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## The Real Business of the Co-op

**Linkage, transparency, and cognition are key to fully developing member relations**

BY PEG NOLAN



What is member linkage? How do we know if we're doing enough? Shouldn't members be more "involved" with our co-op? These are questions that often come from boards, general managers, and staff as they struggle to improve member relations at their co-ops. While this emphasis on member relations is important, the way we approach it may be too limited, and therefore ineffective.

Before we improve member relations, we may first need to redefine it. Our first task is not to improve member relations, but to rethink, "What is 'member relations'?"

A new resource for defining member relations is a recently published booklet by Canadian cooperator Brett Fairbairn. Fairbairn is the Director of the Centre for the Study of Co-operatives and Professor of History at the University of Saskatchewan. His booklet distills the essence of the relationship between co-ops and their members in a simple yet radically different way.

Fairbairn's Three Strategic Concepts for the Guidance of Co-operatives: Linkage, Transparency, and Cognition proposes that member relations is not merely a part of what we do, a task for the board of directors or the marketing and membership personnel, but rather it is the business of the co-op. There is no separation between what a co-op is or does and the members who shape and use their co-op. Rather than "ghettoizing member relations" by relegating these duties to a particular department, Fairbairn suggests that we see it as having a central place in every bit of what the co-op does. This view is a breakthrough in thinking about members and linkage and provides us with some new, key concepts for framing how we structure our interaction with members, as well as additional tools that we can use to do so.

### Economic linkage with members

In Fairbairn's view, member relations starts with an understanding of economic linkage. In fact, he asserts that it is this economic linkage that makes the enterprise a co-operative, which he states is "an organization formed by people when they see a need to employ a different economic tool to accomplish what they want."

He asks: "Why do members invest capital, time, and loyalty in their relationship with a co-operative?" His key answer is, "because they trust that doing so will be in their own interest as well as the interest of other members."

It is this economic linkage that creates member trust. Co-ops earn their members' trust when they are perceived by their members "to be dedicated to serving members' needs, not the needs of the organization or of any other group." Being relationship-based "highlights the importance of trust and agency: how much and in what ways members trust the co-operative; to what extent it is efficient in acting as an agent of their interests."

The co-op must "actually be an effective agent for what members want and need." Just as importantly, members must perceive that the co-op is an efficient agent. And, according to Fairbairn, it is the members' ability to perceive this effectiveness that creates trust. Further, if members do not perceive this effectiveness, the co-op "will gain no advantage from the relationship."

If a co-op prospers, members prosper, and as members prosper, the co-op will too. This linkage, over time, more closely aligns the co-op's business with members so that each "provides exactly the kind of service, product, or patronage that the other can best use." This kind of relationship does not happen by accident, "but is the result of structure, strategy and evolution over time to achieve results that are achievable in no other way."

This strategy of aligning co-op services and members behavior to "fit together" allows the co-op and its members to "act like a unit with respect to the wider market." It also requires that the co-op actively links its members to the industry or sector within which the co-op exists in order to enhance the members' ability to perceive the co-op as an advantage. If the co-op does not actively seek to educate the membership about the market sector within which it exists, it risks having members who are weak in perceiving or acting upon that connection, making the co-op more vulnerable.

How does economic linkage translate to our stores? Do members see the co-op as their buying agent or as just another store trying to sell them something? While I am not suggesting that members get involved in making specific operational decisions, it is important that operational challenges are met according to goals that are the result of some sense of joint direction and understanding about those challenges.

## Transparency in co-ops

Hand in hand with linkage is transparency. Linkage relates to "why and how the co-op is devoted to meeting member needs," while transparency is "how the members see their cooperative and its activity." It is an integral part of what constitutes the trust that is the cornerstone of members' relationship with their co-op. While it includes communication and reporting—what we traditionally think of as member linkage—transparency goes well beyond this and involves the deeper areas of "structures and operations that members can see are designed around their own needs." In so saying, Fairbairn clarifies for us what our operations need to be in order to meet their needs. Co-ops that are aligned with their members' changing needs foster member loyalty and trust in their co-op as an agent of those needs.

Transparency is critical to long-term survival and, when practiced to create member understanding of the cooperative and the industry or sector of which it is a part, it forms the root of member loyalty over time. Transparency requires not only that members have "a mental image of their own relationship to the co-op," but that members also have "a mental image of other members' relationship to the co-op" in order to see what different services are required by different member groups. An individual's interests and the interests of other individuals within the co-op must be transparent to all members in order for members to fully trust their co-op's ability to be a good agent in meeting those needs.

Fairbairn suggests that becoming more transparent can be "one method for co-ops to get more from their membership, to enjoy greater loyalty, to raise capital, or to have higher participation and better leadership." In fact, the more of these that the co-op seeks from its members, the more transparent it will need to be. Transparency, then, is not only about election process but is also about finding ways to involve stakeholders in thinking and planning key strategic decisions.

### Transparency in Cooperatives

- members are well-informed—frequently and through multiple channels—about business, service, and financial results
  - members understand the industry or sector of which their co-op is part; they can see "through" their co-op to markets, forces, social and economic trends beyond
  - members see the different clusters or "pillars" of activity within their co-op, the incentives or cross-subsidizations that are built in, and they accept the appropriateness of these
  - members understand the different interests or stakeholders in their co-op
- Brett Fairbairn, Three Strategic Concepts for the Guidance of Co-operatives: Linkage, Transparency, and Cognition

## Cognition—a path for changing

How does your co-op 'think'? This question is the basis for understanding how your co-op can determine what and how to change, and be better able to plan for the co-op's future. Fairbairn suggests that a co-op needs to actively involve itself in the process of changing itself by thinking. This process engages members and the entire organization in changing, using "a thinking or cognitive process, involving imagination, discovery, systematic investigation, and pragmatic choice among well-understood options."

Further, he delineates several main elements of a basic cognitive model that include determining—in relation to members and the food co-op sector—your co-ops sense of its current and historical identity, and a sense of your co-op's mission. These identity needs to be shared by various co-op stakeholders, and your co-op will need a mechanism for testing, researching, and discussing these understandings and for encouraging innovation.

Research, an essential factor in any process for developing your co-op's vision, tells us which things matter most. Without research about our market and industry, members' needs, technology and other types of information, co-ops are left to base their decisions on the past or on hunches and rolls of the dice.

Fairbairn contends that cooperative education is an activity that satisfies cooperative principles and acts as a way of holding the cooperative and its members together and on course. Different perspectives can be seen as a source of strength and need to be sought out "in research and education as in governance and operational strategy." Research, good analysis, and interesting new ideas are constantly required and need to be linked to board, manager, employee, and member training as well as other educational activities.

The key concepts of Fairbairn's approach describe member relations as an organizing principle for the entire co-op, where every stakeholder has a role to play, rather than placing the job of member relations in the purview of one department or of the board of directors. We all know that co-ops exist to serve their members. Using economic linkage, transparency, and a cognitive model for planning your co-op's future will assure you that you are indeed serving the members!

### **Cognitive Models in Cooperatives**

- the co-op operates with a clear mental model of itself (sense of identity) and of its role in the wider sector or industry (mission)
  - these models are widely understood and shared among stakeholder groups (members, elected leaders, managers, employees, others)
  - the co-op undertakes research in an organized way to analyze changes in its membership and its environment
  - organized research activity is connected to the way the co-op regularly revisits, discusses, and revises its identity and its mission
  - the co-op encourages innovation and has mechanisms for innovations to be tested on a small scale
- Brett Fairbairn, Three Strategic Concepts  
for the Guidance of Co-operatives: Linkage, Transparency, and Cognition