Investing in inter-organisational communication: the Melbourne Wool Brokers Association

Simon Ville
University of Wollongong, sville@uow.edu.au

David Merrett

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Abstract
Trade associations were common in Australia in the 1960s with an estimated 1250 in existence (Freeman 1968: 443–58). Their primary role, as perceived by economists of the day and the Attorney-General intent on introducing legislation to quell restrictive trade practices, was to create economic gain for the association's members at the expense of their suppliers and/or customers. While Freeman (1968: 457–58) argued that trade associations were neither necessary nor sufficient conditions for restrictive trade practices, such an interpretation was swept aside by Mancur Olson's influential work on the rent-seeking ‘distributional coalition’ from the 1960s to the 1980s (Olson 1965, 1982).

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Investing in Inter-Organisational Communication: The Melbourne Wool Brokers Association

Simon Ville and David Merrett

Trade associations were common in Australia in the 1960s with an estimated 1250 in existence (Freeman 1968: 443–58). Their primary role, as perceived by economists of the day and the Attorney-General intent on introducing legislation to quell restrictive trade practices, was to create economic gain for the association’s members at the expense of their suppliers and/or customers. While Freeman (1968: 457–58) argued that trade associations were neither necessary nor sufficient conditions for restrictive trade practices, such an interpretation was swept aside by Mancur Olson’s influential work on the rent-seeking ‘distributional coalition’ from the 1960s to the 1980s (Olson 1965, 1982). New paradigms, including the new institutional economics (Williamson 1985; Eggertsson 1990; Buckley and Michie 1996) and social capital theory provide alternative and complementary frameworks with which to analyse associations, which are located between hierarchy, the individual firm and the market, and made up of many competing firms whose relationships up and down supply chains are arm’s length exchange based on price.

These new literatures emphasise the positive role of cooperation both among competitors and along supply chains in generating
efficiency gains (Rugman and D’Cruz 2000; Jarillo 1995; Lorange and Roos 1993; Gomes-Casseres 1996). Both approaches focus on the role of institutions, governance structures and information flows in supporting exchange. Associations are seen as an alternative form of social ordering to the community, market and state that are able to provide the best public interest outcomes in some situations. The burgeoning social capital literature in the 1990s emphasised how various forms of association served as trust-building receptacles (Ville 2004). Recent work has specifically emphasised the productive contributions of business associations, particularly through their ability to resolve various forms of market failure in developing economies with weakly developed exchange supporting institutions (Doner and Schneider 2000a, 2000b). In practice, many associations undertake a wide range of strategies in pursuit of both redistributive and Pareto-optimal outcomes. The successful pursuit of these goals depends on the strength of the association and the nature of the environment in which it operates.

In this chapter we test the insights of the more recent literature on associations through a study of the Melbourne Wool Brokers Association (MWBA), a body through which six large stock and station agents with offices in Melbourne managed the sale of wool. The association engaged in collective price agreements and actively pursued the muting of non-price competition amongst its members. However, its work in other regards, particularly the scheduling of sales through a central auction room, brought about clear efficiency gains. To understand the role and impact of the MWBA requires a close examination of its activities over a long period of time, from its inception in the 1890s until the 1930s. To this end we draw on its own records (University of Melbourne Archives (UMA), accession 79/178), particularly its constitution, committee minutes and a range of subsidiary sources, to describe its nature and assess its associative strength as an inter-organisational body. In particular, we focus on its membership, formal structure, culture and patterns of communication.

The MWBA played a critical role in the Victorian wool trade, as did its sister institutions in other selling centres and the National Council of Wool-Selling Brokers nationally. By the 1930s in excess of 650,000 bales of Victorian wool, together with more from southern
New South Wales, were sold by auction in Melbourne and to a lesser extent in Geelong. The railways carried more than 86,000 tons of wool during the 1932–33 season (Victorian Railways 1933: Appendix 23). Growing, financing, transporting, storing, selling and exporting the annual wool clip was an enormous enterprise involving many actors: graziers and farmers, stock and station agents, banks, insurance companies, freight forwarders, shipping agents and shipping companies, wool classers, wool buyers, the Victorian State Railways, the Melbourne Harbour Trust, carters, shearsers, and storemen and packers. The wool auctions, allowing the realisation of the clip, stood at the heart of this complex web of commercial transactions. Money changed hands along this chain for services rendered. However, these commercial transactions were not conducted at ‘arms length’ between parties who bought and sold solely on the basis of price. The wool trade depended on associations and institutions whose role was to further the aims of the parties through negotiation and communication. It was an industry where firms, who were competitors at one level, formed associations that gave them a collective voice in negotiating with other organisations and to resolve issues within their own industry. The wool industry was replete with associations of growers and buyers. The MWBA developed and maintained an efficient selling organisation. An association, an intermediate mode, was a superior governance structure, in Williamson’s (1985) typology, to either hierarchy or market.

**Industry associations**

**Definition**

Industry associations represent third party or bridging organisations. Members collectively delegate certain rights to this central body, which exercises ‘associational governance’ through a process of structured bargaining among members, its officers, and external actors. Associations commonly represent the interests of members drawn from a particular industry or part thereof but may also cut across sectors, to represent, for example by size (small or large firms), by geographic location (local and national chambers of commerce), by function (importers or exporters, primary producers or manufacturers) or by professional group. Typically, they are funded by member
subscriptions and fees and their governance is contained in a written constitution (Schneiberg and Hollingsworth 1991: 202–4; Doner and Schneider 2000a: 280; Yamazaki 1988). The size and nature of their membership varies greatly and may include individuals, such as managers and professionals, or organisations including companies. While associations come in many forms, in general they may be distinguished from a wide range of inter-firm relationships and structures by dint of their existence as a separate bridging organisation, independent of individual members, and in providing broad sectoral representation.

