

# Integrating Values and Principles of Cooperative Enterprises with TQM Elements a Conceptual Framework for Customer Satisfaction

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**Abstract**—The concept of cooperative enterprise is a potentially effective intervention for eradicating poverty and merging the first and second economy of South Africa. This paper shows the importance of ensuring integrated implementation of cooperative principles and values within the cooperative enterprise. To ensure effectiveness and efficiency in cooperative enterprises, the principles and values must be integrated with the elements of Total Quality Management (TQM). With this realization, cooperative enterprises can serve their reason of existence in the county.

**Index Terms**—TQM elements, cooperative principles, cooperative values, sustainability, social development.

## I. INTRODUCTION

In this study, 200 cooperatives in all sectors of the economy were visited in two provinces in South Africa, Limpopo and Gauteng. The Department of Trade and Industry (DTI) [3] ensures that cooperatives are given recognition and allowed to play a role in all sectors of the economy. This paper is based on twenty cooperatives in clothing and textile, manufacturing school uniforms, funded by the Department of Social Development (DSD). In 2009, there were 1247 clothing and textile cooperatives, and the survival rate of these cooperative was only 22%, that is 272 survived [4] [3]. The cooperatives were given both financial and non-financial support, such as training, resources, and education. However, with all this support, cooperatives experience high mortality rate, common in all sectors. This is due to poor and disorganized cooperative movements, where strong support networks among co-operatives, covering the entire value chain from primary to consumer do not exist [4]. [5] Cooperatives are complex and specialized, requiring high level of managerial skills and technical skills, placing real constraints on their potential as a vehicle for mass job creation.

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Cooperatives need to find a way to master their own models and also understand the need for business competitive competitiveness [3][5]. Lack of management and technical skills by individual members minimizes the chances of success. With manufacturing cooperatives in the textile and clothing industries, the most challenging part are managerial skills, were leadership need to emphasize on developing members and ensuring interpersonal relationships exists within the enterprise.

The purpose of the paper is to identify TQM tools and techniques that are suitable for use by cooperative enterprises to ensure sustainability by remaining competitive in the markets and satisfying customers. Different studies on TQM have been carried out to come with elements of successful quality management, were researchers have identified a number of tools and techniques for quality improvement that are necessary for TQM success. However, it still remains a challenge to managers to know which aspects must be considered to successfully develop TQM in their enterprises [6]. The cooperatives that are in the manufacturing, especially servicing government need to be more creative and innovative through implementation of TQM elements according to the nature of the enterprises and the products offered.

Since gaining its freedom, the South African government has, through employment creation and poverty alleviation, tried its level best to address the social illness that was created by unjust law. Department of Social Development is committed to contributing towards addressing the triple challenge of unemployment, poverty and inequality, including the eradication of social ills in the society which continue to affect South Africans [1]. The SA government has been helping those who were previously disadvantaged with basic needs to ensure a sustainable South Africa. The department of social development is playing a crucial role in schools that were previously disadvantaged, for instance, schools in townships and rural areas have received free school uniforms. These people were denied of basic needs and were far from the civilized societies. The Department's Bana Pele program has focused on the provision of school uniforms to children since 2009; a total of 266 000 school uniform packs have been distributed [1]. The department of social development saw the need to provide school uniforms to underprivileged kids. This initiative created employment for many people around South Africa.

The Department of Social Development (DSD) encouraged unemployed and retired people to form

cooperatives, giving them tenders to manufacture school uniforms as well as supplying schools with food parcels. In the 2013 to 2014 financial year, the DSD empowered a total number of 464 cooperatives to provide school uniforms to schools located in disadvantaged communities [1]. All the cooperatives are in the manufacturing sector, producing shoes and school uniform packages (each comprising a pair of shoes, 1 shirt, 1 jersey, 1 trousers/tunic/skirt and 1 pair of socks) [1]. All products manufactured by cooperatives are sold to DSD, and taken to the less privileged schools.

Cooperatives tend to just depend on social development and nothing more in terms of business ideas, opportunities, and marketing. Moreover, the cooperatives tend to work seasonally as their only source of income is DSD, without which the cooperatives cannot do anything else. The paper proposes the use TQM to ensure performance and innovation within cooperative that manufacture school uniforms in South Africa. TQM has been credited with providing a competitive advantage for organizations that implement it properly [2]. Cooperative members need to understand that they are not in this business for government to pity them; it's about time they become competitive and understand their reason for existence. The reason for support and promoting of cooperatives is because they have to be a vehicle to assist in creating decent employment and reducing poverty through income-generating activities [3].

