

### Potential and Challenges of Social Enterprise Engaging with Smallholder Farmers and Rural Women in Beekeeping Sector: A Case of *Honey Care Africa* in Kenya

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#### English Summary

*Social enterprises* are for-profit or not-for-profit socially entrepreneurial organizations. They are increasingly active in poverty alleviation as they incorporate low-income producers and suppliers into their business activities. Early research emphasized the importance of economic self-sustainability and scalability of social enterprises, focusing on the productivity and transactional constraints of producers to create greater local value. However, there is still a lack of empirical evidence on whether and to what extent for-profit social enterprises can achieve these outcomes for low-income producers and suppliers. More work needs to be done to understand how social enterprises can build mutually beneficial partnerships with producers or suppliers and how the commercial viability imperative impacts or conflicts with the development agenda in practice. This report presents a case study of the pioneering social enterprise, *Honey Care Africa* (HCA), and its *Business in a Beehive* program with micro-finance Kiva in rural Kenya, which aims to increase the income of the poor smallholder farmers and rural women who participate in the supply chain. Face-to-face interviews were conducted with 48 women smallholders (including 38 Kiva borrowers) who contract with HCA and Kiva. This case suggests that a long-range multidimensional assessment of producers' outputs, outcomes and impacts is required to understand the value in the local context. Further discussion of supply chain relationships between social enterprises and participants can shed light on how business activities and positive development outcomes can be linked.

#### Japanese Summary

近年、社会的企業（営利・非営利を含む）が、途上国低所得層（Base of the Pyramid: BOP）生産者の貧困課題を解決する開発アクターとして注目を集めつつある。社会的企業（あるいは社会起業、ソーシャルビジネスなどとも呼ばれる）は、ビジネスを通じて社会的課題を解決する取り組みとして認識されている。BOP 生産者と社会的企業に関する先行研究では、社会的企業の経済的持続性や規模拡大、あるいはBOP 生産者のもつ生産や取引上の制約の解決に焦点をあてたものが多い。しかし、ビジネス手法を取り入れる社会的企業の活動はBOP 生産者のニーズを満たすものなのか、社会的企業の生産チェーンに参加する機会を得た生産者との関係は公平で互恵的なものであるか、これらの点に焦点をあてた実証研究はまだ少ない。そこで本調査では、ケニアの社

会的企業ハニー・ケア・アフリカとマイクロファイナンス機関Kivaとの連携による養蜂プロジェクトを事例として、プロジェクトに参加する農村女性を対象に質問票を用いた訪問聞き取り調査を行った。事例から、BOP生産者支援のためには生産チェーンにおける社会的企業とBOP生産者の関係性を検討する必要があること、またBOP生産者にかかる成果、影響については社会的文脈を考慮しながら長期的かつ多面的に検証する必要があることが示唆された。

## Introduction

A “social enterprise” or “social entrepreneurship” has “dual social and financial objectives that guide their managerial decision-making and determine their success” (Dees & Anderson, 2003, p. 2). This model is seen as “a promising approach toward solving social issues and societal problems by applying business techniques with an entrepreneurial mindset” (Achleitner, Heister & Spiess-Knafl, 2014, p. 154). In international development, social enterprise is considered a key actor in poverty reduction for the so-called base (or bottom) of the pyramid (BoP) – the poorest segment in developing countries.

In recent years, for-profit social enterprise businesses have been seen as one of the most promising ways of raising BoP producers’ livelihoods within an economically sustainable and profitable business model, offering a potential win-win scenario (Pervez et al., 2013, p. 61). More recent studies suggested that for-profit social enterprise can also address BoP producers’ constraints by helping to stabilize and strengthen supply chains, achieving economic returns and alleviating local poverty (Sodhi & Tang, 2011; London et al., 2010, p. 590).

However, as yet there is no consensus on what constitutes a social enterprise (George, 2009, n.p.), with some emphasizing social value creation as their primary purpose and others focusing on mainstream business strategies to make profits and scale up their businesses (Hammond, 2011). In some cases, the boundaries between for-profit social enterprises and commercial enterprises are not clear (Kamal et al., 2010, p. 252). Social enterprises also vary according to the socio-economic contexts in which they operate (Kerlin, 2009). In Kenya, social enterprises are mostly identified as small- or medium-sized local businesses, with most studies focusing on the agricultural and health sectors (Griffin-EL et al., 2014; Smith & Darko, 2014; Panum & Hansen, 2014). These empirical studies collected data from interviews at the management level; they provide limited information on the relationships between social enterprises and their participants. Social enterprise ventures are currently seen to be a critical business actor to bring economic growth and innovation (UNDP, 2004, p. 9; Seki, 2008, p. 47). However, there is still a paucity of empirical evidence for this claim.

