Collective Entrepreneurship as a Means for Sustainable Community Development: A Cooperative Case Study in South Africa

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Abstract
Many in rural communities in South Africa are living in poor conditions. By stimulating economic activities, this problem can be alleviated. One way to achieve this is for entrepreneurs to form cooperative alliances. Since earnings produced are returned to the member/owner and the end result is that this wealth is kept within the community. Thereby the goal of job creation and uplifting of communities are reached. This article focuses on the constraints of institutional structures and entrepreneurial skills of farmers and non-farmers in rural areas and reflects on the establishment of a cooperative as an appropriate mechanism for promoting collective entrepreneurship. The results of the cooperative two years after implementation are also discussed.

Keywords: Cooperatives, rural development, community entrepreneurship, community development, agriculture

Resumen
Muchos habitantes de las zonas rurales en Sudáfrica viven en condiciones de pobreza. Este problema puede ser aliviado mediante el estímulo de...
actividades económicas. Los empresarios pueden aportar a esto a través de la creación de alianzas cooperativas, ya que las ganancias retornan a sus miembros, con el resultante de que esta riqueza se queda dentro de la comunidad. De esta forma se logra el objetivo de crear trabajos y mejorar la comunidad. Este artículo se enfoca en las limitaciones que imponen las estructuras institucionales y las habilidades empresariales de los campesinos y los no campesinos en las áreas rurales, y reflexiona sobre el establecimiento de una cooperativa como mecanismo apropiado para promover el empresarismo colectivo. Se discuten también, los resultados del proyecto cooperativo a dos años de su establecimiento.

**Palabras clave:** Cooperativas, desarrollo rural, empresarismo comunitario, desarrollo comunitario, agricultura

1. Introduction

Land reform, including land restitution and the support of emerging Black farmers, is a key element of South Africa’s overall development strategy and it is envisaged as the driving force for rural development. The goal is to create healthy and sustainable local economies that provide jobs and opportunities and increase rural income. Very often it is found that the lack of entrepreneurial skills is a major stumbling block to achieve this goal.

Firstly, this article will look at community entrepreneurship in South Africa and the applicability of the cooperative business form as a tool for community development. Secondly, during an empirical study successes and constraints of rural communities will be investigated. Finally, through the establishment of a cooperative will be described of a case study. The results achieved by this cooperative two years after its establishment will also be presented.

2. Community entrepreneurship in South Africa

Ownership is very often considered one of the most important components of economic success and initially many community development efforts focus on land redistribution and housing. However, effective community development is a comprehensive approach focusing on programs that increase the members’ capacities to make
economic contributions to the community. Sustainable communities are as dependant on the creation of jobs as they are on the availability of housing and land (Olson, 2005). Community development programs must include entrepreneurial development. A specific difficulty experienced by land reform beneficiaries is a lack of experience in terms of entrepreneurial decision making (Deiniger, 1999: 5). Instead of only providing funding for land, Government should contribute to the establishment of an environment which supports private investment and encourages innovation. The comprehensive approach as a prerequisite for successful community building is also supported by Kubisch (2005) who states that, instead of concentrating on individuals all residents should be involved, capacity should be built at the community level and there should be network building amongst people and institutions. Research has also shown that the lack of management and conflict resolution skills, as well as a lack of farmer participation in the management of projects, contribute to the failure of land reform initiatives in Africa (Van der Westhuizen, 2005:6).

Since the socio-economic position of many South African rural communities is not satisfactory, much pressure is placed on the government to improve the situation. Through entrepreneurship and business development people should strive to attain their socio-economic objectives, including:

• control of activities on their traditional land;
• self-determination;
• strengthening of traditional values and their application in economic development and business activities; and

3. The applicability of the cooperative for community development in South Africa

Regardless of the historically important role that cooperatives played in the development of the agricultural communities in South Africa, many other motivational aspects also support the role that
this type of business can play in the development of local communities.

Stryjan (99:4) indicates that cases of actual cooperative formation often reveal that members of a founding group commonly share some sort of common prehistory that bind the potential participants. The history of the communities on which the case study is built is most probably the reason behind the feeling of coherence that is observed amongst them. This communal sense was also prominent in the decision-making process during the establishment of the cooperative that will be discussed later.

An aspect that also supports the principles of collective entrepreneurship is the value system from which African people have evolved, which implies that a person is a person through other people. The president of South Africa, Thabo Mbeki, explained it as a way of being - a code of ethics embedded in African culture.

