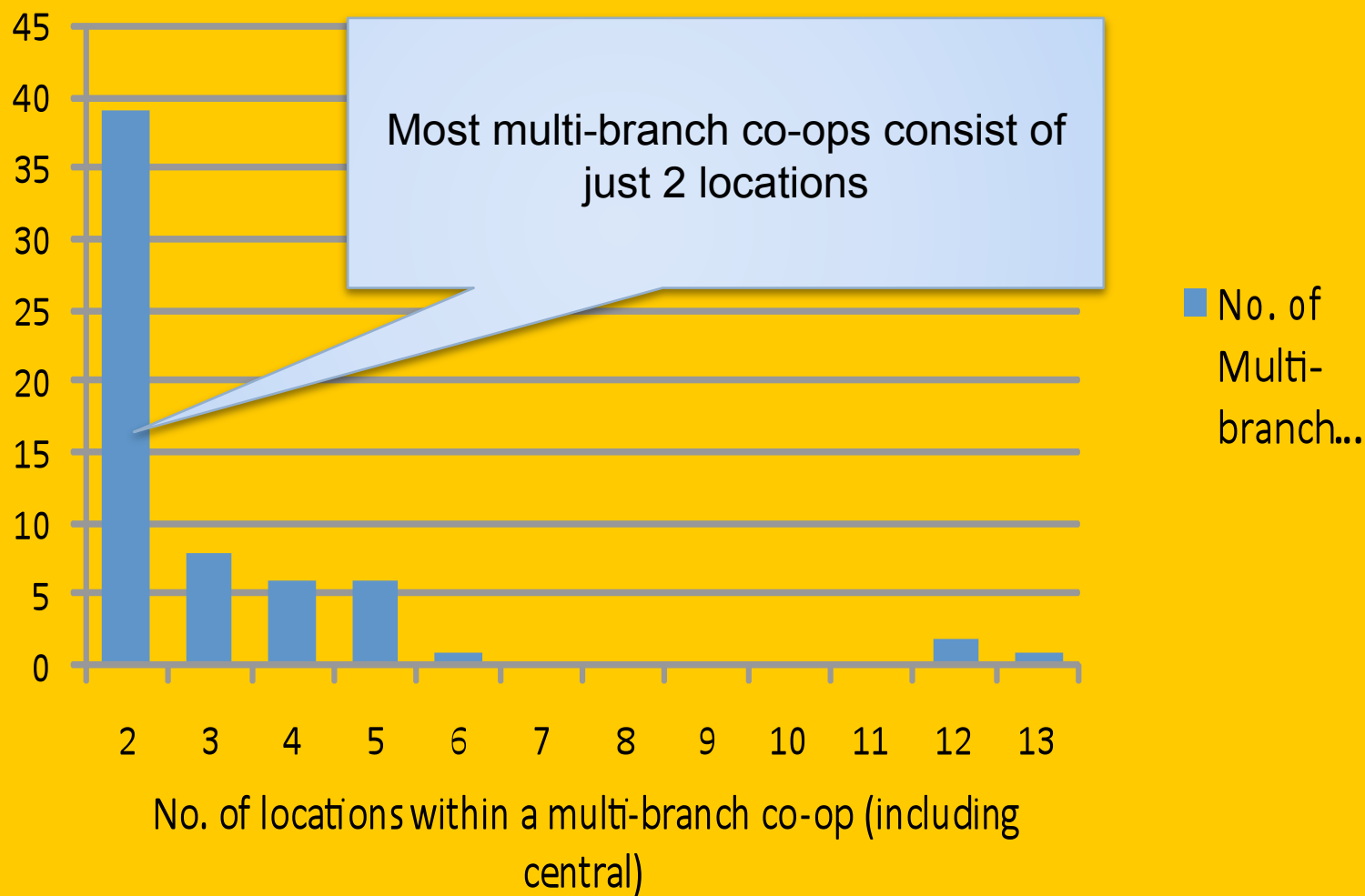


# Size (Number of Locations)





# Number of locations

These 63 co-ops have total of  
**136 branches**

# Total number of locations

**406  
communities  
still have a  
co-op**

270  
retails

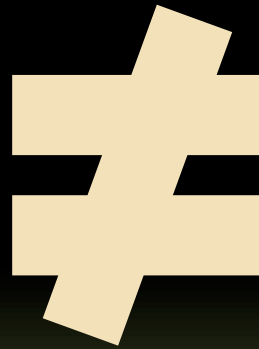


136  
branches



406  
locations

Key point?



