



Inter- con- nec- tions

Wisdom at work:
capitalism in transition



Developing social enterprise: the role of transformational thinking



Mark Fowler

Mark Fowler, Chief Executive, rezolvPS Ltd, Leader, ServQ Ltd, Associate Director, The Education Foundation

In this article Mark Fowler demonstrates the principles of transformational thinking and how it may be used in creating social enterprises in different contexts. Drawing on his work over a period of ten years, he illustrates the key points through a case study in the public sector.

What is transformational thinking?

Over the last ten years, rezolvPS has been involved in helping clients across a range of sectors make substantial, enduring changes to their businesses – in their language, ‘transforming them’.¹ In many cases, the clients have been public sector and some social enterprises (though

the distinction between the two has become blurred).² One of the key processes that we have developed is ‘transformational thinking’. In this article, we offer some observations on transformational thinking in the context of social enterprises.

Broadly speaking, transformational thinking is thinking which aims not just to analyse and understand but actively seeks out possibilities for engendering change. This is illustrated by a recent conversation

between friends. Friend A was deploring the waste of talent, life potential and economic benefit to the country that arose from Britain’s rigid class system.³ B replied, from a different way of thinking, ‘But life is unfair.’ B sought means to justify the present. A was using transformational thinking – a way of thinking that is focused upon change and possibility, seeking potentiality and the scope to be different.

Transformational thinking includes a collection of attitudes, values, beliefs, processes and skills – a way of thinking that is focused upon change and possibility – seeking potentiality and the scope to be different.

1. Cf. under ‘Impact’ below.

2. It is interesting to see how the boundaries between the two sectors have become permeable, with one crossing to the other with little difference.

3. According to the Boston Consulting Group, the cost to the British economy (GDP) of the loss of economic potential caused by able children born into poorly educated, low income families who go on to show mediocre achievement stands at £56bn. Financial Times, *Class Split to cost £50bn*, says study in ‘Financial Times’ 15 March 2010.



Transformational thinking can be seen as a collection of attitudes, values, beliefs, processes and skills. Attitudes may include openness to change and collaboration, positivity, future focus. Values may include: engagement of all; thinking freely without boundaries. Beliefs may include: we *can* change things; novelty is good. Processes may include: critical examination and evaluation of the present from different points of view; building collaboration and consensus; seeking different views. Skills include: analysis, classification, synthesis, comparison, analogy and metaphor and many of the processes of innovation, whether reflected, intuitive, or ‘magpie’.

What is a ‘social enterprise’?

Social enterprise is a much-disputed term, open to a range of definitions. The concept has become very fashionable but also very broad in nature; in the UK, for example, the current Prime Minister has vaunted the ‘John Lewis’ model in which all employees have shares in the business and participate in decision-making. This is not the place to cover this debate.⁴ For the purposes of this article,⁵ we shall consider as a social enterprise any business or enterprise that:

- has a driving purpose that is primarily social rather than profit-focused;
- is launched by citizens;
- is not state-funded or controlled;
- is an on-going enterprise, not a one-off event/activity.

Where and how can transformational processes be used? Over the ten years in which we have been developing tools and processes for transformational thinking and activity, we have worked with many public sector agencies such as national non-governmental bodies, local authorities, schools and colleges as well as private businesses and social enterprises. Many of these lie in the education, learning, social care and human resource sectors.

We believe certain principles lie behind success in this and apply especially in the borderline between public, social enterprise and private sectors. To demonstrate these principles, we shall focus attention upon one client where the transformation took place in the crossover territory between public sector and private/social enterprise and identify a small number of key principles.

This major UK City Council faced three pressures:

- Need to raise the outcomes of children in the early years and the quality of its early years settings
- Need to reduce budget;
- Need to model its political character, i.e. socially-oriented, collectivist and person-centred approach.

The brief

The explicit brief was to prepare the team for an uncertain future – one in which a new strategy of quality assurance would be implemented – but with substantially fewer personnel. Much scope was left to decide how this would be achieved – and our clients made it clear that the views of the participants would be welcomed. As we clarified the expected outcomes, it emerged that they were keen to foster a range of solutions, especially that of social enterprise.

We tailored a systems thinking approach⁶ based on both research and experience of working in the field of transformational change. The characteristics of this approach respected the needs of the individuals, the team and the whole organisation and its stakeholders, recognising the intellectual, emotional and cultural dimensions of the journey they would undertake

Some key principles of transformational change in public/social enterprise

Some key characteristics of this were:

• *Safe environment*

Participants needed to know they were protected from risk – that they would be prepared for the journey, protected from danger, but would

6. Senge P.M. 1990; Seddon, J. 2008

4. The matter was examined in: After the crash: entrepreneurialism in ‘The Big Society’ in Issue 7

5. See, for example, the European Research Network www.emes.net

make the journey themselves. We warned about the journey and made sure that there was scope for individuals and teams to voice fears and explore the dark moments without threat from managers or the organisation.

