

SWOT Analysis of Housing Co-operatives in South Africa

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Abstract: While South Africa has the necessary legislative and policy frameworks in housing and other sectors that could have contributed to the development of co-operative housing approach, little is done to promote it. To that end, this paper provides the SWOT (Strength, Weaknesses, Opportunities and Threats) analysis of 6 housing co-operatives in South Africa. Based on the data generated from the multi-case study conducted and the administration of self addressed questionnaires, a SWOT analysis was done in order to identify the strengths, weaknesses, opportunities and threats to the housing co-operatives, with a view to developing sustainable strategies. Results from the study shows that the housing co-operatives are faced with many threats arising from the external environment and many weaknesses arising from the inadequate internal resources and circumstances. One of the strategies proposed is that there should be formulation and implementation of appropriate policies and legislation beneficial to the housing co-operatives by the government.

Keywords: Co-operative, housing, legislation, strategies, sustainability.

Introduction

Rust [1] states that the approach taken by the Government of South Africa in its housing policy arises from two perspectives. On the one hand, Government seeks to address the housing crisis directly through the scale delivery of subsidised housing for low income households. On the other hand, government seeks to create an environment conducive for the operations of the subsidised housing market within the larger non-subsidised market in order to foster growth in the economy. Rust [1], however, contends that since the policy was released in 1994, various emphases have shifted, such as improving the potential for the introduction of a co-operative approach to low income housing. In 1999, the Government's focus shifted to alternative tenure arrangements, the needs of the poor, and quality construction as against the earlier policy on housing hinged on quantity. A specific focus on the co-operative model in this regard was the acknowledgement by the then Minister of Housing that:

To date we have lacked a social housing vehicle that allows for beneficiary membership and shareholding in South Africa. For this reason I cannot help but recognise that the Co-operative Housing Model critically requires our attention (1999 SHF/COPE housing Association report of proceedings cited by Rust, 2001: 65).

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The growth of the housing co-operatives in South Africa has not been encouraging. As at 2010, according to Matsela [2] there were 58 housing co-operatives recognised by the South African Housing Co-operatives Association (SAHCA) and these were scattered across five provinces (Gauteng-23; North west-11; Western Cape-3; Kwazulu-Natal-10 and Eastern Cape-11), in a country with a population of 44.8 million [3]. The reason for the low number of housing co-operatives in South Africa may be because the environment is not suited to the co-operative housing approach [1].

Development of Co-operatives in South Africa

Van Niekerk (cited by Jara and Satgar [4]) stresses that the history of the development of co-operatives in South Africa is linked to the way that the country was administered. The first co-operative formally established, was the Pietermaritzburg Consumers Co-operative, registered in 1892 under the then Companies Act. This was followed by the National Co-operative Dairies Limited in the early 1900s [5]. Co-operatives in South Africa have a varied history, influenced significantly by the pre-independence and post-independence context in which they emerged. Until the early 1990s, the formal co-operative movement in South Africa was predominantly organised along the lines of registered commercial agricultural co-operatives affiliated with the Agricultural Business Chamber of the South African Agricultural Union [6].

Satgar [7] indicates that the legal reform of the 1981 Co-operatives Act, which began through a review

initiated in 2000, paved the way for the establishment of the Co-operative Act No 14 of 2005 which departed from the earlier Act of 1981 that supported the agricultural co-operatives. The new Act also affirms the international principles and values of co-operatives as defined in the International Alliance Statement of Identity and the ILO Recommendation 193.

In 1996, the Gauteng Provincial Board enabled the approximately 2000 tenants of seven apartment buildings in Hillbrow, Joubert Park, and Berea to become owners of the flats they were living in [8-10]. This marked the beginning of housing co-operatives in the inner city of Johannesburg and to a large extent South Africa, as there was no prior documented evidence of its use to access the institutional subsidy of government. The question arises why it has taken this long for the co-operative approach to be used in the delivery of housing?

In Canada, the contribution of government to the growth of housing co-operative was in the following areas [11-12]:

- Creation of appropriate legislation beneficial to co-operative housing approach;
- Guaranteeing mortgage loans in order to reduce the level of risk taking by the financial institutions;
- Provision of financial subsidies in order to reduce or postpone payment of capital costs; and
- Ensuring that low income household rent is calculated on the basis of their income and the government makes up the balance.

