

**SOCIALUP**  
**DESIGN**  
**THINKING**  
**FOR**  
**SUSTAINABILITY**  
**OF SOCIAL**  
**ENTERPRISES**  
**INNOVATIVE AND**  
**HIGH-IMPACT**  
**SOLUTIONS**  
**FOR SOCIAL**  
**PROBLEMS**

**Research Report**

Design Thinking for Sustainability  
of Social Enterprises  
Innovative and high-impact solutions  
for social problems

**Research Report**

September 2017

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for sustainability of social enterprises

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# Design Thinking for Sustainability of Social Enterprises

Innovative and high-impact solutions  
for social problems

# Foreword

Today, “social economy” employs over 11 million people in the EU, accounting for 6% of total employment. The burgeoning interest in social entrepreneurship across Europe has been driven by the recognition of the role social enterprises can play in tackling societal challenges, the global economic crisis, austerity measures and ongoing withdrawal of public agencies from supplying social services in tandem with new and growing social needs. With social enterprises focusing on a number of state-related services, their increasing number is expected to result in widespread gains for public budgets. According to European Commission, social enterprises in Europe are expected to constitute a dynamic entrepreneurial movement encapsulating the drive for new business models that combine economic activity with social mission, and the promotion of inclusive growth.

However, the survival and growth of social enterprises is still hindered by several internal key constraints, encompassing: lack of

viable business models, high reliance on the public sector as a source of income, lack of entrepreneurial spirit, skills and specialised advisory services. With startup survival rates very low, mainly due to being unable to target a real market need, creating a sustainable startup business model continuously ranks among the top-5 support needs of social enterprises, especially given that social entrepreneurs’ innovative business ideas or plans are often based on non-proven concepts and that investors have a growing need to bring about new perspectives, tools, and approaches to strengthen social start-ups, ensure their survival and access to investment markets.

The aim of the Social UP project is to improve the sustainability and scalability of social enterprises to achieve their societal mission in a financially viable manner, by cultivating Design Thinking culture, adapted to their own needs.

In this frame, the project designs, develops and implements a Design Thinking-based toolkit and e-learning platform, the “Design Thinking Field Guide for Social Enterprises”, which will provide social enterprises and social wantpreneurs knowledge and skills to use Design Thinking and, hence, increase

their competitiveness and growth. It will also provide enterprise advisers and developers, vocational education trainers (VET) and consultants, and Design Thinking experts assistance to support social enterprises in the process. As a human-centered, experimental and interdisciplinary approach, Design Thinking, specifically adapted for social enterprises, offers entrepreneurs opportunities to create innovative new solutions rooted in people's actual needs, and, hence, has the possibility to unlock the real impact of social enterprises.

Social UP – Design Thinking for sustainability of social enterprises project has been co-funded by the European Commission (Erasmus+ programme, Strategic Partnership). We would like to thank the European Commission for the support and the opportu-

nity to develop Design Thinking based training material for social enterprises.

This report is one of the project outcomes. It is based on the research conducted during the first phase of the project, the inspiration phase, on the needs of social enterprises, best practices and methods used in social enterprises, and it provides key insights discovered in the process.

We would like to thank all parties who have contributed to this project by sharing their experiences, expertise and knowledge for your valuable contribution to the research and the development of the learning material. Contributors in the Social UP project can be found at the official website <http://design-thinking-socialup.eu>.

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Executive  
Summary

**Social UP** – Design Thinking for sustainability of social enterprises is a European Union co-funded project under the Erasmus+ Programme, coordinated by DesignThinkers UK. The aim of the Social UP project is to develop an open source Design Thinking-based toolkit, containing practical Design Thinking (DT) tools and educational material, providing target users with the necessary knowledge to **1.** widen awareness of what Design Thinking is and how it is typically used; and **2.** use the Design Thinking approach within social economy businesses. The Social UP project follows the three phases of Design Thinking approach – inspiration, ideation and implementation.

The aim of the inspiration phase was to investigate **1.** the needs and internal challenges of social enterprises, **2.** the methods and tools offered in the frame of the Design Thinking process that would be relevant to social enterprises in creating social impact and **3.** how to enhance creative problem-solving and innovation skills of social enterprises through DT learning material. The extensive research was conducted in four project countries, UK, Finland, Greece and Spain.

Based on both quantitative and qualitative research, data was gathered from desktop research and literature review, online survey, Design Thinking expert interviews and focus group discussion. In total 99 social enterprises and social partners, VETs, experts and associations participated via online survey, 26 Design Thinking experts were interviewed, and 56 participants representing key target groups shared their views during 5 focus group discussions and DT workshops held during spring 2017.

Key findings gathered from insights have underlined the multidimensional character-

istics of the social enterprise sector. Business characteristics, focus, business environment and future expectations vary among social enterprises and across project countries. Lack of commercial understanding and viable business models, lack of or poor managerial and professional business skills, high reliance on public sector, low competitiveness and uncertain growth prospects were identified as key internal challenges among social enterprises. Other barriers or constraints for social business growth included poor understanding and negative perception of the concept of social enterprise, lack of specialist business development support and access to finance and market.

Social enterprises valued the assistance on achieving sustainable business growth, scaling up business, developing sustainable business models, ensuring sound branding and commercialisation of products and services. The interest to learn more about Design Thinking was very strong among social enterprises across all partner countries, as they saw the potential of human-centric DT approach in tackling complex problems and facilitating business development and increasing social impact.

Social enterprises and social partners have relatively little knowledge and experience on Design Thinking processes, tools and methods, thus, development of DT learning material for social economy enterprises would enhance the prospects of sustainable growth of their business. The key in Design Thinking toolkit for social enterprises is to focus on the facilitation of practical implementation of DT methods and tools in their organisations and through case examples, demonstrating the advantages of Design Thinking in social economy business context.

**As a conclusion** of the inspiration phase the Methodological Framework of the DT Field Guide for Social Enterprises was synthesised. It refers to:

- **Awareness raising of what Design Thinking is and the value of nurturing Design Thinking culture in building innovative organisations, cultivating entrepreneurial spirit and competence for social entrepreneurs.**
- **Selected education and learning approaches, acting as key pillars for development of DT learning material, i.e. adult education, learning-by-doing, challenge-based-learning and competence-based-learning.**
- **Hands-on and user friendly DT Toolkit, combining theory and practice when facilitating the use of Design Thinking tools, methods and processes in view of creating and establishing sustainable business models with proven concept.**
- **Development of individual understanding on how human-centric design and Design Thinking approach can help identify ways to integrate social innovation into business, address societal problems and generate social impact. as an outcome of the use of the DT Toolkit.**

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Executive summaries in Finnish, Greek and Spanish can be found at <http://designthinking-socialup.eu>.



1.

Introduction

**Design Thinking** (DT), an optimistic, constructive and experiential approach, has been acknowledged as an efficient way to tackle complex problems, requiring systemic solutions, when using a wide range of design tools. And *“any social enterprise already intuitively uses some aspects of design thinking, but most stop short of embracing the approach as a way to move beyond today’s conventional problem-solving.”*<sup>1</sup>

Social UP project focuses on the development of educational material for social enterprises (SE) to facilitate the use of Design Thinking for their business growth.

This report illustrates the key findings of the extended research conducted during the inspiration phase of the Social UP project, in the context of social business sector. The main aim of the research is to investigate 1. the needs and internal challenges of social enterprises, 2. the methods and tools offered in the frame of the Design Thinking process that would be relevant to social enterprises in creating social impact and 3. how to enhance creative problem-solving and innovation skills of social enterprises through DT learning material. The extensive research was conducted in four project countries, UK, Finland, Greece and Spain.

Information from the experiences of key target groups, social enterprise actors and Design Thinking experts, was collected using mixed qualitative and quantitative data collection methods. Information gathered from various

phases of research, including 1. desktop research and literature review, 2. online survey to targeted learners, 3. Design Thinking expert interviews and 4. focus group discussions.

Participants of the online survey represented a great variety of organisations and business sectors, social entrepreneurs and professionals within the social business and their partners, vocational education trainers (VETs), business advisors and associations. Design Thinking experts interviewed represent a large amount of Design Thinking experience in the field each counting over 200 years of experience in design, academic research, business management and innovation or consulting. They have worked as service designers, freelance design consultants, academics, authors of key design thinking books and in-house practitioners within public sector agencies working internationally across Europe and rest of the world generating cross-sectorial experience on using Design Thinking for business development.

Key insights and information collected is represented as a synthesis of data and insights in coming chapters. On the basis of insights, several key areas were identified where Design Thinking is contributing in order to help social entrepreneurs meet the key internal challenges they face and grow. The Methodological Framework of Design Thinking Field Guide was drafted from the basis of the research and serves the further development of the open source Design Thinking Toolkit for social enterprises.

<sup>1</sup> Brown, T. Wyatt, J. 2010.

# The four research steps of the inspiration phase

LITERATURE &  
DESK RESEARCH



ONLINE  
SURVEY



DT EXPERT  
INTERVIEWS



FOCUS GROUP  
DISCUSSIONS



## Focus Group Discussions

Elis' local development centre at the "Social UP" for the challenges of social enterprises





2.

*Design Thinking as  
a Way of Thinking*

**Throughout times**, the role of design has been changing and evolving<sup>2</sup>. Design is always considered a catalyst for innovation processes in product and service development. Today, design is having a major role in solving wicked problems. All kinds of organisations are trying to utilise the capabilities of design to move forward when applying a different way of thinking<sup>3</sup>. This is often referred to as “design thinking”. The future of Design Thinking looks bright, as the world we are living is rapidly changing and more complex than ever - the challenges people face in the society and social enterprises are wicked: How to provide more, better, faster - and with fewer resources.

