DESIGNING *WITH* THE BENEFICIARY:
An essential strategy to optimize impact

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"When you think of experts to help design, plan and execute big, infrastructure plans to prevent flooding, do informal settlers come to mind?" asks Rowena Amon, a community organizer in Manila, Philippines, an area increasingly plagued by destructive floods.[1]

The work of Amon and her fellow community members demonstrates that they are indeed experts in generating flood-control solutions. Through their process of creating a "People's Plan" for flood control, community members have been carefully tracking data on flooding impacts since 2001 and collectively crafting ideas for flood-control solutions, including solutions that will also help to catalyze new economic development and opportunity. With the pro bono support of six architecture and design firms in the Philippines Amon's team have turned community members' ideas into technically feasible plans.

Through this process, Amon explains, "[W]e have been able to engage hundreds of people and create a plan with ideas that the government could never have come up with on its own."[2]

"Ever since Typhoon Ondoy, typhoons have become stronger and stronger each year," explains Bella de la Rosa, a leader in one of the seven communities creating the People's Plan. "We understand the need to have our own plan and solutions to the issues confronting our community. Through the People's Plan, we established a vision for developing into a flood-free and sustainable community."[3] De la Rosa is the current president of her village's homeowners association.

In 2009, when their People's Plan work was already well underway, Amon, De la Rosa and their colleagues learned that several international aid agencies would be supporting the Philippines government to design and implement a "Flood

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[1] Amon R (2015) "Start With a People's Plan: Using participatory planning to identify alternatives for flood control and housing in the Philippines." *Back to Development: A Call for What Development Could Be*, International Accountability Project.

[2] *Ibid.*

[3] *Ibid.*

Management Master Plan." Amon explains that the proposed "Master Plan" calls for the development of eleven infrastructure projects in the Laguna de Bay region, as well as the displacement of 837,000 people —including the seven communities that have been working so hard on their People's Plan.

"The government has reportedly informed the World Bank and other donors that consultations are taking place with those affected. Yet our research [surveying our community members] suggests a different story," Amon says. "The national and local governments have not held consultations."[4]

A neighbor of De la Rosa, who chose to remain anonymous, explains, "We haven't experienced being consulted by the government because they think they are the only ones who are knowledgeable."

Amon and De la Rosa both emphatically assert that their concern is not about the aim of flood control itself. "[We] do not question the value of a stronger flood management control program," Amon explains. However, she adds, "We simply would like the government to recognize that we are experts in this process too… Our People's Plan demonstrates that we have vital perspectives and ideas to contribute to creating true development solutions."[5]

Amon and her community colleagues are not alone in taking this stance: In a 2015 global study, citizen research teams across eight countries in Asia, Africa and Latin America investigated people's experiences with aid and development projects.[6] The researchers found that a primary concern among those surveyed was the exclusion of their ideas and input from official planning processes. Globally, 83 percent of those surveyed reported that they had never been given the chance to propose ideas for the development projects from which they were intended to benefit. Of the few who were consulted, 85 percent believed their ideas or opinions were not incorporated into project plans. And 65 percent of the people surveyed had concrete ideas for ways that the design of the particular development project affecting their community could have been improved to better achieve its intended outcomes. Thousands of quotes and statements were collected that speak to these points, such as:

> They do not ask for your ideas; they just come and inform you.

> Poverty cannot be eliminated only by people who stay in their offices.

> They must accept that local people are aware of what they want and they must work with the communities' aspirations.

> Ending poverty should come from communities. They should not impose projects but should hear what communities think would end their poverty.

The exclusion of citizens from these planning processes raises a host of justice-based concerns. But there is also another, equally important problem here: This kind of

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[4] *Ibid.*

[5] *Ibid.*

[6] International Accountability Project (2015), *Back to Development: A Call for What Development Could Be.* Available at: http://www.mediafire.com/view/zw1g9k4wr83jr5v/IAP_FOR_WEB_R013.pdf

exclusion creates risk of sub-optimal design, missed opportunities for innovation, and unnecessarily high costs. In failing to capture citizens' ideas and insights, the implementers of these projects are losing what today's leading for-profit companies would see as a project's most valuable input—the ideas and ingenuity of its end-users.

