

**MEMBER PERSPECTIVES ON
THE ROLE OF SOCIAL CAPITAL IN THE SUCCESS OF THE
HEIVELD COOPERATIVE, SOUTH AFRICA**

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DECLARATION

I, Juliet Hazel Carlisle, hereby declare this thesis is a result of my investigations and findings. The work is my own work and I have duly acknowledged all the sources I have consulted in this assignment. All wording unaccompanied by a reference is my own, and no part of this assignment has been submitted to any university in partial or full satisfaction of the requirement for a subject or course or degree.

Submitted in partial fulfilment of the Masters in Business Administration at Rhodes Business School, Rhodes University.

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Date: _____

INTEGRATIVE SUMMARY

The aim of this qualitative study is to explore the perspectives of current members of the cooperative regarding the role of social capital in the success of the Heiveld Cooperative on the Suid Bokkeveld in the Northern Cape, South Africa (SA). This cooperative has been cited by several researchers as being successful for various reasons, including the existence of a marketable resource, a steady increase in production, and certification through Fairtrade, resulting in an export market. Social capital, as a contributing factor to the success of the cooperative, has not however previously been investigated in depth. In light of the unique success of this cooperative, it is important to obtain an in-depth understanding of the role of social capital, if any, in its success, particularly in the formation and day-to-day operation of the cooperative. With a particular focus on the members' perspectives of the cooperative, this qualitative research adopted a case study approach to explore and to gain multiple and subjective understanding of the role played by social capital in the success of the Heiveld Cooperative. This may assist the organisation under study, as well as similar initiatives, in strategically harnessing the benefits of social capital as a resource in future. This report has three interrelated sections. The first part is an academic paper, which includes a condensed literature review, research methods, results and discussions. The second part is an expanded literature review, while the third section details the research methods. It is vital to note that these sections are separate, but interrelated.

Convenience sampling was used to identify current members of the cooperative who participated in this exploratory qualitative study. Four heterogeneous focus group discussions, with a total of 44 members of the Heiveld Cooperative in the Suid Bokkeveld, were conducted. The focus groups were heterogeneous, as they included ordinary members, founding members and committee members. A guideline with questions based on the theory of social capital was developed, and used to initiate or stimulate discussion among the members of the cooperative in order to address the key research question, namely: What was the role of social capital, if any, in the success of the Heiveld Cooperative in the Northern Cape as perceived by current cooperative members? The primary source of data was collected through focus group discussions, while secondary data was obtained from documents in a form of internal reports and papers written for the Heiveld Cooperative. Data was analysed using open coding and constant comparison techniques in order to induce emerging themes from the data.

Findings of this study revealed that social capital played a major and influential role during the inception and also in the successful operation of the Heiveld Cooperative, by bonding and bridging not just between individual members, but also between communities, trading partners and other collaborators. Another key finding of this study is that social capital was also critical in enhancing supportive knowledge sharing, and the promotion of pride and shared identity, which the study identifies as aspects of cognitive social capital. Interestingly, the cognitive dimension of social capital in the Heiveld Cooperative has contributed to the weakening of social capital, as evident in claims related to lack of transparency and procedural injustice. Last, but not least, leveraging the sense of community has also been useful in promoting collective efficacy, strengthening familial togetherness, and enhanced democratisation of decision-making. Diminished trust, based on perceived oligarchy and nepotism is gradually weakening relational social capital. Findings in this study are illuminated using the social capital theory described by Nahapiet and Ghoshal (1998) to depict the social, cognitive and relational aspect of social capital that are at work at Heiveld Cooperative. Additionally, the social network theory by Hoppe and Reinelt (2010) is used to highlight the systemic view of social capital, which embraces the structural, relational and cognitive nature not only internal to but also between networks of the cooperative.

Recommendations are provided to ensure social capital is harnessed, rather than undermined. These include the need to promote the processes of learning, monitoring and discussion that have been implemented; harnessing the benefits of bonding and bridging social capital; leveraging the sense of community and applying a more systemic view of social capital; and addressing perverse aspects of social capital such as nepotism and oligarchy that have been identified.

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LIST OF ABBREVIATIONS

CIPC:	Companies and Intellectual Property Commission
COPAC:	Co-operative and Policy Alternative Center
DTI:	Department of Trade and Industry
EMG:	Environmental Monitoring Group
FAO:	Food and Agricultural Organisation
GPS:	Global Positioning System
ICA:	International Cooperatives Alliance
ILO:	International Labour Organization
NGOs:	Non Government Organisations
NPO:	Non Profit Organisation
RSA:	Republic of South Africa

SECTION 1: ACADEMIC PAPER

1.1 ABSTRACT

Several authors have acknowledged the success of the Heiveld Cooperative on the Suid Bokkeveld, Northern Cape in South Africa (SA), with various reasons being given for this success. Social capital, as a factor contributing towards the success of the cooperative, has not previously been explored in depth.

The purpose of this qualitative study, which adopted a case study method, was to explore the multiple perspectives of the current members of the cooperative regarding the role of social capital in the success of the Heiveld Cooperative. In light of the unique success of this cooperative, this qualitative study sought the views of current members of a cooperative and pursued the research question: What was the role of social capital, if any, in the success of the Heiveld Cooperative in the Northern Cape as perceived by current cooperative members?

As this qualitative study focuses on the perspectives of cooperative members with regards to the role of social capital in the success of their cooperative, convenience sampling was used to identify current members who participated in focus group discussions. Four heterogeneous focus group discussions with 44 members of the cooperative were conducted at Melkkraal, Nieuwoudtville and Sonderwaterkraal in 2013. Due to logistical problems involved in bringing similar members scattered over a vast geographical area together, these focus groups were heterogeneous, as they comprised ordinary, founding and committee members of the cooperative. An interview guide was used in these focus group discussions. Each focus group took approximately 90 minutes and was audio recorded with permission from its members. Interview data was transcribed and presented to some of the participants in order to ensure an accurate reflection of the focus group discussions. Additionally, documents from Non Government Organisations (NGOs) about the processes followed during the establishment and operation of the cooperative were used as complementary and secondary data. Data was analysed using open coding and constant comparison technique in order to induce emerging themes from the data.

Findings of the study reflect that bonding in new and existing relationships, and bridging, were some of the structural types of social capital that proved influential in the success of Heiveld

Cooperative. In terms of the cognitive dimension of social capital, supportive knowledge resources and shared identity among members of the cooperative was useful in knowledge transfer, creating a sense of pride and strengthening collective efficacy. Lastly, leveraging the sense of community helped cooperative members to not only to enhance the democratisation of decision-making, the desire to work together, as well as to learn from each other and look out for each other, it also helped members to feel socially 'glued together'. This reveals the relational aspect of social capital, which was under threat from diminished trust, lack of communication, oligarchy and nepotism.

One major limitation of this exploratory qualitative study is the heterogeneity of the focus groups, which may inadvertently have compromised the degree of openness of some of the cooperative members. More homogenous focus group discussions would probably have enhanced the level of openness where there would be no hierarchy amongst members. Furthermore, although different types of data have been used, as recommended for case study methods, it is notable that focus group interview data has been predominantly used in this study, due to the availability of few relevant sources of other data.

This exploratory study reflects that social capital has played a critical role at both the individual and systemic levels in the success of the Heiveld Cooperative. Furthermore, the study underscores that social capital, strengthened through ongoing and transparent communication, knowledge sharing and teamwork, ought to be maintained in order to ensure that existing resources of social capital and identity, both within and between networks, be enhanced. In addition to this, the study recommends that the benefits from bonding and bridging social capital should be harnessed and that the sense of community should be further leveraged. A more systemic view of social capital is important for accessing intra- and inter-network resources. Some perverse social capital, as revealed through accusations of nepotism and oligarchy, needs to be addressed so that trust and the sense of togetherness are not undermined.

1.2 INTRODUCTION

In South Africa (SA), there is a trend that shows that most cooperatives fail to succeed. A report by the Department of Trade and Industry (2012) reveals a boom in the registration of cooperatives following the promulgation of the Cooperatives Act, No 14 of 2005. The report, however, cites 2009 figures with 22 619 registered cooperatives in SA showing a 12% survival rate and 798 cooperatives in the Northern Cape having a 2,5% survival rate (DTI, 2012: 38). Agricultural cooperatives account for 25% of the registered cooperatives, with the lowest sector being 46 registered fishing cooperatives. The DTI attributes this high mortality rate to the lack of a dedicated support agency, minimum investment for cooperatives and insufficient involvement from government and development agencies.

Zeuli and Radel (2005) assert that trust and social capital are important components to the success of such cooperatives. Furthermore, scholars such as Lizarralde (2009) and Zeuli and Radel (2005) also echo the need to build social capital in a cooperative as a unique organisation. The history of cooperatives goes as far back as 1498, to the Shore Porters Society in Aberdeen in the United Kingdom (Shore Porters, 2007) and the Rochdale Society of Equitable Pioneers in 1844. From this, the Rochdale Principles were developed, and these form the cornerstone upon which cooperatives today operate (Merrett and Walzer, 2004: 5). Drawing from this history, the International Cooperatives Alliance (ICA, 2012) has propagated: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; training and information; cooperation among cooperatives; and concern for community as generic principles of cooperatives.

Within SA, the Heiveld Cooperative has been cited as an example of a successful cooperative (for example, applying their indigenous knowledge to sustainably utilise the naturally occurring rooibos tea resources of the area; increasing tea production between 2001 and 2009 from 30 to 50 tonnes per annum; exporting Fairtrade and organic certified rooibos tea to markets in Europe, North America and Australasia (Nel, Binns and Bek, 2007; Williams, 2013; Jara and Satgar, 2009; Oettle, Goldberg and Koelle, 2009). Alternatively, Nel *et al.* (2007) have argued that the Heiveld Cooperative is an example of community-based development through the production of alternative foods, and that social capital has played a role in the success of the cooperative, though this is not explored in their study in depth. The current study explores the cooperative members' perspectives

on the role of social capital in the success of the Heiveld Cooperative in the Suid Bokkeveld (Northern Cape), particularly in the formation and day-to-day running of the cooperative since it started thirteen years ago.

The Heiveld Cooperative is situated on the rugged and dry Suid Bokkeveld plateau in the Northern Cape, near the little town of Nieuwoudtville, some 360 km north of Cape Town (see Appendix 1: Location map). Isolated, rural coloured communities own or lease land, and live in valleys and on plateaus scattered across this harsh terrain (see Appendix 2: Suid Bokkeveld map). With few services provided, where no electricity or telephone services are provided and some communities are situated up to 75 km from the nearest schools, clinics and shops (Oettle, 2012: 11), life is not easy, but the people of the area have demonstrated remarkable tenacity and determination to work together to make a living and a life for themselves, their families and their communities.

Prior to 2001 and the formation of the Heiveld Cooperative, the communities of the Suid Bokkeveld survived by farming rooibos or harvesting wild rooibos, on livestock production, and by means of income obtained from some part-time employment (Oettle, 2012: 11). According to Arendse (2011: 12) the rationale for the establishment of the Heiveld Cooperative was to address the “persistent poverty” that communities of the Suid Bokkeveld were experiencing. Furthermore, Jara and Satgar (2009: 22) explain that prior to the establishment of the cooperative, the Suid Bokkeveld communities experienced “systemic and structural problems” and the formation of the cooperative was as a response to these issues. Those community members who engaged in rooibos tea farming and harvesting experienced problems such as low prices paid by middlemen buying their produce, competition with dominant large-scale commercial rooibos tea farmers that undermined their market access.

In 1999, NGOs (Environmental Monitoring Group (EMG) and Indigo) held a meeting with the communities around Nieuwoudtville and, two years later, received funding in order to hold workshops and knowledge exchanges. At this time, people came from different farms in the area and met. At the invitation of these NGOs, community farmers in the area visited various projects in Namaqualand, looking at projects and small businesses in which they may be interested. It was during these workshops that the communities learnt about cooperatives.

With the assistance and support of two NGOs, EMG (the Environmental Monitoring Group) and Indigo, the communities of the Suid Bokkeveld came together and established the Heiveld Cooperative. Today, the cooperative is cited as a success by several authors (Arendse, 2011; Nel *et al.*, 2007; Williams, 2013; Jara and Satgar, 2009; Oettle, *et al.*, 2009), due to: the sustainable use of the naturally occurring rooibos tea; production increases over the years; and export markets in Europe, North America and Australia, enabled by Fairtrade and the product's organic certification. Oettle (2012: 6) describes the livelihoods of the cooperative members as improving, despite natural disasters and market fluctuations.

Generally, existing studies on cooperatives have focused on describing the development of cooperatives (Wanyama, Develtere and Pallet, 2009); market and distribution channels for cooperatives (Jussa, 2011); cooperatives as a way of building community trust (Majee and Hoyt, 2009); and cooperatives as a strategy for community development (Zeuli and Radel, 2005); while Ruben and Heras (2012) focused on social capital, governance and performance of coffee cooperatives. Studies in SA have focused on similar areas. For example, Jara and Satgar (2009) explored cooperative development trends, cooperative policies and legislation, support relationships, and reasons for the many failed attempts at establishing cooperatives in SA.

With a particular focus on the Heiveld, Williams (2013) has explored the relationships between Fairtrade markets and rooibos tea cooperatives. Notably, Jari's (2012) study focused on social capital in terms of relationships between cooperative management and cooperative members using the principal-agent theory. Furthermore, Nel, Binns and Bek (2007) used the Heiveld to focus research on alternative foods and community-based development. Concerned with community-based development, Nel, Binns and Motteux (2001) explored the Heiveld as one of several case studies to explore the developmental role of social capital in post-apartheid SA. Although research work has been undertaken on the Heiveld, there is need for more studies to focus explicitly on the role of social capital in the success of the cooperative.

In the light of the unique and rare success of this cooperative, it is important to gain an in-depth understanding of what role social capital played in the formation and day-to-day operation of the cooperative. In particular, the aim of this qualitative research is to explore the role of social capital in the success of the Heiveld Cooperative, particularly in the formation and day-to-day operations. In pursuit of this aim, the broad research question in this study is: What was the role of social capital, if any, in the success of the Heiveld Cooperative in the Northern Cape as perceived by

current cooperative members? The literature review explores the key concepts of cooperatives and social capital, looking at their history, definitions and development. The value argued for this study is that it may help the organisation under study, or similar initiatives, in strategically harnessing the benefits of social capital in future as ‘a tool’ or a resource (Hong and Sporleder, 2007; Vermaak, 2006; Buckland, 1998).

As a point of departure, this study starts by briefly exploring the key concept of cooperatives, before focusing on the concept of social capital. Thereafter, the research method used in this study is discussed. Findings are then presented and discussed, and a conclusion provided based on their analysis.

1.3 LITERATURE REVIEW

1.3.1 Understanding the Concept of Cooperatives

A cursory review of the history of cooperatives is vital to understand not just their evolution but also the salient principles underpinning cooperatives in general. Notably, the term cooperative is traceable as far back as 1498 to the Shore Porters Society in Aberdeen in the United Kingdom (Shore Porters, 2007) and the Rochdale Society of Equitable Pioneers in 1844. From this, the Rochdale Principles were developed, forming a base for today’s manifestation (Merrett and Walzer, 2004: 5). Drawing from the Rochdale Principles, the International Cooperatives Alliance (ICA, 2012) has propagated generic principles for cooperatives internationally. These include: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; training and information; cooperation among cooperatives; and concern for community.

Today, many definitions for cooperatives are in use (ILO, 1966, cited in Satgar, 1999: 1–2; CIPC, 2011; FAO, 1998; Meyer, 1999; Parliament of the RSA, 2005) and common throughout these definitions are the concepts of independence, autonomy and voluntary participation. For example, the International Cooperative Alliance (ICA, 2012) defines a cooperative as “an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise”. This is not very different from how the Cooperatives Act 14 of 2005 (Parliament of the RSA, 2005:10) defines cooperatives in SA, 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 cooperative principles”. These definitions are very similar, with the exception of the exclusion of “cultural needs” from the Cooperatives Act 14 (Parliament of the RSA, 2005: 10) and the inclusion of “organised and operated on cooperative principles”. The exclusion of “cultural needs” requires further investigation, and it is noted that there may be a desire for the explicit acknowledgement within the South African text of the cultural diversity within SA, and the need for unity and integration of communities in post-apartheid SA. The additional phrase of being “organised and operated on cooperative principles” prioritises the need to operate within the framework of the internationally recognised principles that are legally evident in the Cooperatives Act of SA.