Design Thinking has arisen from the awareness that any kind of organisation can benefit from the “designerly” way of thinking and working. Both Tim Brown<sup>4</sup> and Roger Martin<sup>5</sup> have been central to the reconfiguration and development of the Design Thinking approach.

Since 2000, Design Thinking is no longer promoted only by designers. Instead, it is being promoted as a continuously evolving approach that provides new models of processes and creative toolkits that can improve innovation processes, and these processes are no longer carried out only by designers but in multidisciplinary teams in all kinds of organisations. The combination of design and thinking provides an opportunity to apply design tools to multiple

problem-solving contexts, for instance in businesses, services and processes.

*Today, Design Thinking is understood as a complex process of thinking and doing, that together with specific culture, methods and tools, shared and applied, is introduced to the fields of business innovation, social innovation, and educational innovation.*

Design Thinking taps into capacities that are often overlooked by more conventional problem-solving practices<sup>6</sup>. It relies on the designers’ capability to integrate both empathic and analytic thinking, being rational and emotional, methodological and intuitive, at the same time. Though designers tend to lean on plans and constraints, they still have room for spontaneity and coincidence. This is also called as dualistic reasoning, i.e. abductive thinking. A concept developed by Charles Pierce, it means thinking in new and different perspectives and about future possibilities<sup>7</sup>. In Design Thinking, emotions and feelings are considered just as important as rationality.

Another key element of Design Thinking is its human-centric and collaborative approach that utilises participatory methods of co-creation. The Human Centered Design (HCD) model developed by American design agency IDEO<sup>8</sup>, applied on social innovation, empowers the involvement and participation of impoverished communities in every phase of the design process, from

<sup>2</sup> Brown, T. & Wyatt, J. 2010.

<sup>3</sup> Cross, N. 2011.

<sup>4</sup> Brown, T. 2009.

<sup>5</sup> Martin, R. 2009.

<sup>6</sup> Brown, T. & Wyatt, J. 2010.

<sup>7</sup> Martin, R. 2009.

<sup>8</sup> <https://www.ideo.com>

identifying the problem and challenges, to idea generation, prototyping and testing for evaluation of the design outcome. Design Thinking, as a participative approach, engages stakeholders, final customers and end-users in activities of co-creation, where innovative solutions are developed in collaboration, and users are seen as experts of their needs. As a holistic approach, Design Thinking takes into consideration different viewpoints of multiple stakeholders.

Several researchers largely emphasize the role of perception and the act of visualizing designers' thoughts to clarifying their ideas<sup>9</sup>. Designers produce sketches, drawings, models and prototypes to explore, extend and test their ideas and solutions. Rapid prototyping generates information when allowing to test early product, service or business details. Understanding and admitting mistakes and failure, and learning from them, is an important element of Design Thinking, hence differentiating it from more traditional ways of thinking in business.

In the field of Design Thinking one of the best known methodological frameworks is the **Double Diamond Model** developed by the Design Council. It is a diagram representing the divergent and convergent stages of the design process in a form of dou-

ble diamond<sup>10</sup>. (Design Council 2007; 2015.)

**The Double Diamond Model consists of four phases:**

**Discover**, as a divergent stage, allows a wide perspective for a broad range of ideas and influences. The aim of the stage is to help in identifying the problem, opportunity, user need etc. and, thus, introducing the space within which the design can provide a solution.

**Define**, as a convergent stage, works with the material and insights gathered in the previous stage. The aim of the stage is to re-frame and provide a clear definition of the problem, components needed to solve the problem and a clarified plan to address it through design-led product or service.

**Develop**, as a divergent stage, focus on refinement of one or more concepts that will address the problems or issues identified in earlier stages by using multiple creative design techniques and development methods to iterated concept, as close to an end product or service as possible, ready for delivery.

**Deliver**, as a convergent stage, takes the final concept through final testing into production and market launching.

<sup>9</sup> Lawson, B. 2004; Cross, N. 2011.

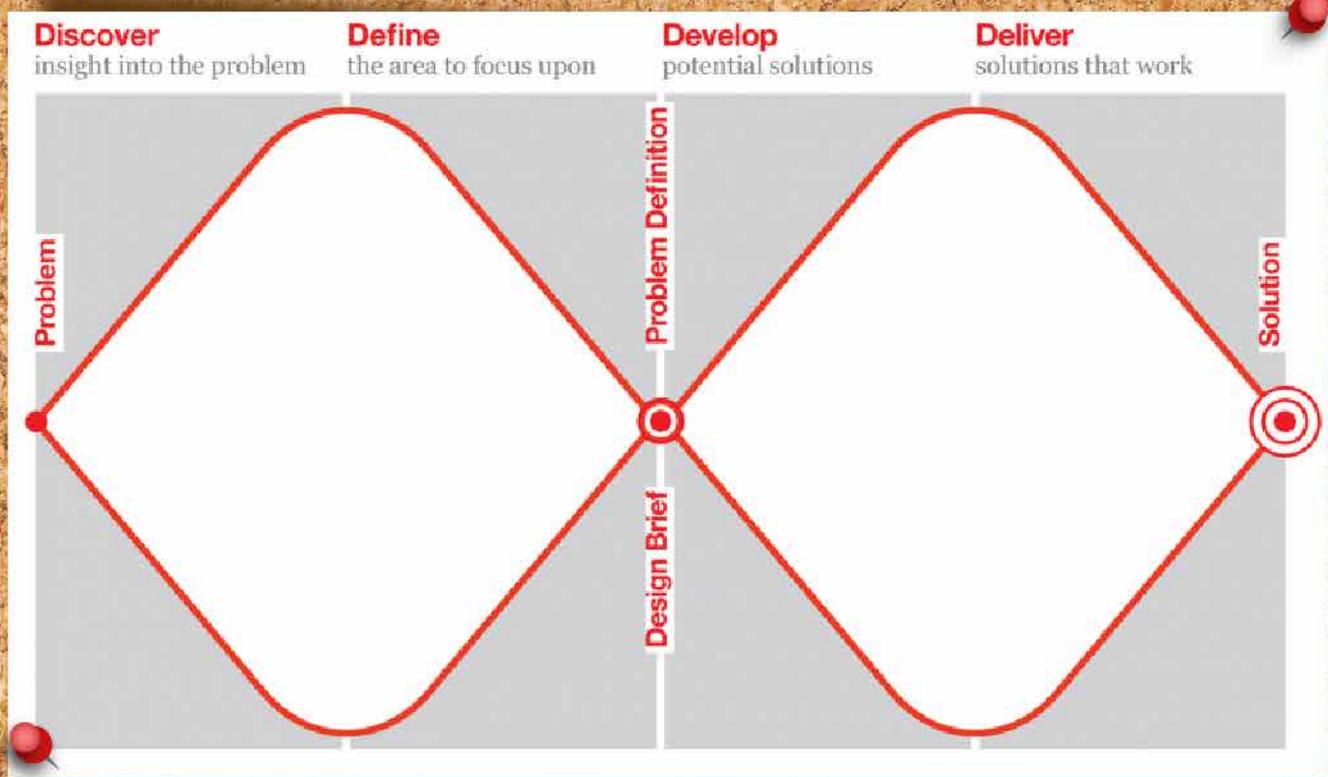
<sup>10</sup> Design Council. 2007; 2015.



# Double Diamond Model

Design Council

The 4 phases of the design process





3.

Inspiration from the  
Literature and Desktop  
Research

## Background

The first stage of the research process focused on understanding the context and the key issues related to the concept and definition of social entrepreneurship and the national and EU-level ecosystem of social enterprises as a whole. Data gathered from the from desktop research and literature review helped identify more detailed issues for the following research stages, including online survey to targeted learners and the Design Thinking Expert interviews.

### We were interested in finding out:

- What is the national definition and the current state of social enterprises in each country?
- What is the current and future business environment of the area of social entrepreneurship like?
- What are the common internal challenges that social enterprises face?
- What are the tools and methods of Design Thinking demonstrated to be effective in creating social impact?
- What are best practices on social enterprises having achieved their societal mission in a financially viable manner by cultivating Design Thinking culture, as well as other design led innovative approaches?

## Key Insights What Was Found

According to the European Commission<sup>11</sup>, there are 2 million social economy enterprises in Europe representing 10% of the European economy (GDP) in the EU. The social economy employs over 11 million people in the EU, accounting for 6% of total employment. It covers bodies with a variety of legal status, many of which are social enterprises with the characteristics identified but also in the form of ordinary private or public limited companies.

### Definition of a Social Enterprise

Social enterprises share the objective of the common good as the reason for their commercial activities; social enterprises mainly invest their profits in order to achieve their social objectives. Yet, what constitutes a social enterprise seems to differ nationally in project countries. The EU defines a social enterprise<sup>12</sup> as:

***“A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities.”***

<sup>11</sup> EC. 2015.

<sup>12</sup> Ibid.

Although the EU definition differs partly from the national definitions found in the partner countries of the project, this definition is widely seen in the social business sector as the “ideal” type of social enterprise.

The current definition of a social enterprise is linked to national laws and policies, reflecting the current climate and practices of business. In the UK, the Government’s definition of the social enterprise is relatively close to the EU definition. In Spain, the term social economy is used rather than the term of social enterprise because of the Social Economy 2011 law. Greece would typically use the term Social Co-operative Enterprises rather than social enterprise, as it is the most typical registered form for social enterprises in Greece. WISE (work integration social enterprise) is a term typically used in Spain and Finland. In Finland, most WISEs are over 10 years old and reinvest the majority of the profits to advance their social goals. As nationally reported, the majority of WISEs in Finland are small enterprises. In Finland, the social enterprise term has two separate definitions as, besides WISEs, it covers all identified enterprises tackling either social or environmental problems.