This exclusionary approach stands in sharp contrast to what is now a central best practice in leading industries such as high-tech. In the last decade, there has been a major shift in the for-profit sector, as companies move away from a model in which products and services are created via closed-door, top-down, expert-biased processes (the "passive consumer model"), toward a model based on crowdsourced, open, user-driven strategies (the "engaged 'prosumer' model"), in which end-users both shape/create and consume products.[7] Companies have come to recognize that to secure and retain an edge with consumers, they must regularly *engage* those consumers to test assumptions, gain insights as to what consumers want, and co-create solutions together.

> Individuals today are highly connected and networked, sharing their experiences with products and services. They want to help design the value of the products and services they use, want an ongoing conversation with the companies they do business with and with one another, and want their voices heard.[8]

Increasingly, companies are in competition with one another to persuade customers not only to buy their products but also to *participate as contributors* in shaping and promoting the company's products and brand.[9] Hungry for innovative ideas that fit the market's needs, companies such as Google, LinkedIn and Etsy[10] are opening up their product design, branding, marketing, and even hiring processes to co-creation with their end-users. And it's not just tech companies; increasingly, firms as varied as Home Depot,[11] Bank of America[12] and NRG Energy[13] are reaching out to end-users as partners in enhancing company products and direction.

In hearing the story of Amon, De la Rosa and their communities, we became curious: Why is it that a leading company like Google would pay big bucks for the kind of end-user ideas embedded within the People's Plan, while Amon and her colleagues have to fight to persuade aid organizations to even open the document?

As Visiting Scholars at Stanford University's Global Projects Center, we are leading an interdisciplinary research initiative inspired by this question. Specifically, we are

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[7] Ritzer G, Dean P, Jurgenson N (2012) "The coming age of the prosumer." *American Behavioral Scientist* 56: 379–398.

[8] Ramaswamy V, Ozcan K (2014) *The Co-Creation Paradigm*, Stanford, CA: Stanford University Press.

[9] *Ibid.*

[10] Heimans J , Timms H (2014) "Understanding New Power." *Harvard Business Review,* December 2014.

[11] "Putting the Customer FIRST at Home Depot" (2010) Bloomberg Businessweek online, November 5th, 2010. Available at:
http://www.businessweek.com/managing/content/nov2010/ca2010114_996107.htm

[12] Hirsch S, Fraser J, Beckman S (2004) "Leveraging Business Value: How ROI Changes User Experience." *Adaptive Path Reports.* Available at: http://www.adaptivepath.com/uploads/documents/apr-005_businessvalue.pdf

[13] "Letter from David Crane, CEO of NRG," NRG Energy website, 2015. Available at:
http://www.nrg.com/about/what-we-are-about/ceo-letter/

seeking to understand: What has created the recent shift toward design with end-users in the for-profit sector? Is our perception that there is not yet a similar revolution occurring in the "for-impact sector" correct? (We define the for-impact sector as the formal investment of money and human resources for social good, including development aid agencies, philanthropic foundations, impact investment offices, non-profit organizations, and social ventures) If this same shift toward engaging end-users is not occurring in the for-impact sector, why not?

Through case studies with companies at the forefront of end-user engagement; literature review; and interviews with 40 diverse for-impact sector leaders from across various institutions and roles, illuminating answers have begun to emerge.

Why is the for-profit sector listening?

Although surveying customers for feedback and insight is not new, the past decade has seen a radical increase in investment for end-user engagement as well as an expansion in the scope and scale of these processes, toward engaging "people as active co-creators of value everywhere in the system."[14]   In our research we have sought to unpack the shift toward end-user engagement in the for-profit sector and to understand this sea change. Within a complex interplay of factors, our research identifies two clear, driving forces: 1) evidence of financial return; and (2) recent feasibility.

The data is in—! Listening yields financial returns

In recent decades, and particularly in the last five to ten years, industry studies have found that involving end-users in design processes yields significant financial return. In fact, a commonly referenced figure in industry articles on the topic is that "every dollar spent on [designing with end-users] brings in between $2 and $100."[15] Engaging end-users in design has been shown to enhance three specific drivers of higher profits: *innovation*, *quality*, and *capture of market share*.