(In general)



# Literature

## Context

- The Co-operative Retailing System (CRS)
- Amalgamations in CRS
- Current Situation
- **Literature**
- Our Study

# Research on Amalgamations?

Rural  
retail

Credit  
unions  
&  
large ag  
co-ops

Business:  
Mergers and  
acquisitions



# Typical motivations for M&A


- Economies of scale
- Diversification strategy
- Expand market share
- Eliminate competition
- Stave off competitors
- Improve shareholder earnings
- Other “efficiencies”

(But are these the needs of rural retailers?)



# Retailing in Rural Areas

Two studies:

- Leistritz, Ayres and Stone (1992) – three American states
  - Canadian Rural Revitalization Foundation (2000) – co-ops and SME
- 





# Commonalities

Rural retailers need to:

1. Stem out-shopping (i.e. maintain market share)
2. Hire qualified personnel (especially managers)
3. Access capital for expansion, renovations



# Questions

## Are amalgamations motivated by:

- Economies of scale, efficiencies, market share...?

## Do amalgamations speak to needs of rural retailers?

- Stemming out-shopping, hiring staff, accessing capital



## And what about co-ops?

We know co-ops are unique - will the impacts be different compared to other businesses?

Again only a few studies looking at co-op mergers but **co-op growth** is well researched

# Potential Impacts Related to Growth

## ■ **Participation**

- Decreases as co-op grows
- More people, less influence in voting

## ■ **Loyalty**

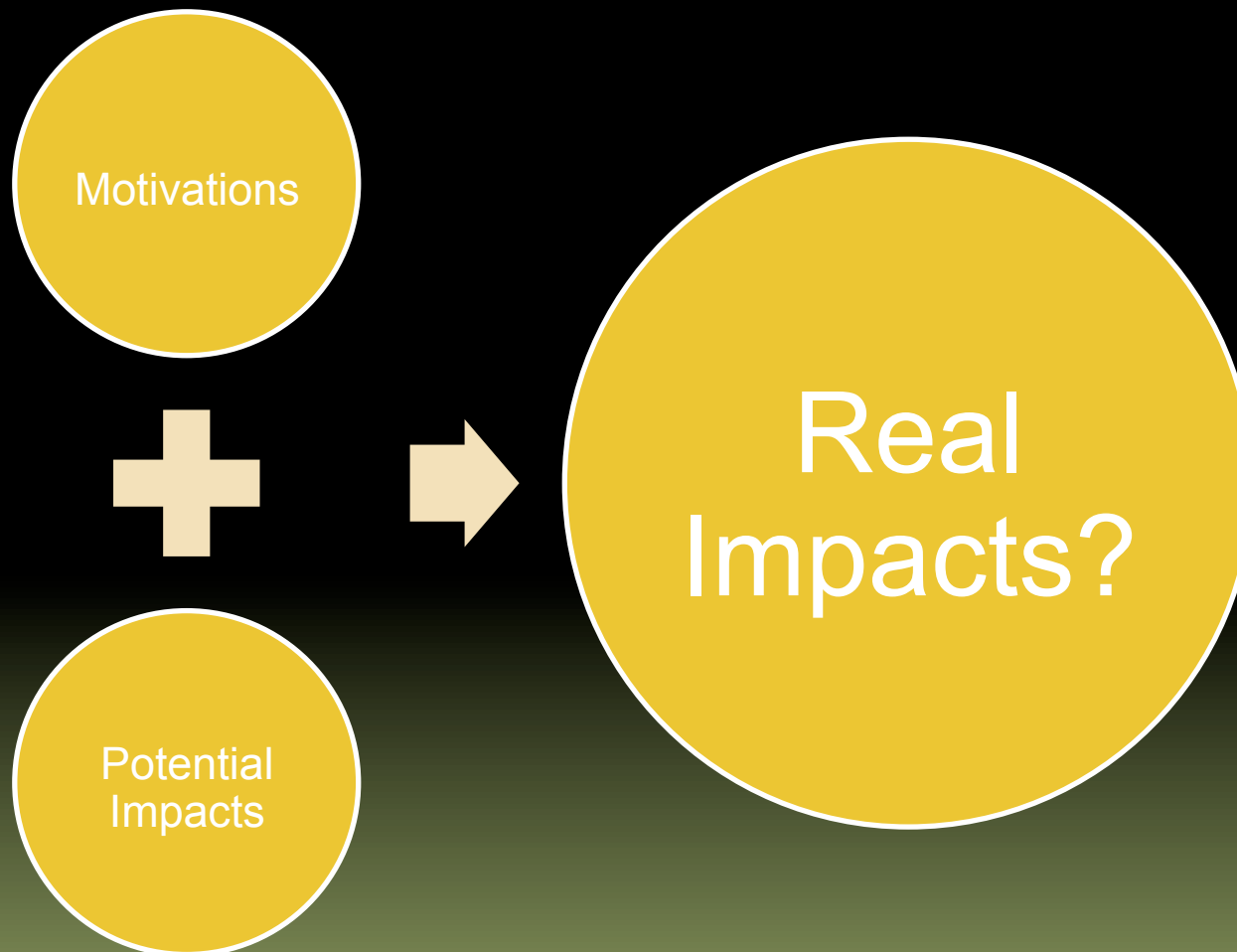
- Harder to maintain
- Co-op and other businesses appear the same