This study aims to better understand the benefits and challenges of social enterprise for participants in the supply chain using the case of beekeeping in rural Kenya under the Honey Care Africa (HCA) program. This report will briefly explain the case and the research site, present some research findings and finally conclude with some remarks for further research.

## Case Selection and Study Area

**Honey Care Africa Ltd.** Honey Care Africa Ltd. (HCA) is one of the pioneering social enterprises partnering with Kenyan small-scale honey producers. It was established in 2000 by social entrepreneur Farouk Jiwa. Its mission is to “partner with smallholder farmers across East Africa to strengthen incomes and grow Africa’s ‘family honey company’ through sustainable beekeeping” (HCA website). HCA supplies Langstroth beehives<sup>1</sup> and professional hive management extension services to smallholder farmers, guarantees a market for the honey at a fair purchase price, and provides supplemental incomes to smallholder farmers. HCA is a member of the World Fair Trade Organization and introduced a quality control process for food safety standards (HACCP: Hazard Analysis & Critical Control Points).

HCA and its founder have a history of gaining both domestic and international acclaim, including the United Nations Development Program (UNDP) Equator Initiative Award in 2002. Most recently, they won the Nestlé Creating Shared Value Prize during the Global Creating Shared Value Forum, co-organized by Nestlé and the United Nations Conference on Trade and Development (UNCTAD) in 2014 (Burrus, 2014, October).

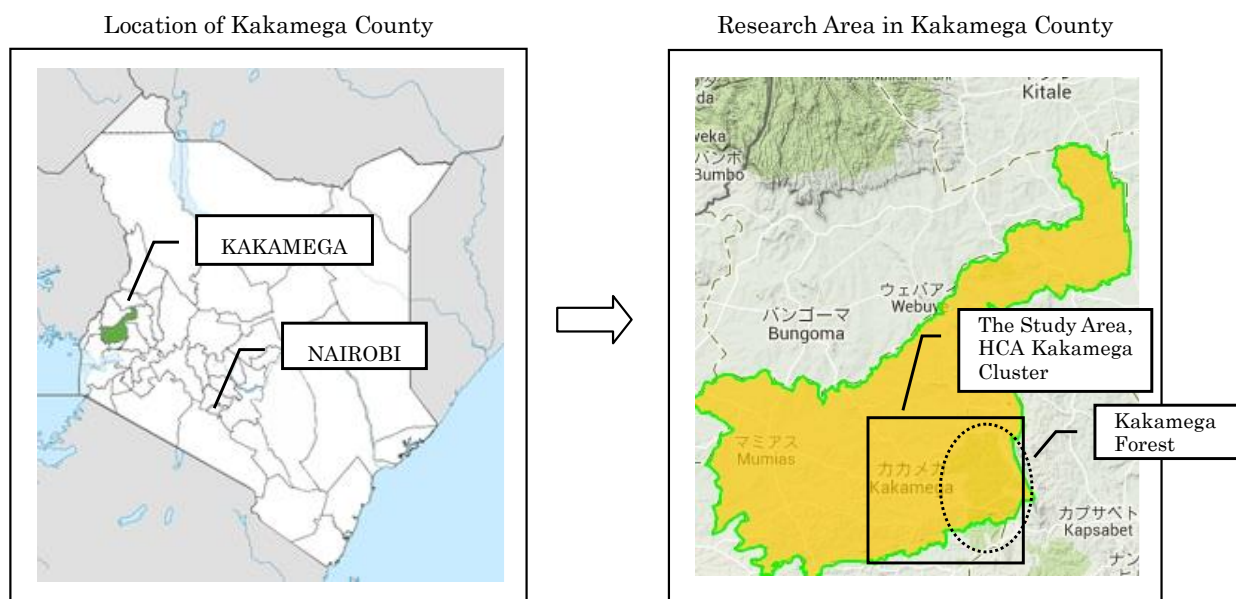
HCA has two major indicators for the social impact of their current business model: (1) the total number of smallholder farmers and households generating supplemental income from honey production, and (2) increase in annual household income generated by honey sales (Swiss Re Foundation, 2014, Project Report Q1). HCA currently focuses on the social impacts or local/social value creation mostly from increasing the number of member farmers and their annual household incomes through their business approach.