The cooperative as a voluntary organisation formed by people who share the same needs would therefore be the ideal form of business to apply in communities and to get members involved. In many other development efforts throughout the world, community members are encouraged to establish and join cooperatives (Van der Westhuizen, 2005; Powelson, 1989). Cooperatives can be utilised to provide local communities with a mechanism to cope within an economic environment that has ignored the priorities of these communities in their quest to survive (Murray & Lavoie, 2005). Farmers have little negotiating power in obtaining supplies at low cost and getting the best prices for their products. By joining a cooperative, farmers can achieve economies of scale in bargaining with outside suppliers and markets (Nilsson, 2001). However, it is important that the initiative of establishing the cooperative must come from the members, membership must be voluntary and the cooperative must be managed by the members.

It is also important that community development should be a self-sustaining process. Entrepreneurs should be able to identify opportunities and use their skills, to create wealth. The success will not be determined by the government but by the community itself, with the government acting as a supportive partner (Olson, 2005).
4. Methodology

The case study method was applied during this research, which consists of three phases. First, an empirical study and survey (Naude & Van der Walt, 2006) were undertaken to determine the subsequent successes and constraints in the development of resettled rural communities amongst a cluster of six such villages in South Africa. These villages are clustered about 20km west and north of the rural town of Venterdorp, in the Southern District Municipality in the North West Province. Second, a cooperative was established as a support mechanism for the communities and especially the emerging farmers, to become self-sufficient. The third phase is a portrayal of the cooperative and its activities two years after implementation. For this phase interviews were conducted with the first elected chairperson and the vice chairperson while questionnaires were used to obtain data from the rest of the board of directors.

4.1 Empirical study

4.1.1 Population and agricultural profile and challenges

Currently about 10 000 people reside in six South African villages in the Southern District Municipality. The table below shows the 2001 as well as the most recent (2004) population estimates for each of the villages. The table shows that the population has grown at an average annual rate of about 1.08% between 2001 and 2004. This growth rate is slightly below the national (1.5%) and provincial (1.4%) average growth rates for the same period and only marginally higher than the growth rate for nearby Venterdorp (1.05%) for the same period (2001-2004).

These villages face a number of significant challenges that are typical of the challenges of land reform and Black economic empowerment in South Africa’s agricultural sector after 1994. The villagers have been settling in the area after being the beneficiaries of South Africa’s land restitution program.

First of all, the area has a high unemployment rate – estimated at about 70% (Southern District Municipality, Nov. 2004). Most of the unemployed are women.
Second, despite the access to agricultural land (a large motivating factor for land restitution and reform) it would appear that agricultural entrepreneurs are few and that only a relatively small proportion of the population benefit from agriculture. Moreover, even for those engaged in agriculture their situation is characterized by agricultural development and yields that are low. Most farming is for subsistence only. Of the farming land of more than 5000 hectares (ha), only 800 ha were cultivated with corn and 155 ha with sunflower during the first agricultural season (1995/96), with assistance from the Department of Agriculture. In subsequent years this amount declined, with farming almost coming to a halt, except in the areas utilized by the Magopa Trust (see Table 2).

Due to the low level of agricultural activities, the Southern District Municipality started to assist the farmers during 2003, establishing the Refilwe Agricultural Support Centre. By 2005 agricultural production had picked up somewhat, however, cultivation of land remains low with still only 80 ha cultivated with maize, 160 ha with sunflower and 100 ha with groundnuts in the 2005/06 season. Low levels of cultivation are compounded by low yields per hectare. For instance, farmers are experiencing low yields for maize production of less than 1 ton per ha although the area has a potential for a yield of between 2 and 2.5 tons/ha for maize. The current season’s estimated area of land cultivated for the main crops in each of the villages is depicted in Table 2. Notice that farming only takes place

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**TABLE 1: POPULATION IN 2001 AND 2004**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ga-Magopa</td>
<td>1,424</td>
<td>1,466</td>
</tr>
<tr>
<td>Goedgevonden</td>
<td>3,509</td>
<td>3,611</td>
</tr>
<tr>
<td>Welgevonden</td>
<td>1,399</td>
<td>1,440</td>
</tr>
<tr>
<td>Tsetse</td>
<td>727</td>
<td>748</td>
</tr>
<tr>
<td>Appeldraai</td>
<td>2,496</td>
<td>2,568</td>
</tr>
<tr>
<td>Boikutsong (Bruidegomskraal)</td>
<td>726</td>
<td>784</td>
</tr>
<tr>
<td>Total</td>
<td>10,281</td>
<td>10,617</td>
</tr>
</tbody>
</table>

(Source: Southern District Municipality, November 2004)
in three villages, with most farming in the Ga-Magopa Village (undertaken by the Magopa Trust) as well as Appeldraai and Welgevonden.