# Potential Impacts Related to Growth

- **Control**

- Co-op is more complex – oversight may become more complicated
- More delegation of authority to board; board delegates more to management
- “Representativeness” of board?

# And More Questions





# Our Study

## Context

- The Co-operative Retailing System (CRS)
- Amalgamations in CRS
- Current Situation
- Literature
- **Our Study**

# Methodology: Three Case Studies

## Geographical

- Three prairie provinces

## Experience/ Size

- 2, 5 and 12 locations

## Time since amalgamation

- Recent vs. several years ago

## Type of Agreement

- Amalgamations and Acquisitions





# Data Collection

- About 45 face-to-face interviews with:
  - Members
  - Managers
  - Board members
  - Staff
- Eight communities

# Terminology

## Acquired

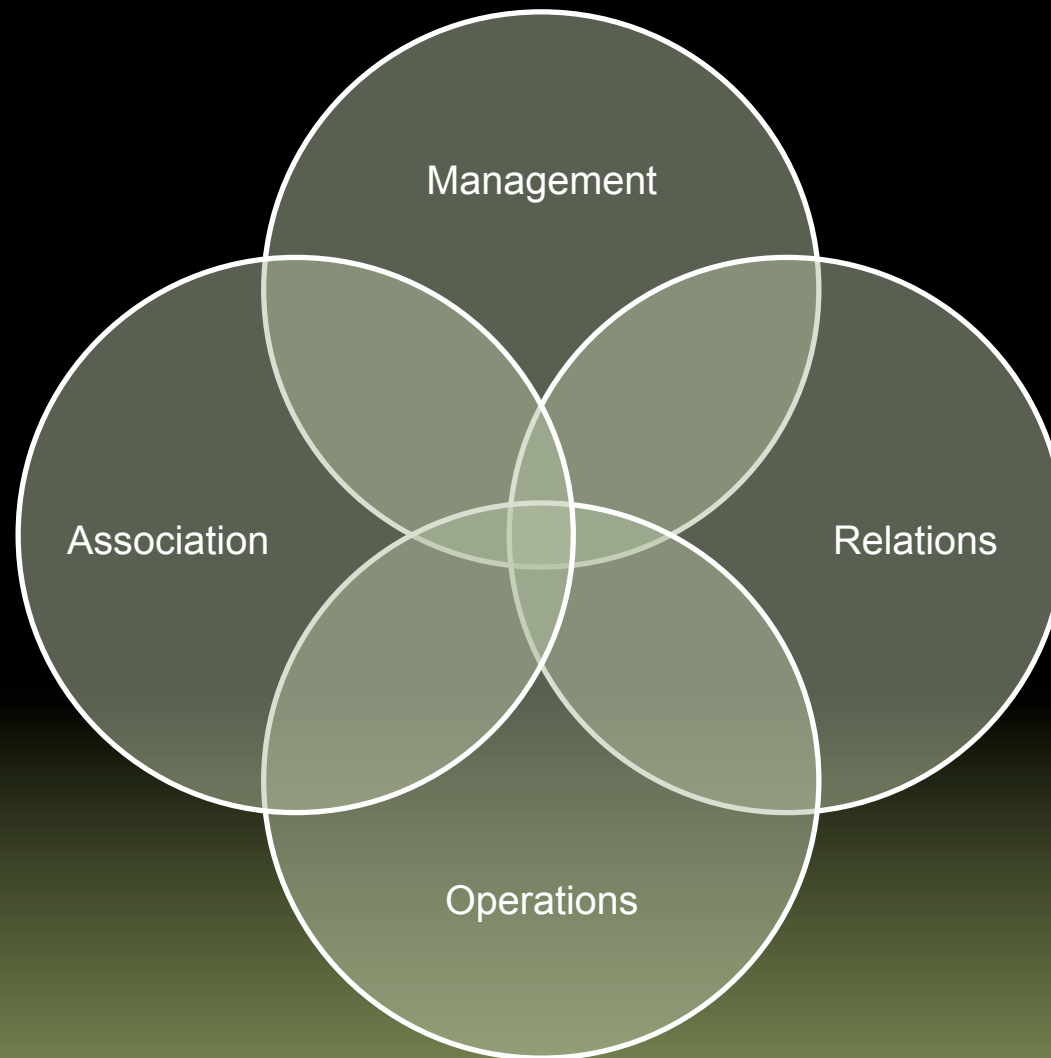
- Smaller co-op
- The “approacher”
- The “branch”
- Changes name



