

# **The cooperative as a model to foster an entrepreneurial culture in South Africa**

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## **ABSTRACT**

One of the great challenges facing the South African economy is to increase the number and variety of viable and sustainable economic enterprises. We have a history that has brought about many interruptions in the development of enterprises in particular. This has been particularly associated with our racial history and the destruction of wealth in black hands in both the rural and urban areas. It has adverse effects on income distribution, entrepreneurship and employment creation. The recent history of South Africa cannot ignore the role of cooperatives in developing its economic foundation. Cooperatives in the financial, service and agricultural sectors were backbones of the apartheid economy, hence we see the cooperative idea resonates on numerous platforms in the democratic Government as part of its empowerment discourse and addressing the national objective of economic growth, poverty and unemployment reduction. A number of studies have identified that the culture of entrepreneurship is one of the prerequisites for the prosperity and the high rate of economic development registered by most of the developed countries. However in terms of South Africa, the low level of entrepreneurship activity compared to its peers has been identified as one of the key factors responsible for the low rate of economic growth experienced by South Africa over the past 10 years, and cooperatives as model can be a solution to foster entrepreneurial culture and as a result maximise economic growth, reduce poverty and unemployment.

**Key terms:** cooperative, entrepreneurship, entrepreneurial culture, entrepreneurship.

## DEDICATIONS

In memory of my family who died in a car accident, my grandfather Moses Mosenogi, my uncles Jonas Mosenogi, Tikiboy Mosenogi, Abel Mosenogi and my father Sekitla Chakane, may their souls rest in peace

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## ABBREVIATIONS

Acronym	
ASGISA	Accelerated Shared Growth Initiative South Africa
BBBEE	Broad Based Black Economic Empowerment
CEC	Commission of European Communities
CIPRO	Companies and Intellectual Property Registration Office
CIS	cooperative Incentive Scheme
DFI	Development Finance Institutions
DTI	Department of Trade and Industry
GDP	Gross Domestic Product
GEAR	Growth Employment and Redistribution
GEM	Global Entrepreneur Monitor
IOL	International Labour Organisation
Khula	Khula Enterprise Finance
LED	Local Economic Development
MAFISA	Micro Agricultural Finance Scheme for South Africa
NAMAC	NAMAC Trust
NDA	National Development Agency
NEF	National Empowerment Fund
NGP	New Growth Path
NYDA	National Youth Development Agency
OECD	Organisation for Economic cooperation and Development
SA	South Africa
SAMAF	South African Micro Finance Apex Fund
SEDA	Small Enterprise Development Agency
SLP	Social Labour Plan
SMME	Small Medium and Micro Enterprises
SMS	Sizanani Mentorship Scheme
TEA	Total Early-stage Entrepreneurial Activity
UYF	Unsombovu Youth Fund
NIPF	National Industrial Policy Framework
IPAP2	Industrial Policy Action Plan
WES	Women Empowerment Strategy
RIDS	Regional Industrial Development Strategy
BBSDP	Black Business Supplier Development Programme
EMIA	Export Marketing and Investment Assistance



## **CHAPTER 1: NATURE AND SCOPE OF THE STUDY**

### **1.1. INTRODUCTION**

One of the great challenges facing the South African economy is to increase the number and variety of viable and sustainable economic enterprises. We have a history that has brought about many interruptions in the development of enterprises in particular. This has been particularly associated with our racial history and the destruction of wealth in black hands in both the rural and urban areas. It has adverse effects on income distribution, entrepreneurship and employment creation. The recent history of South Africa cannot ignore the role of cooperatives in developing its economic foundation. Cooperatives in the financial, service and agricultural sectors were the backbones of the apartheid economy, hence we see the cooperative idea resonates on numerous platforms in the democratic Government as part of its empowerment discourse and addressing the national objective of economic growth, poverty and unemployment reduction (Satgar, 2007:3).

A number of studies have identified that the culture of entrepreneurship is one of the prerequisites for the prosperity and the high rate of economic development registered by most of the developed countries. However in terms of South Africa, the low level of entrepreneurship activity compared to its peers has been identified as one of the key factors responsible for the low rate of economic growth experienced by South Africa over the past 10 years (SA, 2005).

Upon the birth of the new South Africa, the South African Government pursued the RDP policy which was meant to redistribute wealth as a way of narrowing the gap between the rich and the poor, but the Government later changed the policy and focused on GEAR, which was aimed at growing the economy, creating jobs as well as redistributing the income. In terms of GEAR, Government set itself a target of growing the economy at a rate of 6 % per annum. Initially, the economy of South Africa registered growth rates between 2 – 3 % and the Government felt that the economy was not growing enough to create the needed jobs - hence ASIGISA was introduced as a strategy to accelerate the rate of growth of the economy (Khambikhambi, 2001:3). As a result of ASGISA, the economy managed to accelerate to rates between 4% and 5%, but the gains in the economic growth rates were later on reversed by the Global recession. The recently introduced New Growth

Path now focuses on specific economic sectors, to grow the economy and massively create jobs. The discussion above indicates that there is a problem of the South African economy attaining rates of economic growth higher than 6 %. A number of reports including the GEM reports on South Africa (SA, 2005) have pinpointed the lack of an entrepreneurial culture as one of the main reasons for the low rate of economic growth in South Africa. It critically determines that the cooperatives model is ideal in an overall system and a solution to foster the culture of entrepreneurship, and as a result maximise economic growth to reduce poverty and unemployment. Furthermore it does the comparison of cooperatives operating in a rural setup, with one in an urban area to motivate the importance of culture in these two environments further.

## **1.2. BACKGROUND AND PROBLEM STATEMENT**

Despite all the macro-economic policy interventions as outlined in the introduction above, it still remains a challenge for South Africa to reduce unemployment and poverty, to grow the economy and address the skills and education gap.

Since the birth of the new South Africa in 1994, a number of Papers, Acts, Policies and Strategies have been passed by the South African Government in order to promote entrepreneurship and take the Government's commitment to support and encourage cooperatives forward in the country. These include the White Paper on the Promotion of Small Businesses (SA, 1996), and the Small Business Promotion Act 102 of 1996, which mainly focus on funding and not on entrepreneurship - it first have to start with the opportunity. The Black Economic Empowerment Act 17 of 2003, largely failed to meet its objectives - even after being changed to broad based, it failed to address the ownership patterns and economic distribution, and importantly did not promote entrepreneurship: The cooperative Development Policy for South Africa 2003, that deals with the promotion and support of emerging cooperative enterprises and try to diversify ownership, size and geographic location of enterprises; the Cooperatives Act 14 of 2005 that intends to promote the development of sustainable cooperatives and increase the number of economic enterprises that operates in the formal economy; the New Growth Path that focuses on specific sectors of economic growth, with the intention of employment creation and an emphasis on the cooperative sector for purpose of industrialisation and beneficiation to stimulate growth and employment opportunities. While the good

intentions of the said policies mostly have not been achieved, the challenge is to address the entire system for enterprise development and support.

Since 1994, a number of institutions and organisations have been established to carry out programs aimed at promoting entrepreneurship and support cooperatives, such as National Development Agency, Khula enterprise finance, Ntsika, the Micro-finance Apex Fund, Umsobomvu Youth Fund (UYF), NAMAC, National Empowerment Fund, Sizanani Mentorship Scheme, Small Enterprise Development Agency and Micro Agricultural Finance Scheme of South Africa, of which some failed and lead to a reviewing or merger (Kambikambi, 2001:5).

It has been found that South Africa has abundance of support structures and initiatives in place to serve the financial and non financial needs of small businesses and cooperatives. However, when asked about support in the form of financial assistance such as grants or loans, less than 20% of the cooperatives have applied and only 25% of those who applied were successful. Furthermore, over 60% of the cooperatives reported that they have not received training in more than two years, and if they did receive training, it was based on general business practises and not sector specific training (Satgar, 2007:8).

Fundamentally, with the above argument arising from policy, legislation and Government agencies as support institutions, there is a gap in the integration of the system to address most significantly the inherently lacking culture of entrepreneurship in South Africa. It does not address the individual role and contribution, and importantly, some of the historical cultural value systems of South Africans. The South African culture on its own or of different racial groups, can assist in articulating and understanding the challenges of the entrepreneurial culture in South Africa - which is lacking.

### **1.3. OBJECTIVES OF THE STUDY**

#### **1.3.1. Primary objective**

Given the challenges outlined above, the primary objective of the study is to analyse if the cooperative is a possible model to foster an entrepreneurial culture in South Africa and as a result respond to economic growth, poverty and unemployment challenges.

### **1.3.2. Secondary objectives**

In order to achieve the objective stated above, the following secondary objectives will be pursued:

- Establish all related forces which have an influence on the entrepreneurial culture, and the specific role each one has to play, and further establish common values;
- To investigate if cooperatives as a possible model can influence entrepreneurial culture in South Africa;
- Assess the level of cooperatives' potential contribution to employment creation, poverty alleviation and in the economy.
- The input of different spheres of government; medium term framework allocations; how much was spent and what the output on developing cooperatives as a national program is;
- Establish current government programs and interventions and assess the effectiveness of such programs and intervention;
- Analyse the possible interventions to solve the problem and challenges identified in the study.

## **1.4. SCOPE OF THE STUDY**

### **1.4.1. Geographical**

The study will be limited to the practice of cooperatives and entrepreneurship in the urban and rural areas of the North West and Gauteng Province. The empirical study will be based on the responses obtained from start-up and existing cooperatives with their businesses located in townships, metropolitan and rural areas, of these two provinces - Gauteng and the North West Province, and further do the comparison of cooperatives operating in a rural setup, with one in an urban area, and also motivate the importance of culture in these two environments.

### **1.4.2. Field of study**

The field of study evolves from the theory of entrepreneurship in general, but focus in particular on cooperatives' enterprises as a model to foster entrepreneurial culture.

The study examines factors influencing the entrepreneurial process. It further investigates the overall political, economic and social system support and measures needed to allow an entrepreneurial environment. Lastly, the study will also look into policy and program interventions and place their fragmented nature versus a collective response, and input versus output.

## **1.5. RESEARCH METHODOLOGY**

### **1.5.1. Literature Review**

The literature study will cover theories dealing with determinants of entrepreneurship, and evolution of cooperative movement in South Africa. The literature study will also examine the entrepreneurial process. The following methods will be used to conduct the literature study: Firstly, a search for the most recent articles, publications of desktop internet and newspapers will be conducted; Secondly, a search for the most recent literature on the subject will be done using textbooks, dissertations and journals in the libraries.

### **1.5.2. Empirical study**

The empirical study will be conducted to establish all related forces that have an influence on the entrepreneurial culture, and the specific role each one has to play, and further to establish common values.

A questionnaire will be developed and mainly sampled on cooperatives' enterprises chosen from the two provinces mentioned above and in different locations, namely rural and urban. The process used to select the cooperatives from the Provincial data received from Provincial Departments or provincial development agencies will be guided by different kinds of cooperatives - if they are still operational, and if they have a reliable contact. The questionnaire will be designed based on the results of the literature study and will be completed by cooperative members.

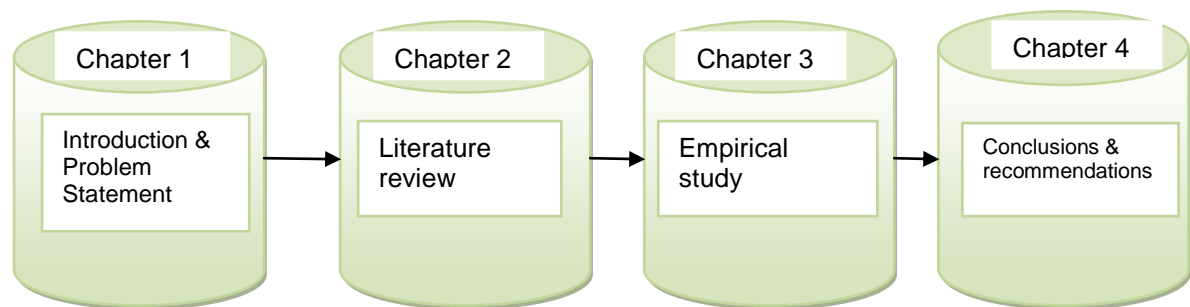
## **1.6. Limitations of the study**

During the literature review it was found that there has been very limited research conducted on the subject of entrepreneurial culture and the cooperative as a model to foster entrepreneurial culture in South Africa. Geographically, the study will be

limited to cooperatives in urban and rural areas in the North West and Gauteng Provinces. These geographical limitation findings of the study can thus not be taken to be a general representation of the rest of South Africa.

The sample size will be limited to a specific number of cooperatives, and the study will only focus and base its conclusion on those specific cooperatives' enterprises.

### 1.7. LAYOUT OF THE STUDY



**Figure 1: Layout of the study**

Chapter 2: Literature review will cover the most recent definitions, models and concepts on subjects mentioned above.

Chapter 3: An Empirical Study which will contain the results and analysis of qualitative and quantitative study. The chapter will include a description of the research methodology, followed by conducting the empirical study, the design of the questionnaire, the selection of the sample, an analysis of the results and a discussion of the research findings.

Chapter 4: Conclusions and recommendations based on the results of the literature and empirical study will also include proposals for intervention. It will further discuss the success, limitations and constraints encountered during the study and make suggestions.

## **CHAPTER 2: LITERATURE STUDY**

### **2.1. INTRODUCTION**

The literature study covers concepts and definitions of entrepreneurship, entrepreneur and entrepreneurial culture, followed by the state of entrepreneurial culture in South Africa, an overview of the history of cooperatives, the current state of cooperatives and the support that is there for cooperatives in South Africa.

The literature study covers the entrepreneurial process to build an understanding that cooperatives inherently equally requires; the attitude of entrepreneurs to be sustainable and can be used to foster an entrepreneurial culture; followed by the entrepreneurial process; and individual cooperative members possessing the characteristics and attributes of an entrepreneur.

The other section deals with the state of cooperatives and its South African history. It mainly investigates the effectiveness of some, the Government's contribution of intervention in terms of supportive institutions to cooperatives. It further examined its contribution to employment creation and its role in the second economy, building a case that these economies, the first and the second, should co-exist because the one cannot survive without the other. The chapter concludes with a summary.

### **2.2. THE CONCEPT OF ENTREPRENEURSHIP**

These parts of the literature study seek to build an understanding on the definitions and concepts used in the research and further to give context to the essence of the research; also to develop conceptual understanding of an entrepreneurial process which is inherent to the life cycle of an entrepreneur and the factors involved in the process.

#### **Entrepreneurial culture**

According to Hooper (1998:1), the enterprise culture has also been portrayed by its proponents as a set of values, behaviour and attitude that emphasise innovation, self reliance, initiation, flexibility and autonomy in individuals, and is seen to be equally applicable to all levels of institutions across both public and private domain. It is

closely linked to calls for renewal of societies and their economies by neo liberal thinkers.

Gibb (1999:28) defines entrepreneurial culture as a set of values, beliefs and attitude commonly shared in a society which underpin the notion of an entrepreneurial 'way of life' as being desirable and in turn support the pursuit of 'effective' entrepreneurial behaviour by individuals or groups. Some literature claims state that the entrepreneurial culture is related to national and regional economic success (Frolova 2010:15), and understand entrepreneurial culture as the atmosphere leading an individual to become an entrepreneur.

Hellriegel and Slocum (2003:430) refer to entrepreneurial culture as a presence in a given community of attitudes of self-reliance, self-advocacy, and perseverance. Fostering an entrepreneurial culture look at ways to encourage individual's self-reliance within a framework of community vision. Entrepreneurial culture differs from classic "lone maverick" entrepreneurship by encouraging local volunteerism, sharing of community resource, collective visioning, goal-setting, and regional advocacy. They further argue that high level of risk taking and creativity characterizes an entrepreneurial culture, a commitment to experimentation, innovation and being on the edge.

Hull (2003:5) says that 'enterprise' is a referent to the business individual's set up and run; 'entrepreneur' is a referent to the activity or practice of sustaining and growing the business; and 'entrepreneurship' is a referent to the activity or practice of sustaining and growing the business. According to him the term 'enterprise' is to be taken as referring to all the above, which therefore means 'enterprise culture', is a referent to any and all aspects of culture which bear on enterprise, entrepreneurs and entrepreneurship. It is further argued that the factors which matters for enterprise are those which matter for business generally: such as access to labour, to finance, to skills, to technology, to knowledge, to markets and importantly what matters also is the knowledge, information, beliefs and attitude of those who form and run enterprises because these impact on the way enterprise are undertaken and run.