In Turkey, the development housing co-operatives dominate, as soon as the houses are completed, the co-operatives are dissolved. The contribution of the government to the growth has been in the following areas [13]:

- Local and Central Governments gave priority to housing co-operatives in the granting of credits from the public funds;
- Priority was also given to housing co-operatives in the sale of land, developed by the Local and Central Governments agencies;
- Provision of subsidies in the above forms of support;
- Provision of infrastructure to housing co-operatives projects;
- The establishment of the Real Estate and Credit Bank by the Government to finance up to 90% of the development cost of the housing co-operatives; and
- One percent is charged as value added tax (VAT) as against 18% charged on other construction activities.

Based on the 2 countries described earlier, the roles of the various governments have been the driving force of the housing co-operatives in those countries due to the tremendous support received by the housing co-operatives. The implication is that the housing co-operatives in any country cannot do it alone without the support of government in areas such as having legislation and policies that are beneficial to the housing co-operatives, providing support services in areas such as land allocation and favourable finance and embarking on regular education and training.

Strategic Management

Strategic management is the process whereby organisations analyse and make informed judgments from their external environments and internal capabilities, establish the way forward, formulate, and execute strategies that are in support of the organisational goals [14]. On the whole, strategic management has to do with making the managers have the knowledge of the present position of their organisations and what the future holds, identify the difference between the current position and the future one, and put in place measures to close the gap [15].

The environments of an organisation can be divided into external and internal [14].

- The external environment: This consists of broad and task environments. The broad environment has to do with local and global forces such as socio-cultural, technological, political, and economic trends. These forces could have a high impact on an organisation and its task environment. Organisations have little influence on the forces. The task environment consists of stakeholders that organisations relate with in the course of carrying out their activities. These stakeholders include customers, suppliers, government agencies and administrators, local communities, NGOs, financial institutions [14].
- The internal environment: This consists of managers, employees, and the owners. Within the internal environment, the person in-charge of an organisation usually has an impact on the level of success achieved by that organisation [14].

To this end, the external environment consists of the legislative and policy frameworks of government in housing, the efforts of the financial institutions vis-à-vis the various instruments in place and the general public. The internal environment in the context of this study has to do with the governance issue and the internal control at the various housing co-operatives.

Method

In the study, convergent parallel design mixed method was adopted. This method finds its domain in the pragmatic paradigm [16]. Convergent parallel design according to Creswell and Clark [17] is such that the researcher uses both the qualitative and quantitative parts of the research at the same time within the research, giving the same weighting to both qualitative and quantitative methods while keeping them separated during analysis, but bringing the two together during the overall interpretation. The method enables the researcher to illuminate quantitative results with the qualitative findings by mixing the results in order to develop a more robust understanding of the problem.

The quantitative strand was achieved through the administration of 66 self-addressed structured questionnaires to the chairpersons of the housing co-operatives identified from the list obtained from the Registrar of Co-operatives, Department of Trade and Industry, Pretoria (This is the population of the housing co-operatives in South Africa that were registered with this Department as at January 2011). In addition to this, 6 interviews were conducted with the housing co-operatives identified in order to achieve the qualitative strand [18]. The research was a single phase two-stage research. The sampling procedures used were independent of each other in that, for the quantitative strand, the population was used, while purposive sampling was used for the qualitative strand [19]. Purposive sampling technique is a non-probability sampling procedure which is usually used in qualitative research that has to do with selecting the people to be interviewed based on the interviewer’s knowledge on the appropriateness and typicality of the sample selected [19]. Fifteen questionnaires were completed and returned after two attempts representing 22.7% response rate.

Findings from the Study

The empirical study elicited data on the strengths, weaknesses, opportunities, and threats (SWOT) of the housing co-operatives. The findings were analysed and are listed in a summary format in these categories in the following sub-sections.

Generic Opportunities and Threats Analysis

Table 1 forms the analysis for the opportunities and threats identified from the external environment.