They may undertake a wide range of activities in pursuit of their strategic aims. As we noted in the introduction, the literature divides their aims broadly into two: those that yield benefits to members at the expense of others (‘rent-seeking’), for example by successful lobbying for favourable tax or trade treatment; and those that focus upon improved efficiency in their sector that may also provide consequential spillover benefits beyond their membership (‘pareto-optimal’). In practice, rent-seeking and efficiency motives are difficult to disentangle: for example, price and output agreements may be viewed as an exercise in market power or an attempt to provide order and certainty to the benefit of all parties. Moreover, the different activities draw upon the same resources of the association, especially in terms of staff, information, and cooperation, thereby yielding cost-reducing scope economies. It may also be instructive to distinguish between motives (ex ante) and actual outcomes (ex post)—a rent-seeking motive may provide unintended growth benefits as a form of externality or vice versa in the case of setting accreditation standards that create entry barriers (Kahn 1968: 323–34). The balance of competing motivations may also be sensitive to the lifecycle stage of an association. Initial formation may draw upon strategic (market power) and distributional (offloading risk) objectives such as a response to heightened intra-industry competition, the organisational efforts of transacting partners, or changes in government regulatory policy. Subsequently, members may perceive efficiency benefits to be derived from association (Schneiberg and Rogers Hollingsworth 1991).

Doner and Schneider (2000b: 19) observe that business associations operate at a meso-organisational level between markets and hierarchies that has largely been overlooked by the new institutional
economics. While their perspective may not give sufficient recogni-
tion to more recent analyses of inter-organisational relationships as a
whole, they correctly argue that associations help to resolve many of
the market imperfections that are at the crux of new institutional
analysis. Doner and Schneider (2000a: 262–4) distinguish between
the ‘market-supporting’ and ‘market-complementing’ activities of
associations. Market-supporting activities involve exerting pressure
upon governments to increase the supply of public goods such as
improved infrastructure, stronger property rights and the mitigation
of official corruption. Market-complementing activities address the
supply of club and private goods such as horizontal and vertical coor-
dination between firms, accreditation, information flows and human
capital skills. Associations help to resolve sources of market imperfec-
tion. They facilitate exchange through reducing transaction costs
(mediation and improved information flows), attenuate the need for
hierarchy through mitigating agency problems (reduced information
asymmetries) and promote cooperation through resolving collective
action dilemmas (provision of incentives).

**Associative capacity**

The ability of industry associations to pursue particular strategies
depends upon their organisational strength, and prevailing conditions
and pressures in the external environment (Doner and Schneider
2000a: 275–8). Their strength, or internal associative capacity, partic-
ularly depends upon the nature and benefits of membership, together
with the structure and culture of the association. High member den-
sity, or encompassment, is a central aspect of associative capacity.
Where a company never joins, or exits, the association’s influence
over the industry and its claim to speak representatively is weakened.
The association then risks free riding by non-members and the emer-
gence of a rival association or group. Where high density is achieved
through a small number of members in a concentrated industry, this
reduces the costs of administering the association, particularly in
securing cooperation, participation and honest behaviour. On the
other hand, where membership is dominated by a few large organisa-
tions with their own substantial resources and powerful internal
bureaucracies, they may be less inclined to make a major commit-
tment to an association, believing the benefits to be limited.

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The most effective way to ensure high member density and cooperation is to make membership of the industry association highly attractive or, put formally, a valuable asset to the business of participating firms. Olson and others have described the tangible ‘selective benefits’ that an association offers only to its members, such as the ability to negotiate bulk purchase discounts. While this has acted as a strong incentive for some organisations comprising many small members, such as agricultural cooperatives and trades unions, often it is tangential to the aims and aspirations of the association and requires only passive rather than active membership.

Intangible selective benefits are also highly prized. These particularly relate to the reputational signals that membership emits. In many cases, membership is an explicit signal of trustworthiness and creditworthiness where defaulters and bankrupts are expelled (Carnevali 2004: 543). Many associations play an active role in setting and amending various forms of industry accreditation. The ability of associations to intermediate business disputes among members can provide a more swift, transparent and low cost resolution than is possible with court ordering. In turn, the existence of such explicit and implicit signals strengthens the enforcement powers of associations, expulsion being reputationally more damaging than non-membership. Improved dispute resolution is one example of how an association can strengthen a firm’s operating performance in a manner inaccessible to non-members.

Tensions and divisions can nonetheless plague an association as members jostle for leadership, seek to defend their territory, form alliances based upon particular interests, or simply act opportunistically. Commonalities in social and professional background and aspirations of the members of the association may foster an innate sense of cooperation (Granovetter 1985: 481–510). This may reflect social linkages among the association’s senior officers or members and a shared history (heritage) and position in the industry—differences in company size, bundle of activities, or longevity in an industry may alternatively invoke sectional disputes. Active participation and close interaction is preferable to passivity and distance in building upon the initial sources of associational cooperation. The expression of members’ ‘voice’ encourages a wider range of interaction, heightening trust, consensus, loyalty and other forms of social capital.
among members while providing a greater range of expertise in decision making and closer monitoring of the association’s officers.