Satgar (1999) compares the definitions for cooperatives of the International Labour Organisation (ILO) and the ICA. Satgar states in the discussion paper that the ILO (1966, cited in Satgar, 1999: 1–2) defines a cooperative as “an association of persons who have voluntarily joined together to achieve a common end through the formation of a democratically controlled organisation, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking, in which members actively participate”. This is in contrast to the definition provided by the ICA, which acknowledges the role of social and cultural objectives, as opposed to the more organisational/economic focus suggested in the ILO’s definition.

The Companies and Intellectual Property Commission (CIPC, 2011) provide a very simple definition for a cooperative as “a business where a group of people get together voluntarily to obtain a product or service”. Considering the varied roles, principles, contexts and activities of cooperatives, this definition is somewhat limiting. The principles of democracy, autonomy or care for community are excluded, as well as the need to address the economic and social needs and aspirations of the cooperative members. Additionally, the definition describes a group of people “obtaining” a product or service, whereas a cooperative may be producing or supplying a product or service in exchange for payment or profit.

The United Nation Food and Agriculture Organization (FAO, 1998: 5–6) describes cooperatives as “autonomous, self-help and independent organisations owned and controlled by their members who can also enter into agreements with other organisations, including governments to raise capital from external sources through their democratic control for the purpose of carrying economic activities”. This definition suggests a ‘business as usual’ approach to cooperatives, with a strong focus on

accessing finances and financial activities. While the reference to autonomy is maintained, there is no reference to the guiding principles that may define cooperatives, such as democracy, social needs or common aspirations.

Common throughout these definitions of cooperatives are the concepts of independence, autonomy (which includes independence and self-governance), and voluntary participation. Considering the context of the Heiveld Cooperative, where members come from a unified community, sharing a common resource, culture and history, the ICA's definition of "an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise", is considered the most appropriate, and will be applied for the purposes of this research.

1.3.2 The Role of Cooperatives in South Africa

Many scholars such as Fairbairn (included in Merrett and Walzer, 2004: 23–25), the Department of Trade and Industry in SA (DTI, 2009: 4–5), and Arendse (2011: 12), agree that the rationale for the establishment of cooperatives centres upon addressing issues of economic stress and change.

Documents produced by various state departments in SA, for example, the New Growth Path (South African Government, 2011: 13–36); Cooperative Development Policy for SA (DTI, 2004); Cooperative Act 14 of 2005 (Parliament of the RSA, 2005: 6); Comprehensive Rural Development Programme Framework (Ministry of Rural Development and Land Reform in SA, 2009: 4); all support the view that cooperatives can play a role in addressing issues of job creation, community integration and rural development in SA. While the job creation potential of cooperatives to address rural employment is pronounced, not everyone agrees that this is indeed the case (Phillip, 2003; Satgar, 2007; Jefferis and Thomas, 2007; Nathan, 2011). For example, it is argued that cooperatives may not be able to compete in the broader economy, where expectations created through the Black Economic Empowerment programme have fuelled a 'get-rich-quick' logic, which does not align with the principles of cooperatives (Phillip, 2003: 19). Considering this, one could then conclude that, while cooperatives may result in increased social capital or community cohesion, they may not fulfil the envisaged results of members.

Despite the arguments and differing points of view, the many studies that have been done (for example those by Satgar, 1999; Harrison and Boule, 2007; Williams, 2013), as well as reports that

have been written (for example those by the Ministry of Rural Development & Land Reform in SA, 2009; DTI, 2009), and strategy and policy documents that have been produced in SA (for example those by COPAC, 2008; the New Growth Path of the South African Government, 2011) clearly suggest that there is a need to better understand the workings and roles of cooperatives and to identify the reasons for successes or failures. Having explored the concept of cooperative, it is vital to clearly express the concept of social capital as it is understood in this study.

1.3.3 Defining Social Capital

The concept of social capital can be traced from the works of Bourdieu, Coleman and Putnam in the 1980s. Coleman's (1988: 98) definition of social capital describes a network of relations that result in or facilitate benefits to the whole group, while Bourdieu's (1986: 248, cited in Vermaak, 2009: 400) definition suggests that relationships within a group are, consciously or unconsciously, either established for reciprocity or that the 'glue' for these relationships is based on mutual gain, associated with obligation (Vermaak, 2006).

Another perspective of social capital focuses on the social networks, norms of reciprocity and trustworthiness that arises in connections between individuals. In this respect, Putnam (1995, cited in Putnam *et al.*, 2004: 159) posits that "social capital refers to features of social organization, such as networks, norms, and trust, that facilitate coordination and cooperation for mutual benefit. Social capital enhances the benefits of investment in physical and human capital." In this regard, Putnam refers to "networked" relationships, suggesting 'equal footing', rather than hierarchical relationships (Vermaak, 2006). This definition, which suggests mutual benefit, networks, trust and harnessing social capital as a useful resource to 'get by' or to 'get ahead', is the most appropriate to the context of the Heiveld Cooperative as a form of organisation, and was therefore adopted for the purposes of this qualitative study. Further, the key concepts of trust, democracy, cooperation and concern for community – held in the principles for cooperatives – are echoed in Putnam's description of social capital.

1.3.4 Facets of Social Capital

Exploring the empirical works of Bourdieu, Putnam and Coleman, other researchers have identified various facets of social capital (Burt, 1992; Nahapiet and Ghoshal, 1998; Leana and Van Buren, 1999; Woolcock and Narayan, 2000; Xiao and Tsui, 2007; Kešeljević, 2007). Broadly, these

researchers have defined the relationships and structures that exist within and between networks that are dependent upon context, and which may result in positive outcomes for network members and networks as a whole.

Leana and Van Buren (1999: 539) identify trust and associability (collective work towards group benefits) as two components of organisational social capital, concluding that the various kinds of social capital will vary, based on the context of an organisation and its situational needs.

Nahapiet and Ghoshal (1998: 243–244) acknowledge the multi-faceted form of social capital, highlighting three key facets as being structural dimensions, namely the network of relations; relational dimensions, namely personal relationships including trust, expectations and dependability; and cognitive dimensions, namely shared understanding of interpretations, social codes of conduct and “systems of meaning” within the network. These dimensions have relevance to social capital in the Heiveld Cooperative as they pertain to the structure of relationships with the cooperative (whose members stem from the same or neighbouring communities), the personal relationships between individuals and the shared, understood norms and obligations within the network.

Relations within and beyond firms (inter- and intra-firm relations) are explained by Burt’s (1992) argument pertaining to the structural hole, where weaker network connections result in ‘holes’ in the network that allow for individuals within the network to expand their reach to other groups, thus increasing the flow of information between networks. Burt (1992: 45) argues that structural holes between networks allow for broader perspective and improved performance, while Coleman (1988 and 1990, cited in Burt, 1992: 37) has argued to the contrary that closed networks result in greater trust and willingness to share. The relationships associated with the Heiveld Cooperative include those between members (intra-network), as well as those between members and other organisations (inter-network), such as with the supporting NGOs and the organisation Fairtrade.

In a similar vein to Burt (1992), Woolcock and Narayan (2000: 3-7) describe bonding (found between individuals of a network) and bridging (networks, norms and trust between groups) as social capital. Similarly, Kešeljević (2007) identifies three levels of social capital: inter-organisational relations, intra-organisational relations, and the relations with the institutional environment within which organisations are located. The relevance of the work of Woolcock and Narayan (2000) and Kešeljević (2007) to the Heiveld Cooperative lies with the social ties within the

cooperative that assist members in managing ‘vulnerability’ and working towards shared goals, where intra- and inter-organisational relationships are needed for the cooperative to get ahead, and where government and supporting institutions can create an enabling environment in which the cooperative operates.

1.3.5 Social Capital in Cooperatives

Scholars such as Pinglé (2001), Zeuli and Radel (2005), Lizarralde (2009) and Majee and Hoyt (2009), have echoed the need to build social capital in cooperatives as unique organisations. Research on social capital and cooperatives by Coleman (in Dasgupta and Serageldin, 2000 who cites examples globally and not limited to community organisations), Zeuli and Radel (2005) in the United States and Canada, Vermaak (2009) in Limpopo (SA) and Schwetmann (2011) in Africa, corroborates the argument that trust and social capital are important components to the success of cooperatives, and that the establishment of cooperatives contributes towards building social capital.

Some authors have identified problems faced by cooperatives related to social capital. For example, Zeuli and Radel (2005) were mindful of the challenges arising from lack of cooperation and trust. Majee and Hoyt (2009) emphasise potential problems arising from not applying both bonding and bridging social capital. This is in view of possible negative impacts on social capital, through the exclusion or subordination of individuals (Jari, 2012).

Falk and Kilpatrick (2000: 91) perceive social capital from the perspective of learning. Falk and Kilpatrick (2000: 91) pose the essential question: “Do learning processes produce social capital?” In their study, ‘learning’ focuses on processes of interaction between people and other ‘social texts’ that result in change, including the acquisition of knowledge. Figure 1 illustrates the link between social capital and knowledge, where using social capital and interactive processes draws on knowledge, which is then translated into identity resources for action as, in turn, social capital is built (Falk and Kilpatrick, 2000: 101, 106).

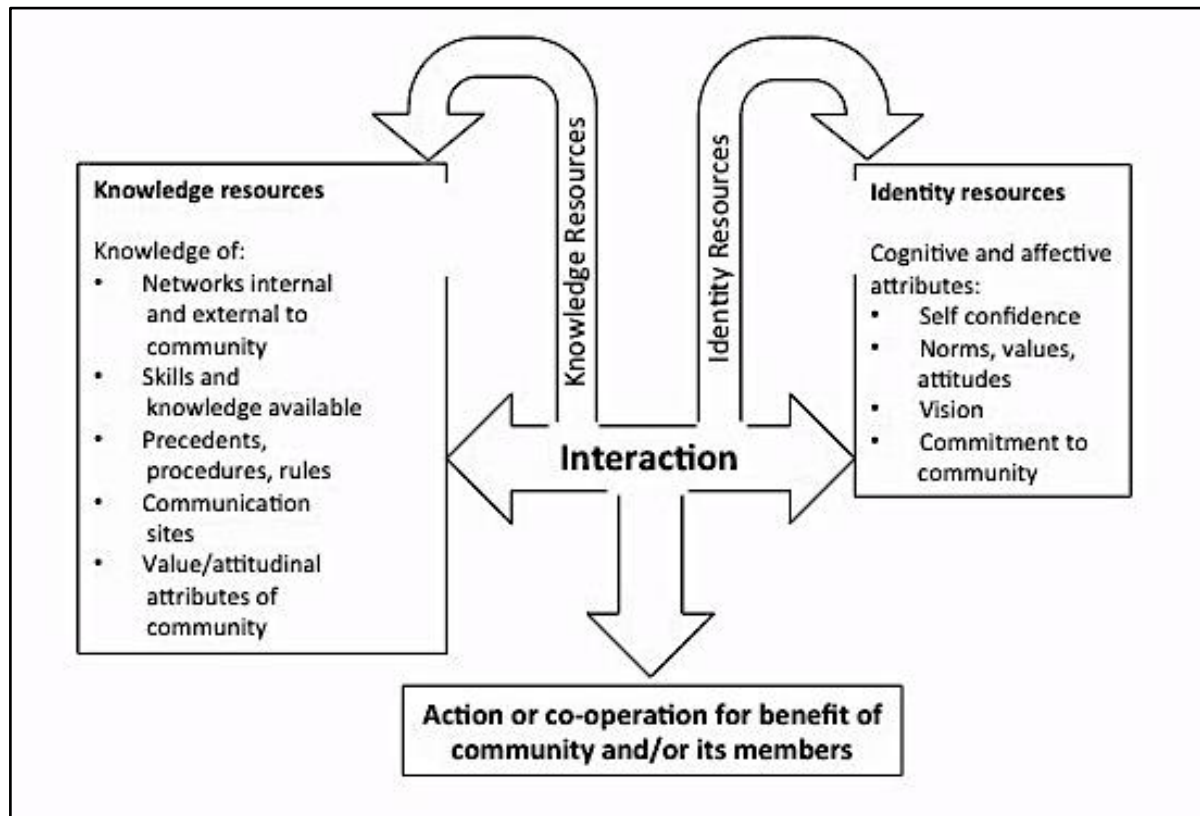


Figure 1: Simultaneous building and use of social capital (Falk and Kilpatrick, 2000: 101)

1.4 RESEARCH METHOD

Guba and Lincoln (1994: 105) define a paradigm as “the basic belief system or worldview that guides the investigator, not only in choices of method, but in ontologically and epistemologically fundamental ways”. The research paradigm of a study is the researcher’s perspective, or general frame of reference used to guide the research.

A paradigm is defined by certain assumptions, and an ontology refers to the “nature of the reality” being researched (Guba and Lincoln, 1994: 108). This qualitative and exploratory case study adopts a social constructivist paradigm. As such, this study privileges subjective and multiple realities, as perceived by the current members of the Heiveld Cooperative. The ontology of this study thus assumes that such realities are located within specific situations, contexts and individuals or groups (Riege, 2003: 77). In other words, following Ritchie and Lewis (2003: 32), reality is “rooted within the participants’ understanding of themselves” and their context.

Next, an epistemology is taken here to refer to the nature of the relationship between the researched subject and the researcher. To gain deep, thick and multiple understandings of a phenomenon (social capital) within a specific context (the Heiveld Cooperative), the researcher actively interacted with the participants from the Heiveld Cooperative in order to gather their perspectives of aspects of social capital and its role in their cooperative. Epistemologically, it must be acknowledged that the relationship between the research participants and the researcher entailed close interactions that explored subjective reality (Guba and Lincoln, 1994: 109). This then guided the choice of method, which aimed to probe the perspectives and understanding of the research participants as fully as possible.

Further to this, the research methodology constituted a set of techniques used by the researcher to engage with the subject of enquiry. The Heiveld Cooperative was identified and used as a case study to determine reality as it allowed the researcher to use multiple sources of data and capture multiple viewpoints (from ordinary, founding, and committee members of the cooperative), as the researcher was not at significant risk of affecting the phenomenon being studied when taking this approach (Schwandt, 2007: 28). Furthermore, case study as a method is helpful where the boundary between phenomenon and the context are not clear, and is instrumental in achieving a thick and rich understanding of a particular phenomenon in a specific context (Schwandt, 2007: 28).

Convenience sampling was used to identify current members of Heiveld Cooperative who participated in the focus group discussions. The focus group technique was conceived as a suitable means of data collection in this study for exploring the role of social capital in the success of Heiveld Cooperative, as it allowed for social interaction as well as in-depth probing of discussions. It is worth noting that members of the Heiveld Cooperative are geographically separated. There was a consequent logistic difficulty in achieving sizeable and meaningful homogeneous focus groups. The state of the roads and distances between the various communities made it logistically impractical to conduct the sessions with a few homogeneous members in most of the locations.

A total of four heterogeneous focus group sessions were conducted with founder, committee and ordinary members of the Heiveld Cooperative. Focus group interviews or discussions “bring together a group of people to discuss a particular topic or range of issues and are commonly found in [exploratory and] evaluative research” (Schwandt, 2007:119). The number of members in a focus group varied between five and seventeen. The researcher ensured that no single individual dominated the discussions, as sometimes questions were deliberately directed at those who were less active, in order to encourage their engagement. The sessions were arranged relatively close to where members came from, so as to cause as little disruption to the members’ work schedule as possible. The venues were also familiar to members, in order to allow for openness, and a degree of probing of their responses by the researcher. Each focus group discussion took on average approximately an hour and a half.

Overall, a total of 44 current members of the cooperative participated in the focus group discussions. All focus group discussions were audio recorded and transcribed by the researcher. The focus group discussions were guided by a framework of questions (see Appendix 3), with the researcher being mindful to keep the questions flexible, based on a set of topics to be discussed in depth, rather than a set of questions with “particular words and in a particular order” (Babbie, 2011: 312). This is premised on the advice that the successful use of focus groups requires not only careful planning (e.g. strategies for recruiting participants, logistics of recording data, etc.) but also thoughtfully prepared questions, “with special attention paid to phrasing and sequencing, skilful moderation of discussion” (Schwandt, 2007:119-120). The framework of questions was drawn from literature on social capital in order to keep the discussion focused, but also to initiate discussion (see Appendix 3).

Complementary data in the form of reports and papers written by the NGOs were also used as data. Data was analysed through open coding and constant comparison to induce themes.

Permission to conduct the study was obtained through correspondence with the Heiveld Cooperative office and the NGO (EMG) and a site visit to the Heiveld Cooperative was undertaken before data collection.