Any business today is trying its level best to remain in business, by using different tools and techniques to satisfy their customers and outperform their competitors. To remain competitive, organizations need to provide customers with their exact expectations. For centuries, TQM has been instrumental in managing quality within organizations. TQM is an approach used by managers to ensure creativity and innovation within the organization while ensuring customer satisfaction. Internal and external customer satisfaction is when their expectations regarding a services and products have been met or exceeded [11]. TQM is a description of the culture and attitude of a company that strives to provide customers with products and services that satisfy their needs [12]. The organizational culture emphasizes quality in all aspects of the company operations, while processes are done right the first time, and defects and waste are eradicated.

The implementation of TQM is successfully done through the eight basic elements of TQM. TQM has been used by a number of organizations in both public and private sectors and in manufacturing and service industries to introduce the basic elements and practices [7]. It is important to clarify and identify TQM elements and characteristics of the product and service which the customer finds attractive. These elements are demonstrated in Fig. 1.



Fig. 1. Elements of TQM

## II. TQM ELEMENTS AND INTERNATIONAL PRINCIPLES OF COOPERATIVES

The elements of TQM are more or less related to the international principles of cooperatives. There are 7 principles and 4 values formed by the International cooperative alliance (ICA) that drive cooperative enterprises in the whole world (see Fig. 2). As the basic guide, Fig. discusses both the principles and value of the cooperative enterprises. Cooperatives around the world generally operate according to the same core principles and values, adopted by the ICA in 1995 and cooperatives trace the roots of these principles to the first modern cooperatives [9]. Ever since then, until today the principle needs to be used by all the cooperatives if the enterprise is to succeed where all members benefits from it, members benefit from the business that they do within the cooperative [10].

The South African cooperative needs to be very competitive as already South Africa has many companies with well known brands because of globalization. The cooperative need to find a way of selling their products and having loyal customers, and to have a voice to South African people to choose their products over well know branded products. This can only be possible if they produce quality products that satisfy their customers. Cooperatives tend to lose trust and reputation from investors, customers, and suppliers, if they do not deliver what is expected from them, and most important of all, if they do not live their reason for existence. Cooperatives need to implement all the elements of TQM, which also supports the values and principles of cooperatives to build a quality culture [15]. Organizational culture is what the employees perceive and how this perception creates a pattern of beliefs, values and expectations [14]. Curry defines quality as driven by the attitudes and perceptions of the employees towards quality. Organizational culture is able to operate efficiently only when shared values exist among the employees [15]. Cooperative members they have the common values that they share within the enterprise. The members in Fig 2 values self-help and self-responsibility, with the attitude and perception that they can actually produce quality products and make it their responsibility. There is no way that cooperative enterprises will not reach customer satisfaction.

Values are the conscious, affective desires of people that guide their behavior [15]. When members of cooperative are able to live and apply the international values that lead to a successful cooperative and improves member behavior towards customer satisfaction, TQM implementation leads cooperative excellence. Quality customer services are important in the culture, and individuals are expected to adapt to this behavior [15].

The seven elements of TQM cover behavior, attitude and culture of the organization if it is to produce or provide quality products of services that are to satisfy customers. The principles and values of cooperatives are there to guide cooperative members to realize their responsibilities and how to conduct themselves, if their cooperative is to be successful. According to most authors, the elements are broken into four groups, building a strong house (Fig. 1) [14]. The most common elements agreed upon by scholars in the field are top management commitment, customer focus, quality data and information, employee involvement, training, and continuous

improvement:

- Foundation, which includes the ethics and integrity
- Building bricks, which includes training team work and leadership
- Roof, which is recognition
- Binding Mortar, which is communication

With the seven elements of TQM, namely ethics, integrity, leadership, teamwork, training, recognitions and communication, mainly talks to the people within the organization, all address the strategic decision making, continuous improvements and employee involvement. [14] In order for an organization to be successful with TQM, it needs to concentrate on these seven elements.

#### A. Communication

All seven elements for each to be implemented must be communicated clearly. A clear communication is when the right information is heard by everyone and is well understood by every member within the organization. For cooperative enterprises to remain strong and successful, there is need for effective communication that will break any communication barriers and one message is sent to everyone and is interpreted exactly what the message meant all the time [13]. Effective communication is the way this diverse group of people will be able to understand the issues and make decisions for effective change.

