ABSTRACT
Might design thinking assist social enterprises to be more innovative? Social enterprises trade to benefit society, yet they are vulnerable due to the contradictory imperatives of social and business goals. It is essential social enterprises address important societal questions if they are to be effective in their mission, but little is known about how social enterprises design their work, or if design thinking might assist their capacity to innovate. This paper reports preliminary findings of an Australian study exploring the relationship between design thinking and social enterprise innovation. It argues that employing design thinking to problem solve might assist social enterprises to be innovative and address important societal issues, both of which have long term implications for policy and practice.

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Design thinking and social enterprise innovation

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This paper reports the preliminary results of a study that examined the role design thinking could play to enhance the innovation capacity and mission effectiveness of social enterprises. The paper identifies how design thinking could mediate the divide between the social goals and commercial realities in which these organizations operate. Drawing on a series of interviews with social enterprises that had ceased trading, we examined strategies that might have added to their effectiveness and hence their viability and longevity. We argue that design thinking has the potential to open up thinking and move beyond accepted business practices to consider alternative possibilities. The paper begins with a brief overview of social entrepreneurship and social enterprise and then links the concepts of organisational sustainability with design thinking in social innovation. It proceeds with an overview of the study and then explains the preliminary findings. We discuss the usefulness of design thinking for social innovation in the field of social
entrepreneurship and then examine implications for practice. Finally we consider future developments.

SOCIAL ENTREPRENEURSHIP AND SOCIAL ENTERPRISE

Social entrepreneurship moves innovative ideas into action across a broad spectrum of purposes and structures to create public benefit (Douglas, 2010). It is a proactive action or process of individuals or groups that aim to create conditions for societal transformation and change. Acting as a bridge between the market and social innovation, social entrepreneurship seeks to generate sustainable solutions for entrenched social and economic issues (Dees, 2001; Mair & Martí, 2006) and create social and economic value (Santos, 2012) using market based activities to support the mission (Nicholls, 2006; Steyaert & Hjorth, 2006). With civil society, economic, and public policy objectives, social entrepreneurship operates in developed economies and in less developed countries as one way to address complex or intractable problems.

Social entrepreneurship functions at multiple levels encompassing macro processes and policies of societal change (social innovation), meso operational mechanisms of organisations which aim to achieve a social purpose (social enterprises), and micro organising actions of individual social entrepreneurs. At the macro level, social entrepreneurship challenges systemic and endemic issues within society, aiming to reform societal systems, structures and processes. In doing so, it explores the role and effects of institutional, sociocultural, political and economic mechanisms, examines how agents determine realistic goals and mechanisms, and considers processes to achieve the change objective. Social entrepreneurship may act as a facilitative mechanism to improve the long term benefits social and economic status of disadvantaged populations such as rural women, refugees, or ultra-poor people to lift them out of persistent poverty (Levander, 2010). At the institutional level, social entrepreneurship may address complex issues such as climate degradation (Stål, 2011) or national or global economic restructuring (Sotarauta & Pulkkinen, 2011). Thus, social entrepreneurship aims to achieve innovation as a result of actions, interventions, or new ways of thinking (Waddock & Post, 1991).
A social enterprise is one site where social innovation may occur. As organisations that trade in the market for a social benefit, social enterprises operate across a spectrum of practices to address an issue of concern, aiming to improve society for the common good (Bonanni, Lépineux, & Roloff, 2012). All social enterprises adopt business practices to achieve the mission, but they operate with manifold configurations as cooperatives, and nonprofit organisations (Spear, 2006) and social purpose for profit firms (Volkmann, Tokarski, & Ernst, 2012). Within their market, social enterprises may establish new or better methods, products or services and devise novel ways to generate income to support their public benefit mission: however a series of studies in Australia, Oceania and Asia observed that not all social enterprises are innovative, and not all focus on creating change (Douglas, 2010; Douglas & Grant, 2014; Douglas & Tofinga, under review; Mandinyenya & Douglas, 2014). Instead, social enterprises are found to vary in the extent of their innovation and entrepreneurial intentions with some relying on philanthropic grants, donations, or the efforts of volunteers to be financial viable and achieve the social mission.

