

## **Measuring Mutual Value: A field study of co-operatives and mutual enterprises in Australia.**

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The rich history of co-operative and mutual enterprises (CMEs) in Australia can be dated back to the year 1859, when the first registered consumer co-operative, Brisbane Co-operative Society, was established. As member-owned businesses, CMEs are distinctly different from commercial organisations in that they have been established with an objective to return any benefits and profits earned directly back into the business, its members and the local community (Australian Bureau of Statistics, 2012).

Over the past decades, CMEs have diversified into virtually every industry sector in Australia, including agriculture, housing, manufacturing, retail, banking and finance, and insurance (Australian Government Treasury, 2017; Co-ops NSW, 2017). Today, there are 2,000 CMEs nationwide and an estimated number of eight in 10 Australians are members of a CME (Business Council of Co-operatives and Mutuals, 2018). These member-owned firms have even become some of Australia's largest and most well-known organisations including insurance provider NRMA and dairy food giant Murray Goulburn.

Despite its long history, the CME sector still remains unrecognised and inadequately understood by many Australians, and in particular, little is known in regards to the impact and value they create to the Australian economy and the wider community (Australian Accounting Standards Board, 2018). The challenge of measuring the total or 'mutual value' that CMEs create is driven by the absence of a robust industry-level framework, as well as the lack of guidance provided by accounting standards and rules on how to best define and capture total social and economic value. Currently, CMEs have the tendency to use conventional financial accounting measures to report on the value they create. However, the problem with using familiar quantified measures is that they are often derived from investor-owned firms with commercial focus. This consequently affects CMEs' ability to adequately capture their social purpose and the distinctive value they generate.

For the past year, the Mutual Value Measurement (MVM) research team has been working diligently in collaboration with 13 participating Australian CMEs from various industry sectors to develop an understanding of the concept of mutual value. Using a combination of over 200 interviews with key stakeholders, observational field notes and archival material collected during the period November 2017 and November 2018, the first phase of the two-year field study aims to unravel the issues and implications relating to how mutual value is understood, created and measured by CMEs. We particularly focus on diagnosing potential problems, tensions and sticking points, which will set the platform for the second phase of the study that seeks to design, and field test a reliable and coherent mutual value measurement framework.

### **What is 'Mutual Value'?**

Currently, CMEs have the tendency to focus their reporting mainly on aspects such as members, employees and community. As a result, this leaves a gap in other potential areas where CMEs may be generating value, but have not been adequately captured by reporting. To

address this deficiency in holistic reporting, we therefore examine the concept of mutual value. Mutual value can be defined as the total value that member-owned businesses create to its stakeholders, such as its members, customers, employees, the economy and the broader community. To gain an in-depth understanding of mutual value, we have organised our preliminary findings around four key questions. The first question – *how is mutual value understood?* – examines the different ways of understanding mutual value by CMEs. The second question – *how is mutual value created?* – focuses on the actual practices, products, services, or any other activities carried out in or by CMEs, that link to mutual value creation. The third question – *what are the issues and challenges for mutual value creation?* – outlines the obstacles faced by CMEs in creating mutual value. And finally, the fourth question – *how is mutual value assessed and what are the challenges and limitations involved?* – reviews the wide range of measures used to assess progress and performance, as well as the issues and challenges associated with these existing metrics.

### How is Mutual Value Understood?

Across the CMEs in our study, mutual value is understood as a complex and sophisticated concept, and through its complexity, we have identified six different, yet closely related dimensions of mutual value: Commerciality, Shaping Markets, Members, Community, Ecosystem and Reciprocity, and the Mutual Mindset. The definitions of each dimension are shown below in Figure 1.

**Figure 1: Dimensions of Mutual Value**



**Commerciality.** When it comes to generating economic value, we find that CME members are commonly provided with direct and/or 'in kind' economic value. Direct economic value may take various forms such as providing members with products and services that are essential for the operation and success of the business, as well as numerous cash-based savings such as special discounts and sales, rebates or vouchers. For example, a major motoring company by the name of Neomoon Automobile (not its real name) delivers value by offering individual members with discounts on company products, and third-party discounts on fuel, movies and petrol. On the other hand, 'in kind' economic value can be generated through offering members with products and services at lower prices or higher quality than would otherwise typically be available. Some examples from our interviews include cheaper home

loan rates and insurance premiums, bulk purchase discounts, and locally-based and highly trained staff.