None of the project countries has one specific legal entity for social enterprises and social enterprises can sit under a variety of legal forms. In the UK, the commonly used legal form, developed for the needs of social enterprises, is the form of “Community Interest Company”. Due to the lack of a specific legal form on the basis of which social enterprises could be recognised, governments have difficulties in directing focused support for social enterprises.

Regarding funding, for instance in Greece, the Social Economy Fund is the main government support mechanism for social enterprises.

#### **The definition of social enterprise varies:**

- There are differences in definition of social enterprise among project countries and compared to EU definition, which is considered as the “ideal” type of social enterprise.
- There is no specific legal entity for a social enterprise, but social enterprises can sit under a variety of legal forms.
- There are differences in national policies and legal elements, creating opportunities and restrictions to social enterprises in project countries.

#### **Key Characteristics of SEs**

As described by the European Commission<sup>13</sup>, the majority of social enterprise services are found in the area of work integration and disadvantaged groups (WISE), social welfare services or social services of general interest, community and proximity services and economic activities in the area of land-based industries and environment, community interest and public utility needs as well as cultural, sport and recreational services. Social innovation is driving new forms of provision, including new activities such as business services, creative and digital/internet-based services and the provision of sustainable consumer products and services. The main

<sup>13</sup> Ibid.

activity fields of work integration and welfare service provision are being expanded from welfare sector to other sectors of general interest, including educational, cultural, environmental and public utility services.

Though social enterprises are often treated as any other business, there are differences in terms of business characteristics. Based on findings, it seems that the income generated by social enterprises in general comes from multiple and combined sources, including trade income, grants, funds and donations etc. In Spain and UK, the main source of income is trade (sales). Approximately half of social enterprises in Spain work in the service sector.

#### **The key characteristics of social enterprises:**

- Social enterprises come from multiple fields of product and service spectrum and activities. The main activity fields of work integration and welfare service provision are being expanded from welfare sector to other sectors.
- Income is generated from multiple and combined sources including sales, grants, funds and donations.
- There is a high reliance of social enterprises on grants and public funding but increasing pressures to diversify income streams among social enterprises.
- Many social enterprises operate within the public sector and traditional non-profit organisations are becoming more trade reliant.

- There are multiple labels and certificates, identifying social enterprises in project countries.
- There is a growing importance of social innovation in social enterprises for sustainability and growth.

Depending on the national context and situation, there is a variety of internal factors creating barriers to the development of social enterprises. Several key challenges were described in this respect in most or all reporting countries. Most common challenges identified were linked to the lack of entrepreneurial spirit and poor managerial and other business skills in social enterprises, including lack of competence or qualified experience in business management, lack of skills to startup, run and scale social business and poor knowledge of viable business models, marketing, branding and diversification.

Social enterprises also experience difficulties in accessing credit, financing their business and developing competitiveness in the market. In addition, social enterprises face challenges due to uncertainty in growth prospects and limited growth capacity.

Other identified, but less common, challenges among social enterprises are recognised in relation to resources and capabilities in relationship building and networking. Difficulties in establishing collaborative relationships, building alliances and finding or winning contracts are key restrictions for growing business income. Employers' prejudice in employing workforce to social enterprises may also restrict business growth among social enterprises.

From the business development viewpoint, challenges in moving into new markets and diversification, difficulties in engaging with corporate businesses or lack of viable business plans as well as high reliance on public sector as a source of income have been identified as hurdles for business growth.

### The key internal challenges of social enterprises:

- Lack of viable business models
- Lack of entrepreneurial spirit and commercial understanding
- Lack of managerial and professional business skills and competences to startup, run and scale business
- High reliance on the public sector as a source of income
- Lack of networks and co-operation partners, building alliances and winning contracts
- Poor capabilities in moving into new markets, marketing, branding and diversification, low competitiveness and/or weak competitive position

## Business Environment of SEs

There is an emergent and growing expectation of, and activity by, businesses to contribute to social and public good as a part of applied business model. Responses to regulatory requirements, corporate social responsibility, social investment and impact investment are issues and activity forms developing arguments for new business models, linked

to corporate and societal value creation, and leading certain mainstream businesses towards the forms of societal enterprise. The nature of the social business sector is changing due the start-up wave apace here. In the UK, almost half of social enterprises are less than five years old.

The size of the social enterprise sector and the state of social enterprises vary among partner countries. UK is a pioneer of social enterprises and the associated practices of social investment and social value. According to the UK Government, there are around 70,000 social enterprises in the UK, contributing GBP 24 billion to the economy and employing nearly one million people. Also Spain is one of the EU countries with the widest recognition of social economy. Social enterprises are a major player within social economy in Spain as there are over 21,000 social enterprises of which over 20,000 are cooperatives. In Finland, depending on the reporting institution, the number of social enterprises is counted in hundreds or in thousands. In Greece the amount of registered social enterprises is 719 (2016) of which most are Social Cooperative Enterprises.

Some barriers and constraints reported by project countries are related to poor understanding and recognition on what social enterprise is, low awareness by general public and possible prejudices. In Finland, 1/3 of social enterprises feel that they are perceived as a poor quality business choice. On the other hand, social business research has also facilitated increase of the recognition and awareness of social business in Spain, and two countries have identified how young consumers are increasingly more aware of ethical consumption and social responsibility.

Other structural barriers identified include political and legal environments as well as lack of supporting structures, e.g. governmental support or policies not active in helping social enterprises. Especially in Greece, social enterprises seem to be excluded from banking systems in comparison with other enterprises. Furthermore, lack of legal framework, lack of specialist support and the absence of common mechanism to measure and report social impact together with a negative perception of social enterprises form the key barriers common in project countries.

### Barriers and constraints to development of social enterprises:

- Poor understanding and negative perception of the concept of social enterprise
- Lack of specialist business development services and support
- Lack of supportive legislative framework
- Restricted access to market
- Restricted access to finance
- Absence of common mechanism for measuring and demonstrating impact
- General economic climate

### Future Prospects of SEs

According to the European Commission<sup>14</sup>, based on both general stakeholder consensus and evidence that the concept of social enterprise is expected to gain further strength

in Europe, current activities are expected to expand and new forms of social enterprises to emerge. The recent emergence of “new style” social enterprises introduce new business models, relying more on market income with the deliberate aim of achieving a social mission, through the supply of services at a market price and with a stronger focus on entrepreneurial activity as a means to achieve social missions. When social mission is integrated with entrepreneurial activities, the interest is in making a profit as a means to reinvest and further the social mission, with revenues largely based on earned income. Profits are, therefore, an essential element of business model and should be seen as a means to an end. Thus, a key characteristic is the nature of the constraints on profit distribution; the business models of profit-with-purpose businesses may require distributing some profit to social investors, in return for their capital contribution.

### The future of social enterprise in Europe by 2020<sup>15</sup> provides changes in the field as follows:

- Charities and associations are increasingly acting somewhere in the field of social business.
- Ethical and transparent behaviour is demanded from for-profit companies. They deliver increasing social value and reinvest some of the profit for social purpose. Many organisations will deliver their annual impact statement, covering social, environmental and economic impact.
- EU legislation highlights the social value

<sup>14</sup> Ibid.

<sup>15</sup> British Council. 2014.

as more central component of public sector procurement.

- There will be blurring boundaries between public services delivered by the governments and for the government, providing increasing possibilities for contracting services and more social business opportunities.
- Many traditional social enterprises will struggle to preserve their social innovation, as for-profit companies will compete to deliver same services for lower costs.
- Good impact measurement can be costly, thus bigger companies and public sector with more resources will gain larger position as SMEs need to collaborate to quantify and demonstrate their impact.
- Larger social enterprises will challenge the mainstream business models, governance and leadership. The geographic expansion will put pressure on local small-scale social enterprises. Social franchising can be seen as a model to scale ideas rapidly across Europe.
- Social finance will become a mainstream due improved impact measurement, driving further growth. The new models of social investment will bring together private investors, charitable funders, governments and social enterprises. The availability of private sector money will increase as investors are given more pressure to consid-

er social and environmental impact in all of their investments.

- As governments decrease the amount of investment in social programmes, more and more funding will be available as loans or an investment rather than grants. Foundations, funds and governments' programmes are going to look for financial as well as social returns, thus, the priority is to create profitable, monetised and marketised services. Ventures are in a pressure to scale up their activities rapidly to have national and international impact.
- The drive for social enterprises to become investment-ready leads to increased demand to develop the business skills.

## Applying Design Thinking in SEs

There are good examples of social innovation across the EU, i.e. new ideas that work addressing pressing unmet social needs and creating new social relationships and collaborations<sup>16</sup>. According to the European Commission<sup>17</sup>, the field of social innovation has yet to mature enough to tackle the multitude of challenges faced by society. Many of the innovative projects and programmes are new and small. Many social innovations have to do with service innovation, including innovation in services and service products, new or improved ways of design-

<sup>16</sup> Murray, R., Calulier-Grize, J & Mulgan, G. 2010.

<sup>17</sup> EC. 2010.

ing and producing services. Social design is often used as a term to describe particular approaches to social innovation, also recognised in project countries.

There is an increasing interest and presence of service design in governments, globally driven, largely by a growing public sector innovation agenda<sup>18</sup>. Service design is seen as a cost effective approach that maximizes policy effectiveness in reforming public services by focusing on the user and their experience of service-use and by

using a design process that supports people in making decisions in complex situations and upon limited facts and also by its inherent focus on the stakeholders, lending itself to public engagement and citizen ownership.

Some examples of best practices have been identified among participating project countries but all reporting countries have found it challenging to find case example where Design Thinking has been used in their countries for social enterprises.

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<sup>18</sup> Service Design Network. 2016.



4.  
Inspiration  
FROM THE FIELD

## Background

Desktop research and literature review assisted in evaluating the current state of social business among the project countries in general. Yet, the voice of actual actors, including both social enterprises and social partners in the field was important to be heard in the third stage of research. The aim of the survey was to identify the key needs and challenges of social enterprises, how these challenges are addressed, and to investigate how the challenges could be addressed.