Prior to the start of each focus group discussion, a simplified definition of social capital was explained to the members (see Appendix 3) and the researcher requested permission to audio record the discussions. The researcher conducted each focus group with a bilingual assistant, who helped with translation between English and Afrikaans where necessary. Credibility was taken to mean a “faithful depiction of the participant’s lived experience that would be recognised by the participants, achieved through prolonged engagement” (Houghton *et al.*, 2013:13). To ensure credibility, transcriptions were sent to respective groups for them to comment on whether they were a true reflection of the discussions. An effort was made to allow participants who were quiet to participate by directing specific questions at them. This was also one way of minimising the dominant role taken up by certain members. Anonymity was adhered to in the transcriptions and reporting of findings.

Furthermore, this study has also ensured confirmability by following up on the original interviews, and by using the actual words of interviews so as to allow for the researcher’s interpretation to remain as close as possible to the original data. The findings in this study reflect the actual interviewees’ contributions, where excerpts from interview data and documents are cited throughout. The report has also included sufficient data and trail of the steps that were followed in this study, making it possible for another researcher to replicate the study.

One limitation of the study was the language barrier. This was mitigated by the use of a bilingual translator. Although participants claimed that they felt free to speak candidly, the heterogeneous composition of the group may have impacted on the degree of openness in the discussions.

1.5 **FINDINGS**

1.5.1 **Social Capital During the Formation of the Cooperative**

Social capital played two main roles during this phase. Firstly, it provided a sense of community or togetherness evident in (1) the history of family connections and shared reality; (2) rebuilding of trust through the collective effort to solve problems; (3) critical and open exchange of information on responsibilities and roles; (4) collective decision-making; and (5) mutual participation in shared agendas in the formative phases of the cooperative. Secondly, social capital acted as a ‘social glue’, bringing members of the community together, but also providing a fertile basis for new relationships, as well as blurring the gender-based functional distinctions that characterise men and women in tea-related work.

1.5.1.1 **Leveraging the Sense of Community**

The communal element perceived in land-related issues (for example community ownership of land) and historical family connections bonded the people together in order to generate a shared understanding of reality. With respect to the influence of shared understanding on decision-making, shared understanding was helpful and made it easier for community members to be more receptive to the cooperative model of organising and operating for common benefit. One of the members alluded to this as follows:

Everyone was born and grew up here. It was always the communities’ land. Family land. Hugo Kotze was the ancestor. He was a Dutch man with a Coloured wife. It was family land and couldn’t be sold. We all have land rights. Land cannot be sold, its ours, we decide together. The deeds state that land cannot be sold.

A report by Oettle (2012: 12), which included discussion of the processes and strategies that were used to engage the Heiveld community, emphasises the merit of the sense of social togetherness of rural community. In the report, Oettle writes as follows:

Urban unemployment and high crime levels in urban areas are powerful deterrents to many, we choose to make our life in the place where our social networks are

strongest and our knowledge of the local environment and livelihood strategies enables us to anticipate a reasonably secure life, despite the known hardships.

During the inception stage of the Heiveld Cooperative, lack of understanding of business principles and needs, threatened the cooperative style of organisation, and trust was being weakened in a number of ways. Aptly, one member reflected how the collective initiative to seek common solutions to problems was fruitful in restoring trust among the majority of its new members:

With a coop there are costs. There were many members in the beginning who didn't understand the costs involved. Many people couldn't understand why they didn't get the full price for their tea. We decided that everyone must know and understand what is going on. It was not understood, even though it was communicated. When we got together, the lawyer was there to explain it. We had legal support so we were calm. We had to sort it out by being as calm as possible and positive. Then we held workshops to explain the business needs – income and costs. We decided that better communication and learning was needed.

Another way in which the sense of community played a formative role was to facilitate critical and open exchange of information in raising expectations, as well as promoting the understanding vital to the design of the cooperative organisation structure and responsibilities. With only 15 members initially, everyone was involved in the decision-making, regarding the formation of the cooperative. Fundamentally, decisions were made by voting. One member described the discussions at initial meetings thus:

There the members began to discuss what a committee is and to identify the functions – like chairperson and treasurer. With the knowledge exchange we got more information and then at the general meeting we all discussed it and then voted.

The sense of community was also manifested through mutual engagement and participation driving a shared agenda, as described by a member during focus group discussion:

From that workshop we decided to choose the founding members and to form a coop. Then we chose the members based on trust. Then came the challenges – machinery, stores, tea court, marketing, sales place. With very little education, we

battled to start our business. It was December and by January we had to make tea. We had to go forward. The Canadian ambassador, through the NGOs, came to visit and they heard our story. We hired a tea court then. An old one that we had to fix for the inspectors. That day that they came to visit, the owner of the house on the farm had to make his house clean. We sat outside on tins and planks. You must be independent and do everything with pride. That day we got R60,000 and with that we started Heiveld. We were 15 members and each person had put in R100 to start the coop before this.

A sense of community was also evident, as those who knew how to work with the tea taught others, and the children were also taught. Decision-making was democratic and members within the communities worked together, with trust, towards a shared vision. Members summarised this during discussions as follows:

At the beginning it was trust and communication that benefited the coop. There was democratic decision-making, vision, respect, teamwork. Those who knew how to work with the tea taught others and the children were also taught. The coop has helped with people working together. People support each other. There is sharing of ideas, knowledge, equipment. Older members teaching younger members.

The shared agenda was fuelled by the concern of members about the future of their children, as stated by one of the members:

In the beginning we decided that this was for our children.

Notably, the collective perspectives were also evident in the degree to which working together could be found to be a foundational assumption to progress as a collective; irrespective of the members' difference in skill levels. This was illustrated in the following comments made by the members:

We had to learn very quickly. We had to stand together.

We all bought our own tools and worked for R100 a week to clear the land and build a tea court.

1.5.1.2 Social ‘Glue’

The NGOs have been the ‘glue’ that has brought the various communities in the area together through the establishment of the cooperative, facilitation of meetings and implementation of strategies. Members stated that the cooperative drew the communities together, thus providing the tool or impetus to link the different communities in the Suid Bokkeveld. Members stated:

We couldn't come right without the coop

Relationships grow out of the coop.

Along the gender line and over time, the women also learned about farming rooibos, so that now the women and men are involved in this together. The erosion of functional boundaries based on gender was asserted as follows by members of the focus group:

In the beginning women made tea bags with a machine and tea boxes to get more income. Now the women and men can work all over.

A working paper by Arendse (2011: 6) on the Heiveld Cooperative described the history of the communities of the Suid Bokkeveld, and contrasted the particular positive impact on women who previously had limited access to education and work opportunities in the past thus:

Women were particularly disadvantaged, with even fewer opportunities to advance economically and socially. Women were generally expected to resign themselves to a more subservient role in the community. Now they are active players.

1.5.2 **Role of Social Capital in the Successful Operation of the Cooperative**

Findings indicate that the role of social capital was manifested in five different ways: (1) facilitator of familial togetherness; (2) enabler of supportive information and knowledge sharing; (3) enhanced democratisation of decision-making; (4) promoting and guarding of pride in shared identity; and (5) trust between members.

1.5.2.1 Facilitator of Familial Togetherness

Notably, working together was a prevalent theme among the members of the cooperative. Thus, good relationships were repeatedly cited as vital for people to work together, learn from each other, look out for each other, and to understand the implications of errors that may have been made. Members in the focus group spoke about this as follows:

As members we work together. We work together with the people and learn from each other. We have good relationships. We look out for each other.

Working together is extremely important and understanding of each other for a coop. Also, working together as a community. Problems make you learn so, without problems, you don't learn.

If one person messes up then it affects the whole coop.

During the focus group sessions, it was acknowledged that members do not get along or agree all of the time but that generally, relationships are good, there is mutual respect and people understand each other and work as a family-run farm:

Relationships do not influence decisions. We don't have to agree on everything. Everyone can make their own decisions without being pressurised.

We are a family farm. Some people stand together and some not. But we understand each other.

In a different respect, it was apparent that member relationships were also critical for varied reasons that included decision-making and functioning of the cooperative, in the following way:

The members. They ensure that the coop is a success. Decisions and work come from the members. Then funding. Improvements come from the members. If no-one does anything or says anything, then nothing will get better.

Although emphasis was on the family farm, members highlighted how personal relationships were considered not to be central to the cooperative:

The coop has nothing to do with personal relationships and doesn't affect personal relationships.

1.5.2.2 Enabler of Supportive Information and Knowledge Sharing

Supportive sharing of information among members is another key aspect that plays a role in the success of the cooperative. In this regard, members do not see this knowledge as an individual property, but rather as the property of the community, and this was explained during the focus groups as follows:

We are lucky that there is little tea that is like Heiveld tea, and that's because of our traditional tea-making methods. That knowledge is ours, and nobody can take that away from us. The younger generation must just take it forward.

There are three mentor farmers within the cooperative who provide training, teach new members and assist with problems, and this was described by the members as follows:

Every year we get a mentor farmer in. They help if we have problems and give us solutions. They also teach new people. Mentor farmers are also members of the coop. Through the coop we have access to help.

The mentor farmers and shared learning is also described in a report by Arendse (2011: 24), who cites Malgas and Oettle (2007):

The primary vehicle for sharing agricultural knowledge that is used by the Heiveld is peer learning [...] Some questions are beyond the capacities of the farmers to address themselves and, in these cases, collaborative research with scientists has been able to provide much-needed insight and knowledge (Malgas and Oettle, 2007).

In a slightly different vein, the members of the focus group described external sources of technical expertise, which added value to their work. This is how bridges to external organisations such as NGOs were critical in enhancing the skills, knowledge and practices of members.

The NGOs show us how to apply sustainable practices with farming; how we manage the land. For us this is very important because we have small pieces of land. We need to be sustainable to harvest every year.

Similarly, Oettle (2012: 25) reported the following in his case study on the strategies applied by the Heiveld Cooperative, *noting that, “interaction with Fairtrade partners has opened new vistas, created networks of knowledge and solidarity and encouraged independence.”*

The NGOs, in liaison with the Heiveld Cooperative offices, arrange workshops for the members. The benefits of the relationship between the members and the NGOs were described by members as follows:

The relationship with the NGOs is very good. Without the NGOs we wouldn't be where we were. At the beginning we did not trust the NGOs. We called them vultures. But today we realise we would not be here without the NGOs. One man (at the beginning) asked for money but the NGO said that they couldn't hand out money but could help people to form the coop and to work to make money.

We have a very good relationship with the NGOs as they are the people who help us and organise workshops about planting and climate change and its effects on the harvest. It's very good for us, as farmers, to understand what's going on.

1.5.2.3 Enhanced Democratisation of Decision-making

Despite their apparent close-knit relationships, almost all of the focus groups confirmed that there was independence in their decisions regarding the cooperative:

We come together as a coop to meetings and decisions are taken and every member can have his opinion and have his say. Everyone is there as an individual. Relationships do not affect an individual's decision.

Other members spoke of the prevailing open-mindedness among members:

If I'm unhappy about something, I have a right to bring it up. It is discussed and then sorted out. Decisions though, are about the business.

Anyone who is a member can have his say or they can stand together and support each other. They must be members though.

Enhancing members' decision rights was highlighted as important to the success of the cooperative. The committee meets every three months, but important decisions are not made by the committee alone. Meetings with the members are arranged for such decisions, as confirmed by the members during the focus group discussions:

If we need to make a decision, then we get all the members together.

It is good to work together. Cooperation and communication is very important and it is good. So we work well together.

Communication is one of the main things you need. That makes the coop strong.

The importance of democratic decision-making in the cooperative is highlighted by the following statement in a report regarding the modus operandi of the engagement between the NGOs and the cooperative members by Oettle (2012: 25), who cites Adey (2007):

The Heiveld Cooperative was established with the intention that it should be a democratically-managed profit-making business that would provide benefit to the wider community (Adey, 2007)."

1.5.2.4 Promotion of Pride in Shared Identity

All of the focus group discussions included the importance of high standards for the success of the cooperative and, with these, their pride in maintaining these standards was apparent. Members described the implementation and management of the standards as follows:

We have the strongest standards. We have internationally recognised standards that are inspected. We also have internal inspectors. You cannot have someone else farming your land ... that is how strict the rules are. We have a record book – need 3 years worth of history before you can be called 'organic'. Everything is on GPS so everyone knows your land size and how much tea you can supply. If one person messes up then it affects the whole coop.

Only people who produce rooibos can become members. If there are to be more members they must come from Suid Bokkeveld and have ground. Must be organic ground. If they lease land then they need a contract with the owner. The owner must also confirm that it is organic ground.

You have to apply to the committee to become a member. You wait for a year and then the members decide whether you can become a member. Pay R50 membership fees. Members vote about membership, pay membership fees. In the year he carries on with his own tea business. Cannot sell his tea to Heiveld though. Inspectors come to check his tea to confirm if it is organic. If there is herbicide or insecticide used on his property he must wait for 4 years to apply again. High standards are ensured in this way.

One of the members of the focus groups shared his pride as follows:

I am very proud of Heiveld. I worked for R15 a day. Today I can pay my people R85 a day. I can give people good accommodation. I can transport them. The coop taught me to look beyond myself. Dreams keep you going. You must have dreams.

Oettle's (2012: 18) report describes the members' pride that was evident from the start of the cooperative, and illustrates how this pride was enhanced through their achievements:

However, most [members] proudly recognised and named their extensive local resources, including their own skills, knowledge and abilities. The pride evident in these claims motivated people to undertake a process of learning and development, and has since equated to a profound and oft-expressed sense of achievement. Indeed, one of the Heiveld Cooperative's marketing slogans is 'Produced with Pride'. The Heiveld has been built upon the knowledge, skills and heritage of the Suid Bokkeveld community.

Arendse (2011: 17), in the working paper, quotes one of the cooperative's founding members, who speaks with pride of their knowledge and expertise with rooibos tea:

I say, today, those commercial farmers are much less knowledgeable than we small-scale farmers – whether they want to know it or not. After all, who made the tea, who planted the tea?

1.5.2.5 Trust

As if to suggest that trust between members exists without need for question, one member said:

We trust each other because there are penalties if you don't trust each other. You need to trust each other to work together.

1.5.3 Strengthening of Social Capital

Social capital has been strengthened in two main ways: the growing of a strong collective efficacy, and strengthening of bonds of relationships, which are evident not only within the cooperative activities, but also in their lives in general.

1.5.3.1 Collective Efficacy

Successful results that were achieved through shared efforts were perceived by members as a reflection of their collective efficacy. The members described their combined endeavours as follows:

We got land through a 99 year lease, and got the lawyers and everything. We all brought our own tools and worked for R100 a week to clear the land and build the court.

Even our water is organic. We use rainwater tanks.

We learned through our mistakes. We didn't give up or resign but we learnt.

Because it's organic the person's farming methods are important. They must farm according to Heiveld standards.

People got R15 per kilogram against R7 per kilogram from the commercial tea sellers.

According to Oettle (2012: 7) the sense of collective efficacy at Heiveld is fuelled by a set of clear values, along with mission and objectives:

This initiative [the establishment of the Heiveld Cooperative] was underpinned by clear values and principles that were translated into the mission and objectives of the cooperative, and into policies and actions. In the course of the past decade, a number of interwoven processes have contributed to the farmers and others in the community being able to improve the resilience of their community, livelihoods and farming systems. The successes and disappointments of this process have arguably been equally significant in consolidating knowledge and developing capacities. We believe in what we do, and we achieve our goals, wishes by working together, succeeding together.

Recording the members' views regarding strategies for resilience at a workshop with Heiveld members in February 2012, Oettle (2012: 23) cited several ideas that were shared. Those that are applicable to this research and which illustrate collective efficacy included:

Working together:

- *Team work*
- *Working together between different farms and bringing forward ideas that can be tested*
- *Information, learning and advice*
- *Learn from one another*
- *Information is very important to support your farming enterprise*
- *Information and workshops where this can be shared*

Several of the focus groups also attested to the fact that the standards demanded for organic certification contribute towards good relationships amongst members:

The standards make it easier to get on. The coop sets the standards and that makes it easier. The coop has a positive influence on relationships to do better. To achieve as one.

1.5.3.2 Bonding, New and Existing Relationships

There was general agreement that the cooperative has benefited positively from the strengthening of relationships between its members. One member stated that the cooperative *“has benefitted positively from the relationships between members. We have been through a lot together as communities already”*.

Members agreed that the meetings that are held are beneficial to social bonding and some members illustrated this as follows:

At meetings there is always sharing of food and if anyone is unhappy then they can bring it up and speak it out at the meeting. The committee will not let anyone leave

the meeting unhappy. If they are worried about discussing an issue in an open forum, they can write a letter to the committee as well.

