, Canada.*

*In 1900, Alphonse Desjardins and his wife, Dorimène, co-founded the first Caisse d'épargne Desjardins (savings banks) in Lévis, Quebec following extensive research on the co-operative savings and credit movements in Europe. These were designed by drawing features from credit unions in Germany, France and Italy. These were soon re-named 'caisses populaires' (credit unions).*

By the time of Desjardins' death in 1920, there were 187 caisses populaires in Québec, with 30,000 members and total assets approaching \$6 million, 24 in Ontario and 9 in the United States.

In the early 1940s, workers, union groups, and cultural groups began to set up their own credit unions, known as 'caisses d'économie' or 'group caisses.' Their goal was to provide themselves the means to promote financial autonomy among members by pooling their financial assets. By 1967, 225 caisses d'économie were established as part of the Fédération des caisses d'économie du Québec, which then joined Desjardins group.

Further mergers of these different strands of credit unions took place, until in the late 1990s, Desjardins Group engaged in major structural

reforms that led to the merger of the regional federations into one large entity combining 215 caisses.

Today, Desjardins Group has 7.5 million members and clients, employs more than 53,000 people and within the group.

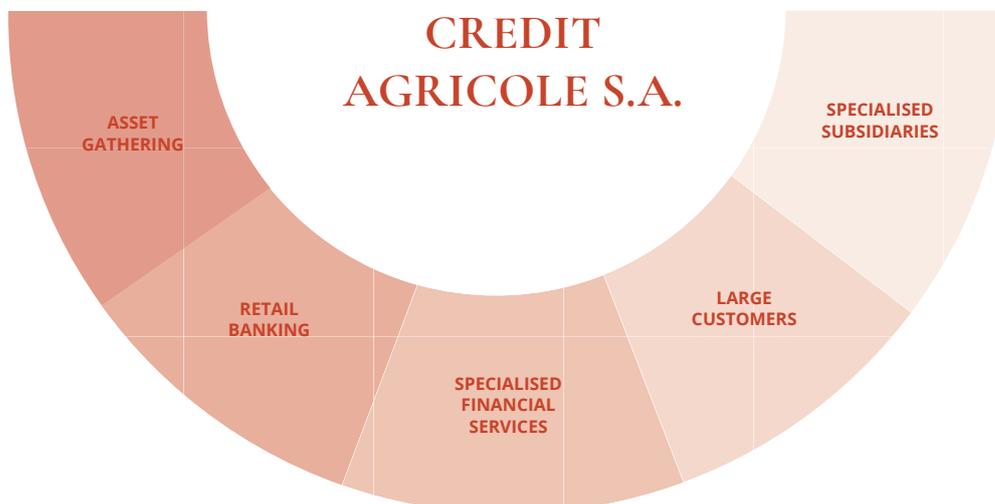
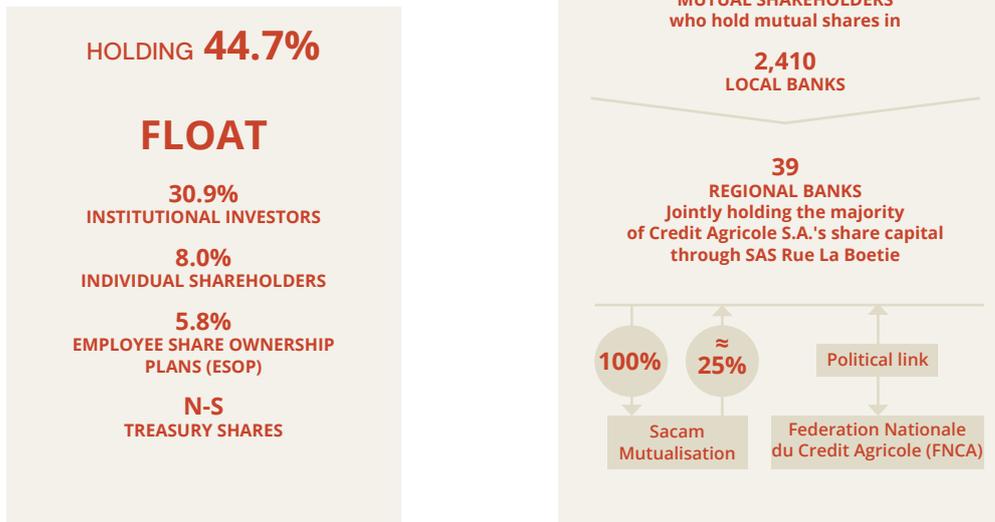
In 2020, the group accounted for \$397.1 billion in total assets and delivered \$2,942 million in surplus earnings after taxes on a turnover of \$20.4 billion (CA) and before member and community dividends of \$514 million.

### GOVERNANCE AND REPRESENTATION

The Group Board consists of 18 directors: CEO plus 11 directors elected from the caisses and 6 co-opted directors plus 2 observers. The 215 caisses themselves are governed by more than 2,500 directors.

## CREDIT AGRICOLE GROUP

Credit Agricole Group includes Credit Agricole S.A. as well as all of the Regional Banks and Local Banks and their subsidiaries.



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# CREDIT AGRICOLE

*Banking, France*

*Credit Agricole is the largest co-operative in the world.*

*It was created in 1894, originally to finance agricultural communities neglected by the banking system. For much of its early life, it acted as a funding vehicle for local farmer owned co-operative banks.*

Approximately 2,410 local banks form the foundation of Crédit Agricole. They have 10.9 million members who are both customers and owners of the share capital of the local banks. The local banks hold the bulk of the capital of the 39 regional banks, which in turn own the controlling share of Credit Agricole. The Regional Banks hold 55.3% of the Credit Agricole Group shares, with the balance held as follows: 30.9% institutional shareholders, 8% individuals, 5.8% employees (total 44.7%).