According to Hull (2003:6), without sufficient understanding of the processes of cultural inheritance, any policy response directed at entrepreneurship and stimulating more entrepreneurial behaviour in a specific country or region may well have no significant impact. Hull (2003:13) defines culture as the description of information and



its expression shared within a group; a set of all ideas, values, practices, language, norms, beliefs, behaviours, technology, and institutions a group share. They are shared and transmitted between individuals to individuals of the same generation and between generations. He further argues that culture matters, it shapes individuals and individuals acquire a large amount of information which informs and determines decisions. Thus enterprise culture may be defined as the typical views, beliefs, behaviour, norms and institutions of groups which relate to enterprise effort to enable and stimulate entrepreneurial activity.

According to Richerson (1996:8) human culture involves learning by observing and copying or imitating other individuals and so it involves teaching. OECD (2003:14) suggests that the diffusion of entrepreneurship appears to involve an element of imitation. He further suggests that if that is the case, a lack of role models may have important repercussions in local economies. A promotion of enterprise culture can take advantage of this manner of transmission of culture by exposing as many individuals as it can - the ideas and skills of enterprise, and media can be but one of such mechanisms.

Hull (2003:18) further argues that targeting individuals whilst they are still acquiring most of their culture at a very young age either at home through parents or at school, and trying to instil beliefs and behaviour consistent with entrepreneurial culture, studies indicated that most children who grow up with either or both of their parents having a business of their own, or as entrepreneurs. They will too when grown up, carry that spirit of being their own boss as motivated by their parents. He further emphasises that individual children copy their parents closely, and in the process absorb their parents' culture as well as their genetically and environmentally determined behaviour. Parents in turn actively teach and reinforce certain behaviour, strengthening the inheritance process.

## **Entrepreneur**

According to Mohr and Fourie (2005:28), the word entrepreneur comes from the French word 'entreprendre' which means "to undertake", whilst Adam Smith described the role of the 'undertaker' as having the functions of owner, manager and risk-bearer. The term was coined at the beginning of the 19<sup>th</sup> century by a French economist. Mohr and Fourie further argues that the entrepreneur is the driving force behind production entrepreneurs, who are the initiators, the people who take

initiatives, they are also innovators, the people who introduce new products and new techniques on a commercial basis and they are the risk-bearers, the people who take chances because they anticipate that they will make profit.

Timmons and Spinelli Jr. (2009:41) argues that effective entrepreneurs are internally motivated, high-energy leaders with a unique tolerance for ambiguity, a keen sight towards mitigating risk, and passion for discovery and innovation. These leaders create or identify and pursue opportunities by marshalling the diverse resources required to develop new markets and engage the inevitable competition.

Hull (2003:6) on the one hand regards an entrepreneur as the driver of the firm, that entrepreneurs are considered the enablers of the enterprise, and their activity is closely linked to that of the firm, e.g. if the firm is innovative the entrepreneur is the innovator.

An entrepreneur is in pursuit of a discontinuous opportunity, involving the creation of an organization with the expectation of value creation to the participants. The entrepreneur is the individual or team that identifies the opportunity, gathers the necessary resources, creates and is ultimately responsible for the performance of the organization. In a similar vein, entrepreneurs are the agents of change and growth in a market economy and they can act to accelerate the generation, dissemination and application of innovative ideas. Entrepreneurs not only seek out and identify potentially profitable economic opportunities, but are also willing to take risks to see if their hunches are right (as quoted by Hull, 2003:7). For most of us an entrepreneur would be seen as an individual involved in the process of innovation and business-creation, being its initiator and catalyst.

According to Timmons (2009:47) there are seven dominant themes which are inherently required from an entrepreneur; these are the characteristics or attributes of an entrepreneur form Table 1 below:

<b>Theme</b>	<b>Attitude or behaviour</b>
<b>Commitment and determination</b>	Tenacious and decisive, able to recommit quickly, intensely competitive in achieving goals ; Persistent in solving problems, disciplined; Willing to undertake personal sacrifice
<b>Courage</b>	Moral strength; Fearless experimentation; Not afraid of conflicts, failure; Intense curiosity in the face of risk
<b>Leadership</b>	Self-starter; high standards but not perfectionist; Team-builder and hero maker; inspires people; Treat others as you want to be treated; Shares the wealth with all the people who helped to create it; Honest and reliable; builds trust; practices fairness; Superior learner and teacher; courage; Patient and urgent
<b>Opportunity Obsession</b>	Leadership in shaping the opportunity; Has intimate knowledge of customers' needs and wants; Market driven
<b>Tolerance of risk, ambiguity, and uncertainty</b>	Obsessed with value creation and enhancement; Calculated risk taker; Risk minimiser; Risk sharer; Manages paradoxes and contradictions; Tolerates uncertainty and lack of structure; Tolerates stress and conflict
<b>Creativity, Self-reliance, and adaptability</b>	Non conventional, open-minded, lateral thinker; Restless with status quo; Able to adopt and change; creative problem solver; Quick learner; No fear of failure; Able to conceptualise
<b>Motivation to excel</b>	Goal and results oriented; high but realistic goals;

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Drive to achieve and grow;  
Low need for status and power  
Interpersonally supporting;  
Aware of weakness and strength

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**Table 1: Seven Themes of desirable and Acquirable Attitude and behaviour**  
(Timmons & Spinelli 2009:47).

The above table indicates characteristics inherently required by an entrepreneur that will influence his or her ability to succeed in any venture; the type of courage and determination she/he has; the motivation to excel and the level of opportunity obsession.

### **Entrepreneurial Skills**

Entrepreneurs require a certain level of skills. Nieman (1993:1) defines entrepreneurial skills as the skills which enhance entrepreneurial performance. He further continues to state that a skill is simply knowledge demonstrated by action. Smit and Cronje (1997:19) classify skills as conceptual, interpersonal and technical. Conceptual skills refer to the mental ability to review the operations of an organisation and its parts holistically. Interpersonal skills refer to the ability to work with people. Technical skills refer to the ability to use knowledge or techniques of a specified discipline to attain objectives. In other words skills can be defined as the ability, aptitude, experience, expertise or talent to carry out a specific task or activity successfully.

According to Parkinson *et al.* (2001:95) the skills required by entrepreneurs can be classified in to three main areas, viz. technical skills, business management skills and personal skills as shown in Table 2:

TECHNICAL SKILLS	BUSINESS MANAGEMENT SKILLS	PERSONAL SKILLS
<ul style="list-style-type: none"> <li>• Writing</li> <li>• Oral communication</li> <li>• Monitoring the environment</li> <li>• Technical business management</li> <li>• Technology</li> <li>• Interpersonal</li> <li>• Listening</li> <li>• Organizing</li> <li>• Networking</li> <li>• Management style</li> <li>• Coaching</li> <li>• Team building</li> </ul>	<ul style="list-style-type: none"> <li>• Planning and goal setting</li> <li>• Decision making</li> <li>• Human relations</li> <li>• Marketing</li> <li>• Finance</li> <li>• Accounting</li> <li>• Management</li> <li>• Negotiation</li> <li>• Venture launch</li> <li>• Management growth</li> </ul>	<ul style="list-style-type: none"> <li>• Inner control</li> <li>• Discipline</li> <li>• Risk taking</li> <li>• Innovation</li> <li>• Change orientation</li> <li>• Persistence</li> <li>• Visionary</li> <li>• Leadership</li> </ul>

**Table 2: Different types of entrepreneurial skills** (Parkinson *et al.*, 2001:95).

As indicated in Table 2, technical skills involve know-how, organising and oral presentations. Business management skills include those areas involved in starting, developing and managing an enterprise. The final skills involve personal skills. Technical skills and business management skills can be enhanced through formal training and experience, whereas most of the personal skills are as a result of the influence of the external environment.

Timmons and Spinelli (2009:316) argues that having a management team whose skills are complementary, it is not important that a single, absolute set of skills or a profile is in the possession of an individual. The art and craft of entrepreneurship involves recognizing the skill and know-how needed to succeed in a venture, knowing what each team member does or does not know; and then compensating for shortcomings.

## Entrepreneurship

Harper (2008) describes entrepreneurship as a profit seeking problem solving that takes place under conditions of structural uncertainty. Whereas Reynolds *et al.*, (2005) understands entrepreneurship to be about creating something new, which correlates with Cromie (2000), who argues that entrepreneurship is not only associated with forming a new business, but with action in the sense of starting.

Morris (1998) argued that entrepreneurship is not just an economic function, but represents a composite of the material and immaterial, pragmatism and idealism, the essence of which is an application of the process of innovation and the acceptance of risk-taking, directing at changing either society or the economy.

Table 3 will illustrate how the understanding and conceptualization of entrepreneurship has evolved: Evolved definition of entrepreneurship:

Author	Definition
Schumpeter (1943)	Entrepreneurship is seen as new combinations, including the doing of new things that are already being done in a new way. New combinations include: 1. Introduction of new goods 2. New method of production 3. opening of new markets 4. new source of supply 5. new organisations
Kirzner (1973)	Entrepreneurship is the ability to perceive new opportunities. This recognition and seizing of the opportunity will tend to "correct" the market and bring it back to equilibrium.
Drucker (1985)	Entrepreneurship is the act of innovation that involves endowing existing resources with new wealth capacity.
Stevenson, Roberts & Grousbeck (1985)	Entrepreneurship is the pursuit of an opportunity without concern for current resources or capabilities.
Rumelt (1987)	Entrepreneurship is the creation of a new business: new business meaning that they do not exactly duplicate an existing business but have some element of novelty
Law & MacMillan(1988)	Entrepreneurship is the creation of new enterprise
Gartner (1988)	Entrepreneurship is the creation of organisations: the process by which new organisations come into existence
Timmons (1997)	Entrepreneurship is a way of thinking, reasoning and acting, that is opportunity obsessed, holistic in approach, and leadership balanced.
Venkataraman (1997)	Entrepreneurship research seeks to understand how opportunities to bring into existence future goods and services are discovered, created, and exploited, by whom and with what consequences.

Morris (1998)	Entrepreneurship is the process through which individuals and teams create value by bringing together unique packages of resource inputs to exploit opportunities in the environment. It can occur in any organisational context and can result in a variety of possible outcomes, including new ventures, products, services, processes, markets, and technologies.
Sharma & Chrisman (1999)	Entrepreneurship encompasses acts of organisational creation, renewal, or innovation that occur within or outside an existing organisation.

**Table 3: Global Entrepreneurial Monitor report (SA, 2009:11).**

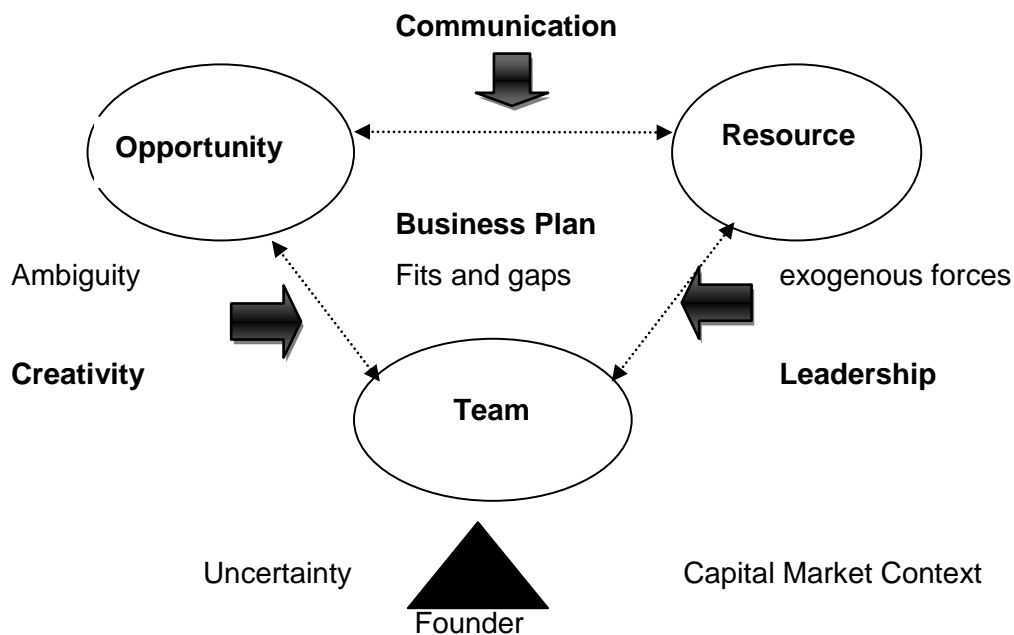
Table 3 gives an indication of the consistent conceptualization of the term entrepreneurship over the years and by different scholars. What is consistent in their conceptualization is that entrepreneurship is related to something new; new business, new opportunities, new wealth capacity, creation of a new enterprise, new venture, new product or services, for example, with the aim of value creation and expectation of returns.

### **Entrepreneur cooperative**

The International Labour Organisation (Ravensburg, 2009:6) defines the cooperative entrepreneur to be small medium micro enterprise owned societies that maintain cooperative principles, be it registered or not registered. He goes further to say that entrepreneur cooperatives are forms of organisations that can help private sector businesses, as well as professional or public institutions to improve their effectiveness through enhancing access to goods and services that otherwise would not have been available. It further argues that the entrepreneur cooperative can have broad reaching positive effects that can be attributed to the specific organisational characteristics

### **Entrepreneurial process**

The conceptual understanding of the entrepreneurial process can be understood from the Timmons model of the Entrepreneurial Process in a diagram below:




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#### SUSTAINABILITY: FOR ENVIRONMENT, COMMUNITY AND SOCIETY

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**Figure 2: The Timmons Model of the Entrepreneurial Process** (Timmons & Spinelli, 2009:110).

Figure 2 outlines the driving forces for value creation in an entrepreneurial process. Timmons and Spinelli (2009:111) demonstrates that the process starts with the opportunity at start-up. The business plan provides the language - a code for communicating the quality of the three driving forces of its fit and balance. It demonstrates that the lead entrepreneur must take charge of the success equation. In this dynamic context, ambiguity and risk are friends; in essence the entrepreneur's role is to manage and re-define the risk and reward equation, with an eye on sustainability.

Timmons (2009:101) argues that opportunity recognition is one of the driving forces dominating the entrepreneurial process in his model. The opportunity recognition process takes place when the entrepreneur recognises an opportunity from a range of ideas. Timmons further adds that at the heart of the process lie the creation and/or recognition of the opportunity. Timmons and Spinelli (2009:151) argue that changes in the business environment and the ability to anticipate these changes are so critical in entrepreneurship that a constant vigilance for change is a valuable habit. An entrepreneur with credibility, creativity, and decisiveness can seize an opportunity while others still study it. This process involves an analytical thinking process as



opposed to the creative thinking process used to create ideas. The process requires a different set of skills and knowledge, thus the skills and knowledge possessed by each entrepreneur will determine the type of opportunities identified by that entrepreneur (Dellabarca, 2002:15).

Earlier it was argued that an entrepreneur is a person obsessed with opportunities, regardless of resources and the risk attached to that opportunity. Timmons and Spinelli (2009:112) argue that thinking money first is a big mistake. Money follows high-potential opportunities conceived of and led by a strong management team. They further say that successful entrepreneurs devise ingeniously creative strategies to marshal and gain control of resources. Bootstrapping is a way of life in which entrepreneurial companies can create a significant competitive advantage. Doing more with less is a powerful competitive weapon. Effective new ventures strive to minimize and control the resources and still not own them. Whether it is assets for the business, key people, the business plan, or start-up and growth capital, successful entrepreneurs think money last. Such a strategy encourages a discipline of leanness, where everyone knows that every dollar counts, and the principle “conserve your equity” becomes a way of maximizing shareholder value.

Most importantly in terms of Timmons' model of entrepreneurial process, is the team. A strong team is usually the difference between a great success and a marginal company (Timmons & Spinelli, 2009:328). Core philosophies, values, and attitude, particularly sharing wealth and ownership with those who created it, is key to team building. Amongst entrepreneurs, lead entrepreneurs exist and they have a strong entrepreneurial vision and a great self-efficacy to act on their vision and make it successful.

A leader entrepreneur is central to the team as both a player and a coach. The ability and skill in attracting other key management members and then building the team, is one of the most valued capabilities investors are looking for. The founder who becomes the leader does that by building heroes in the team. A leader adopts a philosophy that rewards success and supports honest failure, shares the wealth with those who helped to create it, and sets high standards for both performance and conduct.

