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**Understanding the criteria for successful community based co-operatives – the  
case for co-operative schemes as a vehicle for successful land reform in  
agriculture**

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A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Business Administration.

11 November 2013

## **ABSTRACT**

This research explores and describes the factors applicable to the success of community-based co-operative ventures in a land reform context. Its theory-base is rooted in entrepreneurship with useful additions gleaned from the experiences of co-operative ventures in South Africa and internationally.

It makes use of a purposeful and snowballing sampling strategy to conduct qualitative research. Data were analysed using descriptive analysis and an open inductive approach. Triangulation of results was achieved through in-depth focus group interviews, background depth through secondary research and literature control making use of specific research objectives.

The results suggest that a co-operative setting can identify, nurture and expand entrepreneurship. It observes that co-operative schemes can provide the means to substitute for and leverage the external institutional environment that co-operative schemes in a land reform context typically find themselves in. It offers new perspectives on how the interaction of elements affecting the success of co-operative ventures in a land reform context should be analysed. Further research is suggested to test these results.

**Keywords:** Community-based co-operative venture; business models of land-use; land reform vehicle; taxonomy of a venture; internal institutional framework; external institutional framework

## **DECLARATION**

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research

Thomas CR Walters

11 November 2013

## ACKNOWLEDGEMENTS

I would like to extend my heartfelt thanks and appreciation to the following people whose support and understanding made possible this opportunity to expand my knowledge and life-experience.

- My wife, Lucia Swart-Walters, whose loving support and incredible patience with me and my many quirks is truly remarkable and a source of wonder amongst my friends and family
- My family for their sustained interest, encouragement and help in shaping my thoughts, particularly my father, my older brother, his wife, and my family-in-law
- The leadership of my constituency who have thoroughly supported me and actively helped me to create space for my own improvement, especially Roy Harris, Jacques Julius, Evert du Plessis and Brian Blake
- The provincial leadership of the Democratic Alliance in Gauteng for their support and understanding during trying times, in particular John Moodey and Mike Moriarty
- The caucus leadership of the Democratic Alliance in the Gauteng Provincial Legislature, Jack Bloom and Glenda Steyn, for their indulgence of my absences and adjustment of schedules to accommodate me
- The Members Affairs Department of the Gauteng Provincial Legislature, especially Phedia Samuels who went out of her way to assist me
- The administrative team at GIBS, Kerry-Lee Durrant and Adele Bekker, for their efficiency, good humour and pride in what they do
- My supervisor, Linda Sing, for her insights, understanding and interesting conversation
- Professor Jeanette Maritz and her invaluable insights into qualitative analysis and help in analysing the findings

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# CHAPTER 1: THE RESEARCH PROBLEM

## 1.1 INTRODUCTION

The public discourse in South Africa's agricultural sector has been dominated for 'n long time by a perennial concern about access to land, including access to its ownership, for the entire population. As pointed out in the Green Paper on Land Reform currently considered by the South African Parliament, both the relevance and the longevity of the debate is rooted in the particular shape of the history of social, political and economic conflict in South Africa and its legacy (Department of Rural Development and Land Reform, 2011, pp. 1 - 4).

This debate on ownership and access to land has been framed, on the one hand, as an ethical concern about inclusivity specifically relating towards justice towards those politically excluded from such access in the past. On the other hand it has been framed as a question of land being viewed as a key asset towards achieving economic survival and wellbeing (Centre for Development and Enterprise, 2008, p. 1). The proposed solutions to the abovementioned issue of access to land (generally speaking, "land reform") therefore also needed to reflect both inclusive justice and whether such justice was achieved in a way that the economic wellbeing of those newly included was also sustainably secured.

The evolving debate on balancing the securing of economic well-being with the provision of justice was based on the following specific pillars (Lahiff, 2007, p. 1579):

- 1 Land restitution – providing specific relief to victims of forced dispossession.
- 2 Land redistribution – a discretionary programme to address racial imbalances in landholding, i.e. provide access to land as an asset for victims of past discrimination.
- 3 Tenure reform – programmes meant to secure and extend tenant rights of victims of past discrimination.

Note further that a specific purpose of land reform in respect of the creation of economic wellbeing was to provide access to land for residential and productive uses and thus to improve the poor's quality of life and income (Lahiff, 2007, p. 1579). Understanding land reform in South Africa was thus not merely a question of changing the composition of ownership structure and management. It was also intimately linked

to specific instances of past injustices that needed to be rectified; to solidifying issues of tenure within a context of insecurity of tenancy; and to specifically relate such required changes to the empowerment of the poor.

Take note that, during exchanges on land reform and these attendant issues, a discussion was taking place simultaneously in respect of the main future economic policy framework of the South African government and the National Development Plan (NDP), which centres on the macro-economic issue of how the potential of the agricultural sector can be unlocked especially in terms of its ancillary role in the rest of the South African economy and in relation to its competitiveness in the global economy (The Presidency, 2012, p. 110).

The NDP (The Presidency, 2012, p. 110) refers to a South African macro-economic context as a "...low growth, middle income trap..." and is characterised as follows:

- Low levels of competition for goods and services.
- Large numbers of work seekers who cannot enter the labour market.
- Low savings.
- A poor skills profile.

The NDP places the value of a successful agricultural sector within helping to restructure the overall domestic economy, as follows: "As the primary economic activity in rural areas, agriculture has the potential to create close to 1 million new jobs by 2030, a significant contribution to the overall employment target" (The Presidency, 2012, p. 219).

It further elaborates, in some detail, on the potential of raising the productivity of approximately 1 307 710 households engaged with some form of agriculture to develop jobs and "improve livelihoods", with particular reference to raising the productivity of approximately 440 000 households – with specific reference to the possibilities for additional job creation in areas where land is communally owned and in land redistribution projects where beneficiaries are "properly supported" (The Presidency, 2012, p. 221)

These abovementioned issues posed the question of what suitable vehicles existed in a rural setting for such an increase in household productivity. In addition, particular emphasis had to be placed on improving competitiveness, absorbing more work seekers in the economy, dealing with poverty (improving livelihoods), increasing saving

rates, improving skills, and meeting the objectives of land reform in respect of successful restitution; redistribution and security of tenure.

The term *co-operative* is defined in the South African Co-operatives Act (Act 14 of 2005, “the Act”) as “an autonomous association of persons united voluntarily to meet their common economic and social needs and aspirations through a jointly owned and democratically controlled enterprise organised and operated on co-operative principles”. This type of business organisation has emerged in the South African public discourse on socio-economic development not only as a vehicle to advance broad-based black economic empowerment (BB-BEE) (Satgar, 2007, p. 2), but also in the context of land reform and rural development and achieving competitive economies of scale (The Presidency, 2012, p. 225).

The “New Growth Path”, the policy framework that was the antecedent of the NDP, refers to BB-BEE as one of the programmes of its micro-economic package and specifically highlights support for “co-ops” [*sic*] as part of this programme (Economic Development Department, 2010, pp. 21-22). Other examples in the micro-economic package of the New Growth Path framework, where co-operatives are specifically mentioned as desirable entities, include the following: Its rural development policy programme, where co-operatives are specifically referred to as a means to develop favourable economies of scale in formal value chains for small producers (Economic Development Department, 2010, p. 18), and further support for co-operatives as an employment creator is also suggested in the technology policy programme (Economic Development Department, 2010, p. 24).

This envisaged role for co-operatives reflected an argument in academic circles that increasingly saw co-operatives, once regarded as an out-dated paradigm in some developed economies, as having emerged from the 2008 global economic crisis relatively healthy compared to other business models – suggesting that financial sustainability in economically vulnerable times could be another benefit (Theron, 2010, p. 93). International examples of such robustness during times of economic stress include the following:

- The well-known Basque conglomerate of co-operatives, Mondragon, in Spain, produced jobs and growth in periods a massive economic downturn (Flecha & Santa Cruz, 2011, pp. 157-158);

- The promising Evergreen Initiative in Cleveland in the USA recently started as a direct response to the international economic crisis (Luviene, Stitely & Hoyt, 2010, p. 15);
- The Canadian Arctic Co-operatives were started as a direct response by local communities to protect local economies in periods of economic stress (Birchall & Ketilson, 2009, p. 31)

Co-operatives, as an entity where skills, resources and opportunities are pooled, can be shown to provide a mechanism for its members to empower themselves commercially, for example, bargaining for better pricing, branding of goods and services, creating favourable integration along the value chain, pooling resources such as equipment and labour (Theron, 2010, p. 98), as well as creating mutually supportive communal solidarity and redistribution of resources amongst members who would otherwise be far weaker individually (Theron, 2010, p.100).

On face value, these characteristics of co-operatives seem to form a good fit with the abovementioned requirements for a suitable vehicle for land reform and the envisaged framework for stimulating the agricultural sector. Nevertheless, despite the abovementioned positive attributes of co-operative ventures, the historically successful models of co-operatives in the agricultural sector in South Africa were successful when it was part of a very elaborate system of state support, market controls and protection, which in itself started to migrate to other more shareholder-driven business models once reforms deregulating the agricultural sector was made in the early 1990s (Ortmann & King, 2007, pp. 46-47).

Co-operatives were placed back on the policy agenda with the passing of the South African Co-operatives Act (Act 14 of 2005), resulting in a boom of new registrations of co-operatives, also in the agricultural sector. However, many of these new co-operatives were very weak and in need of support (Department of Trade and Industry, 2012, p. 34).

These co-operative ventures, specifically those used in the context of start-up models for emerging farmers, had a very high “mortality rate” (failure rate), ranging from 83% in Gauteng to 97,5% in the Northern Cape (see Annexure 1). They often required extensive support from government to function (Department of Rural Development and Land Reform, presentation to the parliamentary portfolio committee, 2013). It had also become apparent that many co-operatives created in terms of the Act did not engage in economic activity and did not even proceed to enter the start-up phase of a business,

but rather became formal entities choosing to wait for government support (Satgar, 207, p. 10).

This failure called into question the validity of the co-operative approach specifically as a suitable business model within a BB-BEE strategy in the agricultural sector, notwithstanding the possibilities of co-operative models in other contexts. (M.C. Walters, Standing Committee Chairperson for Agriculture and Environmental Planning in the Western Cape Provincial Parliament, personal communication, 4 April, 2013).

It was clear that co-operatives were questionable as a start-up model in the land reform context, given the background sketched above. For the purposes of this research the definition of start-ups popularised by well-known entrepreneurial thinker, Steve Blank, will be used. He defined a start-up as a “temporary organization designed to search for a business model scalable and repeatable” (Guimaraes, Zacarias, Oliveria & Sbragia, 2013, p. 2631). It can be read in tandem with the definition of entrepreneurial theorist, Eric Ries, that a start-up is a “a human institution designed to create something new in an environment of extreme uncertainty” (Guimaraes *et al.*, 2013, p. 2631).

According to MC Walters (Standing Committee Chairperson for Agriculture and Environmental Planning in the Western Cape Provincial Parliament, personal communication, 4 April, 2013), a possible exception to co-operatives being a failed start-up model was “share equity schemes” (“equity share schemes” or “farm equity schemes”). These are co-operative schemes where shares were obtained in an existing agricultural venture on behalf of beneficiaries, who then proceeded to help operate the venture on a co-operative basis along with an experienced partner and including some form of stake in the business. Such a venture was then well-positioned to further expand and diversify on a co-operative basis between such shareholders, said Walters. According to him share equity schemes claimed a high success rate, with up to 90% of such schemes operating successfully in the Western Cape.

Despite the abovementioned rosy view of co-operative share equity schemes as putting co-operatives back on the agenda as a success factor, concerns have been raised regarding share equity schemes when it first gained traction in the 1990s. This was as a result of a comprehensive study of share equity schemes in the Western Cape and Mpumalanga (Fast, 1999, pp. 4 - 8).

Nevertheless, even critics acknowledge that share equity schemes are gaining traction as a vehicle for land reform, especially in areas where high land prices make outright purchase of land difficult (Tom, 2006, p. 68).

Notwithstanding the concerns raised, the suggestion exists that share equity schemes seemed to be more economically robust and made co-operative models, including such share equity schemes, worth further exploring in investigating the success factors of the co-operative approach in the context of land reform.

The abovementioned emerging set of policies, priorities and strategies by government; signs of relevance in times of economic vulnerability; and claimed inherent capability of co-operatives to contribute to the objectives of land reform, strongly suggested that an understanding of the factors making co-operatives commercially successful (or not) is both current and can contribute to the theory base of developing entrepreneurship as a tool of economic empowerment. Yet, in terms of entrepreneurial theory relating to start-ups, the usefulness of co-operatives as a start-up model was questionable and therefore also its usefulness for emerging farmers new in agriculture – with the possible exception of share equity schemes. The research problem was therefore investigating whether co-operatives can be a suitable entrepreneurial (start-up) blueprint for emerging farmers and this study, *inter alia* using lessons gleaned from share equity schemes, investigated conditions making community based co-operatives suitable to fulfil such a role. In this way this dissertation attempted to extend entrepreneurial theory to theoretical thinking on co-operatives and thereby enriching it

## **1.2 RESEARCH AIM**

The overall question this paper aimed to answer is as follows:

- Are there identifiable factors making co-operatives suitable vehicles for entrepreneurs in the context of land reform?

In order to address the research question, the following key research aim was formulated:

- To explore and describe the factors applicable to the success of co-operative ventures in a land reform context.

## CHAPTER 2: THEORY BASE AND LITERATURE REVIEW

### 2.1 INTRODUCTION

The literature review for this study was structured to create a clear thread of thinking between the interlinked areas of investigation emerging from Chapter 1. The literature review shows the following five sections:

- Firstly, a discussion was conducted highlighting what the expectations are of a viable vehicle for land reform, with specific reference to how land reform is conceptualised in the South African context.
- Secondly, an enquiry was done into the field of entrepreneurial theory highlighting the factors affecting start-ups in similar settings in South Africa's land reform context.
- Thirdly, an investigation of co-operatives - specifically community-based (primary) co-operatives involved in agricultural production - brought to the fore key considerations relevant to this paper.
- Fourthly, the similarities and differences between co-operatives and co-operative community-based share equity schemes were expounded and various possibilities highlighted.
- Lastly, the discussions were concluded by highlighting areas of interest that emerged from the literature review and that can help evolve answers to our research question.

The first section developed a record of how the mainstream thinking on land reform evolved and what expectations exist in this regard. It also attempted to briefly sketch some of the contradictions and difficulties in this politically and emotionally charged debate. Its aim was to develop a set of basic requirements that can objectively be considered benchmarks for successful land reform.

The second section dealt with the entrepreneurial environment required for an enterprise to be successful. The section assessed some theoretical models available in order to determine the entrepreneurial factors that need to be present for a venture to be successful. This helped to establish the backdrop necessary for *any* venture to be successful – also including co-operatives in a land reform setting.



The third section dealt more specifically with some theoretical contributions to the field of co-operative models and strove to distil the factors responsible for success. It was part of the attempt to blend the thinking in the field of entrepreneurship with other lessons that can be learnt in this area of knowledge. This section narrowed the literature review down to co-operatives specifically.

The fourth section reviewed experiences with share equity schemes, on the basis of both its commercial success as a business venture and the extent to which it conforms to the expectations generally held in terms of land reform. Share equity schemes that specifically conform to the definition of co-operatives in the South African Co-operatives Act (Act 14 of 2005) were of interest. It is important to note that this study did not concern itself as to whether an entity was administratively registered as a co-operative or not. The success factors of co-operatives are of interest to this study, not its administrative status. The working definition of co-operatives identified in this paper was used as a barometer of whether an entity was to be considered a co-operative or not.

The fifth section took the factors determining success identified by the previous four sections and investigated how it can be applicable in a specific context – in this instance, the land reform environment of South Africa. This section provided the link with the research section of the study and completed a circle of discussion in the literature review.

## **2.2 THE SOCIETAL EXPECTATIONS OF A SUCCESSFUL LAND-REFORM VEHICLE**

Land reform in South Africa has been far more than a typical government intervention in a sector of the economy. According to Bernstein (2005, p. 5), land has been an emotive issue ranging from proponents of Afrikaner nationalism to the African majority. Past conflicts resulted in specifically Africans being dispossessed, often violently, of vast tracks of land; farming communities deliberately being destroyed in the interests of white commercial farming; and, in addition, such commercial farming sectors received huge government support as opposed to an African majority that was forced into unsustainable and overcrowded homelands (Bernstein, 2005, p. 5). This has left South Africa with a racially charged, politicised and overly simplified understanding of land reform with many different issues and challenges being hung onto this complex matter (Bernstein, 2005, p. 506).

To reverse this legacy, land reform in recent history was understood to include the following (Lahiff, 2007a, p. 1579):

- Land restitution – providing specific relief to victims of forced dispossession.
- Land redistribution – a discretionary programme to address racial imbalances in landholding, i.e. provide access to land as an asset for victims of past discrimination.
- Tenure reform – programmes meant to secure and extend tenant rights of victims of past discrimination.

Of importance to this study was to keep in mind that a specific purpose of land reform was to provide the poor with access to land for residential and productive uses and thus to improve their quality of life and income (Lahiff, 2007a, p. 1579). This was interpreted in this dissertation as a need for an approach that goes beyond simply transforming ownership structures.

Land restitution was described as a process that “seeks to return that which has been wrongfully taken” (Kahn, 2007, p.6) and it can either take the form of financial compensation or the return of the relevant land itself, the former being a condition applicable specifically to forced removals that took place after 1913 (Kahn, 2007, p. 6).

Land redistribution was expanded upon to be understood as including the provision of access to land for both productive and residential purposes. This was specifically aimed at the landless, with grants being made available to facilitate the purchase of land to “the rural poor, the landless, new entrants, labour tenants and farmworkers” (Kahn, 2007, p. 6).

All this was further complicated by a growing shortage of food in South Africa that had to be produced from a limited amount (approximately 13%) of land capable of delivering high agricultural output. This presented government (and society) with the challenge of, on the one hand, deconstructing historically white commercial capital, but on the other hand not being able to afford a reduction in food output (Rudman, 2009, pp. 220 - 221).

Another dimension of the issue of land reform was the marginalisation of women within the land reform process, especially given the continued gender-based power structure of society. Particular mention is made of the challenges associated with integrating communal land areas, with the traditional gender roles associated with it, into the main stream of land reform (Walker, 2010, p. 249). According to Walker (2010, p. 249) a

challenge exists to disaggregate women's interests from the interests of other beneficiaries and include it in a land reform model.

Lastly, another thread in the land reform debate has been the way communal land in the former apartheid homelands fitted into the land reform process. On the one hand, broadly speaking since 1994 (under the administrations of presidents Mandela and Mbeki) Government took an essentially market-based approach to land reform. It did not view small-scale agriculture as a backbone of a viable agricultural sector (and rural development) and left land use up to individual choice (Rudman, 2009, p. 219).

This approach has been challenged in the past by a view that communal land practices have been consistently undervalued in terms of its ability to sustain livelihoods for its practitioners. Specific arguments were raised in respect of livestock practices, crop yields and the use of wild resources, and a new approach revolving around support for land reform vehicles that leverage such "land based" practices has been suggested (Shackleton. Shackleton & Cousins, 2000, pp. 3 - 4). In this regard it is also important to note that an aspect of tenure reform contained a focus on recognising "...communal arrangements and securing the 'rights of farm workers on predominantly white farms'" (Kahn, 2007, p. 6).

A successful land reform model should contain the following, rather dazzling and potentially contradicting array of characteristics if it is to meet the most important societal expectations associated with it:

- It will have to satisfy an emotional and symbolic need to redress the history of land dispossession during the colonial and apartheid eras.
- It will have to be a good fit with successful land restitution.
- It will have to successfully promote the redistribution of land assets.
- It will have to meaningfully secure tenure rights for beneficiaries.
- It will have to improve income and livelihoods for specifically the poor.
- It will have to help address growing concerns about food security.
- It will have to play a meaningful role in empowering women and changing existing power patterns based on gender.
- It will also have to provide space for the strengths of communal land practices.

This study attempted to reconcile these societal expectations with its attempt to describe the factors affecting a viable co-operative start up model.

