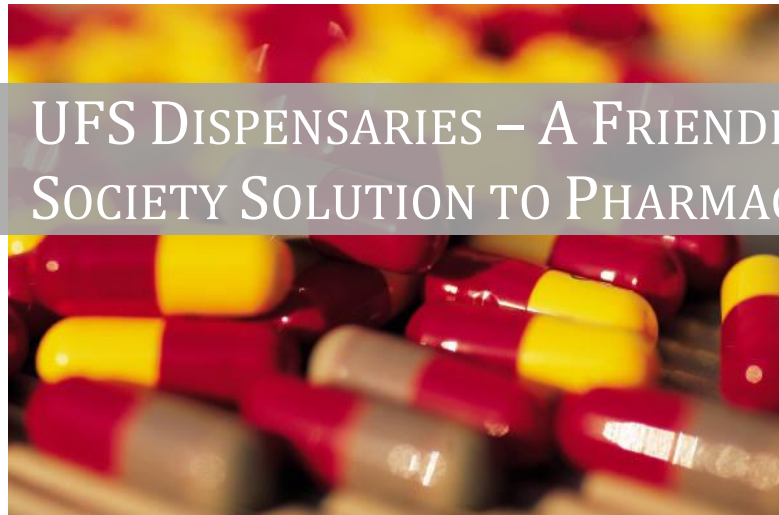


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CASE
STUDY

UFS DISPENSARIES – A FRIENDLY SOCIETY SOLUTION TO PHARMACY



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Western Australia.

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Case Study Research Report | CERU



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INTRODUCTION

Founded in 1880, United Friendly Societies Dispensaries (UFS) Ltd., is a not-for-profit, Australian Public Company, Limited by Guarantee. Headquartered in Ballarat, Victoria, UFS operates a network of nineteen pharmacies in regional Victoria, three metropolitan pharmacies in Melbourne, along with three medical centres, and two COVID clinics (testing and vaccination) in Ballarat (UFS, 2021). In addition to its pharmacies and medical clinics, UFS operates a gift shop, a day spa and wellness centre, and a Pilates and Yoga studio (BSS, 2021).



UFS also provides a nursing service across 16 locations through its 24-hour pharmacies. These undertake wound care, blood pressure tests, treatments of minor injuries (e.g., sprains, burns, rashes), and illness (e.g., coughs, colds, diarrhoea), injections and immunisations. These services are provided under the Victorian State Government's *Supercare* Pharmacy program, and the federal National Immunisation Program (NIP) (UFS, 2021).

In 2021 UFS had an annual turnover of more than \$83.5 million and employed a total of 597 people on a full-time, part-time, and casual basis, of who 88.6% were women. As a Friendly Society, UFS is a mutual enterprise, owned and controlled by its members. Throughout its long history, UFS has held numerous names including: The Ballarat United Friendly Societies Dispensaries Ltd., The Order of the Sons of Temperance National Division Friendly Society, The Order of the Sons of Temperance Friendly Society, and The Ballarat United Friendly Societies Dispensary (ASIC, 2021a).

BACKGROUND TO THE FRIENDLY SOCIETIES MOVEMENT

A Friendly Society is a mutually owned and managed organisation focused on the provision of mutual aid, service, and fraternal support. Traditionally, their activities have been providing financial assistance to cover the medical, funeral, insurance, and education costs of their members. This has been historically undertaken using a rotating savings and credit association (ROSCA) model, where individual members agree to pool their financial resources for a defined period, saving money into the pool, which is then paid out against predetermined circumstances.

The origins of the Friendly Societies movement can be traced back to the medieval guilds. Historians point to the similarities between the medieval guilds and the Friendly Societies, in terms of their structure, rules and practices, as evidence of their antecedents being from the guilds (Cordery, 2003). Guilds and societies had emerged as a collective solution to social and economic problems. This included organisations such as the Freemasons, and the trade guilds (i.e., trade unions), who united to protect their specialist crafts and expertise in the period before formal qualifications.

The first societies reportedly emerged in Scotland and Wales in the 12th and 13th Centuries. The United General Sea Box of Barrowstounness Friendly Society, established in Scotland in 1634, has been claimed as the first confirmed organisation of this kind (Patmore & Balnave, 2018).

However, the Shipmasters' Society or Seaman's Box of Aberdeen, which was established in 1598, has been claimed as the oldest (Electric Scotland, 2022).

The reference to "Sea Box" being the term used by early Friendly Societies where a locked box would be used as a secure repository for the funds the society owned in mutual for the benefit of its members. These were reportedly seamen's chests used to hold donations for seafarers in need of financial support (Fraser, 1934).

To join these associations required the applicant to pay fees, swear oaths of fealty, and commit to the observance of the laws and conduct prescribed by these edicts. In return the members gained benefits in the form of unemployment support and assistance with medical and funeral costs, plus other forms of insurance (Weinbren & James, 2005). By 1800 Friendly Societies had become the dominant form of mutual assistance for working people within England and Wales, replacing the guilds in this role (Cordery, 2003). This was assisted by their legal recognition.

The legal recognition of Friendly Societies in Britain occurred with the passage of the *George Rose Act, 1793*. This legislation provided legal protection to Friendly Societies in their establishment, and the raising and use of funds on a voluntary basis to provide mutual assistance to members in sickness, old age, and infirmity. The Friendly Societies, of which there were many operating in the United Kingdom (UK) at the time, were placed under the guardianship of the Justices of the Peace and afforded them legal identity. They could now sue and be sued, but the law also protected them from stamp duties, taxes and other legal fees imposed by the courts (Cowherd, 1960).

By 1815 there were an estimated 9,672 Friendly Societies, with a combined membership of more than 925,264 people, operating across England and Wales (Cowherd, 1960). These societies were active in a range of purposes, such as targeting the cost and quality of flour and bread, protecting consumer rights, and engaging in the retailing of foods such as cheese (Patmore & Balnave, 2018). However, differences between early trade unions and Friendly Societies were somewhat blurred in the UK during the 19th Century, and many societies were not officially registered (Weinbren & James, 2005). By the 1870s the number of Friendly Societies in England and Wales was assessed as more than 32,000, with over 4.7 million members (Davis, 1876).

Royal Commissions were undertaken in 1870 and 1871 with the aim of investigating the state of Britain's Friendly Societies, and how to enhance their registration and regulation. This led to the passage of the *Friendly Societies Act, 1875* that was designed to encourage these organisations to formally register with the Registrar of Friendly Societies, and as an incentive, they were granted the right to own land and property. This regulation required that they submit reports to the Registrar every five years reporting on their financial status, and financial solvency so that they could meet their obligations under life assurance, annuities and sickness benefits promised to their members (Davis, 1876).

The Friendly Societies provided a foundation for the emergence of the co-operative societies in the UK during the 1840s with amendments to the Friendly Societies legislation that enabled the co-operatives to secure legal recognition and financial security through registration. For example, the Rochdale Society of Equitable Pioneers, considered the ancestor of the modern co-operative movement, was registered in 1844 under the *Friendly Societies Act* (Patmore & Balnave, 2018).

The Rochdale Society also established its own Friendly Society, the Rochdale Equitable Provident Sick and Benefit Society in 1860 to provide medical and health services to their members (Cole, 1944).

A BRIEF HISTORY OF FRIENDLY SOCIETIES IN AUSTRALIA

The identity of the first Friendly Society in Australia is unclear but has been recorded by one source as the Loyal Mariners' Rest Lodge of the Grand United Order of Oddfellows, founded in Sydney in 1828 (Exley, 1936). What is more certain is that the number of Friendly Societies grew strongly during the 1830s with the purpose of providing support to workers such as seamen, miners, and rural laborers in the event of ill health, loss of tools, unemployment, and death. For example, organisations such as the Melbourne Sawyers' Friendly Society, Melbourne Operative Cordwainers' Society, and Melbourne Association for Manufacture of Passover Cakes, provided support to their members in the timber, shoe making and baking sectors (Wettenhall, 2018).

Legislation governing Friendly Societies in Australia was largely derived from British law and became a feature of Colonial legislation throughout the 19th Century. This not only registered these organisations, but also sought to oversee their financial viability, so that they could meet their financial commitments to members. This was illustrated in the case of the Victoria Government's *Friendly Societies Act, 1855* (Vic) (Marshall, 1950). This reflected the role that Friendly Societies played in colonial and early 20th Century Australian society in the provision of funeral and sickness benefits, life insurance, medical, pharmaceutical and hospital care (Mathews, 2008).

Although Australian Friendly Societies built upon the foundations of British legislation and organisational traditions, their operation was shaped by the local environment. For example, the life insurance industry in Britain was grounded in the principles of fire and general insurance. This led to UK legislation in 1870 designed to ensure that societies separated the monies held for life insurance policies from those used for fire and general policies. Such legislation was not needed in Australia where the development of the life insurance industry and its mutual enterprises, had been built on the work pioneered by Friendly Societies (Keneley, 2005). By 1913 an estimated 46% of all Australians were members of Friendly Societies, which provided them with benefits relating to sickness, medical, pharmacy and funerals (Green & Cromwell, 1984).

According to Weinbren and James (2005), relatively little attention has been given to the study of Friendly Societies within Australian history. They note that there were tensions between the societies and groups such as the British Medical Association (Australia) (BMA), which was the forerunner of the Australian Medical Association (AMA) over what the doctors viewed as the "socialism" of medicine. With the establishment of the Commonwealth of Australia in 1901, Federal legislation, particularly from 1910 onwards, began to encroach into areas that had traditionally been the domain of the Friendly Societies.

This was particularly noticeable in health insurance. For example, on the eve of World War Two, the introduction of the *National Health and Pensions Insurance Act, 1938* (Cwt) impacted the Friendly Societies, particularly those that had Medical Institutes (discussed later). During the immediate post-war period the Federal Labor Government of Prime Minister Ben Chifley, sought

to establish a national health insurance system, it met strong resistance from the BMA, who opposed having their fees controlled by the state. A proposal to have not-for-profit, voluntary mutual enterprises provide health insurance was made difficult due to the absence of any national health insurance industry outside the Friendly Societies (Kay, 2007). However, the Chifley Labor government was able to introduce the *Pharmaceutical Benefits Act, 1947* (Cwt), and the Liberal, National Party (LNP) Coalition government of Prime Minister Robert G. Menzies, introduced the *National Health Act, 1953* (Cwt), all of which did have significant implications for the Friendly Societies (Buckmaster & Davidson, 2006).