Australian social enterprises tend to operate as nonprofit organisations (Barraket, Collyer, O’Connor, & Anderson, 2009), especially when the social enterprise aims to to provide supportive human services for disadvantaged clients such as people with a disability or mental illness, those who are homeless, or people with substance abuse problems. For example, Parkinson and Howorth’s (2008) study in the UK reported that social enterprises use the language of business to discuss their work, yet their goal is operationalised within social priorities as a service to the disadvantaged clients, aiming to improve their situation and facilitate a better life. While the enterprise may recognise a need to create societal transformation, ultimately social enterprises prioritise clients’ needs over other considerations, including innovation, or even developing effective business practices to sustain the organisation.

**Social Enterprise Effectiveness**

In general, social enterprises operate in resource constrained environments, and many scholars report their vulnerability to financial stress (see for example Mair & Schoen, 2007). A large
number of studies have investigated aspects that contribute to social enterprises operating successfully, which in general is considered in terms of the financial viability of the enterprise (Ruebottom, 2011). The importance of organisational sustainability and financial self-sufficiency is well established, yet management traditions applied in the commercial domain do not readily transfer to the complex, multi-stakeholder environment of social enterprise. Being effective is more than operating an organisation efficiently or having a strong bottom line. An evaluation of effectiveness in the social enterprise context must consider to what extent the desired mission is achieved, and whether the organisation can continue to achieve the mission. As noted above, many social enterprises adopt a service approach yet the overarching intention of social entrepreneurship is to challenge existing practices and societal structures thereby offering individuals a better future. Blossom (2012) asserts that applying design thinking is an effective way to achieve a transformative goal, yet few studies have examined design thinking in the context of social enterprises, or how this style of thinking might contribute to innovation and effectiveness in achieving transformative goals.

**DESIGN THINKING**

Over the past 10 years, much has been written about design thinking – both ‘inside’ and ‘outside’ of design professions (Kimbell, 2011). The focus is to examine what such thinking entails and what it offers in an era characterised by increasingly complex and ‘wicked’ problems (Buchanan, 1992). Design thinking is understood as a way of tackling complex problems in a way that is solution focused (Razzouk & Shute, 2012). Rodgers (2013, p. 436) notes that while there is no universally agreed definition of ‘design thinking’ “…the strongest common denominator embraces the centrality of the user and empathy to the human condition’. In essence, design thinking can make change happen (Brown, 2009).

Design thinking should not be confused with the act of designing, or designs, or the work of a designer. While its origins are the design disciplines, design thinking is used to denote an iterative process or set of processes for investigating, refining and planning many different things – from products to services. Understood in this way, the outcome of design thinking may be a new way
of doing or thinking about things. According to Buchanan (1992) the problem for designers is to conceive and plan what does not yet exist and as a result, design thinking has been increasingly linked to innovation, or innovating which has the potential to transform organisations (Brown, 2009) or societies.

**Design Thinking and Social Innovation**

The simplest definition of social innovation is new ideas that work (Dawson & Daniel, 2010). As a concept, social innovation sets challenges to established practices and ways of thinking what may start as small steps result in seemingly revolutionary ideas to improve society. It is a dynamic activity, a flexible process, a creative way of considering issues that results in original social arrangements (Sztompka, 1993). Associated with newness, original concepts, ideas or strategies, novel products, processes and services (Mulgan, Tucker, Ali, & Sanders, 2007), social innovation may generate new ways of connecting people for example with mobile technology and electronic social networks, or it may establish new views, beliefs, attitudes, routines, social arrangements and patterns of behaviour that become socially embedded through institutional processes (Drewe, Klein, & Hulsbergen, 2008). For example, the founding of mutual societies and cooperatives was a radical development in the 19th Century, and similarly, microfinance ventures in the late 20th Century are a new approach to operating a business which is energised by a social purpose (Leadbeater, 2007). Initially considered radical, these novel ideas are diffused over time through networks of opinion influencers and become entrenched as common practice (Valente, 1996).

Increasingly, design thinking is seen as a key factor not only in product innovation, but also in social innovation. For Chick and Micklethwaite (2011), social innovation through design thinking involves a democratisation of design and a shift from passive consumption to active participation in the design process. The focus here is on the processes and procedures of design decision-making rather than on product or commercial outcome. Participatory design represents a shift in thinking that decentres the role of the expert designer (Kimbell, 2011) and realigns design thinking into the realm of the social and the political. Within this broad area, a range of
different approaches have been developed such as co-design, design activism, eco-design, collaborative design, inclusive design, user centred design. All share a concern with democratising the design process and with social transformation through design thinking. Transformation Design is concerned with applying design skills to new areas, involving a shift away from design for commercial outcomes into the public realm. Social challenges thus become design challenges.

