

## Case Study No. 4: The Khayelitsha Cookie Company “Creating opportunity one bite at a time”

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## Introduction

The Khayelitsha Cookie Company is a social enterprise based in the Ndabeni suburb of Cape Town. Its twin aims are to produce the best cookies in South Africa, while improving the lives of women from poor township communities. The Khayelitsha Cookie Company hires women largely from the Khayelitsha Township, a community beset by high unemployment and numerous related social problems. Many of the women have never previously been in formal employment. The Khayelitsha Cookie Company trains these women, helping them to develop skills in a variety of areas as well as providing permanent affirming employment. The company offers its employees opportunities for personal growth and career advancement, while also paying a fair wage with which they can support themselves, their families and dependents. Presently over 57 women are employed. The Khayelitsha Cookie Company is 30% owned by its staff, with

dividends generated given over to a Trust Fund for disbursement. Cookies made by the Khayelitsha Cookie Company are available for purchase in major South African retailers including Pick & Pay and Spar. They are also supplied nationally to hotel chains, corporates and a range of wider customers. In 2010 the Khayelitsha Cookie Company was the Afrigrowth Institute Small, Medium and Micro Enterprise Award Winner as well as the runner up at the Small Business Awards hosted by Cape Talk and Softline Pastel. More recently in 2012 it won the Van Ryn's BBQ Employer of the Year award.

## History

The Khayelitsha Cookie Company began as a women's bakery project at a community centre in Mufulani, a small township adjacent to Khayelitsha. The project was initiated by an American MBA student with production starting on a small scale in 2004. In May 2005 it was purchased by two entrepreneurs and long time business partners, Tim Leher and Tom Fehrsen. Tim and Tom soon realised that if the Khayelitsha Cookie Company was to continue to grow it needed to move out of the community centre and into its own dedicated premises. This was achieved in 2005 when the company moved to its present site. When Tim and Tom took over the business in 2005 it had 3 employees. By 2007 this had increased to 5 and by 2011 to 17. A more rapid increase to over 57 has occurred in the last 18-24 months, as the company has increased its customer base and expanded its production facilities. Following the takeover of the company by Tim and Tom it was decided that the staff should have a shareholding in the business. A 30% shareholding was agreed upon with an independent Trust Fund established to

administer dividends to the staff. In 2012 the Trust Fund made its first payout.

Since its establishment the Khayelitsha Cookie Company has faced a variety of challenges, including: how and on what terms the company competes with larger more mechanised and automated producers; negative perceptions of Khayelitsha as a township community and any business associated with it; additional complexities associated with drawing its employees from particularly marginalised low income groups; and balancing social and economic imperatives i.e. paying a fair wage, providing extra support, training and opportunities to employees, and giving a social dividend through the Trust Fund while still operating in a way that is financially viable and allows opportunities for business growth and expansion. While there have been ups and downs the Khayelitsha Cookie Company has maintained a broadly upward trajectory. This is manifest in increasing staff numbers, more customers and orders, investment in production facilities, the company winning small business awards, and an increased public profile, recognition and interest.

## **Activities**

**Employment** – The Khayelitsha Cookie Company provides permanent affirming employment to over 57 women many of whom reside in the Khayelitsha Township community. The women employed often have little or no experience of formal work or have been unemployed for a prolonged period. Employees are paid a fair wage which is above the industry average. On average, through the wages they receive employees support around 4 family members or dependents. However in many instances this number is substantially higher, with money also

often remitted to other parts of South Africa, particularly the Eastern Cape, to support siblings, elderly relatives and extended families.

**Trust Fund** – Employees own a 30% share in the company. The Trust Fund is administered by a legally registered 4 person board which includes 2 management representatives and 2 independent representatives. The board determines the timing and amount of money disbursed to staff. Money was given out for the first time in 2012. To be eligible to receive money staff must be currently employed and have worked for the company for over 12 months, there is also recognition of seniority and length of service in the amount given.

**Training and Capacity Building** - The Khayelitsha Cookie Company strongly believes in training and capacity building for its staff. In addition to developing employees job related skills it invites external training providers to work with staff addressing a range of subjects, including banking and financial management, life skills, health issues and environmental awareness. It also provides opportunities for staff to undertake training courses with the aim of enhancing employees' long term career prospects, for example basic computer skills courses, customer services training, introduction to marketing etc. The company is also supportive of staff wishing to return to education or wanting to study at a higher level. Finally the company encourages staff to use the experience, skills and knowledge they gain from working at Khayelitsha Cookies as a springboard to apply for higher level work elsewhere. They work with purchaser companies to identify relevant job opportunities, and assist employees in

preparing their CVs and with the job application process.

