

Principle Six: Networking for Business Advantage

Introduction

Principle Six is a network of men and women working in businesses of different kinds, generating *new business for its members* through the *exchange of business referrals*.

Members of Principle Six looking for, and give, qualified personal introductions to potential new clients, customers or business partners. They may work in large, medium sized or small companies, or as sole traders. They may represent plcs, private companies, co-operatives, social enterprises, employee-owned firms, partnerships, trading arms of charities or third sector organisations.

The members of Principle Six share a desire to increase the quality and quantity of business they win, an understanding of the principles of referral networking, and a commitment to the mutual ethos of Principle Six.

What is a Referral Network?

Referral networks do not primarily match buyers and sellers directly - they are not first and foremost about intertrading between the members. Rather, the members educate each other about their products, services and markets, and use the resources of network to give and get qualified introductions to third parties who may be a source of new business.

This is a more powerful proposition than simple intertrading, since the potential referral pool is made up from the wider contact spheres of all of the members. The connections which can be made by a diverse networking group with more than 20 active members is almost inexhaustible – even where the group meets frequently to exchange referrals.

Marketing through Networks

The best business networking groups are highly entrepreneurial. They focus on generating referrals and introductions in the most efficient way, and on bringing in as many visitors and new members as possible, to enhance the value of the network. They help their members to acquire and use business networking skills. They work on the basis of clear protocols and business ethics, and rely entirely on the 'givers gain' principle - "if I find new business for you, you will want to find new business for me".

Good business networking encourages lateral thinking and action. As a member of Principle Six, you will promote your business proposition to the other members, so that they are equipped and motivated to find opportunities for you. Conversely, you need to note and understand the other members' referral requests, and try to make appropriate introductions. Sales and marketing networkers are neither 'hunters' nor 'farmers', but use the skills of both in a structured and open business referral environment.

Referral networks bridge the culture divide between large companies and small businesses, and between different business types. They can bring together experienced, senior business people and relative newcomers in a mutually profitable way, because the primary activity of the network is exchanging contacts. The value each member derives from belonging to the network is proportional and relative to their 'ask'. Although the aim is to generate business through third party referrals, this activity almost always produces other direct trading and social benefits for the members, such as joint enterprises, intertrading and mentoring opportunities. These benefits result from mutual understanding built through good networking, from successful third party referrals and from the resulting testimonials.

Why Principle Six?

Although Principle Six is open to anyone able to give and receive business referrals, the majority of its early participants worked in businesses which, like Principle Six itself, are co-operatives. For this reason, it was named after the sixth co-operative principle - 'co-operation between co-operatives'.

An Inclusive Network

The model of incorporation is the co-operative consortium, where the members are drawn from the widest spectrum of trading entities, including companies which are not themselves co-operatives. We are marketing and selling a diverse range of products and services; what we have in common is the need to grow our businesses, and a recognition that referral networking is a proven way of furthering that aim.

The co-operative movement and Principle Six

Co-operatives and employee-owned businesses trade in goods and services, whether business-to-business or business-to-consumer, in competition with other types of company. The success of our individual businesses, and the strength of our sector, depend on

- the existence of markets for our goods and services
- the successful servicing of those markets by co-operatives and employee-owned enterprises

We are served by organisations representing us politically and sectorally (Co-operatives UK, Job Ownership Ltd, Social Enterprise London, etc), but there is no organised, movement-wide business referral activity focused on raising the quality and quantity of business that we win, or on increasing our share of all business. This could be changed by forming a **business referral network** - a secondary sales and marketing organisation acting for the collective and individual benefit of all our businesses, by facilitating qualified introductions to potential business partners, clients and customers.

'Extending the Co-operative Economy': Beyond C2C

In 2002, Co-operatives^{UK} resolved to promote intertrading between member companies under the banner of "C2C" (Co-operative to Co-operative Intertrading). The Worker Co-op Council, which represents many of the UK's worker co-ops, supported C2C because it believed the opportunity to work and trade in co-operative markets could be a strong motivation for its members to engage with the wider movement.