## Acquiring

- Larger co-op (substantially)
- Central office with GM and administration
- The “approached”
- Hosts annual meeting
- Usually retains name

# Four Areas of Investigation:





# Motivations/Concerns

## Findings

- **Motivations/Concerns**
- Impacts on Association
- Impacts on Operations
- Impacts on Management
- Impacts on Relations
- Summary & Considerations



# Motivations:

- Different for acquired and acquiring co-ops

# Acquired (smaller) Co-op Motivations

## 1. Hiring a manager

- How to attract experienced managers to small communities?



# Acquired (smaller) Co-op Motivations



## 2. Lack of Capital

- Not in red but lacked capital to make improvements to store, update equipment, etc.

# Acquired (smaller) Co-op Motivations


## 3. Long-term Viability

- Management + capital concerns = questions about long-term viability

“We were one major equipment failure away from being in the hole...”







# Acquired (smaller) Co-op Motivations

## Other motivations:

- More positive examples of amalgamations in CRS
- Economies of scale
- Increased buying power



# Acquiring Co-op Motivations

## Expand market

- Co-op “territory” is respected
- Opportunity to provide more services to members

# Concerns: Matrix

	Acquired	Acquiring
Inexperienced	Autonomy? Name? # of board members?	Operations? Dividends? Name?
Experienced	Store closure?	Few concerns

# Observation

## Motivations

Association

Business

Serve members

Capital

HR

Market

Viability

## Concerns

Business

Association

Dividends

Closure

Autonomy

Name

Governance



# Associational Impact

## Findings

- Motivations/Concerns
- **Impacts on Association**
  - **Locally controlled**
  - **Member participation**
  - **Governance**
- Impacts on Operations
- Impacts on Management
- Impacts on Relations
- Final Observations



# Locally Run and Controlled

**Most felt it is still locally run because:**

- Members still have a say (if they work at it)
- Board involvement (if they choose)
- Shift in understanding of “local” – expanding to be more inclusive
- Staff stayed the same
- Bought store from FCL – even more control

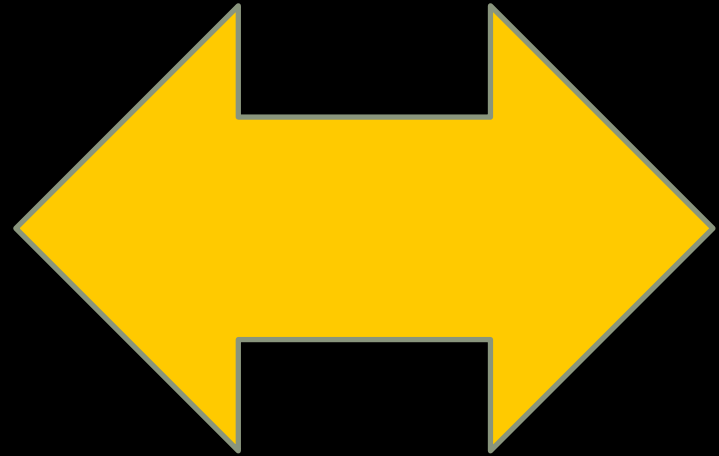
# Branch Member Participation

- **Interest in Annual Meeting**
  - E.g. 80 people at local AGM but few at regional AGM
- **Interest in being on board**
  - E.g. 7 board members on local board but few if any on the regional board