## Products

The Khayelitsha Cookie Company produces and sells a wide variety of cookies, biscuits and brownies, including:



**Choc Chunk Cookies**



**Ginger Snap**



**Brownies**



**Mamma Rusk**



**Fruity Oat**



**Heart Chocolate Brownies**



**Butter Cookies**



**Heart Cookies**

Cookies are available in single wrap, double wrap and unwrapped packaging. Gift sets are also available including for conferences, hospitality and seasonally.

**Table 1: Economic Outputs and Impacts**

OUTPUTS			POSITIVE AND NEGATIVE IMPACTS			
			Economies	Markets	Institutions/ Services	
ECONOMIC IMPACTS	Employment/ Livelihoods	Direct	57+ permanent staff	+ Wage spend in local and national economies; + Support businesses in Khayelitsha; + Money for SME start-up;	+ Reduction in unemployment	+ Increased ability to pay for services i.e. school fees, health care costs
		Indirect	Staff employed at supply and purchaser companies	+ Wage spending in local and national economy; + Multiplier effect purchasing by suppliers and purchasers	+ Reduction in unemployment	+ Increased ability to pay for services i.e. school fees and health care costs
	Payments	Government	Direct and indirect taxation paid by the Khayelitsha Cookie Company and its staff, suppliers, and purchasers.	+ Revenues used to encourage national economic development.	+/-	+ Increased government revenue for services
	Purchasing	Local	Some purchasing from local suppliers	+ Procurement from local businesses supports local economies	+ Increased demand for local goods and services	+ Increased ability to pay for services i.e. school fees and health care costs
		National	Some national purchasing	+ National purchasing supports economy	+ Increased demand for goods and services	+ Increased ability to pay for services i.e. school fees
	Investment	Infrastructure and resources	Production facilities in Ndabeni Cape Town	+/-	+/- Affirming supplier of handmade cookies and biscuits.	+/-
		Capacity	Skills training and capacity building. Job related and wider training	+/-	+ Skills in local labour markets	+/-

**Table 2: Environment Impacts**

NATURAL CAPITAL		IMPACT CHANNELS		
		PRODUCTION/ OPERATIONS	PRODUCTS AND SERVICES	PROGRAMMES
ENVIRONMENT	AIR AND CLIMATE	- Carbon from energy used in production	- Carbon emissions from transportation of products and supplies	+ Education on environmental issues for staff reduce domestic energy use carbon emissions
		+ Efforts to minimize energy use		
	WATER	-/+ Cleaning agents and chemicals used in production	+/-	+/-
	LAND (MINERALS, SOIL, LANDSCAPE)	+/-	- Waste disposal of cookie wrappers and packaging	+/-
			+ Efforts to minimise packaging	
HABITATS (FLORA AND FAUNA)	+/-	+/-	+/-	