Timmons and Spinelli (2009:320) observed that there are team philosophies and attitudes that the best entrepreneurs have and are able to identify or instil in prospective partners and team members, which are the following:

- Cohesion: Members of a team believe that they are all in this together, and if the company wins everyone wins;
- Teamwork: A team that works as a team, rather than one where individual heroes are created, may be the single most distinguishing feature of higher potential companies;
- Integrity: Hard choices and trade-offs are made regarding what is good for the customer, the company, and value creation, rather than being based on purely functional ethics or narrow personal needs and concerns;
- Commitment to the long haul: Like most organisations, new venture thrive according to the level of commitment of their teams;
- Harvest mind-set: A successful harvest is the name of the game; eventual capital gained is viewed as the scorecard, rather than the size of a monthly pay check; and
- Commitment to value creation: Team members are committed to value creation - making the pie bigger for everyone, including adding value for customers, enabling suppliers to win as the team succeed, and making money for the team's constituencies and various stakeholders.

## **2.3. STATE OF ENTREPRENEURIAL CULTURE IN SOUTH AFRICA**

### **2.3.1. Entrepreneurship in South Africa**

Entrepreneurship is considered to be an important mechanism for economic development through job creation, innovation and its welfare effect. The Total Early-stage Entrepreneurial Activity (TEA) index has been the principle measure of entrepreneurial activity in participating countries, which therefore means it provides a benchmark for cross-national comparison as well as longitudinal comparison within countries (SA, 2011:17).

In 2010, South Africa ranked 27<sup>th</sup> out of the 59 countries, with a TEA rate of 8.9% being below the average (11.9%) of all participating countries. Table 4 illustrates South Africa's performance in terms of relative position – i.e. how many positions above or below the median (the middle of a distribution) South Africa ranks for the years 2002 - 2010. It indicates that in all previous GEM surveys, South Africa's

performance in terms of relative position has consistently been below the median - It was only in 2010 where the trend has been reversed.

Year	SA's TEA ranking	SA's TEA rate	Median	Number of positions above/below median
2002	20 <sup>th</sup> out of 37 countries	6.3%	19	1 below
2003	22 <sup>nd</sup> out of 31 countries	4.3%	16	6 below
2004	20 <sup>th</sup> out of 34 countries	5.4	17	3 below
2005	25 <sup>th</sup> out of 34 countries	5.2	17	8 below
2006	30 <sup>th</sup> out of 42 countries	5.3	21	9 below
2008	23 <sup>rd</sup> out of 43 countries	7.8	22	1 below
2009	35 <sup>th</sup> out of 54 countries	5.9	27	8 below
2010	27 <sup>th</sup> out of 59 countries	8.9	30	3 below

**Table 4: South Africa's relative ranking of entrepreneurship (SA, 2011:17)**

GEM research has shown a consistent association between a country's stages of economic development and its level of entrepreneurial activity. South Africa's TEA rate of 8.9% is a significant improvement on the 2009 TEA rate of 5.9%; however, it is still below the average for all efficiency driven economies (11.7%) as well as significantly below the average for all middle to low income countries (15.6%). These findings thus again confirm South Africa's trend of below-average entrepreneurial activity.

South Africa scores below average for all the indicators of entrepreneurial attitude and perceptions. In terms of both perceived capabilities and entrepreneurial intentions, South Africa ranks in the bottom third of all efficiency- driven economies. This clearly shows that South Africa still has a long way to go in terms of stimulating a favourable attitude toward entrepreneurship amongst its population. As indicated in

Table 5, South Africa has improved its score in every category assessed, when compared to the 2009 survey.

Year	Perceived good business opportunities (%)	Believe they have entrepreneurial capabilities (%)	Have entrepreneurial intention (%)	See entrepreneurship as a good career choice (%)	Believe successful entrepreneurs have high status (%)
2009	35	35	11	64	64
2010	41	44	17	77	78

**Table 5: Entrepreneurial indicators: GEM report (SA, 2011:19)**

South Africa, however, still has a great deal to learn from Latin American countries such as Brazil, when it comes to promoting a culture of entrepreneurship. During global entrepreneurship week in November 2010, Brazil drew a record 5 million participants, after drawing 1.4 million participants in its first year of involvement (2008). South Africa, by contrast, gathered only 8 000 participants in its first year (2009). Brazil's success is built on getting key partners involved, such as the media, community, and training and business organisations that have a nation-wide presence. In South Africa, according to Malik Fal, MD of Endeavor SA, media groups and corporations do not show the same commitment as those in Brazil. Most of them only want to get involved if they are paid. In Brazil, however, newspapers agreed to run full-page advertisements promoting global entrepreneurship week free of charge, while top graphic designers offered to design the campaign's adverts free of charge.

South Africa's nascent entrepreneurship rate of 5.1% is below the GEM average of 6.4%, as well as the average for efficiency-driven economies of 6.7%. In terms of new firm activity, South Africa achieved a rate of 3.9%. Although this is lower than the average of 5.9% for all GEM countries and 5.2% for all efficiency-driven countries, it is a significant improvement on South Africa's new business prevalence rates of 2.1% and 2.5% respectively for 2008 and 2009. The prevalence rates for established business owner-managers, however, remain particularly disturbing. In terms of established business activity, South Africa ranked second last out of the 59 countries, with an established business rate of only 2.1%. The average for all GEM

countries is 8.6% while that for all efficiency-driven countries is 7.6% — four times the rate for South Africa.

### 2.3.2. Key constrain factors to SA entrepreneurial activities

According to the Global Entrepreneurial Monitor (SA, 2011), there was considerable consensus among the experts about the key factors constraining entrepreneurial activity, as indicated in Table 6, which highlights the top three areas as critical factors since South Africa first participated in GEM in 2001. The table includes the GEM average for each of the key constraints identified by the South African experts. Access to financial support and government policies, are clearly regarded as having a negative impact on entrepreneurship in a significant proportion to the GEM countries including South Africa. The biggest discrepancy is in the area of education and training, cited by more than half of the South African experts, compared to a GEM average of less than a third (SA, 2011:31).

Category	Percentage of South African experts citing this factors	Average % of GEM experts citing this factor
Education & training	53%	29%
Government policies	53%	44%
Financial Support	42%	54%
Government programs	28%	13%
Capacity for entrepreneurship	19%	11%
Market openness	19%	10%

**Table 6: Key factors constraining entrepreneurship (SA, 2011:31).**

GEM (2010:31) reports that a sound basic education system is one of the fundamental requirements from a competitive country. South Africa's ranking in 2010/2011 with respect to primary education is dismal. According to the global competitiveness report, South Africa continues to languish at the bottom end of the scale, which is of particular concern as South Africa currently spends significantly more on education than many other African countries - in the 2011 budget R189.5 billion has been allocated to education. The current education spend in South Africa is closer in size to what is spent by wealthy OECD countries, all of which are ranked

significantly higher with respect to the quality of education. The 2010 report shows that primary and secondary level entrepreneurial education is currently ranked as the most limiting factor. These findings suggest that lack of human capacity is one of the key obstacles to increasing entrepreneurial activity in South Africa.

Over half of the expert 3% in the 2010 survey, sites government policies as a key factor constraining entrepreneurial development. The experts indicated that there had been some progress in improving the tax regime in order for small businesses to play a larger role in job creation. Inefficient government bureaucracy, red tape associated with starting up and managing a business - particularly the time and cost of compliance and restrictive labour regulations that continue to be cited as areas of concern. Labour regulations are currently ranked as the 4th most problematic factor for doing business in South Africa (2010/2011 global competitiveness report). Labour legislation should not only favour the employed, but should be flexible enough to allow the unemployed the ability to successfully seek employment, as well as allowing businesses to grow and expand without the fear of punitive or overly onerous regulations.

On market openness, experts have argued that South Africa is characterized by monopolies and a lack of competition in key areas such as banks, steel, energy, telecommunications, and retail; and that the power of these large enterprises constrains competition from start-up companies unless the start-up businesses are in a position to supply support services required by these larger enterprises. The larger enterprises prevent competition developing from budding enterprises, and are reluctant to open their supply chain to purchasing from new, small, unproven businesses. Poor sustainability of start-up in South Africa as related to other countries in the GEM sample also highlights the need for policy intervention aimed at supporting and mentoring entrepreneurs through the difficult process of firm birth. It is clear that without a more enabling environment that encourages individuals to see entrepreneurship as a viable career option, South Africa might not experience a significant increase in entrepreneurial activity.

## **2.4. STATE OF COOPERATIVES IN SOUTH AFRICA**

### **2.4.1. Understanding cooperative**

The Cooperatives Act No. 14 of 2005 (SA, 2005) defines cooperatives as an autonomous association of persons united voluntarily to meet their common economic, social needs and aspirations through a jointly owned and democratically controlled enterprise organised and operated on a cooperative principle. Cooperatives are owned and democratically controlled by their members, and members may be customers, employees, residents, businesses or people who are part of the local community, depending on the legal framework chosen.

Skurnik (1/2002:10) argues that cooperative companies is just one of the many institutions by which society organises economic activities in the most practical and efficient way. He further argues that cooperation is an old age way of achieving a goal that is beyond the resources of an individual, and that working together offers more practical or favourable solutions.

Cooperatives are accountable businesses that spread the financial risks and the rewards fairly among their members, with a balance need to make profit, the necessity of strengthening communities and protecting the environment. Cooperatives enable members to pool their resources and thus take advantage of economy of scale in terms of the supply value chain.

There are three forms of cooperatives as outlined in the cooperative Act 14 of 2005, which is Primary cooperative, secondary cooperative and tertiary cooperative. Again in terms of the cooperative Act No. 14 of 2005, without limiting the number and variety of different kinds of cooperatives, cooperatives registered in terms of the act, may be, but not limited to: housing cooperative, workers cooperative, social cooperative, agricultural cooperative, cooperative burial, financial service cooperative, consumer cooperative, marketing and supply cooperative, and service cooperative.

Skurnik (2002:106) states that a cooperative firm differs from other types of companies, largely because of its ownership model and basic aims as outlined above, therefore cooperative enterprises differ in its structure and operational

objectives from other companies in the private sector. The social values upon which the principles of cooperation are based are: self-help and responsibility, democracy, equality, equity and solidarity. In tradition of their founders, cooperative members believe in the ethical values of: honesty, openness, social responsibility and caring for others.

Cooperative principles are guidelines by which cooperatives put their values into practice. The following are cooperative principles:

1. **Voluntary and open membership:** cooperatives are voluntary organisations, open to all persons able to use their service and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
2. **Democratic member control:** cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership.
3. **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.
4. **Autonomy and independence:** cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations including Government, or raising capital from external sources, they do that on terms of ensuring democratic control by their members and maintaining their cooperative autonomy.
5. **Education, Training and Information:** cooperatives provide education and training for their members, elected representatives, managers and employees so that they can contribute effectively to the development of their cooperatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefit of cooperation.
6. **Cooperation among cooperatives:** cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.
7. **Concern for Community:** cooperatives work for the sustainable development of their communities through policies approved by their



members. In practise these principles provide a general starting point and motive to cooperative based business activities.

#### **2.4.2. Background of cooperatives**

The cooperative movement in South Africa began in the early 1900's in response to the acute economic crisis experienced in farming communities in the wake of the Anglo-Boer War. Agriculture practice and production during the conflict had been brought to a standstill in the former Boer Republics of the Orange Free State and Transvaal. Economic reconstruction of the agricultural sector was thus of critical importance (SA, 2009:28).

From its onset, the cooperative movement would play a decisive role in resolving the post-war economic crisis facing small-scale farmers, and would contribute to the transformation, growth and sustainability of commercial farming in the country (Ibid). It must be noted, however, that the character and success of the cooperative movement in South Africa was wholly shaped and supported by the socio-political context of a country in which the economic status quo was constructed and upheld in law to benefit the white minority at the expense of the black majority (SA, 2009:28).

Cooperatives were initially established in the segregated agricultural sector to develop and build the white farming community in the early 1900s. These cooperatives grew into powerful business ventures which controlled agricultural production, marketing and processing in rural areas. By 1994, there were 250 of these white agricultural cooperatives in South Africa. With a membership of about 142,000 members, they controlled a total asset of about R12, 7 billion and generated a total turnover of R22, 5 billion (SA, 2009).

The recent history of South Africa cannot ignore the role of cooperatives in developing its economic foundation. Cooperatives, mainly in the financial, service and agricultural sectors, were backbones of the apartheid economy, hence we see the cooperative idea resonates on numerous platforms in the democratic Government as part of its empowerment discourse and addressing the national objective of economic growth, poverty and unemployment reduction. Afrikaners' empowerment in the early 20th century, did not just happen through logic of capital accumulation, but also had to coexist with a sense that meet human needs through the cooperative forms of organising production (Satgar 2007: 2).

The underlying policy rationale for the development of post-apartheid cooperatives is grounded in the Broad-Based Black Economic Empowerment Act (2003), which serves as a basis for the cooperatives Development Policy and the new cooperatives Act. While the former Act provides explicitly for cooperatives to be part of socio-economic strategies to empower black people (generically defined), it has brought up numerous contradictions that constrain cooperative development in post-apartheid South Africa.

As mentioned in the cooperative Development Policy for South Africa (SA, 2004), cooperatives Act (No.14 of 2005) and the New Growth Path, which are currently an economic policy of Government that prioritises key economic sectors and emphasise the encouragement of cooperative establishment and support to curb unemployment challenges; these policies are crucial pillars for the development of a cooperative sector. Both the cooperatives Development Policy and Act envisages the state, providing a carefully regulated environment for cooperatives which stops short of encroaching on the control and ownership thrusts of these institutions.

Satgar (2007:7) argues that this policy framework and legislation attempts to create the conditions for the establishment of a 'third sector' in the South African economy, namely the cooperative sector, supported by a panoply of institutions with mandates, resources and policy support capacity to address the structural imbalances that could hinder and undermine the emergence of cooperative based social relation of production and consumption.

#### **2.4.3. Cooperative as a form of enterprise**

In law, company forms are part of the institutional framework modern society has created to provide the appropriate operating conditions for entrepreneurship and the necessary regulation of economic activities. There is, however, no simple theory or practice that determines what forms of company should exist, their characteristics or the details of their regulation (Skurnik, 2002:109), and if several companies are required, how to define their characteristics in order to offer the best possible conditions to carry out the economic activities which society needs as it develops. The need for a specific cooperative form of enterprise largely depends on these general points of departure (Hansmann & Kraakman, 1998).

According to modern theory, the general goal in the development of organisations is assumed to be the minimization of the costs of market contracting and ownership of the maximization of the benefits. In the interests of economic stability and predictability, every effort is made to reach a prior, binding agreement between as many production factors as possible over prices, quantities, delivery schedules, etc. In practice, however, such a contract is never comprehensive due to the asymmetry between the parties in respect to risks, knowledge, etc. One solution will be to conclude a contract between those production factors that offer the best potential (Skurnik, 2002:110).

On the other hand, a cooperative producing services for its members, creates the corporate framework and basic rules for entrepreneurship based on different collaborative models. The cooperative determines the corporate responsibilities and rights in those cases where, in order to produce the required services, ownership is not tied indirectly to capital investment in the company or directly to the capital market (Pellervo, 2000:89). The main goal of a cooperative is not in the same sense as a limited company, the production of a profit for its owners, although both strive to be economically efficient. On the contrary, the goal of a cooperative is to produce the services required by its members as efficiently and competently as possible. If a profit, or rather a surplus as it is called in the case of cooperatives is, however, produced after making the reserves necessary to develop the company, it is returned to the members in proportion to their use of the company's services. Decision making within a cooperative is normally on the basis of one vote per member (Skurnik, 2002:112).

Initially, cooperative entrepreneurs address a limited number of business needs for their members; some even begin by offering just one service (Crooks, Spatz & Warmann, 1995: 5). Ideally, the entrepreneur cooperative is steered by the interests of its members (cost reduction and innovation) and as these interests change, the cooperative should follow suit. Members share the gains and risks involved. They invest in the cooperative start-up and engage in contractual relationships with it. When the cooperative operates successfully, members can expect to obtain some of the surplus achieved, based on each member's transactions with the cooperative and share capital. As cooperatives grow more mature, they can diversify and eventually create intricate structures of ownership and governance. They have also been known to form financial networks and second tier structures.