During the 1970s, the Australian health insurance system was transformed with the passage of the *Health Insurance Act, 1973* (Cwt), and the *Health Insurance Commission Act, 1973* (Cwt), which were introduced by the Labor Government of Prime Minister Gough Whitlam. These resulted in the establishment, in 1975, of Medibank, a Federal government, state-owned enterprise, that was designed to provide greater competition to the private investor-owned health insurance firms. It was hoped that the presence of Medibank in the market would help keep insurance premiums from rising to unreasonable levels (Biggs, 2004).

The impact of Medibank on the Friendly Societies was significant, and it led to many members abandoning their private insurance funds. Following the dismissal of the Whitlam government in 1975, the LNP Coalition government of Prime Minister Malcolm Fraser undertook a review of Medibank, which was re-established as a private health insurance business, Medibank Private, from October 1976 (Biggs, 2004).

By 1978 this impact of Medibank was being demonstrated with the decision by ten of the largest Friendly Societies in Victoria to consider merging into a single fund. The result would be greater concentration of the health insurance sector with only three providers, HBA (now owned by Bupa) with 500,000 members, Medibank Private, with 300,000 members, and the Friendly Societies with a combined 300,000 members (Canberra Times, 1978).

In 2021 there were only 42 Friendly Societies identified as still operating in Australia (Mazzarol, 2021). Many of these organisations operate in the financial services industry where they provide savings and tax-effective bonds, scholarship plans, funeral bonds, and life insurance products. These organisations are regulated by the Australian Prudential Regulation Authority (APRA) under the *Life Insurance Act, 1995* (Cwt). Societies such as UFS are engaged in pharmacy and healthcare services, while others provide aged and home care services, and retirement living. In 2019 it was assessed that the sector is had more than 800,000 members, and managed over \$7.5 billion in assets (FSA, 2019).

FRIENDLY SOCIETIES IN THE AUSTRALIAN PHARMACEUTICALS INDUSTRY

As already discussed, Friendly Societies were traditionally active in delivering medical and health support to their members. An important part of this was the dispensing of medicines and other pharmaceuticals. Medical services in the form of doctors and pharmacists arrived in Australia along with the first fleet. The first retail pharmacy in Australia was opened in Sydney in 1820 by John Tawell, and throughout the 1820s many more independent pharmacists began to operate in New South Wales (NSW) (Green & Cromwell, 1984).

The demand for pharmaceuticals was high and the number of pharmacists in the Australian colonies was generally low. For example, there were an estimated 30 to 40 pharmaceutical chemists operating in Sydney in 1840, for a population of more than 130,856. Pharmacists were making significant profits, and often worked closely with doctors who received commissions from the sale of any medicines that they prescribed, even writing their scripts in hieroglyphics to ensure that only their selected pharmacists could dispense the drugs (Green & Cromwell, 1984).

To address these issues Friendly Societies established their own pharmacies (dispensaries), which employed qualified, salaried pharmacists, who were free from having to make profits, and focus instead on the making of quality medicines. The Oddfellows Medical Institute and Dispensary established in Sydney in 1847 was the first Friendly Society dispensary in Australia. The pharmacist employed by the dispensary was required to live at the facility to be available on a 24-hour basis to meet demands from doctors. By 1866, the dispensary was servicing around 4,700 members (Green & Cromwell, 1984, p. 145).

During the 1850s and 1860s Friendly Societies continued to contract with local chemists to supply medicines. However, throughout the 1860s and 1870s they opened their own dispensaries, brought this work in-house and employed their own chemists. This served to reduce the cost of medicines. Although, the quality of the pharmaceuticals produced by the Friendly Societies was not always considered to be of best quality, due to the chemists employed there, being less experienced (Green & Cromwell, 1984, p. 143).

Throughout the second half of the 19th Century Friendly Societies' dispensaries expanded across Australia. By 1909 there were Friendly Society pharmacies in every State except South Australia, where doctors had traditionally owned and operated their own dispensaries. However, in 1911, the Adelaide UFS Dispensary was opened, with a membership of around 6,000 people by the end of its first year of operations. This growth continued throughout first half of the 20th Century. Many dispensaries also included medical clinics operated by the societies. (Green & Cromwell, 1984, p. 147).

In 1914 the Friendly Societies' Medical Association (FSMA) was founded in Adelaide with the purpose of supplying medicines, medical equipment, proprietary and patent preparations, and associated goods at wholesale prices. It also incorporated an optician who provided free eye tests, and prescription spectacles at discount prices, as well as a dentist, masseur, and x-ray clinic for the benefit of members. This entity grew rapidly and by 1939 had thirteen retail dispensaries serving the needs of 24,787 members (Green & Cromwell, 1984, p. 148).

Over the past two centuries the Australian pharmaceuticals industry has been impacted by battles between the independent pharmacists and the Friendly Society dispensaries as the former seek to protect their commercial advantage. As discussed above, the relationship between doctors and pharmacists during the early 19th Century had been one of collaboration and at times collusion, which often led to consumers having to pay high costs for medicines. The Friendly Societies helped to correct this market distortion, and their approach was to put the interests of their members, the consumers, ahead of profits.

However, the growth of Friendly Society dispensaries, incurred the wrath of both independent pharmacists, and the large firms that manufactured pharmaceuticals. From as early as 1896, there had been calls by independent pharmacists and drug manufacturers to “weaken, if not ruin” the Friendly Societies’ dispensaries who conducted their work via “lodges on the co-operative principle”, with detrimental impacts on independent pharmacists. It was argued that destroying the Friendly Societies’ dispensaries would lower the expenses of the independent pharmacies and increase their profits (Green & Cromwell, 1984, p. 149).

During the 1920s, large pharmaceutical manufacturers boycotted the sale of medicines to the Friendly Societies’ dispensaries. From the 1930s and 1940s onwards, the Pharmacy Guild of Australia (PGA), which was established in 1928 as the Federated Pharmaceutical Services Guild of Australia, grew its political influence, aimed at restricting the growth of the Friendly Societies’ dispensaries. This took the form of securing State legislation, first passed in Western Australia, that limited the number of pharmacies that could be owned by any single company. The State-level campaigns led to limits under State legislation, on the number of retail pharmacies that could be operated by a single business, thereby limiting the growth of the Friendly Societies (Green & Cromwell, 1984, p. 152-155).

Despite the animosity between the pharmacy guilds and Friendly Societies there were times when they agreed to collaborate for a common purpose. This occurred in 1936 when the NSW Pharmaceutical Service Guild sought support from the Friendly Societies’ Dispensaries to lobby the State Government in keeping the large British cut-price pharmacy chain Boots from setting up in Australia. To lure the Friendly Societies, they promised to allow the societies to service non-members, so long as they agree to adhere to the Guild’s pricing system. As a committee set up by the NSW Friendly Societies Association to examine the matter reported,

That by supporting the Guild we have their promise of support in certain concessions that would be of material advantage to the Friendly Societies and, providing same can be put into effect, we have ... something to gain there-from, and nothing to lose ... That it is very problematic what effect the operations of ‘Boots’ would have on our Dispensaries and Pharmacies by the cut-rate system of dispensing, - we certainly will not gain anything ...
(Green & Cromwell, 1984, p. 150-151).

At the Federal Government level, three additional restrictions were imposed. First, the Friendly Societies were limited in what government prescriptions they could dispense. Second, their ability to offer rebates to their members on Federal Government prescriptions was also restricted. Third, they were subject to discriminatory taxation

The establishment of a national pharmaceutical benefits scheme emerged slowly from the initial intention declared by the Labor Government in 1943, to the passage of the *Pharmaceutical Benefits Act, 1947* (Cwt), and the *National Health Act, 1953* (Cwt) under an LNP Coalition government. This led to the representatives of the PGA securing influence within the Pharmaceutical Benefits Advisory Committee, established to administer the scheme.

When the implementation of the scheme occurred, all independent pharmacies were given full approval to dispense pharmaceuticals funded under the program. However, not all Friendly Society dispensaries were granted this. Only 116 of the 156 Friendly Society dispensaries were granted full participation, the remaining 40 were granted only limited approval, which meant that they could only supply to their members and not the public. This decision was eventually changed in 1964 (Green & Cromwell, 1984, p. 156-157).

Opposition to the payment of rebates to members by Friendly Societies (a common feature of how co-operatives work), was mounted by the PGA, who argued that it amounted to an unfair competitive advantage. The Federal Government was suitably persuaded and from April 1964, any members who joined a Friendly Society could not receive a rebate for prescriptions.

In relation to taxation, the PGA waged a strident and determined campaign from the late 1940s to the early 1950s to undermine the Friendly Societies' dispensaries. This initially took the form in 1947 of a proposed 15% tax on the amounts received by Friendly Societies under the Pharmaceutical Benefits Scheme (PBS), and on the gross proceeds from their sale. Despite protests from the Friendly Societies to the Labor Government, their case was dismissed by the Prime Minister Ben Chifley, who noted that while he had sympathy for their case, there were some 3,000 independent pharmacies, but only 150 Friendly Societies (Green & Cromwell, 1984, p. 159).

Ultimately the tax was not introduced as Labor lost power in 1949, to be replaced by the Menzies LNP Coalition government. However, the tax was revived and introduced under the *National Health Act, 1953* (Cwt) to the surprise of the Friendly Societies, who were not consulted and who first heard of it via the radio news broadcast. The tax, which was imposed at a rate of 10% for both members and non-members, was defended by the Federal Government as, putting the Friendly Societies' dispensaries and the independent Pharmacists "on an equal footing" (Green & Cromwell, 1984, p. 159).

As this tax was imposed on the cost of all pharmaceuticals regardless of the actual profit generated by the dispensaries, it had a significant impact on the profitability of the Friendly Societies. Numerous independent committees that investigated the impact of this tax during the 1950s, 1960s and 1970s, recommended that it was having a negative effect on the Friendly Societies, and that it should not be imposed on the distribution of pharmaceuticals to members. However, it was not until 1982 that the tax was applied only to the actual profits made from sales to non-members. Despite this, as noted by Green and Cromwell (1984, p. 160),

But, by this time, the dispensaries had been subject to an unfair tax for 27 years, a tax which took its toll and contributed to the decline of many of their number.