Increased Innovation

It is increasingly clear that "non-experts" have a vital role to play in innovation processes. Studies have found that non-experts are better at coming up with new product ideas that have "more novelty value and customer benefit" than those created by professional engineers and designers,[16] as well as at identifying solutions to entrenched problems more successfully.[17] In addition to these findings, new research on crowdsourcing sheds light on why and how large groups of non-experts can generate valuable information. James Surowiecki's influential 2004 book, *The Wisdom*

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[14] Ramaswamy V (2009) "Co-Creation of Value – Towards an Expanded Paradigm of Value Creation." *Marketing Review St. Gallen*, December 2009, Volume 26, Issue 6, pp 11-17.

[15] Eckert P (2012) "Dollars And Sense: The Business Case For Investing In UI Design," *Fast Company* online*,* March 15th, 2012. Available at: http://www.fastcodesign.com/1669283/dollars-and-sense-the-business-case-for-investing-in-ui-design

[16] Poetz MK, Schreier M (2011) "The value of crowdsourcing: Can users really compete with professionals in generating new product ideas?" *Journal of Product Innovation Management* 29 (2) (2011): 245–256.

[17] Jeppesen LB, Lakhani KR (2010) "Marginality and Problem-Solving Effectiveness in Broadcast Search." *Organization Science,* 21 (2010): 1016-1033.

of Crowds: Why the Many are Smarter than the Few and How Collective Wisdom Shapes Business, Economies, Societies and Nations, demonstrates that the judgment of a crowd will be smarter than the judgment of "even the smartest expert" when several conditions are satisfied, particularly diversity of perspectives among the crowd. Why is the crowd "smarter"?

> At heart, the answer rests on a mathematical truism. If you ask a large enough group of diverse, independent people to make a prediction or estimate a probability, and then average those estimates, the errors each of them makes in coming up with an answer will cancel themselves out. Each person's guess, you might say, has two components: information and error. Subtract the error, and you're left with the information.[18]

As research on "non-expert" and "crowd" knowledge continues to expand, companies' have opened up design and other technical problem-solving processes to end-users. Doing so has become a scientifically justified strategy to increase the likelihood of finding the bright, new idea that will create a winning product.

Superior quality products

Diverse groups of end-users are not only excellent problem-solvers and idea-generators; such groups also demonstrate excellent performance in *selecting and improving the best options.[19]* This phenomenon is one basis for the growing practice among companies of engaging end-users in "prototyping," "user experience testing" (sometimes referred to in shorthand as "UX"), and various forms of engaging end-users in the product design process. Studies show that "[c]ompanies focusing on user-experience and user-interface design in product and application development create better solutions"[20] and that the quality resulting from robust end-user engagement in design "is an important product differentiator."[21]

A key finding in our research is that end-users add significant value when they not only help to generate initial ideas for new products, but when they are also engaged at multiple points throughout a design process of iterative discovery and feedback, acting as true thought partners with the company's designers and technical experts. Extensive research by Venkat Ramaswamy, a leading scholar on this topic, has found that surface-level attempts at end-user involvement do not result in the significant innovation, quality and financial returns generated by companies that truly embrace the "co-creation paradigm."[22] In articulating what co-creation *is not*, Ramaswamy points out that in firm-centric, non co-creative companies,

> [End-users] are researched, observed, segmented, targeted, marketed at and sold to by people from the firm, but they are not engaged in any deep,

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[18] Suroweicki J (2004) *The Wisdom of Crowds: Why the Many are Smarter than the Few and How Collective Wisdom Shapes Business, Economies, Societies and Nations.* New York, Random House.
[19] *Ibid.*
[20] Eckert P (2012) "Dollars And Sense: The Business Case For Investing In UI Design," *Fast Company* online, March 15th, 2012. Available at: http://www.fastcodesign.com/1669283/dollars-and-sense-the-business-case-for-investing-in-ui-design
[21] Ross J (2014) "The Business Value of User Experience." Briefing by Infragistics, Inc. Available at: http://d3.infragistics.com/wp-content/uploads/2014/01/The_Business_Value_of_User_Experience2.pdf
[22] Ramaswamy V, Ozcan K (2014) *The Co-Creation Paradigm*, Stanford, CA: Stanford University Press.