• **Stakeholder focus**

Organisations may lose their focus on key stakeholders. A feature that is common to both public sector and social enterprise employees in caring/learning services is the recognition of the primacy of the end-user; in this case, the child, parents, communities, businesses. We constantly referred back to this, drawing attention to it at all points. Participants were encouraged to gain the views of, and specific feedback from, stakeholders throughout the process. A key distinction in the context of social enterprise is that stakeholders were identified by the participants as those who stood to gain most from the activity of the enterprise, not primarily its clients. Imaginative activities required the participants to think themselves into the role and position of stakeholders when seeking strategic or operational solutions to issues.

• **Data-rich thinking**

Many executives in caring/learning contexts have infrequent contact with data, especially relating to outcomes for children and their own performance. Some have limited data analysis skills use and are reluctant to use them. Consequently, beliefs emerge which may or may not align with data. Frequent reference to data enabled individuals and teams to expose and reassess their beliefs and establish new judgements. With a different client, this led to a radical redirection of resources.

• **New concept creation**

Fundamental to the transformational thinking is new concept creation. In creating a set of new concepts (and language), everybody starts from the same point, whatever the rank in the organisation or – more importantly – their social status. For example, whilst ‘value’ has a meaning for commercial enterprises, the participants had to build an entirely new concept of value. In their case, it involved some startling transformations of thinking: value is entirely perceived by the end-user (not an inspector); value is subjective and emotionally perceived (the same thing does not apply to all nor is it always rational) and it erodes with time⁷ – sometimes very quickly (not set down in a handbook for years).

• **Delighting in accountability**

Managerialism in the public sector has been accompanied by a rough-

Key characteristics of the transformational journey:

Safe environment
Stakeholder focus
Data environment
Delighting in accountability
New concept creation
Whole brain activity
Self and team actualisation
Novelty, learning, creativity
Equitable modeling
Action-based learning
Analogy and exemplification
Distributive leadership
Facilitation
Coaching

7. Slywotsky 1996

8. Proxy; we use this term as inspection is based upon inspection criteria established by leaders of the profession. The professionals concerned find themselves far more susceptible to the judgements of the inspection regimes than their end-users.

9. In the two cases cited here, in excess of 80% of participants expressed a dissatisfaction with the inspection framework.

and-ready proxy⁸ for accountability – the inspection system – which is in many cases resented⁹. A new concept of value emerged – one more closely matched to a social enterprise, based upon the stakeholders’ evaluation of the value they create. Intriguingly, this developing concept – and associated value criteria – emerged quite naturally amongst the participants. Participants then undertook team activities that were outcome-focused and provided a short-term context in which to demonstrate and, crucially, *enjoy* their new accountability.