The services offered by cooperatives' entrepreneurs, can produce a huge number of direct economic and socioeconomic benefits for their members (:10):

1. Diversification of production or increased volumes of production, followed by improved labour and capital productivity;
2. Higher incomes and employment effects;
3. Improved company sizes in the informal and formal SMMEs sector;
4. Better access to and mobilization of local resources;
5. Diffusion of innovation;
6. Increased knowledge-transfers, resulting in human resource development and commodities with a higher 'value-added' component (cost of search for markets, screening of contractual partners, negotiation and contract supervision are reduced);
7. Increased efficiency and savings on transaction costs can improve credit worthiness, and therefore introduce new investment possibilities;
8. Enhanced risk management;
9. Possibility to invest in infrastructure development; and
10. Complementary to democratisation efforts of local Government with regard to allocation and distribution of resources.

No matter what their activities and associated efficiency gains in production and revenue, entrepreneur cooperatives can undoubtedly also generate transaction cost advantages. They do it by building up trust and inter-dependencies or 'social capital' among members (CEC, 2001: 9). Entrepreneur cooperatives create options that individual businesses would not be able to access (Ravensburg, 2009: 37).

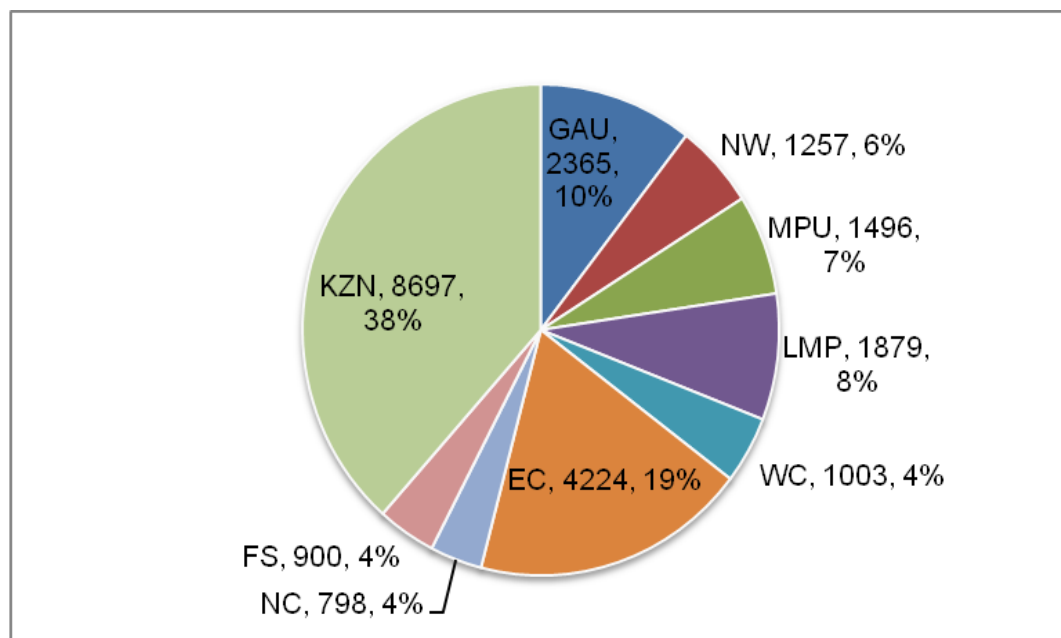
#### **2.4.4 State of cooperatives**

Cooperatives in the current order have been encouraged by Government and donor agencies as a vehicle for enterprise development and to address previous social disorders of imbalances. New laws and regulations, such as the cooperative act of 2005, were put into place and various reforms introduced, specifically to deal with the challenges facing the cooperative sector.

Currently, data on South African cooperatives is kept in the register of cooperatives, located in the Department of Trade and Industry, and since the enactment of the 2005 cooperative Act between 2005 and 2007, the number of cooperatives

registered in South Africa where three times the total registered in the past 82 years (Redrebel Production, 2009:7). The majority of these emerging cooperatives are owned and operated by previously disadvantaged black South African females located in historically disadvantaged areas, according to Department of Trade and Industry (2009:6).

They also argue that the increase in the number of cooperatives can be attributed to new and enabling legislations and the various institutions set up by the democratic Government to support it such as Khula Enterprise Finance and Small Enterprise Development Agency. A different argument will arise later in the research when we assess the sustainability of these cooperatives registered since 2005 - to what extent they are operational and fulfilling its intended mandate, and importantly are these established institutions equally responding to their mandate.



**Figure 4: Overall Provincial Picture of Registered cooperatives (CIPRO 2009).**

This Figure indicates the spread of registered cooperatives per province, with 38% of the cooperatives being in KwaZulu-Natal, followed by the Eastern Cape with 19%, Gauteng being in the third place with 10%, and Western Cape, Northern Cape and the Free State being the lowest in terms of the number of cooperatives registered at 4%. With the focus of this research on Gauteng and the North West Province cooperatives, this accounts for a total of 16% of cooperatives in South Africa in terms of CIPC record total of 22619 cooperatives spread provincially, registered in March 2009.

#### 2.4.5. Support to cooperatives

The Department of Trade and Industry is currently at the core of cooperative support in Government. Through its cooperative Development unit, it is the custodian of the cooperative development policy and promotes horizontal and vertical support relations for cooperatives in Government.

Since 1994, a number of institutions and organisations have been established to carry out programs aimed at promoting entrepreneurship and support cooperatives, such as National Development Agency, Khula enterprise finance, Ntsika , the Micro-finance Apex Fund, Umsobomvu Youth Fund (UYF), NAMAC, National Empowerment Fund, Sizanani Mentorship Scheme, Small Enterprise Development Agency and Micro Agricultural Finance Scheme of South Africa, which some failed and lead to a reviewing or merger.

A great deal of taxpayers' money has gone into the Government initiative to support cooperatives and small businesses/enterprises. For 2008/9 alone, the adjusted appropriation for SEDA amounts to over R400 million, with an additional R38 million going to the Apex Fund and R70 million to Khula. There are also sector-specific frameworks such as the mining industry's Social and Labour Plan (SLP) that encourages mining and production companies to develop strategies and programs that create economic opportunities for low-skilled and under-employed communities in their operating areas. Table 7 gives an indication of the support provided by the above-mentioned institutions. This financial support excludes the contribution of government departments, international donor organisations, provincial government department and local government.

Name of agency	Amount invested	Percentage of total invested	Jobs created	Percentage of Jobs created
MAFISA	R26 000 000	24%	6033	76%
CSPF	R8 000 000	7%	358	4%
CIS	R8 416 118	8%	503	6%

NEF	R2 300 000	2%	45	1%
UYF	R13 270 689	12%	1021	13%
SAMAF	R48 966 696	47%		

**Table 7: Assistance provided by financial agencies and jobs created in the cooperative sector from 2005 -2008**

Source: National Status Report on the Promotion of cooperatives in South Africa (SA, 2007:12).

Table 7 indicates that the cooperative sector indeed has a role to play in job creation, and to relieve Government from its socio-economic challenges of unemployment and poverty, through the necessary institutional support that is there from the side of Government. It equally shows the commitment of the South African Government in assisting small businesses or cooperatives' initiatives

#### **2.4.6. Legislation and Policy interventions**

As a result of the lack of legislation in the early 1900s, cooperatives were registered under the Companies Act in South Africa until 1908, when the first cooperative Act was passed. Thereafter, legislation was enacted in 1922 in the form of the cooperative Societies Act of 1922 (Act No. 28 of 1922), which focused primarily on agricultural cooperatives. This Act was repealed and replaced with the cooperatives Societies Act of 1939, following recommendations from the Commission of Inquiry into cooperatives Agricultural Credit of 1934. Like its predecessor, the cooperatives Societies Act of 1939 focused again on agricultural activities (SA, 2009:30).

In 1981, new legislation was enacted. The Cooperative Act No. 91 of 1981 made provision for the development of cooperatives in sectors other than agriculture (SA, 1981). For many years thereafter, the cooperative movement in South Africa was guided by this Act, which had several inherent shortcomings which will not be discussed in detail in this literature study.

Since the birth of the new South Africa in 1994, a number of Papers, Acts, Policies and Strategies have been passed by the South African Government, in order to promote entrepreneurship and take the Government's commitment to cooperatives forward in the country. These include the White Paper on the Promotion of Small

Business (1995), the Small Business Promotion Act (SA, 1996), which mainly focuses on funding and not entrepreneurship because it first have to start with the opportunity, The Black Economic Empowerment Act No. 17 of 2004 (SA, 2003), which many would agree that it mostly failed to meet its objectives - even after being changed to broad based, it failed to address the ownership patterns and economic distribution and importantly, did not promote entrepreneurship (Kambikambi 2001:7).

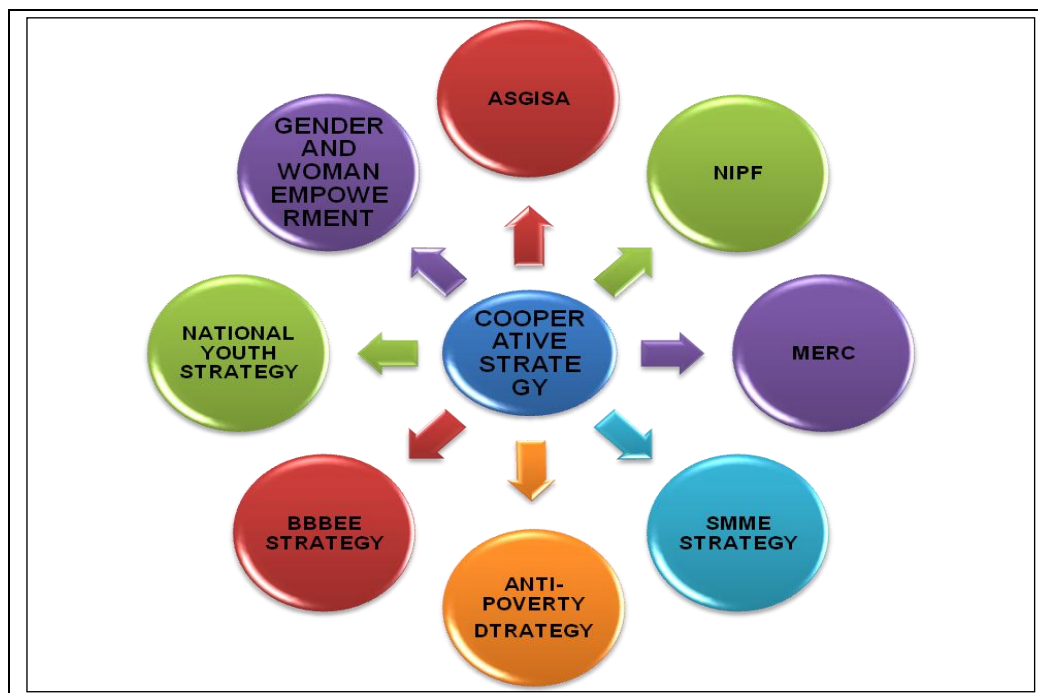
In 2001, on the recommendation of the cooperative Policy Task Team, Government support to cooperatives became the responsibility of the Department of Trade and Industry (DTI). In 2004, the DTI released the cooperative Development Policy for South Africa, which should assist in:

- facilitating the provision of support programs that target cooperatives specifically;
- highlighting the important role of cooperatives in formalising the informal economy and increasing the participation of targeted groups;
- identifying eight cooperative sectors, namely: housing, workers, non-profit social, agricultural and financial services, consumer, marketing and supply and transport cooperatives;
- highlighting six functions of the DTI: legislation, policy and strategy; coordination, education and training; promotion; registration and de-registration through CIPRO; and forming the basis for the new cooperative Act.

The cooperative Development Policy for South Africa (2003) deals with the promotion and support of emerging cooperatives' enterprises, and try to diversify ownership, size and geographic location of enterprises, while the cooperatives act 14 of 2005 intends to promote the development of sustainable cooperatives and increase the number of economic enterprises that operates in the formal economy. That has not been achieved and the challenge is to address the entire system for enterprise development and support. Lastly the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises (2006) as crucial policy pillars for the development of the SMMEs and the cooperative sector.



The Integrated Strategy on the Development and Promotion of cooperatives (2010-2020) has defined an implementation framework for the cooperative Development Policy and the cooperative Act as amended. The strategy will also ensure that Government, through the utilisation of various partnership models, engages in joint initiatives with all relevant stakeholders, in an effort to holistically promote strong, viable, self-reliant, autonomous and self sustaining cooperative movements in the country. The strategy targets both existing and emerging cooperatives. The aim of the strategy is promoting cooperatives, in order to unleash their potential to create and develop income-generating activities and decent, sustainable employment; reducing poverty, develop human resource capacities and knowledge; strengthen competitiveness and sustainability; increase savings and investment; improve social and economic well-being, and contribute to sustainable human development (SA, 2006:7).



**Figure 5: Cooperative Strategy alignment with existing strategy initiatives**

Among others, these policy instruments include the National Industrial Policy Framework (NIPF), Industrial Policy Action Plan (IPAP 2), Accelerated and Shared Growth Initiative of South Africa (AsgiSA), Women Empowerment Strategy (WES); Regional Industrial Development Strategy (RIDS), Integrated Strategy on the Promotion of Small, Medium and Micro-sized Enterprises (SMMEs); Broad-Based Black Economic Empowerment (BBBEE) Strategy, National Youth Economic Strategy, Anti-Poverty Strategy, MicroAgricultural Finance Initiative of South Africa

(MAFISA); Black Business Supplier Development Programme (BBSDP) and Export Marketing and Investment Assistance (EMIA), as indicated in Figure 5. This is an indication that the strategy is not in a vacuum, but tries to address the existing gaps and challenges confronting cooperatives and reinforces existing initiatives with respect to cooperative development.

#### **2.4.7. Cooperative contribution to employment creation and poverty alleviation**

Ravensburg (2009:10) states that aside from the direct benefits to member enterprises, Entrepreneur cooperatives can also produce external benefits to whole economies and societies. Although final empirical proof is still outstanding, it is fairly safe to assume that one of the major external effects that Entrepreneur cooperatives can have on a country's economy, is associated with their potential to create employment (Ref to CEC 2001:24-26; CEC 2004:15; Couture 2003:43; ILO 2003:10).

The level of employment in a population directly affects economic and social development. Having an income means that the standard of living improves and the economy is boosted (Couture, 2003:43). Therefore, employment creation and stabilization, both in the formal and informal economies are amongst the best ways to help people and nations to develop themselves and to prevent poverty.

Apart from their potential to create and safeguard employment, the democratic, voluntary and community-based nature of cooperatives emphasizes their commitment towards quality employment, increased income and satisfactory conditions of work. Entrepreneur cooperatives help to prevent poverty by enabling SMME's to offer jobs to the poorest segments of the population and also by initiating mutual self-help projects in communities (Coutoure, 2003:10). Furthermore, Entrepreneur cooperatives that are open to new members do not require people to invest such large amounts of capital, and tend to share economic results more equitably, therefore, they have an automatic tendency to benefit all segments of the population, including the relatively poor (Birchall, 2003: 4).

The Department of Trade and Industry (SA, 2009:33) found that the total number of staff employed by cooperatives, was 2,646 employees, and that most cooperatives (84.1%) employ less than 15 individuals, with 48.05% of surveyed cooperatives

employing between 1 and 5 individuals. Food and agriculture cooperatives have the highest number of employees followed by service cooperatives and arts & crafts.

In terms of cooperatives contribution to the economy, it was established earlier that whilst it has not been possible to quantify the contribution of the smaller, emerging cooperatives, the larger cooperatives make a mere 0.33% contribution to the country's total GDP. On the whole, the cooperative sector is, therefore, yet to fulfil a significant role in the economy either as a source of employment creation, and by implication, poverty alleviation or in terms of its contribution to GDP.