In 2021 there were 32 not-for-profit Friendly Society pharmacies operating around 130 retail dispensaries in all States, but not in the Northern Territory (NT) or the Australian Capital Territory (ACT). Friendly Society pharmacies are not permitted in the ACT and can only be established in the NT with Federal Ministerial approval (Howard, 2013). This suggests that the Friendly Society pharmacies represent about 3.2% of the total 4,075 retail pharmacies active in

the country (AFSPA, 2021; Richardson, 2021). They have been assessed as having around 400,000 memberships representing about 800,000 people (Howard, 2013).

Due to the State legislation restricting the ownership of pharmacies, the number of retail pharmacies each Friendly Society can own is limited. However, the sale and purchase of retail pharmacies can be undertaken within these jurisdictions. Most Friendly Society pharmacies are members of the Australian Friendly Societies Pharmacies Association (AFSPA), which provides mutual support, professional development, collective buying power and advocacy for its members (AFSPA, 2021).

Despite the historical enmity that has existed between the Friendly Society pharmacies and the PGA, a rapprochement finally took place with the signing of a Memorandum of Understanding (MOU) between AFSPA and the PGA facilitating harmonious relations. This enables all Friendly Society pharmacies to be accredited under the PGA's Quality Care Pharmacy Program (QCPP) (Howard, 2013).

In relation to taxation, and despite the historical opposition to tax benefits for Friendly Society pharmacies, today all income derived from members is not taxed, and expenses incurred in earning that income are deemed to be legitimate tax deductions. This is based on the acceptance that Friendly Societies, like their counterparts in the co-operative and mutual enterprise (CME) sector, are operated under a principle of mutuality. However, all income received under the PBS, is excluded from these mutuality principles and is fully taxable as is the case for all other pharmacies (Howard, 2013).

Friendly by name and friendly by nature neatly sums up what friendly society pharmacies are all about. Despite the current trends in pharmacy business practices, they remain a relatively small but significant model of pharmacy practice that hold a unique place in the history of Australian pharmacy (Howard, 2013).

THE HISTORY OF UFS DISPENSARIES

This section draws substantially from the work of Anne Sunter (2006), an unpublished history of UFS Dispensaries. As such, unless attributed to other works, most of this section is from that source.

FOUNDATION OF UFS DISPENSARIES

USF Dispensaries was founded in 1880 as the Ballarat United Friendly Societies' Dispensary Ltd., via a collaboration of nineteen Friendly Societies then operating in the Ballarat area. These included the Independent Order of Oddfellows (IOOF), the Independent Order of Rechabites (IOR), the Order of the Sons of Temperance, the Grand United Order of Oddfellows (GUOOF), the Protestant Alliance Friendly Society (PAFS), the Manchester Unity Independent Order of Oddfellows (MUIOOF), the Ancient Order of Foresters, St Andrews, and the German Association.



First UFS Dispensary, Armstrong Street South 1880s (Source: *Recollections*, Sunter, 2006)

The first dispensary was opened on 1 January 1881, in a building at 84 Armstrong Street, Ballarat, which was rented from James Oddie & Co. Thomas Reed Treloar, who had been appointed in December 1880, was the first qualified Dispenser (pharmacist). A contract was negotiated with a local pharmaceutical manufacturer, Connell & King, to supply drugs.

As part of the governance of the dispensary, each of the member Friendly Societies, were required to appoint delegates to attend quarterly meetings, and elect an executive Board of Directors, that was rotated annually. All member societies had to provide a list of their members on a quarterly basis, and each member was required to pay a quarterly fee to keep the dispensary operating. This money was used to pay the rent, purchase drugs and other goods, as well as paying the salary of Mr Treloar.

The role of the quarterly meeting of delegates was to provide oversight of the dispensary's operations, and to staff and coordinate the work of Executive, Judicial, Financial and Building Committees that reported to the Board. Flowing from this activity was the promulgation of a *Rules and Regulations* book for members, as well as a *Prescription Book*, which each member received, and into which their doctor was asked to maintain a record of all prescriptions issued. Members were required to keep these books up to date, and to return medicine bottles for re-use. Smoking and discourteous behaviour within the dispensary were prohibited.

PRE-WAR DEVELOPMENT

As time passed, other Friendly Societies joined the UFS Dispensary. These included the Australian Natives Association (ANA) (joined 1900), the Australasian Women's Society (joined 1902), and the Hibernian Australian Catholic Benefit Society (joined 1904). Membership grew steadily, commencing with 1,724 members from the original 19 member societies in 1881, to 5,300 members by 1915.

Although the first dispensary was operated from rented premises it was always the intention of UFS to own their own premises. Led by the Building Committee, a fundraising campaign commenced from November 1881. This scouted around for suitable buildings and vacant land

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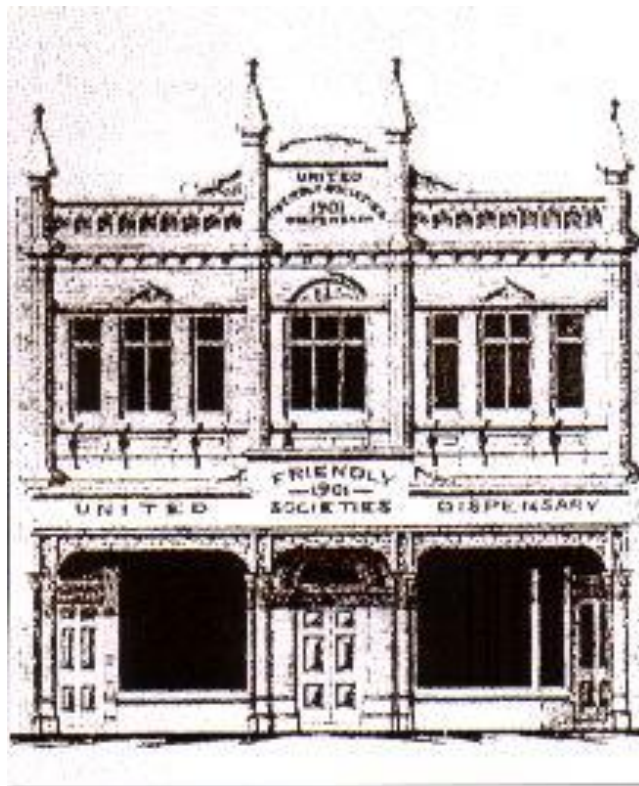


upon which a new building might be constructed. Initially a vacant block of land in Camp Street was considered in February 1882, and there was a potential opportunity to apply for a government grant then being offered to community organisations.

However, in December 1883 an opportunity emerged to lease premises in a new block of shops built on the corner of Dana and Armstrong Streets (the current Doepel, Lilley and Taylor building). This was rented at a rate of 30 shillings a week. Further deliberations continued as the society looked for an opportunity own its own dispensary. For example, in 1886 consideration was again given to the purchase of vacant land in Camp Street, but nothing eventuated.

Finally, in 1901 UFS purchased a 441.5 square metre block of land in Dana Street next door to the Ballarat Club. The Building Committee approached several architects to submit designs for a new building and Mr W. Gribble was selected and paid £62 10 shillings for his design. A tender for a builder was also issued, which was won by Mr Rowsell for a sum of £1,236. This was financed via a loan of £1,300, which was repaid at a cost of 4% interest, through a quarterly levy of 3d for all members.

The new building opened for business on 1 September 1902 and was an impressive facility. It comprised a dispensary, boardroom and upstairs living quarters for the onsite pharmacist Mr. Jewkes. It was equipped with the latest fittings, including 182 American glass recess labelled shop bottles purchased from Duerdin and Sainsbury, which were described by Jewkes as providing, “a ‘very handsome’ dressing for the new shop” (Sunter, 2006, p. 18). These premises served UFS until 1952 when the dispensary was relocated to 717 Sturt Street.



Second UFS Dispensary, Dana Street 1901 (Source: Sunter, 2006).

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THE MEDICAL INSTITUTE

Between 1919 and 1939 UFS operated a Medical Institute that provided medical services to its members and employed a total of three doctors working out of two surgeries. The operation of medical institutes was a feature of Friendly Societies in both Britain and Australia during the 19th and early 20th Centuries (Roe, 1985). In fact, the first Australian Friendly Society Dispensary, Oddfellows (est. 1847), also included a medical institute (Green & Cromwell, 1984, p. 144).

UFS had begun considering employing its own doctor as early as 1882. It was common for Friendly Societies (lodges), to contract their own medical officers on a part-time basis, providing services to lodge members at set fees. These “lodge doctors” provided medicines and took private patients for higher fees. The ability to combine all the many lodges into a single UFS Medical Institute was an attractive idea due to the economies of scale. This model had also been demonstrated by the Friendly Societies in Bendigo, who established a medical institute in 1880, which had grown by 1885 to where it was employing two full-time doctors and servicing the needs of 11,000 people.

However, in 1884 the Ballarat Medical Benefit Society was established, which sent all its scripts to the UFS Dispensary, and the two societies enjoyed good relations. Nevertheless, discussions continued for several years, but in 1892 it was announced at the annual general meeting (AGM) of UFS that the Society’s executive were investigating the establishment of a medical institute, and that a full proposal would soon be available (Ballarat Star, 1892). Despite this no immediate action was taken.

The momentum for the establishment of a UFS Medical Institute continued and by 1904, the idea was again discussed, but not supported, by the member lodges, who at the time, were keen to retain their own lodge doctors. It continued to be examined in 1913 just prior to the outbreak of World War One. However, the final impetus came during the war because of rising tensions between the Friendly Societies and the doctors. Because the medical institutes operated by Friendly Societies employed doctors and pharmacists who were paid salaries, this was generally opposed by doctors’ associations such as the BMA who viewed them as a risk to their ability to charge higher fees for their services (Cordery, 2003).

Lobbying by the BMA against the Friendly Societies’ medical institutes proceeded for many years both in Britain and Australia. It became increasingly bitter, and by 1918 an open dispute had broken out between the Friendly Societies and the BMA, with many lodge doctors withdrawing their services. This dispute resulted in the termination of lodge doctor contracts with the Friendly Societies that were the members of the Ballarat UFS Dispensary. This served as a trigger to unite all members to collaborate in the establishment of a UFS Medical Institute (Advance Australia, 1918).