We have workshops and meetings and that helps the coop as well as members' relationships.

While members alluded to previous patterns of working in isolation and conflicts, which are things of the past, they also mentioned that tea has become a central focus in their lives, bringing people into each other's homes, and sharing information.

Because we all know each other in the Suid Bokkeveld, we have grown. We were close but this has grown and we have become closer. Melkkraal, for example, used to work on their own before the coop, and then there was some conflict, but now people work together. If you have a coop you become almost like family. Everyone speaks about tea when you get together. We ask each other for help, listen to elders and explain things. Must have people to your house to discuss things.

Relationships grow out of the coop.

At meetings the friendship is built. If it wasn't for us all being rooibos tea farmers and the coop, we wouldn't know all the people. When we come together it is like family coming together. It is a wonderful friendship. Almost like a family. If someone passes away, you feel it as if they are a part of you. We get to visit other people who do organic farming as well. We share experiences and learn a lot.

Oettle (2012: 15) described relationships between the cooperative and its trading partners as follows:

Negotiations between the Heiveld and its trading partners have not always been straightforward, and some less scrupulous traders and service providers have been dishonest and even perpetrated fraud, despite their professed adherence to Fairtrade principles. Nevertheless, all of these experiences have provided learning opportunities that have been used positively in the process.

Arendse's (2011: 21) working paper describes the development of relationships with trading partners that evolved over time, built trust and confidence in the members:

The consistent supply of high quality organic and Fairtrade certified rooibos has helped to cement long-term trading relationships with its 13 current partners in South Africa, Europe, North America and Australasia. The partners also regularly visit the Heiveld producers, production facilities and office [...] This kind of flexibility and willingness to show their partners the intricacies involved in rooibos production have helped to increase transparency and establish trust in the trading relationship.

1.5.4 Weakening of Social Capital

At all of the focus group sessions except one, there was general consensus that relationships had not been negatively affected over the years, as attested to by the members thus:

No relationships have been (negatively) affected.

As far as we know, relationships have not been negatively affected over the years.

1.5.4.1 Diminished Trust, Lack of Communication, Oligarchy and Nepotism

During one of the focus group sessions one of the founding members (referred to as X to ensure anonymity) arrived late, once discussions had already begun. Until X's arrival, the focus of the discussions had been very positive about the cooperative, the committee and relationships between members and the role of the NGOs. It appeared that X, being a founding member, an elder and a strong, outspoken person, influenced the rest of the members as they tended to nod in agreement with X's statements during group discussions. Broadly, X's criticism focused on concerns about farming methods, reduced income and financial management. X did acknowledge, however, that relationships between the members were still strong:

The coop is not a success because of the money received for the tea. In the beginning we got 26 to 40 sacks of tea. Now just 12 sacks. So I don't think it's a success. I used to get more money. My husband was the biggest farmer. The bugs eat the tea. In the

past we used pesticides. Now we don't get as much tea. It's the difficulty of working organically.

Members don't have enough say anymore. We don't hear anything or get information anymore. We get letters to say that there is a meeting. Not what is going on in the coop. Our children don't have work. We have had no surplus [profit share] for four or five years. I asked the office but they say that funds are used for petrol or transport. Transport is R2 per kilometre for transport of tea. I had to pay R1,800 for transport, plus 20 cents taken off each kilogram of tea. What happens to that money? The committee makes the decisions. If you disagree then you must leave. Trust with the office and committee has diminished. Decisions are taken without consultation. There is no information from the office, the committee and members. We don't get newsletters anymore. Committee members use family connections to stay on the committee. Original relations were much better. Preference is given to certain members. For example, if members need to borrow money, then some people get loans and others don't.

If it wasn't for the coop our relationships with the committee members and everyone would be better. We used to know exactly how much money came in and what was spent and where. If there is work like packaging, then work is given to people in town.

Relationships have been negatively affected. Trust has been affected. Democracy has been affected. If it wasn't for the members, there would be no coop. They use us to get funding and once the funds are there then they don't need us.

Relationships between members are still strong but there is lack of trust between members and the office and committee. Members work together. There are strong bonds between the members.

1.6 DISCUSSION

The research question in this study is: what was the role of social capital, if any, in the success of the Heiveld Cooperative in the Northern Cape, as perceived by current cooperative members? In

response to this, findings of this study reveal that social capital played a major and influential role during the inception and also the successful operation of the Heiveld Cooperative, by bonding and bridging not just between individual members, but also communities, trading partners and other collaborators. The three dimensions of social capital as proposed by Nahapiet and Ghoshal (1998) are used to illuminate the social, cognitive and relational aspect of social capital that are at work at Heiveld cooperative.

Another key finding of this study is that social capital has also been critical in enhancing supportive knowledge sharing, along with the promotion of pride and shared identity, which are aspects of cognitive social capital. These have played a key role in the continued success of the cooperative. Nonetheless, a lack of understanding of financial management, limited or lack of information from the cooperative office to members, and nepotistic tendencies, were highlighted by certain members as weakening social capital and the sense of community. The work of Falk and Kilpatrick (2000) is used to shed more light on the perspective of social capital and knowledge sharing, which is one of the key findings in this study. Interestingly, the cognitive dimension of social capital at Heiveld has contributed to the weakening of social capital as evident through claims of a lack of transparency, as well as procedural injustice and nepotism, which suggests a degree of division in the coop. It is notable that this has significant potential for the exclusion or subordination of individuals as members of the cooperative, and ultimately threatening to weaken bonding social capital.

Last, but not least, leveraging the sense of community has also been useful in promoting collective efficacy, strengthening familial togetherness, and enhanced democratisation of decision-making. This is explained using the notion of social capital by Putnam (2001), who focuses on networked relationships characterised by equal footing, norms of reciprocity as a resource to get by and get ahead. More importantly, this finding is further elaborated upon by drawing on social network theory described by Hoppe and Reinelt (2010), in order to illustrate the systemic aspects of social capital at a broader level, while embracing the structural, relational and cognitive nature of social capital at the Heiveld Cooperative.

1.6.1 Bonding and Bridging Social Capital

One of the key findings of this study is that there was bonding and bridging of social capital evident at the Heiveld Cooperative, characterised by (1) social ‘glue’; (2) bonding and bridging of new and existing relationships between members, communities and trading partners. It is notable that the

structural aspect of social capital was vital in building a network of relations between people and institutions. From a structural perspective of social capital, Nahapiet and Ghoshal (1998) assert that social capital reflects who you reach and how, and patterns of linkages in terms of connectivity, hierarchy and density of connections between various actors. It is in this vein that social capital was useful, not just in bringing people, communities and institutions together, but also in keeping them together in the success of the Heiveld Cooperative. However, by applying both bonding and bridging of social capital, cooperatives are able to foster beneficial relationships outside of their immediate network, enabling more opportunities and allowing the cooperative to 'get ahead'.

While focusing on the restricted context of family, Narayan (1999: 35) agrees that strong familial ties provide a beneficial basis for social and economic health. However, these benefits are enhanced through establishing ties with other groups and societies. Acknowledging the pivotal role of bonding and bridging social capital, Narayan (1999: ii) echoes that "solidarity within social groups creates ties (bonding social capital) that bring people and resources together." The Heiveld Cooperative has demonstrated this. Prior to the establishment of the cooperative, there were several small, isolated communities scattered across the Suid Bokkeveld around Nieuwoudtville. Some communities owned land and people were born and grew up within these settlements. Familial and community relationships were strong, born out of the need for communal living, shared resources and community support structures. Before the cooperative was established, the remote communities got by through their agricultural practices and community support relationships. During focus group discussions, the members confirmed that these relationships made decision-making easier, as there was sense of connection, which arose as a result of the cooperative. It is noteworthy that Nahapiet and Ghoshal (1998) view social capital from an intra-network perspective, which may only explain the bonding aspect of social capital. Burt (1992) explores relations within and beyond firms (inter- and intra-firm relations), describing what he refers to as the "structural hole argument". This has relevance to the Heiveld Cooperative where relationships existed between members (intra-network) as well as between members and other organisations (inter-network) such as the supporting NGOs and Fairtrade. The benefits of this, in terms of income, were highlighted by the community members during discussions, with prices per kilogram increasing from R7 to R15, and members who originally were paid R15 per day, being able to pay workers R85 per day, provide accommodation and transport.

Burt's (1992) structural hole argument enlightens consideration of the early years of the Heiveld Cooperative, when existing relationships between community members were strengthened (bonding

social capital), new relationships between different communities were forged (bonding and bridging social capital) and professional relationships were established between cooperative members, the NGOs and trading partners such as Fairtrade (bridging social capital).

Woolcock and Narayan (2000: 3–7) and Kešeljević (2007: 4), confirming Burt (1992), and similarly relevant to the Heiveld Cooperative, refer to intra-network connections and inter-network connections and inter- and intra-organisational networks respectively.

The NGOs, EMG and Indigo, were key players in bringing about the expanded networks through facilitating the linking of the different communities, supporting the establishment of the cooperative and facilitating trading partnerships involving the Heiveld Cooperative (for example, Fairtrade).

Furthermore, Burt (1992: 36) argues that weaker network connections result in “holes” in the network, which allow for individuals within the network to expand their reach to other groups, thus increasing the flow of information between networks, while, at the same time, increasing the ‘control role’ to the individual who is brokering this information. It could be argued that this latter ‘benefit’ may feed individualism within a network, weakening the networks within a group. The notion of individuals weakening the network resonates with the complaints of nepotism and preferential treatment weakening social capital at the Heiveld Cooperative. While Coleman (1988) suggests that strong (closed) networks result in greater trust and willingness to share, Burt (1992: 45) argues that links across ‘structural holes’ between networks enable added value, broader perspective and improved performance. Burt (1992: 47) does add, however, that closure can be “critical to realizing the value buried in the structural holes”, and acknowledges that closed networks improve communication and co-ordination within a group. He argues that strong leadership of a group can enhance communication and co-ordination, despite structural holes that may arise as, or be the result of, weaknesses within the network (Burt, 1992: 49).

The NGOs supporting the Heiveld Cooperative could be described as bridging organisations, “providing a forum for the interaction of different kinds of knowledge, and the coordination of other tasks that enable cooperation: accessing resources, bringing together different actors, building trust, resolving conflict and networking” (Berkes, 2009: 1692). According to Berkes (2009: 1695), bridging organisations can facilitate knowledge sharing and knowledge building through establishing relationships of trust, learning, sense-making, and vertical and horizontal collaboration. Bridging organisations are described as being “crucially important” in providing services and

facilitating linkages (Berkes, 2009: 1696). Similarly, Buckland (1998), who researched NGO intermediated projects in Bangladesh, and Nel, Binns and Bek (2007), who explored community-based development in the Suid Bokkeveld, found that NGOs played a beneficial role in terms of establishing linkages and building social capital within and between rural community development projects.

1.6.2 Knowledge and identity resources

Notably, another finding of this study reflects the way in which cognitive social capital created and sustained pride and shared identity, as well as a sense of collective efficacy. Nahapiet and Ghoshal (1998: 244) identify a cognitive dimension of social capital, in addition to the structural aspect. In short, the cognitive dimension refers to the shared understanding of interpretations, social codes of conduct and “systems of meaning” within the network. Context is particularly relevant to this dimension (Leana and Van Buren, 1999) as it is about common understanding between actors within the network or between networks, collective goals, and ways of behaving in a social or organisational context. This form of social capital was manifested through supportive information and knowledge sharing amongst for example mentor farmers; external technical experts supported by NGOs; shared identity and promotion of pride as tea farmers, etc. This finding also resonates with Falk and Kilpatrick (2000: 105), who assert that action or cooperation for the benefit of a community or its members is premised on interaction or learning, which yield identity resources such as self-confidence, norms, values, commitment to community etc., as well as also knowledge resources such as skills, attitudinal attributes of community etc. The notion by Falk and Kilpatrick (2000: 105) sheds light on how social capital has played a key role in the identity resources of the Heiveld Cooperative, such as a sense of pride as tea farmers and shared identity and collective efficacy. A study in the United States by Majee and Hoyt (2011: 52) on cooperatives as a tool for community development and the creation of opportunities for the transition from poverty concluded that when community members work together, the members establish a community identity, norms, trust, and “commitment to providing benefits for each other”.

Considering the cognitive dimension of social capital and the role that it played during the establishment of the Heiveld Cooperative, Pínglé’s (2001) study has resonance. Pínglé explored the impact of social capital on the success of businesses (including cooperatives) in SA, and on what types of relations assisted entrepreneurs. He concluded that context – or identity landscape – must

be considered when analyzing the formation of social capital, and that this framework enables better recognition of the “nuances of social capital”. The formation of the Heiveld Cooperative was based on the fact that the communities of the Suid Bokkeveld enjoyed access to two resources, namely rooibos tea, and their knowledge of harvesting (locational context). Using this knowledge, the cooperative was formed, aided by the existence of already-established familial and community bonds, and associated trust, understanding of norms, values and expectations, which were then leveraged in order to expand networks (social context).

Oettle (2012: 18) confirms the members’ discussions in this regard, acknowledging the farmers as “co-owners of data and knowledge”, and describing quarterly workshops where knowledge was shared between members and visiting researchers. Totterman and Widen-Wulff (2007: 1) discussed social capital and information sharing and, citing Hoffman, Hoelscher *et al.* (2005), Coleman (1988) and Nahapiet and Ghoshal (1998), have argued that social capital contributes to collective intellectual capital and “efficient collective action” through resulting cooperation. The authors go on to state that communication is a key component in social capital, both as a foundation and as a tool towards driving organisational goals. Through communication, a base understanding can be achieved, and further built upon. The importance of communication, understanding and shared knowledge was demonstrated by the Heiveld Cooperative members during their various interactions to pursue their common goals. The members acknowledged that there were some initial problems to overcome between people during the formation of the cooperative. However, the members expounded on this as being as a result of a lack of understanding of business principles and requirements, which led to some mistrust. They reported that this was subsequently resolved through communication pertaining to the needs of the business and, once this was understood by all concerned, the members were satisfied.

During the formation of the cooperative, the members attested to the fact that the initial principles of mutual respect, vision, give-and-take, sharing benefits, cooperation and transparency were important foundations for relationships going forward. Democratic decision-making assisted in agreement being reached on a shared vision, and ongoing interaction between members led to increased trust and an acknowledged understanding of shared values and norms.

Oettle (2012: 17) described the first participatory workshop in the Suid Bokkeveld in 1999, where the communities shared their vision. According to Oettle, this resulted in a defined, collective vision that, despite being revisited over the years, remained unchanged. Described by the members as

“samewerking” (cooperation), this was mentioned by all the focus groups as being a key aspect of the success of the cooperative. Oettle (2012: 23) outlined the guiding values of the cooperative as “team work and learning from one another”, which is at the top of Oettle’s (2012) list of ideas collated under the title “Working together”. Second on this list is “working together between different farms and to bring ideas forward that can be tested”. Ultimately, the high standards demanded for organic tea farmers enabled goal setting and shared vision, resulting in pride in the members of the Heiveld Cooperative. The standards guided the operation, as well as decision-making by the members. Acquiring and maintaining organic certification opened up opportunities for the Heiveld Cooperative, and expanded their network to international organisations, other farmers, traders and consumers (Oettle, 2012: 7).

Oettle (2012: 18) confirmed the members’ pride in their achievements as highlighted during the focus groups sessions of the current study, explaining the members’ recognition of the value of their knowledge, identity resources and skills. Oettle asserted that pride has been a motivator for members to learn more and to develop themselves and the cooperative further. According to Oettle (2012: 18), “the Heiveld has been built upon the knowledge, skills and heritage of the Suid Bokkeveld community.”

1.6.3 Relational dimension of Social capital

Relational social capital (Nahapiet and Ghoshal, 1998) in respect of the Heiveld Cooperative describes the personal relationships that people on the Suid Bokkeveld developed through interaction over time; through family connections or links; through community; through the cooperative; or through various interactions. Characteristics of these relationships include mutual respect, trust, expectations and friendship, identity, norms or customs and sanctions (Nahapiet and Ghoshal, 1998: 244). The original bonds that existed within the isolated communities of the Heiveld were harnessed in order to expand networks and extend relationships from intra-community relationships to inter-community relationships, as well as to inter-organisational relationships. As a result of these relationships and expanded networks, the cooperative members reported an increase in prices received for their produce, from R7 per kilogram to R15 per kilogram.