Credit Agricole is France's largest retail bank group and the second largest by assets. Today the business is primarily retail banking, with additional and subsidiary services covering insurance, corporate & investment banking, specialised services (leasing, factoring, payment services etc).

In 2020, overall Group turnover was EUR 33.6 bn, with a profit of EUR 4.7 bn. There are 51 million retail customers and 142,000 employees worldwide.

## GOVERNANCE AND REPRESENTATION

Regional mutual ownership is reflected in the Board composition. The Board of 21 members includes:

- 10 Directors CEOs or Chairmen of Regional Banks
- 1 Director SAS rue LA Boétie (controlled by Regional Banks)
- 6 Independent Directors
- 3 Directors representing employees one of which representing shareholders employees
- 1 Director representing professional agriculture associations

The majority representation of Crédit Agricole's Regional Banks on the Board of Directors reflects the group's co-operative structure. 7 out of 11 are Chairs and 3 CEOs. Even if these Chairs are not considered legally independent because they hold a mandate within institutions participating in the majority shareholding, they are considered independent in the way they are elected from customers.



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# DZ BANK

Banking, Germany

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## WHAT ONE CANNOT DO ALONE, MANY CAN DO TOGETHER

FRIEDRICH WILHELM RAIFFEISEN

*'This quote from one of the founding fathers of the co-operative system, Friedrich Wilhelm Raiffeisen, is still relevant today. Working together towards a common goal, no matter who is at the forefront, forms the core of the co-operative idea and is one of the principles that we still follow.'*

DZ BANK

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The DZ Bank Group forms part of the German co-operative financial network, which includes approximately 800 Volksbanken Raiffeisenbanken and is one of Germany's largest private-sector financial services organizations measured in terms of total assets. Co-operative banks account for about a third of Germany's total retail banking market. The DZ Bank Group is Germany's second largest bank.

In 1864 Friedrich Wilhelm Raiffeisen set up the first rural co-operative bank, which was replicated many times across Germany. One feature of German co-op banking was the early adoption of central banking services to manage liquidity and later, to undertake audit and standard setting among the member co-operative banks.

This quasi-regulatory role continues today, with regional support provided through the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR - The National Association of German Co-operative Banks) BVR is the umbrella association for the co-operative banking sector in Germany. Its members are all of the co-operative banks - Volksbanken, Raiffeisenbanken, Sparda banks, PSD banks, banking institution for churches and co-operative specialized institutions - as well as DZ Bank.

The BVR advises and supports its members in legal, tax and business matters. It also runs the Co-operative Financial Network's protection scheme – the oldest bank protection scheme in Germany – along with the institutional protection scheme set up under the German Deposit Guarantee Act.

Within the co-operative financial network, DZ Bank AG functions as the central institution and is responsible for supporting the business of the co-operative banks in their regions and strengthening their competitiveness. It also operates as a corporate bank and acts as the holding company for the DZ Bank Group.

The DZ Bank Group serves 30 million customers, 18.4 million of whom are members of the co-operative banks. In 2020 it reported a total income of EUR 2.8 billion, of which EUR 980 million was profit.

Across Germany, it employs 31,400 in its membership of 800 co-operative banks with 8,500 branches.

The DZ Bank Group includes:

- Bausparkasse Schwäbisch Hall
- DZ HYP
- DZ PRIVATBANK
- R+V Versicherung
- TeamBank
- The Union Investment Group
- VR Smart Finanz, and various other specialized institutions.

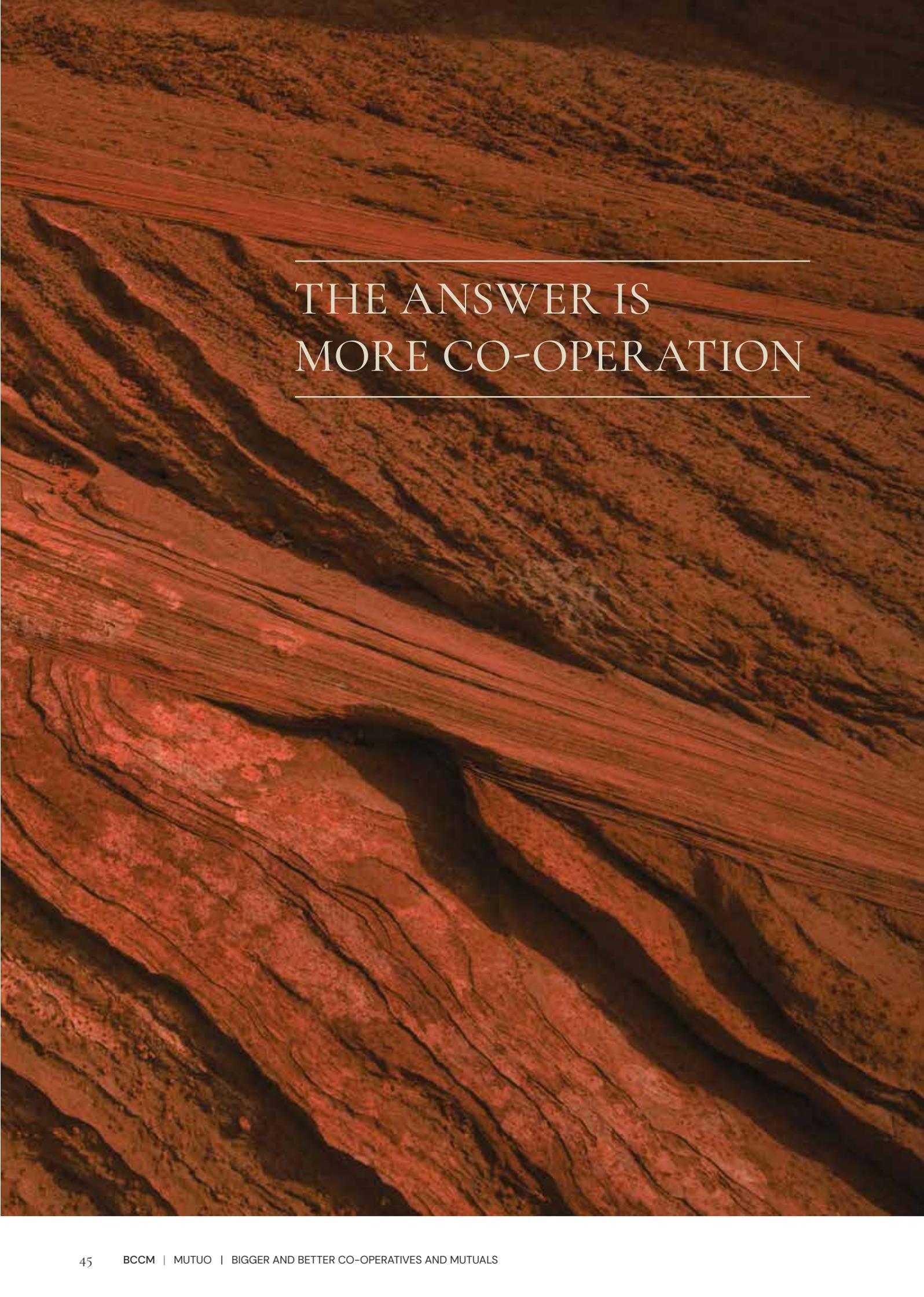
With their strong brands, the entities in the DZ Bank Group constitute key pillars in the range of financial products and services offered by the co-operative financial network. The DZ Bank Group delivers its strategy and range of services for the co-operative banks and their customers through its four business lines – Retail Banking, Corporate Banking, Capital Markets, and Transaction Banking.