### We were interested in finding out:

- What are the current need and challenges faced by social enterprises?
- What are the strengths of social enterprises?
- How do entrepreneurs see the future of social enterprises?
- What kind of assistance social enterprises use and what it is like?
- How is current assistance, education and training provided for social enterprises like and how could it be developed?
- What innovative approaches, methods and techniques do social enterprises use for the development of products and services and to increase the level of creativity, innovation and problem-solving skills?
- How do social enterprises see the advantage of Design Thinking for the development of social business?
- How could Design Thinking be integrated through training in social enterprises?

## Key Insights What Was Found

### Profiles of Survey Participants

Social enterprises contributing to the survey included both startups (31%) and mature companies over 10 years old (50%). The common legal form of the social enterprises was either social enterprise (26%), foundation or association (24%) or limited/limited liability company (15%). Association was the most common form of company in Finland (50%) and Spain (40%) whereas social enterprise was identified as the most common form in UK (32%) and Greece (67%), though social enterprise is not a known legal form as such in any of the project countries. The most common sectors of business represented by participants were education and training (15%) and health and social services (16%). In Finland 50% of the participants represented health and social services. Also the size of the companies varied among participants. In the UK (64%) and Spain (70%) most of the participants represented micro-sized companies with less than 10 employees. The main income source (71%) for social enterprises in all countries was earned income.

Social partners contributing to the survey represented mainly higher education (14%), vocational education (12%), social service partners (19%) and social enterprise advisers (30%). In Finland they were mainly higher education providers (50%), whereas in UK (55%) and Greece (67%) they represented mainly social enterprise associations and social service partners (53%) in Spain. The size of the organisation and the professional role of social partners varied among survey participants.

## Current Needs & Challenges of SEs

When social enterprises were asked to evaluate the challenges in a scale from not challenging at all to very challenging, the responses were relatively similar compared to the key challenges described in the literature review.

The most challenging issues were related to society, finance, business models and business development. The issues related to products, productivity, people and networks were considered only a little challenging among social enterprises, except in Greece, where people management, staff recruitment, skills shortage and employers' prejudice to employ disabled were considered very challenging. Perception of challenges faced by social enterprises, as individually constructed in responses on certain issues, varied nationally. For instance, issues related to products and productivity were considered not very challenging and very challenging at the same time among social enterprises in Greece. In general, the perception of challenges faces by social enterprises seems to be relative similar.

### The issues faced most challenging among social enterprises in relation to:

- Society and support include lack of support/ poor engagement, low awareness of social enterprises among consumers and social impact measurement.
- Finance and support include both taxation and VAT, difficulties in accessing finance and funding, lack of investment and investors, financial management, cash flow and securing funding, whereas high business operation rates were not considered a very challenging issue.

- Business models and entrepreneurship include lack of entrepreneurial skills and commercial understanding, lack of viable business models, plan and strategy, uncertain growth prospects and limited growth capacity.
- Competition and customers include challenges in winning contracts in public procurement, marketing, diversification, branding and PR.

The responses from social partners were very similar to the results of the social enterprises, though some minor differences were identified. Firstly, social partners in general considered all issues somewhat or very challenging for social enterprises including issues related to products and production, e.g. productivity, people and networks. Secondly, when social enterprises consider financial issues very challenging, from the social partner viewpoint, these issues in general are slightly less challenging. National differences were also noticed: for example in Greece, social partners rated business models and entrepreneurship as well as competition and customers quite challenging for social enterprises but these issues were considered much less challenging by social enterprises themselves.

## Main Strengths of SEs

**The main strengths that social enterprises themselves consider having in general include:**

- Social orientation and business model focus on social impact creation
- Highly dedicated employees and volunteers, meaningfulness of work

- Vision and enthusiasm of founders and teamwork
- EU priority for social entrepreneurship
- Mission and social purpose benefitting the community
- Ethics and strong value base of the organisation and good reputation
- Close connection to consumers and understanding of their specific needs
- Agility

**Main strengths identified by social partners in general include:**

- Mission, social orientation, commitment and passion to make a difference
- Business model and focus on social impact, value and ethics
- Motivated workforce, employee engagement and meaningfulness
- Innovativeness and flexibility
- Response on market needs, customer understanding
- People mobilisation in cases where they would not be interested in common business development to start-up a business
- Democratic governance
- Commitment of shareholders
- Easier access to funding and public contracts

## Future Prospects of SEs

Based on the data gathered from both the social enterprises and their partners the future prospect of social enterprises in general are somewhat polarised. Some of the social enterprises seem to have very optimistic views on a future full of opportunities and potential business growth, whereas others see a future more challenging or somewhat uncertain. The potential bright future of the social enterprises was seen dependent of governmental support, activities and the possible use and development of supporting mechanisms. Many of the respondents were expecting increase in the public awareness and recognition of the social enterprise and social enterprises becoming more mainstream, or current mainstream businesses adopting the model of social business. Growing needs for developing networks, collaboration and communities building were also identified in the survey data collected. Strengthening the competence and capacity was recognized as important for the self-sufficient future of social enterprise. Better product and service adaptation to market needs was seen important for their future business development. Continuous renewal is key for success whereas strong and growing trends in communality, joint responsibility, meaningfulness at work and sustainable consumption provide a ground for social business success.

Also social partners saw the future prospects of social enterprises partially challenging but mostly promising as there is growing needs for supporting vulnerable groups providing an opportunity for social enterprises enhanced by possible growing public awareness and reputation. Social partners shared the vision of social enterprises becoming a

new status quo; as most of the organisations will operate their business as a social enterprise, the concept of social business is more mainstream. There is also room for social business development widening the scope into new sectors, building new ecosystem and clusters creation. Internationalisation of social enterprises is due to objectives to support business growth.

On the other hand downsizing grant funding, reliance on local authorities and economical development affecting to consumption may have an effect on trading good and services. According to social partners social enterprises need to focus on innovation development, scaling business, marketing and sustainability of business requiring upskilling in marketing, innovation and business development competences.

## Key Competitive Advantages in the Market Compared to Competitors

Main competitors of social enterprises in general are identified as other social enterprises (19%) and other enterprises (30%) in the same sector. In Finland other enterprises are considered as main competitors (48%). Also other products and services are seen as competitors in Finland (15%) whereas in Spain competitors identified include most extensively other social enterprises (41%) and other enterprises (47%) in the same sector.

**Key competitive advantages identified among social enterprises include:**

- Provision of quality experience, personalised products and services

- Authenticity and local social identity with strong connection to local communities
- Social mission and additional social value provided
- Measurable social impact
- Focus on environment
- Commitment, reliability and good reputation
- Passion and experience of skilful workforce
- Employee competence and skills enhancement
- Innovativeness
- Agility and fast adaptation to change
- Pricing
- Customer orientation and address of customer/market need as well as connection with customers through marketing

## Main Benefits to Customers

Key customers identified by social enterprises include private consumers (18%), public sector (17%) and enterprises (12%). There are no relative differences among project countries regarding the key customer segments.

**Main benefits provided to customers, often also considered competitive advantages, include:**

- High quality, credibility and reliability

- Good customer service and diversity of service provision
- Customisation of offering adapted to the customer needs
- Pricing, freemium
- Understanding the culture of social enterprises
- Social input and value, corporate social responsibility
- Professional expertise, good competence and know-how
- Participation and involvement
- Social innovation and innovative products/services
- Personal connection and networking

## Common Partner Organizations and Types of Cooperation

Cooperation partners are often found among competitors and customers of social enterprises, identified by the latter as other social enterprises (14%), other enterprises in the same sector (14%) and public sector (12%).

### Common types of cooperation established with partners include:

- Mutually beneficial trading and production arrangements
- Development projects (including EU funded projects)

- University cooperation, programmes and initiatives
- Strategic alliances, networks and partnerships
- Education and training
- Service planning and development
- Consulting and incubator activities
- Joint co-hosting events, festivals and conference activities
- Staff exchange, use of skills and working relationships

## Assistance Social Enterprises Use and Prospects of Education and Training

According to social enterprises the most commonly used assistance in developing their products and services related to:

- Funding and finance is national, regional and EU project funding (49%) in all project countries.
- Enterprise support is governmental support for social enterprise (25%) but varying across partner countries, as in the UK the most commonly used form of support is business advisory services (32%) while incubators and hubs (42%) are considered the most used form in Spain.
- Training and education is non-formal education (25%) but also other forms of training, including formal education, coaching, mentoring, specialised training and online material, except in the UK, where non-for-

mal education constituted the highest used (67%) form of education and training.

- Products, certification, networks, research and development is research and development in networks (26%), though varying across countries. In Finland, the most common assistance identified is related to marks, labels and certification systems (30%), in the UK support and cooperation in networks (30%) and in Spain external experts, including researchers (47%).

#### **Assistance that social enterprises would like to receive in the future include:**

- Policy support
- Financial assistance, grant funding, funding for pilot projects and government initiatives, aimed at social enterprises and assistance on applying for funding and winning contracts
- Business advisory expert services and assistance on achieving sustainable business growth, scaling business, developing sustainable business models, promote branding and commercialisation of products/services
- Online network of investors on social business
- Networking support, visibility
- Targeted online support for advancing marketing, sales and customer relation skills
- Social impact measurement, SROI

- Implementation of Design Thinking and service design

- Use of social media in marketing
- Open innovation, development approaches, innovative methods and ideation
- Competition mapping
- Costing and invoicing
- Legal status of volunteers

#### **Based on the experience of the social partners, there are national differences regarding the assistance provided to social enterprises. According to them, the most commonly provided forms of assistance for SEs related to:**

- Funding and finance include both governmental and private funding instruments (57%) in Finland and extensively new forms of funding, e.g. crowdfunding and micro loans in the UK (30%), Spain (43%) and Greece (38%).
- Enterprise support include governmental support in Finland (44%) and extensively business advisory services in Spain (44%) and Greece (33%), whereas legal support is not available for social enterprises in Spain and Greece at all.
- Training and education include multiple forms in Finland and UK, whereas in Spain the most used forms of education and training include non-formal education (40%) and online assisting materials (32%). Coaching and mentoring are much used in Finland (29%) and in Greece (40%), whereas specialised training, including workshops, bootcamps and seminars, are especially used in Greece (30%).