## **2.3 ENTREPRENEURIAL FACTORS NECESSARY FOR COMMERCIAL SUCCESS**

Notwithstanding the abovementioned societal expectations, this study also had as purpose the analysis of the research question from a point of view rooted in the field of entrepreneurship.

Nieman (2009, p. 5) describes entrepreneurship as follows: “The essence of entrepreneurship lies in the perception and exploration of new opportunities in the realm of business ... it always has to do with bringing about a different use of national resources in that they are withdrawn from their traditional employ and subjected to new combinations”. This provided this study with a working definition or understanding of entrepreneurship. This paper was therefore concerned with the factors necessary in an organisation’s environment to help unlock the abovementioned new opportunities, the successful pursuit of such opportunities itself, and the establishment of new combinations of resources to assist that pursuit.

In this regard, the Global Entrepreneurship Monitor (GEM) South African report (Herrington & Turton, 2012, pp. 14 - 16) provided us with a conceptual framework of what preconditions need to exist for new ventures to flourish and, crucially for the purposes of this study, to be able to move beyond the start-up phase. It is called the “Twelve Pillars of Competitiveness” model. The Twelve Pillars of Competitiveness model distinguishes among the following preconditions for entrepreneurship in which to succeed:

- “Factor-driven economies” (economies characterised by the extraction of resources, low incomes and relative underdevelopment).
- “Efficiency-driven economies” (more developed economies characterized by big businesses pursuing economies of scale).
- “Innovation-driven economies” (highly developed economies with growing knowledge- and service based firms).

The “Twelve Pillars of Competitiveness” was further summarised as follows:

- For factor-driven economies these following conditions need to be present: Institutions, infrastructure, macro-economic stability, health and primary education (Herrington & Turton, 2012, p.16).
- For efficiency-driven economies the following efficiency enhancers need to be present: Higher education and training, goods market efficiency, labour market

efficiency, financial market sophistication, technological readiness and market size (Herrington & Turton, 2012, p.16).

- For innovation-driven economies the following conditions are necessary: Business sophistication and innovation (Herrington & Turton, 2012, p.16).

In this report, South Africa is categorised as an efficiency-driven economy (Herrington & Turton, 2012, p. 15), but given the legacy referred to above of the colonial and apartheid eras, parts of the country may resemble factor-driven economies.

The GEM report also made use of a measure called the Total Early-Stage Entrepreneurial Activity (TEA) rate. It assesses the prevalence of business start-ups or nascent entrepreneurs or "...in other words, it captures the level of dynamic, early stage entrepreneurial activity in a country" or pool of potential entrepreneurs (Herrington & Turton, 2012, p. 13).

What was of interest to this paper was that South Africa's TEA rate is significantly lower than other comparable economies in the world and also far lower than the ten other Sub-Saharan economies that were part of the study, suggesting that South Africa has a relatively small pool of potential entrepreneurs (Herrington & Turton, 2012, p. 17).

In addition, the GEM report (Herrington & Turton, 2012, p.26) found that "black Africans" have the highest rate of perceived opportunities amongst all South African population groups (business opportunities in their environment), but have the lowest level of perceived capabilities (belief that they have the skills to make use of the opportunity). It also found a negative relationship between women and men (with women scoring lower) in these categories (Herrington & Turton, 2012, p. 26).

The abovementioned GEM report provided a framework of factors in the entrepreneurial environment to consider for the purposes of the research that can be summarised as follows:

- A co-operative land reform vehicle may need to pursue economies of scale to fit into the broader macro-economic dynamic.
- A co-operative land reform vehicle may have to be robust enough to provide substitutes or supplements for the required "pillars" associated with a factor-driven economy (to the extent that the land-reform project operates in such an economic setting).
- A co-operative land reform model will need to extract, nurture and enhance an entrepreneurial pool of both men and women in order to be successful.

However, while useful, the above preconditions seemed to be primarily external to the organisation, or else indicative of the desired environment *outside* an organisation for entrepreneurial activity to flourish. This research also needed to explore the internal factors necessary for entrepreneurial success.

Well-known entrepreneurial theorist, Peter Drucker, had the following to say about entrepreneurship and its relationship with innovation in his seminal work, *The discipline of innovation* (Drucker, 1985, p. 67): “Innovation is the specific function of entrepreneurship, whether in an existing business, a public service institution or a new venture started by a lone individual in a family kitchen. It is the means by which the entrepreneur either creates new wealth-producing resources or endows existing resources with enhanced potential for creating wealth”. This view introduced to the paper the notion that entrepreneurship is not firstly, limited to new ventures, but, linked to innovative mind-set and process, secondly, can be imbedded and fostered in any institution at an internal level. The search for a co-operative land-reform vehicle could therefore incorporate the notion of imbedding innovation and entrepreneurship internally.

Sharma and Wadhawan (2009) identified a number of characteristics connected to entrepreneurship relevant to this study. In a paper focused on established Small and Medium Enterprises (SMEs) in Ambala in Haryana, India, it attempted to identify the “taxonomy” of successful SMEs (Sharma & Wadhawan, 2009, pp 10-11). It developed the following set of variables, which determined the abovementioned taxonomy of an SME (Sharma and Wadhawan, 2009, p. 7):

- The number of employees.
- The goals and objectives of a enterprise.
- Growth in turnover.
- Whether transition in the business has taken place.
- Whether it has stayed in its original business.
- Whether there was change in management principles and practices.
- The enterprise’s turnover change.
- Whether there was market demand change.
- Its performance in comparison to competitors.
- Respondents’ satisfaction with the enterprise’s performance and respondents’ education.

It derived an analysis according to these variables of the following clusters of SMEs by assessing the relative importance of each of these variables in relation to the following specific types of SMEs:

- Growth-orientated and network-intensive SME's.
- Innovators with continuous growth.
- Independent survivors. (Sharma & Wadhawan, 2009, pp. 16 -17).

This study provided an interesting approach by creating a taxonomy of an organisation by illustrating different levels of importance of different types of variables for different types of ventures – a type of DNA for different types of ventures. Nevertheless, the variables themselves will need extensive adaption to be applicable to the research objective. It relates to established businesses rather than to businesses in a start-up phase, as is typical of land reform projects (M.C. Walters, Standing Committee Chairperson for Agriculture and Environmental Planning in the Western Cape Provincial Parliament, personal communication, 4 April, 2013) and a further understanding of the impact of such variables on an enterprise's success is required. The notion of key elements or variables having specific importance to a specific type of enterprise will be further explored when the research methodology of this assignment gets developed.

Ramana, Raman and Ramachandra (2009) did a study of start-up enterprises. In their study it was defined as enterprises still in its first generation of existence, in other words still operated and owned by the original entrepreneur. They developed a theoretical model to assess the impact of demographic factors on entrepreneurial success. Their study firstly provided the following set of attributes of successful enterprises to use as benchmarks (Ramana *et al.*, 2009, pp.114-115):

- Entrepreneurial success (expressed in financial terms as growth in total sales and growth of employment and in terms of non-financial benchmarks it used “support received by the entrepreneur”, “work experience of the entrepreneur” and “involvement of the entrepreneur”).
- Industry knowledge.
- “Street smarts”.
- Tolerance for ambiguity.
- Impact of personal selling on start-up success.

It chose its non-financial parameters specifically because financial parameters alone can be misleading. This is especially relevant as entrepreneurs often work in resource-scarce environments, and supportive environments are crucial to success (Ramana *et al.*, 2009, p. 114) – similar to start-ups in an emerging farmer's environment such as in South Africa's land reform context. Also, their study provided a useful example of how the impact on the abovementioned entrepreneurial attributes of demographic factors, such as education, age and work experience, can be measured (Ramana *et al.*, 2009, p. 114).

This work adds to the understanding of how characteristics of a successful venture can be explored and understood in relation to demographic factors. Of particular interests is that characteristics of a firm are grouped in “clusters” with a presumed causal relationship to entrepreneurial success. These clusters can also be broken down into smaller elements for further investigation. This was further explored in the research methodology section.

Ligthelm (2011) provided further information as to the factors that make an entrepreneurial venture sustainable. In his study, Ligthelm (2011, p. 11) identified the following “endogenous independent” variables impacting sustainability:

- The type of business sector.
- The age of the business.
- The status of business owner.
- Legal status.
- Business location.
- The size of the business.
- Financial bookkeeping.
- The growth performance during the previous year.
- Future vision
- Educational level.
- The age of the owner.

He furthermore identified the following “entrepreneurial” variables (measuring the “embedded entrepreneurial acumen” of an entrepreneur) impacting sustainability (Ligthelm, 2011, p. 13):

- Having completed a business plan prior to starting the business.
- Regularly updating the business plan.



- Having a marketing plan for the business.
- Having done a risk analysis prior to starting the business.
- Regularly investigating alternative business investments.
- Giving easy consideration to venturing into a new business.
- Willingness to risk capital funds on a new business venture.
- The willingness to take calculated risks.

Lastly, he identified the following independent exogenous variables impacting the sustainability of a business venture (Ligthelm, 2011, p. 14):

- Distance from the mall (a specific market).
- Competitors.
- Competition from the mall or specific market.

A distinction can however be made between different groupings of elements collectively responsible for the success of an enterprise, especially in the informal setting often associated with emerging businesses in a BB-BEE setting. Within these groupings of elements specific questions or benchmarks were developed to measure these clusters, which proved useful to determine research methodology.

This section of the literature review was by no means exhaustive, but it introduced part of the theoretical base for this research and included the following important considerations:

- The different environmental preconditions for different types of economies that need to be in place for a successful business atmosphere of entrepreneurship.
- Consideration of the notion of the “taxonomy” of an organisation that allows a specific type of organisation to be understood by measuring different types of variables with weightings allocated to it.
- The idea of clusters of key elements that can impact on performance.
- The idea of linking demographic factors to characteristics of successful enterprises.
- The idea of endogenous, entrepreneurial and exogenous independent variables impacting on the success of a venture.

## **2.4 FACTORS RESPONSIBLE FOR THE SUCCESS OF CO-OPERATIVES**

As mentioned, the South African Co-operatives Act (Act 14 of 2005) defines a co-operative as “an autonomous association of persons united voluntarily to meet their

common economic and social needs and aspirations through a jointly owned and democratically controlled enterprise organised and operated on co-operative principles". This definition will serve as the working definition or understanding of co-operatives in the rest of this paper. The purpose of the Act, as summarised in section 2, is to:

- 1 promote the development of sustainable co-operatives that comply with co-operative principles, thereby increasing the number and variety of economic enterprises operating in the formal economy;
- 2 encourage persons and groups who subscribe to values of self-reliance and self-help, and who choose to work together in democratically controlled enterprises, to register co-operatives in terms of this Act;
- 3 enable such co-operative enterprises to register and acquire legal status separate from their members;
- 4 promote equity and greater participation by black persons, especially those in rural areas, women, people with disability and youth in the formation of, and management of, co-operatives;
- 5 establish a legislative framework that preserves a co-operative as a distinct legal entity."

In the South African context, co-operatives were intimately linked to a desire by government to facilitate empowerment programmes; the formalisation of economic ventures, and the creation of an environment of self-help and self-reliance. It can also be seen from the above that, in terms of the definition in the Act, co-operatives must adhere to a democratic model of decision-making, is based on limited liability, and, crucially to link this study to the first section of the literature review, is aimed at fostering more enterprises in the economy. The link to rural settings was also immediately clear in (d) above.

According to Satgar (2007, p. 5), the underlying rationale for policies informing the development of co-operatives that informed, *inter alia*, the legislation quoted above, was to facilitate BB-BEE. Nevertheless, he pointed out that a harmful duality between "white co-operatives" and black co-operatives" emerged, with negative implications for the overall health of co-operatives (Satgar, 2007, p. 21). He preferred instead an approach that deracialised existing successful co-operatives, so that its successful practices do not get lost, and that championed an incentive-based approach to achieve this end (Satgar, 2007, p. 21). This introduced the concept of leveraging existing

capacity in the agricultural sector as well as supporting its transformation through positive, incentive-based inducements.

In the co-operative movement, co-operatives were viewed as an economic model that provided security in economically vulnerable times, particularly in the aftermath of the recent economic recession. Birchall and Ketilson (2009, pp. 5 - 7) describes the resilience of co-operatives in times of economic recession throughout history, showing how agricultural co-operatives flourished during the Great Depression in the United States; in Sweden during the 1930s; in Germany and Japan after the Second World War; and in the former Soviet Union after communism collapsed. A closer look to how co-operatives functioned was therefore of value.

Golovina and Nilsson (2011, p. 58) referred to the following preconditions that need to be in place for successful co-operatives: Firstly there are three basic membership roles that need to be fulfilled.

- The first one is a user/beneficiary role in that a member benefits from making use of the services, including buying from it and selling to it.
- The second membership role, in order to ensure that these benefits accrue to members, is that of a controller of the co-operative. In this role, members own and govern the entity.
- The third membership role of a member is that of a borrower and lender, i.e. a financier role.

These authors underlined earlier studies emphasising that co-operatives, for these reasons, are inherently grassroots organisations and these three roles all need to be present within a co-operative to work (Golovina & Nilsson, 2011, p. 58).

These authors, however, envisaged the need under certain circumstances for at least an initial top-down approach by government to cultivate the conditions for successful co-operatives. In order for such a top-down approach to be successful the members must view themselves as deriving benefits from it in order to develop the loyalty and engagement with the government programme, so that it ultimately evolves into a true co-operative (Golovina & Nilsson, 2011, p. 59). These authors furthermore identified the following variables affecting the attitude of members towards top-down initiatives to create co-operatives (Golovina & Nilsson, 2011, pp. 59 - 60):

- Members' attitudes towards co-operatives.
- Members' willingness to conduct transactions within co-operatives.

- Members willingness to participate in the governance of co-operatives.
- Members' willingness to invest in co-operatives.
- Members' trust in colleagues and partners.
- Members' knowledge about co-operation.

This literature provided very useful information to understand membership roles and attitudes within co-operatives. It also provided an example of another “cluster” of key elements needed for a successful community-based co-operative, specifically relating to the notion of the levels of engagement of the members of a co-operative in the activities of a co-operative.

Shiralashetti (2011) provided another useful approach, using ratio analysis in combination with statistical tools, demonstrating how the performance of a co-operative can be measured using the following financial performance indicators:

- Share capital, reserves and surplus, long-term loans, current liabilities, and provisions were used to determine the Capital and Liability Composition of the co-operative.
- Fixed assets, current assets, deposits, loans and advances, and the profit and loss account were used to determine the health of the asset structure of the co-operative.
- Capital employed and net worth were also used as indicators of health.
- Trends in sales, costs of goods sold, gross profit and net profit formed another set of indicators.
- Gross profit, net profit, return on capital employed, return on shareholders' net worth and return on total assets were used to determine a set of indicators around profitability ratios.
- Current ratios, quick ratios, solvency ratios and debt equity ratios were used to develop another set of indicators in respect of the liquidity and solvency ratios of the co-operative.
- The finished goods turnover ratio, the raw material turnover ratio, the fixed asset turnover ratio, the current asset ratio, and the debtor turnover ratio were used to form a last subset of indicators to measure efficiency.

Shiralashetti (2011) also provided an example of a set of measurements that allows for the effective use of ratio analysis to really get down to the detail of the health of a co-operative as a business. However, it should be kept in mind that this approach relies on the availability of reliable data over a relatively long period of time, and this particular

study also focused on a large co-operative with a recognised cash crop. It was not necessarily the case in this paper, although it is useful in the overall benchmarking of what a successful enterprise is.

Dameron and Joffre (2007) presented research that might be relevant in the diverse cultural landscape of South Africa and could provide insights on the human interrelationship dimension of co-operatives. Their paper studied the impact of cultural diversity on co-operative relationships and identified two different modes of co-operation, namely “community-based co-operation”, founded on the human need to have a sense of belonging; and “complementary co-operation”, which seeks to galvanise strategic resources towards a goal (Dameron & Joffre, 2007, p. 2037).

They also identified the following dimensions of cultural diversity to develop a cross-analysis framework:

- In terms of community-based co-operation it identified the importance of elements such as “common aims” (aims shared by the group), a sense of “belonging to a group” and “interactions with external groups” (defining one’s actions in relation to other groups).
- In terms of complementary co-operation the study identified “congruence of individual interests”, “complementarity of resources through division of work” and “inter-individual commitments” as key elements.
- It then identified a sense of “purpose”, “interdependence” and “commitments” as three “transversal” dimensions applicable to both forms of co-operation.

The study therefore ended up with six dimensions of co-operative relationships applicable to each type of co-operation with three dimensions common to both types (Dameron & Joffre, 2007, p. 2040). This adds more depth to the notion of member engagement by refining the elements relating to members’ involvement. It helps to develop an understanding and to contextualise community-based co-operatives better and was a further guide as to how research can be approached.

In their work on Mondragon, the Basque co-operative giant, Flecha and Santa Cruz (2011) identified the following experiences that contributed to the success of this conglomerate of co-operatives:

- It practised an advanced internal democracy that led to competitiveness. Through, on the one hand, a fairly complex system of institutionalised internal consultation and, on the other hand, careful insulation and protection of technical

expertise within the organisation, both competitive expertise, as well as maximum and egalitarian membership involvement was maintained (Flecha & Santa Cruz, 2011, p. 160).

- It developed a culture that the Flecha and Santa Cruz (2011, p. 160) called “solidarity in profit for economic growth” that rests on the pillars of nurturing entrepreneurship (including its own science park for innovation), a significant culture of reinvesting profits into the organisation (including an approach that keeps workers benefits within the co-operative financial system until retirement or death) and a range of internal institutions (including its own bank, social security system and university) – all creating a significant launch-pad to further sustain, diversify and grow the business in the future.
- It cultivated a system of solidarity of workers across the corporation (or conglomeration of co-operatives that form Mondragon) with unemployment benefits, avoiding lay-offs through reallocation of workers within the conglomerate and active efforts to maintain jobs in contrast to many companies (Flecha & Santa Cruz, 2011, pp. 160-161).
- Salaries were also far more egalitarian in comparison with typical corporates, with far less of a differential between the lowest paid positions and top management positions, with a special premium placed on technical skills (Flecha & Santa Cruz, 2011, p. 161).
- The conglomerate tried to avoid the typical situation where companies keep their production systems flexible by making use of temporary workers and offered membership to all workers needed in the company. In addition, it amended its rules to limit the number of years a worker can be employed as temporary and essentially used temporary contracts as a selection phase towards full membership (Flecha & Santa Cruz, 2011, p. 161).
- Specific advantages were also developed for members, including generous retrenchment or early retirement packages in times of economic stress, medical aid benefits, and even access to co-operative private schools (Flecha & Santa Cruz, 2011, p. 162).

While the example of Mondragon lacked some relevance to the typical start-up scenario in South Africa’s land reform context (the subject of this paper) it provided the following insights:

- A suitable community-based co-operative can be a basis for further expansion and diversification into other ventures.

- A suitable community based co-operative land reform vehicle can form the core of a future system of social protection of health benefits, unemployment benefits and educational benefits.
- If the internal systems are robust internal democracy does not have to come at the expense of competitiveness.
- Technical expertise and innovation has to be nurtured, retained and insulated from possibly debilitating pressures in order for a community-based co-operative venture to succeed.
- It can be financially very stable and a source of investment and re-investment.

The abovementioned discussion in relation to factors responsible for the success of co-operatives revealed a vast array of factors that could influence the research model. The literature review has offered insights into the following:

- The terms of the South African legislative framework.
- The roles members should play for co-operatives to be successful.
- The attitudes members should have towards a co-operative in order for an initiative to get off the ground.
- Useful distinctions in a cultural context between different types of co-operatives.
- Different dimensions of human interactions within the context of co-operative relationships.
- Some ratios that can be further refined to help with the assessment of the level of success of a co-operative as a business.
- The possibilities and pitfalls of co-operatives as a tool for BB-BEE.
- The potential benefits of co-operatives in providing secure employment and other social benefits.
- The possibilities of co-operatives as a platform for expansion, diversification and investment.
- Some of the typical institutional practices associated with its success.

