Summary

An Investigation into the Triple Bottom Line Performance of Small and Micro Social and Environmental Enterprises in Developing Countries

Year Two of a Three Year Study
The purpose of the study

The SEED Initiative seeks to increase knowledge and understanding about small-scale social and environmental enterprises and their role in the Green Economy. In 2009, SEED and its research partner, the International Institute for Sustainable Development, started a three year study into the performance of these enterprises. Two key questions drive the investigation:

- Is it possible to determine whether and how such enterprises are making a contribution to social, environmental and economic progress within their communities; and
- What are the enabling factors and barriers to making that contribution?

The survey respondents

The research is based on surveys of those enterprises who have applied for recognition from the SEED Initiative.

- Year 1, Cohort 1: applicants for a SEED award, from 2005 to 2009
- Year 2, Cohort 2: the applicants for the 2010 SEED award
- Year 3, Cohort 3: the 2011 SEED applicants

In Year 2 of the study, data was collected from a total of 428 respondents. By the end of the third year, data will have been collected from over 1,000 small scale social and environmental enterprises working throughout Africa, Latin America and Asia.

Availability of the full reports

Results for Year 1, Cohort 1 are available at http://www.seedinit.org/en/best-practices-and-policy/seed-reports.html. The results for this year (Year 2, Cohort 2) will be available at the same address shortly.

Results from Year 3, Cohort 3 will be published in June 2012.
Findings from Year 2 of the study

1. On the nature of social and environmental entrepreneurship:

A desire for community-based social and environmental change, rather than personal gain, drives many of these enterprises. Nevertheless, while they may describe themselves as “not-for-profit”, it is clear that these entrepreneurs are experimenting with new business approaches – sales of new products and services and other revenue generation mechanisms – in order to sustain the delivery of benefits to their communities.

2. On “Triple Bottom Line” Planning:

Triple Bottom Line planning is the setting of targets and monitoring progress on the social, environmental and business dimensions of an enterprise. The small and micro enterprises in this study, while all having passionate aspirations for making a difference in the world, can be challenged by the process of setting clear and measurable targets across all the dimensions of their work. Without clarity, and without realistic and measurable ways to assess whether they are in fact making a difference, many of these enterprises will not be able to engage their communities, investors, markets or decision makers.

3. On the economic dimensions of the work of social and environmental enterprises:

a) Income generation within the communities

It is difficult to quantify and validate the contribution of these enterprises to economic development, although a majority report they are raising incomes in their communities. However, bearing in mind that most of these enterprises still see themselves as not-for-profit, it may be that their contribution to the creation of new income streams within the communities is being overlooked by national economic planners.

b) Financial sustainability of the enterprise

There continues to be a gap in capacity for these small and micro enterprises to adopt more business oriented approaches for managing and financing their work. The barrier identified most often by the group is lack of access to funds for business management training. These enterprises are also looking for ways to secure loans/lines of credit, but indicate a lack of access as the second most significant barrier. This data speaks to their recognition that they can be not-for-profit but are able to adopt more business-like approaches and generate sufficient revenues to be financially sustainable.
4. **On the social dimensions of their work:**

There is a significant investment by these enterprises in strengthening the social structures of their communities. This is particularly important to the SEED Winners, who also pay considerable attention to the protection of local cultures and traditional knowledge. These activities are important for increasing resilience – the resources and capacities to adapt to major impacts, such as climate change.

5. **On the environmental dimensions of their work:**

a) **The importance of awareness, monitoring and enforcement of environmental legislation**

The presence of national environmental legislation and regulations is one of the top four enabling factors. *But, the second most significant barrier is the absence of local level environmental monitoring and enforcement.* In addition, SEED Winners suggest that communities only partially recognise the need for environmental protection and restoration. Without the demand from community members for environmental protection and restoration, there is less pressure on local authorities to monitor and enforce environmental rules. There is a clear role here for policy makers to focus on monitoring and enforcement to improve the conditions under which social and environmental SMMEs can more likely achieve their goals, and to help these enterprises with community awareness-raising.