- Products, certification, networks, research and development include the use of external experts, including researchers, especially in Spain (65%), whereas the area of expertise used is related to product and service development in Greece (33%). According to the social partners, the assistance is not provided in relation to marks, labels and certification systems of social enterprises in Spain at all.

According to social partners, there is some assistance provided in the form of active workshops, action learning, online forums and newsletters, seminars, training programmes and business mentoring for social enterprises. The support provided varies among project countries, i.e. in Finland the amount of support provided for social enterprises is considered low, as social enterprises are not especially supported, but sustainable enterprises are supported through multiple EU-funded development projects. There are also marks and labels that identify social enterprises.

In general, it seems that there is a lot of business support around in some countries whereas assistance provided is considered relatively poor in quality, as it is too general, uncoordinated and not tailored to meet the specific needs faced by individual enterprises at the same time. The common suggestions provided by social partners to development of existing assistance include in general:

- More targeted funding instruments and direct government funding
- More specialised, focused and tailored business support for competitiveness and growth, practical information and examples

- Knowledge of customer understanding and needs recognition/analysis, service design, testing and promotion
- Support on business modelling
- Assistance and training on administration, finance and fundraising, management and communication issues
- Training on market research, market segmentation, marketing and sales issues
- Entrepreneurship studies and support on start-up and scaling social business
- Support through B2B meetings
- Support on international collaboration, local networks creation and promotion of social enterprises
- Sharing best practices and information on social business
- More accessible start-up, mid-range and growth funding
- Focusing on innovation and development tools adapted to individual needs

**The recommendations provided by social partners for the development of education and training for social enterprises include in general:**

- Individually tailored and informal mentoring, peer support, targeted, regular and short, small group/network sessions and seminars in relation to the phase of business and individual needs

- Experiential, practical, and active learning, easy to follow, modular learning and free content
- Simulation, best practices and case studies
- B2B meetings and 1to1 mentoring
- Online and face-to-face learning to be combined incl. webinars and e-learning
- Half-day master classes
- Structured learning content on the basis of core curriculum
- Affordable, appealing and relevant to audience to make a significant impact and facilitate change
- Accessible resources, e.g. commitment, time and money
- Customisation and accreditation of training
- International mobility

## Development Approaches and the Use of DT in Social Enterprises

The methods, tools and techniques that are most commonly used by social enterprises for development of products and services include “traditional” methods, such as desktop market research (14%) and qualitative customer research (15%), creative ideation (11%) and testing (10%). In Spain, the desktop market research is most used (54%), whereas

many of the “new” methods related to design thinking and service design, such as stakeholder maps, service safari, value maps, empathy maps, persona creation and service blueprints are only little used among project countries. Business model canvas was used by 7% of social enterprises while 4% of total amount of social enterprises were not familiar with any of the methods identified.

**The methods, tools and techniques social enterprises have reported mostly needing include:**

- Desktop market research
- Quantitative customer research
- Qualitative customer research
- Business Model Canvas
- Testing

Based on the survey, the use of development methods by social partners is comparable to the use of methods by enterprises, as desktop market research (17%), qualitative customer research (10%) and business model canvas (14%) are considered most used tools and techniques for development of products and services, increasing innovation and problem-solving skills in social enterprises. A 3% of the total amount of social partners were not familiar with any of the methods described. Besides tools and techniques highlighted by social enterprises, social partners consider also customer journey maps and lean start up usable for social enterprises.

In general, the familiarity of innovative approaches, methods and tools among social

enterprises is relative low as 28% of all survey participants were not familiar with any of the approaches or methods described in the questionnaire. The extent to which social enterprises are not familiar with any of the approaches or methods described varies across countries, as in Finland social enterprises are familiar with service design (40%), graphic design (19%) and lean startup (10%). In the UK (32%), Spain (64%) and Greece (33%) of participants are not familiar with any of the methods described. According the survey, Design Thinking as an approach is familiar to some of the respondents (13%) in all project countries, of which 7% in Finland, 16% in the UK, 18% in Spain and 17% in Greece. Social design as an approach was known only in Finland (7%) and in the UK (5%). When directly asking social enterprises if they have knowledge of what Design Thinking is, the majority (70%) of the social enterprises in all project countries respond that they do have knowledge of what Design Thinking is but majority of the enterprises in Finland (81%) in the UK (91%) and in Greece (100%) are interested in learning more about Design Thinking for social enterprises.

The recognition of innovative methods and tools by social partners vary across project countries. For instance it seems that in Greece, social partners are more aware of Design Thinking and innovative tools and methods, compared to social enterprises. In general, social partners are not more familiar with innovative approaches compared to social enterprises, though only 11% of all participants were not familiar with any of the methods described. Most familiar methods among social partners include service design (12%), lean startup (14%) and design sprints (11%), which are especially familiar to social partners in Spain (41%). Even though service design is known by many social enterprises,

only 19% of social partners are familiar with the service design while 25% of participants were not familiar with any of the methods described in Finland. Design Thinking as an approach is familiar to 6% of social partners in Finland, 9% of participants in the UK and 3% of participants in Greece. None of the participants in Spain were familiar with Design Thinking approach. On the other hand, when directly asking whether social partners have knowledge of what Design Thinking is, all participants in Spain considered having knowledge of what Design Thinking is. Also 89% of social partners in Greece consider having knowledge of Design Thinking but in Finland and in the UK on the contrary the majority of participants considered not having knowledge of what Design Thinking is.

When introduced to Design Thinking for social enterprises, Design Thinking is considered especially useful in gaining deeper understanding of customer needs and desires (21%), engaging and co-designing with stakeholders and customers (20%), generating more and better ideas and selecting better solutions (20%), implementing new products and services that satisfy customers (18%). The responses of social partners are relative similar compared to social enterprises in terms of the use of Design Thinking in social enterprises.

On the contrary to social enterprises, the interest to learn more about Design Thinking seems relatively low among social partners in two countries: Though none of the participants responded that Design Thinking had no value for them, the majority of social partners in Finland or in Spain were not interested in learning more about Design Thinking, but all of them were very interested in the UK and Greece.

## Ways in which Social Enterprises could be Trained on DT

According to social partners the best way/s to train social enterprises on Design Thinking are:

- Raising awareness about the use of Design Thinking for creative business development, explaining and demonstrating its the potential and advantages.
- Raising interest and motivation, inspiring through straightforward introduction and focusing on case examples.
- Co-operation and using experts in the field
- Workplace-based training
- Focus on concepts translated to tangible goods
- Focus on the challenges of social enterprise sector and impact design
- Targeted and individualised learning content, based on specific needs.
- Co-creation, continuous learning and practical learning by doing in co-operation. Opportunities to use DT in real life situations and learn from experiences.
- Use of workshops to introduce the methods and tools with follow up support
- Use of repeated, tailor-made workshops, B2B meetings and live/in-person training.
- Practical exercises based on challenges to solve to see tangible outcomes in multisectoral cooperation and co-learning sessions

- The use of networks to share the message
- Free Design Thinking Toolkit available to all
- Training the trainers and encouraging business advisers to incorporate Design Thinking methodology in existing incubator programmes
- Certification process included
- Pilot projects

Maintaining the results of training is assisted by providing:

- Development projects that are based on realistic and practical needs of social enterprises and its stakeholders.
- Adaptation of theory and use of methodology in practice, supporting integration of the results of training as an integral part of the social enterprise development.
- Continuity of training, regular refreshers, meetings, follow up and mentoring.
- Measurement of social impact
- Ongoing Design Thinking clubs
- Evaluation and assessment of learning outcomes
- Centralised certification authority gathering training results through standardised questionnaires
- Shared success stories
- Collaboration with international social economy actors on research, common activities and dialogue



5.

Inspiration FROM  
Design Thinking  
Experts

## Background

As discussed, the social sector is ripe for innovative approaches, and it has been strongly demonstrated that Design Thinking culture has the power to unlock real impact. Constituting a human-centered, and experimental interdisciplinary approach, offering entrepreneurs of any stripe a chance to deeply understand the people they are looking to serve, and create innovative new solutions rooted in people's actual needs, Design Thinking, specifically adapted for social enterprises, has been already demonstrated to be effective in building innovative organizations and creating social impact.

The third stage of research focused on the methods and tools offered in the frame of the Design Thinking process that would be relevant to social enterprises, in view of improving their sustainability, according to their experience and expertise. Interviewing Design Thinking experts supported and extended research while deepening knowledge of actual practice in social business sector, helping identify what social businesses may draw and/or learn from other sectors.

### We were interested in finding out:

- What are the future trends of Design Thinking and how DT experts think Design Thinking is evolving?
- What are the possible benefits for social enterprises from implementing Design Thinking?
- What are specific considerations for social enterprises when implementing Design Thinking?

- What are the key Design Thinking tools for social enterprises?

## Key Insights What Was Found

There seems to be a common understanding across partner countries on issues related to Design Thinking and its implementation in social enterprises. As Design Thinking experts represent mainly design background in practice, and often also by education, the approach on Design Thinking is relatively similar in all responding countries. The possible differences in viewpoint are, thus, related to individual expertise and possible focus areas where Design Thinking is applied.