Nevertheless, this discussion would be incomplete without studying some literature relating to share equity schemes.

## **2.5 SHARE EQUITY SCHEMES AS A COMMUNITY-BASED CO-OPERATIVE**

According to M.C. Walters, (Standing Committee Chairperson for Agriculture and Environmental Planning in the Western Cape Provincial Parliament, personal communication, 4 April, 2013), "...of 81 such schemes only 5 have failed while other

schemes embarked upon by the national Department of Rural Development and Land Reform have failed miserably". Also in Gauteng, politically and geographically far removed from the realities of the Western Cape, claims have been made by the Member of the Executive Council (MEC) for Agriculture and Rural Development that share equity schemes are meeting with success (M.C. Walters, Standing Committee Chairperson for Agriculture and Environmental Planning in the Western Cape Provincial Parliament, personal communication, 4 April, 2013). While such claims might possibly be politically expedient and did not in itself bear academic scrutiny, it did introduce the question of whether agricultural share equity schemes form successful community-based co-operative models and allowed this study to test such claims against the evidence.

Share equity schemes can be defined as a means through which farm workers from disadvantaged backgrounds are provided with new opportunities to obtain a share "...in both ownership and capital in a farming business" (Tom, 2006, p. 3). In these schemes, beneficiaries use their land-reform grants to purchase shares in the farm that they are working in. Their grants are usually invested in the operating company managing the venture in return for a share in the dividends (Tom, 2006, p. 34). It became particularly prevalent in areas where high land prices negated the ability to purchase farms outright and the grant system was not flexible enough to manage the problem (Tom, 2006, p. 34).

It is also important to note that such schemes are not limited to the relevant farmworkers, but can also include other beneficiaries from a disadvantaged background, such as neighbouring rural communities (Gray, Lyne & Ferrer, 2004, p. 378).

It can also be described as part of a future purchasing trend in South Africa, where individual members of historically disadvantaged communities can afford to obtain large assets such as a farm individually, but can do so collectively in groups (Gray *et al.*, 2004, p 377).

However, in the 1990s, as share equity schemes gained traction in South Africa as a land-reform vehicle, it attracted some scholarly criticisms and concerns at the time. According to Fast (1999), who in this period did an assessment of share equity schemes in the Western Cape and Mpumalanga, the following possible problems with share equity schemes were found:



- A lack of proper explanation to beneficiaries of a range of important implications of establishing a business both for themselves and for the business in a land reform context. This involved a lack of basic information sharing (on various housing and employment mobility implications of land-reform); decision-making processes (especially financial and legal matters) affecting beneficiaries and valuation of the business. (Fast, 1999, p. 3).
- In addition, it was found that beneficiaries were, relatively speaking, far more vulnerable than other equity partners in the event of business failure (Fast, 1999, p. 3).
- The fairly immediate expectation of beneficiaries, often coming out of a weekly wage earning environment, to obtain tangible benefits - often at odds with the long-term mind-set of growing a business (Fast, 1999, p. 4).
- A lack of capacity of beneficiaries to fully participate in financial and management decisions affecting them even unintentionally further perpetuating skewed power relations (Fast, 1999, p. 5).
- The need for good communication between various stakeholders to ensure it compares well with other ventures (Fast, 1999, p. 6).
- Possible tensions between beneficiaries (with shares) and non-beneficiaries (without shares) working as labourers in the scheme, resulting in labour discrimination against non-beneficiaries (Fast, 1999, p. 7).
- Possible gender discrimination in how and what type of opportunities women beneficiaries are given in the scheme and how they are sometimes treated as an ancillary to a husband (Fast, 1999, pp. 7 – 8).
- Difficulties with severing the link between accommodation and participating in the schemes, thus limiting a beneficiary's freedom to pursue other opportunities elsewhere (Fast, 1999, p. 8)

According to Gray *et al.* (2004, p. 380), many of these concerns were being addressed within the more successful schemes as share equity projects evolved, but Lyne and Roth (2004, pp. 2-3) identified further concerns, which can be summarised as follows:

- A limitation on beneficiary shareholding due to the structure and size of land reform grants that potentially cripples the expansion of the transformation of ownership (Lyne & Roth, 2004, p. 2).
- A need to invest in human capital to secure the wellbeing of otherwise shaky and malleable institutional arrangements. In other words, institutional arrangements

were variable, but good human capital had to be a constant (Lyne & Roth, 2004, p. 2).

- Reference was also made of poor institutional arrangements characterising co-operative agricultural ventures (a clear link in the literature between share equity schemes and the theory base of co-operatives) as a result of the so called “Rochdale principle” – where enterprise is controlled by members and not capital (Lyne & Roth, 2004, p. 3).

Lyne and Roth (2004, p. 3) furthermore identified the following direct consequences as a result of inadequate property rights within share equity schemes:

- The “free rider” problem that arises as a result of members contributing proportionally less than their share of the gains (Lyne & Roth, 2004, p. 3).
- The “horizon problem” that emerges when ownership falls short of the economic life of the asset, with consequential under-investment in long-term or intangible assets, since beneficiaries are prevented from retiring their shares at market value (Lyne & Roth, 2004, p. 3).
- A “portfolio problem” that referred to a situation when members could not trade shares since there was an inability to concentrate or diversify their asset holdings according to their personal preferences (Lyne & Roth, 2004, p. 3).
- A “control problem” relating to the costs accumulating for beneficiaries in holding managers accountable for investment decisions (Lyne & Roth, 2004, p. 3).

All of these problems had the potential to aggregate, in a co-operative venture, into a real shortage of debt and equity needed to expand, strengthen and diversify the enterprise (Lyne & Roth, 2004, p. 3).

Some years later, Phayane (2006), making use of case studies in the provinces of Gauteng, the Northern Cape, North West and the Free State, found that share equity schemes were characterised by the following at the time of her study:

- Share equity schemes were able to maintain production at reasonably good levels (Phayane, 2006, p. 52).
- Such schemes showed evidence of capital growth and an increase of the value in market shares (Phayane, 2006, p. 52).
- The system could claim some success in improved relationships between beneficiaries and the equity partners, with regular feedback and communication

sessions (Phayane, 2006, p. 52). However, concerns were expressed that no dividends as such was forthcoming (Phayane, 2006, p. 52).

- There was a lack of properly accredited training at the schemes (Phayane, 2006, p. 53).
- Concerns were raised that, in practice, the beneficiaries were not financially or socially more independent than before (Phayane, 2006, p. 53).
- Limited exposure to management, decision-making and a business mind-set was experienced by the beneficiaries (Phayane, 2006, p. 53).
- In some instances tenure was secured on the farm for beneficiaries and in other instances not, depending on the circumstances of the project (Phayane, 2006, p. 53).

The discussion on share equity schemes provided this dissertation with the following food for thought:

- For share equity schemes to be considered successful as a co-operative venture it had to possess the capacity to involve its members in communication and decision-making. It had to export skills and an empowering mind-set to its participants – including women.
- Through share equity schemes an immediate jump to a sophisticated business-model based on entrepreneurship in an efficiency-driven setting can be created by buying shares on behalf of beneficiaries in established agricultural ventures. In other words, the typical start-up phase of a new venture, with its associated issues of developing products and markets, is to a large extent avoided by the beneficiaries.
- Share equity schemes essentially provided a possible anchoring point for communities of farm workers to further empower themselves and take advantage of increasingly sophisticated business opportunities. This again could be related to the potential outlined above in respect of co-operatives forming a launch pad for further expansion and diversification.
- It had to value, retain and develop good human capital to secure its success.
- It had to have a suitable platform of property rights to avoid an array of issues, preventing the success of the venture and the beneficiaries involved – such as the previously mentioned “free rider”, “horizon”, “portfolio” and “control” problems.
- It had to deliver tangible benefits, as well as long-term improved value on shares, given the context out of which most beneficiaries come, to truly deliver on the expectation of improved livelihoods.

- Its shareholding structure had to provide the opportunity for expanded shareholding and increasing benefits for beneficiaries.

The collective nature of the purchase and involvement in share equity schemes by beneficiaries, often part of a group arrangement, lends itself to share equity schemes being classified as co-operatives by definition (according to the already mentioned Act), if not necessarily in the form of a legal registration. In other words, it could potentially lend itself to the purposes of this paper.

## **2.6 APPLICABILITY IN THE SOUTH AFRICAN LAND REFORM CONTEXT**

The discussion of the theory base underpinning the research problem started out on a journey investigating community-based co-operatives as a vehicle for start-up ventures in the South African land reform context. It therefore made sense to conclude the literature review by also returning to the land reform context and to provide a more refined understanding for the research.

As mentioned, under the administrations of Presidents Mandela and Mbeki, the South African government generally took an essentially market-based approach to land reform. It did not view small-scale agriculture as a backbone of a viable agricultural sector (and rural development) and left land use up to individual choice (Rudman, 2009, p. 219). However, this approach, characterised *inter alia* by a lack of clarity of actual ownership, apparent lack of engagement with traditional leaders in communal areas, and an absence of communal land and state-owned land in calculations resulted in only approximately 5% of land being transferred to black beneficiaries by 2009 (Rudman, 2009, p. 219).

According to Weideman (2011), the Department of Rural Development and Land Reform in 2010 also claimed that land reform was a failure estimating that approximately 90% of land reform projects in South Africa were unsuccessful in getting off the ground. This showed that, over and above a modest transfer of land, projects on transferred land itself failed.

This resulted in (the success of) land reform (and hence the business models used in land reform) coming sharply back into focus under the administration of President Jacob Zuma, with Government dedicating itself to a target of 30% of all land being in the hand of black owners by 2014 (Rudman, 2009, p. 219 -220)

The current failure of the land reform process in South Africa can therefore, to a large extent, be described as a failure of land redistribution projects to improve the incomes and quality of life - measured as food security - of the average land reform beneficiaries who, in terms of the abovementioned policy criteria, consists of poor, mostly black people, who were victims of forced dispossession in the past (Valente, 2011, p. 372). It has been suggested that the high rate of failure of such land reform projects are in some cases characterised by high levels of beneficiaries abandoning the projects at an early post-transfer stage (Valente, 2011, p. 364).

This suggests possible problems in the attitude of members, confusion in respect of membership role, unplanned for dimensions of human interactions, or an absence of the preconditions necessary in order for entrepreneurial activity to succeed. It therefore seems as if the previously explored theoretical frameworks relating to membership involvement can be applicable to the land reform setting. Furthermore, co-operatives, given the goals contained in the Act were aimed at broadening economic participation and strengthening self-reliance and self-help among black people. On face value, it would therefore be a sound assumption to regard co-operative ventures as a useful vehicle to deal with this failure within the context of the land reform objectives.

Another link with the literature relating to the preconditions needed for successful entrepreneurship is borne out by the fact that a lack of access to infrastructure, institutional support, and training were quoted as major reasons for current failure rates (Atuahene, 2011). The presence of such institutions is therefore relevant to answering the research questions and can be related to co-operative arrangements as already discussed.

It makes sense to reflect on what makes a successful agricultural venture in order to help in understanding possible answers to the research questions. The most economically successful business model in South African agriculture is increasingly consolidated and large agricultural ventures, seeking economies of scale in a very globally competitive post-apartheid marketplace, developing export markets, diversifying its offering and creating jobs (Business Monitor International, 2006, p. 2).

It is possible to identify some of the enterprise characteristics of such ventures that possibly also apply to community-based co-operatives. It can be summarised as follows (Clark, 2009, p. 218):

- Novel redeployment of the bases of agricultural production.

- The adoption of a new market orientation.
- Capitalising on endogenous resources.
- New forms of governance.
- Community involvement/support.
- Management of space and natural resources.

This can also be used to help with forming a benchmark of success – albeit at the level of an established business, such as share equity schemes, where shares are obtained by beneficiaries within existing ventures.

However, a note should be made about the applicability of such successful established business models. It can be questioned in terms of the “Twelve Pillars of Competitiveness-Model” mentioned earlier in the literature review. Established commercial ventures seem to operate in the space of an efficiency-driven economy, or even innovation-driven economy, rather than the factor-driven economy as suggested by the abovementioned definition of land reform beneficiaries. The research will operate on the assumption that community-based co-operatives need to become commercially viable and competitive in order for it to be sustainably successful through changes such as volume increases in production, improved specialisation and diversification, expanding the resource base to non-agricultural purposes and forward and backward integration in the value chain (Mcelwee, 2006, p.187).

This suggests that, while a land reform venture may be rooted in the factor-driven economy, it will need to move into the efficiency-driven and/or innovation-driven market spheres in order to succeed. Factors affecting such a successful transition, expressed in the commercial potential of innovation, are as follows (Amanor-Boadu, Boehlje, Fulton & Gray, 2004, p. 1322):

- An ability to assess a customer-base.
- An ability to assess competition.
- An understanding of competitive advantage.
- Internal capability.

This could also affect community-based co-operatives’ capability to adjust to the increased concentration of agricultural ventures in the modern context alluded to above, and it also links up with some of the points that were made during the discussion on successful entrepreneurs.

The importance to land reform projects of a transition from basic agriculture in a factor-driven economic setting to entrepreneurship in an efficiency-and-innovation-driven setting, as well as the possible benefits of co-operative arrangements, is illustrated by the following example:

The Maluleke people in the Limpopo Province created success with a system where communal arrangements, characterised by regular communication between beneficiaries, clear managerial competence and solid business goals, allowed land grantees to convert their land into commercial success (Weideman, 2011). The Maluleke people, by using land as an economic asset with many uses, negotiated a settlement that developed the ecotourism benefits of the land in question and created opportunities in conservation management rather than simply exploiting it in terms of basic agricultural production. An extensive conservation-based network of tourist lodges emerged providing sustainable incomes and jobs to the Maluleke people (Weideman, 2011).

This example possibly shows similar, already mentioned success factors, with successful established ventures and it also conforms to the previously mentioned definition of entrepreneurship. New opportunities were perceived and explored by the Maluleke people and resources were "...withdrawn from their traditional employ and subjected to new combinations" (Nieman, 2009, p. 5).

It is therefore reasonable to conclude that this paper's research aim, namely to "...to investigate and describe the success factors applicable to co-operative ventures in a land reform context" is both possible and relevant.

## **CHAPTER 3: RESEARCH PROPOSITIONS**

### **3.1 INTRODUCTION**

The research aim of the paper was to explore and describe the factors applicable to the success of co-operative ventures in a land reform context.

- This chapter developed this research aim further with the help of some of the theoretical insights gleaned from the literature review in order to formulate a number of revised research questions that can inform the remainder of this study. The research questions themselves were based on the idea - unearthed during the literature review in regards to *inter alia* Sharma and Wadhawan (2009), Golovina and Nilsson (2011), and Ligthelm (2011) - of grouping or clustering related elements into an observable structure.
- These research questions were then distilled into new research objectives exploring, in a more focused manner, phenomena applicable to the success of co-operative ventures in the land reform context. These objectives then evolved as the basis of the subsequent research.

### **3.2 RESEARCH OBJECTIVE 1**

The study identified a common thread of factors in the literature review that related to what it described as key enabling elements for a community-based co-operative in a land reform context, external to the venture itself, that help to connect its products to the market-place. Applicable authors were Herrington and Turton (2012), Ligthelm (2011), Atuahene (2011) and Mcelwee (2006).

As a result a research question was formulated as follows:

- What key enabling elements, external to itself, that help to connect its products to the market place, apply to community-based co-operatives in a land-reform context?

This was further refined into the following research objective:

- To explore and describe the key enabling elements, external to itself, that helps a community-based co-operative in the land reform context to connect its products to the market place.



### **3.3 RESEARCH OBJECTIVE 2**

Secondly, another train of thought was found in the literature review that related to what can be described as key sources of knowledge for a community-based co-operative in a land reform context in order for it to succeed. Applicable authors were Sharma and Wadhawan (2009), Ramana *et al.* (2009), (Atuahene, 2011), Clark (2009) and Gray *et al.* (2004)

The following research question was developed from that:

- What key sources of knowledge apply to community-based co-operatives in a land-reform context in order for them to succeed?

This question was then distilled in to the following research objective:

- To explore and describe the key sources of knowledge that helps a community-based co-operative in the land reform context to succeed.

### **3.4 RESEARCH OBJECTIVE 3**

Thirdly, yet another strain of thinking emerging from the literature review related to what it circumscribed as the key elements of entrepreneurial leadership that community-based co-operatives in a land reform context need to be successful. Applicable authors were Ligthelm (2011), Shiralashetti (2011), Clark (2009), Mcelwee (2006), Gray *et al.* (2004) and Weideman (2011).

The following research question was developed in this regard:

- What key elements of entrepreneurial leadership apply to community-based co-operatives in a land reform context in order for them to succeed?

The following research objective emerged as a result:

- To explore and describe the key elements of entrepreneurial leadership applicable to community-based co-operatives in a land reform context in order for them to succeed.

### **3.5 RESEARCH OBJECTIVE 4**

Lastly, this study identified a set of ideas in the literature review pertaining to the nature of the on-going engagement of members in community-based co-operatives in a land

reform context needed in order for them to be successful. Applicable authors were Golovina and Nilsson (2011), Dameron and Joffre (2007), Valente (2011), Clark (2009), Gray *et al.* (2004) and Weideman (2011).

The following research question resulted:

- What is the nature of the on-going engagement of members that applies to community-based co-operatives in the land reform?

This was developed into the following research objective:

- To explore and describe the on-going engagement of members in community-based co-operatives in a land reform context inasmuch as it is applicable to them in order to succeed.

## **CHAPTER 4: RESEARCH METHODOLOGY**

### **4.1 INTRODUCTION**

This dissertation initially intended to do a quantitative analysis parallel to a qualitative study, followed by a comparison of the findings. It soon emerged that this would have been far too expansive for the scope of this dissertation.

In addition the original intention was to compare different business models of land reform, making use of five propositions derived from the literature, but this also proved to be far too expansive. It can be the subject of a further study in the future.

The methodology that was finally embarked upon was purely of a qualitative nature and explored and described the success factors as perceived by the members of four co-operative ventures studied.

### **4.2 RESEARCH DESIGN**

#### **4.2.1 Research approach**

To achieve the best informed results, an exploratory, descriptive and constructivist research approach was used that according to Creswell (2003, p. 18) delivers the "...multiple meanings of individual experiences, meanings socially and historically constructed, with the intent of developing a theory or pattern". This qualitative approach was chosen to deliver the best possible understanding of variables affecting co-operative ventures in a land reform context.

Such a qualitative approach can be described as bridging disciplines, fields and subject matter (Denzin & Lincoln, 2011, p. 3). This approach was ideally suited for the complex environment of community-based co-operatives in a land reform context, with its vast array of often contradictory imperatives. It required such a cross-cutting approach to unravel and describe this field.

#### **4.2.2 Research strategy**

The unit of analysis was the active members of community-based co-operatives (co-operatives based on members physically living and working together in a geographic area). Active members were beneficiaries of the scheme still active in the enterprise.

## **4.3 THE RESEARCH METHOD**

### **4.3.1 Research setting**

The research took place in the South African land reform context and was based on participants from co-operative schemes in the Western Cape Province. The study included schemes from four types of co-operative ventures situated in four different geographic parts of the Western Cape.

### **4.3.2 Entrée and establishing research roles**

In qualitative research participants are often selected through social networks making use of “snowball sampling” or sampling based on networks or a chain of recommendation (Van der Merwe in Lategan, Lues & Friedrich- Nel, 2011, p. 34). Personal contact with potential co-operative schemes was made, the purpose of the research explained, and potential participants identified via a professional network within the co-operative.

In qualitative research using topical –research interviewing the researcher is considered to play a more active role as data- collector (Rubin & Rubin, 2005, p. 11). The focus-group approach went beyond normal conversational skills and it was necessary to thoroughly prepare for focus-group interviews (Rubin & Rubin, 2005, p. 12). In this regard, the researcher did a “test-run” interview to establish a barometer against which to measure improved performance, afterwards listing both communication difficulties and gaps in knowledge of which to be aware.

