

SUPPLIER DEVELOPMENT GRANTS AS AN ALTERNATIVE METHOD OF FUNDING TO IMPROVE THE BUSINESS PERFORMANCE OF SEWING COOPERATIVES

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An inclusive economy is becoming a must in most countries today. In 2012 the United Nations declared the year an International Year of Cooperatives with an aim of stimulating interest among government and private organisations to support cooperatives in various sectors of business. In this abstract paper we refer to a Supplier Development programme for school uniforms done by 84 sewing cooperatives in the Gauteng's 4 regions. The problem investigated and address here is the provision of funding for cooperatives with undefined markets. In this abstract we present that if sewing cooperatives are funded on project basis by their clients or buyers they become more effective and they achieve better business performance as opposed to funding them based on a long business plan prepared by a professional consultant or accountant. The year 2012 was declared the year of cooperatives worldwide and was supported by United Nations, The World Economic Forum and various departments tasked with economic in different countries of the world (IYC, 2012). Developing economies invest enormous resources towards supporting SMEs and cooperatives through Local Economic Development programs with objectives to decrease unemployment and inequality (Rogerson, 2014). A cooperative can be defined as an autonomous association of people in pursuit of both social and economic endeavors, it is also a democratically led enterprise comprising of members with a similar objectives (Cooperatives Amendment Act 6 of 2013). In this study we focusing on sewing cooperatives in the Gauteng province of South Africa and the supplier development initiative of the Department of Social Development in the province. Sewing cooperatives have challenges which are also common to other cooperatives which include, limited access to resources such as finance, infrastructure, skilled labour and challenges with internal management (Cheney, 2014 *et.al*). Since 2009 the Department of Social Development in Gauteng contracted over 200 sewing cooperatives from 4 regions of the province, namely Johannesburg, Sedibeng, Westrand and Ekurhuleni to supply it with school uniforms. The funding of sewing material provide a scarce resource to the cooperatives which was also in line with supporting the sewing operation and delivering the required product at the right quality and price. According to Ahmed and Hendry (2012) Supplier Development can be defined as a buyers' effort to support, improve and capacitate the supplier to meet the demand of the particular buyer, while improving the performance of both in a short and long term. Government has a dual role of being a buyer who has to improve its supply chain while empowering both the citizens and businesses who employ its citizens (Owyang, Ramey and Zubairy, 2014), which makes buying from cooperatives through supplier development a worthwhile effort (Omurca, 2013). Supplier development programmes do not exclude sewing cooperatives from ensuring quality and satisfying their buyers, they need to impress, deliver on time and also ensure Total Quality Management in their production (Mbohwa and Thaba, 2015). Cooperatives cannot also be over reliant on a Supplier Development programme as they need to also lookout for other business (Arraiz, Henriquez and Stucchi, 2012). One other challenge for businesses whether small or large is the availability of project funding; which is often difficult to obtain. In cooperatives it is even more challenging because of the nature of their arrangement and in sewing cooperatives some work also depends on seasonal demands (Crofton and Dopico, 2012). Funding is a problem for most small enterprises as well as the management of available funding when there are no

projects already running (Anim and Nkonki-Mandleni, 2014). In sewing cooperatives purchasing of sewing materials, sewing machine and maintenance of the workplace are often the costs. Although supplier development programmes run for a certain period of time, they enable better performance of cooperatives. Cooperatives received resources in abundance based on their business plans, but without thorough operational plans and client base which resulted in loss (Integrated Strategy on the Development and Promotion of Co-operatives, 2012-2022)(Cheney, 2014 *et. al*). The Supplier Development of Gauteng's sewing cooperatives by the Department of Social Development is vital as it addresses both the government's goal of eradicating poverty and creation decent employment which government cannot do alone, but with enterprises such as cooperatives (Mago, Mazisi and Hofisi, 2013). A supplier development programme that provides both a limited resource such as funding and also providing to those who need it the most in strategic way is important to enhancing business performance and sustaining the enterprises involved. It is important for government's Director Generals to look into this kind of an empowerment method as opposed to the current tender system which continues to hinder service delivery and which increases inequality. Also cooperatives need to adapt and practice strongly the basic management tasks such as proper planning, control, organizing and leadership to ensure the success of the development programmes (Niewehuizen and Oosthuizen eds., 2014: 159). The following section is the list of references used on this document.

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