**Study Area.** The HCA Kakamega cluster is located near Kakamega Forest National Reserve in Kakamega County (Figure 1). According to the Ministry of Devolution and Planning (2013), the county covers an area of approximately 3,050.3km<sup>2</sup>. It is one of four western region counties and is bordered by Vihiga County to the south, Siaya County to the west, Bungoma County to the north, and Nandi County to the east. The main tribe is the Luhya. The average land holding size is 0.57ha. Agriculture accounts for 84.6% of household income in the region, and the average farm size is 3 acres. The main crops grown in the county are sugar cane, maize, beans, cassava, finger millet, and sorghum. Regarding poverty level, 51.3 % of Kakamega’s population, for a total of 917,713 people, live in national (“absolute”) poverty (p. 37) – which is defined as “total expenditure (food plus non-food) for households whose food expenditure is close to the food poverty line” (KES49.97 per adult equivalent per day in urban areas and KES32.94 in rural areas) (Schreiner, 2011, p. 9).

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<sup>1</sup> Langstroth hive was named after the inventor, Rev. Lorenzo Langstroth. Langstroth patented his design in 1860. It was originally designed for comb honey production, and now has become the standard style hive for 75% of the world’s beekeepers (see the detail: <http://www.mdbka.com/aboutHives.html>)

**Figure 1: Map of the Study Area**  
(Showing location of HCA Kakamega Cluster)



Source: Google map

## Methodology

The report seeks to explain a social phenomenon (Yin, 2014, p.4) and is based on a case study which “investigates a contemporary phenomenon in depth and within its real-world context” (Yin, 2014, p. 16).

**Data collection.** The study uses both secondary and primary data, collected under a research permit from the National Commission for Science, Technology and Innovation (NACOSTI) in Nairobi and with authorization from the Kakamega County Commissioner. Secondary sources include various studies on HCA such as academic case studies, newspaper articles, organizational reports, and video interviews available on websites. The primary data investigates the actual relationships at play and provides insights into actors at the micro level in the local context.

## Some Research Findings

The following summarizes some findings from interviews with the HCA contracted women (n=48), of whom 38 received loans through Kiva.

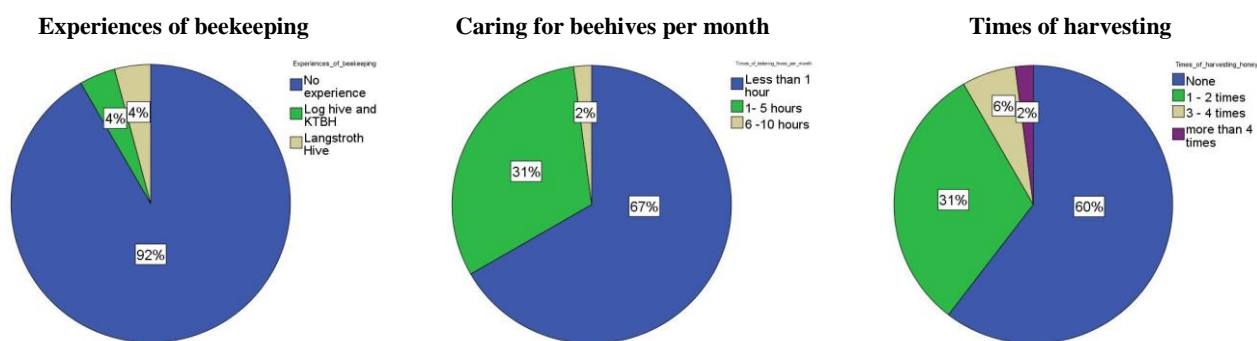
**Basic features of HCA contracted women interviewed.** Of the 48 respondents, 38 contracted with HCA in 2013, 5 started in 2014 and 5 began prior to 2012. Most (71%) are married, 23% are widowed and have no male at the head of the household, and 6% are single or single mothers. Eighty-one percent are over 41 years of age and the average household consists of six family members. Forty-five percent of the respondents received some primary education, 36% received secondary education and 15% graduated the college level. The majority of respondents

(76%) farmed on less than 3 acres of land. More than half (69%) perceived themselves as farmers as well as housewives. Twenty-nine percent of the members have no resources outside of farming and HCA beekeeping, 10% earn day labor wages, and 19% of them receive government pensions through their husbands. Others receive funds through occasional remittances from relatives (4%), house rent (2%), and primary school teacher’s salary and so on. The respondents first learned about HCA from neighbors (13%), self-help groups (33%), or village leaders (15%) who are often religious leaders in rural communities. Others were introduced at village gatherings called *baraza*, a common practice in rural Kenya.

