

DRIVING SUSTAINABLE COOPERATIVE ENTERPRISES: SPEECH DELIVERED IN JUNE 2016, EAST LONDON, SOUTH AFRICA

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Abstract

A cooperative business entity, also known as a co-op, is an autonomous association of people united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled business. Cooperatives also include non-profit community-based organizations and businesses that are owned, managed and controlled by the people who use their services, for example, a consumer cooperative; by the people who work there, for example, a housing cooperative; hybrids, such as worker cooperatives that are also consumer cooperatives or credit unions; multi-stakeholder cooperatives such as those that bring together civil society and local actors to deliver community needs; and second and third tier cooperatives whose members are other cooperatives.

In short, a cooperative can be defined as “a jointly owned enterprise engaging in the production or distribution of goods or the supplying of services, operated by its members for their mutual benefit, typically organized by consumers or farmers. Cooperative businesses are typically more economically resilient than any other forms of business enterprise; with twice the number of cooperatives (80%) surviving their

first five years compared with other business ownership models (41%). Cooperatives frequently have social goals which they aim to accomplish by investing a proportion of trading profits back into their communities. As an example of this, in 2013, retail cooperatives in the United Kingdom invested 6.9% of their pre-tax profits in the communities in which they trade as compared with 2.4 for other rival supermarkets.

The International Cooperative Alliance was the first international association formed by the cooperative movement. It includes the World Council of Credit Unions. A second organization was formed later in Germany, the International Reiffeisen Union. In the United States, the National Cooperative Business Association (NCBA) serves as the sector's oldest national membership association. It is dedicated to ensuring that cooperative businesses have the same opportunities as other businesses operating in the country and that consumers have access to cooperatives in the market place. A United States National Cooperative Bank was formed in the 1970s. By 2004, a new association, focused on worker cooperatives, was founded: the United States Federation of Worker Cooperatives. In 2012 the turnover of the largest 300 cooperatives in the world reached \$2.2 trillion – which, if they were to be a country, would make them the seventh largest.

Introduction

This document outlines the history of cooperative enterprises, challenges they face and the need for their establishment. Cooperation dates back as far as human beings have been organizing for mutual benefit. Tribes were organized as cooperative structures, allocating jobs and resources among each other, only trading the external communities.

In alpine environments, trade could only be maintained in organized cooperatives, to achieve a useful condition of artificial roads such as Viamala in 1472. Pre-industrial Europe is home to the first cooperatives from an industrial context. The word cooperate means working together in harmony to reach a common goal.

In 1761, the Fenwick Weavers' Society was formed in Fenwick, East Ayrshire Scotland, to sell discounted oatmeal to local workers. Its services expanded, to include assistance with savings and loans, emigration and education. The roots of the cooperative movement can be traced to multiple influences and extended worldwide.

The key ideological influence on the Anglosphere branch of the cooperative movement, however, was a rejection of the charity principles that underpinned welfare reforms when the British government radically revised its Poor Laws in 1834. As both state and church institutions began to routinely distinguish between the "deserving" and "undeserving" poor, a movement of friendly societies grew throughout the British Empire. This movement was based on the principle of mutuality, committed to self-help in the welfare of working people.

Principles and values of cooperatives

Cooperative principles and values are guidelines by which cooperatives put values into practice. The following are the principles and values of cooperatives:

- Voluntary and open membership
- Democratic member control

- Economic participation by members
- Autonomy and independence
- Education, training and information
- Cooperation among cooperatives
- Concern for community

Some types of cooperatives

Non-monetary Cooperatives. A non-cooperative provides a service based on entirely voluntary labour in the maintenance and provision of a particular service or good, working in the identical manner of a library. These cooperatives are locally owned and operated, and provide free rental of equipment of all kinds, for example, bicycles, sports or gear. This idea has been said to reduce general human consumption of goods, a key subject in sustainable development.

Retailers' cooperative. A retailers' cooperative, known as a secondary or marketing cooperative in some countries, is an organization which employs economies of scale on behalf of its members, to receive discounts from manufacturers and to pool marketing. It is common for locally owned grocery stores, hardware stores and pharmacies. In this case the members of the cooperative are businesses rather than individuals.

Worker cooperative. A worker cooperative or producer cooperative is a cooperative that is owned and democratically controlled by its "worker-owners". There are no outside owners in "pure" workers' cooperative. Only the workers own shares of the business, though hybrid forms exist in which consumers, community members or capitalist investors also own some shares. In practices, control by worker-owners

may be exercised through individual, collective or majority ownership by the workforce, or the retention of individual, collective or majority voting rights (exercised on a one-member-one vote basis). A worker cooperative, therefore, has the characteristic that the majority of its workforce owns shares, and the majority of shares are owned by the workforce. Membership is not always compulsory for employees, but generally only employees can become members either directly (as shareholders) or indirectly through membership of a trust that owns the company.

Agricultural cooperative

Agricultural cooperatives or farmers' cooperatives are cooperatives where farmers pool their resources for mutual economic benefit. Agricultural cooperatives are broadly divided into agricultural service cooperatives, which provide various services to their individual farming members, and agricultural production cooperatives, where production resources such as land or machinery are pooled and members farm jointly.