**Shaping Markets.** Across CMEs, mutual value may arise from maintaining a substantial market presence – sometimes referred to as the ‘value of existence’. One aspect was described by an interviewee as playing the role of an “honest broker”, particularly in numerous areas such as to prevent or circumscribe price gouging, to disrupt existing market that fail to meet consumer demands, and to provide greater collective bargaining power. Another aspect is providing products and services that may otherwise not be available, especially if they are perceived as unattractive from a narrow commercial perspective. For example, Union Housing (not its real name) offers accessible and flexible housing options to those who have been socially and economically excluded from traditional housing options, or for whom these traditional options are unsuitable. In particular, Union Housing helps to support the provision of housing to people who have been homeless, were suffering from drug and alcohol addiction, or mental health problems through partnering with a fellow rental housing provider, who has expertise in supporting those people to function in the co-operative housing environment.

Beyond the value of existence, offering alternative business models through providing traditional products and services in potentially distinctive ways, testing new business models and providing proof of concept for emerging innovative products were seen as other ways to shape markets. Going forward, CMEs may play a significant role in helping markets to shape the “rules of the game”. One company recognised that actively remaining in markets was imperative in helping to shape and stabilise markets over the long run, as well as to hold other players accountable for reasonable pricing and service levels.

**Member Relationships.** In order to build and maintain meaningful and ongoing member relationships, having open and honest communication between the CME and its members is crucial. This can be based on providing a basket of products and services to members, particularly items that are tailored to member needs and/or are exclusive to members. Another important aspect of this communication is to think about and treat members as human beings rather than simply customers. An interviewee from Neomoon Automobile emphasised this point by telling us that, “...these days, if you use the ‘c’ [customer] word around here you’re in trouble”. Taking the time to talk to members, recognising and rewarding loyalty, and providing frequent opportunities to communicate with members through formal and informal face-to-face meetings are some other ways to solidify member relationships.

Furthermore, CMEs expressed the importance of linking members with their decision-making processes. This is sometimes referred to as making ‘member-centric decisions’ – decisions that seek to balance profit and member interests. Linking members to decision making is understood both literally, in terms of involving members in decision making, and through incorporating the member’s viewpoint into managerial decision making and thinking. Interviewees from a motoring company called Car Protec (not its real name) frequently used the phrase “how will this decision impact a member?” to articulate how they brought the member into every major decision. On the same note, one interviewee from another organisation expressed how they kept members at the centre of every discussion by “... [putting] the member at the heart of everything that [they] do, every decision that [they] make, every action that [they] take, [and] every decision that [they] don’t make”.

**Community Relationships.** This fourth dimension strongly recognises the importance of investing in and delivering benefits for the broader community. Across CMEs, the scope of community benefit is understood in various ways, extending either to the immediate family and interpersonal network of members, to specific groups in the community or to an entire geographic area. Delivering community benefits also involves direct financial investments, that are available not only to members but the wider community. This could be provided in various forms such as sponsorships, the provision of needed education, advocacy and infrastructure.

Moreover, CMEs may take a very active approach towards delivering community benefits. For instance, some see their role as being agents of social change or addressing social needs. This may include tailoring or targeting services to those who are traditionally excluded from markets or other communities. As an example, one of our case organisations plays a role in providing health care to individuals who may be excluded from traditional health care. They differentiated themselves from other health care providers by being “able to manage a patient who has psychological issues and drug dependencies [... when] a lot of private billing GPs wouldn’t be attracted to that clientele”. The organisation also offers free or discounted membership to individuals who may not be able to afford it, by partnering with local homelessness and social service charities.

Going forward, CMEs may play an advocacy role or empower individuals to bring about change in society. One organisation who is an Indigenous education provider creates social change through supporting agents of social change. The organisation sees themselves as people who train and empower Aboriginal students, who are later then better able to offer support to their broader community. This is depicted in the following quote: “if you change one person’s life and show them that education really changes their community, their opportunities available to them, their career, their lives, I think that’s an amazing legacy”.