#### B. Integrity and Ethics

Integrity and ethics remain very important in every organization. For every organization to remain strong and respected by the public it has to practice its corporate ethics all the time. Being able to practice ethics as an organization, owners, management and the employees need to be honest at all times. This is mostly important in emerging cooperatives, as without the culture of honesty within their enterprises, there is no way the organization will be able to succeed. Cooperatives running democratically and caring for their communities need to have a culture that values honesty and integrity, within themselves as members of the cooperative enterprises and also to the communities served. Integrity and ethics are the foundation of the house that forms the seven elements of TQM (see Fig. 1). This is the first step to take when implementing TQM within an organization.

#### C. Teamwork

Teamwork involves a group of people with a common, collective goal. This goal aspect is very critical in cooperatives. The following is expected of every team leader:

- Trust - team leader should build trust among their team members and between themselves and team members
- Mutual support - individuals depend on each other to get the jobs of the team done.
- Accountability-self assessment of team performance is a constant as is continual improvement
- Reinforcement- wise team leaders reinforce team positive behaviors and attitudes by recognizing and rewarding them.

Core Principles of Cooperatives	Core Values of Cooperatives
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<p><b>Voluntary and open membership:</b> Cooperatives are voluntary organizations, open to all people able to use its services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.</p> <p><b>Democratic member control:</b> Cooperatives are democratic organizations controlled by their members</p> <p><b>Member economic participation:</b> Members contribute equally to, and democratically control, the capital of the cooperative.</p> <p><b>Autonomy and independence:</b> Cooperatives are autonomous, self-help organizations controlled by their members.</p> <p><b>Education, training and information:</b> Cooperatives provide education and training for members, elected representatives, managers and employees</p> <p><b>Cooperation among cooperatives:</b> Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through</p> <p><b>Concern for community:</b> While focusing on member needs, cooperatives work for the sustainable development of communities through policies and programs accepted by the members.</p>	<p><b>Self-help</b> – Cooperatives help it members to help themselves</p> <p><b>Self-responsibility</b> – members take responsibility for, and answer to their actions</p> <p><b>Democracy</b> – all cooperative members have a say in the way the enterprise operate</p> <p><b>Equality</b> – no matter how much money as members invests in their share account, they still have one vote</p> <p><b>Equity</b> – cooperative member Earn according to what they bring into the cooperative, members earn market related salaries according to their positions and job profiles</p> <p><b>Solidarity</b> – members share interests and common purposes with their members and other cooperatives.</p> <p><b>Ethical Values of Cooperative Members</b></p> <p><b>Openness</b> –transparency is what drive cooperatives and determines its success as cooperative belongs to all the members.</p> <p><b>Honesty</b> – cooperative members need to be honest about what they do and how they operate their enterprise.</p> <p><b>Social responsibility</b> – members needs to take responsibility for their own community, and work together to improve it</p> <p><b>Caring for others</b> – cooperative need to look after their community in a way that they regularly fund charities and local community groups from the profits of their businesses and make other realize their dreams by helping others to form their own cooperative enterprises.</p>
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Fig. 2. Source: International Cooperative Alliance (ICA) and Department of Trade and Industry (DTI)



Fig. 3. Customer satisfaction frameworks within cooperative enterprises

### III. FINDINGS

The questionnaires were given to 1000 people who all managed to provide response to the questionnaires and this was out of the 200 cooperatives that were visited in the Limpopo and Gauteng provinces. The study focused on the cooperatives that are in a textile and manufacturing business. The cooperatives are mostly sewing and manufacturing school uniforms. There were about 20 cooperative that are in the sewing and manufacturing and 90% of these cooperatives



are financially and none financially supported by DSD. Out of these 20 cooperatives the study got 180 responded from the cooperative members. Some of the members are illiterate while others felt the questionnaires need to be answered by their leaders only.

The questions on total quality were covered by the five questions.

1. The leadership approach focuses on mentoring, facilitating, and identifying talent.
2. All members usually work in teams, when planning their daily or monthly work
3. Members celebrate success like profit and good performance through recognition
4. Produced products or service provided makes enough profit for the cooperatives as it covers all the costs.
5. Cooperative is able to produce enough products or Services that serve all our customers

#### IV. RESULTS

The result in Fig. 4 shows the overall results that are related to the elements of the TQM within cooperative enterprises. The Y values in the graph represent the number of people. The X value represents the five questions asked that are related to the TQM.