Credit unions, cooperative banking and cooperative insurance

Credit unions are cooperative financial institutions that are owned and controlled by their members. Credit unions provide the same financial services as banks, but are considered not-for-profit organizations and adhere to cooperative principles.

Business Structure

- Who are the owners? Members are the owners of business.

- What are membership requirements? These requirements are determined by law.
- What is the business purpose? The business purpose of a cooperative is to meet member needs for goods or services and earn return on member investment.
- How is a cooperative business financed? Stock/shares to members and/or outside investors, retained profits.
- Who receives profits? Members in proportion to use preferred shareholders in proportion to investment
- Who pays income taxes on profit? Members on qualified profit distributions

Benefits of a Cooperative

The following are some of the benefits of a cooperative:

- ✓ Achieve what one cannot achieve on his own
- ✓ Provide easy access to needed services
- ✓ By pooling resources, each members pays less for inputs, marketing, distribution and selling of produce
- ✓ Create wealth and generate sustainable, decent employment on a massive scale
- ✓ Develop entrepreneurial skills and promote empowerment
- ✓ Promote utilization of raw materials
- ✓ Process products if necessary.

Policies and procedure

The following procedure needs to be followed, and rules established to form a basis upon which cooperatives can formulate their own by-laws:

- Formation and registering a cooperative: Starting a cooperative is a complex project. A small group of prospective members come together to discuss a common need in the community and develop the idea of how to fulfil their need
- Establish a constitution for the cooperative and rules for changing the constitution
- Establish rule for membership in a cooperative. Membership in a cooperative must be open to anyone who:
 - Wants to use the services of the cooperative
 - Is willing to accept the responsibilities of being a member and mostly,
 - Is willing to uphold and operate within the principles of a cooperative
- Establish rules for the management and decision-making in a cooperative
- Determine rules for providing capital for a cooperative, distribution of surpluses and annual audits
- Establish a system for keeping the cooperative records
- Determine rules for amalgamating, converting and transferring a cooperative.

The state of Cooperatives in South Africa

Cooperatives in South Africa are not successful. Reasons for this unfortunate state of affairs are many and varied. These include the following:

- Lack of awareness about the principles, values, by-laws, and functions of a cooperative

- Limited knowledge of the roles, rights, responsibilities of members, leaders and management
- The failure rate of cooperatives in South Africa is dominated by the following inaccurate assumptions:
 - That cooperatives are instruments for development
 - That cooperatives must help the poor
 - That cooperatives can be used to control supply, production and marketing of small producers especially in agriculture
 - Those cooperatives can be used by programs and projects as distribution channels for inputs, credit and services to individual beneficiaries
 - Necessary documentation pertaining to cooperatives.

Some Forms for Completion

Form	Title of Form	What it is used for
CR 1	Application for registration of the cooperative	To apply to register a cooperative
CR 2	Return relating to the elected Board of Directors	To inform the Registrar about their particulars
CR 3	Notice of the address and particulars of the cooperative	To inform the Registrar of changes to the cooperative

		registered address and contact details
CR 4	Notice of appointment of auditors and consent, resignation or removal by the auditor	To inform the Registrar about the cooperative's auditor
CR 5	Application for reservation of the cooperative's name	To apply for permission to use certain name for the cooperative
CR 6	Special resolution	To inform a change or addition on the cooperative constitution
CR 7	Lodgement of financial statements	To submit Annual Financial Statements to the Registrar
CR 8	Application for exemption from full compliance with auditing requirements	To apply for permission to not meet all of the requirements for auditing

CR 9	Special resolution to voluntary winding-up of a cooperative	To inform the Registrar that the cooperative wishes to be de-registered
CR 10	Certificate of registration for a cooperative	Issues upon successful registration
CR 11	Certificate of change of name of a cooperative	Issued if the Registrar has given a cooperative permission to change their name
CR 12	Certificate to change name by directive from the Registrar	Issued if the cooperative's name choice he has declined and has been assigned a new name
CR 13	Application for inspection of documents	Completed before any of its official documents kept by the Registrar can be viewed

Sustainability Strategies

Sustainability of a cooperative, like that of any other business enterprise, depends on a number of factors. These factors include the following:

- Understanding the socio-economic environment of cooperative enterprises in South Africa
- Understanding reasons for the establishment of the informal sector in South Africa, for example, in business enterprises, such as hawking, manufacturing, transport and other services
- Understanding the competitive nature of business environment
- Understanding the power of giving and sharing (philanthropy).

Above all, as an entrepreneur, you should understand the informal sector as one of the fastest growing sectors in South Africa. However, it is also one of the sectors that are experiencing the most difficulties. Entrepreneurs in the informal sector are faced with many obstacles, ranging from one or more of the following:

- Lack of suitable premises
- Lack of proper planning
- Lack of initial capital
- Lack of finance
- Lack of business skills and management principles
- Laziness
- Too much reliance on government subsidies