The survey conducted by the Department of Trade and Industry has found that for most emerging cooperatives in South Africa, there is potential to reduce poverty and that the most members of these cooperatives understand this and also see this potential. These cooperatives are however, not at the point yet where they are able to do this and there are certain elements that they still have to put in place. The most important one being support towards the development of skills and abilities in certain key areas, including sector-specific training and business practices specific to the cooperatives sector. Table 8 tries to project an indication of the contribution of cooperatives to job creation:

Department	No. of Co-opt assisted	No. of Jobs created	Other programs	Amount disbursed to Co-ops
Agriculture	28 co-ops and self-helping groups supported financially(2006 /07)	857 Jobs created (2006/2007)	Policy on agricultural co-ops drafted and still undergoing internal processes within department	• R11 million loan amount disbursed by Micro Agricultural Finance Institute of South Africa MAFISA) to co-ops during 2006/07 financial year.
	33 co-ops and self- help groups (2007/08)	5176 Jobs created (2007/08)	• Co-ops Data System (Codas) created profiling 1782 co-ops (2007/08)	• This amount forms part of the total budget for MAFISA of R590 million (2006/07).
	827 primary co-		• CBOs being contracted for mobilisation in provinces (2007/08)	• R15 million loan disbursed to co-ops (2007/08)

	ops assisted with registration(2006/07)			
	30 Secondary co-ops assisted with registration (2006/07)			
Housing	<ul style="list-style-type: none"> <li>• 42 co-ops supported financially and non-financially through Social Housing Foundation (SHF) and National Housing Finance Corporation (NHFC) (2005-2007)</li> </ul>	<ul style="list-style-type: none"> <li>• 1311 jobs created within the 42 housing co-ops projects (2006/07)</li> </ul>	<p>Members of housing co-ops:</p> <ul style="list-style-type: none"> <li>• Women - 4371</li> <li>• Men - 2729</li> <li>• Disabled - 270</li> </ul>	<ul style="list-style-type: none"> <li>• R10 million loans and subsidies provided through NHFC and R2 million for technical assistance provided through SHF during 2006/07 financial year.</li> <li>• Rooftops Canada provided technical support.</li> <li>• Norwegian Embassy provided support for three years (from 2005)</li> </ul>
Social Development	<ul style="list-style-type: none"> <li>• 645 poverty relief projects owned by women have been supported financially and are about to be turned out into fully fledged co-ops.</li> </ul>	<ul style="list-style-type: none"> <li>• 51 women and 1 man are currently employed in the 1st pilot of sustainable livelihoods in Dutyini.</li> </ul>	<ul style="list-style-type: none"> <li>• Strategy on sustainable livelihoods is in its third phase of roll out and is targeted at 4 learning sites starting with Dutyini in the Eastern Cape. The strategy is based on the sweat equity principle.</li> </ul>	R26 million has been set aside to create infrastructure development aimed at supporting the 645 poverty relief projects to be converted into co-ops (2006/07)
Public service	Six co-ops	• 117 jobs	• Worked with the DTI on	No quantified budget as the

and Adminis- tration	provided the facilitation support in the Northern Cape.	were created through the six co- ops	training of 270 CDWs (as trainers) in provinces. • Ensured CDW's roll-out training to others and communities. • CDW's collecting data to profile poor families for introduction of the co-ops concept to the families	department merely facilitates.
Public works	<ul style="list-style-type: none"> <li>• Integrated support with provinces on EPWP</li> <li>• Numbers of co-ops supported so far involve the Limpopo province reflected under Limpopo section.</li> </ul>		Research being conducted to establish current products of all Co-ops in all provinces to link them to government expenditure.	<ul style="list-style-type: none"> <li>• R2, 446,471 spent on Limpopo on co-ops since 2005 until to date from EPWP.</li> </ul>
National treasury	Developed the cooperatives Banks Act, No 40 of 2007. In the process of appointing the Board and Managing Director for the Agency.			

**Table 8: Government Department jobs created through cooperatives.**

Source: (SA, 2007:17).

Table 8 above give an indication that almost 1 611 cooperatives where assisted by different departments either financially or with registration of the cooperative during the period 2006/2007. The Table again shows that 7 513 job have been created during this period. This indicated the potential of cooperatives to create a sustainable employment and resolve the unemployment challenges.

Over and above the National Department's contribution to job creation, the different Provinces also did their part:

Province	Employment Created	Other benefits	Amount invested on Co-ops	Funding organisation
Eastern Cape	<ul style="list-style-type: none"> <li>• No conclusive report as yet.</li> </ul>	<ul style="list-style-type: none"> <li>• SEDA provides support for non Financial services such as registration and training.</li> </ul>	<ul style="list-style-type: none"> <li>• No specific budget or support provided as yet.</li> </ul>	<ul style="list-style-type: none"> <li>• ECDC, Samaf, LED funds.</li> </ul>
Free State	<ul style="list-style-type: none"> <li>• 300 jobs created.</li> <li>• 55 general co-ops established.</li> <li>• 10 youth co-ops established.</li> <li>• 15 women co-ops established</li> </ul>	<ul style="list-style-type: none"> <li>• 80 cooperatives have been given facilitation support.</li> <li>• Province also provides workshops and road shows within districts and groups are assisted in completion of registration</li> </ul>	<ul style="list-style-type: none"> <li>• No budget has been allocated to support. Only facilitation support provided.</li> </ul>	<ul style="list-style-type: none"> <li>• District municipalities</li> <li>• DPLG</li> </ul>
Gauteng	<ul style="list-style-type: none"> <li>• 86 jobs created primarily in the manufacturing sector.</li> </ul>	<ul style="list-style-type: none"> <li>• 8 co-ops financially supported</li> </ul>	<ul style="list-style-type: none"> <li>• R1,8 million from 2005 until 2007</li> </ul>	<ul style="list-style-type: none"> <li>• Gauteng Enterprise Propeller</li> </ul>
Kwa-Zulu-Natal	<ul style="list-style-type: none"> <li>• 9404 jobs created in these sectors: agriculture, textile, manufacturing, Financial services, retail, construction and services.</li> <li>• 450 jobs created in 2007/08.</li> </ul>	<ul style="list-style-type: none"> <li>• 6761 co-ops trained by FET colleges (2005-2007).</li> <li>• 3500 co-ops trained (2007/08).</li> <li>• 1175 co-ops funded and 823 are Operational while the remainder failed (2005-2007).</li> <li>• 1500 co-ops funded.</li> <li>Benefactors of Ithaca funding: <ul style="list-style-type: none"> <li>• Adult women - 5440</li> <li>• Adult men -</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• R163, 154, 871.62 has been Injected since inception of program in 2005 to 2007.</li> <li>• R13 million for training (2007/08).</li> <li>• R200 million for funding (2007/08).</li> </ul>	

		2605 • Youth females -3906 • Youth males – 2218 • Disabled -1		
Limpopo	• In excess of 1500 jobs created.	• 56 cooperatives given financial and non-financial support. • 56 co-ops funded in various sectors. • 300 cooperative members trained under TGSL partnership. • Establishment of a database containing in excess of 500 co-ops. • cooperatives exposed to Trade Missions in SADC countries and local markets and exhibitions such as the Rand Easter Show.	• R80 million disbursed through LIBSA for the establishment of co-ops. • R2, 446, 471 from EPWP was spent on co-ops between 2005/07. • R361, 397 by the department on training co-ops on co-ops principles (2005-2007).	• LIBSA, Department of Public Works, DoL, Municipalities. • Training programs provided by EPWP
Mpumalanga	• No statics developed	• Provide facilitation and referral support to other support agencies.	• Information not available	• Mpumalanga Economic Growth Agency (MEGA). • Samaf. • Other government departments (Agriculture, Education, Social Development, Health).
Northern Cape	• 118 jobs created in the following sectors: mining; farming;	• Provided facilitation support such as registration, business plan development,		• Government departments such as agriculture, labour. • Municipalities

	textiles; energy; creative industries.	application for funding.		provide procurement opportunities
North West	• None yet	• None yet	• No assistance has been provided as yet.	• North West Development Corporation is still to provide the support
Western Cape	<ul style="list-style-type: none"> <li>• 1 Secondary co-op (with 10 primary co-ops)</li> <li>• 1 construction primary co-op.</li> <li>• 1 retail and marketing co-op.</li> </ul>	• pilot projects launched	<ul style="list-style-type: none"> <li>• R850, 000 spent on pilots</li> <li>• R2, 300, 000 budgeted for other co-op programs (voucher Program).</li> <li>• Sectors: agriculture, construction, retail.</li> </ul>	• Development Bank of Southern Africa (DBSA)

**Table 9: Provincial Support to cooperatives Development.**

Source: National Status Report on the Promotion of cooperatives in South Africa, 2007-2008.

Table 9 tries to demonstrate support given to cooperatives by the Provincial Government Department. The focus of the study will be shifted to only two provinces related to the study, namely North West and Gauteng of which, in terms of the data provided in the Table, in Gauteng 86 jobs were created with the main support received from Gauteng Enterprise Propeller and for North West no information is provided.

#### **2.4.8. The role of cooperative in the second economy**

Second economy should be understood as a particular section in an economy where most of its economic activity is done in an informal way, meaning trading without registration with the registered companies and not managed professionally with annual financial records, etc. The cooperative Development policy (2004) asserts that the Government has acknowledged the existence, relevance and value of informal, trading cooperatives. This policy highlights the importance of integrating them into the formal economy. One of the key benefits of formalisation is access to state and private sector support – financial or non-financial – toward growing institutional capacity and sustainability of informal cooperative entities.



The Cooperative Development Policy also details the means by which worker cooperatives should be promoted. Currently worker cooperatives represent only 1.03% of the total cooperatives surveyed. Another method in which the cooperative sector can be diversified, is through worker buy-outs of failing enterprises. This practice is well-established in Italy, where the Government, through the Marconi fund, assists workers to buy a failing organisation and convert it into a cooperative. Current economic factors in South Africa have contributed to the failure of some businesses and the buy-out concept might be a way to solve the problem, while at the same time contributing to the growth of the cooperative sector. According to the cooperative Development Policy (SA, 2004), this process is to be assisted by the Government.

## **2.5. SUMMARY**

Through the literature study, an attempt was made to respond to research secondary objectives by examining factors contributing to the entrepreneurial culture, and assessing both the state of entrepreneurship and cooperatives in South Africa so as to identify the weakness in the societal system. The study critically looked at the definition and concepts and an entrepreneurial process model which gave us a conceptual understanding of different concepts used in the study. The literature study also looked into the state of entrepreneurial culture in South Africa and key constrained factors of entrepreneurial activity in South Africa.

The literature study gave us an understanding of the cooperative role in job creation and poverty alleviation, which should be a basis of encouraging cooperatives, because they contribute to the national developmental priorities and their role in the economy. The literature further assessed the input by Government and policies in place that are they responding to an entrepreneurial culture and the success of cooperatives.

The literature study, through Timmons' model of the entrepreneurial process, placed an emphasis on the team, the lead entrepreneur and opportunity recognition, given the fact that cooperatives is a team of individual members who must complement each other. Cooperatives should on their own follow the entrepreneurial process model. A group of individuals having identified or recognised an opportunity and felt it was necessary to pursue that opportunity, come together.

## **CHAPTER 3: RESULTS OF EMPIRICAL STUDY**

### **3.1. INTRODUCTION**

The previous chapter focused of the literature study by examining the conceptual understanding of term and definition and also studying the consequences of culture within individuals, groups and society in the context of entrepreneurial culture; furthermore the state of entrepreneurial culture and constraint factors in South Africa and lastly the history and state of cooperatives in South Africa.

There was an indication in the literature study that entrepreneurial culture is lacking in South Africa, but that there is a potential to harness existing support and policies to encourage entrepreneurial culture through cooperatives.

In chapter three it will be investigated what propels cooperatives' to start the cooperative and builds a basis for the argument which will be informed by the entrepreneurial process, as discussed above, and the manner in which it can foster entrepreneurial culture.

The investigation will be done by way of quantitative and qualitative studies based on information and data received from interviewing a selected sample of cooperatives and analysing the responses from this selected cooperative cases in the North West and Gauteng Provinces.

### **3.2. RESEARCH OBJECTIVES**

The objectives of this study were highlighted in chapter one namely:

- To establish all related forces which have an influence on the entrepreneurial culture and the specific role each one has to play and further establish common values;
- To investigate if cooperatives as a possible model, can influence entrepreneurial culture in South Africa;
- Assess the level of cooperatives' potential contribution to employment creation, poverty alleviation and in the economy;
- The input of different spheres of Government; medium term framework allocations, how much was spend and what the output on developing cooperatives as a national program, is;

- Establish current Governmental programs and interventions and assess the effectiveness of such programs and interventions;
- Analyse the possible interventions to solve the problem and challenges identified in the study.

### **3.3. SAMPLE AND PROCEDURE**

The sampling of the empirical study was done in two provinces, namely North West and Gauteng. The cooperative database was received from the Provincial Government of the two provinces. In selecting the cooperatives from the database one had to choose those with contact details and that are accessible, checked if the cooperative is still active, because some who formed the cooperative was never operational. In the case of Gauteng, having followed the outline above, the first available 50 cooperatives from the database were chosen and because a telephone was primarily used to conduct the interviews, the sampling was mainly convenient. In North West where the same process of selection were followed, the major challenge was contact with most of the cooperatives, but through District Municipalities that had workshops for SMMEs and cooperatives, questionnaires were also distributed and filled by cooperatives at the workshops. Procedure and sampling was based on convenient sampling.

### **3.4. RESEARCH INSTRUMENTS AND DESIGN**

Two types of study were conducted during the research, the first being the literature study in Chapter 2 that looked at concepts, definitions, models, the state of cooperative and entrepreneurship in South Africa. Instruments used in the literature study were textbooks, internet, journals, government documents, scholar articles and research papers.

Secondly, an empirical study was done through an interview with the respondents responding to a questionnaire. The questionnaire content highlighted the demographics, form and kind of cooperative, level of education, what informs the starting of the cooperative, the necessary training or skill required for the smooth running of the cooperative, and the characteristics of an entrepreneur if they possess such. The questionnaire is attached in Annexure A.

### 3.5. LIMITATION OF THE EMPIRICAL RESEARCH

- The empirical study focused only in two provinces, namely Gauteng and North West, thus it cannot be concluded that the findings of the research is a representation of South Africa;
- The difficulty or lack of trust from respondents, resulted in them being not comfortable to respond.
- In terms of a cooperative database, most of the contact details were not existing, some, if they answered, promised to call you back and never did, some cooperatives were no longer operational, and some cooperatives disintegrated;
- Even though most respondents had basic education, most still struggled with basic concepts in the questionnaire.
- Resources were a challenge - fuel to attend to some of the workshops, airtime to do the telephone interviews, and others.

### 3.6. RESEARCH FINDINGS

Below are the findings of the empirical research; as indicated earlier the research was done in only two provinces, Gauteng and North West. The sampling was on 100 cooperatives, divided into 50 cooperatives per province. In terms of the response in North West, the researcher managed to get 47 respondents who participated and responded to the questionnaire. In Gauteng the researcher managed to get response from all 50 cooperatives targeted.

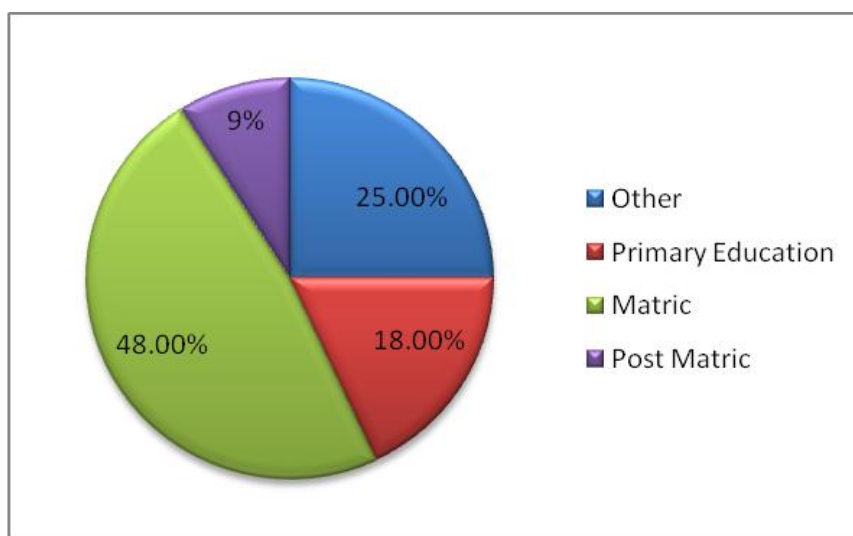
#### Empirical findings

##### I. Education Level

**Purpose:** to establish the levels of education amongst cooperatives, and illustrate their extent of competence to run the cooperative.

**Results:** The results in Figure 6 show that cooperative members have a basic education level with the highest percentage of 48% having gone through matric, but some without the National Certificate. Secondly the findings indicate that about 25% of cooperatives' members have various skills related to their scope of operation, have done short courses and have completed their schooling below standard 8 (grade10). Thirdly the findings state that 18% of cooperatives' members have primary education,

only a small portion of 9% have post matric education and a few have NQF level courses.