# Impact on Governance / Structures

- Little change in:
  - Board size
  - Annual meeting
  - Number and types of committees








# Impact on Governance Structures

## Board Elections

- Co-op with two locations:
    - Number of board members are divided proportional to number of members
  - Other two large co-ops (5 and 12 locations)
    - No seat allocations
    - Members at large
- 



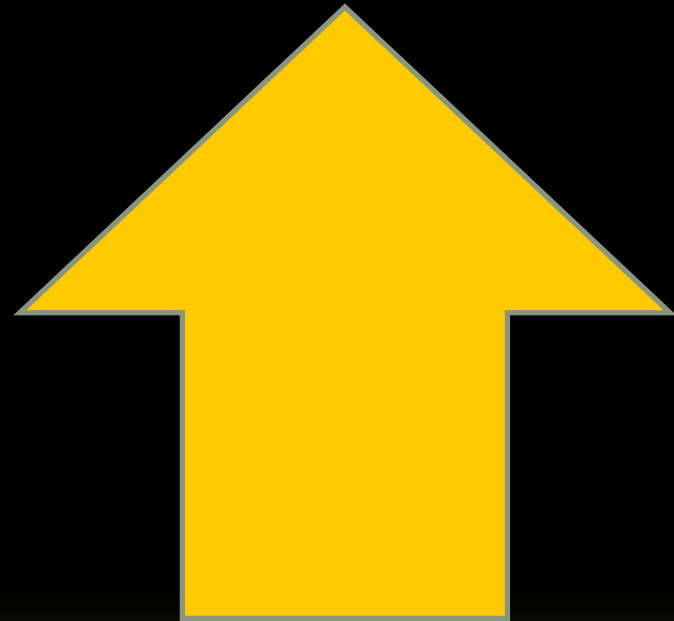
# Impacts on Operations

## Findings

- Motivations/Concerns
- Impacts on Association
- **Impacts on Operations**
  - Facilities
  - Products
  - Services
  - Sales
  - Dividends
- Impacts on Management
- Impacts on Relations
- Summary & Considerations

# Impacts on Branch Operations

- Store/Facility improvements
- Product variety and availability
- Quality of service
- Sales volume
- Dividends



# Improvements: Examples

It rivals any store  
in the city



# Impacts on branch operations

- **Prices**

(although more sale items)

- **Number of services at location**

(although could access more through multi-branch system)



# Impacts on Acquiring Co-op Operations

- Operations of larger co-op is not impacted significantly due to differences in sales volume

(e.g. \$138 million vs. \$3 million)