The most enduring influences on associative capacity are the ability to learn (from previous similar circumstances) and to adapt (to new circumstances). Learning provides an improved response to a particular situation and requires not only cognitive skills but also memory. Therefore, human capital levels and record-keeping practices are important. All firms need to be adaptive in order to respond to a changing environment. An association must respond to changes in its industry’s position but also to the shifting dynamics among its members and indeed its changing membership composition. Its ability to respond effectively to these dynamics in a manner that sustains trust and cooperative participation is vital to its effectiveness. There are a number of ways in which associations can behave as adaptive institutions, most notably through possessing a governance structure that is responsive to change (North 1990). An electoral system of proportional representation, a forum for reflective discussion, and constitutions that can be easily and regularly amended and updated are examples of such adaptiveness. The industry association’s ability to resolve market imperfections in exchange, hierarchy and collective action are enhanced over time by its learning and adaptability.

Melbourne Wool Brokers Association

Formation
Wool brokers associations came into existence in several Australian colonies at the end of the nineteenth century. Wool had been exported for sale in Britain since about 1807 and its volume had since increased rapidly (Abbott 1971: 35; Jackson 1977: 53). In the last quarter of the nineteenth century, however, a major market shift had begun that by the 1920s would see almost all Australian wool sold locally prior to export. The volume of wool sold locally in Australia had nearly trebled in the 1880s, reflecting both the continued expansion of local production and, more particularly, the increasing share that was being auctioned in Australia rather than Britain (Ville 2005: 73–95). It was the advocacy and management of Australian wool auctions that provided the major trigger for the establishment of the wool brokers associations.
As growing numbers of firms began to sell locally, there was pressure to conduct joint sales in a central auction room. The absence of a central auction room that could sell a substantial volume of wool imposed costs on all parties—brokers, buyers and sellers. Individual brokers conducting their own auctions, without any coordination of their sale times with other brokers, duplicated physical resources and could not take advantage of economies of scale. Buyers spent more time travelling between sales and bid for a narrower range of wool. Growers had fewer buyers at each sale than if there was a central auction room, pushing prices lower. The brokers wanted to reap economies of scale and scope, through selling related products such as skins and hides. The buyers and growers both wanted the largest offerings at any session and the most bidders. The issue was how to bring about a brokers association that could provide such a service owned and operated by firms competing in wool broking and the provision of many other services to graziers and farmers.

Such a development was not without tensions among the firms who vied for prominence, including the right to be first on the sale roster. Thus, centralised selling in Sydney, which had begun earlier in 1863, broke down in the early 1880s amidst inter-firm disagreements. The auction’s management committee, consisting of representatives defending the interests of individual firms rather than acting as a genuine independent body, was unable to impose sufficient authority to make the system work (Barnard 1958: 110). In Geelong, bilateral conflict emerged in 1891 when auction pioneer Dennys Lascelles jockeyed for leadership status with the larger latecomer Dalgety, the former seeking to capitalise on its first mover status, the latter on its market power (UMA 62, 12, Dennys Lascelles). The wool brokers associations, as an independent third party vested with authority over the individual firms, provided a governance solution to the problem of capturing the benefits of joint sales while minimising inter-firm disagreements.

The associations, however, had to go beyond a steady state of managing inter-firm relations. In order to continue the expansion of local selling, address the needs of increasingly demanding and sophisticated overseas buyers arriving in Australia and compete effectively with the London market, brokers needed to put wool auction procedures on a more certain footing. This meant standardising practices
to become routines and inculcating norms that governed behaviour among parties in the industry. The formation of regional wool buyers associations had preceded the brokers associations. This set a precedent in the industry and was likely to invoke a defensive response from brokers to protect their interests. The buyers, however, supported the formation of brokers associations as a means of more effective communication and to facilitate improved organisation of the auction system (Barnard 1958: 110).

Information on the early years of the wool brokers associations is sketchy. Centralised selling resumed in Sydney in 1892, the same year that it was initiated in Melbourne and Geelong. The wool brokers associations were formed around the same time to provide an appropriate governance structure. Centralised wool selling began in Melbourne’s Old Wool Exchange in the Winfield Building in Collins Street in 1892. The MWBA first appears in Sands and McDougall’s Melbourne, Suburban and Country Directory in 1894, suggesting that it started business no later than 1893.1

Membership
For most of the period under study, MWBA’s membership comprised the six large wool brokers participating in the joint auction in Melbourne. They were Australian Estates and Mortgage Company, Australian Mercantile Loan and Finance Company, Dalgety, Goldsborough Mort, New Zealand Loan and Mercantile Agency, and Younghusband.2 While some private contract sales took place through a number of very small firms, the six brokers between them handled the vast majority of wool exported through the port of Melbourne. A small, stable and dense membership structure thus promised associative strength.