Based on interviewees, it is evident that there is relatively little professional activity in the third sector and social economy. This is partly because of lack of interest and enquiries for project opportunities and partly because of apparent lack of financial resources within social enterprises, which make it less attractive for professional agencies to target this sector.

As social economy cares about people, incorporating them into the center of their process should be somewhat natural, as is also in the Design Thinking approach. Based on interviews of DT experts, there are multiple benefits described, but there are also unique considerations that social enterprises must be cognisant of when applying Design Thinking with and across their organisations.

The key insights are described and organised under the topics below.

## Definition of Design Thinking by DT Experts

There are multiple definitions depending on the viewpoint and expertise in practice on Design Thinking. We wanted to know how Design Thinking experts understand and define the concept of Design Thinking themselves. Based on the interviews it was possible to identify common characteristics widely shared among interviewees.

### Based on the commonly shared characteristics defined, Design Thinking:

- is a mindset and a specific way of thinking that guides to get insights from people and quickly test new ideas, services and products, in an iterative way.
- is a human-centric approach for creative problem-solving and improvement.
- aims to value creation.
- considers a bigger picture and complexity instead of a specific problem.
- is user-oriented and used to reframe the key user issues and needs from the user viewpoint.
- is based on co-creation, collaboration and teamwork across sectors.
- applies creative innovation methods, techniques and tools.

## Application of Design Thinking

The key use of Design Thinking is common-

ly agreed among Design Thinking experts. Design Thinking is multisectorally private, public and third sector, used to varying degrees and for different reasons. Experts interviewed have applied Design Thinking for sectors across manufacturing and service provision, from retail, transport, banking and insurance, hospitality, social business, public administration to start-ups, co-operatives and communities building.

According to the interviewees, Design Thinking is applied in the private sector in order to support economic growth whereas in the public sector the focus is usually on service improvement. Design Thinking projects in third sector are usually pro-bono as there are no financial resources or budgets to support professional activities related to Design Thinking. When design consultancies focus on financially rewarding projects, lack of financial resources inhibits DT practitioners' promotion to NGOs and social enterprises.

## Future Trends in Design Thinking

We wanted to understand how Design Thinking experts see the field of Design Thinking evolving in the future and what are the specific development trends seen in the field. In general, DT is seen as both evolving and maturing approach for innovation. Design Thinking is seen as a "common practice" in the future, as more and more organisations apply it across sectors and issues for innovation and change when traditional organisations and high-quality service providers are keen to modernise their services.

Secondly, as Design Thinking is increasingly used not only in products and services design, but also in business design, transfor-

mation and change, it is considered being at the level of “strategic design”, where it is increasingly implemented in the creation of new business. It is more focused on companies and SMEs that need to discover and create new market opportunities when applying DT techniques and tools.

Thirdly, there is a growing interest for the philosophy of Design Thinking and collaborative design in general by groups that want to engage in addressing social problems, either as enterprises or as informal groups. Design Thinking experts will combine profound knowledge of design, technology and business strategy with sensitivity to human needs and social conditions.

#### In the future Design Thinking:

- is maturing as an approach to innovation.
- is considered “a new normal”, integrating business skills and mindset with designer approach.
- is implemented in across sectors, organisations, operations and processes.
- is increasingly a more collaborative and team-based activity.
- is increasingly applying digital tools to support the growth of international and/or virtual teams.
- methods will be extended and developed in multiple fields, such as communication, branding, entrepreneurship and futures forecasting.
- as a human-centric innovation approach is more and more dealing with social issues.

## Benefits of Using DT in Social Enterprises

In general, Design Thinking is applicable in all kinds of contexts and multiple advantages have been identified. We were interested in knowing what are the possible benefits of using DT for social enterprises and in the context of social economy. Due to differences in definition, recognition and treatment of social enterprises in partnering countries, EU definition for social enterprise was shared among interviewees. According this definition:

“Social enterprise incorporates an entrepreneurial dimension, i.e. engagement in continuous economic activities, a social dimension, i.e. primary and explicit social purpose and a governance dimension, i.e. existing mechanisms to ‘lock in’ the social goals of the organisation.”

Design Thinking as a human-centric and creative approach, aiming to solve complex issues, can bring multiple advantages for social economy and social enterprises. What

matters in DT is that people can think and generate solutions in a different and creative way. As social economy cares about people and is often based on strong values, incorporating people into the process should be something very natural.

### **Benefits of using Design Thinking in social enterprises:**

- People-oriented and human-centric approach places people at the very heart of development when involving all stakeholders and supporting projects with a much wider scope.
- It provides a deeper understanding of customer needs and challenges they face.
- It is a way to ensure wider and /or deeper stakeholder engagement.
- It supports creative ideation, development and implementation of new ideas, emerging through collaborative and participative processes when generating social business.
- It identifies value propositions and business opportunities and supports re-positioning of the company to generate economic sustainability.
- Rapid prototyping and testing enhances the creation of user-friendly solutions for the specific needs, creating competitive products and services and providing more value for customers and users.

### **Typical Pitfalls for SEs to Avoid**

We wanted to find out if there are possible pitfalls for social enterprises to avoid or at least to be aware of. Some commonly agreed pitfalls were identified among the interviewees in relation to business development and possible use of Design Thinking in social enterprises. One of the most common traps identified is that NGOs, associations and other organisations are very much focused on the social problem they are targeting instead of finding business opportunities. They try to solve social problems they have recognized for the beneficiaries but not with them and/or for the local context. They may have found a purposeful direction but, to make true impact, social enterprises need to acquire enough resources and to scale their business. Businesswise, social enterprises need to pay more attention for business elements as social responsibility or being a social enterprise is not bringing competitive advantage as such to any organisation.

When implementing Design Thinking in social enterprises, there are several issues that social enterprises need to understand first. They need to understand what Design Thinking is about, what are the key principles and philosophy behind the approach. When implementing DT in practice, they need to start slowly and gain experience and confidence when applying Design Thinking on business development. Design Thinking cannot be used as a “campaign” or a “bandaid” for a single problem.

### Typical pitfalls to be avoided by social enterprises:

- There are “social” blinkers in the social sector.
- Social enterprises need to “Think Business” more.
- Social enterprises tend to focus often on the social aspect or element, using it as their by definition advantage, thus missing out on the entrepreneurial potential.
- Social enterprises are lacking self-sustainability and are dependent from benefactor support and, directly or indirectly, on public funding.
- Need for shifting from problem-orientation to people-orientation. Understanding the people is the key in finding right solutions to tackle problem. Beneficiaries should be seen equal to experts, thus as a valid source of information to find solutions via co-creation.
- Design Thinking is considered just as a toolbox or “bandaid” for a problem.

### Specific Considerations for SEs

As identified by the DT experts, Design Thinking is an innovation and open methodology that is adaptable to any kind of sector, context or company. In that sense, multiple interviewees did not see any difference compared to any organisation in terms of implementation of DT. Some interviewees underlined the complexity of social economy and importance of understanding the ecosystem

as a whole. Profound knowledge of the conditions, people and the needs of all groups associated with the social enterprises and stakeholders related to the ecosystem is essential, while, at the same, making the management of participatory processes of design thinking more demanding.

On the other hand, some interviewees saw “social” characteristic of social enterprises as an advantage as creativity arises from diversity and non-homogeneity. As diversity is a value and a positive condition for “radical” collaboration, Design Thinking methodologies should be easy to implement in social enterprises.

When implementing Design Thinking into any development process in practice, it requires an appropriate amount of resources, such as time and skills to apply. According to Design Thinking experts, it is important to dedicate time to understand, talk and listen without pre-established assumptions or because you do not understand the purpose. The collaborative characteristic of Design Thinking allows people with no specific education in design to participate in the process. It has also been underlined that the necessary condition for DT success lies in the expertise in the design of workshops and the presence of an experienced design facilitator to guide the creative process in order for the team to ensure more impactful results.

### Specific considerations for social enterprises:

- SEs need to consciously consider social impact.
- SEs need to “Think Commercially and Entrepreneurially”.

- SEs need to avoid thinking like a non-profit organisation.
- SEs need to find financial resources to support Design Thinking approaches.
- SEs should avoid getting confused with the multiple Design Thinking tools available.

## Top Design Thinking Tools for SEs

Design Thinking experts identified several key tools for service design process. The use of DT methods and tools is often both user- and context-related, as Design Thinking experts interviewed have often collected a relatively large toolset that they think suits best themselves and/or the company area of expertise they represent. This quite individual toolset is often developed, based on the individual experiences on Design Thinking projects gathered overtime. From their specific toolset, experts apply tools they believe are best for the purpose for each development project currently at hand. These tools used were often described as exploring tools, reframing tools and prototyping tools or tools for market and user understanding, for ideation and conceptualisation, for visualisation, and storytelling. Also human-centric research skills and empathy were considered as highly important in relation to customer and market understanding. DT tools most often mentioned by DT experts include customer journey mapping, interviewing, prototyping.

Based on the interviews, it seems that Design Thinking experts considered the use of Design Thinking tools in relation to key

phases of DT process, rather than just specific tools currently “in fashion” in the field of Design Thinking. Many of the experts interviewed considered Design Thinking as a way of thinking whereas the emphasis is put in the process and the tools are used as a means to identify and work with the problem for solution.

The profound knowledge of the social conditions, the target groups and the needs are essential and make Design Thinking processes more demanding due to the complexity of the ecosystem. As the social economy and social business field consist of multiple operators, needs and objectives in a relatively complex ecosystem, understanding this ecosystem and identifying all the actors and stakeholders is important for social enterprises aiming to develop their business.