This combination of banking, insurance, home savings, and personal investment products and services has a long and successful tradition in the co-operative financial network. The specialized institutions in the DZ Bank Group provide highly competitive products at reasonable prices within

their specific areas of expertise. This ensures that the co-operative banks in Germany can offer their clients a comprehensive range of outstanding financial services.

## GOVERNANCE AND REPRESENTATION

In common with German corporate practice, DZ Bank has an Executive Board and a Supervisory Board. The Supervisory Board has representation from 12 local co-operative banks and 10 employees (or their representatives). It is chaired by the CEO of one of the owning co-operative banks.



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THE ANSWER IS  
MORE CO-OPERATION

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# MONDRAGON CORPORATION

*Conglomerate, Spain*

*The world-famous Mondragon Corporation is a corporation and federation of co-operatives based in the Basque region of Spain. It is Spain's tenth largest business group.*

*It operates in industrial manufacturing, financial services and retail sectors and has also established its own training facilities and university.*

The Mondragon Corporation has 264 businesses and co-operatives employing 81,000 workers with a total annual revenue exceeding EUR 12 Billion. It is a highly internationalised, competitive and successful co-operative group with over 50 years of history, and it has become a world benchmark in terms of business co-operation.

Financial investment and technical business support is provided by Laboral Kutxa which provides banking services to the industrial co-operatives. Technically, it promotes co-operatives and coordinates them within the industry. It created its own insurance co-operative, which eventually evolved into Lagun Aro.

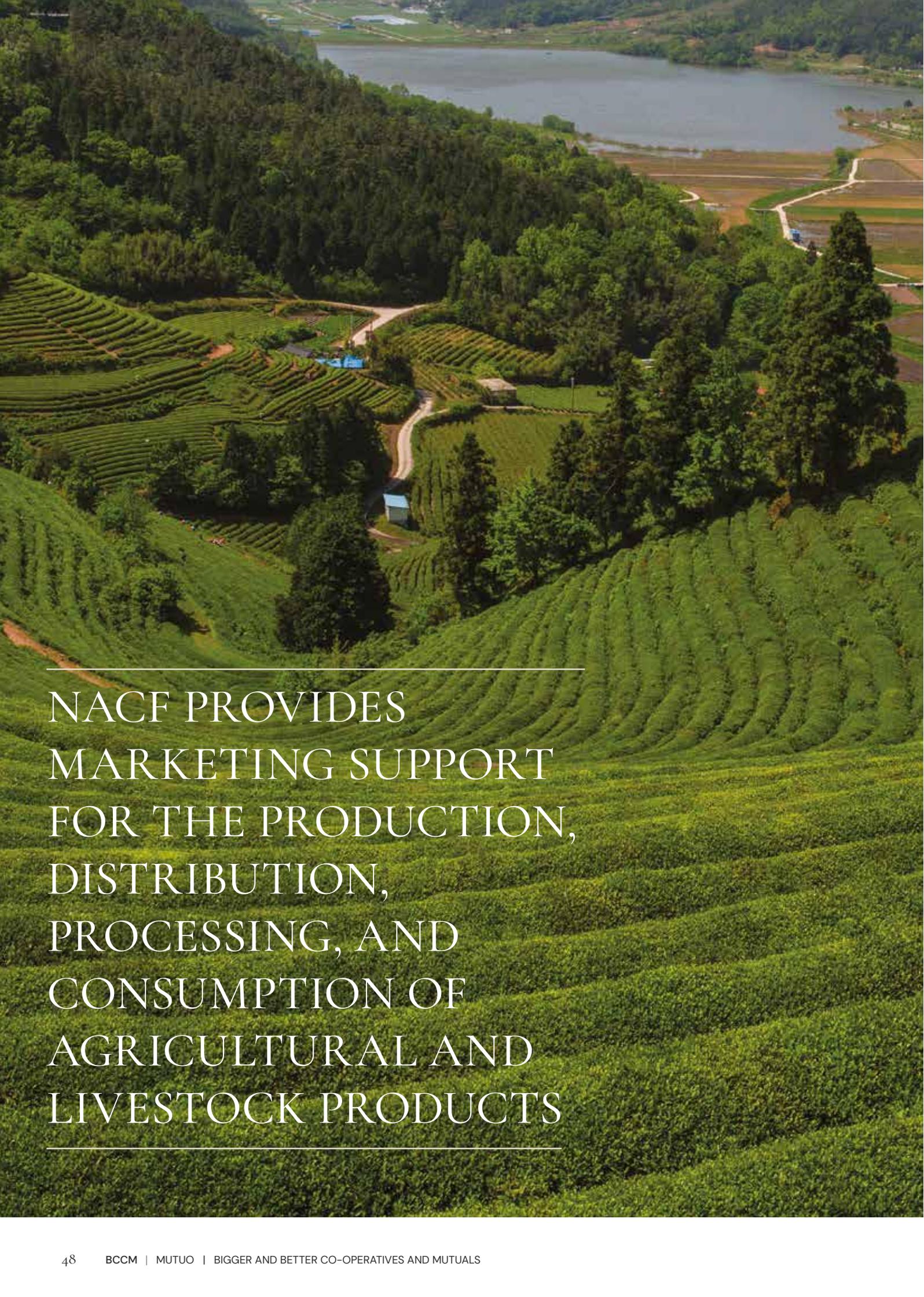
Mondragon's member businesses are known for innovation, research and development, and the Corporation built its own university and business incubation institutes.