Membership secured the benefits of centralised selling (scale economies, larger markets and coordinated sales timetables) within a governance structure designed to manage the auction process, minimise inter-firm disagreements, communicate with other groups and bodies, and plan the future development of the wool market. Moreover, firms agreed on a structure of fees and commissions to the sellers. These were a mixture of charges based on the volume of wool moved into and out of the store and the time held in store. Sale commissions, though, were a percentage of the selling price, larger lots

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attracting a lower rate of commission, which shared the market risks with the sellers (Constitution and Rules, 1931: 9–18). Many of the objectives and outcomes of MWBA were best or solely captured through membership. In addition, active participation gave firms a voice in industry matters and the manner in which major shifts in the external environment were addressed. Such shifts included government purchase of the wool clip during World War I and its realisation through the British and Australian Wool Realisation Association, the debates about wool marketing in the 1920s, the rise of cooperative brokers, and the collapse in wool prices during the depression.

Less tangible benefits of membership were also important. It provided reputational guarantees for firms and associations. The threat of expulsion of members who repeatedly breached association rules, along with the blacklisting of deviant transactional parties, protected members from many sources of opportunism. At the same time, graduated penalties in the form of escalating fines up to £500 and temporary suspensions distinguished the minor or occasional from the invertebrate offender, and helped to balance the potentially conflicting aims of high membership density and effective enforcement. The constitution also provided for expulsion of members acting contrary to the ‘interests of the association’ or ‘guilty of conduct disloyal to the association’, which extended to a much broader sphere the expectations of membership (Constitution and Rules 1931: 8–9). In turn, therefore, membership was a credential of trustworthiness and creditworthiness of value in negotiating with other members or transactional parties, particularly growers and buyers. Associational mediation of bilateral disputes between members or representation in disputes with members of other associations reduced the cost and time involved in resolution. MWBA’s constitution contained clear instructions for dispute resolution through hearing cases at a committee meeting and resolving by an absolute majority vote of members, the accused member not being entitled to vote.

The commencement of wool sales by several producer organisations during and after World War I posed a serious threat to the MWBA. In 1917 the Victorian Producers Cooperative (VPC) began to sell wool in Melbourne, as did the Commonwealth Wool and Producers Company (CWP) in the 1934–35 season. Since neither firm appears to have become a member of MWBA, this reduced its density and
threatened to weaken its power and claim to represent the industry. In New Zealand, where farmer cooperatives were more prominent, they tended to be members of brokers associations. Membership decisions lay with the management committee. New members paid an entrance fee of £1000 and lodged a deposit of £500 from which any fines or outstanding debts could be withdrawn. In addition, there was an annual contribution to the costs of operating the association of £125 with the option to levy additional amounts if this proved insufficient (Constitution and Rules 1931: 2). The cost of membership, in the absence of a sliding scale for new smaller firms, may have served as an entry barrier. VPC, however, almost immediately achieved a ten per cent market share and, with CWP, this rose to around sixteen per cent by the mid-1930s, suggesting that the entry fee was unlikely to serve as a constraint for long. These market share figures also indicate that, without the cooperatives, membership density still remained very high (eighty-five to ninety per cent), thereby providing few incentives to court their membership.

The reason for the producer cooperatives remaining outside the brokers association is more likely to have lain with business strategies that were inconsistent with some of the aims of the members of MWBA. In particular, cooperatives, as producer owned and operated organisations, rebated part of their commission to the farmers who sold through them, a policy opposed by MWBA. Although many cooperatives were small and poorly managed businesses, the larger more professionally managed ones, including VPC and CWP, were a serious competitive threat to the wool brokers. This was particularly serious during the interwar period since the size of the wool auction varied significantly from year to year and exhibited little secular growth as a whole. The producer organisations represented directly the interests of farmers, many of whom believed agents’ charges should be reduced during the prolonged interwar downturn. This came to a head in 1934 when the producers cut broker commissions by twenty per cent, forcing the other firms to follow suit. The situation improved during and after World War II as the volume of wool sold was less volatile and grew over the longer term. In addition, Elders completed its acquisition of CWP to enter the Melbourne wool market in 1950.
The minutes of MWBA meetings held immediately after the establishment of VPC indicated some initial hostility to the organisation. Chart 9.1 additionally shows that brokers were affected differently by the downturn and the competition from VPC, with Dalgety and NZLMA showing significant loss of market share but AEM and Younghusband largely unaffected. While differences of opinion on the seriousness of the cooperative threat and how to handle it may have existed among MWBA’s members as a consequence, it did not spill over into the minutes of their meetings. It was soon realised that some form of modus operandi had to be established with VPC. In spite of MWBA’s high membership density, it remained sensitive to the competitive threat. Although MWBA initially denied VPC use of its Melbourne Wool Exchange sale rooms, it soon reversed this policy in order to avoid duplication and competition. A VPC representative additionally attended MWBA’s trade committee meetings during the discussion of the sales roster. By the 1930s, VPC shared in a wider range of MWBA activities, such as advertising and agreeing standard service charges, while not becoming a member and being excluded from meetings of the management committee and discussions concerning the MWBA itself (UMA 79/178, Trade Committee, 1933). On several issues, such as the price charged for woolpacks, the VPC held different views from the other brokers but these differences of opinion were largely resolved in their joint meetings (UMA 79/178, Trade Committee, 1930). The key difference over farmer rebates seems to have been largely avoided in meetings. VPC’s close relationship with MWBA enabled it to share fully in the principal benefits of joint selling—scale economies and a larger market—and to share in the reputational benefits of this connection. In return it abided by most of the decisions and protocols established by MWBA for managing the wool auction.