According Burns, Cottam, Vanstone and Winhall (2006), transformation design projects have six characteristics: 1. Defining and redefining the brief; 2. Collaborating between disciplines; 3. Employing participatory design techniques; 4. Building capacity, not dependency; 5. Designing beyond traditional solutions, and 6. Creating fundamental change. The core of each of the six characteristics is collaboration, participation and engagement in problem definition rather than addressing a pre-defined problem. All shift attention away from the designer as ‘expert’ and focus instead on diverse, multidisciplinary input as a way of addressing complex ‘problems’; all suggest an approach to design thinking that is not fixed but ‘continually responding, adapting and innovating’ (Burns et al., 2006, p. 21). These six principles form the basis of the later discussion on social enterprise effectiveness. The usefulness of all of these approaches to design for social enterprise appears clear in view of their focus on social transformation and attention to the needs of diverse voices. In the case of social enterprises, this often includes the most vulnerable groups in a society. The next section outlines the methodology used in this study which examined the usefulness of design thinking for effective social enterprise operation.

METHODOLOGY

A novel negative sampling strategy (Hine & Carson, 2008) was adopted based on the principle that negative cases demonstrate one end of the mainstream and provide a clearer view of pertinent issues for closure than ‘successful’ cases (Romo & Anheier, 1996). This is especially relevant in the social enterprise domain where despite a growing body of research is less advanced than in the commercial domain (Zhang & Swanson, 2014). A large social enterprise intermediary agency identified eight social enterprises that had ceased trading, and five of these
enterprises were located for this study. All five social enterprises were concerned with job creation schemes for disadvantaged people, thus providing coherence for the data. Interviews were conducted with the CEO, manager or coordinator of the enterprise, or in one case the CEO of the auspicing organisation that closed the service. Each interview lasted about one hour, was digitally recorded and transcribed. Eleven questions in the interview schedule asked about the purpose of the social enterprise, the nature of the clients, organisational arrangements and communications strategies, and the precipitating factors that resulted in the enterprise closing. For example, question 1 asked “What was your intended social goal?” while question 4 asked “Why did you choose the market as a vehicle to address the problem - Why take the risk of a commercial operation rather than operate as a non-profit organization?” Data analysis was conducted with a grounded theory approach, where the data is interrogated to discover and code concepts, themes and categories (Strauss & Corbin, 1990). The data presented here are preliminary findings representing a mid-way point in this study in which data is continuing to be generated through additional interviews as the closed enterprises are located.

FINDINGS

Three dominant themes emerged from the data analysis.

Theme 1: Conceptualising the Mission

All of the enterprises had a clear, well-established social goal: to assist disadvantaged people to get paid work which was conceptualised as jobs in mainstream industries. While all of the enterprises aimed to provide pathways for participation in a work environment, the overall planning, management and direction was undertaken by the managers or coordinators with no input from clients. The focus was clearly on services to offer individual transformation, not to facilitate societal transformation that might address underpinning issues of discrimination and disadvantage for these clients. However, the aims for individual transformation were limited, being based on normative rather than transformational goals. This was perhaps best expressed by one interviewee who stated:

*I think what can’t be under emphasised is the difference that those young guys betray*
‘oh I’m an apprentice for this business’ as opposed to ‘I’m attending a program at this welfare agency’ and that was a massive mind shift and for some of these guys we might have only had them for four or five weeks before they were into a real job but it was that mind shift about being a business (Participant 2).

Focusing on changing the lives of individuals rather than develop business and financial models that would respond to the underlying causes of disadvantage meant that those clients who had moved into mainstream employment were considered ‘success’ stories, yet nothing changed in the community in which they lived. In a revealing comment, one of the interviewees involved a social enterprise to provide employment for clients from a housing estate pointed out that an overriding tension was:

our guys would get a job, and [the Department of] Housing would try to celebrate the fact that they had people in [social] housing who are now working and doing a good job and earning a bit of money. But the people working for us just wanted to get the hell out as soon as they could– they wanted out (Participant 1).