Apart from crops, there is more widespread farming with livestock and poultry. The estimated number of livestock and poultry farmers, and the number of animals currently found is depicted in Table 3. Observe that out of a population of 10,617, only 337 individuals are directly involved in agriculture (3.37%).

**TABLE 2: 2005/06 CULTIVATION OF FARM LAND FOR CROPS IN THE STUDY AREA**

<table>
<thead>
<tr>
<th>Village</th>
<th>Maize (ha)</th>
<th>Sunflower (ha)</th>
<th>Groundnuts (ha)</th>
<th>Size of Available Farming Land</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appeldraai</td>
<td>20</td>
<td>50</td>
<td>0</td>
<td>748.30</td>
</tr>
<tr>
<td>Boikutsong</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>856.60</td>
</tr>
<tr>
<td>(Bruidegomskraal)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ga-Magopa</td>
<td>30</td>
<td>60</td>
<td>100</td>
<td>1,305.61</td>
</tr>
<tr>
<td>Goedgevonden</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1,035.90</td>
</tr>
<tr>
<td>Tsetse</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>514.90</td>
</tr>
<tr>
<td>Welgevonden</td>
<td>30</td>
<td>50</td>
<td>0</td>
<td>872.90</td>
</tr>
<tr>
<td>Totals</td>
<td>80</td>
<td>160</td>
<td>100</td>
<td>5,334</td>
</tr>
</tbody>
</table>

(Source of data: Southern District Municipality, January 2006)

Third, as previously mentioned, most agriculture is done by Communal Property Associations (CPAs) such as the Magopa Trust and Refilwe Agricultural Support Centre (RASC), and very little by individuals.

Fourth, there is little evidence of off-farm entrepreneurial activity (e.g. trade) and most of the consumption needs of the community are met by retailers situated in Ventersdorp. Fifthly, the rural settlements in the area are splintering off, which is leading to a dispersed rural settlement pattern that raises the cost of provision of bulk services to each village and leads to a duplication of services. Sixth, although most villages are provided with basic services by the Southern District Municipality (water, sanitation) the quality of life is still low with most families living in informal and semi-informal houses.
Support for the settlement project has been provided in the form of government subsidies to families for land acquisition and settlement grants, support by the Department of Agriculture for the CPAs (during the initial two years only) and basic services by the Southern District Municipality. The Department of Agriculture has also erected sheds for storage at the various villages. Furthermore, the Southern District Municipality, Ventersdorp Local Municipality and Department of Agriculture have been providing financial support for farming for the RASC, but envisage withdrawing this support in the near future. The self-sustainability of farming in the area is, therefore, vital.

This the present study consisting of a population socio-economic, agricultural and entrepreneurship survey of the village was conducted in February 2006. The methodology is discussed in the next section.

4.1.2 Population and sampling

The six villages that contain about 2,334 families with farming areas in excess of 5,334 hectares are Appeldraai, Boikutsong, Ga-Magopa, Goedgevonden, Tsetse and Welgevonden.

Table 4 indicates that about 2,334 families reside in the six villages. According to the Southern District Municipality (Nov. 2004), there were 10,833 people residing in these villages in 2004. This implies an average family size of 5 people per family. The table also
showed the number of families that were sampled, given that a 10% proportional sample is taken. Two enumerators were employed in each village, this resulted in each enumerator needing to complete only between 8 and 28 questionnaires.

**TABLE 4: POPULATION AND SAMPLE FOR SURVEY OF VILLAGES IN VENTERSDORP LOCAL MUNICIPAL AREA OF THE SOUTHERN DISTRICT**

<table>
<thead>
<tr>
<th>Village</th>
<th>Total Number of families</th>
<th>Size of Farming Areas (ha)</th>
<th>Sample</th>
<th>Families per Enumerator to be Surveyed (2 enumerators per village)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appeldraai</td>
<td>509</td>
<td>748.30</td>
<td>50</td>
<td>25</td>
</tr>
<tr>
<td>Boikutsong (Bruidegomskraal)</td>
<td>150</td>
<td>856.60</td>
<td>16</td>
<td>8</td>
</tr>
<tr>
<td>Ga-Magopa</td>
<td>560</td>
<td>1,305.61</td>
<td>56</td>
<td>28</td>
</tr>
<tr>
<td>Goedgevonden</td>
<td>482</td>
<td>1,035.90</td>
<td>50</td>
<td>25</td>
</tr>
<tr>
<td>Tsetse</td>
<td>246</td>
<td>514.90</td>
<td>26</td>
<td>13</td>
</tr>
<tr>
<td>Welgevonden</td>
<td>387</td>
<td>872.90</td>
<td>40</td>
<td>20</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>2,334</strong></td>
<td><strong>5,334</strong></td>
<td><strong>238</strong></td>
<td></td>
</tr>
</tbody>
</table>

(Source of data: Southern District Municipality, November 2004)

**4.1.3 Questionnaire**

An extensive questionnaire was designed to capture information that would reflect on the community’s involvement and benefits from agriculture, identify constraints and weaknesses in agriculture, as well as general attitudes towards entrepreneurship and possible constraints perceived in starting off-farm small business activities in the area,. The questionnaire was divided into three broad sections: general family data, agricultural/farming activities and entrepreneurship.