### **4.3.3 Research participants**

This dissertation identified its target population as follows:

- Participants were active members of co-operatives that complied with the this research’s definition of a co-operative and recognised as a land reform initiative by the relevant department, the Western Cape Department of Agriculture, in order to fall within the scope of this study. These members were sourced from co-operatives that have been in existence for at least three years, or differently put, that were well advanced in its start-up phase. Active members of four different types of business models used in land reform (Lahiff, 2007b, p. 3) also participated to further factorise in width, in other words, a measure of applicability to all four types of models. Furthermore, the Western Cape Department of Agriculture considered two of the co-operative schemes to which the participants

belonged as successful and the other two as unsuccessful. This was to ensure a mixture of experiences.

Five of the participants were black; eleven were coloured and two were white. Three participants identified themselves as being of the Muslim faith. In total 18 members participated.

Each co-operative venture's participants were also identifiable members of a particular community. They were urban inhabitants of Langa in Cape Town in the case of the Ganzekraal Property Trust respondents; rural inhabitants of the Grabouw area in the case of the Klipfontein Trust participants; rural inhabitants in the Napier area in the Overberg in the case of the Agri Dwala focus group; and community members of the semi-urban Philippi area of the Cape Flats in Cape Town).

The inputs of these members of the co-operative schemes were invaluable to identify factors applicable to the success of co-operative schemes, them being directly affected by it, both currently and in the future.

#### **4.3.4 Universe**

The universe was all community-based co-operatives forming vehicles for land reform initiatives in South Africa – inclusive of share equity schemes operating on a co-operative basis. A possible criticism could be that the universe is too big. However, it provided a wide range of options to enhance the chosen sampling method – purposive sampling.

#### **4.3.5 Sampling method and size**

Secondary data was gathered to establish the sample for analysis. A purposive sampling approach was used to establish both a list of what was regarded as successful community co-operatives in land reform projects, and a list of what was regarded as unsuccessful (based on failed co-operatives who could never move beyond the start-up phase and are dependent on outside help, but technically still exist). Care was also taken to situate each co-operative being researched within an identifiable community. Such information was obtained from the Western Cape Department of Agriculture. This list was double-checked by comparing the information obtained from the Department via the Western Cape Parliament (M.C. Walters, Standing Committee Chairperson for Agriculture and Environmental Planning in the Western Cape Provincial Parliament, personal communication, 5 September 2012) with

the views of the agricultural economist in charge of advisory services for agricultural black economic empowerment (Agri-BEE), Edwin Boshoff, (agriculturalist economist in the Western Cape Department of Agriculture, personal communication, 3 October, 2012).

In terms of size, this list was narrowed down to two lists (successful ventures and unsuccessful ventures) of two ventures each that was used for in-depth interviews on the basis of comparability, accessibility, size, number of beneficiaries involved, general size of investment made, duration of existence and whether they conformed to the four land-use models mentioned above. The ventures investigated had to be co-operatives that complied with the definition of a co-operative as determined earlier in this research and had to be recognised as a land reform initiative by the Western Cape Department of Agriculture in order to fall within the scope of this study. The list was further refined by only including co-operatives that have been in existence for at least three years, or as mentioned above, that were well advanced in its start-up phase. According to Lahiff (2007b, p. 3) there were four typical business models in place to manage land use in the land reform environment in South Africa, listed as follows:

- An individual (or household) based use of land – typically involved in small-scale agriculture (corresponding to a household-based co-operative).
- A group-based use of land – typically involved in larger scale agriculture (corresponding to a typical co-operative of members).
- A joint venture approach with outside parties (corresponding to a share equity scheme).
- A contractual approach – essentially an outsourcing approach – where control of some of the resources were handed over to an outside party for a set period of time for some form of reward or benefit to the beneficiaries.

The purposive sampling approach was used to ensure that all four of these types of business models were in the sample of ventures studied.

Between having a mix of successful and unsuccessful community-based co-operatives, taking specific care that each co-operative being studied had a track-record to research and ensuring various models of land-use was in the picture, this research ensured a rich trove of potentially useful data.

#### 4.3.6 Data gathering

This study embarked on exploratory, descriptive and qualitative research, describing the applicability of success factors as seen by the participants, as well as exploring causal relationships impacting on the success or failure of community-based co-operatives.

Data gathering consisted of three steps.

Firstly, the primary research was preceded by secondary exploratory research to help in identifying open-ended questions that could help this dissertation to achieve its research objectives. These open-ended questions used for the group interview were derived from information generated during the literature review, and were designed in such a way – using the research objectives – to filter out those factors applicable to the success of co-operative so that it could be further studied. The research objectives identified in this study, used together, were therefore effectively the building blocks of the system of enquiry used. It was based on elements that may or may not cause a successful transition of a community-based co-operative (as part of a land reform project) to a commercial venture, thus improving quality of life and incomes for beneficiaries. Its line of enquiry also included considering factors in the external environment that determines the setting within which a venture needs to operate.

Secondly, secondary data was sourced to develop the sampling of community-based co-operatives whose members were of interest to this paper.

Thirdly, data was gathered in four focus group interviews lasting about 90 minutes each. The sizes of the focus groups ranged from two participants to eight participants. To assist the data collection process, notes were taken on a notepad to record the researcher's observations, thoughts, feelings, perceptions and experiences from the moment of arrival at the venue of the interview (chosen by the participants) up to the evening after the interview as notes were read. These observational notes recorded dynamics between participants, the process between interviewees, and non-verbal cues as part of the interview method and supported the inductive approach used (J. Maritz, Associate Professor of the School of Humanities, Department of Health, University of South Africa, personal communication, 25 October, 2012).

The questions that were asked in the group interview were open-ended and participants were encouraged to express themselves freely in whatever form they chose. The interview questions were as follows:

- 1 How is the profit divided between the participants in the venture?
- 2 What specific outside support do you need that will help to make your business successful in the future?
- 3 Why?
- 4 What specific outside support in the past would have helped to make your business more successful today?
- 5 Why?
- 6 What do you need to know more of regarding your business?
- 7 Where can you access such information?
- 8 What are the goals and objectives of your business?
- 9 What do you have to change to achieve your goals and objectives better?
- 10 What needs to be done to ensure that all members of the project participate fully?
- 11 What is currently preventing all members to participate?

Data were collected using open-ended questions that cut across the research objectives. While carefully listening to the answers, the researcher encouraged the participants with a directive approach. This approach was based on using pre-planned questions, to sort, balance and analyse the data into a comprehensive explanation (Rubin & Rubin, 2005, p. 11).

#### **4.3.7 Data analysis**

The interviews were transcribed verbatim and the descriptive analysis technique of Tesch was used to analyse the resultant data (J. Maritz, Associate Professor of the School of Humanities, Department of Health, University of South Africa, personal communication, 31 October, 2013).

In addition, the transcripts were read and ideas jotted down as it came up. It was also reviewed so as to get a sense of the whole. Each interview was then studied in turn to flush out the underlying meaning of it, and the most pertinent one selected. Again notes were made as ideas came up and new observations emerged.

The ideas were distilled into topics. These topics, in turn, were grouped into clusters based on similarity and were placed in columns. These columns were based on major topics, unique topics and leftovers.

This list was compared to the data by using a coding system for the topics that were written into the relevant sections of text. The most descriptive terms and phrases were



chosen, in other words those that described the respective topics best. The topics were then defined and grouped into categories.

The data were then given to an independent analyst with experience in qualitative data analysis and a consensus discussion held to verify the findings.

A literature control was done to compare the findings against other findings, making use of the literature review. This served to benchmark the findings and provide a framework to further analyse the findings.

Lastly, results were further refined and conclusions drawn within the framework provided by the research objectives, thus relating the research process back to its initial aim.

#### **4.3.8 Strategies used to ensure data quality**

This study had to employ a number of techniques, typical to qualitative research designs, to ensure that the research was trustworthy, reliable and valid.

This paper used some key, self-reflecting questions to ensure dependability, applicability, and confirmability, as described by Lincoln and Guba, (1985, p. 290-292). Through prolonged engagement, triangulation, peer debriefing and member checking the quality and the validity of the data were maintained. Purposeful sampling and dense description of background information was a further technique to facilitate transferability of the research. The coding system was used to strengthen dependability and confirmability through triangulation and reflectivity.

#### **4.3.9 Reporting**

The research findings were reported, making use of a qualitative and descriptive writing style.

### **4.4 EXCLUSIONS**

This research only considered members of co-operatives who were still actively involved with and concerned with the future of the venture. Extension officers, or government officials who worked with the relevant land reform initiatives studied, were also not included.

## **CHAPTER 5: RESEARCH FINDINGS**

### **5.1 INTRODUCTION**

This dissertation took the approach of identifying core themes, which were then broken up into categories within these themes. Each category also was further subdivided into further subcategories as can be seen in Annexure 2.

The following themes were identified:

- Contributors to success
- What needs to change today or what hampers the organisation's effectiveness
- What does the venture need in order to grow
- The importance of objectives

This paper will first provide background depth and then discuss each of these themes, with their underlying categories in turn and then support the findings with quotes from the interviews.

### **5.2 BACKGROUND**

#### **5.2.1 Klipfontein Trust**

Klipfontein Trust (Klipfontein) has been in existence for twelve years since land (a farm) was transferred to a trust of 26 members as part of a land reform project. The members were sourced from the surrounding community in the Grabouw fruit-producing area of the Western Cape. The Trust owns the assets of the farm. According to one member of the scheme interviewed, only about 10 members are still interested, of whom only one or two are active in trying to get some economic activity going on the property (himself and another respondent). The respondents felt that there was no initial plan or proper support from government. Initial excitement waned due to a lack of planning, membership involvement, effective 24 hour management and escalating running costs, all of this without an income to offset that against. There has been no large scale agricultural activity for years and people became despondent. Initially, participation was part-time. One member later became a fulltime farmer. There has been no financial support from government nor any cash flow or profit coming to the Trust. The respondent has resigned from his job to put in a fulltime effort to get a business up and running. At the time of the group interview, he was renting storing

space from the Trust to run a packaging business of his own, employing 16 people. Another respondent has operated a small-scale tomato nursery in tunnels on the property, which the first respondent helps to market for him. All members of the Trust are entitled to equal shares of any profit that might derive from the Trust (one 26th share). The property is situated in the Grabouw/Theewaterskloof area of the Western Cape. This business was originally meant to be operated and managed on a co-operative ownership basis, conforming to Lahiff's (2007b, p. 3) business model of group-based use of land.

### **5.2.2 Ganzekraal Property Trust and associated trusts**

Ganzekraal Property Trust (Ganzekraal), situated on the Western Capes West coast, was founded in 2009 according to the five board members, and that with a grant of R10 million from the Department of Rural Development and Land Reform divided among 70 beneficiaries. The members were sourced from in and around the Langa community in Cape Town. Only 58 of the beneficiaries are still on the records, although a figure of "35 or 36" active members was also mentioned in the interview. According to the members, it is run by a board of 15, increased from the original nine. At a later stage, a loan of either one million rand or two million rand was made from a major bank to continue financing the venture. It has a fairly diversified structure for a start-up, with three Trusts associated with the venture and represented on the board. The Lange Livestock Farming Trust (Co-operative); Ganzekraal Property Trust and the Ganzekraal Farming Trust are meant to develop their 2 500 hectare property into a viable business. Although the board has allocated various portfolios to one another, they outsourced the farming aspects of the venture to someone else to farm, with various ideas involving sheep, pigs, ostriches and goats. According to the group, the relationship broke down after three to four years, and the manager and at least seven other employees, were paid severance packages. The property development aspect intends to develop a conference centre, guest house, and a camp, with a number of government departments having been approached for assistance. A mentor has been identified to assist the farming enterprise and joint ventures are being considered. Personal contributions (money and livestock) have been invested by members, including an initial joining fee of R580 (and a second round was considered at the time of the focus-group interview). Currently, there is no profit forthcoming from the business, but theoretically shares are divided on the basis of the size of the original contributions.

This venture was meant to be managed on a co-operative basis by the beneficiaries, but its operational arm conforms to Lahiff's (2007b, p. 3) description of a business

model, which has a contractual approach to land use, with resources handed over to an outside party to manage.

### **5.2.3 Chamomile Farming Enterprises**

Chamomile Farming Enterprises (Chamomile) is owned by a trust and the business is run on a co-operative basis (although it is registered as a closed corporation). All the beneficiaries of the Trust are members of one family and trustees are also operating all facets of the business. One family member is in charge of the marketing and external representation of the business. His wife is in charge of the bookkeeping, managing orders and administration (and she has also initiated some of the original farming). Their son runs the farming operations and deliveries. Chamomile was founded nine years ago when an original property of just under two hectares was purchased and small-scale vegetable farming and egg production was started. It is leasing more property nearby, bringing it to a total of 22 hectares of which 19 hectares are arable. It practices mixed farming and produces eggs, carrots, cabbage, and poultry (broilers). It distributes its produce directly to the client and engages in some trading of produce of its own to keep clients fully supplied. It has been the beneficiary of a government support grant, including farm equipment such as tractors. Income streams also include the renting out of this equipment to neighbouring farmers, as well as the small stipend the head of the family earns for serving on various forums in the agricultural sector. His wife won a top female farmer in die Western Cape award, as well as another award as the top entrepreneur in the Western Cape. The profits of the business are reinvested into the business, according to the respondents and it was also pointed out that some of the initial investment came from the family head's pension, as an erstwhile city councillor, that was paid out to him. They are still paying off some debt. The business is situated in the vegetable-growing heartland of Cape Town in the Cape Flats, the Phillipi area. The family self-identified themselves as Muslims and considered a unique contributing factor their success as "*God consciousness*".

The business can be described as a household-based use of land according to Lahiff's (2007b, p. 3) breakdown of typical business models for land-use in a land reform setting.

### **5.2.4 Agri Dwala**

The Agri Dwala scheme (Agri Dwala) started in 2006 when a commercial farmer, a distributor of chemicals in agri-businesses and an employee at a local agri-business got together a group of interested people in Napier (a town in the Cape Agulhas

municipality in the Overberg area of the Western Cape) to start a co-operative venture for previously disadvantaged individuals who wanted to get involved in farming. They identified 29 beneficiaries by, *inter alia*, finding out who in the local community were trying to farm on a small scale, with the group consisting of 14 women and 15 men. While they initially only rented land on the commons of the Cape Agulhas municipality, Agri Dwala now utilises 1 200 hectares. Of that they own 600 hectares in the form of two farms, Jagterskrans (280 hectares in 2009) and Kasrivierplaas (320 hectares bought in 2010), while they rent the commons of the town of Napier (about 640 hectares), and two other farms, Sonop and Agterplaas, on the open market. Of the directly owned farms, the one farm was purchased outright with a combined land reform grant for the 29 beneficiaries (based on R100 000 per person), while the other farm was purchased with a combination of a bond (paid off via a 15 year lease) and a lump sum of award money a food company. Mixed commercial farming is being practised, ranging from husbandry (cattle and sheep) to crop-raising (cereals, lupine and canola). The venture has also successfully diversified and expanded into providing hospitality services in the form of a guesthouse and also does catering. The business had been operating successfully for three years when it came to the attention of government and grant money was accessed. This money was ploughed back into the business in the form of investing in production capacity, such as tractors and buying more land. The business is based on two entities, a property company fully owned by the trust (the 29 beneficiaries) and an operating company that is 70% owned by the beneficiaries and 30% owned by the two most longstanding mentors (15% each). Profits are shared equally between the beneficiaries in the form of annual dividends. Shareholding gets inherited by heirs of the original shareholders. Beneficiaries can also work at the venture as labourers at an hourly rate.

This operation can be described as a co-operative operating a land-use system on a joint venture basis if Lahiff's (2007b, p. 3) definition of business models of land use in land reform is utilised. It is also considered a share equity scheme.

### **5.3 THEME 1: CONTRIBUTORS TO SUCCESS**

Under this theme, the following categories emerged:

- Accommodation of role-players.
- Exposure to other business opportunities and creating opportunities through optimal usage of assets.
- Participating on a commercial scale.

- Being a legitimate business.
- The importance of “capacity”.
- Thorough planning and management.
- Being aware of a client’s needs.
- Re-investing profits in the business.
- Inclusivity and teamwork.
- Identifying a niche market.
- Access to support.
- Personal attributes.

Each of these categories was briefly discussed as follows using the subcategories identified under each category and quotes from the interviews.

### **5.3.1 Category 1: Accommodation of role players**

In the minds of the respondents good constructive relationships with outside agencies added to the success of the enterprise. Note the following view of the respondents from Agri Dwala:

“En die plaaslike koöperasie of landboumaatskappy was ons goedgegunstig en het gesê hulle sal ons ‘n produksie-lening gee om die grond te koop. (Translation: The local co-operation or agricultural company was favourably disposed towards us en they gave us production credit to buy land).

“En die munisipaliteit was ons goedgegunstig. Hulle het gesê ons kan huur betaal aan die einde van die jaar. Waar huur mos gewoonlik vooruit betaal moet word, het hulle gesê ons kan die huur aan die einde van die jaar betaal. So, dit het nou gehelp...” (.Translation: And the municipality was also favourably disposed towards us. They said to us that we can pay rent at the end of the year, where usually rent is paid right up front. So this now helped us...).

The fact that the Agri Dwala scheme was favourably viewed by the agricultural establishment led to them winning an award, which in itself influenced the obtaining of grant money that could be ploughed into the business. In the words of the Agri Dwala respondents, as follows:

“...Kyk na hierdie goed wat hier teen die muur sit, het daar vir ons ‘n paar deure oopgegaan. Ons het mos 2011 aangewys as New Entry into Commercial Farming of the Year Nationally...” (Look at these things that sit here on the wall, which opened a

couple of doors for us. We were awarded the prize as the “New Entry into Commercial Farming of the Year” in 2011).

### **5.3.2 Category 2: Exposure to other business opportunities and creating opportunities through optimal usage of assets**

During the group interviews the notion of full utilisation of all available assets emerged as applicable to success.

At Klipfontein it was described, in reference to making more of the vegetable business, as follows:

“Byvoorbeeld die stoor, die geboue is ook die trust s’n. Die tunnels is die trust s’n. Maar waar hy kan boer, waar hy byvoorbeeld die tunnels as ‘n besigheid kan run. Waar ons deur die stelsels vir hom kan help om byvoorbeeld in die bemarking in kan kom” (Translation: For example the store, the buildings also belong to the Trust. The tunnels also belong to the Trust. But where he can farm, where he can, for example, run the tunnels as a business, there we can help him through our systems to get into the marketing).

It was also described in the following words:

“As ons daai modelletjies kan hê waar ons binne mekaar kan help, waar ons mekaar kan aanvul: die een verkoop en die ander... Kan ons redelik sukses hê” (Translation: If we can have in those little models where we can help one another, where we can add value to one another: The one sells and the other...we can have reasonable success).

The importance of having diversified farming or mixed farming was also underlined in the context of helping to manage risk and cash flows. It was expressed as follows by the respondents from Chamomile:

“So, jy moet ‘n type of mixed-farming hê, man. As jy net groente plant, gaan dit jou drie siklus vat, vier siklus vir jou vat in twee voor jy eerste jou cash flow kan regkry. Maar as jy groente plant, het nog alternatiewe wat jou kan help, soos eiers verkoop, hoenders verkoop, hasies grootmaak en verkoop. Of enigiets wat jou cash flow na die paartie toe kan bring. Dan is jy in die game.” (Translation: You must have a type of mixed-farming. If you only plant vegetables it will take you three cycles, four cycles in two before you get your cash flow right. But while you are planting vegetables, you should other alternatives that can help you, like selling eggs, selling poultry, raising rabbits and

selling them. Or anything that can bring cash-flow to the party- then you are in the game).

### **5.3.3 Category 3: Participating on a commercial scale**

At Klipfontein, reflecting on what can elevate the venture out of the current difficulties it finds itself a need to operate at commercial scale was expressed as follows:

“Behalwe die klein projekte, wil ons een groot, langtermyn groot byvoorbeeld gewas plant of besigheid op die plaas run waar almal gesamentlik obviously aandeelhouing in het. Waar hy nou, of hy nie kan kom nie, hy sy vrugte van kan pluk” (Translation: Apart from the little projects, we want to have one large crop or business on the farm where everyone can collectively have shares. Where he can, whether he come to the farm or not, reap the rewards).