meaningful interaction with the firm, especially on their terms… The firm decides what the "touch points" are and how the relationship with the individual is defined. Individuals do not get to decide what they can share with the firm but instead must answer the questions asked of them at the focus group. They do not participate in the design of the product or service or program, but they are only presented with an offering designed for them by the firm… They are left with a yes-or-no decision… This firm-centric paradigm of the conventional enterprise has served us well for many years, but it is rapidly becoming outmoded.[23]

In other words, in order for end-user engagement to result in "opening up a whole new world of value," it requires moving beyond the one-off, focus-group approach, toward a model in which "products, services, and experiences are developed jointly by companies and their stakeholders."[24]

Capturing market share

Recent research in psychology and behavioral science demonstrates that engagement of end-users leads not only to new ideas and better products, but also to increased brand loyalty, customer retention, and active brand promotion by the end-users.[25] A 2010 *Forbes* article, "The Shift from CONsumers to PROsumers," summed up the trend: "Rather than simply 'consuming' products, people are becoming the voices of those products and significantly impacting the success or failure of companies, products, and brands, particularly through their involvement on the social web."[26] As one telling example, "At a 2014 social media conference, a VP at fast food chain Wendy's …said flatly: 'We do not own our brand.' That's a revolutionary shift from the way someone in his position would have spoken 30 years ago."[27]

This point is reaffirmed by the rapidly growing number of successful companies that exist solely to help other firms engage users in co-creative capacities (for example, the hundreds of companies tracked on the industry website crowdsourcing.org). These companies are building their success on the value proposition that "user-driven design isn't just about creating a great experience for your customers—it's also a smart business move."[28]

Increasingly, companies are seeing investment in user-driven design and co-creation not as just a "nice-to-have" add-on that may lead to better innovation, quality and capture of market share, but rather as an essential risk-mitigation strategy: "…[T]he losses mount quickly with an unsuccessful product. Complications caused by design

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[23] *Ibid.*

[24] *Ibid.*

[25] Ritzer G, Dean P, Jurgenson N (2012) "The coming age of the prosumer." *American Behavioral Scientist* 56: 379–398.

[26] Gunelius S (2010) "The Shift from CONsumers to PROsumers", Forbes online, July 3rd, 2010. Available at: http://www.forbes.com/sites/work-in-progress/2010/07/03/the-shift-from-consumers-to-prosumers/

[27] "Crowdsourcing 101," Chaordix website, viewed April 17th, 2015. http://www.chaordix.com/crowdsourcing-101/

[28] Summers B (2015) "Is User Experience Worth the Investment?" *UX News* blog, August 4th, 2015. Available at: https://www.usertesting.com/blog/2015/08/04/ux-investment-infographic/#disqus_thread

oversights have cost companies billions of dollars."[29] As Ramaswamy sums it up, "Co-creation is a productivity engine that can pay for itself many times over… In addition to the cost and efficiency benefits… co-creation also reduces business risk."[30]

Listening has never been more possible, at scale

Our research has found that it was not only new evidence of financial returns that sparked the for-profit sector's sea change toward user-driven design in the past decade. This shift was also catalyzed by three interlocking factors that increased the feasibility of end-user engagement: a crescendo in the *evolution of the methods* for designing with end-users; advent of *new tools* for engaging end-users at scale; and increasing *pressure from investors* to test assumptions with end-users.

Evolution of methods

Today's mainstream methods for designing with end-users to create better products have their roots in

> the restless and exhilarating days of the various social, political and civil rights movements of the 1960s and 1970s. People in many western societies demanded an increased say in the decisions that affected many different aspects of their lives. Some designers and design researchers participated very directly in these activities and some also responded by investigating how they might relate to their own practices.[31]

These shifting times gave birth to *participatory design* processes that emphasized active involvement of potential and current users of a system in its design. Participatory design was developed first in the for-impact sector—in contexts such as urban planning or public health—in which the engagement of end-users in the design process was motivated by democratization, equity and citizen empowerment.