**Kiva Borrowers.** Of the 48 women interviewed, 38 had received loans through Kiva. Among them, 31 borrowers contracted with both HCA and Kiva in 2013, 4 started in 2014 and the remaining 3 had already begun participating prior to HCA’s partnership with Kiva began in December in 2012. Almost all borrowers (95%) said they had not had access to loans for beekeeping at a comparable level to that of Kiva.

**Beekeeping.** Within the 48 respondents, the majority of the members (92%) did not have any beekeeping experience prior to contracting with HCA. The other 8% had already engaged with traditional log hive or Kenyan Top Bar hive (4%), and Langstroth hives (4%). Most respondents stated that they check on the hives near their apiaries. Over half of them (60%) stated that they had not yet harvested honey since contracted with HCA. Thirty-one percent had harvested once or twice and 6% had harvested three or four times. Few members (2%) had harvested more than four times, but they had contracted with HCA before the Kiva loan program started in 2012.

**Figure 2: Beekeeping (n=48)**



Source: Author’s fieldwork. 2015

**Income from the Beekeeping Program.** It was found that 80% of the respondents had not yet received any income from the beekeeping program. Among them, some of the Kiva borrowers said that they had harvested once or twice but had allowed HCA to divert their income towards their loan repayment so that it could be paid off faster. Thus, they did not receive income. Nine percent had earned less than 1,000 Kenyan shillings, 11% had

earned between 1,000 and 3,000 Kenyan shillings, but none had received more than 3,000 Kenyan shillings by the time of the interview.

## **Discussion and Conclusion**

It was found that the HCA beekeeping program creates income-generating opportunities for rural women with no beekeeping experience. However, the projected benefits to the smallholders are not so easily captured. HCA's aim was for participants to increase their incomes, but it may take time for them to realize an increase, especially for those who did not harvest as initially scheduled. According to the Kiva repayment schedule (a document provided to borrowers), hives are supposed to yield honey 6 months after installation, generating income every four months. However, despite the efforts of HCA's hive management extension services by hive technicians, over half of the respondents (60%) stated that they had not yet harvested honey since contracted with HCA. There could be several factors behind this. One possible reason is the difficulty of visiting all the hives, which are spread out over a wide area. One HCA hive technician is expected to manage approximately 400 beehives (Esper et al., 2013, p. 13). They use motorbikes, but still have difficulty inspecting all the hives regularly at the right time. Consequently, if that challenge is not remedied, beekeepers may lose their motivation for the project over time, affecting the production of honey.

With the trend towards mainstream business strategies for targeting and including the BoP in commercial activities, the boundaries between social- and commercial enterprise are becoming more ambiguous. It is important to pay closer attention to the process of creating social value for the BoP within local contexts in order to benefit people whose urgent and reasonable needs are not being met by other means (Young, 2006, p. 56). In line of this, the further study of supply chain relationships between social enterprises and participants will contribute to a better understanding of how business activities and positive development outcomes can be linked. As this case study shows, the benefits of including low-income smallholders' into the supply chain is not easily captured in a short term. Feedback mechanisms to collect the voices of the participants are critical for mitigating possible internal conflicts and securing long-term relationships. Social value creation at the BoP by for-profit social enterprises should be studied further in order to enhance the benefits of market-based solutions. In this respect, it is also necessary to do long-range multidimensional assessments to measure the outputs, outcomes, and impacts of value created at the BoP.

