

The Nature, Role and Status of Cooperatives in South African Context

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Abstract— The basic principles and definition of cooperative is very important in differentiating a cooperative from other business ventures so that cooperative members and all stakeholders fully understands the rights, responsibilities and the expectations of all parties involved. For a cooperative to be successful and serve its purpose members need to have the cooperative knowledge (CK). This paper defines the cooperative knowledge (CK) as the understanding of the definition, values and the basic principles of a cooperative.

Index Terms— Cooperative knowledge, Principles and values, and education

I. INTRODUCTION

The number of registered cooperatives in South Africa is growing very fast, [1] from 2009 to date 22030 cooperatives are registered with right Companies and Intellectual Property Commission (CIPC). This is 15 times higher than the cooperatives that were registered between 1922 and 1994. The major challenge is the failure rate of the cooperatives. [1] Out of 22030 cooperatives that were registered only 2644 are still running. This indicates that 88% of the cooperatives failed. One reason for this may be that the idea of forming cooperatives is not entirely from the members. [2] Other than allowing the cooperatives to emerge naturally, government and agencies assume that the members can be educated and adopt what is being proposed by government. There is, however, a need to educate new members as well as re-educate the existing members about the meaning of cooperatives. [3] The basic principles and definition of cooperative is very important in differentiating a cooperative from other business ventures so that cooperative members and all stakeholders fully understands the rights, responsibilities and the expectations of all parties involved. For a cooperative to be successful and serve its purpose members need to have the cooperative knowledge (CK). This paper defines the cooperative knowledge (CK) as the understanding of the definition, values and the basic principles of a cooperative.

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The government has good cooperative strategies in place that follow the international models of cooperatives. Most of the cooperative members are lacking the knowledge and understanding of what a cooperative is. It is crucial to practice the principles and live the values of the cooperative enterprises as members.

The paper highlights the importance of knowing and understanding the science within the context of cooperatives for members and all interested stakeholders

II. THE BACKGROUND OF SOUTH AFRICAN COOPERATIVES

A co-operative is not a new intervention as it has been utilized in South Africa since the 1800s, [4]. Most were in the form of stockvels (informal cooperatives mainly formed by blacks). Many South African people for centuries and even today are participating in stockvels. People come together and form a stockvel where they collect money, whether monthly or quarterly. The money is used for functions such as funerals, birthday Parties, weddings and family gatherings. Most of the stockvels were informal and could not be registered as a cooperative or any other type of organization due to the past apartheid laws. During the apartheid government the only people who could benefit from the cooperatives were the once that are classified by the South African government as falling under the first economy. [5] The cooperative sectors started with the establishment of the mostly white agricultural co-operative, aimed at developing and building the white farming community. These co-operatives eventually developed into powerful business ventures, which controlled agricultural production, marketing and processing in rural areas. Blacks were participating as general workers within cooperatives because of the injustices past law of South Africa. [6] South African Democratic Government of 1994 did not consider Cooperative act of 1981 as a suitable vehicle for the development of cooperatives, then developed a cooperative act of 2005 that is based on international cooperative principles. The Department of Trade and Industry (DTI), [7] quoted the former President Thabo Mbeki in 1999 saying “The Government will place more emphasis on the development of a cooperative movement to combine the financial, labor and other resources among the masses of the people, rebuild our communities and engage the people in their own development through sustainable economic activity.” Today, cooperatives are one of the major interventions to merge the first and the second economy of South Africa by encouraging those who were disadvantaged

by the apartheid government to form cooperative enterprises. This has also served the purpose of eradicating poverty and reducing the level of unemployment in South Africa.

III. THE MAIN PURPOSE OF COOPERATIVE ENTERPRISES IN A SOUTH AFRICAN CONTEXT

DTI defines cooperatives as International Cooperative Alliance (ICA) defined as an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratic enterprise. The South African government is trying to use the international practice of cooperatives to develop the South African cooperative. [7] South African history brought much disorder in the development of cooperatives. [6] The democratic government of South Africa is supporting the development of cooperatives in particular among historically disadvantaged groups, as an approach to eradicate poverty and create jobs. With the objective of uplifting the disadvantage group and equalize the first and second economy. [7] The greatest participation will be for blacks, especially persons in the rural areas, women, persons with disability and youth. Unfortunately, most of these selected groups do not have the necessary skills and knowledge to run cooperatives. [8] It is important to teach cooperative members the values and principles before a cooperative is started. Currently this has to be a priority as cooperatives are battling to survive because of lack of understanding and inability to operate them.