At special meetings of the Ballarat City, and Ballarat East branches of the Australian Natives Association (an influential Friendly Society and member of the UFS Dispensary), it was decided to accept the resignations of the lodge doctors and join a Medical Institute. Similar action was taken by the Australian Women’s Association (another UFS member society). Single women were being required to pay the same medical fees as fully employed men, which was considered unfair,

and as community reaction to the doctors grew, the respective lodges united. For example, at the Ballarat City meeting,

The meeting agreed unanimously to co-operate in the movement for the establishment of a medical institute in Ballarat (Advance Australia, 1918).

The UFS Medical Institute was initiated with the recruitment in 1918 of three doctors who would service the needs of the Ballarat community. One of the first applicants was Dr. John Kelmar, a Swiss migrant who possessed excellent qualifications and experience. He was hired and moved to Ballarat with his wife where a suitable house was found for them. However, it soon transpired that although he was from Switzerland, and was a naturalised British subject of 25 years, his medical training had been undertaken in Heidelberg, Germany, and his parents were German. As Australia was at War with Germany, and the anti-German sentiment in the community was high, the doctor's contract was terminated. Dr Kelmar sought compensation and a legal dispute followed, with unpleasantness and attempts to discredit his reputation. The matter was finally settled with a modest payment to Dr Kelmar.

Despite this eventful and difficult start, the UFS Medical Institute subsequently recruited three new doctors, all of whom needed to be provided with salaries, housing, and rooms for their surgeries. The cost to UFS was significant and it required the member societies of UFS to commit to a three-year period of providing funding to guarantee the loans that had to be taken out to purchase the housing and surgeries. These facilities were located on the corner of Dana and Armstrong Streets and at 125 Victoria Street, Ballarat.

During 1918-1920 there was a turnover of doctors within the Institute. For example, Dr Romeo, who had been hired in 1918, resigned after only one year and was replaced by Dr Charles Cookson in early 1920, but he too resigned the following year and was not replaced. Meanwhile, the battles between the BMA and the Friendly Societies, which had triggered the formation of the UFS Medical Institute, continued to rage.

Throughout the 1920s and 1930s the UFS Medical Institute operated against this background of disputes with the doctors who worked through the increasingly more powerful BMA. Further, as discussed earlier, the concurrent battles between the Friendly Societies' dispensaries and the pharmacists working through the PGA, also continued.

Several doctors were employed during these years so that a minimum of three medical practitioners would be available to staff the Medical Institute's two clinics. These included Dr Harold H. Appleby, who was appointed in 1931, and Dr Kevin Glastonbury, who started work in 1935. There was also a Dr W. A. Pryor and a Dr Kelly employed during the 1930s.

However, by the late 1930s the Federal Government began to develop the foundations of a National Health and Pensions Insurance Scheme (Shoalhaven News, 1938; Telegraph, 1938). This resulted in the introduction of the *National Health and Pensions Insurance Act, 1938* (Cwt), which came into effect from 1 January 1939. The Act was modelled on similar legislation from Britain, and provided medical benefits, including medical care and prescription medicines, as well as

pension benefits. It was funded by weekly contributions from employees that were matched by payments from employers and had both compulsory and voluntary contributions and benefits (Drayton, 1938).

This initiative impacted the medical institutes of the Friendly Societies as well as the general medical practitioners. It was opposed by the Trade Unions (Northern Star, 1938), and led to negotiations and agreements between the Federal Government and the BMA, which addressed medical fees, doctor registration, and freedom of choice in relation to doctors by patients (Tweed Daily, 1938).

Under the scheme, workers seeking to secure medical benefits had to register with an approved provider, which included the Friendly Societies. Workers were free to join any approved society and could receive the benefits provided under the legislation as paid for by their compulsory payments, or the full benefits provided by the Friendly Societies. Although this incurred the additional cost of paying fees to the society.

Although the Friendly Societies were able to participate in the delivery of the new scheme, its regulation was controlled by the Federal Government, and the fees being charged for medical services via Friendly Societies' medical institutes, ceased and were replaced by the government fees at a much lower rate (Coffs Harbour Advocate, 1938).

Both Dr Glastonbury and Dr Kelly retired in 1939 due to illness, and with the introduction of the new National Health Insurance scheme it was deemed inadvisable to replace them. As a result of the introduction of the National Health Insurance scheme, the BMA and Friendly Societies negotiated a settlement of their long-standing disputes. In return for the UFS ceasing to operate the Medical Institute, the BMA agreed to admit the UFS doctors to the BMA and agreed that all BMA doctors would submit their scripts to the UFS Dispensary. This brought the USF Medical Institute to an end, with the remaining medical practitioner, Dr Pryor continuing to practice from the Victoria Street surgery, which he later purchased from UFS in 1968 for \$11,000.

THE IMPACT OF THE FIRST AND SECOND WORLD WARS

As might be expected, the impact of two global wars within the space of half a century on the Friendly Societies and their members was profound. The outbreak of the First World War in 1914 had a significant impact on the supply of imported drugs and pharmaceuticals. Prices rose and in January 1915, the Federal Government had imposed tariffs on imported medicines and pharmacy products. A duty of 20% was now levied on such items as rubber gloves, enemas, and other products such as spirits, which were used as the basis of various preparations such as tinctures and fluid extracts.

Like many other organisations during World War One, the UFS Dispensary made donations to the Red Cross, the Belgian Relief Fund, and the Patriotic Fund. It also lost qualified and trainee staff, such as the apprentice pharmacist Basil Rosemeres, to the military, when the latter volunteered for active service. Following the war, the USF Dispensary found itself in the front line of the Spanish Flu pandemic, which was brought back to Australia by returning servicemen from 1918, impacting Ballarat in 1919. Among the key activities of that period was the need to establish an emergency infectious diseases hospital at the Ballarat Showgrounds, implement a public

vaccination program, and undertake disinfection of drains and gutters. Despite this the work of the dispensary continued without major disruption.

With the outbreak of World War Two in 1939 and following the entry of Japan into the war in 1941, the supply of drugs and pharmaceuticals again became difficult, with resultant rises in prices. Many drugs that had previously been sourced from Germany were either unavailable or very expensive. This led to a rationing of the distribution of drugs, and a discussion over the need for Australia have a greater local production capacity for drugs and chemicals.

Other aspects of the impact of the Second World War were the appointment of women to executive management roles in 1940, and the election of the Society's first female President (Ms. Gourlay), in 1942. In addition, the introduction in 1942 of compulsory military service for all males aged 18 years or older, created difficulties in securing apprentice pharmacists, as most eligible candidates had been called to serve.

POST-WAR GROWTH AND LEGISLATIVE CHANGE

By 1946, UFS Dispensaries had 27 member societies representing 5,764 members. During the following two years the UFS Board considered the opening of a second pharmacy, that would be closer to the medical precinct of Ballarat along Drummond Street. Initial attempts to find a suitable site were unsuccessful. This included purchasing a block of land at 617 Sturt Street, only to have the permit to build a new pharmacy refused by the Ministry of Housing. However, in March 1952 UFS purchased an existing pharmacy at 717 Sturt Street for £6,160 that had been operated by a Ms Malyon. This site was well-located, within 6 minutes' walk from the Ballarat Base Hospital and many doctors' surgeries. As a result, the new pharmacy prospered.

With the success of the Sturt Street pharmacy, the decision was made to sell the original pharmacy on the corner of Dana and Armstrong Streets. This sale took place in May 1952, with the South British Insurance Company acquiring the site for £8,500. The block of land at 617 Sturt Street was also sold later the same year for £1,750. Later, in 1957, UFS purchased another property at 40 Main Road, Ballarat East where a second pharmacy was established.

However, further challenges were on the horizon. The evolution of federally funded health services, particularly medical treatment, and pharmaceuticals, which had emerged in 1939, continued to develop with both major political parties seeking to create national pharmaceutical benefits and health insurance systems. The post-war era, marked by the introduction of the *National Health Act, 1953* (Cwt) was a period of significant change for the Friendly Society pharmacies.

As previously discussed, the lobbying power of the BMA and PGA in protecting their respective professional monopolies, was a force that the Friendly Societies were unable to match. Despite their having significant members, their numbers, as organisations, were too small for to influence either State or Federal Governments. From the early opposition mounted by independent pharmacists and drug manufacturers to the Friendly Societies in the late 19th Century, through to the foundation of the PGA in 1928, to the formation of the Pharmaceutical Society of Australia (PSA) in 1977 (a peak body of State societies), the influence of the pharmacists through both the PGA and PSA grew.

In addition to lobbying State and Federal Governments, these organisations also undertook legal action and publicity campaigns against the Friendly Societies, including UFS. For example, in 1947, when UFS was permitted under the *Pharmaceutical Benefits Act, 1947* (Cwt), to trade with non-members, the PGA began a public campaign targeted at convincing the community that Friendly Societies provided inferior service, describing organisations such as UFS as,

Chain-store organisations controlling millions of monies all to use to the disadvantage of a section of the Pharmaceutical profession (Sunter, 2006, p. 35).

The potential impact of Federal legislation relating to pharmaceuticals was felt by UFS as early as 1950-1951 when a list of 180 drugs were provided free to patients. It led to a significant decline in memberships during this period, which was the first time the society had experienced a fall in members. Over the period 1949 to 1951 memberships fell by around 711 members. Although UFS, like other Friendly Society Dispensaries, implored their members to remain loyal and buy their medicines through the society's pharmacies. However, the value proposition they had once enjoyed was being eroded.

Faced with this challenge, the Friendly Societies lobbied State Governments to allow them to trade with non-members. In Victoria, this was allowed under the *Friendly Societies (Amendment) Act, 1955* (Vic), which provided UFS with the opportunity it needed to commence expansion beyond its single pharmacy operated in 1952.

A PERIOD OF EXPANSION

With the opportunity for growth provided by the amendments to the State Friendly Societies legislation, UFS commenced a period of modest expansion. For example, in 1964 the UFS invested \$68,452 in the construction of a block of flats at 12 Errand Street, which was completed in 1967 and sold for \$95,000 in 1975. An adjoining site at 10 Errand Street was also purchased in 1970.

These property investments and transactions provided UFS with the capital it needed to expand its retail pharmacy network. A third pharmacy was opened in Howitt Street, Wendouree in July 1973 to take advantage of a the rapidly growing population in that part of Ballarat. In 1976, the pharmacy at 40 Main Road, was moved to Bridge Street, in what is now the Bridge Street Mall shopping precinct.