The mid-twentieth century also saw application of participatory design approaches in engineering and for-profit product development, spurred by the pragmatic recognition by companies that greater interaction with end-users was leading to faster development of key ideas.[32] These pioneering efforts generated many of the design tools and techniques that have become standard practice across many

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[29] Eckert P (2012) "Dollars And Sense: The Business Case For Investing In UI Design," *Fast Company* online, March 15th, 2012. Available at: http://www.fastcodesign.com/1669283/dollars-and-sense-the-business-case-for-investing-in-ui-design

[30] Ramaswamy V, Ozcan K (2014) *The Co-Creation Paradigm*, Stanford, CA: Stanford University Press.
[31] Robertson T, Simonsen J (2012) "Challenges and Opportunities in Contemporary Participatory Design." Massachusetts Institute of Technology *DesignIssues*: Volume 28, Number 3 Summer 2012.
[32] Di Russo S (2012) "A Brief History of Design Thinking: How design thinking came to 'be'." I Think : I Design blog, June 8th, 2012. Available at:
https://ithinkidesign.wordpress.com/2012/06/08/a-brief-history-of-design-thinking-how-design-thinking-came-to-be/

industries today.[33]   Usability testing, mock-ups, prototyping and even role-playing became increasingly mainstream across the for-profit sector.[34]

In the late 1980s and 1990s, *user-centered design* became the new standard, emerging from breakthroughs in understanding the importance of "elevating users from guinea-pigs to co-developers of systems"[35] and engaging end-users' ideas and insights at multiple points in the design process. Global design firm IDEO's popularized brand of user-centered design, *Human-centered design* –which focuses on empathy with the end-user –became firmly established in the 2000s and remains central today.   As articulated by IDEO, this approach is a "deeply human process that taps into abilities we all have but [which] get overlooked by more conventional problem-solving practices. It relies on our ability to be intuitive, to recognize patterns, to construct ideas that are emotionally meaningful as well as functional, and to express ourselves through means beyond words or symbols."[36]   In short, human-centered design encourages practitioners to see and engage end-users as complex, insightful actors who play a critical role in determining how a new product or service can best add value to their lives, organizations and communities.

As it became clear that this approach to design was behind the success of many commercial goods, companies began employing a user-centered design approach in more and more contexts—from hardware, to user-interface systems, to user experiences, to corporate strategy, and even to enhancing the functioning of complex organizations and multi-stakeholder systems. "As design has moved further from the world of products, its tools have been adapted and extended into a distinct new discipline: design thinking."[37]

Design thinking is deeply rooted in human-centered design and has also been advanced by IDEO, as well as made famous by the success of superstar companies such as Apple espousing use of this approach.[38]   Design theorists point to the distinguishing feature of design thinking being its application of *mindset as method:* Design thinking requires its practitioners to let go of long-held preconceptions about the role of the designer and the end-user, and about how design processes should unfold. It requires a mindset that recognizes the end-user as partner, in a process of iterative discovery. Design thinking has now been adopted by diverse fields and actors throughout the for-profit sector.[39]

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[33] Robertson T, Simonsen J (2012) "Challenges and Opportunities in Contemporary Participatory Design." Massachusetts Institute of Technology *DesignIssues*: Volume 28, Number 3 Summer 2012.

[34] Di Russo S (2012) "A Brief History of Design Thinking: How design thinking came to 'be'." I Think : I Design blog, June 8th, 2012. Available at:
https://ithinkidesign.wordpress.com/2012/06/08/a-brief-history-of-design-thinking-how-design-thinking-came-to-be/

[35] *Ibid.*

[36] From http://www.ideo.com/about/ Visited April 15th, 2015.

[37] Brown T, Martin R (2015) "Design for Action." *Harvard Business Review,* September 2015.

[38] Cheng M (2014) "When Lean StartUp meets design thinking: lessons for social entrepnernuers." Virgin Unite blog, July 22nd, 2014. Available at: http://www.virgin.com/unite/entrepreneurship/when-lean-startup-meets-design-thinking-lessons-for-social-entrepreneurs

[39] Brown T, Martin R (2015) "Design for Action." *Harvard Business Review,* September 2015.

In sum, the rapid evolution of methods for engaging end-users in design and decision-making over the past half century has inspired a mindset shift and field of best practice.