One of the successes of Mondragon has been its ability to create a sense of identity among the workers within the group of companies, encouraging an environment of solidarity. This has been shown where one part of the business has supported other units within the group, sharing workforce skills and job opportunities.

## GOVERNANCE AND REPRESENTATION

Organisationally, Mondragon is divided into four distinct operation areas: Finance, Industry, Retail and Knowledge. It currently consists of 96 separate, self-governing co-operatives, more than 81,000 people and 14 R&D centres, forming the leading business group in the Basque Country and the tenth in Spain.

The system of governance is arranged so that the worker members of the co-operative own a share of their company, elect their managers (in each company and in the overall co-operative), and participate in all major decisions.

An aerial photograph of a lush green landscape. In the foreground and middle ground, there are terraced tea plantations on a hillside. The rows of tea bushes are neatly arranged and vibrant green. A dirt road winds through the plantation. In the background, a large, calm lake is visible, surrounded by more greenery and some buildings. The overall scene is peaceful and scenic.

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NACF PROVIDES  
MARKETING SUPPORT  
FOR THE PRODUCTION,  
DISTRIBUTION,  
PROCESSING, AND  
CONSUMPTION OF  
AGRICULTURAL AND  
LIVESTOCK PRODUCTS

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# NACF/ NONGHYUP

*Agriculture, Republic of Korea*

*Established in 1961, its purpose is to enhance the social and economic status of the co-operatives in its membership and to promote a balanced development of the national economy.*

Approximately 1,000 member co-operatives operate in all agricultural areas, producing fruits, vegetables and livestock. They are democratically controlled, co-operatives, funded by member subscriptions which fund the NACF through institutional subscriptions.

Its role is divided into three areas:

## MARKETING AND SUPPLY

NACF provides marketing support for the production, distribution, processing, and consumption of agricultural and livestock products, focusing particularly on increasing the income of farming households by expanding sales channels and reducing farming costs. This enables farmers to concentrate their efforts on farming.

## BANKING AND INSURANCE

The group provides financing, mortgages, personal credit, corporate finance, real estate finance, and new technology finance services. It also offers life, property and casualty insurance products.

## FARMER EDUCATION AND SUPPORT

The NACF supports the operations and management activities of member co-operatives by providing education and training for their members and working to promote the rights of farmers. It also provides investments to develop and promote new agricultural technologies and products.

## GOVERNANCE AND REPRESENTATION

The individual co-operatives are governed by directly elected presidents, who themselves elect a chairman of the federation.

## HYBRID PRIMARY/SECONDARY CO-OPS

*Some federated co-ops have evolved, with both individual members and corporate co-operative members. This tends to reflect the manner in which they developed, rather than any deliberate policy decision. They provide interesting examples of how individual membership co-exists with corporate membership in a co-operative structure.*



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## CO-OPERATIVE GROUP

*Food retail etc, UK*

*The Co-op Group is the UK's largest consumer co-operative, with 4.6 million active members and a presence in every postal area in the country. It employs 70,000 people and is the UK's fifth biggest food retailer. It has 2,500 stores in every part of the UK. Turnover across the group of businesses in 2020 was around £11 billion.*

It is a major food retailer; a wholesaler; the largest funerals provider in the UK; the largest probate provider; and sells insurance products.

In 2019, it launched a new business – Co-op Health. It also sponsors a growing network of Co-operative Academy Schools.

The Co-operative Group is the direct descendant of the first Rochdale Co-operative, founded in 1844. It is also an amalgamation for several independent co-ops and the CWS (see above). It has always had a clear social purpose that has grown and spread through the wider co-operative movement.

### GOVERNANCE AND REPRESENTATION

Membership is open to individual customers and independent co-op societies.

Consumer members can:

- Vote on key business issues at the Annual General Meeting (AGM)
- Elect member representatives to the Members' Council
- Join other members in local community activities
- Stand for election to become a Council Member or a Member Nominated Director on the Board

### THE MEMBERS' COUNCIL

The 100-strong members' council is an elected body. Its representatives are voted onto the Council by the millions of members it represents, ensuring their voices and interests are heard at the highest level in the Co-op. The Council is made up of:

- Members
- Colleague members
- Representatives from independent co-op societies

It acts as the guardian of the Co-op's purpose, values and principles, and the society's constitution, with the power to hold the Board to account. Once elected, Council Members can serve a term of up to three years before requiring re-election.