**Ecosystem and Reciprocity.** Unlike pure competition, CMEs understand mutual value as the potential (either desired or undesired) for all parties to be able to benefit from being stakeholders of the CME. For example, Union Housing seeks ways to improve housing outcomes through a three-way partnership between its member housing co-operatives, its tenants and the organisation itself. Such a system of multiple benefits is expected to arise through developing reciprocal relationships and mutual reliance, where members and other stakeholders depend on the CME, and the CME depends on members and other stakeholders for successful fulfilment of the CME’s purpose. One of our case organisations referred to this as the notion of a “virtuous circle”, where CMEs provide members and other stakeholders with important benefits, and members and other stakeholders in return provide financial and other resources to the CME, with the CME then providing further benefits, and so on, and infinitum. At its broadest, a virtuous cycle was recognised as being “part of something bigger than yourself”, particularly compared to going beyond a shareholder getting a dividend.

Furthermore, the importance of reciprocal relationships to CMEs is often expressed through the emphasis placed on sustainable growth. Growth is related not only to the CME itself, but it is also spoken about in terms of growing the ecosystem of which the CME and its members are a part of. Our interviews indicate that for CMEs, growth is not a straightforward goal, as it is in many for-profit organisations. Instead, growth is depicted as a strong sign of a well-functioning set of reciprocal relationships and a virtuous circle, which can be evidenced

through an increase in membership numbers, revenue, profitability and/or the number of products and services provided.

**The Mutual Mindset.** The term mutual mindset used in our final dimension forms the foundation of the five dimensions previously discussed. This term was coined by one interviewee to refer to the distinctive ways of operating the organisation, particularly with emphasis given in CMEs to act more ethically and responsibly in contrast to commercial organisations. The interviewee expressed how CMEs can be “a safe pair of hands [with] the history, the principles, the mindset, the values that underpin that”. As CMEs are there to serve members and the community over the long-run, they may be perceived as more stable and resilient to short-term shocks than comparable non-CME organisations. We have further broken down the mutual mindset dimension into four fundamental elements: Doing the Right Thing, Long Term Focus, Being Trustworthy, and Staffing and Governance.

**Doing the Right Thing.** Acting in a genuine, trustworthy, authentic and ethical way, and overall, exhibiting a sense of or commitment to ‘doing the right thing’ are several desired behaviours CMEs should demonstrate. For instance, acting genuinely and authentically can mean ensuring alignment between a CME’s advocacy position, product offerings and staff behaviours. For example, given Neomoon Automobile’s focus on road safety, the company has zero tolerance for staff engaged in unsafe driving practices, such as drink driving and use of mobile phones. Alternatively, ‘doing the right thing’ can relate to the strategic position of the CME being consistent with policies and day-to-day decision making, or partnerships they make.

**Thinking and Acting Long-Term.** At least ostensibly, taking a long-term perspective and being patient in relation to achieving organisational goals is seen as a distinct preference across CMEs. A long-term perspective relates to an understanding of and patience with the length of time required for new products and services to become financially sustainable, cross-subsiding less profitable business units that provide valuable local services, as well as being patient about the time required to achieve success in advocacy, particularly for legislative and regulatory changes. One interviewee explained how focusing on the long-term meant being able to “incur limited returns [in the short run] so that over time the model could grow, and the benefits could flow”. A further element of the long-term view is expressed in CME’s commitment to the lifelong and intergenerational prosperity of members and the member’s families. Acting for the long-term is often contrasted strongly with what is seen as the short-termism of listed, commercial organisations, particularly stemming from pressures to meet or exceed share market expectations.