The ability of the MWBA to come to a modus operandi with the VPC is probably indicative of its learned ability to negotiate inter-firm agreements. While the big six brokers shared much in common, the diversity generated by competitive instincts and different strategies still had to be accommodated if the MWBA were to function effectively, and by 1917 it had had two decades of experience in relationship building.
Structure and governance

The formal structure and governance of MWBA is largely revealed in its constitution. Overall control and management lay with its management committee, which consisted of one representative from each firm. It had one permanent sub-committee, known as the trade committee, of the same representation, ‘to deal with such matters as may be referred to it by the [Management] Committee’. In practice, the trade committee handled most of the day to day operations, including the management of the auctions and interacting with other industry groups. It referred major issues to the management committee for an executive decision (UMA 79/178, Rules and Regulations, 1901). Since member firms were of relatively similar size and market share, representation, voting rights, and subscription fees could be equalised. In terms of personnel, the constitution mentions a secretary, whose appointment, duties, and powers would be determined by the committee, and a president (or chairman) to be appointed at each AGM and normally rotated among the member companies. The constitution did not provide for scheduled meetings besides an AGM each April. Instead, they should be called from ‘time to time’ as needed. The short period required to give notice of a meeting (two days) indicates the ease with which they could be organised. The absence of detailed rules for the conduct of meetings also intimates a reasonably relaxed and informal approach. Similarly, meetings might take place at the association’s offices, ‘or at such other places it shall from time to time determine’ and matters not included in the agenda could be discussed if all members were present and agreed. At least one representative expressed concern that the MWBA’s constitution was ‘less effective and precise’ than that of the Sydney Wool Brokers Association (ANU, AMLF 162/687, correspondence, 1934). However, the Geelong Wool Brokers Association used the MWBA’s constitution as a template. As we shall see below, the MWBA derived most of its strength not from the formal contract among its members but rather their informal linkages based upon heritage, social networks and geographic propinquity.

Organisational culture

Shared heritage

The six member companies shared many similarities in their heritage and subsequent experiences. They all came to prominence as
pastoral agents in the second half of the nineteenth century, diversifying into a range of financial, marketing and information services for farmers, and incorporating as public companies. In the early twentieth century, each pursued geographic expansion across Australia and between them held a dominant share of the wool broking market (Ville 2000: 20–45). Together they faced major challenges including a world war, BAWRA, and an interwar slump, along with regular phases of drought, pestilence and the like. MWBA provided a forum for them to work through these problems, as they played out for the wool industry in Victoria and southern New South Wales, in a cooperative fashion. Nonetheless, differences also existed between each firm’s operational and geographical orientation. AEM was a major owner of pastoral stations, a practice the others largely exited by the end of the nineteenth century. Thus, as a vertically integrated concern, it had substantial interests as a seller in addition to its brokerage function. Geographic distinctions existed between firms originating in Britain (AEM, AMLF, Dalgety, NZLMA) or Australia (Goldsbrough Mort, Younghusband). Initially, at least, this influenced their attitude towards setting up auctions in Australia that competed with the established networks and investments of the ‘Anglos’ in London. By the early decades of the twentieth century these geographic differences began to wane as the Australian firms established London offices, the British ones began to relocate managerial authority to Australia and all of them recognised that the future lay with wool auctions located in Australia.

Social networks
The social networks that tied many of the senior figures of the wool brokers who sat on MWBA committees reinforced their shared heritage. Since we have records of attendance at committee meetings, we can match some names to entries in the 1929 *Who’s Who in Australia* and the *Australian Dictionary of Biography* to provide further details on individuals, including their background, education, career and other activities. Table 9.1 provides some simple social network analysis of seven committee members of MWBA and one from the Geelong Wool Brokers Association, with whom they worked closely, who appear in the *Australian Dictionary of Biography*. While each profile is distinct, there are some interesting features repeated across the
Table 9.1: MWBA committee member profiles