Table 1. Opportunities and Threats Identified

Opportunities	Scale	Mean score
Getting advice from SAHCA	High extent	4.1
Participating in SAHCA training	High extent	3.7
Training delivered by SAHCA	High benefit	3.6
Networking with other housing co-operatives	Very high co-operation	4.5
Assisting in the formation of other housing co-operatives	High co-operation	4.4
Autonomous control due to limited control from government	Based on the interview conducted	
Threats	Scale	Mean score
Existence of legislation and policies beneficial to housing co-operatives	Disagree	2.2
Feedback is not provided to the Department of Human Settlements on legislation	Agree	4.1
The government is not monitoring the activities of the housing co-operatives	Agree	4.1
Housing co-operatives were not consulted in the formulation of housing legislation	Agree	4.0
The National Government lacks commitment to develop the co-operative housing subsector	Agree	4.3
Continuous support from SHF	No benefit	1.5
Continuous support from the municipality	No benefit	1.1
Interest rate	High effect	4.2
Stringent conditions attached by banks before giving loans	Very high effect	4.6
Unfavourable repayment period	High effect	4.4
Unwillingness of the banks to grant mortgage loans	Very high effect	4.5
Unwillingness of the NHFC (National Housing Finance Corporation) to provide loans	High effect	4.4
Lack of awareness of government officials in the application of co-operative housing approach	No awareness	1.4
Identification of suitable land	Great difficulty	4.5
Obtaining well located land	Great difficulty	4.9
Administration and procedures involved in the registration and transfer of land	Great difficulty	4.6
Lengthy land-use approval process	Great difficulty	4.8
Inadequate training by agencies such as SHF and SEDA	Based on the interview	

From Table 1, the opportunities that the housing co-operatives could tap into in order to become sustainable were highlighted based on the survey carried out among the chairpersons of the housing co-operatives. Opportunities such as getting advice from SAHCA and participating in SAHCA activities were rated to a high extent based on the level of involvement of the housing co-operatives. The extent of benefit derived by the housing co-operatives was deemed to be of high benefit indicating that SAHCA's training contributed to the knowledge gained by the housing co-operatives. Another opportunity that the housing co-operatives could also tap into was the limited control experienced by the housing co-operatives, hence, they were autonomous. As long as these opportunities are available, the continuous tapping into them is imperative for the housing co-operatives.

Responses from the chairpersons on the above threats identified in Table 1 was an indication that sustainability of housing co-operatives will continue to be stymied as long as there are the presence of threats such as inadequate training by SHF (Social Housing Foundation) and SEDA (Small Enterprises Development Agency), lengthy land-use approval process, obtaining well located, lack of awareness of government officials in the application of co-operative housing approach. In addition, when there is no existence of legislation and policies beneficial to housing co-operatives, presence of high interest rate, and no continuous support from the municipality, there will be no considerable progress made in the co-operative housing subsector because these are the drivers of growth and development. For there to be growth and development, these threats are to be turned into opportunities so that the housing co-operatives will be able to tap into them in order to become sustainable.

Strengths and Weaknesses Identified from the 6 Housing Co-operatives

In order not to duplicate the strengths and weaknesses, a typical table is provided indicating all the identified strengths and weaknesses in all the housing co-operatives interviewed.

The strengths in Table 2 were areas that all housing co-operatives had comparative advantage, hence, they are expected to continue in the same line, so that over time, the strengths could become a culture that will continue to be nurtured. The strengths were the areas that the housing co-operative were good at and they are expected that strengths such as the high turnout in both the general meetings and the Board meetings should be sustained.

Table 2. Strengths and Weaknesses Identified

Strengths
Election of the Board members
Major decisions taking at the general meetings
Important but not major decisions taking by the Board members
Minor decisions taking by the Board members
The period of tenure (3 years) for both the Board members and the committee members
Authorisation of co-operative's funds by the members and the Board members
External audit of account
Active participation of women in co-operative activities
High percentage of attendance of meetings by the Board members
Regular meetings for both the members and the Board members
High (75%) attendance at the general meetings
High (86%) attendance at the Board meetings
Allowing foreigners with permanent residence permits to become members
Weaknesses
Non-payment of charges by the members
Selection of the committee members
High level of eviction (20)
Lack of awareness of the available training opportunities such as the one organised by SHF
No saving scheme in place
Downward raid by people in the income bracket above R7000 per month
Less than 50% usually attend general meetings
No exit payment for the members due to lack of capital
Tenure of Board members (>4 years)
Holding general meetings when necessary
Holding Board meetings when necessary
Authorisation of funds by the chairperson and the person in-charge of finance

This is because when there is large turnout at meetings, debates become robust and people tend to abide by the outcome of such meetings since they were involved in the process. It was also a good thing to have foreigners with permanent residence permits to become members in one of the housing co-operatives, as this will create cross cultural integration amongst the members.