b) **The introduction of technologies and production processes new to the communities,** and

c) **The need for access to research partners and technical experts**

The introduction of technologies for renewable energy, water and waste management, as well as new production processes for agriculture, forestry and manufacturing, continues to be a central feature of these enterprises. Of all the skills being developed in the community, respondents reported that, after business skills, technology skills were being developed more than any other. It is not surprising that the majority of enterprises have sought out and rely on technical and research partners to support their work.
6. **On gender issues:**

Only 25% of the enterprises in Cohort 2 are led by women. More research is needed into barriers women may face in starting up social/environmental enterprises. There were four notable differences for those enterprises led by women.

a. A noticeably lower percentage of women work on climate change.

b. 25% of the women-led enterprises are not involved in the introduction of new technologies and processes, and a lower percentage of women-led enterprises provide technology-related skills development.

c. A higher percentage of women identified that they had limited access to external expertise.

d. Women-led enterprises may need more assistance in adopting business models for their work.
A focus on South Africa

SEED South Africa is the first national SEED programme. In order to support this new programme, the data was filtered to focus on the characteristics, performance and concerns of the South African social and environmental enterprises. The response group was small (only 13% of the total Cohort), but there are interesting variations in the South Africa group worth noting in the study.

Unlike the rest of the Cohort, the South Africa group included an equal number of women and men-led enterprises. But, some of the gender issues raised for the full Cohort did not apply to the South African group. For example, more women-led enterprises than men are introducing new technologies and processes (88% of the women compared to 79% of the men). This finding is further reinforced by the fact that 21% of the South African women are providing technology skills development in their communities, compared to only 12% of the men. More women than men were concerned about access to technology being either absent or only partially available. Further investigation on why the South Africa women may be somewhat more open to technology could be helpful to women-led enterprises in other jurisdictions.

Like other women-led enterprises though, the South African women do not appear to be as attuned as men to business approaches for their enterprise. 14% of the South African respondents indicated that the question of whether they were making a living from their enterprise was not relevant. Almost all of those were women-led enterprises. Business approaches to supplementing income (consultancies, sales of other products and services, investors, loans) were used by much lower percentages of the women than the men, or not used at all. A greater percentage of men reported that they had the business skills they needed; a much higher percentage of the women were concerned about business skills not being available. More attention may be needed to encourage South African women who are social and environmental entrepreneurs to consider adopting a variety of business approaches to their work, and to provide more business management skills to these kinds of entrepreneurs.
Recommendations

For national level policy makers

1. The green economy is also a knowledge-based economy: Ensure that small and micro social and environmental enterprises have access to the technology, skills and research and technical partners that they need, and support their efforts to take innovation to market.

2. In building the green economy, provide NGOs and CBOs with training and other services and support for developing more business approaches to their work.

3. Ensure that policies and incentives are put in place to stimulate and support the green economy, and recognise possible gender based barriers to the success of small scale enterprises.

4. Strengthen efforts around local level environmental communications, monitoring of local environmental conditions, and monitoring and enforcement of environmental laws and regulations, to create a more enabling environment for local actors to achieve their goals.

For international agencies and research institutions

1. Incorporate Triple Bottom Line planning into capacity building programmes for small and micro social and environmental enterprises.

2. Strengthen efforts to promote local level public environmental awareness to create an enabling environment for local actors to achieve their goals. In particular, work with national authorities to emphasize the need for compliance with regulatory requirements.

3. Explore how to connect international research and technical institutions with local level social and environmental enterprises, and how to strengthen the effectiveness of those partnerships.

4. Explore how to recognize the contribution of the not-for-profit sector to income enhancement and local economic development in national and international economic analyses and how to stimulate the financial sustainability of not-for-profit organisations through adoption of business approaches and development.

Final observations

There is little doubt from the data collected in years one and two that the majority of enterprises within this community of social and environmental entrepreneurs are changing the model of how to deliver sustainable development on the ground, through setting and working towards a combination of social, environmental and business targets and identifying a diverse range of benefits that they are delivering to their communities. The SEED winners in particular are demonstrating significant capacity to establish and deliver on social, environmental and business targets and indicate a level of progress beyond that of the survey group as a whole.
SEED Partners