<table>
<thead>
<tr>
<th>Name</th>
<th>Birthplace</th>
<th>Address</th>
<th>Education</th>
<th>Religion</th>
<th>Career</th>
<th>Political, business and club connections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allen</td>
<td>Warrnambool</td>
<td>Essendon</td>
<td>Warmambool, Caulfield Grammar</td>
<td>Anglican</td>
<td>NZLMA, Dalgety, VPC, AEM</td>
<td>Nationalist politics; cricket.</td>
</tr>
<tr>
<td>Barker</td>
<td>Louth, Lincs, UK</td>
<td>Kew</td>
<td>Private tuition, London</td>
<td>Congreg.</td>
<td>NZMLA, NPA</td>
<td>Nationalist politics; Charity Board of Vic.; Congregation Union of Vic.; Australian Club.</td>
</tr>
<tr>
<td>Coleman</td>
<td>n/a</td>
<td>S. Yarra</td>
<td>n/a</td>
<td>Anglican</td>
<td>AEM, shipping, meat, Vice-Consul</td>
<td>Melb. Chamber of Commerce; Amalgamated Sugar Mills; Australian, Melbourne and Constl clubs.</td>
</tr>
<tr>
<td>Gibson</td>
<td>Kilmarnock, UK</td>
<td>Toorak</td>
<td>Kilmarnock Academy, Glasgow University</td>
<td>Protestant</td>
<td>Banking, GM, BAWRA</td>
<td>Nationalist politics; Australian, Melbourne, Melbourne Scots clubs.</td>
</tr>
<tr>
<td>Niall</td>
<td>Glenelg, SA</td>
<td>Toorak</td>
<td>JM Mitchell Schl, Magill</td>
<td>n/a</td>
<td>Pastoral, GM</td>
<td>Squatting Inv Co.; Mount Morgan Gold Mining; ERS; MM; Australian, Melbourne and Athenaeum clubs; Victorian Racing Club.</td>
</tr>
<tr>
<td>Macrae</td>
<td>Moulmein, Burma</td>
<td>Bellevue Hill, Sydney</td>
<td>Royal Naval Schl, UK</td>
<td>n/a</td>
<td>Union Bank, pastoral, shipping, Dalgety</td>
<td>Nationalist politics, Melbourne, Pioneer and Union clubs.</td>
</tr>
<tr>
<td>Wilson (GWBA)</td>
<td>Colac, VIC</td>
<td>Highton, VIC</td>
<td>RC Schl, Colac, Colac Grammar</td>
<td>Presbyt.</td>
<td>Saddler, meat preserving, DL, NCWSB</td>
<td>Nationalist politics; Dir. Retd Soldiers &amp; Sailors Woolen Mills; Chair Wool Experts Committee; Australian and Geelong clubs.</td>
</tr>
</tbody>
</table>
selection. Most lived in the wealthier Melbourne suburbs of Toorak, Kew and South Yarra and participated in Protestant religious groups and their charities. While there was limited movement between wool broking firms, many had a pastoral, banking or shipping background. Many served on other pastoral industry bodies such as BAWRA and NCWSB. Perhaps the most ubiquitous qualities of this group are their support of nationalist politics and their membership of the Melbourne and Australian clubs (Scott 1936; Akehurst 1943).

Geographic contiguity
While the commonalities indicated above provide evidence of shared experiences and frequent meeting points, this receives strong reinforcement by the close proximity of the offices of the woolbroking firms and other wool industry bodies in the Melbourne CBD. The six member firms were all located within a short walk of each other on William Street (AEM, AMLF), King Street (Younghusband), and the western ends of Bourke Street (Goldsborough Mort, Dalgety) and Collins Street (NZLMA), which crossed William and King. The VPC had an office at the western end of Flinders Lane, while the CWP’s office was to the north of AEM and AMLF along William Street. The MWBA’s own offices were initially located close by in the western end of Collins Street, first at 475 Collins Street (1894–1905), then in the Rialto Building at 497 Collins Street (1906–1914), and finally at 120 King Street. In light of the personal links drawn in the previous section, it is worth noting the proximity of the banks, insurance and shipping firms whose offices were west of Elizabeth Street and clubs such as the Australian Club on William Street.

Communication
Conduct of meetings
A close analysis of surviving committee minutes provides an insight into the conduct of MWBA’s business and particularly the communication among the firms. It points in the direction of an organisation that was highly interactive, participatory and that communicated face to face, thereby creating an environment conducive to building trust and cooperation. The almost complete absence of threats of resignation and an unwillingness to push divisive issues and minority viewpoints to the limit, points to a culture of ‘voice’ and ‘loyalty’ within the

*The Melbourne Wool Brokers Association*
organisation, rather than of ‘exit’ or ‘passivity’. The approach to the post-1918 disposal of surplus wool stocks is an example of this behaviour (UMA 79/178, FWSBA, 1920).

Meetings were frequent rather than regular, being called as needed. The management and trade committees met on average about once a fortnight. When a number of issues were pressing it might meet weekly or more often, if required. Thus, the trade committee met twenty-four times in 1919, of which nine meetings were held from March to May but only four from June to August. The committee met four times in three weeks in May in an effort to resolve delays in the forwarding of wool from country towns (UMA 79/178 Trade Committee, 1919). Cyclical peaks and troughs from year to year

<table>
<thead>
<tr>
<th>Year</th>
<th>Management Committee</th>
<th>Trade Committee</th>
<th>Total</th>
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<tr>
<td>1912</td>
<td>23</td>
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<tr>
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<td>1914</td>
<td>19</td>
<td>13</td>
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<td>n/a</td>
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<tr>
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<td>n/a</td>
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<tr>
<td>1917</td>
<td>25</td>
<td>30</td>
<td>55</td>
</tr>
<tr>
<td>1918</td>
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Table 9.2: Meetings of the committees of the Melbourne Wool Brokers Association, 1912–34
in the number of meetings reflect the rise and fall of critical issues. A high plateau at the end of World War I surrounded the question of the orderly disposal of surplus wool stocks under the BAWRA scheme. A peak in trade committee meetings in the early 1930s reflected cost cutting drives by the industry in the middle of a major downturn.

Meetings were very well attended, each company providing a senior representative to be present on virtually every occasion, which is indicative of the seriousness with which the firms viewed the role of MWBA. Management committee members were drawn from among the firms’ most senior personnel including regional managers, managing directors and chairmen. Trade committees, dealing particularly with more operational matters such as managing the auctions, were staffed by wool and produce managers. In many cases, company representatives served on MWBA’s committees for many years, a likely testimony to the cooperative environment that prevailed. George Aitken, Melbourne manager of Dalgety, for example, served on the management committee from 1911 to 1926 including two periods as chairman (Le Couteur 1979: 24–5).