It is also vital to note that the relational dimension of social capital refers to the personal relationships or emotional attachments people have developed with one another over time (such as respect, trust, friendship) used when individuals collaborate in a specific field of activity (Nahapiet

and Ghoshal, 1998: 244). A key aspect between actors in such relationships is trust, which enables benefits to be leveraged between participants. In discussing trust, Casimir *et al.* (2006: 71) confirm the benefits of trust, stating that trust may be a requirement to maximize performance. Trust is about the willingness “to depend on another party” and “confidence in the goodwill and competence of others”. It is also about the “expectation that others will reciprocate” and follow “consistency with agreements” (Casimir *et al.*, 2006: 68). According to Rousseau *et al.* (1998: 398), the degree of trust varies with relational context and time; for example from a relationship of economic loss or gain, to an emotional one, built over time. Although these dynamics may not have been easily communicated in the cooperative under study, it is clear that trust is weakened amongst its members by a perceived lack of transparency and procedural justice on the part of the cooperative office superstructure. Claims that the committee members used family connections to remain on the committee, and that family members were shown preference as suggested by one of the members, exemplify the weakening of social capital. This reflects a change in the role of social capital, which was strong in the inception stage of the cooperative. More precisely, it would appear that the inter- and intra-community social capital has remained strong, but that intra-organisation social capital and trust was weakened as a result of perceived nepotism (self-interest) and unequal relationships (preferential treatment). It could be argued that social capital has been confined to familial and community networks, with nepotism manifesting as a negative form of familial social capital. This notion resonates with perverse social capital, which has a negative impact on productive social capital (Woolcock and Narayan, 2000: 229). Woolcock and Narayan (2000: 229) however, refer to arguments by Portes and Landolt (1996), who have highlighted the shortcomings of “productive social capital” when replaced by “perverse social capital”. The authors cite examples of gangs being formed, drug cartels and nepotism as “perverse social capital. Zeuli and Radel (2005: 52) advise that social capital – the willingness of people to co-operate and trust – is a fundamental requirement of cooperative development, which is different from perverse social capital.

In Lizzaralde’s (2009) empirical research on the Mondragon Cooperative in Spain, the findings support Zeuli and Radel’s (2005) recommendation, and are relevant to the relational dimension of social capital found in the Heiveld Cooperative and the issues associated with perverse social capital. Lizzaralde’s (2009) study focuses on the impact of social capital on collective action, participation and innovation, and highlights success through communication networks, trust and “exploration of new situations” (Lizzaralde, 2009: 27). The Mondragon Cooperative model incorporates structural (bonding and bridging), ideological (relational social capital through shared

understanding, shared vision and trust) and cultural aspects (locational and social contextual understanding and norms). According to Lizzaralde (2009: 36), an environment of trust is key to the facilitation of cooperation, open communication, innovation and active participation.

Nahapiet and Ghoshal (1998: 251) warn that the three dimensions of social capital that they identify (relational, structural and cognitive) may not be mutually reinforcing. For example, relationships on an individual level, based on links to the Heiveld Cooperative and familial ties, may be weakened as a result of perceptions of preferential treatment or nepotism amongst members. Relationships form the core of social capital, and are created through exchange (Bourdieu, 1986, cited by Nahapiet and Ghoshal, 1998: 250). Relationships, however, have different strengths (for example, familial relationships as compared to acquaintances). Similarly, different links between relationships exist (for example, relationships based on common interests) and relationships may have different purposes (for example, relationships of obligation or benefit). Relationship sources vary as well (for example, relationships formed through common membership of an organisation, or relationships based on family ties). Different relationships have different characteristics or dimensions, as highlighted by Nahapiet and Ghoshal (1998: 243–244), who described the structural, relational and cognitive dimensions.

For the Heiveld Cooperative, the full spectrum of trust is a crucial component of social capital, where inter-personal relationships within the community are carried over into the cooperative network and networks beyond, where trust, within an economic context, becomes important for co-operation between members, between networks and between organisations.

The social capital theory proposed by Nahapiet and Ghoshal (1998) only explains the intra-network aspect of social capital, but fails to explain the intra-community networks that were evident at the Heiveld Cooperative. Within the Heiveld Cooperative, as well as outside this cooperative, networks incorporate vertical and horizontal relationships or intra- and inter-organisational networks, seen for example in networks including NGOs, trading partners and technical experts. In this respect, Hoppe and Reinelt (2010: 601) provide a framework for social networks within communities and organisations.

The figure below is an adaptation of the illustration of bonding, bridging and clusters (Hoppe and Reinelt, 2010: 602), showing clusters of networks within certain contexts, strong ties within

networks (bonding) and weaker ties within networks (structural holes); creating space for bridging. This influential role played by social capital is reflected in Figure 2.

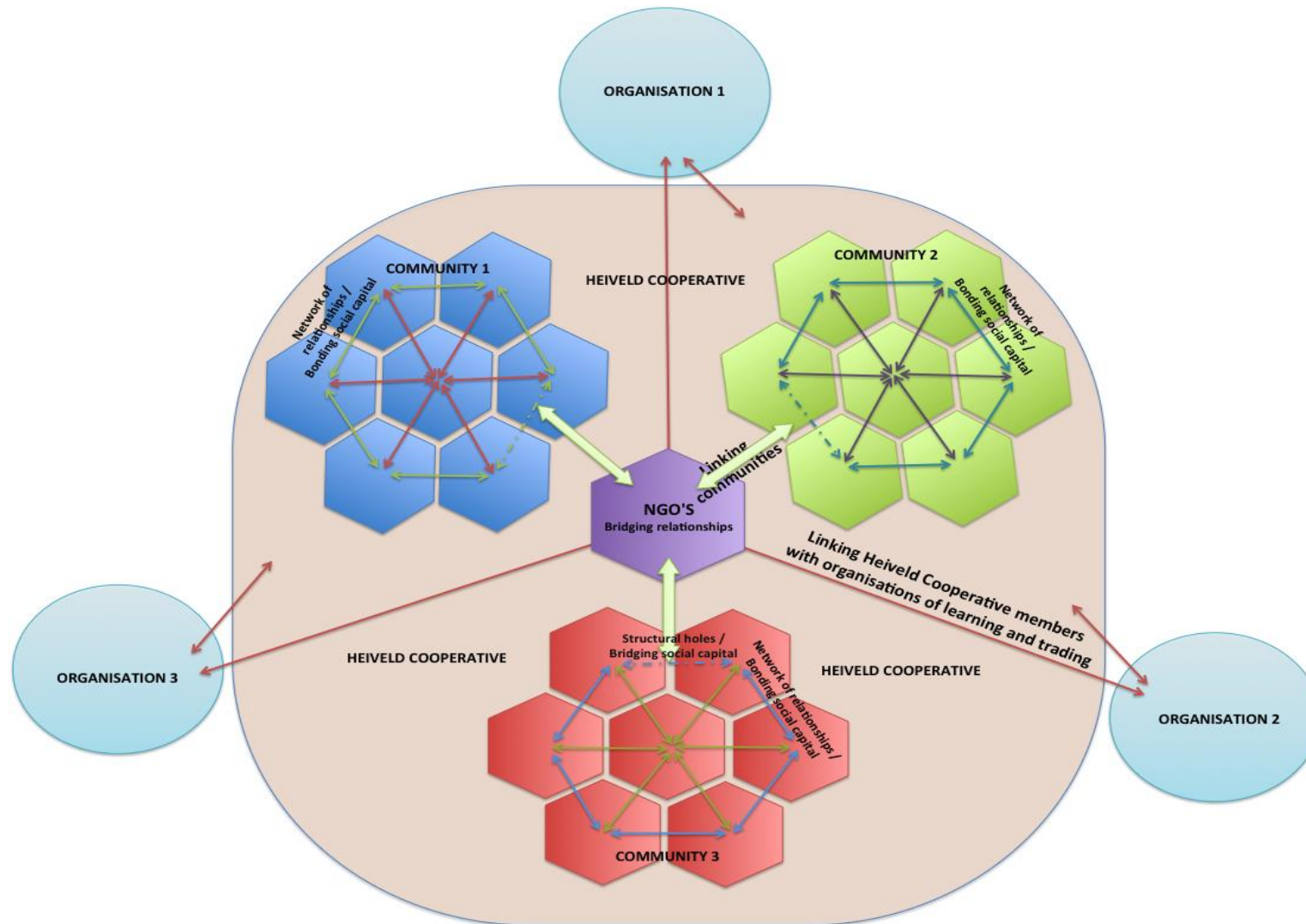


Figure 2: Model illustrating the NGOs as the bridging organisation enabling links between communities, forging ties through the establishment of the Heiveld Cooperative, establishing links with organisations of learning and trading and facilitating networks between these organisations and the Heiveld Cooperative.

Adapted from Hoppe and Reinelt, 2010: 601.

Mindful that Hoppe and Reinelt's (2010: 601) framework for social networks focuses on leaders within communities and organisations, it is clear that they adopt not only the bonding and bridging social capital or closure and brokerage between social networks and communities. This view complements the notion of Nahapiet and Ghoshal (1998: 251), as it adopts a more systemic view, which embraces structural, relational and also cognitive aspects of social capital. This systemic view of social capital is more embracing and provides an explanation of the leveraging of the sense of community, which seems to be a broader umbrella of all the findings in this study.

More importantly, the leveraging of the sense of community during the formative years to facilitate critical and open exchange of information, democratic decision-making and desire to work towards a shared vision as family, also evident in the later years of the cooperative, is one of the key findings in this study. It reflects a unique way in which social capital has been characterised by relationships in networks, supported by common rules, where it is understood that others in the group will play their part. While scholars such as Lizarralde (2009: 37) conclude that the Mondragon Cooperative's development has been based on the "structural, ideological and cultural features that define social capital", it is apparent that cultural features were not evident as part of social capital in the Heiveld Cooperative.

In terms of social capital, Putnam's discussions and definitions of social capital suggest that, embedded within the social networks, norms of reciprocity and trustworthiness arise between individuals that enable a sense of 'equal footing', rather than hierarchical relationships (Putnam, 1995, cited in Putnam *et al.*, 2004: 159; Vermaak, 2006). Horizontally structured organisations, according to Sullivan and Transue (1999: 21), result in cooperation and successful collaboration. At the individual level, a horizontally structured organisations describes the cooperative under study, where the sense of community was being weakened by preferential treatment of members, a perceived lack of information flow and transparency; which resulted in the members' perception that they were not treated as equals. This seems to contradict the view of Putnam, who asserts that social capital is created or enhanced when members engage as equals.

At a broader level, Heiveld Cooperative members revealed that democratic decision-making was enabled through existing community bonds (intra-community) and the agreed principles for engagement at the founding meetings. Initial discussions began on an 'equal footing', and the agreed upon principles ensured continuity of this democracy, which in the case of the coop in question, was no longer perceived to be the same by every member. Notably, there were claims of

diminished trust, lack of communication, oligarchy and nepotism, gradually weakening social capital. Nonetheless, there is strong evidence of bonding social capital among cooperative members. While Zeuli and Radel (2005: 48) stress the contextual benefits to social capital in community development, stating that “by being locally developed, locally owned and locally controlled, cooperatives clearly build on a given community’s human capital, social capital and financial capital”, it is vital to acknowledge that this does not in itself suggest lack of contextual conflicts.

More importantly, a sense of community resonates with a close relationship between communication, understanding and the enabling of democratic decision-making, as, without a good understanding of a principle being communicated, decision-making becomes based on flawed information. This understanding is supported by Marquart-Pyatt and Petrzalka (2008: 250), who discuss the need for open communication channels and opportunities for discussion for democratic communities. As Marquart-Pyatt and Petrzalka (2008: 251) assert, the processes of engagement are as important as understanding and engagement in order to grow trust, to enhance understanding and to establish a basis for future interactions. Platteau and Abraham (2010: 112–113) posit that the notion of democracy may be foreign to small rural communities, and that participative processes that work towards unanimous agreement – rather than applying a system of voting – may be preferable. Having publicly agreed to a decision or action, a community member is then culpable in its selection and outcome.

Applying Platteau and Abraham’s arguments to the Heiveld, it would appear that voting and discussion are both currently applied by its members as tools in democratic decision-making. Although the members during the focus groups stated that voting was a method used in decision-making, they also reported that discussion was fundamentally used to air concerns.

Onyx and Bullen (2000: 25) state that higher levels of social capital are found in isolated communities, with strong bonding social capital amongst relatively closed networks. According to Woolcock and Narayan (2000: 6), such communities may experience the negative implications of what Burt (1992) referred to as closed networks, with few bridging opportunities to expand their networks that may enable access to knowledge, opportunities and exchange.

The arguments presented by these authors may well have had relevance in the past to the communities of the Suid Bokkeveld. The focus group discussions with the Heiveld Cooperative

members attested to the strong relationship ties that were present within communities prior to the formation of the cooperative. The geographic isolation of the communities from one another and from trading networks resulted in strong familial and intra-community bonds, with community members having to depend on each other in order to get by. However, through the facilitation role played by the NGOs in the establishment of the cooperative, the closed networks of the Suid Bokkeveld were opened and expanded to include and/or bridge with neighbouring communities, the NGOs and networks of learning and trade. This study has revealed that the role played by social capital in the success of Heiveld Cooperative was predominantly positive, but may be gradually changing as the sense of community and bonding are no longer the same. This is indicated by the emergent claims of diminished trust, oligarchy, preferential treatment and lack of transparency, as examples of social capital, although still strong, are gradually declining over time. These circumstances as well as the claims to that effect are capable of undermining trust, which is central to the relational dimension of social capital as well as the sense of community.

1.6.4 Limitations of the study

This study is predominantly based on focus group data collected from heterogeneous focus groups of current members of the Heiveld Cooperative. It is also notable that some documents were used as secondary sources of data. However, as inevitably there is a hierarchy between the members of the cooperative, including committee members, founding members, and ordinary members, it is very possible that ordinary members might not have been comfortable with raising some of the fundamental concerns in the presence of committee members. Additionally, it is possible that the presence of founding members, whose ages and tenure of membership imply respect, may also have inadvertently suppressed some of the views of relatively young and new members of the cooperative.

Future research needs to focus on homogenous groups and to adopt individual, in-depth interviews in order to enhance the openness of research participants.

It is also notable that the use of the translator might also have affected the accuracy of the translation of the interview transcripts. However, a member check was done in order to mitigate the effects of this, as members checked the transcripts so as to confirm that they reflected the discussions. Furthermore, future research is also required in order to ensure that the sizes of the

focus groups were small for ease of management, as well as to enhance full engagement with research participants.

1.6.5 Value of the study

Majee and Hoyt (2009: 53) highlight the need for a conceptual framework that illustrates the way in which cooperatives build trust, participation and networks, reminiscent of Pinglé's argument supporting the need to establish the roots of social capital within a certain context. In this regard, this study is of value to a number of stakeholders, as it reflects on the way in which social capital could be built and utilized, in order to enhance the success of a cooperative. The study is valuable to members of the cooperative as it has identified the variety of social capital, and not only its particular usefulness, but also the way in which it has contributed to the success of a cooperative. Furthermore, aspects of perverse social capital have also been highlighted, along with the way in which these can potentially undermine the success of a cooperative.

The study is also valuable to those that are involved in the training and development of cooperatives, mindful that social capital is not given deliberate attention as a key asset in the success of this type of organisation. The bonding and bridging aspects of social capital are critical both to help the business survive as well as grow, without creating a sense of exclusion or subordination, but rather, by leveraging the sense of community.

Lastly, the study makes a contribution not only to our understanding of what type of social capital is successful, but also the function that such social capital performs in a cooperative. The study also echoes the systemic view of social capital, which takes it as a resource, and involves social actors both within as well as across institutions. Social capital is an asset that, with conscious development, can enhance the resilience of cooperatives and result in collective success and pride. On the other hand, social capital can be undermined by weak 'links' in the intra- and inter-networks, where the cause/s of such a weakness needs to be identified and resolved, so that existing social capital is not undermined, but rather that enhanced.

1.6.6 Recommendations

- The cooperative should embrace processes of learning through on-going monitoring, transparent discussion and collective action which have contributed to building cognitive social capital, and need to be promoted in order to sustain the cooperative and the transfer of knowledge and identity resources within it. These processes would assist the cooperative and its members in addressing the perceived issues of nepotism, oligarchy and perceived mismanagement of funds as raised during discussions with members.
- Cooperatives should focus on the benefits from both bonding and bridging social capital to succeed, with bonding social capital resulting in increased trust and collective understanding of norms, values and expectation; and bridging social capital adding value through expanded networks, access to information and resources by cooperative members.
- Leveraging the sense of community is critical in a cooperative to enhance democratic decision-making, collective efficacy and shared identity. A more systemic view of social capital by cooperative leaders and members is vital to enhancing access to intra- and inter-network resources.
- Perverse social capital arising from nepotism, oligarchy or other negative impacts on social capital (such as perceptions of preferential treatment and lack of information flow from the cooperative office to members) needs to be addressed with speed and efficiency as this has the potential to be shared by members, and consequently, to undermine trust and a sense of togetherness. The NGOs, as supporting organisations, should address these highlighted concerns with cooperative members and the cooperative office through transparent discussion to prevent further erosion of trust and to enhance collective understanding. Furthermore, a system to ensure information flow between the office and cooperative members, that is understood by all members, should be identified and implemented.