**4.1.4 Training of enumerators and conduct of the survey**

Twelve enumerators (two for each village) were selected by the community leaders and training consisting of a short on the questionnaire and survey principles was provided. A survey supervisor, well-known to the community and widely trusted, was appointed to oversee the daily fieldwork and to assist the twelve enumerators.
4.1.5 Survey: Results

Of the 238 questionnaires sent, 162 were returned. This represents a return rate of 68%. The survey indicated that 115 of the family heads were males and 47 females. In terms of the level of education of the family head 31% had no schooling. Of the respondents that had schooling 34% indicated an education level of between grade 1 and 6, in other words primary school education; and 30% attended secondary school but did not pass metric. Only 2.8% of the respondents have a post-metric qualification.

On the question of occupation, before moving to the settlements 32% of the respondents indicated that they had been farm workers, 23% off-farm workers and 26% were unemployed. This indicates the importance of job creation in the communities and the important role of entrepreneurship. The relatively low farming activities also shows that community members who worked on farms does not necessarily imply that they will become farmers after obtaining their own land. These people will need assistance and training.

In terms of the main current occupation the majority (48%) of the respondents are unemployed, 13% are still working on farms, 9% are disabled and 13% have retired. The families main source of income, as indicated by the respondents is disability and retirement pension 38%, while 17% are provided by farm and non-farm workers. These results indicate that families are supported by pensions and income coming from outside the community. Only 6% of the respondents indicated that self-employment is a source of income for the family. Few income-generating activities are taking place in the communities and it should be a priority when implementing development initiatives.

Although entrepreneurship is considered as one of the cornerstones of community development, small business activities should be addressed more seriously. Only 10% of the respondents are currently owners or managers, are self-employed. In terms of new businesses only 36% of the respondents indicated that they are currently trying to start a new business or are involved in the establishment of some kind of self-employment activity. Another 44% expect to start a new business within the next three years. Experience in business might be a handicap to establish a vibrant small business sector in
the short term. Although 10% are business owners, only a further 6% of the respondents have been involved in discontinued business ventures in the past 12 months.

There are currently no cooperative in any of the communities. The cooperative seems to be an effective instrument in community development and the following phase of this project will be to establish a cooperative to support the farmers. A question was included in the survey to test the acceptability of a cooperative by the respondents as well as previous exposure to this business form. In terms of previous exposure 45% indicated that they did participate in a cooperative in the past and 55% did not. The majority of the respondents (83%) indicated that they would consider becoming a member of a cooperative.

4.2 Establishment of the cooperative

The second phase of the project was to build capacity to enable the community to become self-sufficient. The Southern District Municipality, as part of local government, decided that their role as main supporter of the communities via the Refilwe Agricultural Support Centre should be phased out, allowing the communities to take control of farming activities. The cooperative structure was identified as the best structure to support the community farmers. The cooperative is also a well-known concept amongst the communities.

Before the establishment process, factors determining a successful cooperative should be considered since, many examples in South Africa where newly established cooperatives failed (Van der Walt, 2005).

The presence of the following factors is important for a successful cooperative:

- *Effective management.* Cooperatives should be managed effectively. Conflict between members and management, including the board of directors, must be avoided (Von Ravensburg (1998:25). The advantages of cooperatives will only be realised if the cooperative continues to operate as a sustainable form of business.
• *Members Initiative.* Those who will eventually enjoy the advantages of the cooperative, must initiate the establishment of the business. Therefore a bottom-up approach should be followed (Bhuyan & Olson, 1998:8).

• *Member support and commitment.* The cooperative will only succeed if continuous commitment and support by its members exist. (Randall, 2001:1). Members must realise that the cooperative basically depends on them for its existence.

• *Cooperative education.* The cooperative as a form of business must be completely understood and education should also deal with business, marketing and financial issues (Haskell, 2003; Campbell, 2003).

• *Government support.* Although a cooperative is member driven, government support is indispensable and therefore should provide the policy conducive to cooperative development (Von Ravensburg, 1999:23).