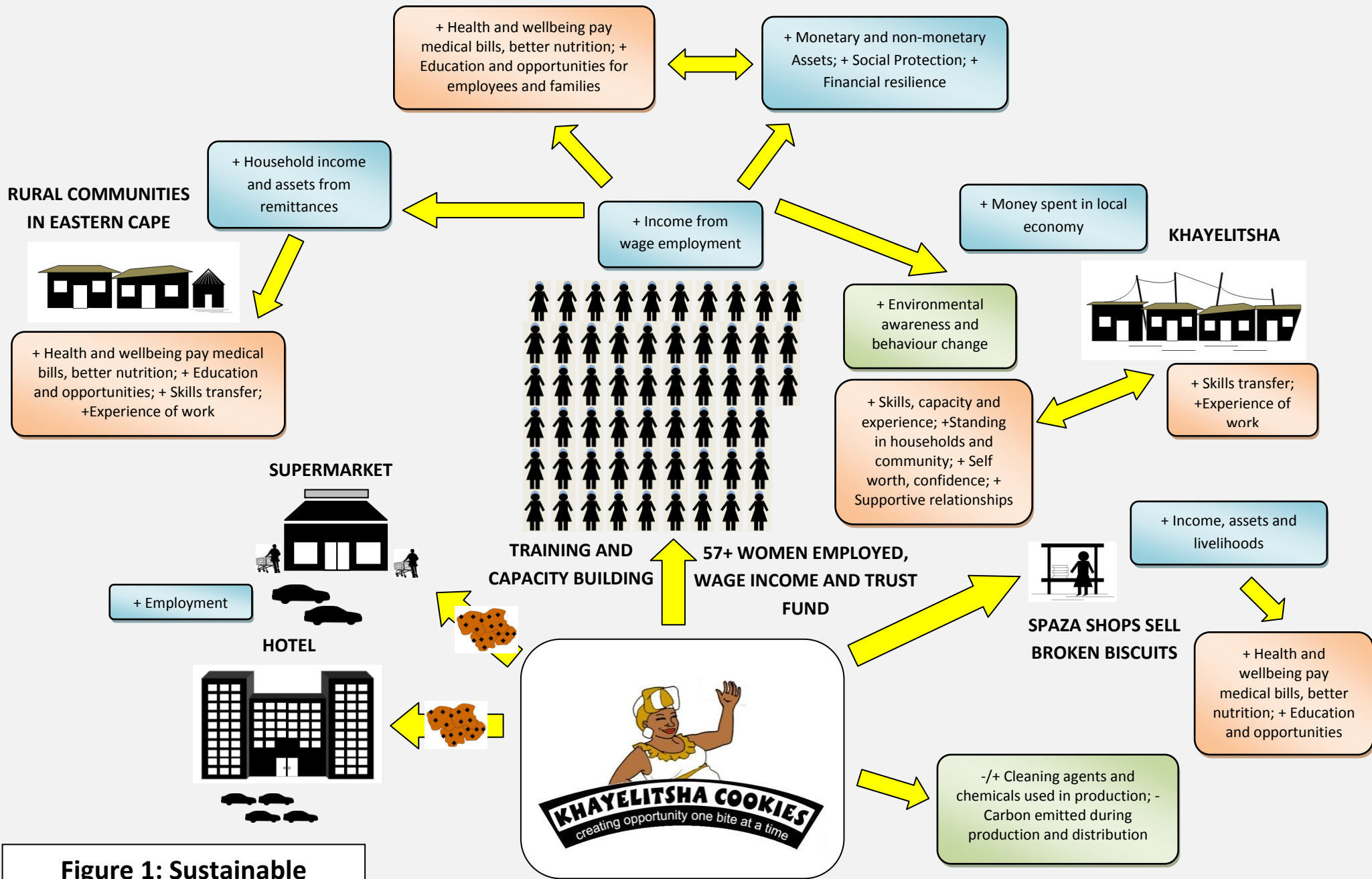
**Table 3: Social and Poverty Alleviation Impacts**

Social and Poverty Alleviation Impacts	Impact Areas	Stakeholders <sup>1</sup>				
		Communities		Customers	Distributers	
		Khayelitsha	Eastern Cape		Informal sellers	Large retailers
<b>Assets, Income and Livelihoods</b>	+ Income and assets for employees and their households residing in Khayelitsha; + money in local economy/ income local businesses	+ Remittances from employees. Income and assets for extended families and dependent households	+/-	+ Income and assets from selling on broken biscuit packets	+ large retailers generate employment and taxation revenues	
<b>Mental and Physical Wellbeing</b>	+ Money for healthcare costs; + Money for food, improved food security and nutrition.	+ Remittance money for healthcare costs; + Money for food, improved food security and nutrition.	+ Happiness from eating cookies and biscuits and supporting a social enterprise; - Nutritional value of cookies	+ Money for healthcare costs and food	+ Increased ability for staff to pay medical bills, purchase food	
<b>Opportunity and Choice</b>	+ Money for education; + Money for SME start-up; + Skills and knowledge transfer from employees	+ Remittance money for education; + Money for SME start-up	+/-	+ Money for education, business start-up	+ Staff ability to pay for education	
<b>Networks and Relationships</b>	+ Improved standing/perception of employees and households in community	+ Improved standing/perception of employees and households in community	+/-	+ Improved standing in community	+/-	
<b>Implications of Environmental Practices</b>	+/-	+/-	+/-	+/-	+/-	

<sup>1</sup> Stakeholders are understood to be groups that are impacted by the activities of a social and or environmental enterprise. We identify 10 potential stakeholder groupings, these are Communities; Customers; Distributers; Donors; Employees; Funders and Investors; Partners; Service Users; Shareholders; Suppliers; and Others (i.e. the state, advocacy groups).