### MEMBER NOMINATED DIRECTORS (MNDS)

The Board is made up of 12 directors, of which four are Member-Nominated Directors. Members who can show they have the relevant level of skills and experience can put themselves forward for election as an MND.



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## LAND O' LAKES

*Agriculture, USA*

*In 1921, 320 dairy farmers met in St. Paul, Minnesota, to form the Minnesota Co-operative Creameries Association. Their idea was to join together to effectively market and distribute members' dairy production across the country.*

Land O'Lakes, Inc., one of America's premier agribusiness and food companies, is a member-owned co-operative with industry-leading operations that span the spectrum from agricultural production to consumer foods. With 2019 annual sales of \$14 billion, Land O'Lakes is one of the nation's largest co-operatives, ranking 212 on the Fortune 500. Building on a legacy of more than 99 years of operation, Land O'Lakes today operates some of the most respected brands in agribusiness and food production including LAND O LAKES® Dairy Foods, Purina Animal Nutrition, WinField Solutions and Truterra. The company does business in all 50 states and more than 60 countries.

Today Land O'Lakes, Inc., is one of America's premier agribusiness and food companies, is a member-owned co-operative with industry-leading operations that span the spectrum from agricultural production to consumer foods.

With annual sales of US\$14 billion, Land O'Lakes is one of the nation's largest co-operatives, ranking 212 on the Fortune 500.

### GOVERNANCE AND REPRESENTATION

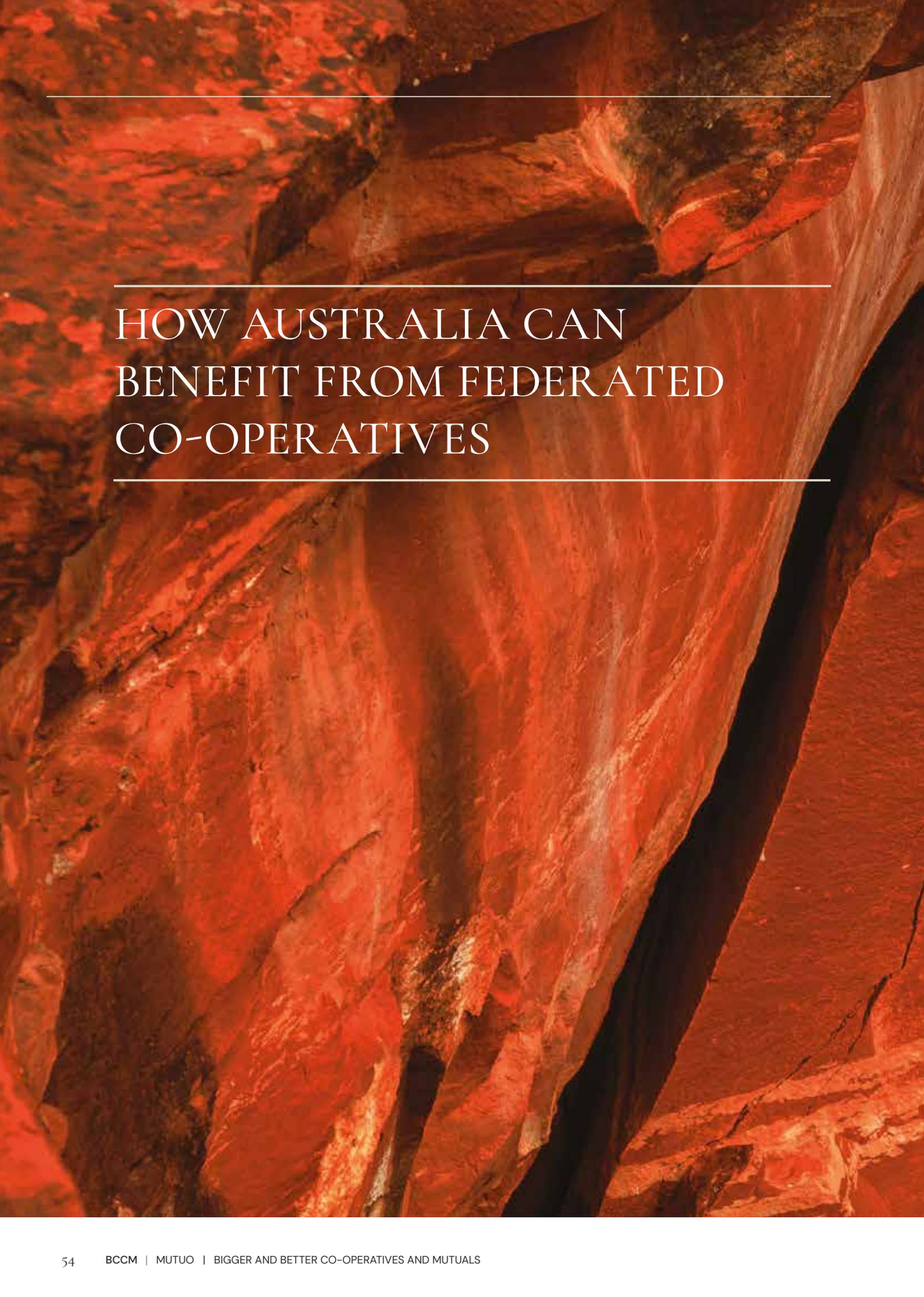
Members of Land O'Lakes include both individual farmers and other co-operatives. The member-owners of Land O'Lakes elect directors to represent them on the corporate board. The board determines policies and business objectives, controls financial policy and hires the chief executive officer to conduct day-to-day business affairs.

The board is made up of 24 directors. The dairy members nominate 12 directors from among the dairy members and the ag members nominate 12 directors from among the ag members. The nomination of directors is conducted within each group by region. The number of directors nominated from each region is based on the total amount of business conducted with the co-operative by that region's members.

