

Wholesale & Retail LEADERSHIP CHAIR

PRESS RELEASE

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Cooperative relationships

Co-operative relationships could be the solution for the many challenges faced by small and medium enterprises especially those owned by women, a new study conducted by the Wholesale and Retail Leadership Chair (WRLC) has revealed.

The study, that was carried out in Khayelitsha, Cape Town by researchers from UCT's Graduate School of Business (GSB) and academics from the Cape University of Technology's Department of Retail Business Management and the WRLC, found that co-operative relationships, especially in the form of stokvels and church groups, are crucial for the success of small businesses as they help to distribute information and other resources such as financial, material, and emotional support to members.

Furthermore, because traders in the informal sector are generally not well-resourced, it is argued that the use of co-operative relationships can increase their chances of success and sustainability.

UCT GSB Associate Professor Mlenga Jere, who was the lead researcher for the WRLC study, says that co-operative relationships are already rife in many communities, but such relationships need to be formalised for members to really reap the business benefits. Jere says that entrepreneurs who work in groups tend to be more successful than their peers who work individually, because they are able to share ideas and skills, buy stock in bulk for less, thereby reducing their overall costs of doing business, and making it possible to charge lower prices. This attracts more customers.

Formalised co-operative relationships, Jere says, could be key to achieving the goal of creating more employment opportunities for the previously marginalised, and black women in particular. Deputy President Cyril Ramaphosa said recently that more than two decades into democracy, the face of poverty remains black and, more specifically, female. Small Business Development Minister Lindiwe Zulu has said previously that governments throughout Africa are not doing enough to support female entrepreneurs.

"If you look at women in the market, and the infrastructure from which they are operating, it's criminal," said Zulu in 2015. "Women have to carry whatever they're buying, moving it from one country to another with limited access to transport and government support. It's a miserable state of affairs."

The government sees small and medium enterprises as future key drivers of employment. However, while the National Development Plan (NDP), a government blueprint for eliminating poverty and reducing inequality, has ambitious goals for the small and medium enterprise sector in SA — including a target of 90% of employment opportunities to be created by this sector by 2030 — entrepreneurs continue to face many challenges such as red tape, a lack of access to finance and credit lines, and the generally high cost of doing business.

Jere says it was hoped the co-operative relationships study would identify solutions for some of the hurdles faced by the informal business sector, especially those owned by women. The study highlights that improving the sustainability of female-owned businesses is important because women account for about 70% of the world's poor and yet they're more likely to use a higher proportion of their income on the wellbeing of their families. Others have argued that putting more wealth in the hands of women could have a significant positive multiplier effect on the economy. According to the GSB study, the informal sector is attractive to women due to low entry barriers including low skills and start-up capital requirements. It cites various authors who have highlighted that the flexibility self-employment offers to women who need to combine their productive and reproductive responsibilities, makes the informal sector particularly attractive to them. The report concludes that to increase the chances of success and move their business beyond survivalist status, the use of co-operative relationships by women is highly recommended.



RETAIL BUSINESS MANAGEMENT DEPARTMENT Business Faculty

Postal address PO Box 652 Cape Town 8000 South Africa
Physical address Room 2.2, Commerce Building, c/o Keizersgracht & Tennant Street, Zonnebloem
Tel 021 464 7260 Fax 086 680 9632 Email info@wrlc.org.za www.wrlc.org.za

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An important concept that is used to study corporate and co-operative action, according to American political scientist and political economist, Francis Fukuyama, is social capital, which can be defined as an instantiated informal norm that promotes co-operation between two or more individuals. Social capital, Jere notes, suggests that members of a social network benefit from knowing other people in the network and that the many network benefits which accrue to members of a network lead to economic efficiency in general. "Social capital is shaped by many social institutions such as family, church, and schools. Evidence shows that there is a link between social capital and positive collective outcomes in society, hence the contention that co-operative relationships can be beneficial for the members and their community," says Jere.

The researchers surveyed 173 female-owned informal businesses in Khayelitsha. Amongst other questions, the respondents were asked about the type of resources they received and sought from both family and friends' networks and from their informal business networks. A total of 130 respondents (75.2%) reported receiving assistance from a close family member or friend in the preceding 12 months. The type of resources that were received most frequently from family members and friends were finance (48.6%) and free labour (48.0%). A total of 154 respondents (89%) reported receiving assistance from other traders in the 12 months prior to the study. In addition to the current co-operative relationships, the traders identified other traders with whom they could potentially enter into relationships, in most cases, three traders (44.5%).

The types of resources most likely to be received from other traders were finance (60.7%), supplies (stock) (46.8%), and free labour (16.2%). On the other hand, the types of resources most sought from other traders were premises (28.3%), free labour (19.7%), and finance (14.5%). The most popular social networks (civic organisation memberships) in which the respondents participated, were stokvels (79.8%) and church affiliated groups (55.5%). Only 3.5% of the respondents reported belonging to the business association, the National African Federated Chamber of Commerce and Industry, while 52.6% reported being members of various localised associations such as funeral societies.

While co-operative relationships with family and friends cannot be formalised, the researchers suggested that providing institutionalised formal business co-operative relationships to support traders would help build capacity amongst the traders and improve not only business sustainability, but profitability as well.

"There is clearly a gap for formalised business-focussed co-operative relationships to enhance both bridging and social capital that would offer access to a more diverse resource pool," the researchers write, adding that given the respondents' experiences with existing co-operative relationships, these would not be a completely novel idea to introduce.

For more information contact:

Professor Roger Mason

Wholesale & Retail Leadership Chair

Tel: 021 464 7260

Fax: 086 680 9632

Email: wrlcmedia@cput.ac.za



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Postal address PO Box 652 Cape Town 8000 South Africa
Physical address Room 2.2, Commerce Building, c/o Keizersgracht & Tennant Street, Zonnebloem
Tel 021 464 7260 **Fax** 086 680 9632 **Email** info@wrlc.org.za www.wrlc.org.za