Advent of new tools

Over the last decade engagement of end-users in design processes has taken off like wildfire across the for-profit sector, rapidly establishing itself as mainstream best practice. An important driver of the shift is the rise of "crowdsourcing", a term first coined in 2006 by Jeff Howe in *Wired* magazine:

> Simply defined, crowdsourcing represents the act of a company or institution taking a function once performed by employees and outsourcing it to an undefined (and generally large) network of people in the form of an open call . . . The crucial prerequisite is the use of the open call format and the large network of potential laborers.[40]

While varying definitions now exist, crowdsourcing is generally defined as an open call for anyone, or members of certain target groups, to take part in completing a task. The boom in crowdsourcing over the past decade has incentivized an array of new connective approaches that allow companies to source information from or delegate tasks to individuals distributed across the world. Crowdsourcing has become a principal means to enable co-creative engagement with end-users *at scale*.

As the desire to engage end-users in co-creation has grown, so has the diversity and range of crowdsourcing: "Crowdfunding" efforts allow individuals to select to be end-users by investing in a shared goal. "Distributed knowledge" platforms engage end-users as reporters contributing information to a shared knowledge-hub, such as posting geographic coordinates or ratings regarding to product use. "Crowd creativity" and "open innovation" tools allow end-users to be innovators contributing ideas toward a shared problem, challenge or opportunity.

The popularity of crowdsourcing as well as the exponential growth in connective technologies has seeded diversity in forms of end-user engagement as well as changed the paradigm for the scope, scale and ease at which such processes are possible. "The digital age is revolutionizing innovation and marketing. The advent of a mobile, global, social world has given consumers the tools to honor the human needs to participate and make a difference and take ownership of brands in the process."[41]

Investment has shifted standards

In the past decade, the Lean StartUp methodology, first set out by Eric Ries, has contributed to the revolution in how we think about bringing new products and services to market.[42] Ries's 2011 book *The Lean Startup*: *How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses* debuted at number

[40] Howe J (2006) "The Rise of Crowdsourcing." *Wired*, June 2006.

[41] "Crowdsourcing 101," Chaordix website, viewed April 17th, 2015.
http://www.chaordix.com/crowdsourcing-101/

[42] Blank S (2013) "Why the Lean Start-Up Changes Everything." *Harvard Business Review,* May 2013.

two on the *New York Times* Best Seller List and immediately became a must-read for entrepreneurs. One of Ries's key recommendations is that startups rigorously test their ideas with end-users, from the very start. Rather than allowing closed-door processes and massive investment in launching new products before seeing whether people will want those products, the book advocates early testing of ideas, in "minimal viable prototype" form. Woven throughout Ries's argument is the concept that end-users must be partners in this prototyping process from the outset.[43]

> Lean StartUp's principles are as simple as they are profound: don't wait for perfection when creating something new, just get a 'minimum viable product' (the most basic workable version) in front of a customer as quickly as you can. Get customer feedback based on actual observed market behavior ('customer validation') then continually iterate your product and market strategy ('persist, pivot or kill') based on that feedback until you hone in on exactly what customers want.
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> To generations of start-up entrepreneurs reared on the classic approach of traditional business schools (which might be caricatured as: 'guess what your customers want. Write a five-year business plan which you commit to unswervingly. Raise a bucket load of cash. Spend the money, and pray that your strategy comes right first time'), Ries's approach came as an epiphany. You mean you're supposed to adapt the business plan continuously? That the customer is actually the most important person to speak to? This was intoxicating, radical stuff.[44]

This common sense approach has influenced investors as much as it is entrepreneurs.[45] Being able to prove through evidence-based testing that an entrepreneur understands and can provide what their customer wants is becoming a prerequisite to raising investment rounds. For today's savvy investors, robust user-testing is increasingly seen as a basic part of the proof-of-concept, due diligence, and in some cases "de-risking" required for investment. Investors increasingly expect to provide early stage funding to enable such proof-of-concept work. In this way, investors are creating new incentives and resources for companies to engage end-users in depth and at scale in shaping the company's direction and products.

Is the for-impact sector listening?

Design with end-users is now mainstream and growing in scope and form across the for-profit community. But is this same shift occurring in the for-impact sector? Is the experience of Amon, De la Rosa and their communities indeed emblematic of a systemic exclusion of end-users from the design processes of for-impact products and services?

To begin exploring this question, we drew inspiration from design thinking and the Lean StartUp approach to inform our research methodology. We created a "prototype"

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[43] Ries E (2001) *The Lean Startup*, New York, Crown Business.

