Business doing well by doing good in the community: The case of Sedikong sa Lerato in South Africa

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Abstract

Until quite recently, businesses the world over simply focused on profit maximization without really caring about the impact of their activities on society. In fact, such were the attitudes of most businesses that today’s atrocities such as child labor and environmental degradation could easily pass as normal business practice. Of late however, society has been insisting that organizations conduct their activities in a socially and environmentally responsible manner. Heeding this call has led a small South African cooperative (called Sedikong sa Lerato) to adopt the triple bottom line (TBL) business practice. Applying the phenomenological approach through interviews and a focus group discussion, we probed how the TBL principle is being applied at the cooperative and the impact it is making in the surrounding community. The results show that Sedikong sa Lerato is positively impacting on the community whilst achieving its stated profitability goals leading to a win-win situation for the business and community. Based on this finding, we recommend that similar organizations replicate what Sedikong sa Lerato is doing hoping that the practice will assist such organizations to attain their goals while also benefitting their communities. That is, doing good to do well.

Keywords: Bottom line, profit, business, social responsibility.

Introduction

Until quite recently, businesses the world over simply focused on profit maximization without really caring about the impact of their activities on society. In fact, such were the attitudes of most businesses that today’s atrocities such as child labor and environmental degradation could easily pass as normal business practice.

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Of late however, society has been insisting that organizations conduct their activities in a sustainable (socially and environmentally responsible) manner. Heeding this call has led a small cooperative (called Sedikong sa Lerato) in one rural South African community to adopt the triple bottom line (TBL) approach – a form of sustainable business practices. This study explores how the TBL principle is being applied at the cooperative and the results it is producing.

The focus of this paper leads to the question: how is the Sedikong sa Lerato cooperative applying the TBL principle to address some of the social, economic and environmental challenges in the community?

Based on this primary research question the objectives of the study are: (i) to assess how the TBL concept is being applied at the Sedikong sa Lerato cooperative; (ii) to determine the impact that Sedikong sa Lerato is making upon the lives of the community; (iii) to suggest how the approach used by the cooperative can be replicated in South Africa and other developing countries to address any existing socio-economic challenges; and (iv) to conduct the empirical study, a literature review was conducted to explicate and comprehend the associated core concepts and variables.

The next section provides a summary of the related literature review which begins with examination of the concept of sustainable business practice.

**Literature Review**

**Sustainability**

Some practitioners and writers argue that sustainability is more important than merely earning short-term super profit and going out of business afterwards. In other words, businesses that focus purely on profit will not be sustainable in the long run. According Dzansi (2011), running a business in a socially responsible manner is now a license for a business to remain a going concern.

Grayman (2010: 47) notes that sustainability is not just about going green, but also pertains to issues such as the health of financial statements, corporate governance, earning growth, shareholder value, uplifting the community and striving to leave a legacy behind. Sustainable development for governments, environmentalists and industrialists is attentive to the exploitation of natural resources and the political economy of the production and consumption of goods. The concept of sustainable development, as enunciated by the World Commission on Environment and Development (WCED) (1987: 47) in its seminal work, Our Common Future
advocates for a balance between growth/profit and ecological protection, which has resulted in debates on issues of sustainable development among the different stakeholders (Natufe, 2001). The WCED (1987: 47), meanwhile, defines sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. Despite stakeholders’ general agreement on the need for sustainable development, how it should be applied by these different stakeholders is still unclear.

A number of businesses and organization have committed atrocities, such as child labor, environmental degradation and human trafficking, in the pursuit of profit. Shinsato (2005: 186), for example, argues that Transnational corporations (TNCs) have contributed to man-made environmental destruction, which has led to concomitant effects on humans. He adds that various communities are victims of environmental degradation due to the industrialization and exploitation of developing countries by TNCs seeking cost-effective investments. Of late, governments, the private sector, non-governmental organization (NGOs) and development practitioners have insisted that businesses, institutions and organization observe corporate social responsibility (CSR) as a sustainable business practice.

**Corporate Social Responsibility (CSR)**

The World Business Council for Sustainable Development (WBCSD) defines CSR as the continuing commitment to behave ethically and contribute to economic development while improving the quality of the workforce and their families, as well as the local community at large. WBCSD identifies some of the core values of CSR as human rights, employee rights, environmental protection, community development, supplier relations, monitoring and stakeholder rights. Dzansi (2011: 5711) similarly defines business responsibility as “a firm’s commitment to operating a business in an economically sustainable manner while at the same time recognizing the interests of its other stakeholders (customers, employees, business partners, local communities, society at large) over and above what the law prescribes”. The TBL activities of Sedikong sa Lerato appears to fit into this definition of CSR.