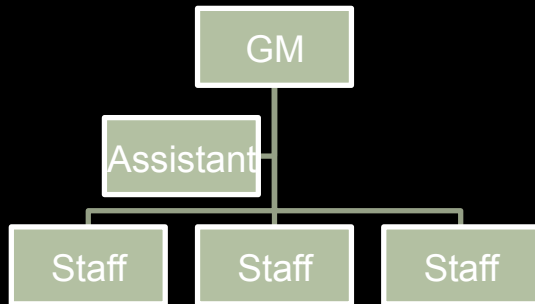
# Impacts on Management

## Findings

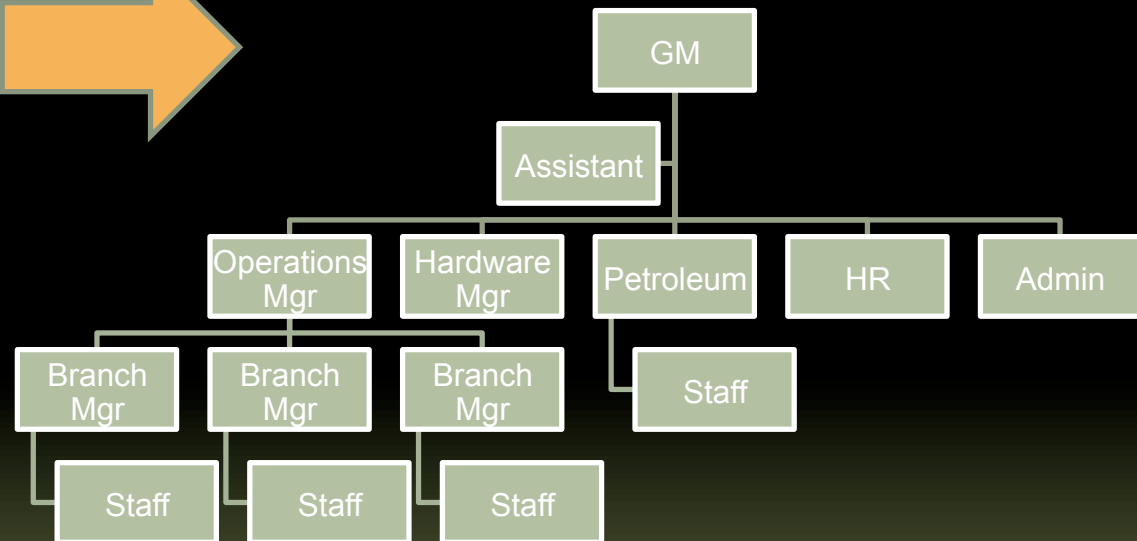
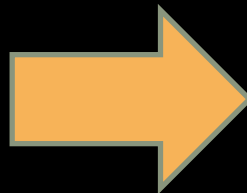
- Motivations/Concerns
- Impacts on Association
- Impacts on Operations
- **Impacts on Management**
  - **Differentiation**
  - **Managers' jobs**
  - **Hiring**
  - **Decision-making**
- Impacts on Relations
- Summary & Considerations

# Impacts on Management: Differentiation

Small Independent  
Co-op



Large Multi-branch  
Co-op



Why don't boards have the  
same complexity?





# Impacts on Management: Jobs

## Acquired

### Local Manager:

- “off the hook” for difficult local decisions
- More time for members
- Increased support (which is positively received)

## Acquiring

### General Manager:

- More time dealing with managers
- Accessibility may decline



# Impact on Management

## Hiring:

- “Supervisor” replaces branch manager
- GMs promoted to larger co-op in CRS



# Impact on Management

## Decision-making:

- Larger co-ops have protocol/procedures so decision-making might be **fairer** process
- But based less on personal relationships
- Can they find a balance?

# Impact on Management

**Major**  
spending  
decision for  
small,  
independent  
co-op



**Regular**  
business  
decision for  
large multi-  
branch co-op



# Impacts on Relations

## Findings

- Motivations/Concerns
- Impacts on Association
- Impacts on Operations
- Impacts on Management
- **Impacts on Relations**
  - Among Co-ops
  - With FCL
  - With communities
- Summary & Considerations



# Relations among co-ops

- Less competition among co-ops – especially dividends
- Shared risk / prosperity
- Co-operation among co-ops
  - sharing equipment
  - moving product from store to store
  - increasing importance of logistics



## Relations with FCL?

- Managers from larger co-ops may have more influence in FCL policies?
- Delegates have more influence at FCL annual meetings?



# Relations with Community

- Change in donations?
- Involvement spread thin among communities?
- Better understanding of other communities (particularly board members who visit these communities)





# Impacts on Operations

## Findings

- Motivations/Concerns
- Impacts on Association
- Impacts on Operations
- Impacts on Management
- Impacts on Relations
- **Summary & Considerations**



# Summary

Respondents generally **positive** about the change

For the acquired co-op:

- Almost immediate improvements to store/facilities – decrease fears about closure
- Increase sales volume
- Increase in dividends



# Summary

Amalgamations speak to needs of rural retailers:

- ▣ Hiring managers
- ▣ Reducing out-shopping
- ▣ Access to capital



# Considerations

Is declining interest in the board a result of:

- Overall change in people's willingness to be involved in community?
- A problem specific to larger co-ops
  - Increased responsibility of board
  - Increased complexity of the decision-making
  - Increased time commitment



# Considerations

- What are the impacts of changes seen in member engagement?
  - Impact on loyalty and trust?
  - Need to monitored and managed by the co-ops



# Considerations

Should **board complexity** match **management complexity**?

- Should nine boards members be responsible for oversight of large complex organization?

(Gray and Butler, 1994)



# Thank you

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