The overriding focus and concern for the social enterprises remained the welfare of the clients. As a result, it could be argued that the ‘problem’ and hence the solution had already been pre-defined by the service providers. Put another way, the problem was defined at the level of the individual – to provide pathways for individuals to enter the mainstream workforce rather than a broader understanding that would begin to address the reasons for long term, and often generational disadvantage. At no time were the clients involved in the definition of the problem, because, in short they were the ‘problem’.

**Theme 2: Emotional Commitment**

In most instances, the mission involved an overarching emotional commitment to the clients, even while acknowledging that prioritising client welfare over business rationalities reduced the long-term sustainability of the enterprise. One interviewee admitted:

*I’m a bleeding heart CEO best time so I’m the worst person to have the final ‘he should go’, ‘he should stay’ kind of....we should have had an independent business manager come in with no welfare background but again finding someone with both qualities that can bridge a line is incredibly tricky (Participant 2).

Another interviewee echoed a similar sentiment and stated:
…we were very ideologically sound and for example the idea is, anyone doing work for the dole or work experience, we thought that was basically exploitation and we hadn’t approved that, so we were paying them at $18.55 an hour at the same time, so we’ve kind of set up everything ideologically to make it a challenge for us [as the enterprise] (Participant 3).

The prospect of closing the enterprise was extremely distressing. For example, one interviewee confessed ‘in twenty years there [in the organisation] that was my biggest disappointment, having to close that enterprise’ (Participant 5). Thus, all of the enterprises delayed the decision to close. Clearly, the social goals of the enterprise and business principles were conflicting and so the decision to close was delayed in all instances as one interviewee conceded:

I think that we got too emotionally attached to the enterprise, if we were being sound directors of a business we would have shut it much earlier based on the business plan when we realised it wasn’t viable (Participant 2).

Theme 3: Social Enterprise Branding

It was extremely easy for the social enterprises to capture local goodwill; however this support was often superficial and did not involve a substantive commitment to social enterprise as a concept. All of the interviewees confirmed that everyone ‘likes’ a social enterprise while at the same time acknowledging that whether the service was branded as a social enterprise or not depended on the audience according to public, institutional and corporate sensitivities. As one of the interviewees elaborated:

When we were dealing with government it was [called] enterprising communities, when we were dealing with others we’d shorten it out and look as commercial as possible, when we were doing mums and dads stuff we’d talk about training…in talking to them when you’re first talking to the guy who’s running a three million dollar project for a building company like that and you talk about enterprising communities they just straight away went to ‘well we don’t want drug addicts and people like that working on our project’. So we had a little brand… basically it used to refer to the enterprise as EC just because if you use the full name … (Participant 1).

Re-branding could possibly be understood as a reactive approach that responded to local, short term to market perceptions. However, one of the aims of social enterprise is to create public benefit and the overarching goal of social entrepreneurship is to facilitate societal change. Therefore, the opportunity to lead change in market perception may well have been lost by these enterprises because they failed to challenge existing concepts, promote the problem(s) of
disadvantage and the real opportunities that exist for these clients to contribute to society. The pressure and emphasis on measuring success in terms of financial viability of the enterprise meant that the potential for a broader community benefit became overshadowed for the clients and importantly, also in terms of social learning and change. As one interviewee put it: ‘the model was “just get plenty of work” and if we’ve got enough work there’ll be enough jobs.’ (Participant 4).

These enterprises failed to capture broader benefits which related to providing meaningful work for vulnerable people who would otherwise rely on welfare. For most of the respondents, the ‘solution’ for organisational effectiveness would be to establish the business with ‘able’ workers prior to employing ‘disadvantaged’ people. This could well lead to financial viability and organisational longevity as well as possibilities to reset the market; however it may not necessarily lead to any change, and it almost certainly would not involve societal innovation. So while each of the enterprises aimed to develop pathways for disadvantaged people to gain paid employment, none grappled with or addressed the underlying causes of disadvantage through social reform or innovation.