The details of the minutes and the complexity of issues contained therein is indicative of the body as playing a discursive and reflective role. For example, the detailed minutes of the meeting of 25 July 1917, covering thirteen distinct topics, testify to the breadth and depth of discussion that ensued. Another example occurred in July 1930 when a detailed meeting of the trade committee on 21 July discussed a wide range of proposals to cut firm operating costs in the middle of the economic depression. The committee then reconvened eight days later with yet more detailed discussion and a series of recommendations to the management committee (UMA 79/178 Trade Committee, 1930). Further examples of reflective discussion on major issues include the impact of the Imperial Government Wool Purchase Scheme on the major wool centres, and the secular shift of wool shipments from rail to road (UMA 79/178 Joint Meeting 1919, Trade Committee, 1922). Decisions were often reached ‘after considerable discussion’ (UMA 79/178, Trade Committee, 1933). Its cooperative culture combined with the seniority of attendant company representatives and encompassing membership meant the MWBA was a bridging organisation able to reach enforceable decisions on behalf of the industry.

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Chart 9.2: MWBA's inter-organisational hub

MWBA (Brokers, Melbourne Wool Exchange)

- Storemen & Packers Union
- Regional wool broking assns
- Government bodies
- Freight forwarders
- Graziers assns
- Rebating country agents
- Agricultural & pastoral socs
- VPC
- Dumping houses
- Victorian Wool Buyers Association
- Shipping companies
- Freight forwarders
- Government bodies
- Storemen & Packers Union
- Regional wool broking assns
An inter-organisational communicating hub

When the construction of the Melbourne Wool Exchange (MWE) in King Street was completed in 1914, the MWBA’s activities were shifted to this location. It leased two sale rooms and three offices from the Melbourne Wool Exchange Pty, which in itself was owned by the wool broking firms. The six attendees at MWE directors meetings were often the same people who sat on MWBA committees. The exchange soon became a central meeting point for many bodies and interests in the wool industry and trade. Rooms were leased by related organisations including NCWSB, Victorian State Wool Committee, VPC, the Victorian Wool Buyers Association and also by the Australian War Museum, the West End Club, and the Department of Repatriation. It was also within walking distance of the headquarters of the Victorian State Railways in Spencer Street and the Melbourne Harbour Trust. MWBA’s control of this central focus of the Melbourne wool industry gave it significant influence over the nature and extent of inter-organisational collaboration and interaction. Its minutes suggest, in particular, that it served as an effective monitoring device for what was happening in the industry. One might go so far as to suggest that the MWBA, with its exchange building and a membership consisting of the leading wool brokers, stood at the hub of a wool industry network in Melbourne.

Chart 9.2 illustrates some of these major inter-organisational linkages based on the MWBA hub. The key ones, as indicated by the bold lines, were with the VPC, as previously discussed, the other wool brokers associations, with whom they held periodic joint meetings and maintained a regular correspondence, the graziers, as their main customers, and the Victorian Wool Buyers Association with whom they worked closely on a day-to-day basis in managing the wool auctions. Communication with most other groups was by correspondence or occasionally inviting a representative to a MWBA meeting. Communication with NCWSB and several government agencies such as wool committees and BAWRA was often the result of personnel overlap via MWBA representation on these bodies.

Performance against objectives

While the focus of this chapter is the nature of the MWBA rather than its strategies, we should note briefly some of its achievements that
derived from a strong associative capacity. The sale of wool by auction involved a series of often complex sequential processes—receiving wool from individual farms into warehouses, sorting, weighing and display of the wool for inspection in showrooms, the conduct of the auction, completion of sale documents, outweighing, payment and removal to a warehouse or for delivery on board ship. The challenge for the MWBA was to push rapidly increasing quantities of wool through this process without undue delays. The strong associative capacity of MWBA and the support of the Buyers Association created an institutional environment in which much progress was made. In effect, routines were created by codifying standard practices into the conditions of sale document. These included providing definitions of key terms, personnel and procedures. Flexibility was built in by explaining alternative scenarios at particular stages and by providing ways of resolving residual sources of uncertainty.

Dispute resolution procedures were developed in the event of internal failure, such as a buyer not completing the transaction or ‘false packing’ by the broker, or for external failure such as industrial strikes or transport delays. Since resolving disputes took up the association’s time, measures to reduce the risk of disputes occurring in the first place were also implemented. These included the keeping of accurate and independent documentary records by the association and mutual monitoring of its members as well as between transacting wool buyers and graziers. While much of the earliest work of MWBA was designed to systemise the process of successful wool sales, many of the amendments and additions made in the interwar period were designed to deal with situations in which the sale was not completed for reasons such as low prices and firm failures.

MWBA varied charges and commissions to reflect changes in the operating environment, with secular reductions likely to have been the result of technological and organisational advances and cyclical reductions noticeable during the price deflation and downturn in demand during the 1930s. Most significant was an agreement to return twenty per cent of their commission to wool growers in 1934–35 in order to avoid losing market share to VPC and CWP who had already made such a commission reduction. A series of handling charges were also reduced including a fifteen per cent reduction in warehousing charges. The scale of charges gradually became more
detailed over time, in effect legislating and normalising a wider range of possible scenarios (Constitution and Rules 1931: 9–18).