In 1979, an existing pharmacy located at 1223 Howitt Street, was purchased from Margaret Cochran, and became a UFS pharmacy in February 1980. Later that year a further pharmacy was opened in January 1980, built on land purchased in 1978. This existing network of retail outlets were supplemented in subsequent years by retail pharmacies at 56 Albert Street, Sebastopol (opened January 1980), 69 Victoria Street (opened July 1991), and 66/160-192 Main Street, Bacchus Marsh (opened 1999).



The Sebastopol pharmacy opened in 1980 (Source: UFS, 2021)

In 1997 UFS had around 10,000 members, which grew to 23,000 by 2001, and more than 30,000 by 2005 (Sunter, 2006). Further expansion continued with the development of a new administrative complex at Armstrong Street, North, which opened in 2003. This was followed by the opening of more pharmacies at Mount Clear (February 2004), Beaufort, Skipton, Willaura (September 2004), Ballan (October 2004), and Melton (March 2005).



The Peace & Quiet Day Spa, Sturt Street Ballarat opened in 2004 (Source: Sunter, 2006)

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Additional business units were established in 2004 with the opening of Cherub's Gift Shop, at 700 Sturt Street, and the Peace & Quiet Day Spa, at 719 Sturt Street. This latter site was in a 19th Century building that was renovated to restore some of the elegance of original décor. The *Peace & Quiet* received several awards from the Australasian Spa Association (ASPA) over the years, including, Employer of Choice (2008), Best Rural Day Spa (2010), and Best Day Spa (2011 and 2014) (UFS, 2011; 2013; 2015).

A RENAISSANCE IN MEDICAL SERVICES

In 2008 UFS returned to its historical association with medical services with the creation of UFS Medical. This resulted in opening of the UFS Medical Centre on 9 September 2011. This \$5.8 million purpose-built centre located at 1/202 Doveton Street comprises rooms for general practitioners (GP), nurses, three treatment rooms, an on-site pathology lab, plus physiotherapy, podiatry, and dietetics services. When opened, the centre employed fifteen full-time GP doctors, nine practice nurses, three physiotherapists, a podiatrist, and a dietitian (UFS, 2012).



The UFS Medical Centre, Doveton Street opened in 2013 (Source: UFS, 2021)

According to UFS CEO Lynne McLennan, the establishment of UFS Medical was in direct response to the need from the local community in Ballarat. At the time, many local GPs were retiring and there was a shortage of GPs and other doctors in Ballarat, and it was becoming difficult to recruit new medical practitioners. Further, the cost and complexity facing doctors in running their own medical practices were a barrier, particularly as several major corporate medical services groups had moved into the area and were competing with the independent GPs. As she explained,

So, we stepped into that space, and the model has proven much more successful than we had anticipated. Doctors who have abandoned their private practices to work for us have been very pleased, as they are making more money and have less stress. Also, they know that UFS is an ethical organisation (Lynne McLennan, UFS CEO).

RECENT DEVELOPMENTS

Since 2010, UFS has continued to expand its operations within Ballarat, Melbourne, and regional Victoria. For example, in February 2011 the fifteenth UFS pharmacy was opened at 939 Sayers Road, Tarneit, located within the Tarneit Family Medical and Dental Centre in Melbourne's western suburbs. During the same period, UFS assumed management of four retail pharmacies within Melbourne at Fairfield, Brunswick West, Coburg, and Pascoe Vale. These were owned by the Friendly Pharmacy (Vic) Ltd., and North-West Dispensaries' Friendly Society Ltd., both Friendly Societies Dispensaries (UFS, 2011).

In 2013 a new pharmacy was opened within the UFS Medical Centre in Doveton Street, providing scripts for patients of the clinic (UFS, 2013). The following year the pharmacies in Sturt Street, Ballarat and Albert Street, Sebastopol, were refurbished to enhance store operations and layout, giving the pharmacists more time to deal directly with customers. A further medical centre was also opened in Buninyong, southeast of Ballarat adjacent to the UFS pharmacy, 316 Learmonth Street (UFS, 2014). In 2014, UFS also commenced the roll out of specialist services such as Cholesterol and Blood Pressure testing, commencing with the Sturt Street, pharmacy (UFS, 2015).

Refurbishments were undertaken during the 2015-2016 financial year to the Cherub Gifts store, which included new flooring, benchtops, and painting, as well as updated uniforms for the staff. The Melton South USF Pharmacy located within the Station Square Shopping Centre, was moved 100 metres within the centre into a new store due to a redevelopment of the shopping complex that occurred during 2016 and 2017 (UFS, 2016).

During the 2016-2017 financial year, UFS opened two new pharmacies in Gisborne, northwest of Melbourne in the scenic Mount Macedon Ranges. These pharmacies, located at 5 Neal Street, and 40 Brantome Street, added a further 1,500 new members within that region (UFS, 2017). In August 2016 the UFS Sturt Street pharmacy was upgraded to a 24-hour *Supercare Pharmacy*, as part of the Victorian State Government's *Supercare Pharmacy* initiative. This included provision of a free nursing service, operating from 6pm to 10pm that treated minor wounds, injuries, and sickness. Over the course of the first year's operations, the pharmacy serviced an additional 47,000 customers (UFS, 2017).

In 2018, UFS had 49,157 active memberships representing and estimated 104,986 people, it also employed 86 registered nurses, who operated out of the Society's 16 *Supercare Nursing* service centres located in Mildura, Shepparton, Bendigo, Curlewis, Traralgon, Ballarat, and the suburbs of Melbourne. During the 2017-2018 financial year, its pharmacies had dispensed around 2.6 million prescriptions, and administered over 2,000 flu vaccinations (UFS, 2018).

As Lynne McLennan explained, this contract with the Victorian State Government is much wider than just the Ballarat region,

We responded to a State Government request for organisations to run 24-hour pharmacies and nursing services across the state. So, we now run nursing services in 16 pharmacies that are 24-hour pharmacies across Victoria. Of these, only one is ours, which is in Ballarat. We run another in Bendigo for our colleagues, the Bendigo UFS, a small Friendly Society pharmacy group, and the rest are in other privately owned pharmacies.

UFS also made commitments to environmental sustainability and the active engagement in the digital technologies of the Fourth Industrial Revolution. This took the form of two initiatives. The first, which commenced in October 2018, was focused on reducing the Society's environmental impact. It included the installation of solar panels on all UFS-owned buildings, and the removal of all single use plastic bags from all UFS retail outlets. At the same time, an advanced robotic dispensing machine was installed at the UFS Bridge Mall Pharmacy. This technology freed up the time that Pharmacists had to spend locating medicines in the storage area and enabled them to spend more time providing consultations and advice to customers (UFS, 2019).

A further expansion of the UFS pharmacy network took place in December 2018, with the purchase of the former Nova pharmacy at the Bacchus Marsh Village 160-192 Main Street, Bacchus Marsh approximately 60km east of Ballarat (UFS, 2019). This pharmacy was fully refurbished in 2019 enhancing its appearance, functionality, and layout (UFS, 2020). During the 2018-2019 financial year, the three UFS medical centres at Doveton Street, Sturt Street and Bridge Mall, serviced the needs of 169,912 patients (UFS, 2019).

During financial year 2019-2020 UFS assumed management control under contract of two additional Ballarat pharmacies owned by the Western Victorian UFS Dispensaries Ltd. It also acquired the former Nova pharmacy at 12 Doveton Street South Ballarat in November 2019, and the former Priceline pharmacy at 1010 Sturt Street.

Further, the investment made by UFS in the installation of solar panels, which commenced in 2018, had by 2020 saved an estimated 224 tonnes of CO² (UFS, 2020). By 2021, UFS operated a network of 19 retail Dispensaries across metropolitan and regional western Victoria, three UFS medical centres, COVID-19 testing and vaccination clinics, and the Day Spa (UFS, 2021), it also had a membership of at least 51,188 (Mazzarol, 2021).

According to UFS CEO Lynne McLennan, over the past 10 to 15 years, the Society has experienced major change, but has responded to the needs of the local Ballarat community as well as across both metropolitan and regional Victoria. This has included providing support to smaller Friendly Societies such as the Western Victorian UFS Dispensaries Ltd., and Friendly Pharmacy (Vic) Ltd. These small Friendly Societies both own three pharmacies, but due to their inability to manage and operate them, UFS had entered the management contracts with them. These carry the UFS Pharmacy brand, even though they are owned by the other Friendly Societies.

MANAGING THE COVID-19 PANDEMIC

The outbreak of the COVID-19 pandemic in late 2019 impacted the health of the Australian community, continued through 2020, 2021 and was still of concern in early 2022. As had been the case back in 1919-1920 with the outbreak of the Spanish Flu, the medical and pharmacy services were in the frontline of the battle against the virus.

One of the first initiatives undertaken by UFS in response to the COVID-19 pandemic was to open a testing clinic, which was in the City of Ballarat's Community Hub building at Lucas. During the 2019-2020 financial year, the clinic conducted 7,222 tests (UFS, 2020). During 2020, as the pandemic grew in intensity across Victoria, UFS expanded its testing clinic, and at one point employed five doctors and seventeen nurses. At total of 44,211 COVID-19 tests were performed between 1 July 2020 and 30 June 2021 (UFS, 2021).

In addition to the COVID testing clinic, UFS established a COVID-19 vaccination clinic in March 2021 opposite the Ballarat Base Hospital. It was later moved to Dana Street in central Ballarat in July that year. During the four months from March to end-June 2021, the clinic administered 11,580 doses of Astra Zeneca vaccine, and was beginning to supply the Pfizer vaccine from July 2021 as that drug became available (UFS, 2021).

According to Lynne McLennan the Society's experience of running the COVID clinics had proven positive. The first contract with the Federal Government established the COVID testing clinic in 2020, which operated profitably. Therefore, when the Federal Government came back in 2021 to see if UFS could provide a vaccination clinic this was agreed, and the second clinic was opened. In addition, as the vaccination program rolled out to the pharmacies, 14 of the 23 pharmacies that UFS manages were offering vaccination services in late 2021.

Further, McLennan suggested that the level of trust existing between the pharmacist and the community is high. So, when people can walk into their local pharmacy, without the need for an appointment, and get a vaccination, it is a positive. The delivery of vaccinations via community pharmacies has seen the proportion of the population who are vaccinated rise rapidly. She also explained that UFS had worked closely with the State and Federal Government's COVID units to provide advocacy on behalf of members, while also ensuring that the membership was well informed about the virus and how to take steps to protect themselves and secure protection.