ADDRESSING SOCIAL ENTERPRISE SUSTAINABILITY WITH DESIGN THINKING

In this context, social innovation through design thinking would allow for a redefinition of the problem in a way that recasts, or reinterprets ‘disadvantage’ from the perspective of the particular needs of individual clients. Employing principles of participatory design would allow for wider involvement in problem definition, suggesting alternative, possibly un- thought of ‘solutions’ that could move the enterprise beyond ‘welfare’ to a model of social change. As Chick and Micklethwaite (2011) state, participatory design is:

...an approach focused on processes and procedures of designing; it is not a design style. For some, this approach has a political dimension of user empowerment and design democratization’ (Chick & Micklethwaite, 2011, p. 46).

Clients remained clients in each of these five enterprises, and while there were some success stories for individuals, it appears none of the clients was involved in the design, planning and management of any of these social enterprises, and none of the enterprises in this study was
able to move the client group as a whole beyond a position of dependency. We suggest this is a missed opportunity. Adopting participatory design techniques would allow for the unmet needs of clients and other stakeholders to surface. It could offer an opportunity for problems to be re-defined in a way that could extend to broader societal change for complex and intractable issues such as generational unemployment, poverty and perceptions of (dis)advantage. Referring to the 6 characteristics of transformation design, characteristics 5 and 6 – designing beyond traditional solutions and creating fundamental change, are sufficiently significant to enhance social enterprise effectiveness and purpose.

Rather than only addressing needs of disadvantaged clients, social entrepreneurship has the potential to generate civic innovation and societal transformation (Fowler, 2000). This requires the enterprise to be effective in their organisational management processes, and also in addressing an appropriate social mission. Social innovation in the context of these particular kinds of enterprises with a social agenda could be evaluated as whether the organisation achieved the primary goal of its mission. Facilitating change to the long term economic, socio-political and environmental structures of society is a logical construct of organisational effectiveness. Unless the mission of a social enterprise is addressed effectively, there is no progression beyond providing services for individuals which is a never ending task. Legitimacy and reputation are vital commodities for social enterprise (Levander, 2010). Providing services may establish a good reputation for the social enterprise, which is undoubtedly important, but it does little to establish long term change. It is simply providing a nonprofit service via an alternative, more economically robust and self-sustaining organisational type.

Effectively managing the mission has a broader effect as it contributes to building the legitimacy of social enterprise as a viable organisational form (Hervieux, Gedajlovic, & Turcotte, 2010). Social enterprise as an organisational type is not new, but it is not yet well recognised and it does not have the same level of significant legitimacy as a for profit firm or a traditional nonprofit organisation (Ruebottom, 2013). This special type of organisation will be acknowledged as a legitimate once social enterprises can establish that they offer significant social, environmental and/or economic benefits, or in other words, achieving the mission of addressing the
underpinning issue/s (Lane & Casile, 2011). Being effective is both a public and an organisational imperative so scarce financial and human resources are used to the best advantage for society. As a less emotional way of examining issues, and a less deterministic form of planning, design thinking has the potential to broaden perspectives of those involved in social enterprise and enable them to be more effective and innovative.

CONCLUSION AND FUTURE DIRECTIONS

The aim of this study was to identify commonalities among social enterprises that no longer traded, and to consider how design thinking could be useful in the planning of social enterprise development to address these issues. We adopted negative sampling to identify why social enterprises ceased to exist and to consider the role that design thinking could play in mediating the divide between the social goals and commercial realities in which these organizations operate. For example, applying design thinking to the issue of problem definition has the potential to shift attention away from the client as the ‘problem’ towards an approach that would allow a voice for clients to express their unmet needs and concerns as a group, and for them to be heard and become actively involved in the process of individual, communal and societal change and innovation. Employing design thinking in this way is a fundamental shift from conventional organisational planning. In social enterprise establishment, design thinking involves asking a preliminary question – what is the underpinning problem that is causing these issues? This process may assist other organisations that operate with a social purpose to think through, plan, organise their activities, for example, small nonprofit organisations or larger organisations operating a social responsibility program.

Based on our preliminary findings, a future aim of this project is to develop a tool kit that addresses the specific issues faced by organisations operating for a social purpose in their thinking and planning. While many tool kits for business planning and design thinking are already available, they provide a generalised and almost generic set of methods and processes. A generic approach does not necessarily offer social enterprises and nonprofit organisations the prompts or the cues to think in alignment to their unique circumstances.
REFERENCES