IV. LITERATURE REVIEW

After the democratic elections in South Africa, many things have to be restructured to ensure that those who were previously disadvantaged could now be at par with the rest. [7] South African history has brought about many interruptions in the development of enterprises. Democratic government came with a cooperative strategy that will be suitable for the South African situation. The people were given ideas to start their own businesses in the form of cooperatives and government would support in terms of funds, strategies and policies.

The study emphasizes that cooperative members need to get educated on right at the beginning. [9] The quest of competitive advantage can no longer be found simply in lower cost or higher quality or better service, instead it lies in adaptability, flexibility, speed aggressiveness and innovativeness. These five come down to one: entrepreneurship. The members of cooperatives also need to be elites in the cooperative enterprise industries in addition to the training in business skills. [9] Innovation is the capability of many. The success of cooperatives lies with the members' creativity, innovation and dedication. [9] The capability is utilized when people are committed to the mission and life of the enterprise and have the power to act on their abilities. Commitment says it all in the cooperative enterprises, all the members need to strive to achieve the overall goal of the cooperative. When members share the profit they should also make that there is any money left for further investments. The surplus is defined by Government

Gazette [10] as the financial surplus arising from the operations of a cooperative in a financial year.

[9] The ability to manage an entrepreneurial mindset is the most vital requirement for business success. A cooperative means more than one person working together. Even when working together, members of a cooperative still need entrepreneurship mentality to grow, meaning embracing change and the management of change, [9]. The cooperative should learn to function as any business that is surviving in this century were, [15] is either you adapt to the quickly changing world or become obsolete.

V. FINDINGS AND DISCUSSIONS

The paper will use all the findings by discussing the international basic principles, definition and values of cooperatives. The paper will merge findings with the CK. The goal is to show the gap that occurs when the cooperative members are not familiar with the CK. Below are the findings of this study.

A. *Discussing the principles, definition and values of cooperatives in the South African context*

Among the many challenges that South Africans cooperatives are facing, the major one is a lack of knowledge, most members who formed the cooperative enterprises do not know what a cooperative enterprise is. So how do members gain the values and principles of cooperative enterprises? [2] Values and principles of cooperative empower the members as they have control over invested resources and are in a position to make good decisions. The cooperative dispute the support that it gets from the government, [1] most of the existing and emerging cooperatives remain vulnerable and weak. Cooperatives are facing a numerous challenges that hold back their growth and development. Most members need to know basic principles, values and definition of cooperative enterprises. Figure1 discusses the values, definition and principles of cooperative in South Africa.

The cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

Co-operative values

Cooperatives are based on the values of self-help, self-reliance, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of trust, honesty, openness, social responsibility and caring for others.

Core principles of co-operation

The co-operative principles are the universally accepted guidelines by which cooperatives put their values into practice. They are as follows:

Voluntary and open membership

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

Democratic member control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Women and men serving as elected representatives are accountable to the membership. In primary

co-operatives, members have equal voting rights and cooperatives at other levels are also organized in a democratic manner.

Member economic participation

Members contribute equitably to, and democratically control, the capital of their cooperative.

At least part of that capital is usually the common property of the cooperative.

Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

Autonomy and independence

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

Education, training and information

Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their co-operatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of co-operation.

Co-operation among co-operatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

Concern for community

Cooperatives work for the sustainable development of their communities through policies approved by their members.

Fig1: values, definition and values of a cooperative
(Cooperative policy, Department of Trade and Industry)

B. International cooperatives that are stronger during a crisis.

The cooperatives are supposed to be country's hope when the economy is facing challenges. [11] Cooperative enterprises are stronger during crises, and tend to assist when things are not going well economically wise. [12] Historical perceptions of cooperatives have been negatively influenced by prominent figures on both wings of the political. During the crises cooperatives are going stronger and assisting the economic situations. South Africa also needs sustainable cooperatives that will support the interest of the members and most importantly look after its communities.