Another key issue underlined by the Design Thinking experts is the importance of in-depth understanding of the people, users and participants in the social economy, and their specific needs. Whether working with disadvantaged groups or any kind of human needs, empathy should be cultivated. When observing situations and interviewing people in person in real world context, it is possible to understand the context from user perspectives, identify and underline the problems people have in practice and work on the contributions of values. This understanding forms the basis for problem definition, creative ideation and solution creation as a part of DT process. Co-creation with users and collaborative multisectoral teamwork is necessary for designing customer experience and creating solutions for complex problems with multiple stakeholders.

Visualisation and prototyping are considered key elements differentiating Design Thinking methodology from other thinking approaches. Visualisation of ideas provides a touchpoint for sharing and discussing ideas further. It makes ideas more understandable and enhances testing of ideas. Visualisation may take many forms, e.g. sketches, prototypes, mindmaps or stories, all of which allow interaction with both ideas and solutions. They act as conversation starters, enhancing dialogue among stakeholders and support the development of shared understanding and iterative design.

Besides specific tools or toolset, Design Thinking experts have underlined the importance of certain skills for mastering DT processes. These skills include social skills, e.g. empathy and user experience research skills. Moreover, Design Thinking is considered as a specific process, requiring expertise in facilitating and managing the creative process and human-centric dialogue with the stakeholders.

#### **The top Design Thinking tools for social economy:**

- Exploring and human-centric research tools
- Empathy and research skills
- Customer journeys
- Visualisation
- Prototyping tools

## **Good Example Projects in Social Economy**

In general, only very few examples in social enterprises sector were shared by DT experts. Many of them were introduced as interesting cases based on Design Thinking experts' own interest on social design and values, not as professional cases related to own current field of work. Some good examples were described among Design Thinking experts across the whole third sector, not purely within social enterprises. It seems that most of the examples are documented, based upon promoting ones own expertise and experience but this is seen as a minority area of interest unless focused on social business.



6.

Inspiration from  
The Focus Group

## Background

The fourth stage of research focused on 1. deepening understanding on key issues related to research and data gathered from the earlier stages of the research, 2. introducing social enterprises and support agencies to Design Thinking practices and the common tools used, and 3. gathering feedback about the appropriateness of Design Thinking tools for social enterprises and their preference for an open source toolkit. The focus group discussion focused on three main themes including: 1. Design Thinking, 2. Challenges and opportunities of social enterprises and 3. Development of tools and learning material for social enterprises.

### We were interested in finding out:

- How Design Thinking could benefit social enterprises and what is needed to consider developing learning material for social enterprises in DT?
- What are the current challenges and opportunities rising for social enterprises?
- What are the strengths of social enterprises and how could they benefit from the assistance provided for social enterprises?
- What could be the best ways to enhance the skills and the level of creativity, innovation and problem-solving of social enterprises? What could be the best ways to train DT to social enterprises and to maintain results of the training?
- What are the key issues important to take account regarding the development of Design Thinking learning material for social enterprises?

## Key Insights What Was Found

The themes identified above have followed us during the whole research process as the key issues illustrating the key elements to consider when ideating the Design Thinking toolkit material for social enterprises. Based on dialogue and co-creation in Design Thinking workshops and on the basis of group interviews we were able to reflect research data collected with the practical expertise and experiences at hand during the exchange of views. As group discussion and workshops were held in a collaborative manner, synergies were made and all participants were able to provide their experiences enlarging the discussion and providing insight about what kind of training would be needed. As many of the participants had no or minor experience and understanding on Design Thinking, testing DT tools in practice helped them evaluate and envisage the use of Design Thinking when reflecting their experiences in practice.

The key findings are laid down here below under each of the main discussion themes: 1. Design Thinking, 2. Challenges and opportunities of social enterprises and 3. Development of DT tools and educational material. The insights gathered from focus group discussion are supporting the evidence from other research stages.

### Key Insights on Design Thinking

As social enterprises, social partners, VETs, advisers, associations and Design Thinking experts were able to test Design Thinking in the context of social economy, they were

able to reflect their practical experiences in DT. There are similarities among views rising from focus group discussions among partner countries. Design Thinking is considered a useful approach on innovative business creation due to the focus on complex problem-solving, human-centric understanding of people, thinking differently in order to enlarge opportunity space and visualize the complexity of ecosystem, relationships and processes from different viewpoints.

It is also important to recognise that there are possible pitfalls that social enterprises need to be aware of and avoid.

#### **Possible pitfalls for SEs to avoid:**

- Social enterprises feel they know their social aim and conditions addressed too well and that this should be enough to be sustainable and successful. However, that does not mean that they know how to best go about several challenges that arise and impact greatly on their “return on investment”.
- Social entrepreneurship cannot be solely used as a form of self-employment, with no social business commitment or social vision (especially in a country with high-unemployment rate).
- Aiming to keep things as they are may result from poor understanding of the change needed and what development is required from the organisation or entrepreneur. Lack of understanding of what development means and/or lack of development orientation may lead to poor implementation of development in practice, e.g. Design Thinking.
- Development needs resources and patience; there is “no direct way to heaven”.

#### **Benefits for SEs in applying Design Thinking:**

- New human-centric way to approach innovation provides a chance to focus and develop better solutions for actual needs of target groups; DT may help social economy enterprises to see the benefit of putting people into the center and to see things from their perspectives whether they are customers, users, employees, beneficiaries or other stakeholders.
- DT facilitates recognition and visualisation of customer needs and identifying key value streams for customers.
- Thinking “differently” may lead to enlarging the opportunity space and better recognition of new opening opportunities for social business.
- Team-based co-creation and inclusive design approaches enhances the diversity in thinking.
- Design Thinking stimulates entrepreneurial approach

#### **Top Design Thinking tools useful for SEs:**

- Research tools, e.g. customer journey maps, personas, understanding market and customer needs, user research methods, needs analysis
- Situation/context mapping tools, e.g. pestle, swot analysis as well as other conventional business tools
- Ideation tools, e.g. opportunity mapping and what if?
- Co-creation

- Tools for communicating and visualising value e.g. value-based mapping, storytelling
- Tools for understanding ecosystems and stakeholders and identifying challenges from different viewpoints, e.g. ecosystems mapping, stakeholder mapping, persona mapping
- Prototyping tools, e.g. storyboards, service blueprints
- Tools for testing and validating ideas, lean and agile methods for experimenting ideas
- Project implementation tools, e.g. business model canvas, implementation roadmap
- **Design Thinking “jargon” may confuse people not familiar with the field thus need to be avoided.**
- **The “Game” based approach needs to focus on social impact examples.**
- **Participants seek to link social approach to Corporate Social Responsibility (CSR) and Triple Bottom Line approaches.**

## Key Insights on Challenges and Opportunities of Social Enterprises

In general, the future of social enterprises is considered potentially successful. Social business as such is not providing value compared to any other business, the value creation requires integration of customer understanding and customer value generation, profitability and business thinking and communication of social value and impact. Resources, networks, new organisational structures and innovative business models are key to open up new opportunities and develop both value and profit.

### Key challenges and future of social enterprises:

## Worth noticing:

- **Design Thinking approach may be less used in social economy among participant countries, thus the collaboration between design thinking experts and social enterprises should be further explored in view of empowering social impact creation as well as transferring know-how within social enterprises and their teams by training their members to use the process to be more competitive, productive and market-oriented and, thus, sustainable also through scaling-up.**
- **The individual development orientation and experience may enhance or restrict the understanding and use of Design Thinking, thus, it is important to build learning capabilities in Design Thinking from the basis of current knowledge and know-how.**
- As customers and other actors do not necessarily understand what social enterprise is, it is important to communicate what it is and what are the ground values when aligning values, identity and image with communication activities.
- Lack of business management, enterprise design and entrepreneurial skills among social enterprises; They need to develop business thinking and generate new business models for profit, which is needed for

making greater good in society, and for developing their organisation and resources.

- Without vision and a good/functional team, impact and sustainability of social enterprises will be highly affected and remain limited.
- Lack of awareness/divergent views of society on social enterprises and their work is a challenge that is equally impactful and difficult to address.
- Lack of resources, including funding and lack of consulting about funding resources.
- To address the current and future challenges social enterprises try to participate in forming the legal framework (consultation), follow the state requirements, look for business advice, consult foreign best practices and team up among them, while funding comes, mainly, from the public sector and donations rather than income.

### **Strengths and opportunities for social enterprises:**

- Social economy has high potential because, while doing good, they also do well, as they see it as a form of self-employment but also of job creation.
- The legal framework and public support mechanisms are being developed due to the EU focus on social innovation and social business development.
- Social enterprises increasingly understand the importance of business think-

ing and continuous development as key to business growth.

- Social enterprises can utilise new platforms for service development provided, e.g. crowdsourcing, joint development activities and networking, enlarging skills and resources, creating possibilities for designing and delivering better services.
- Community building, shared values, experiences and stories create added value, besides products and services, differentiating social enterprises from mainstream companies; products and services are means for wellbeing though they need to be personalised.

### **Assistance provided and needs for developing assistance for social enterprises:**

- Assistance is scarce and mainly focused on business consulting, but even that is often not targeted enough to serve their social purposes. The new mechanisms being put in place are not tested as of yet but social entrepreneurs are hopeful. They are actively seeking for more support.
- Social enterprises are very keen on more training and in Design Thinking as a means to change and flourish, becoming more competitive and avoiding intense reliance on public funds.
- Social enterprises would embrace experimentation and testing of new business models for innovation and development of business profitability.