Directors are elected to four-year terms at the company's annual meeting by voting members in a manner similar to a typical corporation. Land O'Lakes by-laws require that, at least every five years, the company

evaluate both the boundaries of the regions and the number of directors from each region, so that the number of directors reflects the proportion of patronage income from each region.

The board may also choose to elect up to three non-voting advisory members. Currently, Land O'Lakes has three such members. The board governs the company's affairs in the same manner as the boards of typical corporations that are not organized as co-operatives.



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# HOW AUSTRALIA CAN BENEFIT FROM FEDERATED CO-OPERATIVES

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TODAY, AUSTRALIA IS  
REMARKABLE FOR ITS STRONG  
INDEPENDENT MUTUALLY OWNED  
BUSINESSES. SELF-DESCRIBING AS  
CO-OPERATIVE, MUTUAL OR  
CUSTOMER OWNED, WE SEE THEM  
TODAY AS THE CO-OPERATIVE  
AND MUTUAL ENTERPRISE  
SECTOR (CMES)

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## HOW AUSTRALIA CAN BENEFIT FROM FEDERATED CO-OPERATIVES

IN MANY PARTS OF THE WORLD, FEDERATED CO-OPERATIVES REPRESENT SOME OF THE LARGEST AND MOST SUCCESSFUL CO-OPERATIVE BUSINESSES, YET AUSTRALIA HAS NO DEEP TRADITION OF THESE STRUCTURES.

Australia does have some history of co-operative federations, principally in agriculture, where these bodies were established to assist access to international markets for Australian produce. Over time, the changing nature of agricultural production led to their demise.

They were also impacted by the trading relationship that Australia had with the United Kingdom over many decades. One irony of this relationship was the conflict of interest between those of co-operative consumers in the UK and co-operative producers in Australia. The Co-operative wholesale Society (CWS) was ultimately interested in sourcing products from Australian co-operatives, but only if this matched the interests of British consumer members. Consequently, some of the hardest bargains were driven by British co-operatives which had no real interest in helping to develop their Australian co-operative cousins<sup>12</sup>

Today, Australia is remarkable for its strong independent mutually owned businesses. Self-describing as co-operative, mutual or customer owned, we see them today as the co-operative and mutual enterprise sector (CMEs). In many ways descended from British co-operative traditions, they have developed their own brand of 'co-operative-ism.'

Like Britain, Australia has suffered greatly from waves of demutualisation, first in agriculture and then in insurance and banking. We can describe the survivors as certainly the fittest of the co-operative and mutual tradition, and they are concentrated notably in a number of industries: agriculture, motoring clubs, banking, private health insurance plus industry leaders in other services.

What they have in common is that they exist in business sectors where there are some large mutuals that are dominant in the mutual part of the sector, alongside a larger number of smaller mutual businesses. This is the case, for example, in the private health insurance and banking sectors. The responsibility for market growth falls disproportionately on the larger CMEs which themselves are able only to influence their own destiny.

They also face the same existential threat. The more successful they are, the more of a target they are for demutualisers, who wish to access the legacy assets of these businesses, despite not having contributed to them.

THESE FACTORS HAVE BECOME FACTS OF LIFE, BUT THEY CAN BE CHALLENGED.

Perhaps what has been missing in Australia all along is the sense of 'movement' that has been successfully embedded in other countries. This is reflected in the fractured nature of co-operatives and mutuals, the relatively weak policy and legislative frameworks around these businesses and the lack of unity between different co-operative and mutual sectors, which have a strong identity among themselves, and have their own strong industry peak bodies. This is being corrected to a significant degree by the creation of the BCCM, which has made major strides in a very short space of time.

<sup>12</sup> For a fuller account of this see Gary Lewis book *The Democracy Principle*.

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Yet, it is necessary to capitalise rapidly on this to maintain the stabilisation and then to secure the growth of this important business sector.

So, it comes down to leadership, imagination and enterprise. At a time when consumers and investors are looking for meaningful, purposeful places to do business, the time has never been better for co-operative and mutual enterprise. But it has to respond rapidly to this opportunity and show that it can fit with the expectations of markets as exist today.

The logic of greater business consolidation among CMEs in a number of industries, suggests that alongside merger activity, we should explore how co-operative federations could be developed to strengthen CME market share.

## INDUSTRIES WHERE FEDERATIONS MIGHT PROVIDE A KEY TO GROWTH

*Co-operative federations could be created in a number of parts of the Australian CME sector. In a sense, there is no type of co-operative that would not benefit from this approach, but we can look in particular at three industry sectors to illustrate what might be achieved and how it could work.*

Using the inspiration of the large and successful co-operative federations already described above, we would suggest three industries that would benefit from considering this approach:

- Fishing co-operatives
- Private health insurance mutuals
- Mutual banking

In each of these examples, mutuals are represented by one or more large CMEs and compete against the proprietary sector, whilst the majority of mutuals are much smaller, though more numerous.

There has been pressure for merger activity for many years in each example and indeed this is taking place. The creation of federated co-operatives is not suggested to take the place of merger activity, but instead to be a complimentary route to consolidation.

The experience from across the world is that consolidation is required in many markets for co-operatives to be able to compete. Their individual future depends on this, but more to the point, so does the objective of their businesses.

Our motivation for suggesting new routes to consolidate is based on the belief that it is every CME's responsibility to maximise the benefits that they can offer their members, grow the mutual footprint in the market they operate, and provide the maximum positive impact on society.



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#### WHAT COULD BE ACHIEVED THROUGH A FEDERATED FISHING CO-OPERATIVE

- Stronger and larger fisher-owned individual co-ops
  - Long-term, stable co-operative ownership
  - Safeguard the future ownership of fishing rights and quotas
  - Streamlined market access including exports for all species of catch
  - Development of shared service functions across co-ops
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## AUSTRALIAN FISHING CO-OPERATIVES

*The Australian fishing zone is the third largest in the world. Australian seafood represents one of the best managed and most sustainable protein sources in the world and the fishing industry in Australia continues to be dominated by owner-fishers across all fish species.*

Despite the twin challenges of Covid and Chinese market access, the fishing industry has continued to provide significant value to the Australian economy.