PURPOSE AND MEMBER VALUE PROPOSITION

Having a clearly defined purpose and member value proposition (MVP), are strategically very important to co-operative and mutual enterprises (CMEs) (Mazzarol et al., 2018). The statement of purpose helps to keep the organisation focused on its mission and this facilitates the strategic decision making that its Board undertakes. The services that the CME provides should be relevant to this purpose, and they should be designed to deliver value to its members.

UFS Dispensaries Ltd. purpose or "mission" statement is outlined as follows,



Mission: *UFS aims to improve the health of our members and the local community.*

This mission statement was adopted in 2013, replacing the previous one that stated the mission of UFS was, “... to foster membership and service the needs of members and of the community at large, particularly in respect of pharmaceuticals and traditionally related products and services (UFS, 2012, p.3).” The revision of the mission (purpose) statement was to make it more concise.

Table 1: Objectives of UFS Dispensaries Ltd.

1. To sell or supply medical requisites and therapeutic goods and dispense or sell medicines to members of the public generally, whether Members or not, in the same manner and to the same extent as a pharmacist registered under the Victorian Pharmacy Act 1974 may so sell, supply, or dispense, provided the practice of pharmacy is under the actual personal supervision of a pharmacist registered under the Victorian Pharmacy Act 1974.
2. To act as agent for commercial organisations for the receiving of monies and the deriving of commissions for such services.
3. To provide health and welfare benefits, services, facilities, benefits and products for Members and their Dependants and members of the general public, including but not limited to hospital, medical, dental, pharmaceutical, nursing, optical, physiotherapy and speech therapy benefits, services, and facilities
4. To provide benefits, services and facilities for the relief and maintenance of Members and their Dependants and members of the general public in the case of birth, death, sickness, disability, accident, retirement, old age, and unemployment.
5. To provide benefits, services, and facilities for the education of Members or their Dependants and members of the general public.
6. To establish, maintain and operate such hospital, medical, pharmaceutical, and dental facilities, or services of a similar nature.
7. To encourage and provide lectures, study, and research into health care generally.
8. To provide educational and informative facilities for all persons, who without discrimination and from all sections of the public are eligible and seeking the benefit of such facilities.
9. To disseminate knowledge and promote scholarship.
10. To aid, by research, publication, seminars, and other appropriate means the advancement and development of knowledge useful to the community.
11. To prepare, publish or distribute literary works, audio or audio-visual material or computer software in relation to health care.
12. To seek or encourage gifts, donations, endowments, or bequests to the Company, and
13. To do all such things as are, in the opinion of the Board of the Company, ancillary or conducive to the attainment of all of the above objects.

Source: UFS (2000).

The UFS Constitution, which was adopted in December 2000, and which has been amended four times since, lists 13 objectives for the enterprise. These are outlined in Table 1, where the objects of the company, although wide-ranging, are consistent with the overall mission (purpose) of UFS and continue the long tradition of society's work in providing medical, pharmaceutical, and related health care to the community that was started in 1880.

THE BENEFITS OF MEMBERSHIP

UFS does not have a formal, written MVP statement, although it has been a principle of the UFS Board that all strategic decisions are examined in terms of how they benefit the members. As a mutual organisation, all UFS members are required to pay an annual fee of \$10 per household. The members use the Society's services and receive benefits that are not available to non-members.

The main benefits of membership are:

- *20% discounts at all UFS Pharmacies, although not on PBS prescriptions, with 25% discounts from 25 November to 24 December.*
- *7.5% discounts on Australian Unity Private Health insurance.*
- *15% discounts off products and 10% discounts off services at the Peace & Quiet Day Spa.*
- *10% discounts off the 'gap' in all general practice medical, physiotherapy and dietetic consultations at the UFS Medical centres.*
- *Discounted tickets to live theatre and cinema shows in Ballarat.*
- *Free blood pressure tests at local UFS Pharmacies, and*
- *Access to the UFS Baby Club facilities at the Bridge Mall UFS Pharmacy.*

The primary way that UFS has delivered value to its members throughout its long history has been via discounts on products and services. This continues with members getting discounts of 7.5% to 25% across a range of items that are eligible under different regulatory and contractual agreements.

According to Lynne McLennan, UFS was able to discount pharmaceutical scripts to its members as much as 25% until lobbying from the PGA resulted in changes to the legislation which took effect in 1964. This removed the ability to discount on PBS prescriptions. However, the change only applied to members who joined after the date of the changes. She explained that UFS still has around 1,000 pre-1964 members who continue to enjoy 20% discounts off their scripts.



Pressure from discount pharmacies in recent years have made the discounts offered by UFS to its members less attractive than it once was. This has implications for the recruitment and retention of members. As McLennan explained,

So, if someone comes into our store and they are going to spend \$50 to \$100 dollars, selling them a 20% discount for an annual membership fee of just \$10 is easy. Yet even with member prices we are often not competitive with the low-cost, low-service competitors.

To address this competitive pressure, USF has focused its member engagement on a value added rather than a price competitive strategy. Many Friendly Societies have attempted to match the large corporate discount pharmacies on price, only to find that they cannot do so and remain profitable. According to McLennan it is not possible to offer full service at heavily discounted prices for UFS to continue to offer value to its members an alternative approach is needed. As she explained,

So, we are in a value niche now. Many Friendly Societies have gone down the drain because they tried to match the big discounters. They said that they had no choice, but that is not true. You do have a choice. So, we now say we are a full-service pharmacy, and we try to push constantly our member credentials, although it is a hard sell, and we highlight that we put money back into the community. For example, in 2020 year we put \$100,000 into emergency food relief to assist people such as foreign students and refugees who were not able to get JobKeeper.

For UFS this need to find a compelling MVP remains a challenge. As member discounts are no longer as significant as they once were due to the impact of large, corporate discount pharmacies, the emphasis has been on highlighting the money that the Society invests into the community, and the quality of the service it offers. It was acknowledged that many members are not loyal to UFS, and many will “cherry pick” to secure the best prices they can for various products and services. While the PBS scripts are no longer open to discounting, they can still generate a profit margin. UFS makes money from scripts, while the large corporate discounters (e.g., Chemist Warehouse) are treating scripts as loss-leaders, to attract customers into their stores to sell them non-PBS items.

GOVERNANCE

From a governance perspective UFS Dispensaries Ltd., is a Friendly Society in history and spirit, but since 1999, it has been a Company Limited by Guarantee, registered with the Australian Securities and Investments Commission (ASIC), under the *Corporations Act, 2001* (Cwt). As stated in its Constitution (UFS, 2000), amended in 2020, UFS,



The Company intends to operate as a “mutual entity” (as that term is defined in the Corporations Act) for the benefit of its members (UFS, 2000, p. 1).

This refers to the amendments to the *Corporations Act, 2001* (Cwt), which took place in 2019 to include a definition of a mutual entity, as a company registered under the Act that can be limited by shares, by guarantee, or by both shares and guarantee, but which has a constitution in which “no person has more than one vote at a general meeting of the company for each capacity in which that person is a member of the company”, in essence, one-member-one-vote (AstLII, 2019).

The UFS Constitution specifies a minimum of three and a maximum of ten Directors are to be appointed to the Board, with the ability for the Board to appoint up to two people to be Executive Directors and can also appoint suitably qualified persons to be Directors to fill vacancies. Further, all Directors, unless nominated by the Board, must be Members who have been active for at least 24 consecutive months prior to their appointment. Although UFS is a not-for-profit enterprise, the Board Directors are remunerated (UFS, 2000).

In 2021 UFS had a Board comprising eight Directors, Graeme Dixon (Chair), Andrew McPherson (Deputy Chair), Virginia Fenelon, Peter Clark, Gina Lyons, David Lenahan, Jacinta Rivett, and Ian Schrader. These Directors have a variety of experience and qualifications, with a strong focus on business, health services management, legal and financial management. They also represent a strong engagement with community and not-for-profit organisations.

Several Board-level committees were also operating as part of the UFS governance process. These included, the Audit & Risk Committee (Chair, Peta Clark), Business Development Committee (Chair, Virginia Fenelon), Clinical Governance Committee (Chair, David Lenahan) (UFS, 2021). The executive leadership team of UFS comprised 13 people under the overall guidance of CEO Lynne McLennan. In addition, there were 19 pharmacy managers, plus a practice manager and GP advisor within the UFS Medical, and the centre manager for the Peace & Quiet Day Spa.

The Clinical Governance Committee was established in 2017 in response to an identified lack of clinical governance in pharmacy. By contrast the accreditation of medical services is clearly structured. The role of the committee is to review any adverse events that might happen within the pharmacies, medical centres, or the Day Spa (e.g., where massage therapists are employed), masseurs. In addition, the committee reviews the qualifications of the professional and clinical staff employed within the various UFS pharmacies and clinics. Lynne McLennan made the point that while clinical governance committees were common in medical services, it was not found in pharmacies and so UFS was unique in this regard.

RECRUITMENT AND SELECTION OF BOARD MEMBERS

As explained by the Chair Graeme Dixon and CEO Lynne McLennan, while all the Directors of UFS are members, the recruitment and selection of Board members was undertaken using a skills matrix. Non-members can be appointed to fill vacancies, but they must become members to retain their roles. According to Graeme Dixon, all Board members at UFS are essentially independent directors. He expressed satisfaction with the composition of the Board,



The board has a fifty-fifty gender balance, and an excellent age mix, and as Lynne mentioned we maintain a very detailed skills matrix and we update that annually. Also, as part of the strategic development process we will review the skills matrix to see whether we need to go through a Board renewal, or bring a different skill to the board, or how we may fill a skills gap if we recognise that there is one.

There is no limit on how long a Board Director can remain in place. For example, Ian Schrader had been a director since 1977. Despite this, the board had a good balance of new and established members. According to Lynne McLennan, the Society did not favour having a defined limit on the overall tenure of a director. This was an idea that had been promoted by the Australian Institute of Company Directors (AICD), but it created problems of having to turn over the Board regularly and this could prove disruptive. She noted that the nine-year time limit on Board Directors was put in place to remove long-term directors who may not be performing. However, the focus should be more on the ‘average tenure’ of the Board, to ensure that there was a regular renewal of people, ideas, and skills within the team.