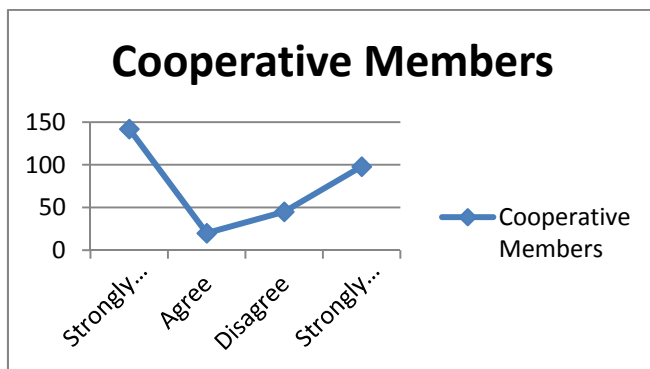


Fig. 4 Results of the study from the responses of the questionnaires

#### V. CASE STUDY

Shoe making cooperative started operating since 2010 by four members who are workers as well as the co-founders of the cooperative. The cooperative have 57 workers who work for the cooperative on seasonal basis. During the interview, cooperative members claimed to be five members but only to find out that there are four members as the fifth member was nowhere to be found. Out of the five members, only one member has a higher qualification and he is over 70 years old, the other member is a youth with a certificate, she was selected as she came in as a worker then recruited her to become a member of a cooperative, the other member is a entrenched worker from a shoe factory that became insolvent. The worker managed to get a grade 12 certificate while she was with Shoe Making cooperative. She is also the chairperson of the cooperative. The fourth member is a young male who have a problem with reading and writing, but is able to assist the cooperative with technical skills by fixing machines and other general work.

The cooperative is in operation because of the grant received from the Department of Social Development (DSD).

The cooperative does not communicate with the end customers, is acting more as manufacturer as it only manufactures shoes that are orders from DSD. These cooperative without the orders and the aid that it gets from the DSD it does not have any other clients or customers.

The cooperative for five years now still have only four members and only 57 seven employees. It does not show any growth in terms of expansion and market access. The members of these cooperative as they are also the owners, they do not act as entrepreneurs, it feels like they work for DSD. It is believed that they are still in business today in Gauteng Province because they are only two cooperatives founds in this study that are manufacturing shoes. The reason cooperatives that are manufacturing school uniform (clothes) are struggling and not making enough income it is because there are many cooperatives that are doing uniforms and all of them are expecting the DSD to give them orders. Most of these cooperative cannot find a way of selling their products without actually liking themselves with this government department.

The shoe Making cooperative works seasonally because the social development can give those orders at least two times a year and each other can take them approximately three to four months to can actually finish it. Which give both the members and the workers two to three months break per year without work? Shoe making seems to have potential and lots of opportunities in the market if ever it the members were creative and innovative. The first challenge with these members is that they do not actually live by the principles of cooperatives. Cooperative needs to have many members if it is to be effective and innovative.

There are numerous conflicts among the members of the cooperative, which makes their decision making process to take longer. Because the members have different background each feels like the cooperative cannot function without him/her, not realizing they need one another to grow and prosper in their enterprise. One of the members currently the chairperson is the one with the technical skills with 25 years experience in the shoe making company, and when she came to the cooperative, she brought her ex-boss as their mentor within their cooperative. The member tends to act as the owner of the cooperative while other members have to go with her final decision. This member conflicts with the other member who is educated, and being the one to do all the paper work within the cooperative, the educated member feels like is driving the cooperative enterprise better than everyone else but not being recognized by other members as they fear the chairperson. These members find it hard to collaborate and appreciate the contribution that comes with each member within the cooperative.

#### VI. RECOMMENDATIONS

When principles and values of cooperatives are well understood most cooperatives in South Africa can be very grow and develop significantly. Members of the Shoe Making cooperative have insecurities with their own membership and leadership, they just want the cooperative to belong to existing members alone, while it is difficult as the growth of the cooperative is determined by the growing number of members in leadership. Including members with scarce skills and knowledge within the enterprise, by being included in the

cooperative this could be a great start for this cooperative to ensure development and sustainability.

The cooperative mostly lack skills and the main challenge the members think they are doing very well, they do not see themselves as a business entity, there is great need for cooperative members to be alert that they are in a business, and need to be competitive. These cooperative with the favor of South African governments have a chance to can links to the civil society and supply to many schools. There are philanthropists who buy shoes and take them to schools, these cooperatives and others can link to such people or their organization and ensure they buy through them.

These cooperatives by just being manufactures they can also sell direct to end customers by adverting their business in schools and also making other range of clothes or shoes

## VII. CONCLUSION

More research needs to be done, especially on the production design with the cooperative, to assist the cooperative with reduction of defects, material waste and idle time because of poor machines and work flow layout. This will result in cooperatives that are in manufacturing, managing to produce low-cost and high quality. Cooperatives members will get their benefits and also the community as well as the clients and the end users.

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