**Being Trustworthy.** The mutual mindset also captures the importance of the brand and reputation of CMEs, particularly as trusted and trustworthy organisations. Our interviews assert that positive reputation is driven by constantly delivering high quality products and services, whether they be the CME’s own or white label products. In some cases, CMEs noted that “going [above and] beyond” the normal is something they take pride in doing. The importance of being reliable and trustworthy is perceived as particularly acute in products and services where members may be vulnerable and/or where organisations typically have strong market power compared to consumers. Being trustworthy is also seen as central to advocacy, where CMEs build up a reputation for being impartial, for producing evidence-based policy positions, and for advocating on behalf of members and the community, rather than purely for commercial interests. On the flip side, it is important for CMEs to not be seen acting inconsistently with or

violating the values that they advocate for or are trying to safeguard. One interviewee explained the importance of having a reputation for being “squeaky clean” in terms of work, health and safety, given their CME’s promotion of these values more widely in workplaces.

**Staffing and Governance.** Across CMEs, recruiting staff with appropriate commercial and technical skills, as well as having an affinity for mutual purpose, was mentioned repeatedly as crucial. Fulfilling both sets of requirements was seen as vital in helping CMEs to effectively balance the commercial and mutual imperatives. Interviewees also discussed the importance, as well as the challenge, of recruiting appropriate staff, particularly those of senior leadership and Boards positions, who possess both the relevant skills and the appropriate set of mutual values. On top of that, combining commerciality and mutuality also links to the use of distinctive governance arrangements in CMEs. This can include substantial member representation on Boards and/or separate Boards responsible for overseeing member relations and benefits. Here, mutual value is linked to democratic control of CMEs (e.g. one member, one vote), and a desire for strong member engagement in governance processes. As above, this is often contrasted to commercial firms where participation and power is seen to be driven primarily by commercial and economic interests rather than democratic principles.

### How is Mutual Value Created?

Our next research question explores the actual practices, products and services, and other activities carried out in or by CMEs, that link to mutual value creation. Our study finds four distinctive (yet related) ways in which mutual value is created: Member-oriented Products and Services, Engaging with Members and Building Relationships, Community Investments, and Supporting the Mutual Mindset.

**Member-owned Products and Services.** A central way that mutual value is created is through designing and delivering low cost and/or high quality innovative products and services that meet member needs. Across CMEs, this can be demonstrated through different (and potentially overlapping) channels such as direct financial discounts and dividends, commercially competitive and potentially market leading low cost and high quality products and services, highly tailored (and potentially unique) products and services, exceptional and differentiated service offerings, experimental products and services, as well as products and services that help to improve members’ lives. To illustrate an example, one health insurance provider from our study creates mutual value by providing enhanced standards for aged care facilities compared to the norm. The organisation has a different operating model that is built on being a home rather than an institution. This was demonstrated through providing aged care facilities that have a maximum number of occupants, kitchens on each floor for residents, and personal care assistants who have time to have meals with residents.

**Engaging with Members and Building Relationships.** Value is created through caring for and engaging with members and the broader CME sector. Across CMEs, this can occur through different practices such as member engagement and support. For example, members from a credit union that we will call Uniq Credit Union explained how their services are linked to members as people. This involves “authentically connecting with members” through “quality conversations”, where members are the “most important person in the world ... [and] not just a number”. Without the service from staff who are real and authentic, it was felt that members would instead be provided with typical financial services outcome. Other ways to engage with members and build relationships include structural arrangements for

systematically gathering member voice and feeding information into decision making, and engagement with other CMEs – this can occur through knowledge sharing, as well as joint products and services.

**Community Investments.** CMEs create value for the broader community through various ways such as financial sponsorships, advocacy activities, member educations, as well as providing a meeting-place or touchstone that symbolises connection between different people, generations or communities. Neomoon Automobile operates a wide variety of community programs that deliver value, such as two rescue helicopters and a vast set of educational programs focused on road safety. In particular, the organisation conducts elaborate road safety events at schools involving hypothetical motor accidents, emergency services, and even role playing by students. Another example would be from the Indigenous education provider, where they aim to stimulate interest in indigenous culture in Australia and transmission of culture between generations of Aboriginal people and engages in and supports research about indigenous issues in Australia.