### **5.3.4 Category 4: Being a legitimate business**

It was also considered important to be registered and operating as a full-blown business in the legal and administrative sense and to “*conform to the laws and regulations*” (as quoted in English during the Chamomile interview). It was explained as follows in the Chamomile group interview:

“Want jy kan niks bemagtig as jy nie ‘n VAT-nommer het nie, as jy nie ‘n CK-nommer het nie, as jy nie workman compensation het nie. Dan is jy nie ‘n besigheid nie, dan is jy ‘n projek”. (Translation: Because you cannot empower anything if you do not have a VAT number, if you do not have a CC-number, if you do not have workman compensation. Then you are not a business, but a project).

### **5.3.5 Category 5: The importance of “capacity”**

The importance of the ability or capacity to be able to run a business in agriculture was highlighted. The respondents from Agri Dwala stated it as follows:

“Dit is ongelukkig hoe landbou werk. Jy moet eers die tools hê om dit winsgewend te kan doen” (Translation: Unfortunately, it is how agriculture works. You must first have the tools to be able to do it profitably) and “Ons wou geboer het en kommersieel boer wees. En ek dink dit was die groot sukses, deel van ons sukses dat ons eers gewys het waartoe ons in staat is as groep en toe gaan aanklop het vir hulp” (Translation: We wanted to farm commercially and wanted to be commercial farmers. I think that was the



great success, part of our success, that we first showed what we were capable of as a group before we went knocking on doors for help).

### **5.3.6 Category 6: Thorough planning and management**

The importance of planning and management according to plans emerged as a category as a bulwark against failure as well as a tool to resuscitate a co-operative venture. In the words of the Klipfontein respondents, when discussing what is required to get their venture up and running again, the following was said:

“As ons daai assessment kan kry van ouens wat ons kan help en dan obviously ‘n besigheidsplan. Want die plaas as sulks het nie ‘n besigheidsplan nie” (Translation: If we can get that assessment from guys that can help us, and then obviously a business plan. Because the farm, as such, does not have a business plan).

### **5.3.7 Category 7: Being aware of a client’s needs**

The value of having (an) anchor client(s) and understanding the needs of customers emerged and was expressed as follows in the Ganzekraal group interview:

“Say, what, what client? Come on. We’ve got insurance industry here. They always set conferences here. Christmas... Standard Bank... they need this” and “We got the people there... shareholders... who are these ladies and gents. They want to visit the farm to spend a day. The transport is there... there is transport. It means business” (in reference to what can hypothetically be done to leverage the needs of clients).

### **5.3.8 Category 8: Re-investing profits in the business**

Another factor described as contributing to success was the continued re-investment of profit or cash resources back into the co-operative scheme. In the case of the Chamomile group interview it was quite emphatically stated as follows:

“Ek het gesê: “...this is a family business en we re-invest in the business” (Translation: I said this is a family business and we re-invest in the business) and “If and when there is profit it is used to sustain the business and the families. Dit is basies dieselfde” (Translation: If and when there is profit it is used to sustain the business and the families. It is basically the same thing).

In the case of Agri Dwala the viewed it as follows:

“En hulle het nog nie die kontant van die R10 miljoen of R20 miljoen bate waarmee hulle sit in die hand nie, maar ons gaan nou gou ‘n draaitjie stap hierbuite om in die stoor, dan kyk jy die toerusting wat daar staan. Dit is wat die boerdery suksesvol maak. Hulle het op die regte plek begin belê” (Translation: And they still do not have the cash of the R10million to R20 million asset that they have in hand, but we will take a walk outside just now to have a look inside the store, and then you can look at equipment we have there. That is what makes the farm successful. They started by investing in the right things).

### **5.3.9 Category 9: Inclusivity and teamwork**

The respondents referred to a co-operative mind-set or approach as part of their success when the accommodation of role-players emerged as category under the theme. For example, in the case of Chamomile, the following was said:

“Maar ek en X en Y sit ten minste een keer ‘n week hierso. Die plan bly hier op die tafel. Die’s waar ons begin het. Dan’s ek nie ‘n pa nie, en sy’s nie ‘n ma nie, en hy’s nie ‘n kind nie. Almal is equal in die business. Ons praat en somtyds dan sê ek vir hulle dinge wat hulle nie likes nie, but this is not a beauty show, this is a business. And somebody has to say it. As ek dit nie gaan sê nie, gaan sy dit sê, of iemand gaan dit sê. En dit is ‘n kultuur wat ons kweek.” (...But myself, X and Y will sit here at least once a week. The plan remains here on the table. This is where we began. Then I am not a father, and she is not a wife and he is not a child. Everyone is equal in the business. We talk and sometimes I say things to them that they do not like, but this is not a beauty show, this is a business. And somebody has to say it. If I am not going to say it, then she will say it, or somebody will. It is a culture we are cultivating ...).

An approach involving and accommodating internal stakeholders was viewed as applicable to achieve success.

### **5.3.10 Category 10: Identifying a niche market**

The idea of developing niche markets as a contributor to success was also raised. In the Chamomile group interview the following was said in this regard:

“Ek sal nie sê onse grootste mark nie, maar wat vir ons ‘n chip op die shoulder gegee het, was toe ons vir Shoprite kon supply” (Translation: I will not say our biggest market, but what gave us a boost was when we got the opportunity to supply Shoprite). The following quotes also related to the same topic: “Dat is dit die hawkers wat Y ook so

betrek het wat kom laai het hierso” (Translation: It was also the hawkers that Y involved who are loading up here) and “Hier was ‘n wit klong gewees, sy naam is Z. Z het gekoop by die boere, dan verkoop hy aan die restaurant” (Translation: A white lad also came here, his name is Z, and Z bought from the farmers and then he sold to the restaurant).

### **5.3.11 Category 11: Access to support**

A category emerged of a co-operative being able to access external support as a contributor to success. In the Chamomile interview the fact was specifically raised that one of the members, as a former city councillor, had “some sort of understanding” of how governmental regulatory work worked. As to getting actual government support, the Chamomile interviews showed the following view:

“Hulle het vir ons gesê ons gaan trekkers kry, in Maart 2010. Toe wag ons tot in Maart toe, toe sê hulle Junie (2011). Toe vergeet ons maar van hulle” (Translation: They told us that we will get tractors, in March 2010. So we waited until March, but then they said June, 2011. Then we just left it).

At the Klipfontein group interview the potential role of government as a potential source of support was referred to as follows:

“As ons kan hulp kry van die staat se kant af, kan ‘n man ‘n sukses van die plaas maak. Maar vir my is dit belangrik dat die plaas wat ons gekry het, ons dit kan vorentoe vat en nie dat hy moet lê hierso” (Translation: If one can get help from the state’s side, then one can make a success of the farm. But for me it is important that the farm that we have received can take us forward and that it does not simply lie here).

In the interviews, support was also seen as including the services or help of a mentor. In the Klipfontein interview it was expressed as follows:

“Ek sê nog steeds wat die trust nodig het, is ‘n strategiese vennoot om vir ons te vat, hande... En deel van die ding moet wees dat ons opgelei word, sodat die dag as die vennoot bietjie uitwaarts skuiwe die kundigheid oorgedra is. En deel van die ding moet wees dat ons opgelei word, sodat die dag as die vennoot bietjie uitwaarts skuiwe die kundigheid oorgedra is. Maar nogsteeds met ‘n base support daar. Die ou moet nie net verdwyn nie. Hy moet nog al die pad loop soos wat die besigheid aangaan. Ek het gedink met jou vorige vraag, dit is basies ons administrasie op trust-vlak, finansiële goed van die besigheid. Dit is die goed waarmee ons hulp benodig” (Translation: I still

say that what the Trust needs is a strategic partner that we can take hands with...and part of it must be that we get trained, so that one day when the partner moves aside the knowledge was transferred. But still there with a base support. The guy must not simply disappear. He must still walk with us as the business develops. I thought about your previous question, it is basically our administration at Trust-level, financial stuff of the business. Those are the things we need help with).

This notion of access to mentorship support also extended to farmers in the surrounding farming community. It was expressed as follows in the Chamomile group interview: “Because die resources lê by hulle. En ons het beginne werk aan daai verhouding. Maar ons is maar naturally sulke mense. Ons is nie moeilike mense van geaardheid nie. En so het ons maar gehuur by die boere” (Translation: Because they have the resources. And we started working on that relationship. But we are naturally such people. We are not difficult people by nature. And so we rented from the farmers.) and “help met die oog om na die toekoms te kyk” (Translation: it helps with an eye on the future).

### **5.3.12 Category 12: Personal attributes**

A couple of personal attributes contributing to success of co-operative ventures were described during the group interviews. The notion of courage was expressed as follows by the Chamomile group: “farming is not for sissies” (quote was in English). It come to the fore in Ganzekraal in the following words:

“Advice and courage. Leadership don’t have those skills. We call those a failure, opportunist, in other words”.

Another personal attribute was the capacity for hard work and was expressed in the Klipfontein interview as:

“En ek het die ding begin doen en ‘n paar geldjies begin kry, dan moet jy maar hard werk” (Translation: And I started doing this thing and started getting a bit of money, then you must be willing to work hard).

Laziness as a reason for failure was expressed in the same interview as follows:

“Ek sou sê ons mense is baie lui. Lui, lui, lui, lui. Is seker omdat hulle verniet gekry het. Hy het mos nou nie gewerk daarvoor nie” (Translation: I will say our people are very lazy. Lazy, lazy, lazy. It is probably because they got for free. He did not work for it).

Honesty was a further personal attribute expressed as follows by the Ganzekraal interview: “Look at faithful management. And honesty...”

Openness, fairness and respect were highlighted by the Chamomile group as follows:

“Maar as jy op die kant sit van die lyn, speel jy ‘n rol, en jy gee vir die ou wat aan die ander kant sit wat vir hom toekom. Respek, jy respekteer hom. Jy probeer te verstaan waarvandaan hy kom, want jy kom ook daarvandaan (Translation: But if you sit on the one side of the line, you play a role, and you do not begrudge the guy on the other side what is his. Respect, you respect him. You try to understand where he is coming from, because you also come from the same place).

Personal commitment was another attribute, described as follows in the Chamomile interview, when reference was made to what a long-time farmer said to one of the members of Chamomile:

“Kyk hier, as jy wil boer, dan trek ek my hemp uit en ek sal dit vir jou gee, maar as jy nie wil boer nie, dan moet jy nie my tyd waste nie” (Translation: Look, if you want to farm, then I will take off my shirt and give it to you, but if you do not want to farm, then you must not waste my time).

Attributes of sacrifice and humility was also expressed by the Chamomile group, as follows: “En daai is ‘n ding wat ons in die besigheid ... we keep our feet on the ground (Translation: And that is a thing in our business...we keep our feet on the ground).

#### **5.4 THEME 2: WHAT NEEDS TO CHANGE TODAY OR HAMPERS EFFECTIVENESS**

In the group interview, this theme produced the following categories:

- Effective communication.
- The need for unity.
- Effective management and transparency.
- Shortage of resources.
- Lack of knowledge of farming.
- Lack of participation.
- Social justice versus a business.
- Personal accountability with particular reference to discipline and responsibility.

Each of these categories was further investigated, making use of the subcategories identified as well as direct quotes from the respondents.

#### **5.4.1 Category 1: Effective communication**

Effective communication, including written documentation, as a factor that can be improved for the overall benefit of a venture was expressed as follows by the: Agri Dwala group:

“Die groot deurbraak van dit is deeglikheid, om jou aansoek geweldig deeglik en A se administrasie is geweldig deeglik. Deeglikheid is sukses” (Translation: The great breakthrough of it is thoroughness, to ensure your application is extremely thorough, and A’s administration is extremely thorough).

The value of good communication for internal goodwill was also expressed as follows by the Agri Dwala respondents:

“Administrasie. Uitgawes, inkomstes. Baie goeie inligting van dit, skep vertroue in die hele Agri Dwala bedryf. So, as mens dit gemaklik vir hulle amper maandeliks kan uitlê, skep dit net amper meer vertroue” (Translation: Administration. Expenses. Income. Very good information of that. Creates trust in the whole Agri Dwala enterprise. So, if one can comfortably present it nearly every month, it only creates more trust).

#### **5.4.2 Category 2: The need for unity**

In some cases there currently is conflict, and the lack of unity come to the fore as something that needs to change. In the Klipfontein interview the damage it could cause was expressed as follows:

“Ek het een keer gehoor van ‘n rugbyspeler, destyds in die Transvaalse span gewees. Toe ons die Wêreldbeker daai tyd gewen het. Nou een van daai spelers het gesê: as hy uitvind een van sy medespelers is op die oefenveld negatief, dan gaan oefen hy.. dan skuif hy ‘n bietjie aan” (Translation: I once heard of a rugby player, who was in the former Transvaal team, when we won the World Cup that time. Now one of these players said that if he found out that one of his fellow players was negative on the practice field, he simply moved himself away from the player).

The resentment which a lack of unity could generate was described as follows in the Klipfontein group interview: “Ons het een keer ‘n ou hier by die plaas se hek gekry en hy vra vir my... hy nou as aandeelhouer.. hy staan hieronder by die hek en hy vra vir

my: hoe gaan dit op die plaas? Ek het hom nie eers geantwoord nie” (Translation: We once found this guy here at the farm’s gate and he asked me...him being one of the share-holders...he stood here at the bottom at the gate and he asked me: How are things going on the farm? I did not even answer him).

Similar notions were expressed by the Ganzekraal respondents: “You must have set things that would like most [sic], altogether that is unity... that is think what will be best for you. And then agree together that you must do this for you to succeed. Then you will succeed”.

### **5.4.3 Category 3: Effective management and transparency**

Another inhibiting factor for the success of a co-operative, as viewed by the respondents, was inexperience in farming. The Klipfontein respondents said the following:

“Hoeveel te meer het ons nie nog kundigheid nodig, as die ouens wat al lankal boer... om ook raad te kry van buite af nie” (Translation: How much more do we not need more expertise, than the guys that have been farming for a long time ... to also get advice from the outside).

Transparency in management was also described as an important matter up for change. The Ganzekraal interview expressed itself as follows on the issue:

“And transparent management who is efficient, transparently[sic]. And who must report to the trustees each and everything that goes right and wrong. Each and every decision that he wants to make must come to report to the trustees”.

On the other end of the scale of successful co-operatives, Agri Dwala concurred on its importance and described their practices as follows:

“So hulle het toegang tot die kantoor en toegang tot die budget, die begroting van besigheid” (Translation: In this way they have access to the office and access to the budget, the budget of the business).

The damaging pursuit of self-interest was mentioned as a factor that can hamper success. The Ganzekraal respondents recalled as follows:

“The manager was inexperienced, not understanding, and he was looking at his personal view ... personal interest”.

#### **5.4.4 Category 4: Shortage of resources**

A shortage of resources, to either expand or to turn around the economic activities of the co-operatives, was also described as a factor that could hold back success.

The availability of land to expand activities was mentioned as such a shortage. The following emerged from the Agri Dwala experience:

“Daar is beslis ‘n behoefte aan nog landbougrond. As jy kyk die 29 begunstigdes en die grond waarop ons boer sal ons graag wil uitbrei om elkeen in eie reg ‘n kommersiële boer te wees. In hierdie stadium is dit ‘n uitdaging, want landbougrond hier by ons is baie duur” (Translation: There is definitely a need for more agricultural land. If you look at the 29 beneficiaries and the land on which we are farming, we would really like to expand so that each one can become a commercial farmer in his/her own right. At this stage, it is a challenge, because agricultural land is very expensive here).

The availability of water was described as another such a shortage. The Ganzekraal group interview put it as follows:

“Guys, you cannot farm without water” and “Sometimes a lot of things need money on that farm. There is no water”.

A lack of “working capital” was also mentioned by the Ganzekraal respondents, as such being a shortage that is keeping them from turning the venture around. They also expressed a view in favour of recapitalisation support (in respect of recent funding made available by Government for land reform initiatives for recapitalisation):

“The money is important because we can’t do nothing without the money. We need to buy some equipment, we need to pay the employees. We need to build some infrastructure there at the farm, we need to buy medicine for the sheep”.

On the same issue the Chamomile group expressed themselves as follows:

“Ons nodig die recap” (Translation: We need the recapitalisation support).

#### **5.4.5 Category 5: Lack of knowledge of farming**

A lack of knowledge was described as another factor holding back a co-operative. During the Ganzekraal group interview it was expressed as follows: “We know nothing about the farm” and, when a specific question was asked about what Ganzekraal



needed, specific reference was made to “knowledge” and “research”. The views on the need for research were further described as follows:

“Research is to avoid coming wrong or taking the wrong path. Research is to do what we believe will make successful”.

The Ganzekraal group in a related matter described the need for information:

“The question was what do you know more of in regards to your business. Where can you access such information. Information about those things you need to know more about”.

The Klipfontein group expressed the need for expertise as follows:

“Oor die plaas sal ek sê basies alles het jy kundigheid nodig. Ek kan nie sê... want wat ek geleer het.. ek het 15 jaar op Robertson gewerk. Daar het ek geleer die voorman wat die werk kry, miskien vir grondvoorbereiding, hy moet ook gelei word deur iemand” (Translation: About the farm, I will say that you need expertise for basically everything. I cannot say...because what I learnt...I worked for 15 years in Robertson. There I learnt that the foreman that gets the job to do, maybe soil preparation, he must also be led/advised by someone).

#### **5.4.6 Category 6: Lack of participation**

Lack of participation by the members or shareholders was mentioned as another feature that will have to change if a co-operative wanted to be successful. The problem was linked to a venture not making a profit. The Klipfontein respondents described the phenomenon as follows:

“Maar ons moet iets staan maak wat die ou ‘n inkomste kan genereer. En as jy nie dit kan kry nie, gaan die ou dalk steeds net naweke kom werk” (Translation: But we will have to bring about something by which a guy can generate an income. And if you cannot get that, then the guy may still only come and work here over weekends).

#### **5.4.7 Category 7: A “social services” versus a “business” mind set**

Not having the right mind-set was another factor that could prevent progress, according to the respondents of the interviews. A business “mind-set” was described as what was needed. The Klipfontein interview put it as follows:

“Dan sit jy met 40 mense, 30 mense plus. En vir my is daar ‘n verskil van social services ontwikkeling en ‘n besigheid. Ja, ons mense moet hervorm word vir verbetering. Maar die kriterias om met mense met sulke goed in te kry, daar moet duidelike rolle uitgesit wees” (Translation: Then you sit with 40, 30 people plus. And to me there is a difference between social services development and a business. Yes, our people must be reformed for improvement, but as for the criteria to get people into things like this, clear roles must be set out).

A lack of government support or the state failing the people was described by some of the respondents. Chamomile respondents described it as follows:

“As hulle vir jou first-time met die hoenders kon gehelp het, reg gehelp het. Nie 500 hoenders en dan ‘n 1000 hoenders nie. Dan kan jy jou besigheid opgebou het. Maar hulle het vir jou bits and pieces gegee. Dit is wat hulle nou realise. Die bits and pieces help nie eintlik nie (Translation: if they had helped you properly the first time they helped you with poultry, not 500 chickens now and then a 1000, then one could have built up a proper business, but they gave you bits and pieces. That is what they realise now. The bits and pieces do not really help).

The Klipfontein group interview expressed itself in similar terms:

“Landbou is die een kant, Grondsake is die ander kant. En lyk my hulle werk verkeerde rigting, nie verkeerde rigting nie, ek wil dit regstel...in ander rigtings in. Asof die een nie weet wat die ander een doen nie” (Translation: Agriculture is on one side, Land Affairs is on the other side. And it seems to me that they are working in the wrong direction, not wrong direction, I want to correct that ... in different directions. As if the one does not know what the other one is doing).