C. Getting people to understand cooperatives

It is really necessary for people to know what they are getting themselves into when starting or forming a cooperative. [1] Cooperative members that form a cooperative on their own pay attention, between long term interest and the short term interest of the enterprise. It does not get the country anywhere if the government keeps on recruiting people to form cooperative enterprises while members do not have knowledge of exactly what is a cooperative enterprise. People starting cooperative enterprises have to know the principle of the cooperative

enterprises and live the values of the cooperative enterprises. [13] Cooperative can be very expensive and time consuming as the members needs to take more time and money in supporting their democratic process by educating members about the key issues and responding to member concern. Without members going extra mile in their enterprise by investing time it will result in a cooperative being an expense. If only few products are produced and the returns are fewer members will not have enough to distribute among themselves. Unless they all take accountability in ensuring that cooperative their cooperative does not turn out to be an expense, but rather a profitable organization where every member has a satisfactory compensation. This gives cooperative members a basic understanding into what is being done, the kind of business the cooperative area. Most importantly, members will know what is it that is expected from them as members to ensure the success of their own cooperative. Members of cooperatives need to be fully involved, hence the [13] cooperative depends on their members' efforts. When members no longer put the time and energy required benefits that come with the cooperative to the members are reduced.

D. Supporting agencies of cooperative enterprise

There are many organizations in South Africa that support cooperatives. These organizations ensure that the members are ready to run a cooperative. If the cooperatives are embracing international cooperative principles, especially emphasizing on education the following questions needs to be asked to agencies and other stakeholders that support communities in forming and running cooperatives. Do these organizations have surety that the people involved in the cooperatives know what they are getting themselves into? Lastly is these organizations educating as well as re-educating the members of the cooperative enterprises to be aligned with the international principles and values of a cooperative?

The agencies that support the cooperative should know what cooperatives are, so that they will be able to brief people forming a cooperative the requirements that come with the cooperatives. The advantages and disadvantages should all be taught to the members prior to forming the cooperative.

These organizations should educate emerging cooperatives as well as re-educating those that are in existence, cooperative values, principles and the policies not just once but continuously. Various methods of learning should be practiced continuously.

Teaching and training in administration and business skill is very crucial, but not as equal to peoples' understanding and practicing the principles and values of cooperatives. [8] Cooperative is a socialist company then, if members fail to live the principles and values of the cooperative there is no way they will be able to survive as a business. Cooperative is a socialism business and not capitalist, members need to earn and divide the profit among them, but always have a subsidy to sustain the cooperative.

E. Cooperative enterprise as a socialism organization

[8] Cooperative is a socialist enterprise and the principles are different from those of capitalist organizations. Members need not to be motivated by funds that they will receive from the government to start or form cooperative enterprises. [2] It was estimated that 1200 cooperatives that were funded by

Ithwala 93% defaulted. [14] Thousands of cooperatives that are developed per annum do not encourage the autonomous and independent desire within the cooperatives for sustainability. During one on one interview many of the members started as a sole proprietor and some close cooperation (CC). When asking for assistance government officials advised these members to form cooperatives. Since cooperative enterprises need five people or more, these entrepreneurs just rush to select members to form a cooperative. The new members as well as the old ones have a little knowledge into what is a cooperative. One should remember that when you decide to start a business, you are thinking of being successful and rich. Now cooperative enterprises is not about capitalist is all about socialism. Now, as government sectors and other organizations that support cooperative enterprises, encouraging a sole proprietor to form a cooperative by promising the funding from the government, how long will such cooperative survive? The following are the challenges that these people come across in a long or short term period.

F. Member acting as a boss within the cooperative

As a sole proprietor one is a boss within his or her business. Involving other four bosses becomes a challenge. Even though the enterprise is running as a cooperative, one member can still act as a boss and control everything within the cooperative as well as making the decision on their own. When a person forms a cooperative, government official should indicate all the pros and cons that come with operating a cooperative. It is good to involve people in cooperative as is all about synergy. But as a member who comes with the idea one should be very careful in choosing the people who are to become members.

G. Lack of skills

In some cases only one member has the skills and the passion required to run the cooperative. The rest of members have little or no knowledge of CK; it then gets to be very difficult for such members to cooperate, coordinate and be engaged. The knowledgeable member will be doing the work out of passion and the rest will just be there because they will be getting a certain amount of money from the government. There will be little done, which mean the return will be fewer and divided among members results in failure of the cooperative. For a business to survive it needs to be productive, by producing enough to cover all the costs and expenses.

H. The failure of equity and equality

Other challenges are equality, equity and open communication. Because of the grants that cooperative members get from government, they tend to think they are working for the government, and have little or no information into what really is a cooperative. How do they practice democracy? With the equal rights and equity, if they happen not to even know these principles? Others will start complaining that they do more than others and that others they do not even have the required skills that are needed for the business. Then the cooperative dwindles until total failure, the sole proprietor is back to square one struggling with all that he was battling with before. As it will be difficult to share the profit among the member who do not contribute what is expected from them, members of the

cooperative are not familiar with equity and equality. Equity simply means should be compensated by the amount of contribution they give to the cooperative. [10] Benefiting members in proportion to their contribution to their cooperatives. It further states equal voting rights in cooperatives, one member one vote.