## Key Insights on Development of DT Learning Material for Social Enterprises

Design Thinking has emerged as a key, innovative way that fits the mindset of social entrepreneurs and their social aims. Design Thinking attracts social enterprises, due its creative and collaborative process, which is key for DT. It seems that learning from experiences and in socially constructed situations is the key for organising training for social enterprises. Inspiration and motivation is important for getting learners to engage in the training. Material shared needs to be understandable and relevant for the entrepreneurs from their perspective. When developing DT learning, material several suggestions arose from discussions:

**Best ways to train on Design Thinking, enhance the skills and the level of creativity, innovation and problem solving and maintain the results of training:**

- DT training facilitates the implementation of DT processes in practice. Social entrepreneurs could act as internal Design Thinking experts in their own settings and facilitate the transfer of training and know-how in a more sustainable and progressively developing way.
- Training a member of a social enterprise in Design Thinking seems a great way to sustain the training and ensure increased impact and success, given that the foundations of a social enterprise have been put in place.

- Open discussion and good case examples are the best way to learn from practice of successful organisations (benchmarking).
- Motivational aspects include networking, peer learning, collaboration, co-creation, get together, active communication.
- DT training requires easy follow up with DT processes: what have I done? What am I expected to do, when and how?

**Issues to take into account in the development of Design Thinking learning material for social entrepreneurs:**

- The topics identified by the project partners are greatly relevant to all target groups hosted in the workshop. All groups go for short, useful, targeted material with as many tools as possible, complemented by face-to-face trainings for increased and sustainable training impact.
- Open access and availability
- Dialogue
- Facilitated learning content and experiential learning approach
- Lean and agile development methods applicable without large investments
- Support in development of customer-centric approach and evaluation of the company viability

## Worth noticing:

- There should be access for all kinds of actors, including associations and cooperatives. Social enterprise is a brand that needs to be “protected”.
- Who is the training providing partner and how to keep up the quality of content.
- Need to inform all authorities providing guidance for national SME education and training possibilities.
- It is important to start with building a common understanding of what design thinking is and how it can be applied for all kinds of businesses, as it may be considered as something “not for me”.
- Learning material needs to be very practical, providing assistance for real-life challenges and problem-solving faced by social enterprises and emphasise social, experiential, learning-by-doing approach on learning.
- It is also important to keep attention on the ease of the usage of learning platform in practice and the motivational aspects related to the platform.



7.

Conclusions

The aim of the inspiration phase of Social UP project was to provide insights based on extensive qualitative and quantitative research, including desk research and literature review, online survey, Design Thinking expert interviews and focus groups discussions in four project countries. The focus of the research was to identify the needs of social enterprises and best practices and methods used in social enterprises regarding the creative problem-solving and innovation.

Key findings gathered from insights have underlined the multidimensional characteristics of the social economy enterprise sector. Business characteristics, focus, business environment and future expectations vary among social enterprises and across project countries. Lack of commercial understanding and viable business models, lack of or poor managerial and professional business skills, high reliance on public sector, low competitiveness and uncertain growth prospects were identified as key internal challenges among social enterprises. Other barriers or constraints for social business growth included poor understanding and negative perception of the concept of social enterprise, lack of specialist business development support and access to finance and market.

On the basis of research, it is evident that social enterprises need support in recognising and finding new

opportunities, creating new solutions and business models that are sustainable. As new opportunities rise from coincidence, social entrepreneurs need to develop courage to build on opportunities arising and to turn ideas into sustainable and financially viable products, services and solutions, measure how customers respond, and learn whether to pivot or preserve<sup>20</sup>.

According to research, the familiarity of innovative approaches is relatively low among both key target groups of the research. When introducing Design Thinking, both social enterprises and social partners have considered DT as a very useful approach in 1. gaining deeper understanding of customer needs and desires, 2. engaging and co-designing with

<sup>20</sup> Ries, E. 2011.

customers and stakeholders, **3.** generating more and better ideas and selecting better solutions and **4.** implementing new products and services that satisfy customers.

Design Thinking as human-centric and creative approach can bring multiple advantages for social economy and social enterprises. Some aspects of Design Thinking are often intuitively used by social enterprises. What matters is the different, creative way of thinking and generating solutions through incorporating people into the process. This is something that should also be very natural for social enterprises, as argued by Design Thinking experts.

The interest to learn more about Design Thinking is very strong among social enterprises across all partner countries as they see the potential of human-centric DT approach in tackling complex problems, developing their business and increasing social impact. The key

in training social enterprises in DT is to focus on facilitating the practical implementation of DT methods and tools in their organisations, including through case examples, demonstrating the advantages of Design Thinking in the social economy business context<sup>21</sup>.

On the basis of research, several key drivers for developing Design Thinking-based learning material for social enterprises include:

### 1 Design Thinking is a Mindset

Design Thinking should not be simplified or considered a simple toolbox or “bandaid” for a problem but as a mindset and a specific way of thinking that guides from the beginning of problem recognition to ideation, experimentation, value creation and solution delivery. It includes principles, methodologies and tools assisting in the creative process.

<sup>21</sup> Brown, T. & Wyatt, J. 2010.

## 2 People-orientation and Co-creation

Understanding people from their viewpoint is key to finding right solutions to tackle problems. Beneficiaries should be seen as equal to experts and, thus, as valid source of information to find solutions in co-creation. Design Thinking is based on collaboration and creative teamwork across sectors. Management of participatory processes of Design Thinking is demanding in complex ecosystems related to social economy. Human-centric approach and co-creation should be considered as a structured part of the learning platform.

## 3 Business Thinking

Social enterprises need to pay more attention to business opportunities and business elements, value creation, profitability and competitiveness, since being a social enterprise is not bringing competitive advantage as such to the organisation.

## 4 Utilisation of the Design Thinking Tools

The selection and the use of Design Thinking tools should be inspiring and easy when implementing Design Thinking in practical and contextual learning situations.

## 5 Providing engaging and exciting learning experience

Platform provides unique experiences to cater for varying skillsets and development-orientation of users by segmenting introductory content. Using prompts and visual cues keep engagement and guide through online platform and DT learning material. Use of DT expertise and dialogue creation will improve the quality and relevance of information.



8

Methodological Framework  
for Design Thinking  
Field Guide

The aim of the Social Up project is to develop an open source Design Thinking-based toolkit for use by social economy actors. Capitalising on the results of the extensive research described in the previous chapters, a Methodological Framework is created, providing guidelines and suggestions for the ideation and development of the Social UP Design Thinking Field Guide, in the form of a toolkit. The Design Thinking toolkit provides hands on guidance and knowledge of how to use DT approach with social economy business and is targeted to any social business or organisation. Additionally DT toolkit provides guidelines to social partners, VET's and Design Thinking experts for assisting social economy business in the application of the DT approach.

**Based on research, the key elements framing the development of the DT Field Guide and open source platform are identified as follows:**

- The DT toolkit is built on educational and learning approaches: adult education theory<sup>21</sup>, learning-by-doing (LbD)<sup>22</sup>, challenge-based learning<sup>23</sup> and competence-based learning.
- The educational content will be provided in a hands-on and user-friendly manner, combining Design Thinking theory and practice, providing examples and case studies social economy business can relate to.
- The delivery methods and tools will take into consideration resource and time chal-

lenges of social economy businesses: the modular and gamified online educational material will be tailored to the learning needs of social economy businesses and will take into account the individual resources and learning objectives that social entrepreneurs have.

- DT Toolkit will be provided in English, Finnish, Greek and Spanish.

## Social UP DT Field Guide

The DT Field Guide will be a practical, open-source resource that facilitates social economy businesses and organisations to integrate Design Thinking into the development of their social business. It enhances the skills of entrepreneurs to identify customer needs and wants, understand better their challenges, address them and build sustainable and enterprising business models. The Toolkit provides practice-oriented knowledge and skills in applying Design Thinking and related creative innovation approaches for development of social business when integrating an international aspect to development, in order to cover the challenges of different kinds of social enterprises operating in different European countries. It explains and demonstrates Design Thinking and empathic design tools and enhances creativity to tackle the development challenges of social businesses in a novel, competitive and resource friendly manner.

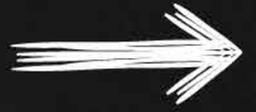
<sup>21</sup> Mezirow, J. 1981.

<sup>22</sup> Kolb, D.A. 1984.

<sup>23</sup> Koh, Wong, Chai & Hong 2015a; 2015b.

# Social UP

## DT Field Guide for Social Enterprises



I DESIGN THINKING FOR SOCIAL ENTERPRISE AND INNOVATION

II DESIGN THINKING PROCESS & CASE EXAMPLE

1.

### INSPIRATION

Interpret & align findings to project objectives

2.

### IDEATION

Design led-concepts & proposals iterated & assessed

3.

### IMPLEMENTATION

Process outcome finalised & implemented

TOOLKIT (TOOLS, TEMPLATES, INSTRUCTIONS, EXAMPLES)

FACILITATING PARTICIPATION AND CO-CREATION

III FACILITATING LEARNING AND USE OF DT

## **I General overview on Design Thinking for Social Enterprise and Innovation**

By introducing different ways of understanding changes and problem solving methods for discovering what is truly needed, Design Thinking helps social enterprises to change their culture and become more customer-centric and collaborative. While every company is different, useful metrics for assessing Design Thinking culture are provided.

## **II Design Thinking process & case example**

The key elements of DT approach will be identified and underlined regarding the key principles of Design Thinking. Case examples can be used to describe the key elements and represent the process as a whole in order to provide a holistic picture of the use of DT. The Design Thinking process is structured

on the bases of three key phases; Inspiration, Ideation and Implementation. More specific subthemes, valuable DT tools and templates, case examples and instruction material will be provided in relation to each phase of the DT process. Also information about group facilitation methods and tools will be shared to assist the facilitation of participation, collaboration, co-creation and creative team activities when using Design Thinking approach.

## **III Facilitating learning and use of DT**

In addition to DT toolkit, other digital resources incl. key literature, glossary, DT networks and events etc. may enhance learning from practices and the implementation of Design Thinking when facilitating construction of the knowledge and skills required for implementation of DT practices in social enterprise context.



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