However, the group interview of the Agri Dwala co-operative venture had a different view, as follows:

“Ek voel ons het baie meer gekry as wat ons verwagting was. So ons het nog nêrens aansoek gedoen waar ons nie reggekry het nie. Ek probeer nou dink, het ons êrens al aansoek gedoen vir ‘n projek of iets, waar ons moes terugstaan, stert tussen die bene en sê hulle wou ons nie help nie” (Translation: I feel that we got far more than expected. We have not applied anywhere where we did not manage. I am trying to think now whether we have ever applied for a project or something where we had to stand back tail between the legs and could say they did not want to help us).

Chamomile respondents concurred with the following additional remarks:

“Die Departement Landbou in die Wes-Kaap is jacked-up. Jy kry amptenare wat ‘n bietjie slap, orals maar, is. Maar basies, oor die algemeen is hulle jacked-up” (Translation: The Department of Agriculture in the Western Cape is jacked-up. You get officials that are a little slack, everywhere, really. But generally they are jacked-up).

#### **5.4.8 Category 8: Personal accountability with particular reference to discipline and responsibility**

During the interviews a lack of personal discipline, accountability and responsibility came up as further inhibiting factors as viewed by the respondents. The Klipfontein interview used terms like:

“Lui, lui, lui, lui. Is seker omdat hulle verniet gekry het” (Translation: Lazy, lazy, lazy. It is probably because they got for free).

In the Chamomile group interview reference was made to a “debt trap” that the respondents got themselves into.

### **5.5 THEME 3: WHAT THE VENTURE NEEDS IN ORDER TO GROW**

Under this theme, the following categories were identified:

- Physical resources.
- Training.
- Market-related information.
- Working capital.
- Research.
- Marketing material.
- Joint ventures/Strategic partnerships.
- Sound financial acumen and management.
- Constructive criticism, feedback and advice.
- The need for advisors.

These categories were further studied in tandem with the subcategories identified under each one of them and further supported with references from the interviews.

### **5.5.1 Category 1: Physical resources**

In the group interviews reference was made to more land being needed for a co-operative to be sustainable or alternatively less beneficiaries in relation to the amount of land. The Chamomile respondents expressed it as follows:

“B, B en sy vrou, hulle het twee kinders. B het hier gebly op die plaas. Hy het hier geown. Die plaas kon vir hom en sy twee kinders sustain het. Toe kom die staat en koop die plase as een, maar verhuur dit as twee. Onthou: dit is B en sy vrou en hul twee kinders. Nou verwag die staat ons moet ‘n koöperatief stig met sestien man moet nou survive uit daai grond. Nou daar is wat die fout is. Die boer verkoop die plaas. Die plaas was net genoeg vir hom en sy vrou en sy kinders. Dan sit die staat 40 beneficiaries op daai stuk grond (Translation: B, B and his wife, they have two children. B stayed here on the farm. He owned here. The farm could sustain him and his two children. Then the state came and bought it as one, but leased it as two. Remember, it is B and his wife and their two children. Now the state wants us to start a co-operative with sixteen men, who must survive from that piece of land. Now, there is where the fault lies. The farmer sells the farm. The farm was good enough for him and his wife and his children. Then the state puts 40 beneficiaries on that piece of land).

The respondents from Agri Dwala had the following to say on the matter:

Soos ek gesê het ‘n kommersiële boer moet tussen 500 en 1 000 hektaar boer. En hulle boer op hierdie stadium, eie grond, net 600 hektaar, wat hulle deur 15 deel. So hulle is een 15de te kort aan grond (Translation: As I have said, a commercial farmer must farm on between 500 and a 1 000 hectares. And at this stage they are farming on 600 hectares, own land, that they have to divide between 15. So they are one fifteenth short on land).

The Ganzekraal group interviewed raised the issue of a lack of water as a key physical resource required. They expressed it thus:

“Guys, you cannot farm without water” and “Sometimes a lot of things need money on that farm. There is no water”.

### **5.5.2 Category 2: Training**

Training was viewed as something the co-operatives needed in order to grow. The Klipfontein respondents expressed it as follows:

“Ons het kundigheid nodig. Anders gaan ons vir die volgende 20 jaar nog dieselfde bly. Dit is guaranteed” (Translation: We need expertise, otherwise we are going to stay the same for the next 20 years. It is guaranteed).

More specific training programmes was also referred to by respondents, for example the Chamomile group, as follows:

“Ek is nou besig met die bookkeeping op ‘n program, wat ek glo gaan die besigheid help as ek weet hoe om dit reg te doen” (Translation: I am now busy with bookkeeping on a programme, that I believe is going to help the business if I know how to do it correctly).

### **5.5.3 Category 3: Market-related information**

In the interview with the Agri Dwala group, reference was made to access to very detailed market-related information that was in place in order to help the co-operative grow:

“Kry die SMS’e oor die graanpryse op ‘n daaglikse basis” (Translation: Get the SMSs about the cereal prices on a daily basis).

### **5.5.4 Category 4: Working capital**

Repeated reference was made in the Ganzekraal group interview of the need for “working capital” (later explained as being meant as, *inter alia*, tractors and transport) and the need for “money” in order to secure growth.

The Klipfontein respondents expressed themselves as follows on the issue of money:

“Dit is te maklik. Government funding. Al werk dit of nie, ek het nie my eie geld gespandeer nie” (Translation: It is too easy. Government funding. Whether it works or not, I did not use my own money).

### **5.5.5 Category 5: Research**

Investment in growing knowledge emerged as a factor that can help co-operatives expand and grow. The Ganzekraal respondents referred to “research” a number of times, while the respondents from Klipfontein referred to “kundigheid” (Translation: expertise) a number of times.

### **5.5.6 Category 6: Marketing material**

The need for marketing and associated materials also came up, with the Ganzekraal group interview expressing itself thus:

“The other thing that you have to help with is marketing material, so that you can put your business awareness, so that people can now what kind of product you have. So that you are competing with your neighbour farmers”.

### **5.5.7 Category 7: Joint ventures/strategic partnerships**

The idea of a joint ventures and strategic partnerships with outside entities also came to the fore. Klipfontein referred to it as follows:

“... ‘n strategiese vennoot om vir ons te vat, hande... En deel van die ding moet wees dat ons opgelei word, sodat die dag as die vennoot bietjie uitwaarts skuiwe die kundigheid oorgedra is” (Translation: ...a strategic partner that we can take hands with...and part of it must be that we get trained, so that one day when the partner moves aside the knowledge was transferred).

Ganzekraal respondents also saw it as a way to grow:

“We want to make a joint venture with the other companies, like County Fair. We also want to raise chickens”.

### **5.5.8 Category 8: Sound financial acumen and management**

Other requirements for expansion and growth identified were sound management and financial acumen. The Chamomile respondents referred to it as part of being a “serious business”.

One of the Klipfontein respondents said

“Ek werk nie vir social services nie. Dit is ‘n besigheid” (Translation: I do not work for social services. This is a business).

Respondents also associated giving explicit roles to members of the co-operative venture as part of good management. The Klipfontein group interview expressed it as follows: “Persoonlik voel ek om iemand betrokke te kry, moet die ou ook weet waar hy op die plaas kom. Soos in nou: daar is nie ‘n plan nie. Maar as hy weet hy het ‘n klein besigheid wat hy moet kom diens, hy moet sy kweekhuis ... gaan hy sy werk gouer los.

As hy weet daar is 'n inkomste wat gegenerer word" (Translation: Personally, I feel that to get someone involved that someone must also know where he fits into the farm. Right now there is not a plan, but if he knows that he has a small business that he has to service, his greenhouse ... then he will leave his other job faster. If he knows that an income is generated), and "Ek dink wat party mans prevent om plaas toe te kom, is ek moet met 'n doel ... ek wil nie kom rondkrap op die plaas nie. Daar moet 'n doel wees om plaas toe kom" (Translation: I think what prevents a lot of men to come to the farm is, I must come with a purpose ... I do not want to come and scratch in the soil. There must be a purpose to coming to the farm).

The Klipfontein respondents also expressed a need for a completely new assessment of where they are as a business:

"Ek dink ons moet net van square one af begin. Dalk ons trust-akte wat tot hede meer ... ons trust-akte is al oud al" (Translation: I think we must start at square one. Maybe our Trust agreement ... Our Trust agreement is already old). This was also linked to the idea of a business plan: "As ons daai assessment kan kry van ouens wat ons kan help en dan obviously 'n besigheidsplan" (Translation: If we can get that assessment done by guys that can help us, and then obviously a business plan).

Prioritising, reprioritising and making choices were identified by respondents to be a basis of good management needed for further expansion: The Ganzekraal group highlighted it as follows:

"As David said, we must have a round-table, check our weak points, where we didn't do right and where we must pull our socks to make this business successful. And just to allow yourself to be criticised so that you can grow".

#### **5.5.9 Category 9: Constructive criticism, feedback and advice**

In particularly the Ganzekraal group interview the idea of constructive criticism, feedback and advice emerged as an aspect important for the growth of the venture:

"As David said, we must have a round-table, check our weak points, where we didn't do right and where we must pull our socks to make this business successful. And just to allow yourself to be criticised so that you can grow".

### **5.5.10 Category 10: The need for advisors**

During the interviews the need for outside advisors was also expressed as a possible way to help growth. According to the Ganzekraal respondents government could help as an advisor:

“Wherever that we can get help. DTI. Wherever that we know those people can help us when we are trying”.

This need for advisors, especially in the technical sense, was also expressed by the Klipfontein respondents:

“So by die tonnels ook dat daar tegniese adviseur ook is wat kan raad gee waar goed verkeerd loop. Wat my hand kan vat. Dit is wat ek kan sê” (Translation: Also at the tunnels, so that there can also be a technical advisor that can give advice where things go wrong. That can take my hand. That is what I can say).

## **5.6 THEME 4: THE IMPORTANCE OF OBJECTIVES**

Under this theme, the following categories were identified:

- Business objectives.
- Customer satisfaction.
- Personal objectives.

Each of these was discussed making use of the subcategories identified in relation to them and further substantiated with quotes from the focus group interviews.

### **5.6.1 Category 1: Business objectives**

The concept of having clear objectives also arose out of the group interviews. In terms of business objectives the following was said in the Agri Dwala group:

“As ek nou sommer kan sê wat ons visie is, is dit om ‘n toonaangewende landboubesigheid in die Overberg te wees” (Translation: If I can just say what our vision is, it is to be the pace-setting agricultural business in the Overberg), and “...en ervaring op te bou sodat hulle so op kommersiële skaal kan boer op die ou end. Dit is waarnatoe ons werk (Translation: ... to develop experience so that they can farm on a commercial scale in the end. That is what we are working towards).



The Klipfontein interview came up with the following comment in terms of business objectives:

“Dit is om ons members te formeer – is dit die regte woord – te transform in besigheidsmanne en -vrouens. Hetsy in hul kleiner besighede wat ons wil doen en tesame in die groter besigheid dat hulle dit ook verstaan die groter game – hoe werk dit”. (Translation: It is to form our members – is that the right expression- to transform them into business men and women. Whether doing what we want to do in their smaller ventures or together in the bigger business, that they understand the bigger game – how it works.

Business objectives were expressed by the Ganzekraal respondents as follows:

“It is to make profit”.

The Chamomile respondents saw it as follows:

“So die goal van die besigheid is: to create jobs, to expand the business, to broaden the scope of the work. Ons wil op ‘n latere stadium kyk of ons ‘n value-added ding kan doen, soos die packaging” (Translation: So the goal of the business is: To create jobs, to expand the business, to broaden the scope of the work. We want to see at a later stage if we can do a value-added thing, such as packaging).

### **5.6.2 Category 2: Customer satisfaction**

The idea of having objectives specifically related to customers or clients came up in the interviews too.

The Ganzekraal group interview referred to it as follows:

“To make the clients happy” and “To have enough stock for your client”.

In the Chamomile interview its importance was stated as follows:

“...en as ons nie die produk het nie, dan koop hy hom in teen ‘n prys en dan verkoop hy hom weer aan die hawkers” (Translation: ... and if we do not have the product then he buys it in at a price and sells it again to the hawkers).

### 5.6.3 Category 3: Personal objectives

Personal objectives also came to the fore, in addition to business and customer-focused objectives. The idea of better opportunities for the next generation was brought out in the Chamomile group interview:

“En hulle moet mekaar gaan visit omdat hulle verlang na mekaar nie omdat hulle makeer geld of iets nie” (Translation: And they must go and visit one another because they miss one another not because they need money or something).

In the Agri Dwala interview the idea of investing in the next generation was expressed as follows:

“En ek doen dit vir my kind” (Translation: And I do it for my child).

Personal objectives were also related to the idea of hard work and productivity. In the Agri Dwala interview it was simply stated as follows:

“En die ou wat nie werk nie, kry net nie die geld nie” (Translation: And the guy that does not work, simply does not get the money).

The picture of increased self-worth was also sketched by respondents. In the Agri Dwala group it was stated as follows:

“Vir my is dit om te sien hoe daar groei in menswaardigheid onder almal en ek sal graag wil sien dat iewers van hulle rêrig kommersiële boere is wat op hulle eie voete staan. Ek groei self in menswaardigheid saam met hulle” (Translation: To me it is about seeing how there is development in human dignity in everyone and I really want to see that somewhere some of them really become commercial farmers that can stand on their own feet), and “... te sien hoe hulle dit vat en die geleenthede gebruik om ver bo wat my verwagting was uit te styg en hul potensiaal besig is om te ontsluit (Translation: ... to see how they take it and use the opportunities to rise far above what my expectations were of them and to see the potential that is busy emerging).

Material objectives or dreams were also expressed in the Agri Dwala interview as part of the personal objectives:

“Ek wil graag my eie grond besit, my eie besigheid te besit, my diere en my grond, saaiery. Dit was my grootste doelwit” (Translation: I really want to own my own land, to

own my own business, my own animals and land, my own cereal business. That was my biggest objective).

In the Chamomile interview the idea of a learning organisation was also expressed:

“En daai is fundamental in die besigheid. Somtyds is dit onplesierig. Somtyds is die lewe nice. You know what, as you go along, you can see how the business grows and at the same time groei ons ook” (Translation: And that is fundamental in the business. Sometimes it is unpleasant. Sometimes life is nice. You know what, as you go along. You can see how the business grows and at the same time we also grow).

## **5.7 CONCLUSION**

A very rich set of themes, categories and subcategories emerged from the group interview, which were further developed and refined in the paper to achieve the research objectives. While some of the references have to be understood in terms of the idiosyncrasies and cultural context of some of the speakers, a reasonably sound task was done to connect it to its intended message. It is also important to note that sometimes the same quotation might refer to more than one category, theme or subcategory, but this study took the approach that it should rather be repeated than left out. The possibility of real qualitative depth for the analysis phase of the paper was created.

## CHAPTER 6: INTERPRETATION OF FINDINGS

### 6.1 INTRODUCTION

At this stage of the research, it was important to situate the discussion in the context of the overall purpose of the study.

The research problem, in essence, was the following: What conditions (success factors) are needed to be in place for a community-based co-operative to be a suitable entrepreneurial (start-up) blue print for emerging farmers, *inter alia* using lessons gleaned from share equity schemes? Of specific interest for this research were land reform initiatives for new entrants to the agricultural sector.

The research aim of the paper was to investigate and describe the success factors applicable to co-operative ventures in a land reform context. In this way, this study attempted to extend entrepreneurial theory to theoretical thinking on co-operatives and thereby enriching it.

The research had four research objectives, summarised as follows:

- To explore and describe the key enabling elements, external to itself, that helps a community-based co-operative in the land reform context to connect its products to the market place.
- To explore and describe the key sources of knowledge that helps a community-based co-operative in the land reform context to succeed.
- To explore and describe the key elements of entrepreneurial leadership applicable to community-based co-operatives in a land reform context in order for them to succeed.
- To explore and describe the on-going engagement of members in community-based co-operatives in a land reform context inasmuch as it is applicable for them to succeed.

The analysis of the research findings took the following form:

Firstly it was calibrated with the literature-base of this study. A literature control (or a comparison of the findings) was done with the literature used for this research, also making use of the observational notes of the researcher. This discussion was done by making use of the structure of the findings, a structure based on themes and categories

of themes as outlined in the Chapter 5. The intent was to inform and validate the observations of the researcher.

Secondly, the findings were related to the research objectives of this research. It was done by organising the literature control on the basis of the four research objectives. This was intended to align themes and categories, often applicable to more than one research objective, to its proper context in the discussion, rather than trying to discuss it all at once.

Thirdly, a descriptive summary was written in the context of each of the research objectives after the literature control was completed. This was also linked back to the land reform context to bring the discussion back to the research aim of the paper.

## **6.2 THE KEY EXTERNAL ENABLING ELEMENTS**

### **6.2.1 Literature control discussion**

With this research objective, the findings touched on a number of levels. Under the theme of “contributors to success” in the findings the following categories were found to relate to the research objective:

- Accommodating (external) role-players.
- “Being a legitimate business”.
- Identifying a niche market.
- Access to support.

The accommodation of external role-players in the case of the Agri Dwala co-operative scheme included the involvement of a large, local, established co-operative agri-business that acted as an external enabling factor when Agri Dwala first started out as a venture. As Satgar (2007, p. 5) points out, the use of prior experience can strengthen the chances of the co-operative being successful and this was borne out by the findings. External role-players helping Agri Dwala to get off the ground included the local municipality, who made available land for the initial farming operation. This research has made the point earlier that, although South Africa is defined as an efficiency-driven economy (Herrington & Turton, 2012, p. 15), the land reform context in South Africa may resemble a factor-driven economic setting. In the case of Agri Dwala the role of enabling local institutions, in this case a supportive local government, to provide the type of institutional back-drop required for success in factor-driven economies (Herrington & Turton, 2012, p.6) helped the co-operative’s transition to

commercial- scale farming in an efficiency-driven setting - a significant institutional change.

In the Chamomile focus group, the importance of “being a legitimate business” was mentioned by one of the respondents as an important step towards accessing institutional benefits, such as workman compensation, and can be, as Atuahene (2011) pointed out, a critical external enabler for managing one’s business sustainably. It was mentioned as a point of pride and as the difference between a “project” and a “serious business”. This also ties in with the need for enabling institutional arrangements (Herrington & Turton, 2012, p.16) to take the step up towards a successful commercial venture from small-scale agriculture (a factor-driven economic setting). Sharma and Wadhawan, (2009, p.7), furthermore refers to such a typical change in management principles and practices as a feature of growing entrepreneurial ventures.

A category that stood out under this theme was the importance of having access to niche markets to move beyond the start-up phase as a co-operative venture. This was expressed with particular pride by the Chamomile respondents as an inherited skill enabling this co-operative venture. It ties in with Ligthelm’s (2011, p.14) observations about access to specific markets as an independent exogenous variable impacting on the success of a new enterprise.

A related category under this theme was described during the Ganzekraal focus group interview as “...being aware of a client’s needs”. This ties in well with the above and links with insights by Amanor-Boadu *et al.* (2004, p. 1322) about the need for an enterprise to be able to assess a customer base to enable it to develop.

The category of “access to support” (understood by most respondents as resources from Government) was observed to evoke quite some emotion in some of the focus groups. In the Chamomile focus group interview, strong views were expressed about government support (understood as physical and financial support) being fragmented and insufficient. Some irritation was observed in the Klipfontein focus group interview with the mind-set surrounding the provision of physical government resources, but help (expressed as support with knowledge and expertise) nevertheless seen as needed. Institutional support from government, as valued by Atuahene (2011), was seen as a necessary enabler.

The theme relating to factors in the co-operative schemes that hamper effectiveness or that must change was also linked to this research objective. The following categories were relevant:

- A shortage of resources.
- A “social services” mind-set versus a “business” mind-set.

During the focus group discussions, one of the categories under this theme was described as a “shortage of resources”. Specific mention was made of access to water as a constraint by the Ganzekraal respondents, while the Agri Dwala focus group interview expressed a need for more land to stay successful. The Chamomile respondents’ views varied throughout the discussion, but an emphatic comment was made that the co-operative scheme needed access to recapitalisation funding and consolidated tenure on their land. A clear difference between the different groups was the way the Agri Dwala focus group approached the management of resources. They expressed their need for land not as a generalised, vague comment, but as very specific enabler required to fuel their expansion within an existing plan. In the literature, such management of space and natural resources was regarded by Clark (2009, p. 218) as an important enterprise characteristic, and an enabling environment in Agri Dwala’s past was provided in this regard.