**The Triple Bottom line (TBL)**

The TBL concept, which is credited to Elkington’s (1994) ideas is about the so called “win–win–win” strategy. Elkington contends that companies need to become more responsive to what he viewed as competitive and strategic challenges – namely, those concerns that benefit consumers, such as the environment and social justice. Krajnc and Galvic (2005: 189) explain TBL as “the creation of goods and services using processes and systems that are non-polluting, conserving energy and
natural resources, economic viability, safe and healthful for employees, communities and consumers, socially rewarding for all working people”.

Traditionally, the bottom line in accounting measures three basic items in the financial statement of a business, which are the income statement, the balance sheet and the cash flow statement; the bottom line of the income statement shows the profit or loss. Fauzi Svenson and Rahman (2010: 2), in support of this view of the bottom line, state that the concept of corporate performance in accounting literature normally refers to financial measures, such as return on assets (ROA) and economic value added (EVA), and uses the nickname “bottom line”.

This bottom line, which is the ultimate deciding factor, in effect implies the line of the financial statement that measures the profit or loss made and depicts the final result or ultimate outcome. Viewing businesses from a purely economic perspective has given rise to a number of challenges for humanity, the environment and the sustainability of some organization.

Shinsato (2005: 186) argues that economic globalization, which usually focuses on economic efficiency with the sole aim of maximizing profit or wealth, is premised on the notion that human beings are just economic beings. Shinsato notes further that the model views efficiency as the only value of importance and other issues, such as the need to protect the environment and humans, are secondary. Meanwhile, Mark-Herbert Rotter and Pakseresht (2010: 1) argue that the TBL model of running a business has three value grounds: economic, environmental and social aspects of value creation that should aim to embrace corporate sustainability. Due to some of the problems that have been associated with the concept of the bottom line, Kaplan and Norton (2010) coined the term balanced scorecard, which advocates for the extension of corporate performance to include both financial and non-financial indicators of corporate finance.

According to Quinn and Baltes (2007: 3), taking care of profits, people and the planet (TBL) are critical to organizational success, both now and in the future. They add that sustainability can be viewed through the TBL lens, which “focuses organization not just on the economic value they add, but also on the environmental value and social value they add – and destroy. The three lines accordingly represent society, the economy, and the environment” (Quinn & Baltes, 2007: 4).

This paper draws on the TBL concept on the grounds that its applicability and relevance to the Sedikong sa Lerato cooperative’s operations appear to be evident in the way that the cooperative wants to address social, economic and environmental challenges within its community. For example, the cooperative engages in the social value of business by taking care of 235 orphans and vulnerable children (OVCI),
which helps to alleviate poverty and provides psychosocial support; the cooperative offers economic value action by creating employment for women, especially widows, youth and men in the processing of Moringa products into health and food products; and it promotes environmental protection by using organic farming methods in its production.

**Research Methodology**

We employed the interpretivist paradigm to answer the main research question: How is the TBL concept being applied by the Sedikong sa Lerato cooperative to address some of the socio-economic and environmental challenges facing rural communities? We chose the interpretivist paradigm since it enabled the researchers to gain an in-depth understanding of how the cooperative is applying the principle in their business and in other endeavors. The interpretivist paradigm, according to Leedy and Ormrod (2012: 94), involves taking people’s experiences as the essence of what is real for them in their natural settings. It is imperative for researchers who use this paradigm to interact with the participants and listen to their voices and views, which enables the researchers to understand and appreciate the participants’ perceptions and lived experiences. The interpretivist paradigm sees research participants as sources of primary data, and explores attitudes, opinions, views, perceptions, behaviors and experiences, using methods such as interviews and focus groups with fewer participants when compared with the positivist paradigm (Chilisa & Preece, 2005; Creswell, 2005). The focus group according to Denscombe (2012: 177) comprises a small group of people who are brought together by a ‘moderator’ (the researcher) to explore attitudes and perceptions, feelings and ideas about a specific topic. We use the case study method as the ideal strategy for this paper in assessing the unexplored assessment of how the triple bottom line concept is applied in solving socio-economic challenges in a rural community in South Africa but are aware that the method also allows for the use of varied data sources and strategies (Denscombe, 2012).

**The research process**

The research site is located at Tooseng Village in the Limpopo Province of South Africa, where the cooperative is based. The facilities at the cooperative are comprised of a drop in-center, offices, stores and processing facilities, a shed, a garden and a farm. The researchers spent a whole day with the founder and manager of the cooperative, conducting interviews and observing how the organization uses the TBL concept in its operations to achieve its objectives, and how it addresses some of the social, economic and environmental challenges in the area. The manager consented to the researchers’ request and assisted both of us to have access to the
members of the cooperative and its facilities as well as to negotiate the collection of data through a focus group, individual interviews and observation for recording.