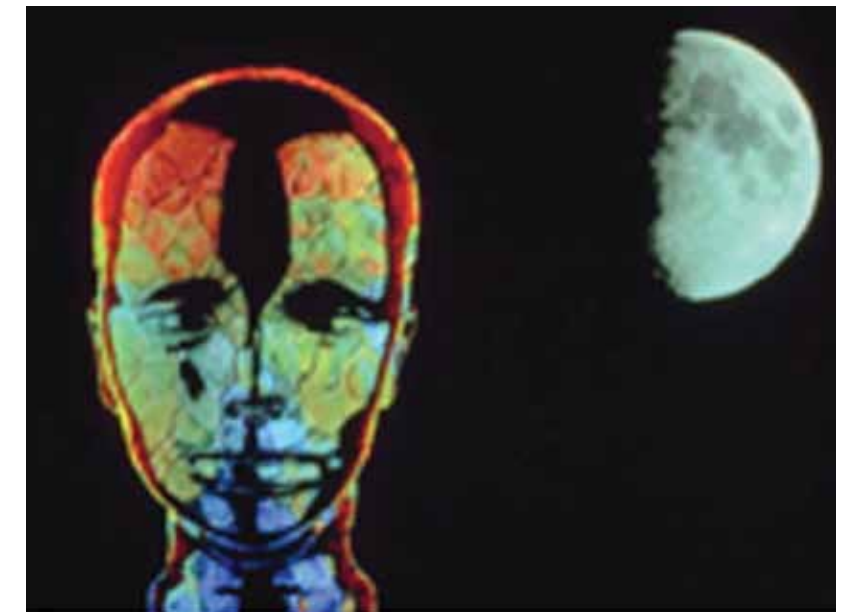
• **System ecology**

It was important to be sensitive to – and foresee and plan – the connectivities between the team and context in which we worked, and allow for it. Action needed to recognise how the broader system operated; changing it required judgment. For example, we needed to ensure communication well beyond the team; otherwise we ran the risk of ‘kick-back’ from beyond this. Approaches, such as our transformational ‘mandate process’, had to be used with judgment, conducting these when the rest of the organisation was able to understand and cope with the unexpected character of its operation.

• **Whole brain approaches**

A key ingredient is for individuals and teams to move beyond the constraints of their thinking. Crucial to this are the recognition of diversity in mindset and the differing impact of mindsets in different contexts. For example, the mindset of one team typified by creativity

“A key ingredient is for individuals and teams to move beyond the constraints of their thinking. Crucial to this are the recognition of diversity in mindset and the differing impact of mindsets in different contexts.”



and novelty was greatly undervalued by another team whose attention to detail and process was legendary. We used frameworks¹⁰ that allowed participants together to identify mindset types and explore the possible impacts, strengths and blind spots – as individuals and teams. This allowed value-laden beliefs about mindsets to be explored and a common vocabulary to emerge by which to challenge and stimulate new thinking.

• *Self and team actualisation*

The alignment of personal and organisational drive is recognised as a key dimension in job satisfaction.¹¹ Our model of transformational change respects the interconnectedness of the individual, team, organisation and context. At all stages, we bring the three elements to play in the minds of the participants, believing that engagement (personal, team and whole organisation) is of the greatest significance in transformational change.

High levels of emotional engagement may signal to an individual or team alignment with their personal values. This applies particularly during moments of decision-making, e.g. regarding priorities and actions for the mandate process and is explored both in group activities, but primarily in personal coaching. We seek to ensure the highest levels of self-actualisation at all three levels together.¹²

We were again startled at the level of creativity and commitment shown, particularly during the mandate activity. Participants worked together in unusual contexts of their own choice, e.g. pub, at individuals' homes, at very unusual hours, e.g. early morning, late in the evening, in order to achieve what had become for them a matter of great personal and team significance – unconsciously modelling social enterprise.

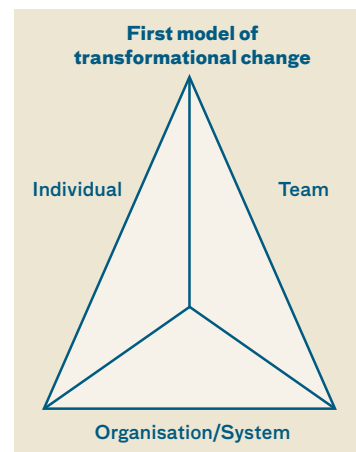
• *Managed novelty, learning, creativity*

Transformational thinking of necessity involves novelty, learning and creativity. Reflecting whole brain approaches (see above) we used a range of activities, some of which encourage a delight in novelty, learning and creativity. These activities can lead to very divergent thinking and foster a wide range of solutions. They also trigger a positive emotional response for the inventor of the solution. This emotional engagement can be very significant for the individual or team. However, this must be managed so that appropriate actions and outcomes are agreed and achieved; this requires that a stage be agreed in advance where the results of transformational thinking are then scrutinised and sifted – managed for the sake of business outcomes.

10. E.g. HBDE (Herrmann 1996); Rationalities (Glennester 1980)

11. Pink (2011)

12. Maslow (1943)



13. E.g. Kogler (1999)

14. By the time the groups moved to action, participants used the mindset frameworks confidently, sharing their own and others' analyses as a means to ensure balance across the team.

15. Elmore (2003)

• *Equitable modelling; distributive leadership*

Social status influences intercourse and, therefore, affects thinking across a group.¹³ For this reason, we created contexts in which organisational structures were minimised; we modelled an equitable social community. Key priorities were identified and turned into learning projects. Intrinsic to this approach was the need for the whole team to identify together the priorities and areas of focus, define and agree together the outcome and brief of each action but leave the action to be taken undefined. This was for each action group to define, so encouraging initiative, transformational thinking and accountability to each other.

When the groups moved to action, they self-selected, using three criteria:

1. personal commitment to the action;
2. a cross-section of mindsets¹⁴;
3. a cross-section of professional backgrounds.