A category described by some respondents was a need by land reform beneficiaries to change their mind-set. Particularly in the Klipfontein focus group interview a strong sentiment was observed that the mind-set must change from a “social services” attitude (mind-set of dependency) to that of people running a real business. Again this can be related to the notion of Sharma and Wadhawan, (2009, p. 7) that management principles and practices change as a feature of growing entrepreneurial ventures. In the minds of some of the respondents this could be forthcoming out of the external environment.

This research objective resonated with the following categories under the third theme, “What the venture needs to grow”:

- Physical resources.
- Research.
- Sound financial acumen and management.
- Need for advisors.

The category of accessing physical resources being required for growth came up again. The Agri Dwala discussion of this category was observed to be different from the other focus group discussions. They have, as Mcelwee (2006, p. 187) argues being a prerequisite for a successful venture, changed production volumes, improved

specialisation and diversification, expanded their resource base to non-agricultural purposes and tentatively started forward and backward integration in the applicable value chain (Mcelwee, 2006, p. 187). The researcher observed that in the Agri Dwala focus group the need for resources were not expressed as a vaguely defined “want” from their external environment, but was in fact a clearly defined asset as part of a growth plan. They also accessed resources from their external environment on this basis.

“Research” and “expertise” were notions that emerged as a category under this theme. The Ganzekraal focus group referred to “research” repeatedly and emphatically when asked what they required from their environment in order to be successful. The Klipfontein respondents referred to “expertise” as a missing enabling element in their venture. In this regard, the literature (Ramana *et al.*, 2009, pp. 114 - 115) refers to “Industry Smarts” and Flecha and Santa Cruz (2011, p. 160-162) describes how technical expertise and innovation can be nurtured and, arguably, the institutional framework in agriculture could fulfil that need.

Sound financial acumen and management was a category where especially the Klipfontein group expressed it as a type of assistance they require, and Chamomile as an embedded skill they are actively pursuing as an enabler. Ligthelm (2011, pp. 11 - 13) regards this as a feature of a number of “endogenous independent variables” and “entrepreneurial variables” that new ventures needs to enable growth.

The Klipfontein and Ganzekraal focus groups identified a need for advisors as another category under this theme. The Klipfontein respondents and the Ganzekraal respondents expressed a need for help with a comprehensive assessment and business plan in order for them to turn around their co-operative venture. The researcher considered this in the observational notes as a cry for some type of help possibly initiated by Government. Golovina and Nilsson (2011, p. 59) specifically makes reference of the possibility of initial top-down approaches by government in initiating co-operative ventures that might have bearing on the situation of these respondents. Outside advisers were also seen as neighbouring farmers and, again, linked with Satgar’s point about leveraging existing expertise in the co-operative movement (2007, p. 5).



### 6.2.2 Summary description

This section was concerned with exploring and describing the key enabling elements, external to itself that helps a community-based co-operative in the land reform context to connect its products to the market place.

Three key observations were made by the researcher in respect of this research objective. This was based on insights gleaned from the above literature control and observation notes of the focus group interviews. They were as follows:

Firstly, the researcher found that, outside of the co-operative venture, an enabling institutional framework supporting land reform does exist that could be accessed by the respondents. Much as justified criticism was expressed of different forms of government support, it was observed by the researcher that the successful co-operative ventures were better than the non-successful ones in order to access and align both external and internal role-players (including Government) as resources. To borrow from Nieman's (2009) definition of entrepreneurship, one can say that entrepreneurship "...has to do with bringing about a different use of national resources in that they are withdrawn from their traditional employ and subjected to new combinations". This extends to aligning the resources of external role-players, accessing of support and using advisors to new combinations in pursuit of the co-operative venture's goals. It underlined Drucker's (1985) insight that entrepreneurship can be embedded in a venture and is a key in making use of resources in the South African land reform context.

Secondly, this research found that the idea of access to physical, knowledge-based or financial resources was to a large extent determined by what the problem was that the co-operative intended to solve. If the objective was the turnaround of the business then the resources tended to be a wish-list of sorts with possibly external support being confused with actual internal leadership, institutions and practices. In the case of the successful ventures, where the objective was expansion and diversification, it was immediately apparent exactly what the respondents wanted and what they wanted to do with it. This reflects a qualitative difference between ventures that successfully navigated the start-up phase of the venture. Paradoxically, the co-operative schemes that could achieve the most with help needed it the least.

Thirdly, while an external enabling environment was observed to exist for those who knew how to make use of it (in either a factor-driven or efficiency-driven environment), the researcher did not get the impression that a co-ordinated capacity existed outside

of the co-operative ventures themselves to support co-operative ventures, specifically in respect of land reform initiatives. The evidence rather suggested fragmented institutional support, limited funds, a lack of entrepreneurial insight and possibly confused objectives. Different government departments in different spheres of government were also involved in the same setting.

## **6.3 KEY SOURCES OF KNOWLEDGE**

### **6.3.1 Literature control discussion**

The research objective to explore and describe the key sources of knowledge (that helps a community-based co-operative in the land reform context to succeed) could also be related to themes identified in the focus group interviews.

In respect of the theme, namely contributors to success, the following categories were related to this research objective:

- Thorough planning and management.
- Identifying a niche market.
- “Being aware of a client’s needs”.

The notion of thorough planning and management being a key source for establishing the knowledge making the co-operative venture a success was repeatedly mentioned in the Klipfontein focus group interview. It fits in well with the literature review (Ligthelm, 2011, p.13) as an important starting point for a new business.

The category of having a niche market as an important enabler for a community-based co-operative was mentioned under the previous objective, but to have key sources of knowledge in that regard is clearly important for success. The Chamomile respondents in particular prided themselves in this knowledge. The Chamomile respondents’ description can be linked to what Ramana *et al.* (2009, pp.114 - 115) calls the “impact of personal selling” and the continuous feedback between the producer and the client.

Similarly, in a slightly different category, the Ganzekraal respondents indicated that “being aware of clients’ needs” was important for their future success (this category was more in the sense of having to do a prior study than leveraging an existing relationship). In this regard, Amanor-Boadu *et al.* (2004, p. 1322) refers to the ability to assess a customer base as well as “internal capability” in that regard as a key source of knowledge. In the case of the Ganzekraal co-operative scheme, it was clear that such a capability will have to developed and actively created.

The second theme, “what needs to change today or hampers effectiveness” related to the research objective in one category identified under this theme. This category was a “lack of knowledge of farming”. In the literature Flecha and Santa Cruz refers to the co-operative giant, Mondragon, actively nurturing the required knowledge as a key factor for their success as a co-operative venture. A parallel was found during the interview with Agri Dwala in how they acquired and developed farming knowledge in its venture.

The third theme, “what the venture needs in order to grow” had the following categories that related to this particular research objective:

- Need for advisors.
- Training.
- Market related information.
- Marketing material.
- Joint ventures/Strategic partnerships.

The “need for advisors” was expressed by both the Klipfontein and Ganzekraal respondents in the context of this objective as well. Both focus groups acknowledged a dearth of expertise within their co-operative ventures and saw outside advisors as key factors for getting the knowledge for sustained success. A similar problem was described by Fast (1999, p. 5), where a lack of capacity of beneficiaries to fully participate in financial and management decisions affected them, especially in the context of relative power relations. Advisors can be a means of addressing that.

Similarly, the category of training could be related to this research objective. The Chamomile respondents, in particular, according to the researcher’s observational notes demonstrated an appreciation of the importance of financial management systems as a key source of knowledge and expressed a distinct desire to receive training in this regard. In the literature, Shiralashetti (2011) comprehensively demonstrated the importance of such financial systems.

Another category dealing with the idea of an external transfer of knowledge to the co-operative venture was the idea of joint ventures or strategic partnerships. The Ganzekraal focus group interview expressed support for this on a number of occasions, while it was also mentioned during the Klipfontein focus group interview. Clark (2009, p. 218) expressed support for such new forms of governance, while it could be argued that the success of the Agri Dwala co-operative scheme was based on exactly that.

The importance of market-related information as a key source of knowledge emerged in the focus group interviews from two different ends of the scales of success. The Agri Dwala co-operative scheme had an on-going service connecting it to market information in real-time. The Ganzekraal respondents referred to it as relevant to turning their scheme around. In the literature, Clark (2009, p. 218) described a key enterprise characteristic for successful ventures as the adoption of a new market orientation.

This research objective also dovetailed with the respondents' theme of "the importance of objectives". The following categories had bearing on developing key sources of knowledge to make the schemes work:

- Business objectives.
- Customer satisfaction related objectives.

Each focus group expressed business objectives, if somewhat different in range and complexity. Agri Dwala respondents expressed a desire to be a leading agri-business venture in their part of the Western Cape; the Chamomile focus group expressed their objectives in terms of re-investing in the people and expansion of the business; the Klipfontein respondents spoke in terms of transforming the business and its people into a true commercial venture; and, the Ganzekraal focus group simply expressed the notion of making a profit. Dameron and Joffre (2007, pp. 2037 - 2040) underlined the importance of shared objectives and alignment of objectives for the success of co-operative ventures. Each of these objectives is not only important in that it informs what needs to be done with knowledge, but also informs what knowledge needs to be sought in the first place.

In the category of customer satisfaction related objectives for the co-operative schemes, the respondents from Ganzekraal expressed a view that they needed to find and develop a client base and had some clear ideas in this regard. A respondent from Chamomile described the extent to which their co-operative venture will go to keep clients – including buying in stock if they do not have it. In the literature, Amanor-Boadu *et al.* (2004, p. 1322) referred to a market-based assessment of customers, competitive advantage and competition, all of which relating to these views. In this regard customer satisfaction objectives both inform what knowledge should be sought and also provides a key source of knowledge in itself – the customer.

### 6.3.2 Summary description

The following key observations were made in respect of this research objective: “To explore and describe the key sources of knowledge that helps a community-based co-operative in the land reform context to succeed”:

Firstly, in the land reform context that was observed, a key source of knowledge was found in the manner in which the co-operative venture structured itself and institutionalised the search for knowledge. Flecha and Santa Cruz (2011) described in their analysis of the Mondragon co-operative conglomerate how technical, scientific and management expertise is nurtured and even insulated within a co-operative scheme. Knowledge is therefore generated and applied towards business objectives. In the case of Agri Dwala, expertise was similarly acquired, kept and transferred within an institutional framework that ensured its relative permanence. Again, the business model itself relates to sources of knowledge, as well as its useful application.

Secondly, the extent to which the market and customers were regarded as a key source of knowledge was observed in these focus groups as a key difference between successful and unsuccessful ventures. Market information was prized and customer relationships prioritised in successful co-operative ventures. Unsuccessful ventures did not seem to really know where to start, which suggested to the researcher a disconnection with a key source of knowledge.

Thirdly, basic administration, information and financial systems were prized by the successful ventures and further skills actively sought. These systems were seen as having important sources of knowledge.

Fourthly, Government institutions were seen as key sources of knowledge, ranging from information about the institutional framework to access to training and basic management skills. This was observed to be true of all respondents, although the actual knowledge sought differed.

Lastly, other ventures were seen as sources of knowledge, whether as outside advisors or as potential partners that could transfer knowledge. Again this was noted by the researcher as being a view of all respondents, although the expectation and reasoning in terms of what was expected differed.

## 6.4 KEY ELEMENTS OF ENTREPRENEURIAL LEADERSHIP

### 6.4.1 Literature control discussion

The theme of “contributors to success” related to the objective of exploring and describing the key elements of entrepreneurial leadership in the following categories:

- Accommodation of role-players.
- Exposure to other business opportunities and creating opportunities through optimal usage of assets.
- Participating on a commercial scale.
- The importance of capacity.
- Thorough planning and management.
- Being aware of a client’s needs.
- Re-investment of profits back into the business.
- Identifying a niche market.
- Personal attributes.

In the category of the accommodation of role-players, a key aspect of entrepreneurial leadership was the ability to create backward and forward integration down the value chain (Mcelwee, 2006, p. 187) – also applicable to co-operative schemes. The Agri Dwala focus group, according to the observational notes by the researcher, made use of alliances down the value chain, for example the negotiation of production credit at the local (established and large-scale) agricultural co-operative and land from the local municipality at different ends of a value chain.

A category that was also described by the respondents was that of exposure to other business opportunities and creating opportunities through the optimal usage of assets. The Klipfontein respondents spoke at length about the possibility of using their farm to attract a diversity of small enterprises to the site with a large-scale anchoring activity to back it up. The Chamomile focus group referred to the importance of mixed farming to maintain cash flow and diversifying opportunities. Weideman (2011), in describing the successes of the Maluleke community, underlines the benefits of such a varied use of assets as a form of entrepreneurial leadership.

The category of “expansion towards the capacity to participate on a commercial scale” was strongly supported in all the focus groups. The Klipfontein respondents in particular have shown strong support for this notion as of a defining nature for their co-

operative scheme. Sharma and Wadhawan (2009, p. 7) refers to a similar change in the nature of a business as a feature of entrepreneurial robustness.

The concept of “capacity” emerged during the focus group interviews as a category of this theme. In the case of Agri Dwala, expertise and knowledge were institutionally entrenched in the structure of its co-operative scheme with an operating arm and a property arm. In the literature, Flecha and Santa Cruz (2011, p. 160) refers to the same approach in the co-operative, Mondragon, evoking Drucker’s (1985) concept of it being possible to embed entrepreneurial leadership in an organisation.

The category of “thorough planning and management” featured in relation to entrepreneurial leadership during the interviews. The Klipfontein respondents regarded it as a key reason for failure in the past and a requirement to turn around the scheme in the future. This corresponds to Ligthelm’s (2011, p. 13) description of key “entrepreneurial” variables for a venture.

The category of “being aware of a client’s needs”, as a feature of entrepreneurial leadership, again feature in relation to this research objective. The Ganzekraal respondents seemed (according to the observational record) quite taken with this point and regarded it as key for their future. Amanor-Boadu, *et al.* (2004, p. 1322) describes an ability to assess one’s customer base or clients in the same vein.

The category of re-investing one’s profits back into the business figured strongly with Chamomile respondents and was also picked up during the Agri Dwala focus group. In the literature, Flecha and Santa Cruz (2011) point out the same priority in Mondragon as a reason for their entrepreneurial success.

The category “identifying a niche market” was also applicable to this research objective. The Chamomile respondents referred to a history of identifying such niche markets for their co-operative scheme. It shows the importance of such markets as a key step in building ventures up and how a strong culture of developing such markets reflects entrepreneurial leadership. In the literature Ligthelm (2011, p. 13) described it in terms of an entrepreneur being willing to give easy consideration to venturing into a new niche market.

The “personal attributes” required in a co-operative venture, as a contributor to success, was identified by the respondents as a category. A Klipfontein respondent expressed a belief in a strong work ethic as a required personal attribute. The Ganzekraal focus group stressed the personal attributes of honesty and transparency,

while the Chamomile respondents stressed the value of reciprocal respect. In the literature this can be found, *inter alia*, in the insights of Golovina and Nilsson (2011, pp. 59 - 60) in respect of the attitudes of members of successful co-operative ventures and, in this context, with it also being associated with entrepreneurial leadership.

The second theme, “What needs to change today or hampers effectiveness”, had the following categories that related to this research objective:

- Effective communication.
- Lack of knowledge of farming.
- A “social services” vs. a “business” mind-set.
- Personal accountability with particular reference to discipline and responsibility.

The value of effective communication was emphasised in the Agri Dwala focus group interview as a key feature of entrepreneurial leadership. According to the respondents, it was a key part for accessing outside help as well as for solid internal good practice. This is paralleled in the literature by Fast (1999, p. 6), who emphasised good communication between various stakeholders as a way of ensuring that a co-operative venture compares well with other enterprises.

In the category of a “social services” versus a “business” mind-set, resonance was also found with the research objective. In the observational notes of the researcher a note was made of the emphatic manner in which the importance of this was stated by one of the respondents. The Agri Dwala respondents emphasised the importance of this, while the Ganzekraal respondents also expressed a desire to move towards such a mind-set. In the literature, a parallel was found in the entrepreneurial variables that Ligthelm (2011, p. 13) described as important leadership characteristics for a venture. Phayane (2006, p. 53) pointed to the disadvantages of a lack of exposure to a business mind-set.

A category, “personal accountability with particular reference to discipline and responsibility”, can be related to this research objective in that these qualities are important for entrepreneurial success. The Klipfontein respondents in particular emphasised these values as well. The literature also provides evidence of these values being important, with Dameron and Joffre (2007, pp. 2037 -2040) stressing the importance of “purpose” and “commitment” as important for success.

The third theme, “What a venture needs to grow” could be related to this research objective through the following categories:



- Market related information.
- Research.
- Sound financial acumen and management.

Market-related information is important for a co-operative venture to develop a market orientation. Such an orientation is important for entrepreneurial success, as pointed out by Clark (2009, p. 218). Agri Dwala respondents displayed a highly developed market orientation, with a continuous pipeline of market information being electronically provided, and one respondent clearly leading in that regard.

The “research” category under this theme was also relevant to the research objective. Flecha and Santa Cruz (2011, p. 160) in their analysis of the Basque co-operative giant, Mondragon, goes to some length to describe how research and innovation are nurtured within their organisation as part of embedding entrepreneurial leadership within the co-operative. The Ganzekraal focus group interview specifically stressed the need for research as a success factor, and the Klipfontein respondents gave detailed reasoning as to why expertise is needed.

The category “sound financial acumen and management” also provides a link with the literature on entrepreneurial leadership. In the case of the Chamomile respondents it was expressed as a clear, direct need while both the Klipfontein and the Ganzekraal focus groups regarded it as an area for improvement. Ligthelm (2011, pp.11-14) and Shiralashetti (2011) both highlighted this category as important entrepreneurial capabilities.

The following categories under the theme of “The importance of objectives” could be related back to this research objective:

- Business objectives (Agri Dwala, Ganzekraal, Klipfontein, Chamomile).
- Customer satisfaction (Ganzekraal, Chamomile).

The category of “business objectives” came up in literature with *inter alia* both Dameron and Joffre, (2007, p. 2040) and Ligthelm (2011, pp. 11 - 14) touching on it in some form or another. Agri Dwala respondents had objectives based on competing on commercial scale; the Klipfontein focus group on transformation into a real business; Chamomile respondents expressed themselves in terms of diversification and the Ganzekraal focus group emphasised becoming profitable. The quality of entrepreneurial leadership was also reflected in the quality of these objectives.

In the literature, the category of “customer satisfaction” based objectives, in the context of this research objective, can be related to, *inter alia*, Ramana *et al.* (2009, pp. 114 - 115) and their contribution to the impact of personal selling. The Chamomile respondents indicated that they will go to the extent of buying stock to maintain a client base, while the Ganzekraal focus group considered it a key attribute for them to cultivate. Again, the quality of objectives seemed to correspond to the quality of entrepreneurial objectives.

#### **6.4.2 Summary description**

To “... explore and describe the key elements of entrepreneurial leadership applicable to community-based co-operatives in a land reform context...” was the objective of this discussion. This section contained an extremely varied field to observe, since virtually anything can be related to entrepreneurial leadership. However, that in itself contained an observation that entrepreneurial leadership in the South African land reform context, and within a co-operative setting, implied the ability to incorporate widely disparate fields into effective and purposeful systems. Again, Nieman’s (2009) definition of entrepreneurship was amplified in the mind of the researcher. Nevertheless the following observations were noted:

Firstly, entrepreneurial leadership, as observed in the focus groups, was not substitutable and represented a foundational characteristic of all the successful ventures. Its absence was obvious in the case of the unsuccessful schemes. Given what was described by the respondents as the flaws of outside institutional support, co-operative ventures in the mind of the researcher were even more reliant on their own embedded characteristics than originally thought.

Secondly, entrepreneurial leadership can have diverse sources within a co-operative venture. The achievement of commercial scale and optimal usage of assets in itself create opportunities for entrepreneurial leadership to emerge. A good example is the diversification into catering and hospitality services in the Agri Dwala co-operative scheme that became possible due to an asset base and an increasingly confident setting. It was observed to be a case of “success breeding success”.