**Supporting the Mutual Mindset.** Mutual value creation involves creating, encouraging and disseminating cultural values and norms that support a mutual mindset. This can be demonstrated through a variety of practices such as acting as stewards and passing benefits of the CME from one generation to the next, taking responsibility for the provision of particular products and services, employing staff with the right values as well as the right skills, and undertaking governance and decision-making practices that encourage ethical and responsible behaviour. To illustrate an example, one of our organisations creates value by being a steward for customers, as well as acting genuinely, and doing the right thing. One interviewee expressed how the organisation is the “custodian of their security [and] their sense of safety”. Interviewees further discussed how value can also be created by remaining true to purpose as a mutual, particularly in reference to the ongoing balance and tension between profitability and member value. They believed that it is important to avoid developing a product or service for “different cohort of people to who [their] members actually are”. For instance, building aged care homes for people with more than a million dollars would be very profitable, however, it would not serve target members of the organisation.

### **What are the Issues and Challenges for Mutual Value Creation?**

CMEs face a number of issues and challenges when it comes to creating mutual value. From our analysis, we have identified and grouped these complications under four areas: Maintaining the CME Purpose, Member Relations, The Scope and Purpose of Community Investments, and Organisational Capacity for Supporting the Mutual Mindset.

**Maintaining the CME Purpose.** Mutual value creation may be challenging due to the tensions over or the lack of clarification about the purpose of the CME. Across CMEs, there are constant discussions and debates about reinvigorating mutual purpose and developing a clear articulation of the advantages of the ‘modern mutual’, the purpose of membership, and a clear member value proposition. Relatedly, retaining the heritage and historical roots of the CME can be challenging as over time, long-established CMEs, particularly those in sectors with now well-developed markets and many providers, may gradually depart or evolve from their original founding purpose. In a similar vein, maintaining the CME may be difficult because of the lack of clarity regarding who the ultimate beneficiaries are, the tensions over the extent of which products and services are distinct from other providers, the potential for

innovative products to be a work-in-progress, and finally, there could be problems around whether exceptional service and/or cheaper products are a substantive differentiator for CMEs and sufficient for delivering mutual purpose.

***Member Relations.*** Creating mutual value is also challenging owing to the difficulties in the ability to clearly articulate member value, as well as the complications to develop and maintain meaningful member engagement with CMEs.

***Problems associated with articulating member value.*** The challenge with articulating member value can be the result of member's inadequate understanding of the role and purpose of their membership, as well as CMEs not clearly distinguishing and defining between individuals as customers, and individuals as CME members. This can therefore lead to a lack of understanding, both in the CME and by members, of what value is added by membership, compared to a customer. Other issues associated with the challenge in member value articulation include the tensions in balancing individual member needs/rights with the needs/rights of the collective membership, the tensions in balancing the democratic principle of one member, one vote with the disparate commercial and economic value of different members, as well as the complications in articulating the value for an individual member out of the total basket of mutual value.

***Problems associated with maintaining meaningful member engagement.*** Meaningful member engagement can be challenging to maintain due to several reasons. One reason relates to how members may only see themselves as customers and therefore not be aware that they are actually members of the CME. Another reason is the challenge of shifting members away from a transactional relationship towards being advocates, as well as the difficulty in trying to engage a large and dispersed membership base. One example was demonstrated through the diversity of the member housing co-operatives at Union Housing. These housing co-operatives can be extremely different from one another, ranging from new intentional communities of highly engaged tenants, to co-operatives that no longer have the cohesion or momentum. As such, engaging with all housing co-operatives in a uniform manner would not suffice. Other problems associated with maintaining meaningful member engagement include member's inadequate understanding of CMEs and how the CME business model is potentially different from competitors, member's unawareness of the rights and benefits associated with membership, the tensions in balancing the needs of members today with the responsibility to prepare and educate members for future changes, and the challenge of responding to member needs yet avoiding focusing too strongly on existing members to the detriment of long-term growth and sustainability (i.e. mutual reflex).