I. Educating cooperative members to know exactly what cooperative enterprise is

Nothing is wrong with advising people to change from their form of business to another, but first let it be through education that will make the people know the correct way for operating a cooperative enterprise. People need to know how to work together, they need to live the values and the principles of a cooperative, it will no longer be about them alone, but it is also about the other members and the community that they will be serving. There is a proper need for education; support and training for members strive to achieve the goal of the cooperative.

K. Government officials and other stakeholders supporting cooperative must familiarize themselves with cooperatives.

Members of cooperatives do not know the meaning of cooperative enterprises because has not been taught. South Africa has a particular history where people were denied education. Government should not assume that members know cooperatives. The black community has been running informal cooperative for a very long time by participating in stockvels; it is just a matter of people understanding CK. There is a need to let people know of cooperative and also encouraged to form cooperatives. Since these people are not familiar with such interventions. The only way to make everything work is through education. Then the people will know what to do when forming the cooperative and most importantly, they will know the needed requirements if the cooperative is to be successful.

L. The reason behind the failure of other interventions that assist the cooperatives

All the stakeholders need to know cooperative theory in order to understand what the cooperative members are facing. There are students from various universities who volunteer to help cooperatives and also they do not have a clue what the business is a cooperative. Then how do they help the cooperative members to tackle the challenges the cooperative members are facing? Education is needed to let the South African people understand what a cooperative enterprise is and what its main objective is. Since South Africa have adopted the international principles and values, from International Co-operative Alliance (ICA), it should align itself with the education programs that are offered to ensure continuous learning in South African cooperative.

Cooperatives are very vital to the economy and the disadvantaged. The ignorance of officials, volunteers and researches affect the cooperative members as well as the communities negatively. Implementation and monitoring is very important and engaging with the cooperative to ensure that the skills and knowledge are transferred to the cooperatives. The disadvantaged includes the rural women, youth and the disable. They generally are people with fewer resources and rarely employable. These interventions are their hope to change their lives and communities. Members

should ensure that government and other organizations re-educate society into what exactly is cooperative enterprises and what is its real purpose.

It is clear that most cooperatives are formed to fulfil government objectives. The government saw cooperatives as an effective initiative to eradicate poverty. The South African society should make the cooperative initiative successful. Effective and efficient cooperatives will mean low rate of unemployment, merged economy between the second and first economy and growing economic development.

VI. RESEARCH METHODOLOGY

The study was conducted in three provinces in the form of focused group discussions, namely Limpopo, Mpumalanga and Gauteng Province. 150 cooperative members within the three provinces were the participants. The first focused group was for the leaders only, where a researcher was trying to find out the challenges they face as the leaders. A number of challenges were found. Mostly they were complaining that most of the members of the cooperatives do not know cooperative policies. The second focused group was for the leaders including all the cooperative members. The members were engaging and more issues were discussed and the researcher was able to get findings that are more less the same in all three provinces.

VII. RECOMMENDATIONS

Members need to be taught the cooperative knowledge which includes the definition, principles and values of cooperatives

All stake holders promoting and supporting cooperative should familiarize themselves with the cooperative models. The organizations need to understand the advantages and the disadvantages that come with running a cooperative, so that they are able to tackle the challenges faced by the cooperative enterprises and the cooperative will serve its purpose.

As long as the members are not practicing the values and the principles of cooperative they will not succeed. It is time the government re-thinks the approach to this intervention.

The private sectors that are also supporting these cooperatives by funds should also emphasize on facilitating educating, training, and mentoring these cooperative or else the funds they are giving will just be a gift of a short period and they will not make any changes to the social ills the society is facing.

The cooperative is an answer to most of the social ills. The government came with the best strategy, cooperative are a way forward to tackle most of the social issues such as poverty, crime and unemployment. Ex-offenders can play a big role by forming and being part of the cooperative enterprise. But these people need to understand what a cooperative is and that can be done in a form of continuous learning.

VIII. CONCLUSION

South Africa is in a position to start the cooperatives and ensure they address the issue of economic development, poverty, and unemployment. The special group selected maybe rural people, women, people living with disability and youth. This group can have very successful cooperatives provided the stakeholders are effectively involved to ensure the learning process of the cooperative is ongoing. The cooperative members will proudly serve the purpose of the cooperative in their communities. The government strategy and policies are in place, it is now in the hands of the stakeholders to ensure the higher survival rate of the cooperatives

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