## **Reflections on the GLTP in Africa**

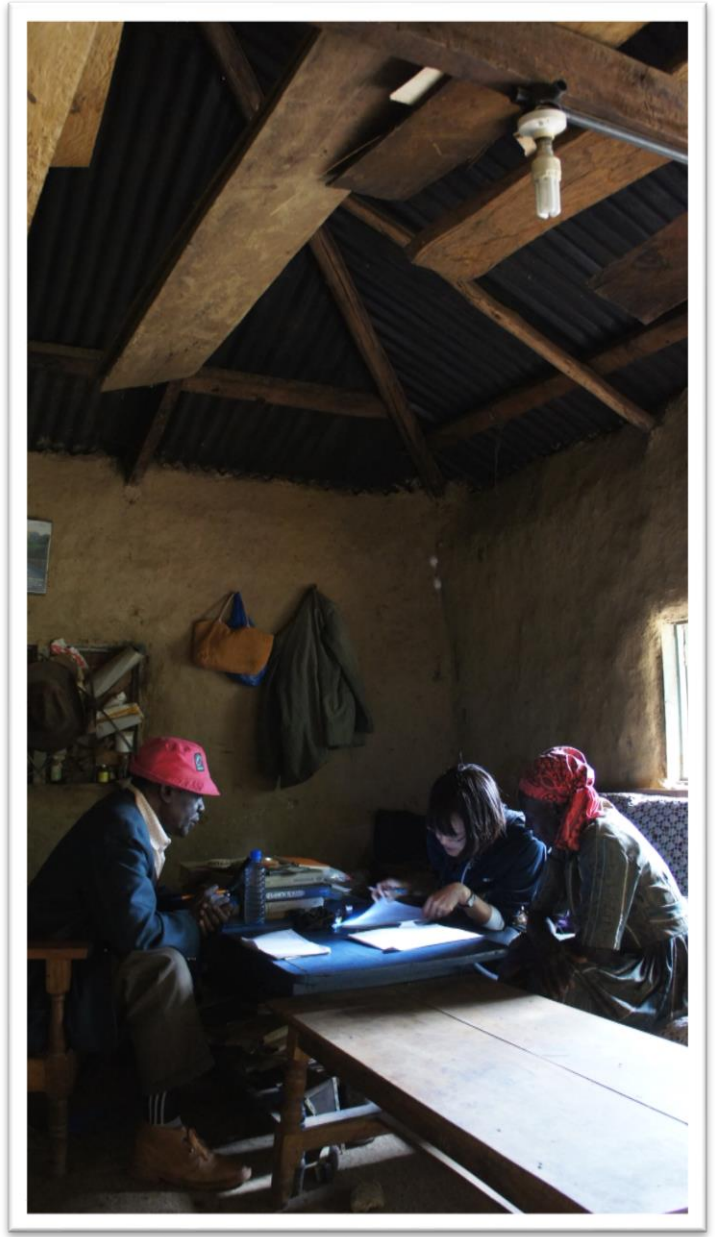
It was a great opportunity to join this Global Leadership Training Program (GLTP) in Africa. Through this program, I gained a wide range of field experience in a challenging environment. I believe that it trained me well to do social research in a developing country. To begin with, it was difficult to set up a work environment that was conducive for my study. Water, electricity and the internet which are vital for living and studying, were not always stable or easy to get. Fortunately, I was able to live in an international dormitory inside the campus of the host university, though, it took time for me to create an acceptable study environment.

Meeting people was also a challenge in Kenya. I learned that meeting and talking with people directly is important for making things progress; communicating through emails and phone calls was not enough. Therefore, I needed to visit places to make appointments first, and by the second, or even the third time, I could actually meet people. Obtaining research materials, especially in Nairobi, was also not an easy task. Since I could not move off campus alone due to safety concerns, every time I needed to go out, I had to ask someone to accompany me. Then once I was out it took at least half a day to travel there and back because of traffic jams and so on.

Regarding field research, what I learned from the supervisor at Kenyatta University that impacted my research the most was the significance of preparation before doing fieldwork. More specifically, the importance of developing appropriate questionnaires. I had made questionnaires in Japan, but after receiving his advice, I noticed the importance of considering whether the questionnaires would actually answer research questions in my study, and whether the formulated questions would be easy to answer for the intended respondents. Also, I learned I should allocate extra time to do a pre-test of the questionnaire when utilizing it in the field. It was often necessary to spend time making adjustments to take into account the local context.

Thanks to the supervision and support of faculty members from Kenyatta University, my field work was very much improved. The rest of the work of this research will be developed as an academic paper. I will try to utilize what I learned through this program in the field of international cooperation in the near future.





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