**Figure 6: Education level of cooperatives.**

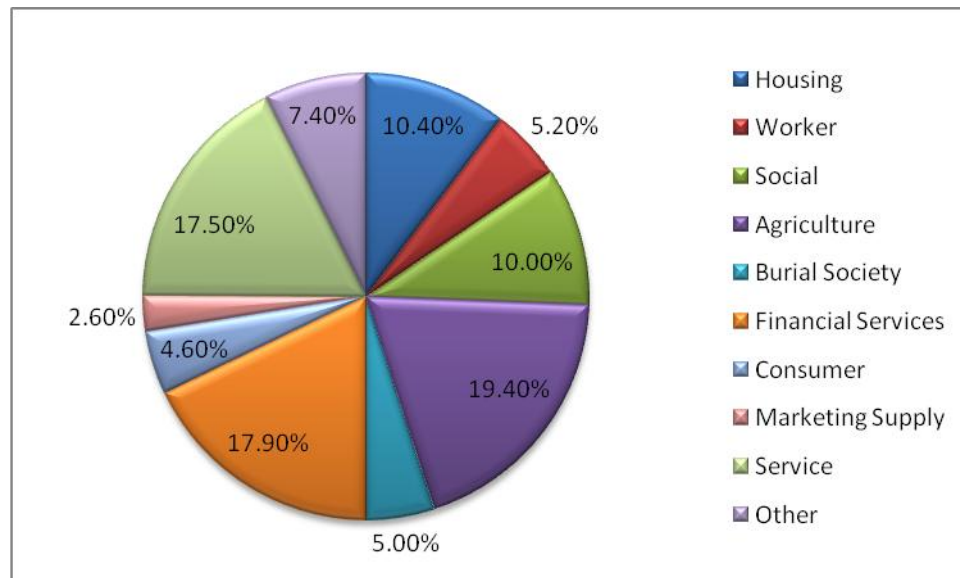
**Analysis:** These findings correlate slightly with the findings of the Department of Trade and Industry's baseline study of cooperatives, which confirmed that most cooperative members have basic education, while the majority have studied and completed matric, but did not further their studies, and some did not pass matric, so they do not have the National Certificate. Some of the respondents have not studied higher than standard 8, which is known as grade 10 currently, and some did short courses offered by departments or relevant training institutions. A certain portion of the respondents only completed primary education with some not having received any formal education, not even primary education. A minimal portion has post matric qualifications including National Higher Certificates and other qualifications with NQF levels just above matric.

## **II. Kind of cooperative**

**Purpose:** To establish economic sectors or the cooperative type most cooperatives are operating in, in terms of the cooperative act.

**Results:** The results in Figure 7 indicate that the majority of cooperative types are agricultural cooperatives, with a finding of 19.4% of cooperatives engaged in agriculture, followed by 17.9% of cooperatives offering financial services, thereafter service cooperatives with 17.5%, with housing cooperatives at 10.4%. Social

cooperatives accounts for 10% of the studied cooperatives, the sixth finding being 'other' cooperatives at 7.4%, followed by worker cooperatives standing at 5.2%, burial society cooperative at 5%, with consumer cooperative at 4.6% and lastly the marketing supply result at 2.6%.



**Figure 7: Analysis of kind of cooperatives.**

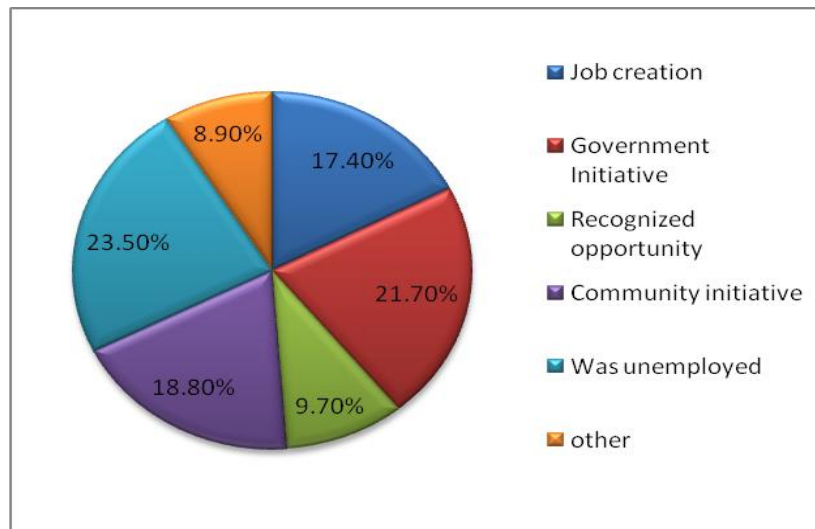
**Analysis:** The above results demonstrate that the majority of the cooperatives are in agriculture, service and financial service cooperatives, followed by housing, social and other cooperatives. Burial society, worker, consumer, marketing and supply cooperatives form the minority of the cooperatives.

### III. Reason to start the cooperative

**Purpose:** To establish what the reasoning behind the starting of cooperatives is, is linked to entrepreneurial culture or entrepreneurship.

**Results:** Figure 8 indicates that 23.5% of respondents have started cooperatives because they were unemployed, followed by 21.7% who mainly follow Government's initiative of poverty alleviation, with 18.8% inspired by community initiative, while 17.4% of respondents started cooperatives because of job creation, followed by 9.7% having recognised an opportunity, and lastly 8.9% site other reasons for starting cooperatives. These results confirm the conclusion of the Global Entrepreneurial Monitor report, namely that South Africa lacks entrepreneurial culture, because in

terms of these findings people start cooperatives as a result of social challenging conditions.



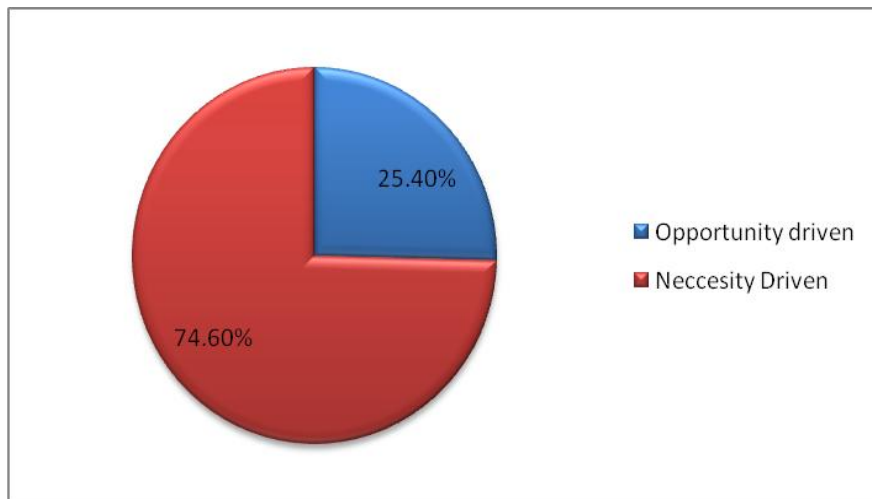
**Figure 8: Reasons to start a cooperative.**

**Analysis:** These results show that the establishment of cooperatives in South Africa are mainly to resolve unemployment challenges by providing employment for cooperative members, be it a Government initiative or a community initiative. Their main objective is to resolve the country's economic challenges being that the majority of the population is faced with of poverty. What is important to be highlighted here, is that even though the reasons are not linked to entrepreneurial processes of opportunity recognition, the decision on the type of cooperative to address an identified opportunity in the market, is difficult to answer. Recognition of the opportunity accounts for 9.7%, which is very low taking into account that it is one of the basic principles of entrepreneurship. Cooperative members indicated that they would unlikely continue with the family business in a business form such as an agriculture cooperatives.

#### **IV. The influence of economic conditions on the practice of cooperative**

**Purpose:** To establish the influence of economic conditions on the practice of cooperatives.

**Result:** Figure 9 indicates that the practice of cooperatives is economically influenced by necessity driven, given their challenging economic conditions. Very few are opportunity driven.



**Figure 9: Factors influenced by economic conditions**

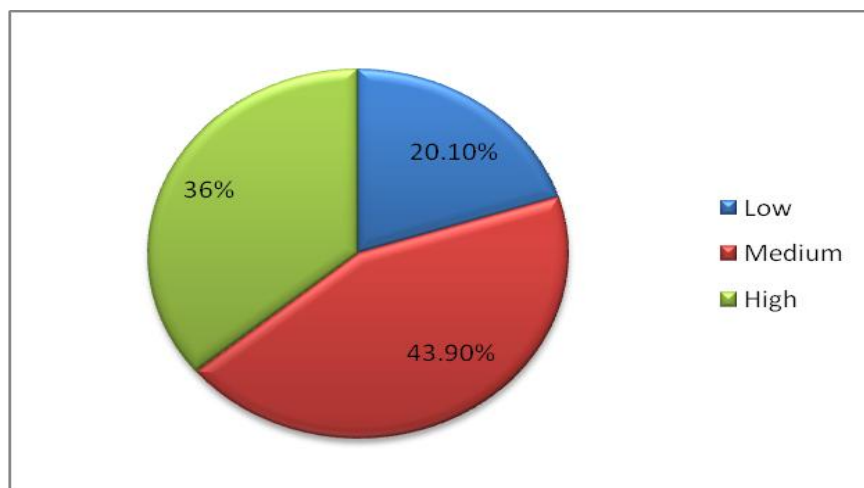
**Analysis:** The basic economic condition which drives individual cooperative members is necessity, as highlighted above in the reasons to start a cooperative. It is because of the prevailing economic condition of unemployment and poverty, that individuals are propelled to start something that will generate income for their households. Often the opportunity comes second but still one has to assess the marketing environment by developing a business case on what is needed in the market and what kind of cooperative to engage with in order to enjoy returns.

#### **V. Level of creativity in enhancing products offered and management of the business**

**Purpose:** To establish the difference in the levels of creativity amongst cooperatives.

**Result:** Figure 10 shows that at least 43.9% of cooperative members have a medium level of creativity, with 36% being high and followed by 20.1% being low. Creativity can be applied by means of improvising and effectively running the cooperative successfully with limited resources, and still ensuring the sustainability of the cooperative, also by using creative methods to serve or produce their product or services.





**Figure 10: Creativity levels.**

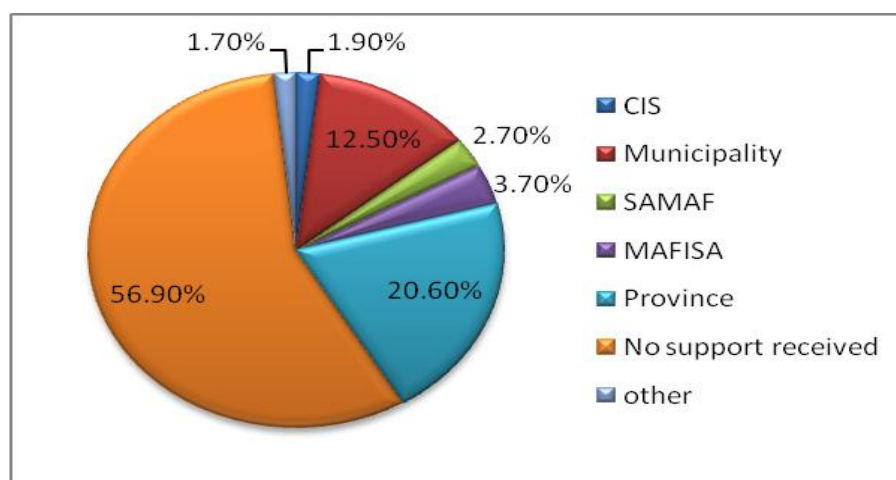
**Analysis:** Creativity levels, see the results in figure 10, is an important factor when starting of a cooperative. One can safely confirm that the thinking of cooperative members might not be on a strategic thinking level, but they always find creative and innovative ways to run the cooperative by minimising cost. In terms of production they try to be creative, given the limited resources they are exposed to and also in terms of machinery for production purposes - even though it is old methods of production, they try their level best.

## **VI. Support received**

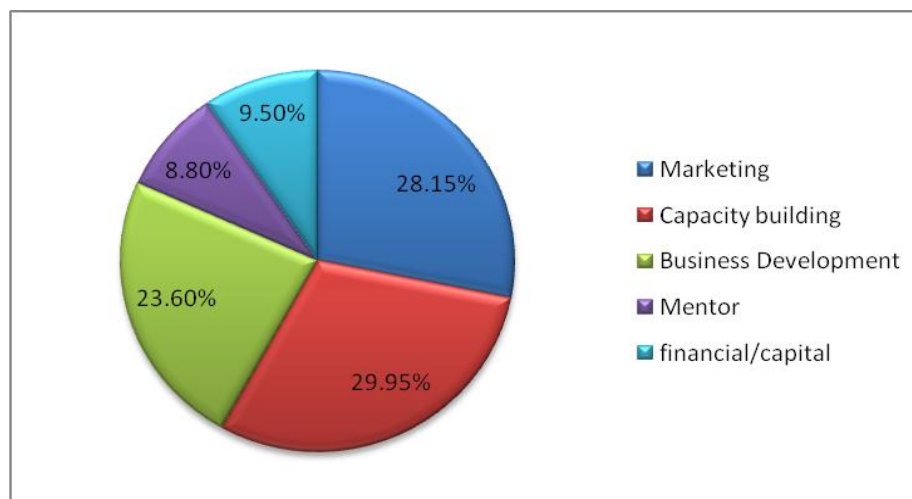
**Purpose:** To establish a sense of support received, given the knowledge respondents have about cooperative programs offered by different institutions.

**Results:** The results in Figure 11 indicate that 56.9% received no support and some of the respondents claim that even though they did send applications to different institutions, they did not receive any response - neither acknowledging receipt nor declining the application. Provincial Departments provided support in 20.6% of the cases, followed by 12.5% support received from municipalities, and in most cases the municipality also played a facilitating role to link the cooperative with the relevant institutions responsible for providing them support, either financial, capacity building or marketing. MAFISA stands at 3.7% of support received by cooperative respondents from it, followed by 2.7% received from SAMAF, 1.9% from CIS, and 1.7% from other institutions - in most instances it could be foreign donors, churches, etc.

The results in Figure 12 indicate the type of support received, with capacity building at 29.95% - capacity building may involve skills development and training which includes business management, operations, technical, and financial management. This is followed by marketing, standing at 28.15% (this includes being taken to different exhibitions and conferences, developing marketing brochures, website development, etc), next is 23.6% for business development (which may include business plan development and business strategy development), and then 9.5% of financial support received mostly from Provincial Departments, and lastly 8.8% of mentorship received, which is a very important factor, especially for new cooperatives.



**Figure 11: Support received by institutions.**



**Figure 12: Type of support received.**

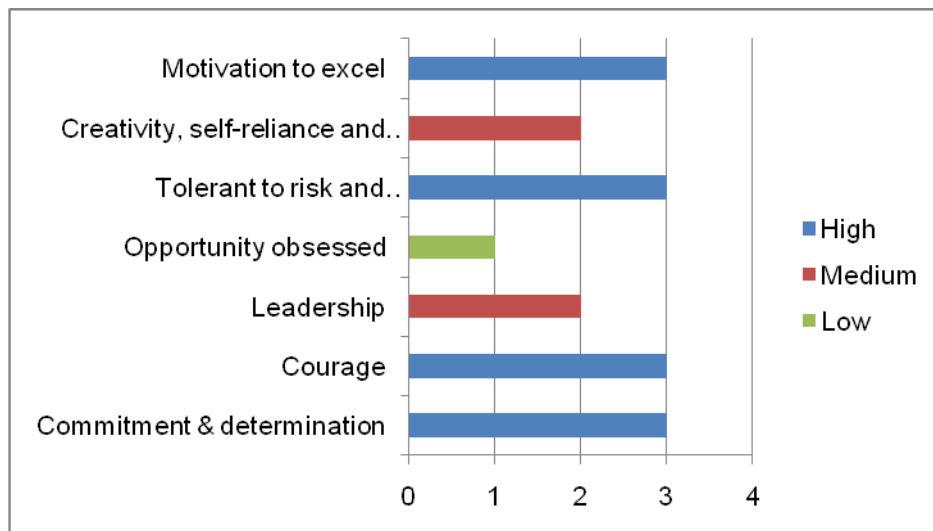
**Analysis:** The results confirms the findings by Satgar (2007) that though there are supporting institutions that have abundance and huge budgets to support

cooperatives, cooperatives are unable to access it - many complained during the interview that when they apply for funding, they do not even receive an acknowledgement of receipt letter from the funding institution, let alone an approval or rejection letter. The Department of Agriculture which has largely assisted with start-up capital has been praised by most, as well as municipalities which have mainly been assisting with marketing and facilitating access to other institutions. Municipalities organised a number of training courses to equip cooperative members to run and manage their cooperatives effectively and efficiently, and through the department of LED took them to different expo's to show-case their products. In Gauteng, the Gauteng Enterprise Propeller (GEP) has been helpful to many of the coops in Gauteng with training and marketing. The findings of the research for the rest of national institutions, differs slightly from the findings of the base-line study of cooperatives. The truth is that people are just earning a lot of money for nothing. The researcher would advise that they need to focus on mentoring in order to ensure the success of cooperatives.