In particular, this meant that organisational status had no currency; as with SAS – rank counted for little; the contribution to rapid, high-impact outcome was all. Additionally, the pattern of leadership that emerged – certainly at the early stages – was typically 'distributive',¹⁵ supporting the widest possible levels of engagement across the teams – typical of social enterprise.



• **Action-based learning**

Participants were encouraged to think alternately as stakeholders and service suppliers with the explicit aim of stimulating solutions that were both feasible as businesses and fundamental value as stakeholders. This required them to conduct regular reality checks with stakeholders and prove the feasibility of their solutions. Such a challenge fostered action-based learning. Using our collective action approach, the group divided into action teams and then completed their ‘mandate’ before reporting and celebrating – together – their achievement.

• **Analogy and exemplification**

By using analogy – via metaphors and similes – we were able to trigger and develop transformational thinking. We avoided exemplification, which may offer solutions; when exploring solutions to organisational challenges, we used analogies, i.e. actions which other organisations in different sectors and environments have explored or used. So, when developing new concepts, we used ideas and materials from unfamiliar contexts allowing participants to devise their own parallels, opposites etc. For example, when exploring the leadership dilemmas, we commonly use film clips from a very different age and context, such as Greek myths.

• **Facilitation and coaching style**

The style adopted in working with participants was that of facilitation and coaching. We laid aside our specialist knowledge in order to minimise any implication or inference that we have solutions or advice. This encouraged a collaborative, solution-focused approach in which the participants’ commitment to the cause they were pursuing remained the key driver. This requires careful monitoring of the progress participants are making and the level of their personal and team engagement. Alongside the group programme, a sophisticated coaching programme provided the vehicle for individuals to be challenged, again using frameworks and analogy, as a means to encouraging transformational solutions and encouraging personal, team and organisational alignment.

Outcomes and impact

The initiative had a substantial impact upon the participants and the organisation:

- a framework of quality assurance in early years was agreed, implemented, reviewed and amended with providers in all sectors¹⁶;

‘Participants worked together in unusual contexts of their own choice, at very unusual hours, in order to achieve what had become for them a matter of great personal and team significance – unconsciously modelling social enterprise.’

16. The brief was to ensure the model applied with all sectors involved in early years.

References

Capra, F. (2003) *The Hidden Connections* London: Flamingo

Elmore, P (2003) *Learning to Lead Change* Cambridge MA: Harvard University Press

Glennster, P (1980) ‘Prime Cuts’ in *Policy and Politics* 8 (4)

Herrmann, N (1996) *The Whole Brain Business Book* New York: McGraw-Hill

Maslow, A.H. (1943) ‘Theory of Human Motivation’ *Psychological Review*, 50, 370–396.

Kogler, H.H. *The Power of Dialogue* Massachusetts: MIT

Pascale, R.T. (1990) *Managing on the Edge* London: Penguin

Pink, D.H. (2011) *Drive* London: Canongate

Seddon, J (2008) *Systems Thinking in the Public Sector* Axminster: Triarchy Press

Senge, P.M. (1990) *The Fifth Discipline* London: Random House

Slywotsky, A.J. (1996) *Value Migration* Boston: HBS Press

- there was an increase in social enterprise providers of the service (as well as increase in quality assurance resources – see ‘Impact’, below);
- this enabled the Council to deliver its statutory responsibility;
- a team of early years quality specialists was established;
- establishment cost to the Council was reduced by approximately 70%;
- all operational procedures to match the above were installed within 12 weeks;
- two social enterprises were created by former members of the group, delivering the support services (advice, training etc.) and aligned with the City vision;
- high levels of commitment and engagement across all.

Participants conducted self-evaluations both before the process began and 1 month after its completion. The results demonstrated significant improvements in knowledge, understanding, organisational alignment, confidence and expected ability to impact on outcomes for children.

	BEFORE	AFTER
Understanding of quality framework & vision	Low (18%)	High (100%)
Confidence	Low (30%)	High (95%)
Knowledge	Low (20%)	High (100%)
Impact on ability to deliver	n/a	High (100%)

Impact

It is too early to report on the impact in relation to the progress of children in the early years. However, the impact on the team of executives involved in the initiative:

- 6 remained in the core business, with a new role for quality;
- 8 created two new social enterprises delivering quality support services to early years settings;
- 4 gained promotion or reallocation in the same organisation;
- 6 left the organisation;
- 2 became providers of early years education and care.

The Deputy Director of the City Council reported, 6 months after the completion of the programme: *‘We are delighted with the impact rezolvPS has had in transforming individuals and teams enabling them to deliver high performance and outcomes.’*