We were introduced to the manager and founder of the cooperative through a colleague who is from the area where the cooperative is located. After a telephonic conversation, we sent a formal request to the manager for permission to conduct our research which took place 5 March 2014. The reason for the interview and guarantees of the participants’ freedom to participate or pull out later during their participation, privacy, confidentiality and anonymity were provided.

**The research tools**

The tools that were used for collecting data for this research were the semi-structured interview schedule, a focus group and observations. Interviews are conducted with members of a particular group whose experiences are being investigated. These members can provide insight into the thinking of the group and, through in-depth interviews, their experiences and their reasoning can be described and explained to the researcher in a way that allows the researcher to see things from the member’s point of view as noted by Denscombe (2012: 99). In this research, the researchers had an in-depth interview with the founding manager on the application of all three aspects of the triple bottom line principle at the cooperative. The focus group for this research consisted of nine members of the cooperative who agreed to participate in the focus group. The focus group was asked questions on all aspects of the cooperative that dealt with the triple bottom line principle.

**The research journal**

We kept two journals in which we documented our observations and reflections during the process of data collection. This enabled us to reflect upon and keep in check our own biases, as well as compare our observations. We recorded how each of the three aspects of the bottom line concept is applied at the cooperative.

**Observations**

We observed the different activities that take place at the cooperative as non-participant observers. The non-participant observer status meant that we would not to interfere with the cooperative’s activities, such as at the drop-in center where the members of the cooperative prepare and provide food for the OVC and prepare the OVC for school in the morning, in the picking of Moringa leaves, the watering of plants and the weeding in the plantation done by the men.

**Results and Findings**

The data that was gathered enabled the researchers to develop themes on the triple bottom line, which are social, economic and environment. These themes have been dubbed by some commentators such as (Elkington, 1997; Sarre, 2001; Savitz, 2006) as people, profit and the planet. Some of the emerging issues that have recently
come to the fore for businesses to consider in ensuring sustainability, include poverty alleviation, improving governance, improving education, dealing with corruption, enforcing labor standards, minimising and preventing resource depletion, controlling pollution, environmental conservation, observing business ethics, addressing health issues such as HIV/AIDS, building human capital and promoting economic development, are topical issues in current debates in South Africa (Piedade & Thomas 2006: 57). Some of the issues mentioned above, which form part of CSR, can conveniently be classified under one of the key elements of the triple bottom line concept.

Social value application of the bottom line

The data analysis shows that the triple bottom line principle is being applied at different levels in the cooperative. On the social aspect of the concept, the cooperative is doing very well as the cooperative currently takes care of 235 OVC in which quite a sizable proportion of them are orphans. The children are provided two nutritious meals a day during the morning and afternoon. The members of the cooperative use most of the funds generate from the Moringa project to support the activities of the drop-in centre. Using Zadek’s (2004) Third Generation Theory of CSR, Da Piedade and Thomas (2006: 60) argue that businesses should endeavour to address social and environmental problems. The manager of the cooperative during the interview indicated that she was touched by the number of OVC in the area and decided to do something about. The problem of OVS is indeed a social problem that impacts society to a very large extent. The manager pointed out that:

I was a professional teacher and later resigned to pursue business interests, but my heart never rested whenever I visited home because of the high numbers of OVC and the levels of poverty in the community. I decided to do something, and that is how this cooperative was formed.

She added:

I engaged the women from the community, most of whom are poor and widowed, who are members of the cooperative. They prepare food for the children and work in the harvesting of the leaves and processing activities. They eat here and get food for their families at the end of the day. We have learned cooperatively and share our knowledge on social and health issues with our community.

The communities around the area are now well educated on the benefits of Moringa trees. Every household in the area has at least one or two Moringa trees in their compound which they harvest and use for both medicinal and nutritional purposes. The cooperative has been able to encourage social cohesion and built
capacity in the area through the use of education and negotiations with the community members about the importance, values and possible solutions to the challenges of poverty, unemployment, OVC and environmental challenges.

We also observed that the children receive good care. The cooperative provides them with psychosocial support and other life skills; for example, the children are taught to do their homework after school, to respect people, to clean and to mend their clothes. The children looked good and very well groomed.

The manager indicated that the cooperative needed to be viable economically before it could be able to render the services to the children and the community at large. She said her research found out that cultivating Moringa trees could help in generating income for the cooperative while at the same time addressing the problems of malnutrition and health challenges. These activities are in line with what Majhid and Koe (2012: 293) term being socially embedded by complementing social and profit goals.