Thirdly, solid administration and internal systems were observed to be key differentiators between successful and unsuccessful co-operative schemes. This was particularly important in terms of financial management, such as the re-investment of profits back into the co-operative scheme.

Fourthly, an enabling environment for entrepreneurial leadership was also observed to be connected to the internal institutional arrangements. By separating ownership and management Agri Dwala could insulate the technical, financial and management components of the business from possibly debilitating pressures and qualitatively internally select entrepreneurial leadership and support it. This, albeit on a smaller scale, again mirrors one of the success factors of the Mondragon co-operative conglomerate.

## **6.5 ON-GOING ENGAGEMENT OF MEMBERS**

### **6.5.1 Literature control discussion**

Each theme was also found to have categories that could be linked to the research objective, “to explore and describe the on-going engagement of members in community- based co-operatives in a land reform context inasmuch as it is applicable for them to succeed”.

Under the theme, “contributors to success” the following categories applied to this research objective:

- Inclusivity and team work.
- Personal attributes

The Chamomile respondents, in particular, described details of a frank, inclusive culture of making decisions and dealing with conflict. Dameron and Joffre (2007, pp. 2037-2040) described a number of levels of co-operation required within a co-operative venture to be successful, which relates to the dynamics of the members of the focus groups that were studied.

In respect of the category of “personal attributes” the information provided by the respondents and the researcher’s observational notes, showed that the values of respect (the Chamomile respondents), transparency (the Ganzekraal respondents), and hard work (the Klipfontein respondents) were identified. In the literature, Golovina and Nilsson (2011, pp. 59 - 60) demonstrated a number of members’ attitudes that can be related back to these findings and have a positive, self-reinforcing effect on membership engagement.

The theme, “what needs to change today or hampers effectiveness”, had a number of categories that could be related back to on-going membership engagement. These were:

- Effective communication.
- The need for unity.
- Effective management and transparency.
- Lack of participation
- A “social services” versus a “business” mind-set.

The Agri Dwala focus group strongly underlined the importance of effective communication as a mechanism to build trust and co-operation. Given that Agri Dwala is a co-operative share equity scheme, it can be directly compared to the criticisms of Fast (1999, pp. 3-8) and Phayane (2006, pp. 52 - 53) of possible internal communication problems in such schemes, even if Agri Dwala seems to have successfully managed such communication.

Again, the category of a “social services” versus a “business” mind-set emerged in the context of the engagement of members. Both the Ganzekraal and the Klipfontein focus groups indicated that a “social services” mind-set damaged group dynamics, while the Agri Dwala co-operative scheme managed the venture according to a business orientation. This referred to also a need for empowerment, described by Fast (1999, pp. 3 - 8) and Phayane (2006, pp. 52 - 53) in co-operative schemes.

The theme of “what a venture needs in order to grow” had the following categories that could be related to this research objective:

- Sound financial acumen and management.
- Constructive criticism, feedback and advice.

Sound financial acumen and management, as one category, had a relationship with membership engagement. The Klipfontein respondents indicated that a sound management plan, making optimal use of the land itself, could lead to a re-engagement of members that have disappeared. Dameron and Joffre (2007, pp. 2037 - 2040), in describing the type of objectives applicable to the success of co-operative ventures, touches on the same concept.

The category of constructive criticism, feedback and advice had a direct bearing on the research objective, since it directly related to membership engagement. Fast (1999, pp. 3 - 8) and Phayane (2006, pp. 52 - 53) referred to a need for empowerment of members. This was also the context in which the matter was raised in the Ganzekraal focus group and both the Chamomile and the Agri Dwala respondents referred to the benefits of having such a culture within a co-operative venture. Golovina and Nilsson

(2011, p. 59-60) stressed the need for such engagement as an important success factor.

The theme of “the importance of objectives” could be related to the research objective via the following categories:

- Business objectives.
- Personal objectives.

In the literature, the need for business objectives can be linked to membership engagement, as shown by Dameron and Joffre (2007, pp. 2037 - 2040), who identified various dimensions of objectives that should be shared between members to be successful. Agri Dwala respondents wanted to compete on a commercial scale, while the Klipfontein focus group wanted transformation into a real business. Chamomile respondents wanted diversification and the Ganzekraal focus group wanted profit.

These dimensions identified by Dameron and Joffre (2007, pp. 2037 – 2040), where they also spoke of alignment of members’ objectives with one another, could also be extended to a number of personal objectives that respondents attached to their co-operative ventures. In the Agri Dwala focus group’s case such objectives ranged from wanting to become independent individual commercial farmers to investing in the wellbeing of future generations, while the Chamomile respondents wanted to build an asset base to invest in their family members.

### **6.5.2 Summary description**

This section summarised the research objective, “To explore and describe the on-going engagement of members in community-based co-operatives in a land reform context inasmuch as it is applicable for them to succeed”. The following observations were made by the researcher:

Firstly, it was observed that the original beneficiary selection seemed to have remained as a legacy years later. In the case of Agri Dwala, where a simple yet effective means was chosen to identify founding members of the co-operative scheme, the experience was positive. The unsuccessful ventures were burdened by institutionalised conflict or disengagement.

Secondly, sound foundational values seemed to become embedded in the co-operative schemes, in other words, to the researcher a good start seemed to go a long way. Chamomile was successfully rooted in family, cultural and religious values, while Agri

Dwala started and operated itself on the basis of regular, big and well-run internal democratic meetings. It is interesting to observe that complicated management information was successfully shared despite differing educational levels. The researcher observed what came across as genuine trust, affection and a habit of co-operation among both the Chamomile and Agri Dwala respondents.

Thirdly, a link between healthy internal relationships and possessing a proper strategy, inclusive of both business and personal objectives, was observed. Sustained strategic planning and implementation seemed to create internal stability and a sense of security.

Fourthly, it was interesting to note that the two successful co-operative schemes used the interview opportunity to market themselves. Given the fact that the researcher was in no position to assist them, it was concluded that external marketing had an internal dimension of building pride. In other words, by telling others how good you are you are also telling your fellow members how good they are. Such institutional pride was observed by the researcher to be a source of internal strength and self-confidence.

## **CHAPTER 7: SUMMARY OF FINDINGS**

### **7.1 CONCLUSION**

This research has already described some key findings in the context of specific research objectives. In conclusion, it also added value by describing research findings in the overall context of this study's research aim, namely "... to investigate and describe the success factors applicable to co-operative ventures in a land reform context" in an aggregate manner, relating it to all the research objectives.

Firstly, the researcher observed that a successful co-operative venture should not be conceptualised as a set blue-print of institutions and practices or in a sense as formal "snapshots" in time of an organisation. Rather, it should be seen as a fleeting moment in an evolving process with various priorities at various stages in its development. Comparisons should rather be made between well understood processes of development – a temporal flow or a process flow based on how underlying value is developing– similar to the idea of competing value chains. In this research, it was observed that the following are crucial underlying value indicators for both continued internal harmony and on-going external success: having a clear vision and a plan before inception; having carefully selected beneficiaries at inception; and, having access to key external allies (in government and the industry) during the start-up phase of the business - with the locus of control remaining within the co-operative. Later on in the development of the venture the following issues naturally seemed to become important indicators of value to respondents: a deepening sophistication of internal systems, re-investment of profits and diversification. Therefore, a key success factor for a community-based co-operative scheme is the care that was taken by the participants in the venture to develop a robust developmental process based on underlying value.

Secondly, the choice of business-model or internal institutional framework was observed to be important. Such an institutional framework had to be flexible enough to adapt and reinforce the abovementioned process of development, but must also be rooted enough to cement what was observed as key "non-negotiable" qualities for success. These qualities included embedding entrepreneurial leadership; acquiring and nurturing knowledge and technical know-how; efficiency of internal operational systems; and preserving positive foundational values. The choice of an internal institutional framework was therefore observed to be a key success factor.

Thirdly, the researcher observed that the external environment did not lack the enabling elements required to make a success of a community-based co-operative scheme - albeit with some flaws. The issue was rather whether a co-operative had the ability to access, co-ordinate and apply these resources. Rather, the risk was that a community-based co-operative scheme would fall victim to externally induced priorities, plans and weaknesses. This applies to market knowledge, government resources and other institutions in its environment. A key success factor was therefore whether a community-based co-operative scheme had the ability to identify and make use of external enabling resources, while insulating itself from negative influences and substituting internally for potential systemic weaknesses in support.

Fourthly, an entrepreneurial mind-set and ability to lead in that regard seemed to be non-negotiable. While some of the typical start-up problems experienced by new entrepreneurs could be mitigated by choice of business-model (such as the share equity scheme/joint venture model of the Agri Dwala focus group), an entrepreneurial approach, as described by Nieman (2009), is of particular importance in this setting and its absence will eventually be exposed. A community-based co-operative setting contends with the complexities of a land reform context, complicated internal group dynamics and a fluctuating market environment. If one adds the range of uncontrollable factors, such as climate, disease and infestation characteristic of an agricultural setting, the mind-set Nieman (2009) describes becomes more important than ever. This includes the ability to manage people and their personal expectations. A key success factor is therefore the identification and nurturing of an entrepreneurial mind-set and leadership qualities. It might sound obvious to some, but it was not always prioritised in some of the less successful ventures.

Lastly, basic administration and internal systems was observed to be fundamental to all four the research objectives and in itself builds competencies and confidence. Sustained good internal systems and management or, differently put, good corporate governance was therefore a key success factor.

## **7.2 APPLICATION TO A LAND REFORM CONTEXT**

This research intended to situate its findings squarely in the context of land reform and hence developed the following requirements for a good land reform model:

- It will have to satisfy an emotional and symbolic need to redress the history of land dispossession during the colonial and apartheid eras.



- It will have to be a good fit with successful land restitution.
- It will have to successfully promote the redistribution of land assets.
- It will have to meaningfully secure tenure rights for beneficiaries.
- It will have to improve income and livelihoods for especially the poor.
- It will have to help address growing concerns about food security.
- It will have to play a meaningful role in empowering women and changing existing power patterns based on gender.
- It will also have to provide space for the strengths of communal land practices.

The researcher observed, in the share equity scheme system that Agri Dwala used, that a need for land emerged to be able to positively expand their business. This raises the possibility of sustained acquisition of land, thus satisfying the emotional and symbolic need to redress the history of land dispossession, as well as successfully promoting the redistribution of land assets. There are also no obvious losers in their approach.

While a land restitution setting as such was not being studied, it is conceivable that land restitution beneficiaries will also find the findings of this research valuable, especially if their choice is to enter the agricultural sector as entrepreneurs.

Tenure rights did not form a field of enquiry in this research, but, at face-value, there can be no fundamental difficulty with tenure rights if vulnerable individuals are actively engaged owners of the land and participating in the co-operative venture as seen in the example provided by the Agri Dwala and Chamomile participants.

In respect of improving livelihoods and incomes for the poor, the Agri Dwala co-operative scheme provided shares in an enterprise that, over time, accumulated in value and it provided direct employment at an agreed rate. It therefore helped with both increasing wealth as well as the provision of important tangible benefits (Fast, 1999, p. 4) in the form of regular cash payment based on the labour contribution(s) made. Beneficiaries therefore benefited as owners and as labourers.

Food security concerns in the land reform context are compatible with the examples of successful schemes that were observed. No evidence was observed in the successful co-operative ventures of a drop in food production.

While the focus of this research was not the empowerment of women or other gender-related issues, it is interesting to note that both the examples of successful co-operative ventures, at face value, contain strong female leadership. In the case of the

Chamomile participants two awards related to female entrepreneurship was won, while in the case of Agri Dwala female leadership was both secured in the membership mix at inception (14 women to 15 men) as well as in the choice to diversify into hospitality services and catering.

The creation of space for the strengths of communal land-use practices was not within the ambit of this study. It can be speculated, however, that the collective, yet commercially robust share equity scheme model of the Agri Dwala co-operative scheme and the household-based model of Chamomile, do not in itself provide obstacles.

### **7.3 IMPLICATIONS FOR GOVERNMENT POLICY IN LAND REFORM**

This research could not help but briefly indulge in what the implications for government policy could be. The researcher observed a possible lack of co-ordination and commonly agreed strategy between different government entities. Land reform, as shown above, have a wide set of objectives that possibly is difficult to be reconciled with different departments, entities and spheres of government.

Nevertheless, the research findings offer the following insights:

- It may narrow down the areas where support in a co-operative venture adds the most value, thus maximising resources and helping specialisation. The research examples of high value inputs by, inter alia, Government can be to help with internal information and administration systems, access to technical expertise and knowledge and help with designing systems of beneficiary selection. This may help the structuring and co-ordination of government support.
- It suggested a need for government to focus clearly on what it can and cannot do, which is crucial to manage the high expectations of Government's role. This can be linked to the first point.
- The research results suggest that co-operative share equity schemes (and to some extent household-based co-operative models) may provide examples of land reform vehicles which government can support. It seems to have the abovementioned potential capabilities to achieve land reform objectives. It leverages existing capability, while the co-operative models struggling from scratch had problems with business performance and morale. It also links well with the agricultural job creation possibilities of the National Development Plan (NDP) as outlined earlier in the research.

- The refinement of business models in agriculture may create new sources of investment. It is speculative, but the franchising of the expertise-based component of Agri Dwala or the evolving of the trading of shares in such ventures may help government attract private investment to a key policy objective. It helps put a new spin on what government policy may be.

#### **7.4 IMPLICATIONS FOR ENTREPRENEURIAL THEORY**

The research observations on particularly Agri Dwala suggested that a share equity scheme co-operative model might present a way of insulating a new enterprise against some of the pressures experienced during the start-up phase. By aligning it with an existing venture or existing capabilities and adapting a “process flow” approach based on emerging underlying value, the low TEA rate (Herrington & Turton, 2012, p. 17), typical of South Africa, may be mitigated.

As observed in the research, a co-operative venture may provide a sound institutional framework that can both help alignment with and sometimes substitution for the conditions or “pillars” of competitiveness as described by Herrington and Turton (2012, p. 17) seen as necessary external enablers. This rather helps to recast co-operative approaches as a supportive environment for nascent entrepreneurs.

Community-based co-operative ventures, as observed in the case of the Agr Dwala scheme, hold the possibility of not only presenting opportunities for emerging farmers, but also for investors in the possibilities of land reform. The shareholding approach, combined with existing businesses or capabilities, opens up the possibility of new investment models too. Franchising of successful formulae is an option or possibly the design of a land reform based exchange system of shares.

#### **7.5 RESEARCH LIMITATIONS**

The research limitations identified for this research were as follows:

- 1 The research has limitations in terms of its breadth and in no way claims applicability beyond the sample that was studied. Further applicability can be the subject of further research.
- 2 The research was limited in terms of having an accurate sampling frame due to the reliance on purposive sampling.
- 3 Time constraints was a further research limitation also affecting the size and location of the sample chosen

- 4 Other possible causal factors unidentified by this research approach may also require research.
- 5 There might be other business models than the four mentioned that provide alternative units of analysing success factors for co-operatives
- 6 The design can be criticised in that it potentially allows the researcher to influence the responses during a group interview, either in favour of or against a particular answer.
- 7 While the researcher made every effort both before and during the group interviews to determine the need for translation services and even having a third party listening to recordings afterwards, some participants did not have English or Afrikaans as first language.
- 8 A possible criticism against the chosen sample is that it did not include community-based co-operatives that were immediate failures within three years by using these parameters – given this study’s interest in, *inter alia*, the start-up dimension of the business. Nevertheless, such failures were not readily available anymore to study and, secondly, it was necessary for our purposes to be able to study what went wrong just as much as what went right. A track record was therefore essential whichever way one looks at it.

## 7.6 SUGGESTED FUTURE RESEARCH

It is recommended that the success of share equity schemes in relation to other co-operative ventures in land reform context is comprehensively tested. While the one share equity scheme observed in this research was clearly the most viable and successful co-operative model, the methodology of this research does not allow any generalisations in this regard. Similarly, the Chamomile focus-group interview underlined the potential value that a study of the relative success of household-based co-operative ventures can add.

The notion of a “process flow based on underlying value”, suggested as an approach by this research, needs to be comprehensively investigated. This will help to further determine the taxonomy of a successful co-operative venture, but introduce the dimension of a temporal flow with various stages of development into the academic literature around land reform. Not only the stages of development can be the subject of further research, but also the key capabilities that represent underlying value. Related research should be done on the impact of specific interventions that add lasting value to community – based co-operative ventures in a land reform context. This will help to maximise the resources society makes available for supporting land reform.

Beneficiary selection was observed to be a key factor in determining a co-operative scheme's success and had lasting positive impacts in the samples studied, if done properly. This should be the subject of further research, possibly over a longer period of time.

Aligned to the above should be research into the identification of entrepreneurial talent within a co-operative setting and how it can be nurtured within such a setting.

Research into diversification and the institutional frameworks that can sustain it will be invaluable to develop opportunities for co-operative ventures up and down the applicable value chains. In this regard, it might be useful to also look beyond the land reform setting.

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## APPENDIX A

Province	Data from CIPRO Register	No of surviving Coops	No of dead Coops	Survival Rate	Mortality Rate
KZN	8 697	1 044	7 653	12 %	88 %
EC	4 124	287	3 957	7 %	93 %
WC	1 003	69	934	7 %	93 %
NC	798	20	934	2.5 %	97.5 %
Limpopo	1 779	405	1 474	22 %	78 %
Mpumalanga	1 396	187	1 309	12.5 %	87.5 %
Gauteng	2 265	394	1 971	17 %	83 %
FS	850	71	829	8 %	92 %
NW	1 208	167	1 090	13 %	87 %
<b>National Total</b>	22 030	2 644	19 386	12 %	88 %

**APPENDIX B**

Theme	Category	Sub-category
Contributors to success	Accommodating role players	Co-operative
		Municipality
		Awards/grants
	Exposure to other business opportunities and creating opportunities through optimal usages of assets	Fully utilising all assets Diversified farming
	Participating on a commercial scale	
	Legitimate business (register all aspects)	'conform to the laws and regulations'
	Gave evidence of capacity (business success)	
	Thorough planning and management	' <i>some sort of understanding</i> ' of how things(government, province, procedures) work
	Being aware of clients' needs	
	Reinvested profits into the business	
	Inclusivity and teamwork	
	Identify a niche market	
	Access to support	Government

Theme	Category	Sub-category
		Mentor Community 'help met die oog om na die toekoms te kyk'
	Personal attributes	Courage√√√√ 'Farming is not for sissies'
		Hard work
		Honesty√√ open, fair, respect√√
		Personal commitment, sacrifice and humbling 'keep our feet on the ground'
What needs to change/hampers effectiveness	Effective communication √√	Includes written documentation
	Unity	In some cases there is currently conflict
	Effective management and transparency	Inexperience
		Self-interest
	Shortage of resources	Land
		Water

Theme	Category	Sub-category
		Working capital
	Lack of knowledge (we don't know a lot about farming) √√√	
	Lack of participation	Not making a profit
	"social services" versus a "business" mind set	Business 'mind-set' Government failing the people
	Personal accountability 'culture of discipline and responsibility'	'people are lazy'; 'got it to easily' 'debt trap'
Needs in order to grow	Physical resources	'Viable' Farmland; 'one man one farm' Water Interim support <i>'recap'</i>
	Training	
	Market related information	
	Working capital	Money√√√ trekker; transport
	Research	
	Marketing material	

Theme	Category	Sub-category
	Joint ventures/strategic partnership	
	Sound financial acumen√√√ and management	'serious business' Explicate roles Assessment Set objectives Business plan Prioritise
	Constructive criticism/feedback/advice	
	Advisors	Government
		Technical
Objectives	Business	Leading business in the district√√
		Transform members into business people
		Provide opportunities for previously disadvantaged√√
		Growth: Make a profit/ expand
		Large, long term project providing work and opportunity for more people
	Customer satisfaction	Happy customer; enough stock

Theme	Category	Sub-category
	√√	
	Personal	Better opportunities for the next generation√√
		Hard work and productivity
		Increase self-worth
		Own farm
		Live your dream
		Learn