1.7 CONCLUSION

The review of literature reveals a trend of most cooperatives failing to succeed. Social capital has been identified as one of those resources that contributed to the success of cooperatives. This study focused on the role of social capital in the success of the Heiveld Cooperative in the Northern Cape in SA. Using the Heiveld Cooperative as a case study, the research focused on the views of current members of the cooperatives in gaining their multiple perspectives of reality when it came to the role of social capital in the success of their cooperative. While several studies

have been undertaken on this cooperative, no study was identified which exclusively focused on the role played by social capital in the success of this cooperative, as perceived by cooperative members themselves.

The findings of this study show that bonding and bridging were two types of social capital among members, between communities, institutions and trading partners; which played a key role not just in the inception, but also in the continued success of the cooperative. This reflected the structural dimension of social capital at work. On the other hand, the cognitive dimension of social capital was evident through knowledge and shared identity resources, which arose from the success of the cooperative (e.g. maintenance of high standards, shared knowledge and pride, etc.), which fuelled the sense of collective efficacy. Nonetheless, the cognitive dimension of social capital was being eroded by a lack of information sharing.

Last, but not least, the relational dimension of social capital was evident through leveraging the sense of community, characterised by the sense of belonging, enhanced democratisation and collective decision-making, and the desire to work towards a shared vision as a 'family'. It is notable that that trust should be retained in order to nurture social capital. Notably, aspects of perceived diminished trust, oligarchy, nepotism and a lack of information flow were gradually undermining the relational dimension of social capital. A more systemic view of the variety of social capital, its usefulness, and the way in which these were built, enhanced or weakened over the years of operation of the cooperative, have been highlighted. Recommendations and areas for future research have also been identified in this study.

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SECTION 2: LITERATURE REVIEW

2.1 INTRODUCTION

Cooperatives and social capital, within the domain of community and rural development, have been the focus of much research and academic debate amongst authors such as DTI (2009), Merrett and Walzer (2004), Zeuli and Radel (2005), Dasgupta and Serageldin (2000), Williams (2013), Arendse (2011) and Jari (2012). This literature review explores the key concepts of the role of social capital and cooperatives.

Initially, this section explores the history and various definitions of cooperatives, the development of cooperative principles and the rationale for the establishment of cooperatives to provide an understanding of their development paths.

Thereafter, the key concept of “social capital” is reviewed in order to understand its role in cooperatives.

2.2 COOPERATIVES: HISTORY, DEFINITION & COOPERATIVES IN SOUTH AFRICA

2.2.1 The History of Cooperatives

The Shore Porters Society in Aberdeen in the United Kingdom (Shore Porters, 2007), which is now a Private Partnership, began as a cooperative, established in 1498. However, the most widely cited historic cooperative is the Rochdale Society of Equitable Pioneers, established in 1844 in England, in response to the impacts of the Industrial Revolution (Merrett and Walzer, 2004:5). The principles developed by the Rochdale Pioneers are the cornerstone on which cooperatives today operate.

In the book by Merrett and Walzer (2004: 23–25), Fairbairn discusses the development of cooperatives over time, and their rationale of establishment, and explains that despite basic commonalities, cooperatives are diverse in their location, approach, time, sector, communities and classes, etc. Fairbairn describes them as being “part of economic stress and change”, and responsive to community needs impacted by the broader environment. The author states that cooperatives “are

both associations and business enterprises”, thus suggesting a broader definition of cooperatives that goes beyond a merely economic relationship.

In describing the history of cooperatives in SA, the Department of Trade and Industry (DTI) in SA (DTI, 2009: 4–5) confirms Fairbairn’s discussion in Merrett and Walzer (2004: 23) that cooperatives have been established as a response to circumstances. In the South African context, the DTI (2009: 4) cites the impacts of the Anglo-Boer War, apartheid, trade unions and other elements, as providing the impetus for the establishment of cooperatives. Wanyama, Develtere and Pollet (2009:1) describe the development of cooperatives in Africa as having “traversed two main eras: the era of state control and that of liberalization”. This statement, while describing part of the history of cooperatives and the rationale for their establishment, also speaks to the role and impact of the state in working with cooperatives.

In her case study of the Heiveld Cooperative, Arendse echoes this rationale of responding to a ‘need’, and describes the establishment of the Heiveld Cooperative as a “response to the persistent poverty they were experiencing” (Arendse, 2011: 12).

Lessons learnt from Arendse’s case study of the Heiveld Cooperative include a cautionary approach to the introduction of external resources, which can result in conflict when local ownership is undermined through forced external agendas and processes (Arendse, 2011: 29). This is an important observation when considering the need to build social capital within a cooperative, as well as in applying the principles of cooperatives, which include autonomy and independence.

Cooperatives are recognised internationally as democratically structured and governed organisations, that recognise the needs and interests of their members and communities. They are established and function within the parameters of a generic set of guiding principles, produced by the International Cooperative Alliance (ICA) and founded on those principles developed by the Rochdale Pioneers in the mid-1800s as follows (ICA, 2012):

- Voluntary and open membership
- Democratic member control
- Member economic participation
- Autonomy and independence

- Training and information
- Cooperation among cooperatives
- Concern for community

2.2.2 **Definition of the Concept of Cooperative**

The International Cooperative Alliance (ICA, 2012) defines a cooperative as “an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise”. This is not very different from how the Cooperatives Act 14 of 2005 (Parliament of the RSA, 2005: 10) defines cooperatives in SA, 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 cooperative principles.” These definitions are very similar, with the exception of the exclusion of “cultural needs”, from the Cooperatives Act 14 (Parliament of the RSA, 2005: 10) and the inclusion of “organised and operated on cooperative principles”. As there is no clarity on this, the exclusion of “cultural needs” requires further investigation. However, it may be a subtle recognition of the cultural diversity within SA and the need for unity and integration of communities in post-apartheid SA. Mention of “organised and operated on cooperative principles” prioritises the need to operate within the framework of the internationally recognised principles that are legally evident in the Cooperatives Act of SA.

Satgar (1999) compares the definitions for cooperatives of the International Labour Organisation (ILO) and the ICA. Satgar states in the discussion paper that the ILO (1966, cited in Satgar, 1999: 1–2) defines a cooperative as “an association of persons who have voluntarily joined together to achieve a common end through the formation of a democratically controlled organisation, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking, in which members actively participate”. This is in contrast to the ICA definition that acknowledges the role of social and cultural objectives, as opposed to the more organisational/economic focus suggested in the ILO’s definition.

The Companies and Intellectual Property Commission (CIPC, 2011) provide a very simple definition for a cooperative, as “a business where a group of people get together voluntarily to obtain a product or service”. Considering the varied roles, principles, contexts and activities of cooperatives, this definition is limiting. The principles of democracy, autonomy or care for

community are excluded, as well as the need to address the economic and social needs and aspirations of its members. Additionally, the definition describes a group of people “obtaining” a product or service, whereas a cooperative may be producing or supplying a product or service for payment.

The United Nations Food and Agriculture Organization (FAO, 1998: 5–6) describes cooperatives as “autonomous, self-help and independent organisations owned and controlled by their members who can also enter into agreements with other organizations, including governments to raise capital from external sources through their democratic control for the purpose of carrying economic activities”. This definition would suggest a ‘business as usual’ approach to cooperatives, with a strong focus on accessing finances and financial activities. While the reference to autonomy is maintained, there is no reference to the principles of cooperatives such as democracy, social needs or common aspirations.

Meyer (1999:1) defines a cooperative as “a business organization that is owned and controlled by the people who use its products, supplies or services”. This definition, as well as those of the CIPC and FAO, is more aligned to the ILO’s definition, where social and cultural aspirations are not incorporated. These definitions could be perceived to exclude the principle of ‘concern for community’.

What is common throughout the definitions of cooperatives surveyed here are the concepts of independence, autonomy (which includes independence and self-governance) and voluntary participation.

Considering the context of the Heiveld Cooperative, where members are from a unified community, sharing a common resource, culture and history, the ICA’s definition, namely that of “an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise”, is considered the most appropriate, and will be used here.

2.2.3 The Role of Cooperatives in South Africa

Documents produced by various state departments, for example, the Cooperative Development Policy for SA (DTI, 2004), Cooperative Act 14 of 2005 (Parliament of the RSA, 2005: 6), Comprehensive Rural Development Programme Framework (Ministry of Rural Development and Land Reform in SA, 2009:4) and the New Growth Path (South African Government, 2011: 13–36); all support the view that cooperatives can play a role in addressing issues of job creation, community integration and rural development in SA. These documents recognise the need to promote and support cooperatives as a tool to address unemployment, and to establish economic enterprises.

It can be read in the way they are characterised that cooperatives are expected to empower people. The Draft Western Cape Cooperative Strategy (Harrison and Boule, 2007: 5) is applicable to the Heiveld Cooperative in terms of location, describes cooperatives as “well established economic vehicle[s] in SA” that have “proved to be successful vehicle[s] for empowering people”. However, the strategy also explores several case studies and acknowledges “high profile failures”, as well as success stories of cooperatives as an economic vehicle. Lessons learnt from past experiences include the need for trust and social cohesion, a shared vision, and strong social ties (Harrison and Boule, 2007: 10), all of which can be achieved in the presence of social capital.

The Cooperative Policy and Alternative Centre (COPAC, 2008), was established in 1999 to assist with development in post-apartheid SA. As a non-profit organisation (NPO), one of its programmes that serves in the achievement of its vision is Cooperative Capacitation and Development. While the job creation potential of cooperatives to address rural employment is pronounced, not everyone agrees with this (Phillip, 2003; Satgar, 2007; Jefferis and Thomas, 2007; Nathan 2011). For example, it is argued that cooperatives may not be able to compete in the broader economy; that expectations created through the Black Economic Empowerment programme have fuelled a ‘get-rich-quick’ logic, which does not align with the principles of cooperatives; and that typically, members generate approximately R2000 per month (Phillip, 2003: 19). Considering the fact that cooperatives, applying certain principles, are perceived as a tool for empowering people, these arguments would suggest that where cooperatives succeed in generating income, this is limited and cannot fulfil a ‘get-rich-quick’ mentality. One could then question the criteria for deeming a cooperative successful. While cooperatives may result in increased social capital or community cohesion, they may not fulfil the financial rewards envisaged by members.

Despite the arguments and differing points of view, the many studies that have been done (for example, Satgar, 1999; Harrison and Boulle, 2007; Williams, 2013); reports written (for example, Ministry of Rural Development & Land Reform in SA, 2009; DTI, 2009); and strategy and policy documents produced in SA (for example, the New Growth Path of the South African Government, 2011; COPAC, 2008); clearly suggest that there is need to better understand the workings and roles of cooperatives, and to identify the reasons for successes or failures. It would appear that the tension or seeming disparity might lie between the interface of economic enterprise and social responsibility. The ICA (2012:1) describes this as follows, “cooperatives offer a fairer way of doing business where social and environmental values count not as something you do if you can afford to do so, but that simply are part of the way you do business”.

Having reviewed the history and concept of cooperatives, the discussion now shifts to focus on social capital.

2.3 SOCIAL CAPITAL

Mindful that social capital is an elusive concept, this section attempts to explore its roots and meaning, to unpack the various facets of social capital and to discuss the role of social capital in particular reference to Heiveld Cooperative.

2.3.1 Defining Social Capital

The concept of social capital can be traced to the works of Bourdieu, Coleman and Putnam in the 1980s. Mindful that social capital is a distributed resource that goes beyond an individual and exists at different levels of social organisation, Coleman (1988: 98), who has a background in political science, describes it as being

...defined by its function. It is not a single entity but a variety of different entities, with two elements in common: they all consist of some aspect of social structures, and they facilitate certain actions of actors – whether persons or corporate actors – within the structure. Like other forms of capital, social capital is productive, making possible the achievement of certain ends that in its absence would not be possible.

Coleman's definition of social capital suggests a network of individual relations that result in or facilitate benefits to the whole group.

With a different emphasis, grounded on notions of social stratification, social ties and elite networks, Bourdieu (1986: 248, cited in Vermaak, 2009: 400) defines social capital as "the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition"; or in other words, to members in a group, which provides each of its members with the backing of the collectively-owned capital, a "credential" which entitles them to credit, in the various senses of the word. Bourdieu's definition places more emphasis on the individual within the group, and suggests that relationships within a group are, consciously or unconsciously, either established for reciprocity, or that the 'glue' for these relationships is based on mutual gain, associated with obligation (Vermaak, 2006).

Another perspective of social capital focuses on the social networks, norms of reciprocity and trustworthiness that arise in connections between individuals. In this respect, Putnam (1995, cited in Putnam *et al.*, 2004: 159) posits that "social capital refers to features of social organization, such as networks, norms, and trust, that facilitate coordination and cooperation for mutual benefit. Social capital enhances the benefits of investment in physical and human capital." In this regard, Putnam refers to "networked" relationships, suggesting 'equal footing' rather than hierarchical relationships (Vermaak, 2006). Frane and Roncevic (2003) describe Putnam's definition as simpler, implying a context of democracy and development. This definition suggests mutual benefit, networks, trust and the harnessing of social capital as a useful resource to both 'get by' as well as to 'get ahead'.

Nahapiet and Ghoshal (1998: 243), referring to Bourdieu (1986: 249), suggest that the core meaning of social capital theory is a "network of relationships that constitute a valuable resource for the conduct of social affairs, providing their members with 'the collectivity-owned capital, a credential which entitles them to credit, in the various senses of the word'", while Tsai and Ghoshal (1998: 464) describe it simply as the "relational resources embedded in cross-cutting ties".

Considering the various definitions of cooperatives and the internationally recognised principles that underpin their operation, Putnam's definition of social capital is the most appropriate to the Heiveld Cooperative. The key concepts of trust, democracy, cooperation and concern for

community held in the principles for cooperatives are echoed in Putnam's description of social capital, namely equal footing, democracy, mutual benefit and trust.

2.3.2 Facets of Social Capital

Exploring the empirical works of Bourdieu, Putnam and Coleman, other researchers including Burt, 1992; Nahapiet and Ghoshal, 1998; Leana and van Buren, 1999; Woolcock and Narayan, 2000; Xiao and Tsui, 2007; and Kešeljević, 2007, have identified various facets of social capital. In general, these researchers have defined the relationships and structures that exist within and between networks that are dependent upon context and that may result in positive outcomes for network members and networks as a whole.

2.3.3 Contextual Relevance

Leana and Van Buren (1999: 539) describe the broad applicability of social capital described by various researchers (Coleman, 1988; Baker, 1990; Burt, 1992; Portes & Sensenbrenner, 1993; Putnam, 1993b; Fukuyama, 1995; Belliveau, O'Reilly & Wade, 1996) from nations, to communities, families, individual networks and interactions between firms. According to Leana and Van Buren, these different approaches or contexts stress different densities, redundancies or efficiencies in social interactions. Leana and Van Buren (1999: 541) argue that organisational social capital is a characteristic of the network, and not the sum of aspects of individual networks. It has two components: trust and associability, with associability defined as "the willingness and ability of participants in an organisation to subordinate individual goals and associate actions to collective goals and actions". Associability requires members to work collectively to the benefit of the group and to achieve goals through working on shared tasks. It is task-centred and goal-driven. In discussing the various facets of social capital, Leana and Van Buren (1999: 548) concluded that the kinds of social capital in each instance will vary, based on the context of a specific organisation, and defined by situational needs.

The relevance of context to social capital is apparent in many of the identified facets, where cultural, organisational, relational or cognitive norms and requirements influence relationship networks.

2.3.4 Structural, Relational and Cognitive Dimensions

Nahapiet and Ghoshal (1998: 243–244) state that, due to its rootedness in relationships, social capital has an array of facets. These facets have relevance to social capital in the Heiveld Cooperative as they pertain to the structure of relationships within it, where its members stem from the same community or neighbouring communities; the personal relationships between individuals; and the shared understood norms and obligations within the network.