One of the housing co-operatives had strength such as allowing major decisions to be taken by the members at the general meetings; this will create an avenue devoid of suspicion. This will not be seen as an imposition on the members.

From Table 2, some weaknesses were also identified that could be impediments to the sustainability of the housing co-operatives when not checked and appropriate remedies proffered. For example, when there is no exit payment for the members leaving the housing co-operatives, this could discourage would-be members from joining the housing co-operatives, thereby eroding the public confidence in co-

operatives as a bastion of hope in the provision of houses for their members. This could create the stunted growth and development of the housing co-operatives. In a related development, having people with no regular source of income as members in two of the housing co-operatives could cause serious problem in the future for the housing co-operatives, thereby preventing them from meeting their financial obligations. As at the time the interview was conducted, one of these housing co-operatives had not progressed to the point of building houses for its members. The housing co-operative will eventually go the way of individual ownership (using expanded People's Housing Process programme of rural subsidy) but funds will still be needed to carry out the management of common space that will be created. Payments are needed from members so as to keep the housing co-operative afloat financially, but when members refused to pay the requisite fees, the financial sustainability becomes jeopardised that could lead to the housing co-operative becoming insolvent. CHF [20] stated that at the end of the day, the most important thing is money. There is no way housing co-operatives will survive without adequate funds no matter how strong the housing co-operative is.

Furthermore, when the tenure of the Board members is more than 4 years as was the case in two of the housing co-operatives, it could be subject to abuse which could lead to acrimonious relationship between the Board members and the members of the housing co-operatives. Finally, holding both general meetings and Board meetings when necessary was not a good sign in any organisation because the attitude of members might become lackadaisical.

Conclusions and Proposed Strategies

In spite the acceptance by government the world over that housing provision to the citizenry is considered as basic [21]. Based on the SWOT analysis that was carried out, a clear manifestation of a lack of government supports in the co-operative housing subsector came to the fore, notwithstanding the provision of institutional subsidy by the Government. It is imperative for the Government to monitor the activities of all the housing co-operatives to which it provided subsidy so that the people given the subsidy at the onset can be monitored. This will assist with the evaluation of its subsidy programme in line with the other housing subsidy programmes of the Government. Countries such as Norway, Sweden, Canada, and Turkey where co-operative housing has been successful was due largely to the support received by the housing co-operatives from their various governments in providing beneficial legislative and policy frameworks to co-operative housing approach for housing delivery.

Apart from the government support, members are expected to display a high level of commitment by way of meeting their economic commitment and regular attendance of meetings, as decisions that will propel the housing co-operative forward will come from such meetings. South African Housing Foundation (SAHF) [22] reported that social housing institutions in South Africa in which housing co-operatives are integral part are losing their popularity due to the rampant cases of evictions. The high turnover of members in the housing co-operatives studied is something that should be looked into as it is not a positive development. In a study of the Co-operative Housing Sector conducted by the Community and Neighbourhood Services Department of the City of Toronto in 2004 [23], the following eviction prevention strategies were suggested:

- Eviction should be the last resort;
- Provision of late notices;
- A progressive approach to arrears management and conflict resolution;
- Repayment schedules;
- Provision of clear information on the eviction process, options and rights and
- Allowance of time and opportunity to explain and resolve problems such as arrears and to contest eviction.

These strategies can also be applied by the housing co-operatives in South Africa to reduce the current eviction rate and to prevent future evictions.

Finally, stemming from the above SWOT analysis, the following sustainable strategies are suggested for the housing co-operatives studied:

- Government should establish an institutional framework that allows rapid and efficient registration of housing co-operatives;
- Government should disseminate information on co-operative housing;
- Housing co-operatives should put in place well defined management and organizational structures;
- Financial institutions should develop financing instruments that are beneficial to housing co-operatives;
- Regular training and education of members by housing co-operatives;
- Creation and implementation of appropriate policies and legislation beneficial to the housing co-operatives by Government.

These strategies may be equally valuable to other housing co-operatives and the Co-operative Housing sub-sector in South Africa.

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