C2C was a purchasing policy initiative, and it was clearly aimed at the larger consumer co-ops. It exhorted members to give preference to co-operative suppliers, without challenging orthodox best value criteria, but asking buyers to consider co-op status as a plus where other factors were equal. It did not address the potential to develop creative, cross-movement marketing and sales initiatives with the aim of growing, not just individual businesses, but our share of all markets. Neither did C2C address the barriers to trading that exist because of differences of scale, capacity and business culture within the movement, beyond appealing to co-operative goodwill.

The Co-operative Advantage Realised

In a co-operative business referral network, we would be far more than just suppliers and buyers of each others goods and services. We are diverse organisations, working in our own markets through our own networks of clients, customers, suppliers and partners. These networks extend into the wider world of business, government and society.

The potential to think and act in a more productive way means learning to see ourselves, and become in reality, a network of businesses rather than a procurement chain. It means realising the untapped value in the market intelligence of each of our businesses and turning it into a resource for all the others. If this intelligence is networked and exploited on the 'givers gain' principle, its value rises exponentially. It means mobilising the networks, sales forces and marketing capacity of individual co-operative organisations for our mutual benefit.

Although the primary focus of Principle Six is generating new business for its members, the secondary benefits will be many. An active referral network trains its members in sales and marketing skills and builds their confidence; it can be a pool of expertise and resources; it can be an employment information exchange; it can bridge the apparent gulf in business culture between the smallest and the largest, newest and most established, businesses.

Principle Six would give employees of co-operative businesses an opportunity to engage with and learn from a wide range of business cultures and methods. Finally, it would give non co-operative businesses a material incentive to align more closely with our sector, and it would be a clear example of co-op values and principles in practice.

How would it work?

There are a number of existing models for formal business referral networks, each with its strengths and weaknesses, and each with more or less relevance to the circumstances of the co-op movement in the UK and internationally. We will look at each of these models in the process of designing and growing our own network. Principle Six could:

- be a business in its own right, and a co-operative consortium
- eventually derive all its income from joining fees, annual subscriptions and one-off fees for special events
- facilitate a mixture of regular local, regional and national networking events and an online business network-building and referral website for members
- be based on a network of local/regional networking groups of 15-50 members, each run by an elected committee, with committee members' subscriptions being waived for their term of service
- have a code based on the seven co-operative principles
- ask members to undertake to educate their fellow members in the nature of their business, clearly identify the referrals and new business opportunities they seek.
- make continuing membership conditional on participation in network events, giving referrals to other members, and to following up properly on referrals received. Members would also undertake to bring visitors to networking events and encourage them to take up membership.
- monitor and publish the number and value of referrals in as much detail as possible, with due consideration to matters of commercial confidentiality.

Other business referral networks

Business Network International (BNI), Business Referral Exchange (BRE) and ecademy are private companies. They all employ a version of the 'givers gain' principle in their methods, but surpluses are returned to shareholders. In the case of BNI's UK operation, the £100 joining fee is income for the regional BNI franchisee. The £400 annual membership fee goes to BNI HQ in California. In addition, each member pays a local chapter subscription of around £400 p.a. to cover the cost of meeting rooms, local events and promotions. Members also pay one-off fees for skills seminars and regional events.

Ecademy (www.ecademy.com) Internet-based business referral network, although they hold local face-to-face networking events. Sliding scale of membership fees

Business Network International (BNI) (www.bni.com) has thousands of 'chapters' worldwide, and in 2005 passed more than 2 million business referrals. It works through highly-organised local groups holding weekly face-to-face meetings, and places a strong emphasis on training in networking skills. Has an internet based referral facility (www.bniwebring.com). Cost of membership in the UK is around £800 pa

Business Referral Exchange (BRE) – similar to BNI (www.brenet.co.uk/)

Ryze (www.ryze.com) Internet based network of individual professionals

UnLtd World (www.unltdworld.com) – An online platform for social entrepreneurs and the people that support them.

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