[44] Cheng M (2014) "When Lean StartUp meets design thinking: lessons for social entrepnernuers." Virgin Unite blog, July 22nd, 2014. Available at: http://www.virgin.com/unite/entrepreneurship/when-lean-startup-meets-design-thinking-lessons-for-social-entrepreneurs

[45] Blank S (2013) "Why the Lean Start-Up Changes Everything." *Harvard Business Review,* May 2013.

of our early assumptions regarding this inquiry and tested it with "end-users." By viewing our research ideas and conclusions as a "product," we created a research methodology that blended traditional research methods with cutting-edge best practice for optimizing a product's utility and uptake through co-creative engagement with those for which it is being designed. To identify our end-users, we chose to focus on a specific 'target market': *financiers of for-impact work* (particularly development aid agencies, philanthropic foundations, and impact investment offices). This choice was informed by our observation that in for the for-profit sector, the catalyst for widespread uptake of user-driven design approaches was the realization on the part of investors that such processes were essential to sparking innovation and increased the likelihood of financial success. The financiers of for-impact work should thus be able to play a similarly catalytic role.

We began our interviews with research questions that did not reveal any information about our hypothesis or interest. We asked interviewees about the work of their organization and how the organization formed and decided its priorities and programs. Part way through the interview, we shifted and asked each interviewee to engage with us in a process of prototyping our "minimal viable thesis." We asked for their frank reactions and insight on the validity of our thesis and suggestions for how to make the analysis more accurate and ultimately more useful to understand how to best enhance the work of their organization.

Our initial line of questioning produced striking responses: of the for-impact actors, only two reported that their organizations had any formal mechanism for engaging end-users in design and decision-making processes. "Staff and board [members] make the decisions about grant areas with input from members of our investment committee," was one response that is emblematic of what was conveyed by the majority of interviewees. Most reported having systematic, multi-stakeholder processes for determining investment decisions and program priorities, but end-users were not mentioned among those stakeholders. For example, in a representative response, the interviewee explained, "Most often it's donors, staff, and staff of other foundations who are included in this discussion. Sometimes highly regarded current grantees are consulted, or people working in the field who are highly regarded."

While we interviewed only three for-profit entrepreneurs, all three reported rigorous institutional procedures for engaging end-users to shape products and company direction. The diversity of our small sample of for-profit actors makes this striking— the interviewees included a co-founder of a global technology company, a branch manager of a leading regional commercial bank in Central and West Africa, and the principal of a resident-centered architectural design firm in the U.S. The for-profit responses to our question of how their company decided upon company products and priorities included:

> To set design, we do it as a team. We interview workers who perform best and people inside our marketplace to see what people like and don't like. We do in-person interviews, phone interview, and surveys, with different degrees of surveys for different levels of engagement that people are up for.

> Our bank tries to differentiate itself by rigorously testing with customers possible products and only moving forward with products that people really want.

> We view our work as working for our client and our 'client's client'—i.e., the end-users.

With no prompting, end-users appeared in the responses of for-profit actors, while they were noticeably absent from the responses from diverse actors across the for-impact sector. It is interesting to note that when we did ask directly about end-user engagement, many of the for-impact actors shared one-off experiences in which their organization had indeed engaged end-users to inform a decision or program. These incidents of end-user engagement were referenced across the board as highly productive, positive experiences. As one respondent said in sharing about an outreach process with large numbers of end-users, "This was the highlight of my entire time with [my organization]. It not only provided good outcomes and a much clearer internal definition of what we were aiming for, but it was also incredibly moving and connecting."

Most of the for-impact actors responded to questions about end-user engagement with statements reflecting that this is something they want their organization and sector to do more of, and something they feel would be of value to their work. However, several pushed back with doubt as to the feasibility of engaging end-users, due to issues of both political and technical feasibility. As one interviewee said, "Engaging the [ultimate beneficiaries] of these huge investments often feels 99 percent out of the question." Our interviews showed striking consistency in end-users being excluded from for-impact organizations' design and decision-making processes.