**The economic value application of the TBL**

Businesses are being called upon to apply the principles or approach to the TBL in their activities and actions but one should not forget that sometimes trade-offs may have to be made between the three components which are supposed to work together. For example, using profit and other business resources to address social and environmental challenges can impact negatively on the achievement of a business’s objectives. It is important therefore that businesses apply the TBL principle to ensure a balance.

The need for economic development is necessary in ensuring sustainability. Majid and Koe (2012: 297) point out that economic entrepreneurship implies an economic orientation that is achieved by discovering and exploiting opportunities to make profit through the process of venture start up, risk assumption, product or process innovation and resource management.

Friedman (1970) indicated that “the social responsibility of business is to increase profit”. Although this is the prime motive of business, there is also need to integrate other values that will make businesses sustainable. Bansal (2002: 2031) stresses that it will be impossible for present and future generations to secure their well-being without economic development. This view is echoed by Eriksson and Lidstrom (2013: 14) who emphasise that companies and communities can contribute to enduring economic development by increasing their efficiency and realising sustainable cost reduction through the efficient use of resources. Bansal (2003: 123) adds that an amplified economic performance will allow organization and communities to focus on reducing their environmental social impact.

The manager indicated that the cooperative keeps accurate financial records and ensures that the business’s objectives and aspect of profitability are achieved.
She however indicated that the business is not at the breakeven point at the time of the research as most of the income that the cooperative generates is channelled into the drop-in centre. She however indicated that the drop-in centre receives support from some organization. She also pointed out that other productive activities in the form of increased cultivation of additional fields of Moringa trees and the processing of more products such as Moringa powder, capsules and other by-products for both the local and domestic markets, will enable the cooperative to breakeven and make profit in 2015.

She said:

> We have been very intentional about the need for us to be profitable, for us to be able to achieve our objectives. It was very hard for us to run our operations because of the demands that emanated from the drop-in centre, where we had to depend to a large extent on other organization and well-wishers to run our activities. We have increased our operations with the cultivation and processing and marketing of our products. We are going to start making a profit by the end of 2014.

It was confirmed from the focus group that the cooperative had 25 members, who received a stipend of R1500 (approximately $125 at R12 to $1) per month. The members indicated that they are making a number of sacrifices at present, and hope to be earning proper salaries very soon.

One 56-year-old woman stated:

> We discussed among ourselves that we need to work hard for our cooperative to achieve its objectives. For us it was making sacrifice today for us to gain tomorrow. We are so excited as we see our hard work bearing fruit.

We also observed that the cooperative has an additional two hectares of Moringa plantation which employed 8 men who worked on full-time basis to weed and harvest the leaves for processing.

The manager also showed us the audited financial statement of the cooperative as well as the machinery and the stock of the finished and semi-finished products from the organisation. The Department of Public Work is also providing learnership opportunities to young people to learn how to cultivate Moringa at the cooperative.

The need for economic growth and profitability is echoed by Ramalho (2014: 10) that a sole and myopic focus on financial performance seems possible as for one thing, numbers are concrete indicators of performance. Ramalho (2014) adds that businesses that make profit have the additional capacity to make a higher contribution.
to society in the form of taxes and providing employment opportunities which benefit the wider society.

In effect a business or an organisation that wants to apply the TBL principle needs to ensure that the business meets its growth and profitability mandate as any failure will result in the organisation’s unsustainability. The cooperative has been conscious of this phenomenon and has strived very had to ensure that.

**Application of the environmental value of the TBL**

The need for environmental sustainability cannot be overemphasised in today’s world, especially considering the rate of overexploitation and consumption of natural resources, as well as the destruction of the ecosystem. Nguyen and Slater (2010: 7) state that there is “a new way of thinking”, which postulates that in order for companies to become environmentally sustainable, they have to allow the sustainability perspective to permeate their entire organization, value systems, corporate culture and employee attitudes, rather than just adhering to a number of sustainability principles. Liu et al., (2012: 163) add that companies, communities and individuals have to consider environmental concerns, and not only socio-economic issues, in order to contribute to sustainable development. Flannery (2012) argues that stewardship is based on an awareness that the land and biologically diverse ecosystems are parts of a cultural heritage on which the well-being of current and future generations depends.