STRATEGIC OUTLOOK AND FUTURE DIRECTIONS

The need to develop a sustainable competitive advantage has led UFS to focus on broadening the range services that it offers. While it has reached the maximum number of retail pharmacies that it can operate in Victoria, it has managed to increase its market share by securing management contracts with the likes of Friendly Pharmacy (Vic) Ltd., and Western Victorian UFS Dispensaries Ltd. The *Supercare Nursing* contract had also enabled UFS to deliver services state-wide, and the re-establishment of its medical services via UFS Medical had diversified the business portfolio.

THE HOMECARE OPPORTUNITY

UFS was also developing its entry into the area of home nursing care. This was motivated by the existence of a local nursing service that had existed in Victoria but had been acquired by an NSW-based organisation that UFS viewed as having adversely impacted the quality of the service. The Board and Executive Management team at UFS had undertaken the necessary planning and feasibility study for this new initiative, but at time of writing their proposal for the service was being delayed within the Federal Government Health Department as all attention was diverted to the COVID-19 pandemic. As explained by Lynne McLennan,

We have active business case proposals sitting with government agencies, and we are really committed to becoming a home health care service provider. More than 80% of our customers are over 65 years. That's both pharmacy and medical. So, we want to expand opportunities to enhance lifestyles, and improve technology access with new innovations that are only a few years away. So, we have active programs of new business development. This is consistent with our strategic objective of being a full-service healthcare organisation, including home health.



The opportunity for UFS to move into the home health area was further explained by Graeme Dixon. He noted that UFS had been undertaking a systematic review of their members' views as to what services the Society should be offering. He explained the approach being taken by UFS was to explore the members' needs, find entry points and then expand the services,

In relation to home health, we've been exploring with members what they might like, and how we can bundle a package that address those needs, rather than just picking one or two particular services. So, it was let's get in that space and look at how we can build it.

He also noted that in the past UFS had promoted a concept of "health for life" and that this continued to be a focus for how the Society developed its future strategic direction. This was of importance given the aging membership that UFS had. The Society had already developed a good reputation in delivering medical and pharmacy services to this community, this offered UFS the opportunity to grow with their members as their various needs evolved over the course of their lives. As he explained,

We have a very aged, or aging customer base, and that really is our forte. How we can support those people, and grow with them if you like, or how can we continue to care for them as they age.

EXPANDING REGIONAL AND REMOTE MANAGEMENT SERVICES

In addition to the research into members' needs, UFS had undertaken competitor analysis to examine who, within the local and regional community, were the existing providers, what their service offerings are, and where they are strong or weak. This research and analysis formed the foundation upon which the UFS submission to the Federal Government was built. Graeme Dixon also highlighted the excellent reputation that UFS has within the City of Ballarat and the surrounding region, which he described as a "key plus" in any future business growth. He also noted that UFS had examined such additional business areas as optometry services, but the market is too competitive, and it was deemed unattractive as a result.

As Graeme Dixon expressed his views of where UFS might be heading,

There is always business as usual. However, there is also the aim of trying to expand the number of dispensaries that we are permitted to own or manage within Victoria. That has got to be a key piece of our growth plans.

Also, looking at being able to deliver pharmacy in a different way to what has traditionally been in the past. For example, looking at a drive-thru pharmacy, connecting the pharmacy with a medical centre, but then looking at our health programs, and considering what other services can we provide to continue to grow and support this sector and the aging population.

Lynne McLennan agreed with this view, but also noted that UFS had the intention of expanding into other regional areas of Victoria, although its name and reputation in those areas was not as well established. She explained that while the primary focus of UFS was to remain a regional health and pharmaceutical services provider, it had also identified an opportunity to develop its remote management capacity. This had been demonstrated with the assumption by UFS of the remote management of the Friendly Pharmacy (Vic) and Western Victorian UFS Dispensaries retail pharmacies.

At time of writing the UFS Board was yet to finalise its long-term strategic plan. However, the CEO, Chair and the Board were looking forward to a bright future, pursuing the same purpose that had motivated the establishment of the Friendly Society some 140 years before. While many things had changed, the fundamental needs of their members for quality, affordable medical, health and pharmaceutical services had remained the same.

ASSESSING STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS

Looking at the competitive strengths and weaknesses of UFS, both Lynne McLennan and Graeme Dixon agreed that one of the key strengths was the alignment between the Board, the members, and the staff employed as to the purpose of the Society, and how it operates. This is demonstrated through a high degree of integrity and a focus on putting the member, customer, or patient's best interests first. In addition, it was suggested that another key strength was the energy and agility shown by UFS, which has been assisted through the implementation of an innovation program launched in 2018. This had proven very beneficial when the COVID-19 pandemic impacted the community. The view that no problem was impossible to solve, led to the rapid response by UFS to establishing their COVID testing and later vaccination clinics. As Lynne McLennan explained,

So, we had the belief with the management team that there is no problem we can't solve. We had a belief that we had capacity, and that if we didn't have the solution, we could find someone with the solution.

This was described as a cultural mindset that UFS would grow and develop, with a strong appetite for innovation and creativity in meeting the needs of the members. According to Graeme Dixon, the performance of UFS Dispensaries Ltd., over the preceding 20 years had been outstanding, and he attributed much of this to the work of the management team, particularly Lynne McLennan's leadership. He also explained that as the Society had grown, so have the structure and quality of the executive management team. In addition, he noted the importance of trust between the Board and the executive management team, as well as across the entire organisation.

In terms of weaknesses, it was acknowledged that UFS had grown strongly in recent years. For example, in 2001 the Society was turning over around \$23 million with 7 pharmacies and a gift shop. By 2021, it was turning over more than \$82 million, with 19 pharmacies, 3 medical centres, the Day Spa and the two COVID testing and vaccination centres. All this had left the Society with "growing pains". This took the form of having to play catch up as is common when a business grows from a small, through medium to large size. The need to keep up with the necessary systems, procedures and structures was a continuous area of work.

Another challenge for UFS was its entry into new sectors where it had not previously operated. This had increased the general level of risk facing the Society, but the Board was described as having a “fairly healthy risk appetite”, and UFS had a strong financial asset base with low debt and sufficient liquidity to fund any anticipated growth.

However, looking forward over the short-term UFS faces threats from the Federal Government’s changes to the Medicare Benefits Schedule (MBS) and the PBS scheme. In addition, there are foreseeable concerns over the ability to recruit doctors willing to work in regional Australia. The other major threat was the government regulation over the ownership of pharmacies, as well as the location of pharmacies. Changes to these regulations could significantly reduce the value of the pharmacy businesses operated by UFS.

According to Lynne McLennan, there is a five-year agreement between the Pharmacy Guild and the Federal Government that protects the existing ownership structure in favour of the independent pharmacists. However, while UFS is not privy to this agreement, there is the MOU between the Friendly Societies and the PGA. Nevertheless, the agreement is regularly up for review, and a large cut-price group such as Chemist Warehouse might succeed in getting the Government to deregulate pharmacies. Other groups, such as the large supermarket chains (e.g., Woolworths and Coles), had also tried to deregulate the pharmacy industry. Despite this, the PGA had so far managed to keep this at bay, but it continues to pose a threat.

As outlined earlier, UFS has also made a strong commitment to environmental sustainability through its investment in solar panels and recycling. It has also made a significant contribution to charitable donations targeting a range of areas identified by its members. In addition, UFS is planning to apply for a B-Corp accreditation.

MUTUAL CAPITAL INSTRUMENTS (MCI)

Finally, the Society has enshrined within its Constitution that it intends to be an MCI mutual entity that will issue Mutual Capital Instruments (MCI), a new financial instrument introduced within the amendments to the *Corporations Act, 2001* (Cwt) in 2019. These MCI are defined as,

... a share in a mutual entity that meets the requirements relating to voting right and other matters. Certain kinds of mutual entities may issue MCIs and become MCI mutual entities (Corporations Act, 2001, Section 167AB).

MCI ownership does not give the holder any additional voting rights within the mutual. In addition, MCI are not ordinary shares and must be fully paid with any dividends paid in respect of the share being non-cumulative in nature. If an MCI issuing mutual is wound up, all MCI must be paid out or cancelled. In 2020 Australian Unity, another large Friendly Society, issued a \$120 million limited MCI offer, which was the first such issue of the new financial instrument. A non-cumulative, annual fixed dividend rate of 5% was offered. The MCIs are positioned as preference shares within the capital assets of the mutual upon wind-up (ASX, 2021a). In 2021, Australian Unity raised a second round of capital using MCIs, with just over \$230 million raised from 2.3 million MCI issued at a value of \$103 per share (ASX, 2021b).

As stated in the Australian Unity MCI Prospectus, the capital raised by this MCI issue was for a range of uses,

The net proceeds of the Offer will be used for a range of opportunities across the Australian Unity Group. These include pursuing near-term growth opportunities within the individual businesses as well as investing capital across the Australian Unity Group where third-party funding has historically been utilised. A portion of the proceeds will be used to repay debt facilities that were utilised for a number of recent strategic investments in social infrastructure. The use of proceeds may also extend to merger and acquisition opportunities across the Australian Unity Group operating platforms—including to increase investment in social infrastructure and to help support business consolidations in important mutual sectors such as private health insurance, banking, and friendly societies (ASX, 2021a, p. 38).

So far, UFS has not taken steps to use MCI to raise additional financial capital. However, with the successful issue of MCIs by Australian Unity, the precedent is now set for other MCI Mutual entities to consider using these new financial instruments. For a Friendly Society such as UFS, with its purpose and not-for-profit status, the MCI may provide an opportunity for funding future growth. As noted by the financial media in relation to Australian Unity's MCI offer,

Interestingly, Australian Unity's heavy focus on ESG [environmental, social & governance] considerations – particularly the 'S' part, which is exemplified by the social purpose slant of its investments, such as the provision of medical and health services, means that it has been treated by many investors effectively as a retail social impact investment product, which investors who want that kind of access haven't really had before. The combination of relatively high interest rates – about twice as good as bank hybrids – and a structure that will use part of the funds for projects with social benefits appears to have tapped-into a vein of investor interest (Dunn, 2021).

KEY LESSONS FROM THE CASE

The long and successful history of UFS Dispensaries Ltd., is testimony to the commitment of the Society's Board, Management and Membership in remaining committed to and focused on the original purpose for which the organisation was created. While many Friendly Societies have now disappeared in the face of changing political, economic, social, and legal factors within Australia, the need for quality medical, pharmaceutical, and associated healthcare services at an affordable price has remained a constant.