There are a number of fishing co-operatives of varying size all around the coastline, with only one or two having significant scale. One of the largest and most successful co-operatives in Australia is the Geraldton Fishermens' co-operative. It brings together West Australia's lobster fishers to provide efficient and profitable market access for their catch.

It is a model emulated in other parts of the country where similar, though typically smaller co-operatives have been established for many years. The traditional approach is for co-ops to be established locally, and for growth to happen organically. This is by necessity a slow and careful process that relies heavily on generations of fisher-owners.

Yet there are new pressures on the fishing industry. The long-term nature of fishing quota rights and licenses has attracted investors that are seeking regular income and capital growth. Private equity now sees the opportunity to purchase fishing rights from retiring fishers. Over time this will be a major challenge to the industry as the ownership of quotas is skewed towards investors rather than the fishers themselves.

The increased activities of investors in this area is likely to challenge the foundations of fisher-ownership. For co-operatives, this will complicate relationships with local fishers and inevitably lead to different strategies being pursued.

To maintain co-operative control over the maximum number of fishing rights, it is important that co-ops are able to offer an alternative to fishers wishing to exit the business. Equally, the challenge of global market access remains difficult for smaller co-operatives, regardless of the species they fish.

These factors could be a springboard for action, encouraging co-operatives to work more closely together and to federate in order to strengthen the position of the fisher producers.

Significant economies of scale and cost efficiencies could be obtained by

combining the supply chain and marketing functions of a number of fishing co-operatives. Some of these are already being realised through marketing collaborations such as between Geraldton Fishermen's Co-operative and the Limestone Coast Fishermen's Co-operative.

There is an opportunity to build long term business relationships between a larger number of Australian fishing co-ops through the establishment of a new federal co-operative venture, which would be co-owned by each of the co-operative's members.

Such an Australian fisheries co-operative would exist to provide business services to fishery co-operatives. It will seek to deliver supply chain efficiencies and improve sales capacity for the benefit of all of its members. Membership will be open to any Australian fishing co-op to apply and could be expanded across the commercial fishing industry.

It could also sell services to non-members on a commercial basis, the benefits of which will flow to federated members.

It could also offer capital investment opportunities to members of any of its constituent co-ops. This could provide working capital to the federated co-operative for the development of the business.



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#### WHAT COULD BE ACHIEVED THROUGH FEDERATED MUTUAL PRIVATE HEALTH INSURERS

- Greater range of products and services for members
  - Retention of historic and important fund identities
  - Development of shared service functions across PHI mutuals
  - Increased market share for mutuals
  - Stronger mutual entities
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## AUSTRALIAN PRIVATE HEALTH INSURANCE (PHI) MUTUALS

Concern has been growing about the sustainability of the PHI sector. Across the industry, the number of younger people in PHI membership is in relative decline with claims costs rising faster than premium gross growth, and hospital coverage declining further.

Australia's rapidly ageing population is driving up utilisation and cost in the healthcare system. By 2057, it is projected there will be 8.8 million people aged over 65 in Australia (22 per cent of the population, up from 15 per cent in 2017). Meanwhile, the rate potentially preventable hospitalisations (PPHs) continues to rise, reaching 748,000 separations in 2017–18 and accounting for almost 7 per cent of all public and private hospital admissions.<sup>13</sup>

Two years ago, APRA caused a stir when it suggested that only three private health funds would be financially viable within two years if the Private Health Insurance (PHI) industry did not take urgent action to break out of its so called 'death spiral.'

The regulator sees this as a question of scale and diversification/resilience strategies. In particular, the APRA view is that smaller not for profit funds should start to look for merger partners.

This view caused controversy among mutuals for two main reasons. Firstly, although impacted by the same

industry issues, not-for-profit mutuals have performed better against their competitors. Secondly these typically smaller health funds have strong identities and histories of serving their members well. They one size fits all policy approach could lead to a loss of diversity of members health funds many of which are of real importance to regional economies and industry-based communities.

Those mutuals argue that this could be bad for consumers who would be faced with less choice and an even stronger dominance of the private healthcare market by for profit corporations.

Either way, mutuals remain under pressure to undertake mergers with larger partners, and some of these have taken place. Currently there are 35 mutuals, most of which would describe themselves as currently well-capitalised but still vulnerable to these market changes.

The traditional option of merging with larger partners remains available to all of these independent mutuals, but so far this has not been sufficiently attractive for most to decide to change.

The strong independent heritage of the mutuals means that they provide highly valued services to regional communities and key industry groups, including military families, teachers, police, nurses and midwives, transport, mining and doctors. There is often a fear that these community bonds could be lost or side-lined upon merging with larger mutuals, and this has sometimes meant a reluctance to enter into consolidating mergers.

It may be that new thinking is required and that federation between larger and smaller mutuals would provide the opportunity to consolidate the sector in the short term more easily.

It could enable smaller mutuals to maintain their identity and market niche, whilst sensibly consolidating part of their business with larger partners.

<sup>13</sup> <https://membershealth.com.au/submissions/> Submission to draft recommendations for Australia's primary health care 10-year plan.



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## AUSTRALIAN MUTUAL BANKING

*The Australian banking industry is highly concentrated with just four banks controlling more than 75% of the retail market. The 2019 Royal Commission into misconduct in the banking, superannuation and financial services industry (Hayne Commission) found that the behaviours in this part of the banking sector had fallen below what was expected in terms of standards and honesty.*

Customer owned banks provide a crucial alternative to these banks because mutual banks and credit unions exist for their customers. There is no conflict with shareholder interests because they are solely customer focused delivering better rates, fairer fees, responsible lending and outstanding customer service.