Nahapiet and Ghoshal highlight three dimensions of social capital as being structural, relational and cognitive.

The structural dimension of social capital has significance in that it is about the network of relations, or the overall pattern of connections between people, and between people and institutions, for example: who you reach and how; patterns of linkages in terms of connectivity; hierarchy; and density of connections between actors (Nahapiet and Ghoshal, 1998: 244).

The relational dimension of social capital refers to the personal relationships or emotional attachments people have developed with each other over time (such as respect, trust, friendship), used when individuals collaborate in a specific field of activity (Nahapiet and Ghoshal, 1998: 244). A key aspect between actors of such relationships is trust, which enables benefits to be leveraged through relationships. In discussing trust in leadership, Casimir *et al.* (2006: 71) confirm its benefits, stating that trust may be a requirement in maximising performance. Trust entails the willingness “to depend on another party” and the “confidence in the goodwill and competence of others”. It also involves the “expectation that others will reciprocate” and “consistency with agreements” (Casimir *et al.*, 2006: 68). According to Rousseau *et al.* (1998: 398), the degree of trust varies with relational context and time; for example, from a relationship of economic loss or gain, to emotional relationships built over time. For the Heiveld Cooperative, the full spectrum of trust is a crucial component of social capital, where inter-personal relationships within the community are carried over into the cooperative network, and where trust, within an economic context, is important for cooperation between members, between networks and between organisations.

Finally, according to Nahapiet and Ghoshal (1998: 244), the third facet of social capital, the cognitive dimension, refers to the shared understanding of interpretations, social codes of conduct and “systems of meaning” within the network. Context is very relevant to this dimension (Leana

and Van Buren, 1999) as it is about common understanding between actors either within a given network or between networks, collective goals, and ways of behaving in a social or organisational context.

2.3.5 Open and Closed Networks

While Nahapiet and Ghoshal describe aspects of social capital from an intra-network perspective, Burt (1992) explores relations within and beyond firms (inter- and intra-firm relations) and describes what he refers to as the “structural hole argument”. This has relevance to the Heiveld Cooperative, where relationships exist between members (intra-network) as well as between these members and other organisations (inter-network), such as, in this case, the supporting NGOs and Fairtrade.

Burt (1992: 36) argues that weaker network connections result in “holes” in the network, which allow for individuals within the network to expand their reach to other groups, thus increasing the flow of information between networks, while at the same time, increasing the ‘control role’ to the individual who is brokering the information. It could be argued that this latter ‘benefit’ may feed individualism within a network, further weakening the networks within a group. Burt (1992: 37) discusses the pros and cons of structural holes, considering Coleman (1988 and 1990, cited in Burt, 1992: 37), who describes a “closure argument”. While Coleman suggests that strong (closed) networks result in greater trust and willingness to share, Burt (1992: 45) argues that links across ‘structural holes’ and between networks enable added value, broader perspective and improved performance. Burt (1992: 47) does add, however, that closure can be “critical to realizing the value buried in the structural holes”, and acknowledges that closed networks improve communication and co-ordination within a group. He argues that strong leadership of a group can enhance communication and co-ordination, despite structural holes that may arise as a result of weaknesses within the network (Burt, 1992: 49).

Leana and Van Buren (1999: 551), referring to Coleman (1990), echo Burt’s argument, and caution about the potential negative impacts of strong networks of social capital within groups, including resistance to change which, in turn, affects organisational flexibility and innovation. This view is expanded on by Adler and Kwon (2002: 30-31). In addition to potential resistance to change and diminished innovation, Adler and Kwon include free-riding, deterring entrepreneurship and reduction of information flow as potential negative impacts. The authors refer to Portes (1988) to

support their suggestion that just as social capital may strengthen solidarity of a group or organisation, so too can strong networks split groups, resulting in “warring factions” and “deepened social cleavages” (ibid.).

While Burt’s argument supports the benefits to an organisation through social networks within and between firms, Burt (1992: 51) includes an example where network closure was of importance by referring to research by Greif (1989) on the medieval Maghribi traders in North Africa. This supports the arguments that highlight the relevance of context in the development of social capital (Leana and Van Buren, 1999), and this is supported by Xiao and Tsui’s research (2007).

Xiao and Tsui (2007) apply Burt’s structural holes theory to a different cultural context, in a comparison of East and West. Their hypothesis is that, due to the ‘collectivistic culture’ found in China, where there is strong sense of commitment to, bonds of reciprocity between and mutual investment in the collective, Burt’s reported benefits of ‘structural holes’ would not be comparable to the more open culture of the Western world. They argue that their research supports their theory, and highlights the impacts of context on social capital, including contingent factors such as culture, group size, group mechanisms, objectives of a group, and so on.

2.3.6 Bonding and Bridging Social Capital

Woolcock and Narayan (2000: 3–7) describe two dimensions of social capital, namely bonding, and bridging. These prove similar to Burt’s (1992) theory of structural holes. Bonding (or horizontal) social capital, refers to the networks, norms and trust that exist within and between individuals of homogenous groups that enable, for example, people to maintain themselves under conditions of poverty. Bridging (or vertical) social capital describes the networks, norms and trust between networks or groups that enable groups to ‘get ahead’. Woolcock and Narayan (2000: 3) support Burt’s argument, stating that bonding social capital is not sufficient in order to enable such groups to ‘get ahead’ (as suggested by Burt, 1992) but that input from other networks are necessary for success. Such inputs would be facilitated through Burt’s (1992) structural hole theory, which enables cross-pollination between networks.

Similarly, Hoppe and Reinelt (2010: 601) provide a framework for social networks among leaders within communities and organisations, referring to Putnam (2001) and Burt (2005) and their discussions on bonding and bridging of social capital, or closure and brokerage between social

networks. The figure below is an adaptation of Hoppe and Reinelt's (2010: 602) illustration of bonding, bridging and clusters; showing clusters of networks within certain contexts, strong ties within networks (bonding) and weaker ties within networks (structural holes), which create space for bridging.

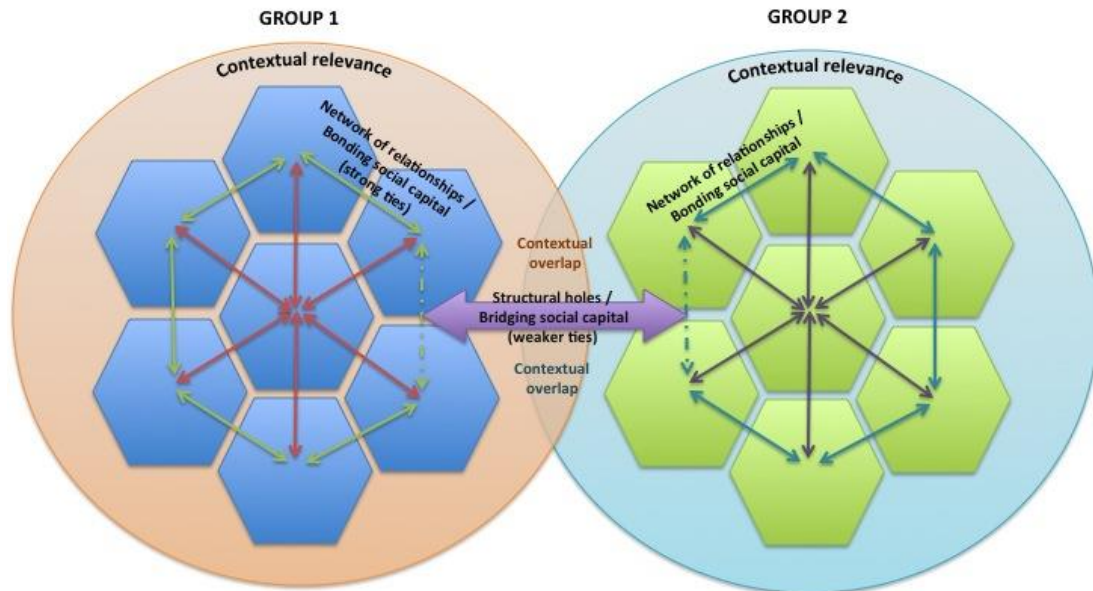


Figure 3: Facets of Social Capital (adapted from Hoppe and Reinelt, 2010: 602)

Taking this further, Woolcock and Narayan (2000) describe four perspectives of social capital thus:

- 1) The communitarian view located within local level organisations (intra-organisational perspective) and identified by dense relationships that impact positively on communities (Woolcock and Narayan, 2000: 229). Woolcock and Narayan (2000: 229) refer to arguments by Portes and Landolt (1996) who highlight the shortcomings of this view where “productive social capital” is replaced by “perverse social capital” in the form of gangs, drug cartels, etc.
- 2) The networks view that incorporates vertical and horizontal relationships or intra- and inter-organisational networks (Woolcock and Narayan, 2000: 230). This again is reminiscent of Burt’s theory of structural holes and it is argued that the benefits of strong community ties may prevent beneficial ties to other successful groups.

- 3) The institutional view proposes that social capital networks within communities and society are a result of the political, legal and institutional environment within which they operate, social capital being a dependent variable (and context playing a role) (Woolcock and Narayan, 2000: 234). This view poses that communities succeed where government institutions provide an enabling environment. However, in contrast to this view, considering the rationale for the establishment of cooperatives, it has been argued that many cooperatives are established as a response to circumstances such as poverty, apartheid, war, etc.
- 4) Finally, the synergy view holds that governments, corporations and groups are the variables in terms of impact, bridging across networks is necessary and the state has the complex and difficult role of facilitating alliances across network boundaries such as class, ethnicity, race etc. (Woolcock and Narayan, 2000: 235).

The four perspectives described by Woolcock and Narayan resonate with Kešeljević's (2007) findings, where the principal agent theory and social capital within the economic theory of organisation are explored. Kešeljević defines organisational social capital on three levels, namely: inter-organisational relations (relations within an organisation); intra-organisational relations (relations among organisations); and their institutional environment (which he defines as the informal rules – values and norms – that represent the environment where social capital is “located and appraised” (Kešeljević, 2007: 4).

These views are reminiscent of Burt's (1992) “structural hole” argument in which he discusses the benefits of information flow between organisations and the network densities or ‘weaknesses’ that enable this flow. Kešeljević (2007: 8) further discusses the principal-agent theory in terms of social capital, defining it as “stressing rational behaviour in a contractual relationship and pursuing one's own interests”. The ‘agent’ represents the ‘principal’ who has higher authority but there is an element of trust, sharing and knowledge transfer between the two, thus incorporating the elements of social capital.

The research presented by Woolcock and Narayan (2000) and Kešeljević (2007) have relevance to the Heiveld Cooperative, where social ties within the cooperative assist its members to manage

vulnerability, work towards shared goals and within the norms or their network; where intra- and inter-organisational relationships are needed for the cooperative to get ahead, and where government and supporting institutions can create an enabling environment in which the cooperative operates.

2.4 SOCIAL CAPITAL IN COOPERATIVES

Scholars such as Pínglé (2001), Zeuli and Radel (2005), Lizarralde (2009) and Majee and Hoyt (2011) echo the need to build social capital in cooperatives as unique organisations. Research of social capital and cooperatives by Coleman (cited in Dasgupta and Serageldin, 2000), who cites examples globally and not limited to community organisations; Zeuli and Radel (2005) in the United States and Canada, Vermaak (2009) in Limpopo, SA; Schwetzmann (2011) in Africa, share similar views where trust and social capital are found to be important components to the success of cooperatives, and reciprocally, that the establishment of cooperatives builds social capital.

Lizarralde (2009: 27) focuses on social capital specifically within the Mondragon Cooperative in Spain, citing characteristics of social capital such as networks of communication and trust, as contributing to its success. Lizarralde (2009: 27) discusses the challenges facing cooperatives having to develop and operate within the business world, while still maintaining their “ideological roots”. Lizarralde (2009: 37) concludes that the Mondragon Cooperative’s development has been based on the “structural, ideological and cultural features that define social capital”.

Pínglé (2001) explores the extent to which social capital impacts the success of small entrepreneurial businesses, including cooperatives, in SA. Investigating the rationale for people joining specific types of associations, the relations of trust involved and the consequences of these, Pínglé (2001: 6) suggests that context is key in defining the indicators of social capital, that it differs between societies, and is not transferable across domains. To understand context, Pínglé (2001: 14) introduces the concept of the ‘identity landscape’ which, he states, “provides the basis, implicitly or explicitly for one’s moral judgements, intuitions or reactions; conveys the norms and values of one’s community; and captures the social, political, and economic changes experienced by one’s wider society.” Pínglé (2001: 25) concludes that context – or identity landscape – must be considered in analysing the formation of social capital, and that this framework enables better recognition of the “nuances of social capital”.

Zeuli and Radel (2005: 48) also stress the contextual benefits to social capital in community development, stating that “by being locally developed, locally owned and locally controlled, cooperatives clearly build on a community’s human capital, social capital and financial capital”. According to Zeuli and Radel (2005: 49), strengthened social capital and trust is a result of increased interaction between community members. However, where a cooperative model has closed membership, there is the potential for conflict within the community, which negatively impacts upon social capital. Zeuli and Radel (2005: 51) also warn that in areas where social networks may have been negatively affected by social issues, such as diminished access to schools and local institutions, contentious community meetings, etc., it is difficult and time-consuming to rebuild trusting relationships and to establish cooperatives. Zeuli and Radel (2005: 52) conclude that social capital in the form of the willingness of people to cooperate and trust one another, is a fundamental requirement of cooperative development.

More recently, Majee and Hoyt (2009) have applied Woolcock and Narayan’s (2000) model of bonding and bridging social capital in the research of the potential for cooperatives in development, looking at cooperatives in the United States and Spain. Supporting Zeuli and Radel, Majee and Hoyt (2009: 52) state that when community members work together, the members establish a community identity, norms, trust and “commitment to providing benefits for each other”. Majee and Hoyt (2009: 53) highlight the need for a conceptual framework that illustrates the way in which cooperatives build trust, participation and networks, reminiscent of Pinglé’s argument supporting the need to establish the roots of social capital within a certain context. In their discussion of bonding and bridging of social capital, Majee and Hoyt (2009: 53–57) posit that while bonding social capital enables communities to “get by”, should a cooperative with closed networks develop and need to expand for economic enhancement, this may result in individuals disconnecting from their network. However, by applying both bonding and bridging social capital, cooperatives are able to foster beneficial relationships outside of their immediate network, enabling more opportunities for the cooperative to expand its scope.

Jari (2012: 65) incorporates the principal-agent theory in her research on Fairtrade and social capital in the Heiveld Cooperative in SA, stating its relevance to social capital in cooperatives in terms of the relationships between cooperative management and cooperative members. In her research on the impact of Fairtrade in SA, Jari (2012: 179) concludes that Fairtrade strengthened relationships within the cooperative between members and in the supply chain (intra- and inter-organisational social capital). However, Jari notes that Reynolds (2009, cited in Jari, 2012: 7) and the World Bank

(1999, cited by Jari, 2012: 64) warn that social inequalities have negatively impacted certain communities involved with Fairtrade activities, resulting in the exclusion or subordination of individuals. Jari's (2012: 165) research also revealed that in one cooperative studied, social capital was negatively impacted as a result of a lack of trust. Considering that trust is a pivotal value in social capital, the lack of trust could imply initially weak relationships/networks within the cooperative prior to its establishment. This then begs the question: is social capital a necessity for the establishment of a cooperative? And, if so, is existing social capital then enhanced through the establishment of the cooperative?

2.5 SUMMARY

This section has explored the various definitions and many facets of social capital in general, and also its particular relevance to the cooperative.

It is notable that social capital is a multi-faceted concept, with subtle nuances. The importance of context in defining and identifying these facets and nuances is highlighted by Leana and Van Buren (1999), Pínglé (2001) and Majee and Hoyt (2009).

Similarly, the structural, relational and cognitive dimensions of social capital as described by Nahapiet and Ghoshal (1998) have been highlighted as useful in a study of social capital in a cooperative. With cooperative members coming from close-knit communities, the individual, as well as the network of relationships, both within the cooperative and the communities, plays a role in the type and density of social capital in the cooperative. The cognitive dimension of shared understanding, interpretation and social norms within the context of the Heiveld Cooperative will define the way in which the members interact within the organisation.

Furthermore, this section has highlighted the subtle balance of maintaining strong bonds within a network, while at the same time allowing ‘structural holes’ to enable linkages (‘bridges’) to other beneficial networks. This section has also noted the potentially negative impact of closed networks on social capital, as highlighted by Zeuli and Radel (2005), Majee and Hoyt (2009) and Jari (2012).