## **VII. Entrepreneur Attributes**

**Purpose:** To assess if the cooperative is the cooperative entrepreneur with the necessary characteristics, or attributes to what entrepreneurs inherently should have.

**Results:** Figure 13 demonstrates entrepreneurial attributes the respondent cooperatives have. It indicates that most of the respondents have the necessary motivation to excel, the necessary drive and tolerance to take risks during uncertainty, are committed and determined, and have courage. Most respondents scored high on the four attributes, followed by creativity, self-reliance and adaptability attributes, while leadership attributes at medium. Lastly opportunity obsessed was lacking as one of the attributes amongst cooperative respondents.



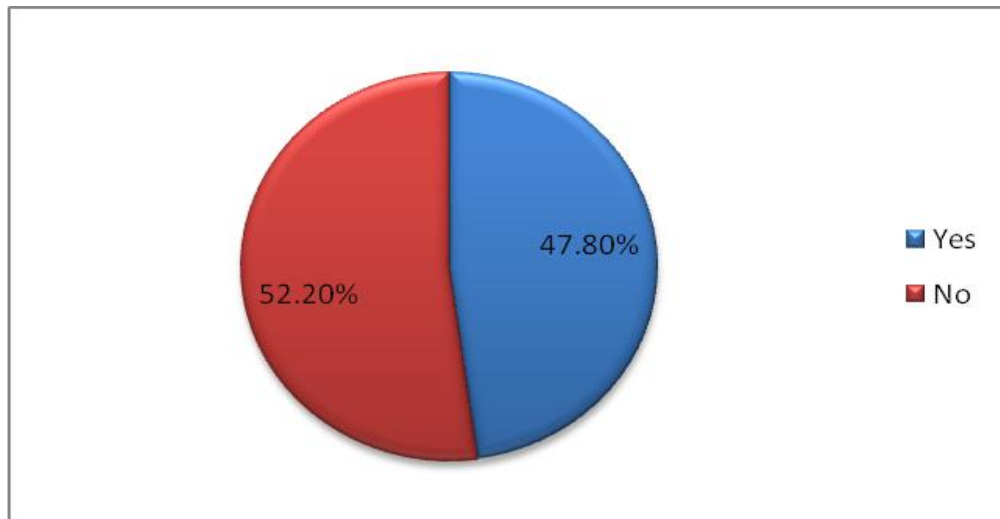
**Figure 13: Dominant themes inherently required from entrepreneurs.**

**Analysis:** The results above indicate that cooperatives' members possess entrepreneurial attributes. Most of the cooperatives are not making a profit - some months they are not paid, but because of their level of commitment and determination, they continue serving the cooperative, motivated that one day it will be successful. The majority of them are uncertain about the future and in most cases they find themselves in conflict with one another, especially given the nature of cooperatives where everything is determined by a one member vote and there is no authority as such, because the members are the authority. For most of the members production is driven by the need in the market and with the passion to satisfy customers, and the necessity to enhance and improve their quality of service and products. In terms of the response on courage, it is low, but in the analysis, the determination the cooperative members have, is an indication of courage - having to manage their daily conflict, not being sure of the risk they are taking, but still take it anyway, is courage.

### **VIII. History of family business or cooperative**

**Purpose:** To establish the historical relations and the influence of family members who had a business on the cooperative member to start the cooperative, based on Hull's cultural influence on the present and his finding that culture is transmitted through imitation.

**Results:** Figure 14 indicates that 52.2% of the cooperatives had no close family involved in any business, whereas 47.80% confirmed that their closest relative were involved in a business.



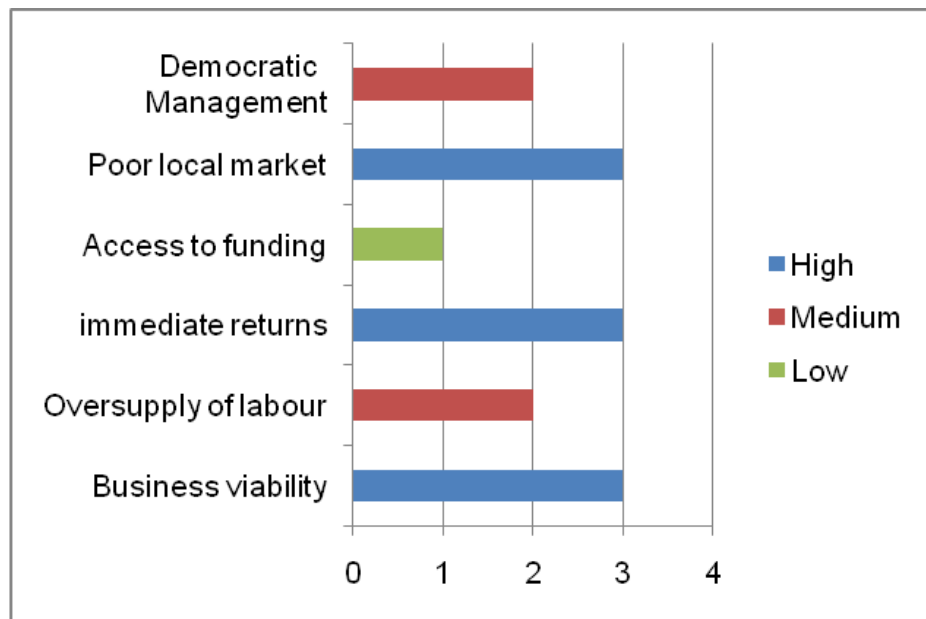
**Figure 14: History of family business or cooperative.**

**Analysis:** The result above gives one a 50/50 per cent of the historic involvement of families in businesses and cooperatives. Hull (2008) has argued that children, as individuals, copy their parents closely from an early age, and in the process absorb their parent's culture. Parents also actively teach and reinforce certain behaviours, strengthening the inheritance process. Hull emphasises that targeting individuals while they are still acquiring most of their culture at a very young age either at home through their parents or at school, and trying to instil beliefs and behaviours consistent with entrepreneurial culture, will make them grow up with an entrepreneurial mentality. According to Hull, studies indicate that most children who grow up with either one or both of their parents having a business of their own or acting as entrepreneurs, they too will grow up carrying the spirit of being their own bosses as motivated by their parents.

#### **X. What are the challenges cooperatives are faced with.**

**Purpose:** To have an appreciation of the challenges faced by cooperatives in an enterprise and assist them with recommendations on how they should be resolved.

**Results:** The result below indicates that most of the challenges highlighted in the interview and it is a summary of what was raised by cooperatives who responded. Poor local market, expectation of immediate returns and business viability being the highest of the challenges; followed by democratic management, given the nature of cooperatives and over-supply of labour; and lastly access to funding being least of the challenges faced by cooperatives.



**Figure 15: Challenges of cooperatives**

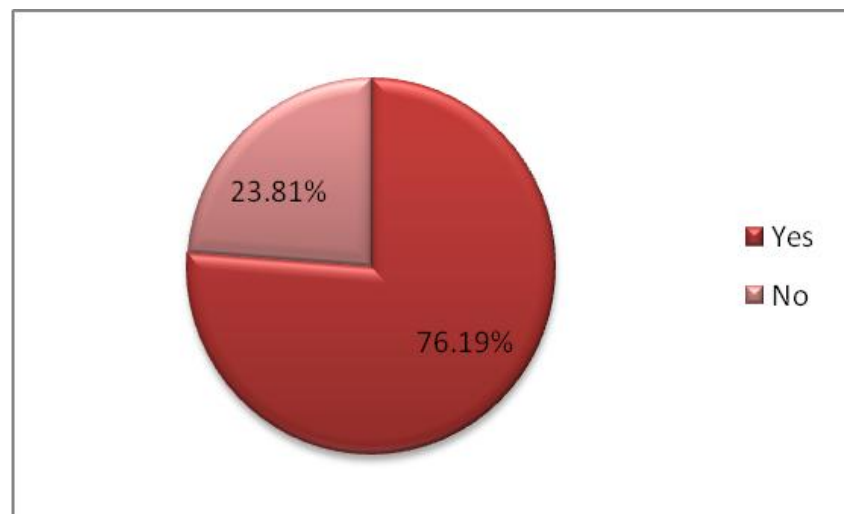
**Analysis:** The results revealed in Figure 15, are an indication of challenges faced by cooperatives. For any business to survive it must be viable. It was determined by early findings that most cooperatives are started by unemployed people - in some instances with low skills level with no prior business experience and in economically marginalised areas - this has also been confirmed by Philip (2003:18). These circumstances influence the viability of the business and will determine its success. Because most cooperatives' members are influenced by their unemployment economic condition, they tend to have expectations of immediate returns and some lose interest if the expectation is not meet. Most cooperative entrepreneurs target their community, which is a local market for business because it reduces cost on marketing and distribution. In most cases such local markets are fairly poor; they buy a limited range of products, - with low units with price sensitivity these challenges are rated very high on the cooperative's drive to succeed.

On average, the challenges in terms of the findings are over-supply of labour at start-up, relative to their production base and what is demanded in the market, and as a result could not compensate all its members. The democratic element of a cooperative is a challenge, because it is based on one member one vote for any decision, to prevail it is thus not based on majority share. Lastly what is low on the challenges and could be high, is access to funding. In the researcher's opinion, it is low because once all other challenges have been addressed, the cooperative can be self-sufficient and sustain its members and operations.

## **XI. Does SA lacks entrepreneur culture**

**Purpose:** to get the views of cooperatives if they agree with the GEM report on the lack of entrepreneurial culture in South Africa.

**Results:** Figure 16 indicates that most respondents agree that an entrepreneur culture is lacking in South Africa with 76.19% saying 'yes', and with 23.81% responding 'no'.



**Figure 16: Lack of entrepreneurial culture**

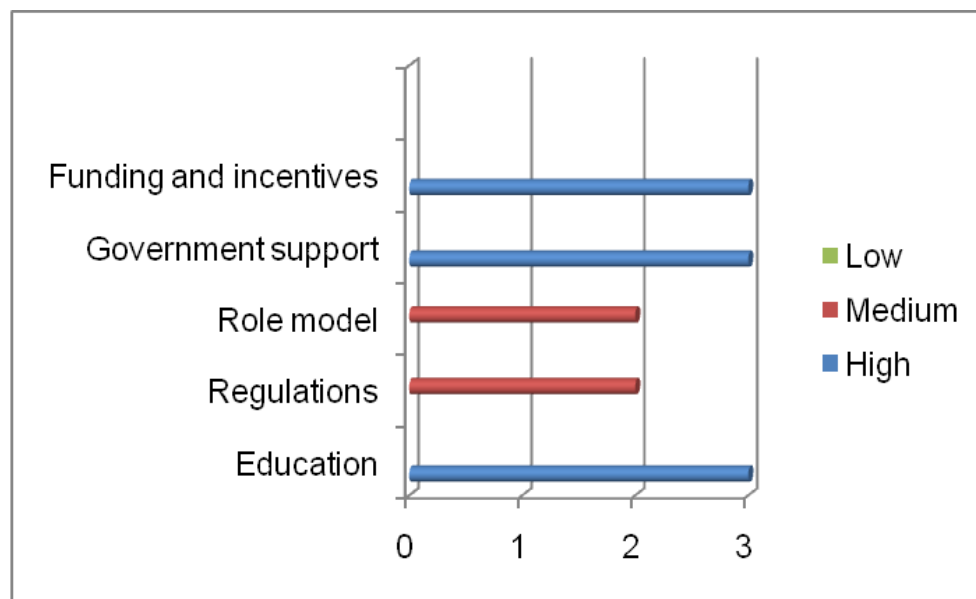
**Analysis:** The results above are consistent with the findings of global entrepreneurial monitors on the lack of entrepreneurial culture in South Africa. Most of the respondents agree and very few argue that it is not lacking, but it is evident from both these findings as well as the GEM report which is confirming these findings. Those who argue “no”, state that there is improvement and some form of courage since the new dispensation where the black majority are seizing the opportunity of democracy; been taking initiatives of starting something of their own, even though their target

market is Government. For some there is a growing culture of greed in South Africa, where only the few politically connected individuals benefit from the system through Government tenders and there is no creativity or elements of entrepreneurship in that.

## **XII. What should be done to foster entrepreneurial culture?**

**Purpose:** To establish what should be done to foster entrepreneurial culture.

**Results:** Figure 17 indicates the recommendations from responding cooperatives on what should be done to foster an entrepreneurial culture. Education both in and outside school, funding models, incentives, and Government support are rated high on where the country should improve to foster entrepreneurs. Regulations through policy compliance and role models, being rated medium on what needs to be done to foster an entrepreneurial culture in South Africa.



**Figure 17: Where to improve to foster entrepreneurial culture.**

**Analysis:** The GEM report also acknowledged some of these findings, which mean that the above findings are consistent with that of the GEM report. In terms of the above results on education in particular, which is a major concern of the respondents, that most of the things they are currently learning do not assist them in entrepreneurship. They would have been empowered if they were exposed to the business environment early in their lives. This again refers to the South African education curriculum which does not inspire individuals to be creative; the education



system in South Africa inspires an individual to be an employee not an employer. Parents, in their contribution of teaching their children, equally do not motivate them to be entrepreneurial, but instead they wish for their children to be professionals and working for some institution. Some of the respondents on Government support, said that they were encouraged by the support promised by Government which they are not benefiting from - as a result they experience challenges of growth and returns into the cooperative; so it will be important for Government to live up to their commitment or review and evaluate some institutions which are intended to provide support to cooperatives. Funding and incentive are also highlighted as part of what should be addressed - access to funding, either loan or grant should not be complicated with many documents, requests, guarantors, financial statements or own contribution, as a commitment fee as start-up capital. This is a challenge in a case where the cost of starting a business is R2 million, and in most instances they request 10% deposit, in this case R200 thousand, which is difficult for most people to sponsor, etc. Incentives in a form of tax reduction, also is a challenge to start a business; it can be a building or property, in the form of land, or a workshop building which any sphere of Government can avail of, such as a lease or 50% below the market, and others.

To comply with regulations can most of the time be a challenge in the form of accessing these institutions, e.g. to register a cooperative or a company you have to go to Pretoria and to comply and register the company for tax, there is one regional office of SARS in another direction - funding regulations and procedures, procurement regulations, trading regulations, compulsory registration to different boards e.g. for construction you must register with CIDB and NHBRC, on top of that there is only one office in the province and some of this requirements were never there before 1994. The lack of role models is also a challenge, because what now inspires children are “thugs” they see on the street or people they know who are loitering on street corners, in taverns and who are drunk most of the time, television that is also not used to effectively promote an entrepreneurial culture, and are exposed to music which influences their attitudes and character mostly in a bad way. There must be more entrepreneurial education programs exposing people who are successful in business more often. Unemployed parents are not much of an inspiration either.

### XIII. Skills needed for the cooperative to meet its business objectives.

**Purpose:** To establish the type of skills needed for cooperatives to succeed and meet its business objectives.

**Results:** Figure 18 indicates the results of the skills needed by cooperatives to succeed. Amongst the highest skills on the agenda of the skills, are discipline, multi-tasking, leadership, decision making, team work, communication, marketing and sales management skills. Medium rated on the skills needed according to the respondents are financial literacy, business management and thinking outside the box.



**Figure 18: Skills needed by cooperatives.**

**Analysis:** Primarily the results of skills needed by cooperatives to succeed are similar to some skills of entrepreneurs, as indicated by Parkison *et al.*, (2001:95) on different types of entrepreneurial skills found in the literature. Working together as a team, appreciating each other's weaknesses and strengths; members' discipline to respect their task and their passion to make a success of the cooperative; decision making which is a challenge most of the time, given the cooperative structure and the democratic principles of the cooperative, where some decisions can be contested and the inability to take operating decisions also goes with leadership being able to provide strategic leadership, vision and direction to the cooperative; it all boils back to communicating all of the above-mentioned again. Multi-tasking is the ability of members to perform more than one task at a time. Marketing and sales which are a serious concern, often focus on the community market they are exposed to, and they compete with well established brands while their products is not known. Financial

and business management skills which to the opinion of the researcher, relate to all the skills, especially the business management - financial knowledge is necessary, even though you can outsource it to accounting firms, but it is important to have a little bit of the basic insight. Thinking outside the box is primarily being creative and using different methods for the cooperative business to survive.