**Table 3 Social and Poverty Alleviation Impacts**

Social and Poverty Alleviation Impacts	Impact Areas	Stakeholders <sup>2</sup>				Suppliers
		Donors	Employees	Shareholders		
				Trust Fund	Owners	
Assets, Income and Livelihoods	+/-	+ Income and monetary and non monetary assets for employees and their households; + Regular income improved financial security	+ Income and assets; + Special purchases; - Irregular payment	+/- Financial risk associated with investment	+ Income and assets for employees and company owners	
Mental and Physical Wellbeing	+/-	+ Money for healthcare costs; + Money for food, improved food security and nutrition; + Social protection; + Confidence and self worth; + Personal growth	+ Money for healthcare cost and food	+ Emotional wellbeing and reward in setting up and running a social enterprise	+ Money for healthcare and food employees and owners	
Opportunity and Choice	+/-	+ Money for education for employees and family; + Money for SME start-up; + Wider skills, knowledge and capacity through training schemes; +Wider employment opportunities	+ Money for education or business investment		+ Money for education and or business start-up employees and owners	
Networks and Relationships	+ Improved perception of corporate donors, reputation protection and enhancement, social license	+ Improved standing in households and communities; + Ability to support extended families; +/- Balancing work and family life; + Impart skills and knowledge to friends and family	+/-	+ Complimentary linkages between the Khayelitsha Cookie Company and other businesses	+/-	
Implications of Environmental Practices	+/-	+ Save money through environmental behaviour change	+/-	+/-	+/-	



**Figure 1: Sustainable Development Impact Map**



## Sustainable Development Impacts

### ***Economic Impacts***

A variety of economic outputs and related impacts stemming from the activities of the Khayelitsha Cookie Company are identified and mapped in Table 1 and Figure 1. The company provides direct employment for over 57 women, with positive impacts on local economies in the Khayelitsha Township and in Eastern Cape communities through remittances. This employment also impacts positively on labour markets reducing unemployment and providing indirect livelihood opportunities. It also enables households to better pay for services for example school fees or municipal charges. Indirect employment opportunities are furthermore generated at supplier and purchaser companies. At a wider level the South African government gains taxation revenues from some staff and from indirect taxation i.e. Value Added Tax (VAT), which can be used for national development activities. The company is also relatively unique in the South African biscuit and cookie market, operating as a social enterprise strongly compliant with affirmative action legislation. This is illustrated in the interview quotation below:

*“Most of the companies you find in South Africa are on like a level 5 and we are a level 1, and the triple A is for all the additional things that we do which other companies don’t”. (Interview Manager the Khayelitsha Cookie Company)*

Finally through training and capacity building activities the company supports up-skilling in the labour market.

### ***Environmental Impacts***

The Khayelitsha Cookie Company works to minimize its negative environmental impacts. In production it uses environmentally friendly cleaning agents and chemicals, and wherever possible seeks to minimise and recycle waste generated. This is illustrated in the following quotation:

*“Because when you look at our chemicals we don’t use harmful chemicals, we use green chemicals that are not harmful to the environment at all and if you look at our packaging initially when we started here we used to use the sticker packaging. We used to stick that on both sides but then you had to waste that plastic that comes off the back and the packets are all this long so you had to cut half of the packets away and so we moved away from that. I mean it used to be trolley bins worth that we had to get rid of in a week. Now we are down to about five waste bins of stuff that we get rid of and most of it is actually like these newspapers and this is fully recyclable” Interview Manager the Khayelitsha Cookie Company)*

The company also endeavours to minimize and make its outer packaging from recyclable and biodegradable materials, although this has been complicated by recent changes in consumer legislation requiring clearer and more extensive labelling about possible allergens in products. On packaging,

consumers are also educated about and encouraged to recycle. This commitment is illustrated in the following interview quotation:

*“What we do however is to educate our customers ‘guys take the little plastic packet put it in your recycling bin so it can go and get recycled and they can make pillows and plastic bottles and all the rest of it’. So we do try and do it, our boxes for instance we use a box that is fully biodegradable. So we try, we really try.”*  
(Interview Manager the Khayelitsha Cookie Company)

Finally the company’s environmental education and awareness raising also extends to staff, who are provided with information on environmental issues, for instance how to save on electricity and water, how to reduce your carbon footprint. Such training has potential positive impacts in terms of environmental behaviour change in both work and domestic settings.

### **Social Impacts**

Numerous social and poverty alleviation impacts stemming from the activities of the Khayelitsha Cookie Company are identified. These impacts amongst various stakeholder groups are outlined in Table 3 and mapped in Figure 1. The principle recipients of benefits from the company are its staff, their households and extended families, and the communities in which they reside and where they originate. Employees gain a regular and secure source of income. This stable income acts as a mechanism for social

protection and reduces vulnerability to shocks, both of a financial and non-financial nature. For many employees, working at the Khayelitsha Cookie Company has resulted in an overall increase in individual and household income, with additional funds saved and invested in assets like houses and vehicles. This impact is illustrated by the following focus group quotation:

*“I have bought my own place, I am able to take my children to school, it is lots of things ... I bought my house, and then I save as well”* (Focus Group with Khayelitsha Cookies Employees)