***The Scope and Purpose of Community Investments.*** Although all CMEs are focused on the community as a central component of mutual value creation, a core challenge relates to understanding (and potentially defining) the precise scope and purpose of community investments. In particular, several problems that we find include the tensions over the definition and scope of 'community' for individual CMEs – what and who are the target community and what is the desired extent of reach into those communities?, the complications within CMEs to articulate the purpose of community value – to what extent is community value essential to the purpose of a CME, or is it a product?, the tensions over what is the most appropriate mechanisms for delivering community value, the lack of clarity over the extent to which mutual



value contributes to the community, as well as the tensions in trying to balance commerciality and community value.

***Organisational Capacity for Supporting the Mutual Mindset.*** CMEs reveal that they have various practices in place for creating, encouraging and disseminating cultural values and norms that support a mutual mindset. The mutual mindset is an integral dimension of mutual value and the lack of capacity to develop measurement of this key dimension has therefore acted as a barrier for the ‘mutual value creation story’ to be told to the Australian community. Our analysis highlights a number of specific challenges in supporting a mutual mindset, particularly issues relating to governance, staffing, and decision making and member engagement.

***Problems associated with governance.*** Creating mutual value can be challenging owing to the difficulties in developing governance and decision-making practices that encourage a mutual mindset in staff, directors and members. The tensions over the priority given to member representation versus commercial skills in the composition of Boards, as well as the tensions over whether and how to incorporate a more active role for members in strategic decision making (particularly around giving members a formal role in approving/voting strategic decisions) can also hinder mutual value creation.

***Problems associated with staffing.*** Mutual value may be difficult to create due to a number of issues related to staffing. Our study finds that there is an ongoing challenge in relation to the recruitment of staff with the ‘right’ mix of commercial skills and mutual ethos. On a similar note, there are also the tensions over whether and the extent to which financial incentives and bonuses for senior staff and directors are necessary and/or appropriate, as well as the challenge over how to incorporate measures related to the mutual mindset and community value along with a traditional focus on profitability/financial metrics.

***Problems associated with decision making and member engagement.*** Challenges around creating mutual value can also be the result of the difficulties over how to incorporate community value and a long-term time horizon into evaluation of business profitability and sustainability, the lack of formal mechanisms for communicating member benefits and mutual value to individual members, as well as the challenges of developing formal mechanisms to ensure member perspectives and voices are “in the room” when decisions are made.

### **How is Mutual Value Assessed and What are the Challenges and Limitations Involved?**

CMEs use a wide range of metrics to assess performance and progress (see Table 1). At a glance, we find that these member-owned businesses tend to report mostly on information relating to members, employees and the community, and therefore a number of key dimensions of mutual value were not measured (e.g. shaping markets, mutual mindset, and ecosystem and reciprocity). We find several systematic issues and challenges relating to mutual value assessment, which have been grouped into six areas: Distinctiveness of Metrics, Use of Qualitative Assessments, Measurement Boundary and Benchmarking, The Role of the Member, The Purpose of Measurement, and Organisational Capacity of Measurement.

***Distinctiveness of Metrics.*** Across CMEs, there is a tendency for reporting to be done using relatively familiar quantified business metrics and frameworks that are typically drawn from listed, for-profit and charitable sectors. As a result, there are comparatively few metrics

that specifically relates to the value that is being generated by CMEs, or the CME's distinctive culture and way of operation (e.g. doing the right thing, being trustworthy). On top of that, these measurements tend to be largely focused on short term value, however an integral part of the value from mutual mindset relates thinking and acting long term. The overall lack of distinctive measures can therefore lead to difficulty in interpreting and communicating CME performance effectively.

***Use of Qualitative Assessments.*** CMEs often have an expressed or revealed preference over the use of quantitative measures. Although qualitative assessments, such as member feedback and personal stories, are often viewed as central to capturing what is distinctive about CMEs, there are a number of practical issues associated with this, including how to capture data systematically, how to make information more digestible for decision making, as well as how to make it comparable. Moreover, there is a tendency to believe that qualitative measures are subjective, intangible, objective, hard, as well as not being sufficiently scientific. This is an ongoing challenge, and raises questions over whether and to what extent staff in CMEs have the appropriate skill base for using and integrating both quantitative and qualitative approaches to measuring mutual value.