### **3.7 SUMMARY**

The empirical study conducted through a questionnaire, attempted to respond to the secondary objectives of the research as well as the primary objective of the research. The outcome to some extent is fairly balanced - it highlighted the weaknesses of the cooperative and the challenges which should be addressed, to an extent. Through the questionnaire, it was attempted to get the views of cooperative members and assess their entrepreneurial capacity and ability to respond to a business environment. The empirical study tried to link the influence of culture and the inherent characteristics an entrepreneur should have, and the respondents indicated that they do possess these entrepreneurial qualities. Many cooperatives in their responses, regarded themselves as entrepreneurs, given the nature of the cooperatives - if they do not put effort into the success of the cooperative by being creative in their production process, they will not receive the reward, and that most of the time they are inspired by observing people buying, talking and enjoying their products, make them proud that they too add value to their communities.

## **CHAPTER 4: CONCLUSIONS AND RECOMMENDATIONS**

### **4.1. INTRODUCTION**

This section contains the conclusions and recommendations of the study based on the findings of the literature review and empirical study contained in the study. The empirical study was conducted through a questionnaire which sampled on cooperatives. It was done to neutralise the disadvantage of only using one method of the research.

The recommendations will try to position and give perspective on existing interventions and what thereof to improve in terms of cooperatives and the fostering of entrepreneurial culture in South Africa. The recommendations will try to give a holistic approach, rather than looking at the challenges and gaps in isolation, by trying to look at the social, economic, technological and political system in creating an enabling environment for entrepreneurial activities and cooperatives to prosper.

### **4.2. CONCLUSION**

The following conclusions were reached based on both the literature and empirical study.

#### **a. Economic condition**

It is evident, given the results above, that the economic challenges of unemployment and poverty in South Africa is a factor in lack of entrepreneurial culture in the country. It is known that the Government's objective on any matter is to respond to the national developmental objectives of resolving poverty and unemployment through education and infrastructure development. A community again will take an initiative to respond to the challenges faced by their immediate neighbourhoods. It is an open secret that the unemployment level is very high in South Africa; the gap between the poor and the rich is growing daily; we are still yet to address these growing inequalities; underdevelopment and poverty is what South Africans are exposed to every day; hence in terms of the findings above on reasons to start cooperatives, it is influenced by these socio-economic challenges South Africans are confronted with.

The findings confirmed the GEM report that entrepreneurial culture is lacking in South Africa, and the literature study teaches us that entrepreneurship has to do with opportunities and an entrepreneur is a person who is obsessed with opportunities. It indicates clearly in terms of the economic conditions influence that the majority of cooperatives are driven by necessity, not opportunity as it should be in the case of the entrepreneurial process. But of course one would argue that even if that is the case, the choice of which kind of cooperative to engage in, is influenced by having made an assessment of potential risk and reward and conclude that there is an opportunity on this cooperative kind or industry. Most of the time the kind of cooperative chosen is based on the local community's needs.

### **b. Entrepreneurial attributes**

According to Timmons (2009:47), there are seven dominant themes which are inherently required from an entrepreneur. In terms of the findings above, respondents confirmed having such attributes although they acknowledged a lack opportunity obsession. Most of cooperatives under their challenging conditions had the courage to take initiative in resolving their socio-economic challenges and most importantly be determined and committed to the success of their cooperative initiative regardless of the risk attached to it. As per a literature study by Hellriegel & Slocum (2003:430), an entrepreneurial culture consists of attitudes of self-reliance, self-advocacy and perseverance in a given community. These authors further argued that high level of risk taking and creativity characterise an entrepreneurial culture, a commitment to experimentation, innovation and being on the edge. These entrepreneurial attributes were confirmed by cooperative members as they themselves are having such characteristics, which is a confirmation that cooperative members are entrepreneurs and that cooperatives as a model can foster entrepreneurial culture.

These are women and men with the necessary passion and motivation to succeed, regardless of not making immediate profits and operating without a monthly compensation or wages, but they remain disciplined and loyal to the cooperative with the vision that one day it will be successful. Most of the cooperative members are uncertain about the future and in most cases they find themselves in conflict with one another, especially given the nature of cooperatives where everything is determined by a one member one vote and there is no authority, as these members are the authority. To most of the members, production is driven by the need in the market

with the passion to satisfy customers and the need to enhance and improve their quality of service and product.

### **c. Skills needed by cooperatives to succeed**

Timmons and Spinelli (2008:316) argues that having a management team whose skills are complementary, is important, not the possession by an individual of a single, absolute set of skills or a profile. The art and craft of entrepreneurship involves recognizing the skills and the know-how needed to succeed in a venture, knowing what each team member does or does not know, and then compensating for shortcomings.

Taking into cognisance that a cooperative is a team of individuals with diverse skills and knowledge, hence team work management is necessary and individual team members must have it within themselves to survive and to work with a team. According to Timmons a strong team is usually the difference between great success and a marginal company. Within the team lead entrepreneurs exists and have a strong entrepreneurial vision and greater self-efficacy to act on their vision and make it real. The team possesses the qualities required of an entrepreneur, namely: motivation to excel, committed to value creation, determination and persistence; tolerance to risk and uncertainty, and the necessary leadership and courage. The cooperatives in this study confirmed that they do have these qualities but acknowledged that for any cooperative to succeed, it must be able to work as a team.

Leadership must have the relevant vision and strategic objective to take the cooperative forward. Serving with honesty, reliability, trust and fairness goes a long way in cooperatives; being disciplined and communicating well with fellow cooperative members and stakeholders could bring success with positive returns in the cooperative. Cooperatives with visionary disciplined leadership which can communicate and lead appropriately, is what is needed for cooperatives to succeed and it is linked to entrepreneurial qualities.

Management skills which include finance literacy, business, marketing and sales skills need to be worked on, as part of what is identified by cooperatives for them to succeed; again it is no different to what has been found in the literature study as

entrepreneurial skills. Multi-tasking skills are necessary because initial; start-up is small and members have to manage the entire cooperative, and thus produce the product, market the product, deal with human resource issues and do bookkeeping, for example. Thinking outside the box, means creativity and making the impossible possible. All the skills needed by any cooperative to succeed are the same skills needed by entrepreneurs and cooperatives, who have already acquired these skills either through training or practise. This confirms that there is no difference between a cooperative member and an entrepreneur - both need the same skills to succeed.

#### **d. Support received**

Satgar's (2007) findings confirm that South Africa has abundance of support structures and initiatives in place to serve both the financial and non-financial needs of small businesses and cooperatives. However, in terms of financial assistance, 20% of cooperatives applied and only 25% of the applications were successful. Furthermore over 60% of the cooperatives reported that they have not received training in more than two years and if they did receive training it was based on general business practice and not sector specific. The finding of the empirical study above slightly confirms Satgar's findings and differs with the findings of the baseline study of cooperatives done by DTI. The empirical study findings are that more than fifty per cent of cooperatives have not received any support, and those who have received the support, received it from Provincial Government, not from institutions set-up by national departments as agencies to support cooperative development.

The above is an indication of the failure in our system, which leads to cooperatives not meeting their expected mandate and as a result do not contribute sufficiently to the developmental agenda of our country. The lack of meaningful support from mandated institutions contributes seriously to the lack of entrepreneurial culture, because the failure of these institutions to deliver on their legislative mandate is detrimental to economic empowerment, growth and maximum participation of economically disadvantaged communities, who should be direct beneficiaries of these measures to transform their lives. As we all know, accessing finance from commercial banks is a challenge as outlined above, hence it is necessary that this institution must live up to their mandate and fulfil it.

## **e. Challenges for cooperatives**

For any business to survive, it must be viable. In the early findings it was shown that most cooperatives are started with unemployed people - it was also confirmed by (Philip 2003:18) that in some instances even with low skills levels, with no prior business experience and in economically marginalised areas. These circumstances influence the viability of the business and will determine its success. Because most cooperative members are influenced by their unemployment economic condition, they tend to have an expectation of immediate returns, and some lose interest if the expectation is not met.

Most cooperative entrepreneurs target their community, which is a local market for business, because it reduces cost on marketing and distribution and in most cases such local markets are fairly poor; they buy a limited range of products with low units, with price sensitivity - these challenges impact very high on the cooperative drive to succeed. The cooperative network and economic value chain, compounded by the limited cooperative value chain can link cooperatives operating indifferent sectors, or different components of each sector value chain, as it is a challenge that cooperatives in the majority of cases work in isolation and they are not cooperating with other cooperatives.

On average the challenge in terms of the findings, is over-supply of labour at start-up, relative to the production base and what is demanded in the market and as a result could not compensate all its members. The democratic element of cooperatives is a challenge, because it is based on one member one vote for any decision to prevail, it is not based on majority share. And lastly, the challenge is that the cooperative needs to be self-sufficient and sustain its members and its operations.

Amongst these challenges is to gain access to cooperative support institutions. In this regard the nationally centralised register of cooperatives is situated in Pretoria, and has no branches at a provincial or regional level. The same applies to most of the development's finance institutions intended to support and fund the cooperatives. This means that cooperatives spend large amounts of money trying to access institutions aimed at supporting them. Emerging cooperatives still find it difficult to attract and retain adequate capital. The democratic operation of cooperatives and their surplus sharing method based on use makes them less attractive to venture capital. , There are limited sources of funding compared to other forms of enterprises;



government entities, DFI's and private sector financial institutions that often do not understand the structures of cooperatives. As a result, limited support is provided to cooperatives. This, in turn, results in difficulties to retain earnings, increasing capital requirements and a support structure that does not address the need of cooperatives across its entire life cycle.

Embracing self-reliance as a principle remains a challenge amongst cooperatives. Cooperatives' members have yet to acknowledge that the creation of cooperatives should be on the principle of self-sufficiency; hence it is necessary for cooperative members to be entrepreneurial in thinking and inspired by opportunities.

#### **f. Intervention needed to foster entrepreneurial culture**

The GEM report also acknowledged some of this finding, which means that the above findings are consistent with that of the GEM report. In terms of the above results on education in particular, which is a major concern for the respondents, most of the topics they are learning the students currently do not assist entrepreneurship. They would have been empowered if they were exposed to the business environment early in their lives. This again refers to the South African education curriculum which does not inspire individuals to be creative; the education system in South Africa inspires an individual to be an employee not an employer. Parents, in their contribution of teaching their children, equally do not motivate them to be entrepreneurial, but instead they wish for their children to be professionals and working for some institution.

### **4.3. RECOMMENDATIONS**

<b>Variable</b>	<b>Intervention</b>
Entrepreneurial Education	There is a need to review the Education curriculum at both primary and secondary levels to include practical entrepreneurial activity, not just theory; Teaching methods that stimulate creative thinking, risk taking and team working skills; It will be important that entrepreneur

	<p>education is not treated as a separate academic subject but it should be integrated right across.</p> <p>Investing in teachers would also be necessary; they too should be inspired in order to inspire learners to be entrepreneurial. Teachers should have clear understanding of realities of business. Exposure to the business environment will be necessary in order to advise pupils appropriately.</p> <p>Introduction of graduate entrepreneur initiative, before students gets their degree or diploma, should do an entrepreneur project, initiate and start a business whilst completing their last year of study.</p> <p>Develop cooperative member's skills with basic strategic thinking courses to enhance their creativity. Take them through sector based training, marketing and financial management training.</p> <p>Teach the importance of cooperative entrepreneurs and the benefit thereof, with emphasis on collective development and returns to the team.</p>
Social System	<p>Create maximum enterprise awareness around cooperatives in communities.</p> <p>Families should be encouraged to have positive attitudes on entrepreneurship and cooperatives in order to instil such spirit to their children. They should stop encouraging their children to study hard, get a degree and be employed, but rather to inspire them to create work for others.</p> <p>Develop an enabling environment in communities that encourages entrepreneurs, in order to build a country orientated around cooperative entrepreneurs.</p>

	Local markets to be encouraged to buy from cooperatives e.g., a campaign on proudly South African products, “buy cooperative, local products create and sustain jobs”.
Role models and media	<p>Through television, radio, social networking, etc., the broadcaster should have more program content related to success stories of cooperative entrepreneurs;</p> <p>Parents, individuals in communities, personalities on TV who are motivated and successful as entrepreneurs to be role models;</p> <p>Media to play its role through newspapers to advertise anything related to cooperative and entrepreneurship for free.</p>
Improve the financial environment	<p>cooperative movement to be revived and supported; cooperatives to start cooperating and lend each other financial support;</p> <p>Commercial banks to relax their process and requirements when lending capital to cooperatives.</p>
Improve access	<p>The registration of cooperatives to be decentralised to be at the regional level, with all Government agencies established to provide both financial and none-financial support to cooperatives;</p> <p>Important for these mandated institutions is to deliver to their mandate of funding, training, mentoring, and business case development to cooperatives. They should respond to any form of application received from cooperatives that will inspire and motivate cooperatives.</p>
Mentors and entrepreneur incubators	To establish local incubator centres for cooperatives and entrepreneurs which also act as mentors. The incubators must empower and support emerging cooperatives with all the necessary skills, business development, research and development, coaching, marketing, etc.;

	Well established companies to be encouraged to take individual cooperatives and mentor them for success.
Regulations	<p>For policies to be improved, it should not only focus on the institutional imperatives, but also on social and psychological imperatives, it should start with individuals and the entire system should respond to entrepreneurial awareness;</p> <p>More flexible regulation for cooperatives to meet the requirements.</p>
Incentives and awards	<p>Tax exemption for cooperatives. Compensation for cooperatives that employs a certain number of people; Offer cooperative accommodation to run their business for a certain number of years when they start, etc.;</p> <p>Annual awards in different categories to be received by emerging cooperatives .</p>

If South Africa succeeds with the above recommendations, cooperatives will contribute meaningfully to entrepreneurial culture, and at the same time attempt to resolve the unemployment and poverty challenges. Addressing an entrepreneurial culture is a societal issue therefore all sectors in society have a greater equal role to play and should not be handled in isolation.

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## ANNEXURE A QUESTIONNAIRE

Please complete below

<b>Gender</b>	Female	Male	
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<b>Race</b>	African	White	Asian	
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<b>Age</b>	18-25	25-35	35-45	45-55	
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<b>Education Level</b>	Other	Primary Edu	Matric	Post Matric	
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<b>cooperative Form</b>	Primary	Secondary	Tertiary	
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<b>Kind of cooperative</b>							
Housing		Worker		Social		Agriculture	
Financial		Consumer		Marketing		Service	
						Other	

<b>Number of cooperative members</b>	8 - 15	15 - 25	25 or more	
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<b>Is the cooperative registered with cooperative register</b>	Yes	No	
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<b>Date of the registration</b>	Before '94	'94-'00	'00-'06	'06-'11	
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<b>Reason to start a coop</b>	Poverty Alleviation	Job creation	Government	
Have identified a niche	Community initiative	Other specify		

<b>Location of the co-op</b>	Urban	Semi urban	Informal settle	Rural	
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<b>Do you receive support from</b>	National Gov	Province	Municipality	
Government agencies	Private Sector	Church	International Agency	

<b>Type of support received</b>	Financial	Management Training	Mentor	
Business Development	Marketing	Operational and technical		
Other please specify				

<b>What are the challenges faces by cooperatives?</b>

<b>Was anyone in your family involved in a cooperative or any form of business:</b>	Yes	No	


***Please tick the appropriate box***

Do you think you possess any of the following attributes:	High	Medium	Low
Commitment and determination	3	2	1
Courage	3	2	1
Leadership	3	2	1
Opportunity obsessed	3	2	1
Tolerant to risk and uncertainty	3	2	1
Creativity, self-reliance and adaptability	3	2	1
Motivation to excel	3	2	1

<b>Do you think entrepreneur culture is lacking in SA:</b>	Yes		No	
Please elaborate				

<b>What do you suggest should be done to foster entrepreneur culture</b>
Please elaborate

<b>Can cooperatives model foster entrepreneur culture:</b>	Yes		No	
Please elaborate				

<b>What skills do you need for the cooperative to meet its business objectives:</b>

**THANK YOU FOR YOUR PARTICIPATION AND COOPERATION**