

AROUND THE CO-OPS

Capricorn continues to grow and diversify

by Trent Bartlett

Chief Executive Officer, Capricorn Society Ltd

Capricorn Society Ltd was established in Australia in 1975 as a cooperative for the automotive service and repair industry. Operating now in three countries, including New Zealand,



Capricorn is one of the southern hemisphere's largest automotive parts buying groups, with over 12,000 member businesses buying around NZ\$1bn in goods and services each year from a preferred supplier network of 1,300 top name automotive suppliers.

From 2006, and prior to constitutional and corporate change, Capricorn had expanded services to members with the establishment of Capricorn Mutual Ltd, an insurance alternative, and was operating a travel agency through a subsidiary.

The co-op also has an extensive IT department which had developed software to assist the management of Capricorn's cooperative business, similar to CAPlink, which now handles more than 400,000 transactions per month via secure electronic data transfer.

FINANCIAL SERVICES

To allow the cooperative to operate in other areas of commerce, including financial services, Capricorn converted to an Australian public company in 2006. Its cooperative principles, however, are enshrined in the constitution, and the business remains governed by a board which comprises predominantly member elected directors, who are themselves Capricorn members.

Shortly after this constitutional change, Capricorn Society Financial Services Pty Ltd was established as a wholly owned subsidiary. Then Regis and Partners Pty Ltd was established, bringing together the specialist mutual skills of Regis Mutual Management out of London with the cooperative strengths of Capricorn. Regis and Partners is a joint venture between Regis Mutual Management (Australia) Pty Ltd and CSFS.

Setting up Regis and Partners has allowed Capricorn not only to manage its own mutual but also provide mutual services to others, including:

- Unimutual Ltd, which provides property and liability protection for universities in Australia and

Candidates are expected to be, and will be treated, as graduates. Therefore, a working (as opposed to academic) knowledge of company law, transaction and management cost economics, strategic management, and governance will be assumed at admission.

The learning outcomes listed below have been informed by the Association's needs. Essentially, they are based on a desire to understand the underlying theory and purpose of cooperatives, why they are formed and what and how they endeavour to deliver to their members.

EXPECTATIONS

Most important is the desire to understand the various alternative structures and strategies adopted by cooperatives as they deliver to their members and to have a better understanding of how to assess performance over time.

The course will:

- demonstrate advanced knowledge on the theory and practices of cooperatives
- rationalise the complexity of supplier/shareholder and buyer/shareholder fiscal policies
- critically appraise cooperative performance measures, membership and equity issues
- evaluate cooperative governance models, and
- analyse cooperative strategies from the perspective of shareholding members.

At the successful completion of the course, candidates will be able to demonstrate scholarly achievement in the understanding of cooperative studies.

While the course content has been motivated by similar courses offshore, it has been tailored to meet the needs of New Zealand cooperatives and mutuals.

There will be a mix of theory and application with the opportunity for all candidates to apply their learning to their place of work.

The course will be delivered through a mix of study material, texts, cases and two two-day contact courses which we are expecting will be held in Palmerston North.

NOW IS THE TIME TO ENROL

With just five months until the new term starts, now is a good time to enrol an executive, a member or a director from your cooperative on the course. Massey university requires a minimum of 20 students for the course to run.

Expressions of interest should be sent to Dr James Lockhart, Associate Pro-Vice Chancellor (Executive Education) in the College of Business by emailing l.j.currie@massey.ac.nz.

Trent Bartlett, chief executive officer, Capricorn Society Ltd, and director Capricorn Mutual Ltd
PHOTO: CAPRICORN SOCIETY LTD

New Zealand; and

- John Holland Group Mutual Ltd, which provides a facility that enables Australian JHG group companies to provide employee sickness, disability and death benefits.

This type of mutual is in essence an organisation which is established as an alternative to insurance for its members. Collectively owned by its members, it operates for the benefit and in the best interests of those members.

Typically, a mutual is formed to look after a group whose members share a high degree of similarity in their risk profiles. Together, these members are able to achieve benefits cooperatively which they could not obtain individually through sharing or pooling risk.

Mutuals and cooperatives share certain common values that will be instantly recognisable to the readers of Cooperatives News:

- Cooperation
- Trust
- Transparency
- Fair dealing.

BENEFITS OF MUTUALITY

Among the many benefits that result from mutual membership are:

- Control – greater control over protections with cover tailored for specific member needs;
- Cost – as not-for-profit organisations, mutuals strive to offer members cost effective, high quality services;
- Compatibility – mutuals are selective in offering membership, accepting only those aspiring to good risk management;
- Continuity – mutuals provide members with a long-term, viable protection solution that complements their needs. Given that mutuals do not pay dividends to shareholders (as investor-owned insurance companies do) their financial investments and long-term management combine to secure long-term benefits and returns while maintaining the loyalty of members; and
- Returns – once claim reserving targets and administration costs have been met, excess earnings belong to the membership as there are no investor shareholders to be paid. The board of the mutual decides how to distribute this benefit to their members.

A mutual also pays claims at the discretion of its board under the following circumstances:

- without the demands of investors, the owner-members can expect that all valid claims will be paid, sometimes supporting the member even

when outside the strict wording of the protection;

- mutuals do not need to be capitalised to the same extent as commercial insurance companies; and

- the strength of mutuals is founded on the superior risk profile of the membership and the pooling of risk, coupled with the purchase of wholesale cover to protect the mutual against unacceptably large single losses or an unexpected aggregation of smaller losses.

Professional management is clearly essential for the success of every mutual. Management at Regis and Partners works under an experienced board of directors.

SERVICES FOR OTHER CO-OPS

In addition to expanding into the financial services sector, Capricorn recently decided to expand its cooperative services outside of the automotive aftermarket.

Capricorn's Strategic Alliance Business Unit was established to explore the opportunity to provide services to customers involved in:

- Aged care
- Newsagents
- Hotels and motels
- Hardware
- Building and construction
- and anywhere else that Capricorn's cooperative business model could benefit people who wanted to work together to achieve something special they could not achieve on their own.

Through our Strategic Alliance Business Unit, Capricorn is able to provide professional management services and other solutions to meet the business needs of other co-ops as well as those individuals wishing to form a cooperative in the uniquely Capricorn way that has marked Capricorn's continued success and growth over three decades.

Well placed to provide such services and assistance, Capricorn continues to operate on the ICA's seven principles of cooperation. At this point, Capricorn is providing services to a chemists' cooperative as well as to a number of primary producer cooperatives.

Currently, Capricorn is in discussion with a wide range of parties to provide such cooperative services and these parties have indicated that they are clearly recognising the difference Capricorn can make.

Steve Barraclough, general manager of Capricorn's SABU, is available to discuss the benefits Capricorn can offer on +61 8 6250 9500. ●



A member of the New Zealand Cooperatives Association, Cooperatives WA and the International Cooperative Alliance, Capricorn Society can be found on the internet at www.capricorn.coop