The first step of the establishment process was to hold workshops where all potential members were informed about the principles of the cooperative and the role that the cooperative can play. It was also expected from communities to appoint representatives who could act as directors. A bottom-up approach was followed, allowing potential members to drive the initiative. The matter was thoroughly discussed among the communities, involving community leaders although many of them were not potential members. Considering the importance of a good relationship between members and directors, the process was as transparent as possible. The different communities are all autonomous with their own management structures. The acceptance of the power structure within the cooperative, which represents all the communities, especially with regard to the chairperson, will be a challenge. Only after clear indication was received from the potential members that they have a need for the cooperative and they are fully committed, was the registration of the cooperative commenced.

The second phase was basic business training. Considering the low educational levels and business experience of members, and the
importance of this aspect for a successful cooperative, all the directors and members underwent a comprehensive training program. This program covers basic skills needed to manage and operate a business.

The third phase was a proposed mentoring stage. It was foreseen that this phase should continue for at least a year or up to the point where the board felt that they members would be in a position to take full control of the cooperative without any assistance from the mentor. The mentor would be appointed by the Southern District Municipality that financed the project.

**4.3 Situation two years after implementation**

Two years after implementation, a survey was conducted with the purpose of evaluating the success of the project. Interviews were held with the first elected chairperson, as well as the vice chairperson. Information was obtained from the rest of the board by using questionnaires. Feedback was obtained from 10 of the 12 elected directors (since two have resigned). An interview with a representative from the Southern District Municipality was also conducted because of the role the municipality played in the community, as well as its role as originator of the initiative to establish a cooperative.

The feedback indicated that the expected result in terms of the implementation of the cooperative to achieve sustainable development has not been achieved. The third phase (proposed during establishment) namely the mentorship phase, was never implemented as a result of a lack of funds. During the first year, the chairperson was suspended and his responsibilities have been assigned to the vice chairperson. The reason given to the chairperson for not compensating him for his duties was a lack of funds. However, results from the study indicate a lack of proper management which might indicate that incompetency also led to this step. The Southern District Municipality has since appointed a representative on the board without complying to the democratic principles according to which the board elects external directors. This can be seen as an invasion of the autonomy of the board which could have a negative effect on the attitude of the board, as well as on the independency of the coopera-
tive. Generally, the directors felt that a cooperative was a good idea, but that this form of business did not meet up their expectations.

Problems experienced by the cooperative as expressed by the respondents were:

- lack of funds
- lack of good management
- political intervention by local government
- internal conflict amongst directors
- directors’ reluctance to cooperate
- reluctance of directors to oppose the chairperson due to status in the community
- educational level of directors
- members of the cooperative not being sustainable farmers
- land belonging to the community and not individual farmers

The main problem according to the representative of the municipality is the mismanagement of funds by the board of directors. This was the main motive behind the renewed involvement of the municipality in the management of the cooperative.

When analysing the problem areas, it is evident that external as well internal problems exist. Proper management and a negative attitude of directors standard and can be seen as internal issues which can be addressed by the cooperative. Once this problem has been addressed, local government would be more devoted to withdraw completely, allowing community farmers to run their own affairs. Land ownership is more problematic and would only be solved by intervention of central government. Lack of funds as a restricting issue can only be alleviated by government funding. One condition for such funding would be effective management. Because of the poor conditions amongst community farmers, equity finance is not an option.
5. Summary and conclusions

It is clear that the success of rural development, and ultimately of the land reform process, will depend on the degree to which the community can utilise its farming land successfully for agricultural production, and create employment opportunities (through self-employment) for community members not directly involved in agriculture. The use of the cooperative might be the answer to successful community development. With this type of organisation the entrepreneurial skills of individual members can be developed, which gives expression to the comprehensive approach that is advocated. However, management should be well equipped in terms of management skills. Poor management leads to conflict and a lack of trust among cooperative members and management, which is a prerequisite for a successful cooperative. Local government which is currently responsible for community development will be reluctant to withdraw unless it is sure that the cooperative and its directors are in a position to take full responsibility for this role.

It is clear that due to their lacking position in terms of management skills, training alone is not sufficient. Community farmers will need a mentorship program during which they will be assisted with managing the cooperative until they reach a stage where they can take full responsibility. The omission of this phase might be a prominent contributing factor to the precarious existence of the cooperative.

Financial support during the initial stages is indispensable. A newly established cooperative is not solvent enough to obtain loan finance. The financial backlog of the emerging farmers makes it impossible to expect any support in terms of equity. An initiative like this can only succeed if local government supports the process.
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