With such an understanding, the cooperative uses the organic method of production to ensure it has minimal negative impact on the environment. From the interview with the manager and the focus group, a number of issues and practices that the cooperative is engaged in were illustrated. For example, the manager indicated that:

*We have been able to teach the whole communities in this area to plant at least one or two Moringa trees in their yards which they use the leaves as food supplements and for medicinal purposes. The trees give shade and control carbon dioxide emissions.*

She added:

*We use tanks to collect water, which we use to reduce the amount of water we use from the municipality. Besides that, we also use the drip irrigation of our plants to minimise the use of water as well as doing our watering of the plants late in the evenings to minimise evaporation. We also do not use artificial fertilisers and chemicals to control pests and weeds in our vegetable garden. We use green and animal manure for our crops.*

She showed us the organic certificate that the cooperative had received.
In the focus group interview, one female participant pointed out the following:

We have learned that we have to take care of our environment, and the environment will take care of us, which we have applied, and it is working for us. Look at the vegetables we have here. We do not buy any vegetables for the whole year to prepare food in the morning and the evening – for almost three hundred people in the morning and in the evening every day. We do not buy any expensive chemicals to cultivate them.

This view of the group is in line with Henry Doubleday Research Association (HDRA) (1998, 2), which intimates that organic farming does not involve leaving the farms to be taken over by nature; it rather uses all the knowledge, techniques and materials available to work with nature in order for the farmer to create a healthy balance between nature and farming, where crops and animals can grow and thrive. To be successful, organic farmers must not see every insect as a pest or every plant out of place as a weed, and not find a solution to every problem in an artificial, chemical spray. The aim is not to eradicate all pests and weeds, but to keep them down to an acceptable level and make the most of the benefits that they may provide (HDRA, 1998: 2).

The group indicated that they have all learnt to grow vegetables in their own homes, which saves them money and gives them fresh and healthy food for their families. One member of the focus group echoed the sentiments of the group:

We used to buy expensive vegetables, such as tomatoes, cabbage, onions, spinach and so on, but we now sell to others and help our neighbours.

We also observed that the organic principles are applied in almost all facets of the organisation from production to processing. For example, the Moringa leaves are harvested by hand and dried indoors and a large portion is grounded manually by the women. In addition to that green composts and animal manure are used mostly as fertilisers and the watering of the Moringa plants and vegetables are done with drip irrigation in the evenings. The discussions and the views expressed by the participants are in line with what Majhid and Koe (2012: 297) regard as being environmental or green, which is being environmentally or ecologically embedded by preserving natural resources and creating economic development. This view is in line with Seeliger and Turok’s (2013) view that one of the pillars of the green economy focuses on promoting green technological innovations that enable a more efficient use of natural resources, such as water, soil for food production, coal and other minerals.
They add that the core idea of the green economy is that a targeted financial stimulus can secure combined economic, social and environmental benefits.

Conclusion & Recommendations

Conclusion

We conclude that Sedikong sa Lerato Cooperative has been able to use the triple bottom line principle in its business practices to address the three bottom line values (economic, social and environmental value action) in addressing some of the socio-economic challenges in rural South Africa. The Cooperative which started as a drop in center to take care of OVC is now in the process of breaking even this year, 2015, and will start making profit from next year, 2016, and onwards. It has been able to create sustainable jobs for its members, the youth and other community members. In addition to that the cooperative is exporting its products to a number of countries to earn foreign currency for the country. A lot of Social challenges are faced and these include taking care of the 235 OVC by providing them with two meals a day and providing psychosocial support. However, the use of the organic farming methods has enabled the cooperative to use local resources to produce fruits and vegetables and Moringa plants at minimal cost in sustainable manner. The application of the organic farming methods has enabled the cooperative to have an organic certificate. Finally and more importantly, educating the surrounding communities on health and other related matters has enabled the cooperative and its founder to win numerous national and international awards.

Recommendations

The good practice as applied by the cooperative in adhering to the triple bottom line is laudable and needs to be encouraged and rewarded by government, the private sector and non-governmental organization. Also, the concept of CSR should be encouraged as it helps in addressing some of the socio-economic challenges that governments struggle to achieve but are being tackled successfully by the cooperative.

Partnerships are important because it enables the harnessing together of complementarities. Therefore partnerships should be encouraged between the government, private and NGO sectors as is being done between the Sedikong sa Lerato cooperative and the government, private sector and research institutions to support Sedikong sa Lerato’s initiatives to address the socio-economic and environmental challenges of communities.
Sedikong sa Lerato’s practice initiative can be adopted as a model in other rural and poor communities to help in addressing some of the socio-economic and environmental challenges they face.

Finally, research institutions should collaborate with Sedikong sa Lerato cooperative to validate the claims that are made about the medicinal and nutritional values of Moringa so that this can be recommended for large scale production and processing as a means to addressing socio-economic, environmental and health challenges in South Africa and elsewhere.

References