Viewed through a lens of opportunity and choice this increase in income also means employees and their households are better able to pay for education costs, or engage in additional income generating activities like small business start-up. It can furthermore be linked to improvements in health and wellbeing, for example improved food security and nutrition, ability to pay medical bills, and better mental health with a reduction in stress and unhappiness as a result of having a more substantial and stable wage income. These benefits are illustrated in the following quotations from interviews and focus groups:

*“It is the first time these ladies earn salaries. It is the first time they can actually send their kids to school, that they can afford meals, that they can afford meat, and that they can afford to buy proper nutritional food for their families and clothing”* (Interview Manager the Khayelitsha Cookie Company)

*“You are able to pay for your school fees for your children, pay for transport, pay for the food, support the people who are at home”.* (Focus Group with Khayelitsha Cookies Employees)

*“For me it has really helped my family because there is nobody working in my family and now I can send my sister to school.* (Focus Group with Khayelitsha Cookies Employees)

The above quotations also illustrate how this wage income often supports both immediate family members i.e. children, spouses and siblings but also extended family and dependents residing across Western Cape and in other regions of the country, particularly the Eastern Cape. The women employees on average have around 4 or 5 close dependents as well as a wider network of people they assist through remittances. These relationships and impacts on communities across South Africa are further highlighted in the following interview quotation:

*“You will find that the ladies basically support four to five and some of them up to eight family members with their one income that they are getting ... we also know that we are making a difference in Eastern Cape because most of the staff their extended family stays in Eastern Cape so grandma’s, grandpa’s and they transfer money over on a monthly basis to Eastern Cape so we know that it doesn’t just stop here it is actually spinning off to Eastern Cape”* (Manager the Khayelitsha Cookie Company)

Additional relational impacts are noted in potential changes to household power dynamics. The following focus group quotation illustrates how wage employment can empower women within households giving them greater autonomy, financial independence and say in decision making:

*“Now that I am working here when I have to buy something, I buy something on my own. I do not have to ask my husband. I do not have to say can you please buy something for me. Instead I have something that I can do.”* (Focus Group with Khayelitsha Cookies Employees)

Employment, and increased income and assets from this, can also be linked to changes in the way employees are perceived and how they see themselves in their communities. In the following quotation the new found ability to purchase a television is linked to notions of dignity, while buying a home is connected to self esteem and the ability to support oneself and family:

*“she said I have been able to buy a TV so my kids can stay at home and watch TV with me at home and not have to go to the neighbours, and there is an inherent dignity in that and it is something so simple as buying a TV. You know but it is something that is important .... someone who has moved up and she has managed to buy herself a house which I think is something that is incredibly affirming in terms of who you are and who I am, I have been able to buy a house and I am able to stand on my own feet”* (Interview Founder Khayelitsha Cookie Company)

In focus group discussions many employees stated that they saved, and commented upon an increased ability to save, which again links to improved individual and household financial resilience. Money dispersed from the Trust Fund was also recognised as a welcome addition to wages. At the time of the research only one Trust Fund payout had been made, and in many cases employees commented that it was used for basic household costs i.e. food bills, clothes etc. however if this payment were to increase, for example after a particularly successful year for the business, its impact may be seen in larger purchases i.e. put towards buying vehicles, houses, further education fees, business start-up etc.

The Khayelitsha Cookie Company strongly believes in developing the skills and capacity of its staff, and providing them with opportunities for progression both within the company and in their overall careers. This commitment is illustrated in the following interview quotation, as is the potential for the skills and knowledge imparted to trickle out into households and the wider communities in which they reside:

*“We teach them how to work out a budget, how to plan for the future, how to use a bank account and that also makes a difference in their lives because what they then do is they go and speak to the people that live next to them and tell them listen you need to this and this and this and this is financial planning, so the ripple effect that we are creating I think is a lot larger than you will even ever know and that is*

*what we want to do we want to up skill people. We want to train people, we want to get people educated, you know so that they can make educated decisions in life”*  
(Manager the Khayelitsha Cookie Company)

Employees are offered both job specific skills training, as well as courses useful in wider employment and life. For example basic computer training, customer service training, and health awareness around issues like HIV/AIDS and breast cancer. This training opens up new opportunities for employees, and is part of a wider process of professional and personal development central to the way the Khayelitsha Cookie Company operates. This includes building staff confidence, self-esteem, and self reliance, and giving them experience and knowledge of a formal working environment. For many of the women employed by the Khayelitsha Cookie Company this is their first experience of paid formal work. This experience also has potential longitudinal impacts, educating future generations in households and communities about the importance, dignity and value of paid work and supporting oneself, as well as what it actually means to be in formal employment. The following interview quotations illustrate these impacts:

*“I think you know it is not sexy at all but paying someone a wage for work that they do in an equitable relationship is incredibly powerful, and to do that over a long period suddenly you have people who grow up in homes where the parents work, versus intermittent work or something else and you know they are*

*then educating the next generation and ensuring that not only are they educated in terms of having a school education but also education in terms of how do I work. You know this is what I do at work, I am making these biscuits, I am making sure that there is food safety and the food safety that I am learning there I am bringing home". (Interview with Founder Khayelitsha Cookie Company)*

*"I think the biggest thing that we are starting to do is with the staff that we have got the mentality has started to change, you know from like I need to wait for government to make a difference in my life to I am the only one who can make a difference in my life and it means that I need to get my butt out of bed in the morning and I need to come to work because that is how I can feed my family... they have got a terminology which they use amongst the staff and it is called a poverty mentality so it is like a handout. I am waiting on handouts versus I am waiting for a hand up and that is what we are doing we are teaching the staff you know that it is a hand up, it is not a hand out, we help you to change your living circumstances" (Interview with Manager the Khayelitsha Cookie Company)*

*"You know people would love to come and work here, but work is a workplace because when they see the ladies profiting and then they think maybe it is something easy and they want to come. But the time you bring them here, some of them they only stay one day because the standing is tiring. They think that when you get a break you sit the whole day" (Interview with Production Supervisor)*

In addition to the social and poverty alleviation impacts of the Khayelitsha Cookie Company on its employees, their families, and in their communities, a number of more indirect impacts can be identified across a range of additional stakeholders. This first includes the livelihood and employment opportunities a successful Khayelitsha Cookie Company helps to generate in supplier and purchaser companies. Stemming from this are related potential benefits in terms of health and wellbeing, opportunity and choice and in relationships and networks. While the Khayelitsha Cookie Company predominantly sells its products through large retailers like Pick n Pay and Spar or direct to customers. Some broken biscuits are also sold in township "spaza shops", creating additional income generating opportunities in these communities. Benefits to customer wellbeing are also noted from the sale of high quality, tasty biscuits and cookies produced by a social enterprise, although it must also be recognised that products should only be eaten in moderation as part of a balanced diet. Finally, although the company operates as a social enterprise and reflecting this fact its founder shareholders do not receive a financial dividend when the business is successful, these founders do derive satisfaction and happiness from the business's success and the social value it creates. This is illustrated in the following interview quotation:

*"We can all three of us earn much higher salaries by working for corporates and applying our talents there, but we are*

*here by choice not because we need a job, we are here by choice running this company ... you are the one that is plugging away this time and you are facing the negative comments, you are facing like the financial crisis the whole thing, you don't get rewards back in a well done or I am grateful, you need to be here to do it because you want to do it and that needs to be your reward ... we know that for the last five years we have assisted mouths being fed in Khayelitsha, and people having sustainable lives and that is reward enough" (Interview Manager the Khayelitsha Cookie Company)*

## Conclusions

- A variety of positive economic, environmental and social impacts can be identified stemming from the activities of the Khayelitsha Cookie Company. These benefits are particularly observed in relation to employees, their households and dependents, and the communities in which they reside. However they also accrue amongst wider stakeholders.
- These impacts can extend across space and time. Spatially, employees often support extended family in other regions of South Africa, particularly the Eastern Cape. This includes financial support through remittances but also knowledge and skill transfer. Temporally, the family members of employees (children, siblings, spouses) gain knowledge of what it means to be in employment and the benefits of employment. In the longer term this may help to foster self reliance, change attitudes towards work and state dependency, and aid family members in the job market.
- Many of the Khayelitsha Cookie Company's impacts are relatively intangible and difficult to fully catalogue problematising efforts at quantification. An example of this is the dignity and self respect employees gain by being able to buy something as simple as a television which they can watch with their family in their own home. Further examples include changing power dynamics and relationships in households, or changing perceptions of employees in their communities and in the way they see themselves.
- Volunteers have and continue to play an important role in the company's development. This assistance may manifest in quite practical ways, for example volunteer labour in the creation of a company website. However it could also come in terms of mentorship and guidance from retired business professionals, who might also facilitate access to business networks, new customers and markets, or champion the company nationally and internationally.
- To aid its development the Khayelitsha Cookie Company has made successful use of support networks including the family and friends of staff, local religious groups and business support organisations. It has also utilised the industry contacts and networks of senior staff, for example in hospitality

and catering. Supportive networks and relationships have also developed amongst staff, with benefits in terms of resilience and social capital. These positive networks and relationships are described in the following interview quotation:

*"I think you cannot quantify that but the Ubuntu of everyone standing together and helping each other. I mean if you look at inside the factory, the ladies talk, if someone does not have clothes the staff will share clothes amongst each other, they will share with their children, if they know someone's roof is leaking they will bring a little piece of plate to go and fix your shack. That is how it works and that is the type of stuff that you cannot put on paper"* (Interview with Manager Khayelitsha Cookie Company)

- Central to the Khayelitsha Cookie Company's growth and success has been its ability to win contracts with corporates and larger businesses. Accessing these markets and customers, has been key in taking the business to a higher level and moving away from its origins in a township community centre. This has been achieved based on a number of factors. First and most importantly is the quality of product, if the cookies and biscuits produced were of a low standard they would not be purchased. This quality of product is secondly married to reliability and efficiency in the business. As illustrated in the following interview

quotation, while companies may prefer to purchase from a social enterprise, fair trade business or cooperative they will not pay a premium for such businesses to be wasteful, social enterprises must be efficient and competitive on their own terms:

*"Social enterprises have to be as detailed and as thorough about every aspect of their business as a regular businesses do because you know we can go to a customer and they can buy from us but they are not going to buy from us at a premium that allows us to waste money. They want to say OK we will buy from you but our alternative is to buy from this company and I can pay seventy cents a cookie there, so why must I pay you one rand ten so you can have an inefficient production system. So they will give you some premium or they may prefer you but they will not necessarily pay you to be inefficient"* (Interview Founder Khayelitsha Cookie Company)

Finally the Khayelitsha Cookie Company produces handmade cookies. One of the reasons for this is that it requires higher numbers of employees than more mechanised biscuit production, enabling them to help more people. These employees are paid a fair wage which is above industry averages and national minimum wages. The Khayelitsha Cookie Company could not compete with larger mechanised biscuit producers purely on the basis of price. However as its biscuits are made by

hand it is more adaptable than many of its competitors, its products are also innovative, for example it has recently launched a unique honey and rooibos cookie, and its products taste great and are of a high quality. Thus central to the company's success has been finding markets and customers where it can compete.

- The affiliation of the company with the Khayelitsha community and its social ethos has at times been an asset in attracting business, and in other instances a hindrance. Initially the company's association with Khayelitsha including its name was regarded by many potential customers with suspicion. As illustrated by the following quotation, there was a perception that there must be a "fat cat" making money behind the scenes. This reflects historical limitations in South Africa's Black Economic Empowerment (BEE) and affirmative action policies, which have often seemed to benefit only a small group of well connected black elites. There were also questions around hygiene and safety if the products were being made in Khayelitsha:

*"When people hear Khayelitsha they say OK who are the fat cats that are pocketing behind this idea ... so when you phone customers and said 'listen I am phoning from Khayelitsha Cookies' they go 'ha ha ha ha ha what' and you could not get meetings, because of the name, the name put people off"*  
(Interview Manager Khayelitsha Cookies)

While the name of the company and preconceptions about the business may have created initial difficulties in winning contracts, now that the Khayelitsha Cookie Company's credibility has been established, for instance it has demonstrated its ability to meet orders and operate as a viable enterprise, and it is accredited to a variety of food safety standards including HACCP, its social orientation makes it a much more attractive proposition, particularly in light of recent changes to South Africa BBBEE legislation aimed at facilitating more inclusive and broad based affirmative action. In terms of South Africa's BBBEE scorecard the Khayelitsha Cookie Company has the highest Level 1 and AAA+ rating. Businesses that procure from the Khayelitsha Cookie Company benefit in terms of regulatory compliance, maintaining their social license to operate, reputation protection and enhancement, as well as financially with tax write offs available, although not all purchasers chose to make use of these. Some corporate purchasers have also made CSR donations to the Khayelitsha Cookie Company, both monetary and in the form of materials and equipment. These donations have been important in the business's growth, for example support provided by one purchaser for expansion into a second factory unit. This nexus of CSR and social entrepreneurship framed within changes in BBBEE legislation and policy is an important dynamic in the landscape of social



entrepreneurship in South Africa. While state support for social enterprises and SMEs more widely in South Africa may be constrained, particularly by resource limitations, recent changes to legislation and policy on BEE may help to create a more enabling environment and encourage corporate players to more proactively engage with these issues and enter into innovative partnerships with social enterprises. This potential, and the positive legislative developments, are illustrated in the following interview quotation:

*“BEE legislation is that it has been drafted really well. Often you get the points you get the score for what you would be doing anyway so if you are doing this kind of thing in any case you would get the points which I think is just good for the country. So it is a lot more holistic in terms of how it views Black Economic Empowerment”*  
(Interview with Founder Khayelitsha Cookie Company)