***Measurement Boundary and Benchmarking.*** Mutual value measurement can be challenging due to measurement boundaries such as the wide variation in the scope of member and community benefits CMEs do (or could) measure and account for, issues over whether the focus of measurement should be individual members and/or the collective membership, as well as the tensions over the extent to which CMEs need to focus on capturing and measuring benefits for members only, or also members' families, communities and/or broader society. Furthermore, the difficulties in identifying suitable organisations for benchmarking can also be an issue when it comes to measuring mutual value, particularly where CMEs offer distinctive and potentially unique products and services.

***The Role of the Member.*** Within CMEs, there is a tendency for the development of mutual value measures to be carried out by senior staff, with members providing inputs for specific measures (e.g. through completing a member satisfaction survey). We find that there is seemingly little involvement of members in designing or evaluating metrics, particularly for those measures that purport to capture member value.

***Purpose of Measurement.*** Effective measures are typically those that have been developed with a primary purpose and audience in mind, whether that be the senior staff, the membership or the broader community. However, we find that there is often a lack of clarity over the ways in which measures of mutual value are (or should be) used. In particular, our analysis reveals that CMEs do not clearly indicate whether measures are to be used for internal decision making, for governance, for reporting to individual members, and/or for reporting to the broader membership and general public. This is important because different measurement purposes are potentially inconsistent, as different audiences tend to need or prefer different types of measures.

***Organisational Capacity of Measurement.*** Across CMEs, there is a potential lack of investment in systems that help to track member and community impacts, as well as the tendency to locate responsibility for mutual value measurement to the accounting and finance area. As a result, this potentially leads to a lack of involvement in staff from areas such as member relations, as well as a focus on financial and quantitative methods of assessment. We

also find that CMEs are unable to or lack the willingness to experiment with and make do with imperfect measures, and have staff that may not have the appropriate skill base for using and integrating both quantitative and qualitative approaches to assessment and evaluation.

**Table 1: Use of Metrics in CMEs**

Area of focus	Examples of metrics
<b>Standard financial metrics</b>	<ul style="list-style-type: none"> <li>▪ Net profit after tax</li> <li>▪ Return on equity</li> <li>▪ Return on assets</li> <li>▪ Revenue</li> <li>▪ Market share</li> <li>▪ Growth in profit</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>▪ Number of employees</li> <li>▪ Employee engagement and satisfaction</li> <li>▪ Safety measures</li> <li>▪ Absenteeism, turnover and retention rate</li> <li>▪ Net promoter score</li> <li>▪ Gender diversity and equality</li> <li>▪ Culture</li> <li>▪ Formal qualitative feedback through surveys and staff testimonials</li> </ul>
<b>Members</b>	<ul style="list-style-type: none"> <li>▪ Member scale (e.g. number of members, number of new members, percentage growth in membership)</li> <li>▪ Member engagement and satisfaction (e.g. through member experience surveys, number of complaints, net promoter score)</li> <li>▪ Monetary value of individual members, such as dollar amount of savings on products and services, dividends</li> <li>▪ Monetary value for collective membership, such as dollar amount of savings for membership from specific products and services</li> <li>▪ Feedback, such as qualitative feedback on member experiences through surveys and member panels, informal qualitative feedback on member experiences through ad hoc stories and anecdotes</li> <li>▪ Member value (e.g. dollar value of discounts, rebates)</li> <li>▪ Member return metrics (e.g. percentage of financial return for members)</li> <li>▪ Member transaction counts</li> </ul>
<b>Community</b>	<ul style="list-style-type: none"> <li>▪ Contribution to community (e.g. dollar amount and percentage of profits invested, staff time in community events/volunteering)</li> <li>▪ Community-related products</li> <li>▪ Impact on community from sponsorships, advocacy and education</li> <li>▪ Aggregate impact on community value</li> </ul>

### What is Happening in the Next Phase of the MVM Project?

Phase one of the MVM research project helped us gain an extensive understanding of how mutual value is understood, created, and assessed in CMEs. Using the issues and implications identified, we now seek to develop a robust and reliable MVM framework to address the current deficiency in value reporting by CMEs. We hope that the framework will be used by many member-owned firms to help report and capture their economic and social contributions to its members and the broader community.

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