Enhanced contact with other organisations led to improved relations and created an opportunity for mutually beneficial information exchanges. We have already seen the value of its strong communication lines within the wool trade. MWBA additionally communicated regularly with government departments and agencies. It was well placed, for example, to make known its views on proposed legislation affecting the wool industry on several occasions. Its communications with the Victorian State Railways did much to overcome delays in the forwarding of wool from country towns (UMA 79/178 1928a; UMA 79/178 1929). Its contacts and communication lines with government were at their most active during and after the two world wars. MWBA played an important coordinating role in the transition to the wartime wool monopsony of the British government during both world wars. It was also involved in the management of an orderly return to peacetime marketing in light of the huge accumulated surplus, working closely with BAWRA after World War I. Tsokhas (1990: 9, 11) has noted that the brokers played an important role in wartime negotiations between the Australian and British governments over the terms of the wool purchase.

Conclusion: Bridging organisations and hubs
This chapter has discussed the nature of the MWBA as an inter-organisational bridging body, acting with independence and authority on behalf of its members, the wool broking firms of Melbourne. While it had formal governance structures as recorded in its constitution, it drew much of its strength from the cooperative culture that built up over time among its members. The firms shared a similar heritage in the industry, were co-located in the Melbourne CBD, and their MWBA representatives were often known to each other across several walks of life and held similar outlooks. It confirms the importance of the strength and length of partnership, and the limited number of members to successful collaboration that Mann identifies in Chapter 5. The surviving minute books testify to the cooperative and reflective nature of this organisation, with the foresight and adaptability to respond to major environmental shifts as represented by world wars, economic depression and competitors with different backgrounds.
How Organisations Connect

and strategies (Fleming, Merrett and Ville 2004: 12–19). In addition to serving as a bridging organisation based on its membership, MWBA fostered inter-organisational collaboration by serving as the hub of a wool trade network in Melbourne, helped in part by its ownership and operation of the Melbourne Wool Exchange.

Our study of the MWBA demonstrates that it served a wider social purpose than would be suggested by the economist’s static efficiency view of trade associations. It provided institutional machinery that underpinned the realised realisation of a wool clip that was an important part of the local and national economy. However, this case study cannot be taken to imply that other Australian trade associations necessarily played similar types of roles. In some respects the MWBA, like its interstate counterparts, was an outlier in that it allowed constituent firms to reap joint economies of scale and scope through a commonly owned asset, an auction room that sold all of its members’ wool. In this regard, the MWBA shares much in common with the Associated Bankers (Victoria) that operated a clearing house for the exchange of cheques and the Melbourne Stock Exchange that provided a central selling room for its members. Organising a jointly owned asset used by competitors did not necessarily require an independent association. For instance, facilities such as the Port Pirie smelters and the Altona petrochemical complex were managed under different forms of governance structures (Hamilton 1900: 324–9; Hall 1968; Salsbury and Sweeney 1988; Green 1977; Klom 1988: 709–14).

This study has important implications for public policy, particularly for trade practices. We return to the two-faced mask of Janus issue raised in the introduction. Trade associations have been viewed as vehicles of trade restraint, a canker that should be eradicated through legislation. But the existence of an association in itself tells us little about its impact. Our work shows that the outcomes arising from the operation of an association can only be divined from a detailed study of its governance structures and activities in all their complexity.

Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>AEM</td>
<td>Australian Estates &amp; Mortgage Company</td>
</tr>
<tr>
<td>AMLF</td>
<td>Australian Mortgage (later Mercantile) Loan &amp; Finance</td>
</tr>
<tr>
<td>BAWRA</td>
<td>British Australian Wool Realisation Association</td>
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CWP     Commonwealth Wool and Producers Company
DL     Dennys Lascelles
ERS    Electrolytic Refining & Smelting Company
FWSBA  Federation of Wool Selling Brokers of Australia
GM     Goldsborough Mort
GWBA   Geelong Wool Brokers Association
MM     Metal Manufacturers Pty Ltd
NBA    National Bank of Australasia
NCWSB  National Council of Wool-Selling Brokers
NZLMA  New Zealand Loan & Mercantile Agency
UMA    Union Mortgage and Agency
VPC    Victorian Producers Cooperative
YHBD   Younghusband

Notes
1 The MWBA continued to organise auctions until it was acquired by the
Australian Wool Exchange in 1993. We are grateful to John O’Connor,
Executive Director of NCWSB, for this information.
2 A seventh smaller local firm, R. Goldsborough Row, was a member in the
early years until it was acquired by Younghusband in 1902.
3 MWBA’s first secretary was Richard Ernest Twopeny, a fact overlooked in
his entry in the Australian Dictionary of Biography vol. 6, pp. 316–17 (Ward
1976).
4 See Zeier (1941: 251–88) for a discussion of the link between the rail yards,
harbour and the industrial and commercial activity in the western side of
the city of Melbourne.

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Constitution and Rules and Regulations of the Melbourne Woolbrokers

The Melbourne Wool Brokers Association


University of Melbourne Archives (UMA), Dennys Lascelles, correspondence. UMA, Melbourne Woolbrokers Association 79/178.


Acknowledgements

The authors can be contacted through: Professor Simon Ville, School of Economics and Information Systems, Faculty of Commerce, University of Wollongong, NSW 2522, sville@uow.edu.au. We gratefully acknowledge the excellent research assistance provided by Andrew Parnell. We thank Stuart Macintyre and participants at the ASSA workshop for constructive comments on an earlier draft of the chapter.