## Suggestions

Based on our work with the Khayelitsha Cookie Company a number of suggestions are made about possible ways to enhance operations and impact:

- The Khayelitsha Cookie Company works to minimise its negative environmental impacts, while also encouraging positive environmental behaviours amongst staff. At times it is constrained by the requirements of purchasers and some consumer legislation. Nevertheless there may be
- scope for the company to develop a more cohesive environmental engagement strategy. The company’s green credentials could also be better communicated to customers, business partners and wider stakeholders alongside information about its social impacts. Examples of some small changes that might be adopted if not already include using recycled materials in packaging, using solar heated water, green energy supply when possible, and signs encouraging staff to save water, turn lights and equipment off etc. A carbon footprint audit might also prove beneficial in this respect including ingredient sourcing, transportation, staff travel, and energy used on site, although it is recognised that the costs of this may be prohibitive. It is aimed that in the near future the Khayelitsha Cookie Company will move to a new site and purpose built production facility. This may present an opportunity to further embed environmental sustainability into production and operations.
- At present the Khayelitsha Cookie Company’s international sales are limited. It is furthermore recognised that there are many potential pitfalls associated with selling internationally for SMEs. If the company decides to undertake more international business it may be best approached through enabling organisations like the Fair Trade Foundation or Traidcraft, or with the assistance of organisations and programmes aimed at supporting inclusive businesses and links between the global North and South. Support

from government agencies like South Africa's Export Promotion Directorate might also be sought.

- At present the Khayelitsha Cookie Company sells broken biscuits to township "spaza shops". However there may be potential to further expand sales to Bottom of the Pyramid (BoP) markets and customers. Biscuits could be sold through employees or their friends and families who own businesses. The fact that biscuits could be purchased in bulk but then sold individually with relative ease is also beneficial for reaching this BoP market segment where people may be unable to afford an entire packet or box of biscuits, but could buy one or two.
- The Khayelitsha Cookie Company is committed to training its staff and supporting them in their career development. However at present this process appears quite ad hoc. As the business further develops it may be worthwhile creating more structured training pathways. For example if not already in place this might include helping staff to develop personal development plans. As part of its training the company also undertakes health related training and awareness activities. While there has been engagement in this respect with the issue of HIV/AIDS it might be useful to develop a more cohesive policy on HIV/AIDS and wider employee health and wellbeing. This could include things like volunteer peer educators who might also undertake outreach work in the Khayelitsha community.
- An important part of the company's success to date has been the fact that its sales are divided amongst a relatively small number of customers. This reduces administration costs and the potential for losses. Limited retailer sales also cut down on expenses like marketing. However as the business expands and if further domestic customers are sought businesses that might be approached could include coffee chains like Mugg and Bean, the Seattle Coffee Company or Starbucks, as well as other hospitality chains, large retailers and corporates. Another segment that might be approached is other social enterprises, for example the Department of Coffee shop which recently opened in Khayelitsha. There may be scope for the Khayelitsha Cookie Company to further work with other social enterprises in its procurement.
- There is scope for staff to be better educated about the Trust Fund, how it works, how the amount is decided, and under what circumstances it is distributed. During the research there appeared to be uncertainty around some of these issues which may result in future misunderstandings.
- The Khayelitsha Cookie Company pays its staff a fair wage and they benefit from the Trust Fund. However at present some benefits like a pension fund, paid maternity leave, medical aid and a crèche are not available. Historically these benefits have proven financially prohibitive for the company. While this is appreciated it

may be possible to make some of them available in some form in the future, through innovative social enterprise approaches. There are numerous examples and models for social enterprise childcare. For example a paper on Social Enterprise Childcare produced by Social Enterprise London (2013) describes cooperative models, multi-stakeholder models, and consortium models where nurseries, crèches, after school clubs and playgroups all come together to provide a more complete and scalable service. There are also examples to draw upon of successful South African social enterprise crèches and childcare services. It is fully appreciated that the management team at the Khayelitsha Cookie Company already have a very heavy workload, and also the initial cost burden of establishing such services. However funding for such a venture might be sought from corporate buyers and their CSR programmes, be developed in collaboration with other local social enterprises, or at least part funded by staff with children who could opt to invest money from the Trust Fund for its establishment. Similarly while it may not be possible for the Khayelitsha Cookie Company to provide substantial medical aid to staff, globally and in South Africa there are an increasing number of affordable social enterprise and BoP health insurance schemes targeting low income workers, they may make this more feasible. Finally social enterprises offering micro pension

services for low income and informal economy workers are also starting to emerge particularly in South Asia, these again may be relevant and present opportunities in this case.

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