If UFS is examined within the framework for co-operative enterprise research (Mazzarol et al., 2014) several lessons can be derived. This framework examines the CME business model from a *Systems, Enterprise, and Member* level. As shown in Table 2, there are four inputs and two outputs at the Systems-level, six factors at the Enterprise-level, and four factors at the Member-level.

Table 2: UFS Dispensaries within the CME research framework

Influencing Factors	Application to UFS Dispensaries
<i>Systems level inputs:</i>	
<ul style="list-style-type: none"> Social cooperation 	Strong mobilisation of existing Friendly Societies collaboration in its formation, and sustainability. Continued over 140+ years of building and maintaining trust and engagement within the community.
<ul style="list-style-type: none"> Role of government 	Combination of supportive and harmful changes to legislation and policies particularly within the medical and pharmaceutical areas.
<ul style="list-style-type: none"> Industry structure 	Historical legacy of operating within a highly competitive market with competition from medical and pharmaceutical lobbies (e.g., BMA and PGA), as well as cut-price competitors.
<ul style="list-style-type: none"> Natural environment 	Impacts of Spanish Flu (1919-1920) and COVID-19 (2019-2021), aging demographics, and environmental sustainability.
<i>Enterprise level factors:</i>	
<ul style="list-style-type: none"> Purpose 	Consistent focus on provision of healthcare services to members and the community.
<ul style="list-style-type: none"> Profit formula 	Prudent financial management a feature throughout its history.
<ul style="list-style-type: none"> Processes 	Steady evolution of pharmaceutical, medical and skills and associated competencies.
<ul style="list-style-type: none"> Resources 	Acquisition of buildings, facilities, equipment, and personnel required to deliver the medical, pharmacy and associated services.
<ul style="list-style-type: none"> Share structure 	Non-distributing, not-for-profit business with mutual ownership.
<ul style="list-style-type: none"> Governance 	History of well-structured and competent Board and Executive teams.
<ul style="list-style-type: none"> Member Value Proposition 	Primary value to members is via discounts and use of services.
<i>Member level factors:</i>	
<ul style="list-style-type: none"> Investor 	Not relevant historically, although future use of MCIs is possible.
<ul style="list-style-type: none"> Patron 	Strong member engagement and value through use.
<ul style="list-style-type: none"> Owner 	Strong sense of ownership within the membership base.
<ul style="list-style-type: none"> Community member 	Historical engagement with local community and focus on their needs.
<i>Systems level outputs:</i>	
<ul style="list-style-type: none"> Economic capital 	Generation of employment within the Ballarat region, plus creation of valuable infrastructure, and affordable services.
<ul style="list-style-type: none"> Social capital 	Generation of trust, integrity, and connectivity across the community.

SYSTEMS-LEVEL INPUTS

Social cooperation is the foundation upon which co-operative and mutual enterprises are created and sustained. Without the willingness, and ability of the members to join and establish these enterprises, and then share their ownership mutually, there can be no CME sector. An essential aspect of what enables social cooperation is social capital, which comprises the level of trust, network connectivity and mutual reciprocity that occurs within the community (Adler & Kwon, 2002).

The history of UFS highlights the importance of social cooperation as a factor that helped to establish and sustain the Society. Without the willingness of the original Friendly Societies to join and create the UFS Dispensaries, and then actively support it throughout its early years, the organisation would not have existed or survived. Despite the passage of time, the level of social cooperation within the local community, and the existing Friendly Societies' network has resulted in UFS providing management support for other Friendly Societies' dispensaries.

Governments play a critical role in shaping the behaviour of CMEs, which they do via legislation, regulation, and policy. The UFS case highlights the ability of Federal and State Government policy and legislation to both help and hinder the growth and development of the Friendly Societies. As has been shown, the introduction of legislative changes impacted UFS and forced it to adapt and change in response. In highly regulated sectors such as pharmaceutical and medical services, these pressures from government policy and legislation must be continuously monitored by the Society to ensure that it can respond accordingly.

CMEs are traditionally established and sustained because they respond to a market failure or distortion. However, all CMEs, whether distributing or non-distributing, charitable organisations, operate within industry environments. The level of competitiveness, buyer and supplier bargaining power, ease of new market entrants or potential substitution threats, are all important to how dynamic the market environment is (Porter, 2008).

The UFS case illustrates the highly competitive nature of the pharmacy and healthcare sector, and the willingness of influential lobby groups such as the PGA and BMA/AMA, to influence government and consumer perceptions of the Friendly Societies. Although the long-running feud between the Friendly Societies and the PGA has ended, the threat of large discount pharmacy groups remains. It also demonstrates the way in which a mutual organisation can overcome market failures or distortions, as was done with the provision of affordable pharmaceutical and medical services via the Society.

Environmental factors such as droughts, floods, wars, and pandemics are also major influences on the behaviour of CMEs. In the case of UFS, the impact of the two world wars, the Spanish Flu and the COVID-19 pandemic all posed challenges that the Society had to respond to. As can be seen from the case, the Society managed all these challenges effectively and provided support to the membership and broader community in the process. The recent investment in solar power and recycling is a response to the threat of global climate change and represents a significant commitment by UFS in this regard. Looking forward, the focus by UFS on supporting an aging

population is further evidence of the Society's ability to respond to changing environmental conditions.

ENTERPRISE-LEVEL FACTORS

At the enterprise level the business model of the CME is focused on at least seven key factors, which are interconnected and determine the success of the enterprise over time. The first of these is the organisation's purpose (mission), which provides the justification for its existence and is an essential element in guiding its activities. In the case of UFS, while the written mission statement of the Society has changed over the years, the fundamental focus of its purpose has not. From the 1880s to the present, it has focused on the delivery of high quality, affordable healthcare to its members and the community.

The second factor is the ability of the organisation to make a profit. Even though UFS is a not-for-profit enterprise, it must still generate sufficient financial surplus to remain solvent and sustain future growth. As the case has shown, over the years, UFS has approached its financial management in a prudent and self-sustaining manner. Its funding has been through membership fees, and levies, plus retained profits and loans. Careful use of property investments and cost control has enabled UFS to navigate the challenges of the past 140 or so years.

The next two factors are the processes and resources that the organisation needs to conduct its business and deliver its services. Here the case illustrates how UFS has been able to develop and sustain the various processes and resources it needed to establish and operate its retail pharmacy network and associated medical clinics and other services. The recent expansion of its pharmacy and medical services, and the ambition to build upon its competence in remote management, all provide examples of the importance of developing internal processes and resources to support business development and growth.

In relation to the next two factors, share structure and governance, UFS, as a not-for-profit mutual, does not have a share structure that can be accessed by its members. However, as noted, its recently amended Constitution does make provision for UFS to issue MCIs should it need to raise additional capital to fund growth or acquire assets. Due to their design, the issue of MCI to either members or non-members, will not impact their mutual structure. However, it will create a new stakeholder group of MCI shareholders who will need to be considered going forward.

The governance of UFS as illustrated by the Board and Executive functions have historically been sound and well-structured. This will be seen with the formation of the initial Board and its various committees in the early years, and the requirement for member societies to commit to the active management of UFS, and the sharing of membership data and related information. This legacy has continued to the present, with evidence of a competent Board and Executive Management team, that adhere to best practice management and governance principles.

Finally, the configuration of these factors within the business model creates a Member Value Proposition (MVP), which attracts and retains the members, generates engagement, loyalty, and a willingness to give positive word of mouth to others about the organisation (Mazzarol et al., 2019). As the case shows, UFS does not have a formal articulated MVP, but has traditionally relied upon discounts to deliver value to members. This practice continues, although it is now becoming

more difficult due to competitive pressure and government regulations. However, to address this challenge, UFS is moving towards a differentiated full-service model.

MEMBER-LEVEL FACTORS

The four member-level factors represent the roles or “hats” that members wear in relation to their membership of a CME. Understanding what each role represents within the organisation, and how that role is understood by the members, is important to their ability to be actively engaged and their loyalty secured (Mamouni Limnios et al., 2018).

For USF the investor role is not relevant given that no share capital is directly owned by members. However, any decision to issue MCI would create a pool of MCI holders who, while not gaining any membership rights, or control over the governance of the mutual, would still need to be viewed as a key stakeholder community. Further, many may also be members.

By contrast the patron and owner roles of the members of UFS are an essential part of the way the Society has engaged and retained its members. The delivery of quality, affordable medical, health and pharmaceutical services lies at the heart of what comprises the purpose of UFS. To this end the Society has rightly focused upon continuous delivery of the highest quality of services, while promoting to the members their ownership rights and ability to vote at AGMs.

The final factor, relating to the members’ perception of being part of a common community of purpose is something that UFS has understood and nurtured throughout its history. Commencing with the engagement of the founder Friendly Societies and moving onto the present membership base, UFS has made its strategic decisions in response to and in conjunction with its members. These decisions have consistently pursued the organisation’s purpose the value that the existence of the Society brings to the membership and its associated community.

SYSTEMS-LEVEL OUTPUTS

The last element within the CME research framework are the two key outputs that emerge from the CME business model. These are the generation of economic and social capital. Measuring economic capital is generally easier than social capital.

In the case of UFS, the economic capital created by the Society is measurable through such things as annual turnover, retained earnings, assets under management, employees hired, charitable donations made, and discounts paid. It might also be measured in the indirect economic benefits to the health system of keeping USF members and customers healthy and out of hospital.

Measuring social capital is more difficult. However, it is generally assessed via the level of trust, networking and collaboration, and mutually reciprocal exchanges that occur within the members and their community. Historically UFS has demonstrated a strong contribution to social capital through its ability to leverage its membership and the trust that it has built up throughout the Ballarat and adjacent regional communities. It has also earned the trust and mutual respect of many within Victoria because of its delivery of medical and nursing services, COVID testing and vaccination clinics, and assistance for other Friendly Societies, as well as its generous charitable donations. As UFS moves towards securing B-Corp accreditation it will need to formalise many of these social capital outcomes.

CONCLUSION

In conclusion, UFS is an exemplary role model of a successful, contemporary Friendly Society. Its long history provides a legacy of commitment to the pursuit of a clear purpose, focused on the benefit of its members. Operating as it does in a dynamic and competitive environment, one that is subject to continuous legislative, social, and technological change, UFS will face numerous challenges in the future. However, by drawing upon the lessons of its past, and applying the expertise, competence and wisdom of its Board and Executive Management in pursuit of a steady but sustainable growth, there is no reason why the Society will not be around for a long time to come.

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