Yet customer owned banks represent only approximately 2% of the total market. As mutual organisations, they were founded in communities to provide finance services to their members, often based on a geographic basis or employment related groups that used to reflect their 'common bonds.'

The history of credit unions and mutual banks in Australia is marked by both

philosophical and strategic differences in approach to mutuality. This reflected contrasting attitudes to mutualism that also existed in other parts of the world. On the one hand, there are the adherents to mutual self-help, seeing independent mutuals as essential to the service of their founding communities. On the other hand, there were those that saw credit unions as the financial arm of the co-operative movement, with a responsibility to co-operate with one another as well as other types of co-operatives and mutuals. These differences are described in detail in Gary Lewis' history of the Australian credit union movement.<sup>14</sup>

The nature of modern banking and competition puts much of this into the past. The battle for mutual banks individually and collectively is to remain relevant and competitive in a highly concentrated, complex, and highly regulated market.

Today, the Australian mutual banking sector is far smaller than exists in many other countries. It is fractured into some 60 banks and credit unions that often strive to compete, on the basis of what has traditionally been high levels of personal customer service yet without the scale required to remain sustainable.

The largest businesses in the sector have grown to a scale where they seek to remain competitive and sustainable but even some of these mutual ADIs are now pursuing further mergers to achieve the necessary levels of scale required to meet the ever growing demands of managing risk, compliance, capital, capacity, capability, technology and new product innovation needed to remain competitive amongst both traditional competitors and new entrants to the marketplace.

<sup>14</sup> Lewis G. 1996, *People Before Profit: The Credit Union Movement in Australia*, Kent Town, South Australia, Wakefield Press.

The sector also includes a number of smaller institutions, many of which are facing very real and significant challenges in fully meeting the ever increasing banking needs of their members, demand from regulators and pressures in terms of remaining financially sustainable. Many of these mutuals ADIs do not regard merging with another mutual business as a suitable strategy for retaining their overall value proposition including independence of their ADI, brand, member and community relationships.

The importance of brand, and culture to a mutual enterprise should not be underestimated. Often, it reflects a heritage which has influenced the purpose of these businesses. A strong desire to protect these aspects of a mutual enterprise has been an important factor in how the Australian mutual banking sector has been shaped.

Is it possible to look to the past to discover the future of Australia's mutual banking sector?

There is a history of co-operation amongst Australian mutual banks and credit unions that could indeed help inform the future.

Entities including Cuscal, COBA, Indue, Data Action, TransAction Solutions (TAS), CUFSS Mutual Market Place and others, all represent businesses owned

either fully or partially by mutual banks and credit unions that operate to provide services to Australia's mutual banking sector.

The fact that these entities exist to serve mutual ADIs suggests there is scope in Australia to explore the merits of developing a federated banking model of the kind that already exist to successfully support thriving mutual banking sectors of significant scale elsewhere in the world.

These models in France, Germany, Canada and elsewhere represent proven examples of how mutual bank and credit unions are already addressing many of the regulatory and market challenges. In the absence of this kind of model in Australia there is little choice other than merger for some business to follow in order to continue to serve their members.

Whilst it may seem ambitious to some to seek to emulate the German, French or Canadian examples of federated financial services cooperatives we can see from their success that it is entirely possible build such a model.

Moreover, Australian mutual banks and credit unions have already demonstrated a capacity to innovate, cooperate and survive numerous challenges that have threatened their existence. It could therefore be argued that with strong leadership, a clear

vision commitment and further cooperation the sector has the capacity to build a federated banking model that would support the long-term growth and sustainability of a thriving and vibrant mutual banking sector in Australia for both current and future generations.

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## WHAT COULD BE ACHIEVED BY BUILDING A FEDERATED MUTUAL BANKING MODEL

- The choice of banking with a thriving mutual banking sector for all Australians
  - Increased market share for mutual banks and credit unions
  - Enhanced competition in banking that better serves our nation
  - Greater range of products and services for all members
  - Stronger more sustainable mutual banks and credit unions
  - Retention of mutual bank and credit union heritages and cultures
  - Greater scale, capacity and capability to support mutual banks and credit unions with more cost effective, quality and responsive shared services and functions designed to differentiate and strengthen the unique mutual banking competitive advantage
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## ACKNOWLEDGEMENTS

WE WOULD LIKE TO THANK THE WIDE GROUP OF READERS WHO COMMENTED AND CONTRIBUTED IDEAS TO HELP IMPROVE THIS PAPER. IN PARTICULAR, SPECIAL THANKS ARE DUE TO ROWAN DOWLAND AND TO MARK WILLETTTS FOR THEIR HELP

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## ABOUT THE AUTHOR



Peter Hunt founded Mutuo in 2001 as the first cross mutual sector body to promote co-operative and mutual business to opinion formers and decision makers.

For ten years prior, he was General Secretary of the Co-operative Party (UK). He is co-founder of Supporters Direct, the football supporters' initiative, which went on to establish over 100 supporters' trusts at professional football clubs.

He led the Parliamentary teams which piloted five private members bills through the UK Parliament, working with all parties to update co-operative and mutual law.

He advised the UK Coalition Government on its plans to mutualise Post Office Ltd and in 2012 published the report of the Ownership Commission, a two-year study into corporate diversity.

Peter has worked with the Foundation for European Progressive Studies (FEPS) since 2015, co-authoring the 'Peoples' Business' research document.

In 2018/19 he led the successful industry alliance to develop the Australian Treasury Laws Amendment (Mutual Reforms) Act 2019, the first renewal of Australian mutuals legislation for 20 years.

Peter has worked as an advisor to the BCCM since 2013.

*Business Council of  
Co-operatives and Mutuals*

**BOCOM**

THIS IS SOCIAL BUSINESS