In this regard, this section has illuminated Putnam’s (1995, cited in Putnam *et al.*, 2004: 159) definition of social capital, which incorporates the elements of trust, democracy, cooperation and concern for community; all of which can be linked to the principles that guide cooperatives in SA. This study has adopted the definition of social capital by Putnam in order to explore the role played by social capital at Heiveld Cooperative.

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SECTION 3: RESEARCH METHODOLOGY

3.1 INTRODUCTION

The Heiveld Cooperative has been cited as an example of a successful cooperative with its members applying indigenous knowledge to sustainably utilise the naturally occurring rooibos tea resources of the area. Production between 2001 and 2009 increased from 30 to 50 tonnes per annum, and the cooperative exports Fairtrade and organically certified rooibos tea to markets in Europe, North America and Australasia (Nel, Binns and Bek, 2007; Jara and Satgar, 2009; Oettle, *et al*, 2009; Williams, 2013).

In the light of the unique success of the Heiveld Cooperative, it is important to try and get an in-depth understanding of not only the extent of this success, but also the way in which social capital has played a role in the formation, operation and success of the Cooperative as perceived by its current members.

The purpose of this section is to discuss the research method used in this qualitative study on the role of social capital in the success of the Heiveld Cooperative. Additionally, the rationale for applying qualitative research methods is offered. The section starts by discussing the research paradigm, ontology and epistemology related to this study, and then goes on to explain the aim and goals of the study. Sampling techniques and rationale are explained, before focusing on a description of the collection of data through focus group discussions. Data analysis methods are explained, followed finally by an explanation of ethical considerations and implications.

3.2 RESEARCH PARADIGM

Guba and Lincoln (1994: 105) define a paradigm as “the basic belief system or worldview that guides the investigator, not only in choices of method, but in ontologically and epistemologically fundamental ways”. The research paradigm is the researcher’s perspective or frame of reference that guides the research.

Guba and Lincoln (1994: 109) and Riege (2003: 77) describe four paradigms: positivism, post-positivism (described as realism by Riege, 2003: 77), critical theory, and constructivism. Each

paradigm involves certain assumptions about the ontology which relates to the “nature of the reality” being researched (Guba and Lincoln, 1994: 108), the relationship between the researched subject and the researcher (the epistemology) and research methodologies appropriate to it.

From a social constructivist paradigm, this qualitative research of social capital in the Heiveld Cooperative aims to gain deep, thick and multiple understandings of a phenomenon (social capital) within a specific context (the Heiveld Cooperative), which is “rooted within the participants’ understanding of themselves” (Ritchie and Lewis, 2003: 32). This ontology, where realities are located within specific situations, contexts and individuals or groups (Riege, 2003: 77), will require the researcher to interact actively with the participants in order to ascertain their perspectives on aspects of social capital, which may reveal its role in the Heiveld Cooperative. Epistemologically, it must be acknowledged that the relationship between the research participants and the researcher entails close interactions so as to explore subjective reality (Guba and Lincoln, 1994: 109). This then guides the method required by the research, in order to probe the perspectives and understanding of the research participants.

Research methodology concerns the techniques that are used in a research, or the way in which a researcher goes about to find reality. The exploratory case study methodology was used to explore reality, as it allowed the researcher to use multiple sources of data and to obtain multiple viewpoints (from cooperative members); where the researcher had little ability to affect the phenomenon being studied (Schwandt, 2007: 28). In applying case study as a method for this research, the Heiveld Cooperative was identified as a suitable case to study because of its manifested success in various ways (for example, increased production over the years, Fairtrade certification and export to international markets).

3.3 THE AIM AND GOALS OF THE RESEARCH

The aim of the qualitative research was to explore the question, “What is the role of social capital in the success of the Heiveld Cooperative as perceived by current members of the cooperative?” In order to address this, the following questions guided the research:

- What role did social capital play in the formation and successful operation of the Heiveld Cooperative as perceived by current members of the cooperative?
- How was social capital strengthened/weakened in the cooperative over the years?

3.4 SAMPLING

Convenience sampling was used to identify research participants who were current members of the cooperative at the time of the study. The most critical criteria was that the member was recognised by committee members as being a current cooperative member. It is notable that the cooperative has four different groups of people that are involved in the operations, namely: (1) board members; (2) founding members; (3) ordinary members; and (4) the NGOs (representatives from Indigo Development & Change and the Environmental Monitoring Group). In this study, NGO groups were included here, as they have played a facilitation and support role for the community in establishing and running the cooperative. It was anticipated that they may have provided valuable and complementary historic information regarding the existence and growth of social capital in the cooperative, but that they were however not available at the time that the research took place. The following is a reflection of the composition and number of members that make up this cooperative:

- Founding cooperative members (who total 14);
- Current (ordinary) cooperative members (who total 44);
- The cooperative Board members (who total 5)

It had been planned to create homogenous groups of people, avoiding people of different status being in different groups. This was to avoid issues of power or status, which could negatively impact on openness of discussion or those with power dominating those without in a focus group (Ritchie and Lewis, 2003: 59). However, members of Heiveld Cooperative are geographically separated, making it logistically difficult to arrange homogeneous focus groups (see Appendix 2). Specifically, the state of the roads and distances between the various communities made it logistically impractical to conduct homogenous sessions in most of the locations. Convenience sampling was therefore used to identify participants in focus group discussions. The focus group technique was conceived of as a suitable means of data collection in this study in order to explore the role of social capital in the success of Heiveld Cooperative, as it allowed social interaction and in-depth probing of discussions.

Eventually, four heterogeneous focus groups were created. A total of 44 members were grouped for focus group discussions as indicated below.

Focus Group	Location	Group Size	Group structure
1	Melkkraal	17	Founding members and long-standing members
2	Melkkraal	14	Members who are offspring of founding members and newer members
3	Nieuwoudtville	5	1 committee member and 4 members
4	Sonderwaterkraal	8	4 founding members (1 who was a committee member and 1 who was a mentor farmer) and 4 members

Table 1: Focus Group Locations, Sizes and Structures

The number of available members of the Heiveld Cooperative was taken as small enough to enable as many members as possible to participate and share their understanding of social capital. This allowed for multiple perspectives, and a deeper understanding to emerge.

It is also noteworthy that group divisions were dictated by logistical practicalities, and members were grouped by location. To cause as little disruption to the members' work schedule as possible, meetings were arranged, with the assistance of the Heiveld Cooperative office, either at lunchtime or in the evening.

3.5 **DATA COLLECTION**

Focus groups, as a technique, were conceived as a suitable means of data collection in this study, in order to explore the social aspect as it allows social interaction. Each of the heterogeneous focus groups conducted were audio recorded by the researcher (with prior permission from the members), at three locations on the Suid Bokkeveld: Melkkraal, Nieuwoudtville, and Sonderwaterkraal, respectively.

Complementary data was collected from papers, documents and reports, produced by researchers and staff associated with EMG, the NGO that has documented the processes followed and strategies adopted (Arendse, 2011 and Oettle, 2012).

Transcribed records of the focus groups were submitted to groups for confirmation and approval.

3.5.1 Focus Groups

Focus group discussions have the advantage of divulging aspects of the research that may not emerge through individual interviews (Babbie, 2011: 315–316), and may highlight group norms and values (Kitzinger, 1995: 300). According to Kitzinger (1995: 299), focus group interviews benefit from group interaction, avoid discriminating against people who cannot read or write and encourage participation from respondents. Maynard-Tucker (2000: 397) describes four steps in conducting focus groups, which were applied in this research:

- Probing ideas during discussions through questions
- Recording key notes
- Transcribing discussions
- Analysing data

The focus group discussions were guided by a framework of questions (see Appendix 3). The location and familiar environment, with sharing of food, helped to ease tension, open discussions and probe responses about the role of social capital in the cooperative. The concern that the heterogeneous groupings may result in a reservation amongst some members to speak openly in the presence of committee or founding members, was also considered throughout the data collection process.

Prior to the focus groups, the researcher visited the Suid Bokkeveld to gain an understanding of the context and logistical needs to arrange the focus group discussions. This benefited the openness of discussions, as the researcher had already met some of the members and, it was indicated by other members, that they were aware that this had taken place and that, having met the researcher, they were happy for the discussions to take place.

Rich and thick data was collected using a discussion guide to stimulate discussions, and issues were probed for depth and clarity. The researcher was mindful that the interview guide or questions were flexible and based on a set of topics to be discussed in depth, rather than on a set of questions with “particular words and in a particular order” (Babbie, 2011: 312). A simplified definition of social

capital was explained to the members at the start of each meeting (see Appendix 3). A series of open-ended questions were posed to participants and, through conversation, the facets and workings of social capital within the cooperative were revealed. The framework questions for the focus group discussions were guided by literature on social capital.

Each focus group session was allocated an hour for discussion, though most of the discussions extended beyond this, for approximately an hour and a half. Care was taken in applying this method of data capture to ensure that a few members of each group did not dominate conversations, but that all group members were encouraged to participate. During some discussions, there were members who were more dominant and more willing to speak than others. The researcher then directly questioned other members of the group who would either agree with, or add to the discussions to capture views from those members who were less active.

Each focus group was conducted by the researcher, with a bilingual assistant who helped with translation between English and Afrikaans where necessary, and who managed the voice recording on her behalf.

3.5.2 Language

Maynard-Tucker (2000: 397) cautions that there are constraints associated with the accuracy of focus group sessions, stressing the need for proper note taking and accurate transcription. All of the members of the Heiveld Cooperative are Afrikaans speaking, though many are able to communicate in or understand English. To ensure that there was clear understanding of the questions and the discussion, a bilingual (English/Afrikaans) assistant was present in order to assist where necessary, and discussions were recorded and transcriptions submitted for confirmation by the cooperative members. Credibility was thus established by ensuring a chain of evidence and a member check (Riege, 2003: 81). Dependability was established through ensuring that there was a clear trail of processes and data analysis.

3.5.3 Complementary Data

EMG, Indigo and various researchers have recorded the processes and strategies applied in community engagement, partnerships, discussions and the development of the cooperative over the years (Arendse, 2011; Oettle, 2012). These documents and reports were a useful source of data,

which complemented focus group discussions. This was useful for constant comparison of the themes that were emerging from the two types of data (Dooley, 2002: 341; Noor, 2008: 1604; Seale, 2009: 472).

3.6 DATA ANALYSIS

Open coding and constant comparison of emerging themes induced from data was used to develop and categorise themes. Key themes emerging from the focus group discussions were induced and patterns of ‘key themes’ or aspects reflecting the role and nature of social capital and the context were developed.

The appropriateness of internal and external validity for qualitative research is widely debated by authors such as Guba and Lincoln (1989), in Seale (1999), Yin (2003) and Riege (2003). Dooley (2002: 338) lists six factors to achieve validity:

- Determine and define research questions
- Select the case and determine data-gathering and analysis techniques
- Prepare to collect data
- Collect data in the field
- Evaluate and analyse the data
- Prepare the report

Credibility was achieved through member check, which allowed respondents from Heiveld to review and comment on the transcriptions of the interviews so as to ensure they accurately captured their perspectives. Additionally, the “thick descriptions” inherent in the findings give the reader an opportunity to assess transferability. Furthermore, dependability was established through ensuring that the focus group processes were properly pursued, recorded and transcribed, and also that the research procedures were sufficiently well documented were any researcher to replicate the study.

3.7 ETHICAL CONSIDERATIONS

Written permission to conduct the focus group discussions was obtained through email correspondence and discussions between the researcher, the Heiveld Cooperative office, the Chairperson of the Heiveld Committee and the NGOs prior to the fieldwork commencing.

To ensure transparency, the researcher followed these ethical guidelines for research:

- Prior to commencing the research, recorded consent from all participants was obtained and participants were provided with the required information to ensure voluntary and informed consent.
- The objectives and methods of the research were explained to participants at Heiveld, ensuring that any queries, misunderstanding or concerns were addressed prior to discussions taking place.
- Confidentiality and anonymity of participants was maintained.
- Participants were made aware that, at any point, they could voluntarily withdraw from the process/discussions.
- Participants were informed of the procedures and recording methods to be used, and permission was granted for focus group sessions to be recorded.
- Transcriptions of the discussions were submitted to the Heiveld Cooperative for participants to verify the contents.

3.8 LIMITATION OF THE STUDY

This study was predominantly based on focus group data collected from heterogeneous focus groups made up of current members of the Heiveld Cooperative. It is also notable that some documents were used as secondary sources of data as the application of case study method allows the use of different types of data. However, as there is inevitably a hierarchy of members between committee members, founding members, and ordinary members, it is very possible that ordinary members might not have been comfortable to raise some of the genuine and key concerns in the presence of their committee members. Additionally, it is possible that the presence of founding members, whose ages and tenure of membership elicit respect, may also inadvertently have suppressed some of the views of relatively younger and newer members of the cooperative.

Future research needs to focus on homogenous groups or to include individual, in-depth interviews to enhance openness of research participants.

It is also notable that the use of the translator might have also have affected the accuracy of the translation of interview transcripts. However, a member check was done to mitigate the effects of this, as members checked the transcripts to confirm that they reflected the discussions. Furthermore, future research also needs to ensure that the sizes of the focus groups are smaller, for ease of management, as well as to enhance the fullest possible engagement with research participants.

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APPENDIX 1: LOCATION MAP



Google map showing the location of the Suid Bokkeveld and Nieuwoudtville, north of Cape Town.

APPENDIX 2: SUID BOKKEVELD MAP



Google© map showing the locality of the various community locations in the Suid Bokkeveld.

APPENDIX 3: FOCUS GROUP: GUIDED DISCUSSION FRAMEWORK

Simple definition of Social Capital based on Putnam:

‘Social capital’ is understood as the relationships that link people in a group, community, organisation, etc. It is about sharing and exchanging ideas or things. It also includes the trust that exists in connections between people. Social capital refers to cooperation between people that is beneficial and democratic.

1. History of the cooperative

- (a) How did you decide to form a cooperative?
- (b) Who was involved in the discussions?

2. Role of social capital in the formation of the Heiveld Cooperative

- (a) How were decisions made regarding the formation of the cooperative?
- (b) How did you decide on the management structure?
- (c) Is there a limit to how many members there are?
- (d) How did you decide who the members were?
- (e) How did existing relationships influence decisions?
- (f) Were there any problems between people during the establishment of the cooperative?

3. Role of social capital in the successful operation of the Heiveld Cooperative?

- (a) What do you think has played a major part in the success of this cooperative?
- (b) How have relationships between members been affected by the cooperative?
- (c) How has the cooperative been affected by relationships between members?
- (d) How do you perceive working as a group?
- (e) What characteristics of relationships have benefited the cooperative?
- (f) Is there trust between members and how is this displayed?
- (g) How are decisions made regarding the cooperative?
- (h) How are relationships within the cooperative managed?
- (i) How is the cooperative’s relationship with suppliers and buyers?

- (j) How are relationships between the cooperative and suppliers and buyers managed?
- (k) How is the cooperative's relationship with the NGOs?
- (l) How is the relationship with the NGOs managed?

4. How was social capital strengthened over the years?

- (a) Do you have workshops for team-building or meetings regarding members' relationships?
If so, how do these benefit the cooperative?
- (b) How is cooperation between members encouraged?
- (c) What aspects of relationships have been positively affected?
- (d) What has been the cause of positive impacts on relationships in the cooperative?
- (e) How have positive relationships between members over the years evolved?
- (f) What characteristics of positive relationships have been shown over the years?

5. How was social capital weakened over the years?

- (a) How have relationships within the cooperative been negatively affected over the years?
- (b) What aspects of relationships have been negatively affected?
- (c) What has been the cause of negative impacts on relationships in the cooperative?
- (d) How have negative relationship issues within the cooperative been dealt with?
- (e) What characteristics of negative relationships have been shown over the years?

6. Contextual factors of the Heiveld Cooperative that contributed positively to the social capital that was manifested

- (a) What is the basis of good relationships between members of the cooperative?
- (b) How has being a fairly isolated community positively affected relationships between members?
- (c) How has being a fairly isolated community positively affected relationships with suppliers and buyers?
- (d) What other factors, that are specific to this cooperative (e.g. language, location, religion), have positively affected relationships?

7. **Contextual factors of the Heiveld Cooperative that contributed negatively to the social capital that was manifested**

- (a) What is the basis of poor relationships between members of the cooperative?
- (b) How has being a fairly isolated community negatively affected relationships between members?
- (c) How has being a fairly isolated community negatively affected relationships with suppliers and buyers?
- (d) What other factors, that are specific to this cooperative (e.g. language, location, religion), have negatively affected relationships?