In our literature review, we found very limited existing research on this topic, but what we did find affirmed that our interview data is not an aberration. A telling example was described in a recent blog post on the website of the corporate foundation of Virgin, a grant-making and social enterprise lender called Virgin Unite. The blog is a guest post by Mark Cheng, the UK Director of Ashoka, one of the leading global social entrepreneurship foundations. Cheng comments:

> I've met many bright [social enterprise] founders bringing a fantastic product to market that could transform the lives of millions of people living at the base-of-the-pyramid. Solar lanterns, water purifiers, clean cook-stoves, water-free toilets, drip irrigation systems – the list is long and impressive.

> But how many actually met their customers before they built a product and went off to sell them? Depressingly few.

> I remember one enterprise that distributed affordable eye-glasses to impoverished rural kids in India. It would have made a huge difference to their education. Yet a surprising number of the glasses were broken or 'lost' very quickly. Why? Because the (early versions) of the glasses were just plain ugly. It turns out children at the base-of-the-pyramid are the same as kids all over the

world – they care how they look in front of their peers. Design thinking would
have found that out quickly.[46]

Cheng's example makes painfully clear the waste, misguided investment dollars and missed opportunities for positive impact that can result from failure to design with the end-user. He also makes clear that only "depressingly few" of the many for-impact entrepreneurs and advocates with which he has worked are exceptions to this rule. In other words, it seems the answer to our question is that the for-impact sector is indeed systematically failing to listen to its end-users. But why?

Why is the for-impact sector failing to listen?

To answer this question, we engaged our interviewees in "prototyping" our problem analysis that the for-impact sector is failing to adopt the kind of co-creative engagement of end-users now spreading rapidly in the for-profit sector. Rich discussions resulted, with profound insights on the forces shaping our sector. Here we want to emphasize an important point:

In 100 percent of our interviews, the interviewees responded with positive enthusiasm for this framing and problem analysis, affirming that the issue of how we engage end-users in shaping design and strategy is one of the most important areas for reform and improvement of the for-impact sector. Many interviewees pointed to ways that his or her foundation, non-profit organization, aid agency, or impact investment office was already starting to grapple with this issue. Some shared about experimental new pilot initiatives. Interestingly, the vast majority also shared that they were not aware before of the trend toward end-user engagement in the for-profit world and expressed interest to learn more.

As we engaged each interviewee in a "prototyping" and discovery process to unpack why a shift toward end-user co-creation has been slower to occur in the for-impact sector, interviewees responded with insightful analysis, self-reflection, and bold systematic critiques. The analysis we present here is thus deeply informed by our interviewees' collective insights, and their willingness to be self-critical of their own roles, organizations and the system as well as historical context in which they operate.

As authors of this article, as well as dedicated practitioners in the for-impact space for over a decade, our intent with this research is not to stand aside and critique the for-impact sector. To the contrary, we share the insights generated through our co-creative research process because we believe they reveal vital opportunities to reform our sector toward better outcomes that all of us desire.

Across the wide variety of for-impact institutions and actors represented by our interviewees, a number of common themes emerged. These centered on two systemic phenomena that seem to be occurring across the for-impact sector, which we refer to as *end-user exclusion* and *consolidation of influence*.

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[46] Cheng M (2014) "When Lean StartUp meets design thinking: lessons for social entreprnernuers." Virgin Unite blog, July 22nd, 2014. Available at: http://www.virgin.com/unite/entrepreneurship/when-lean-startup-meets-design-thinking-lessons-for-social-entrepreneurs

End-user exclusion

We define end-user exclusion as the systemic leaving out, blocking, or ignoring of input from the people whom for-impact initiatives are intended to benefit. As discussed above, our interviewees' descriptions of their organizations' decision-making processes make it clear that end-user exclusion is indeed prevalent across the for-impact sector. In "prototyping" our problem analysis, all of the interviewees confirmed that they see this as a real phenomenon in the for-impact sector, even if they had not previously had the vocabulary to describe it. As one interviewee noted,

> Our organization's existence relied on satisfying investor and donor demands. There was no built-in mechanism to include end-users in a meaningful way. While we would sometimes solicit feedback from the business leaders we invested in, we rarely reached the farmers or artisans we were ultimately serving. The culture divide was too great and the incentive to do that difficult work was not there.

When we asked interviewees to share their analyses as to why this exclusion is occurring, they pointed to a number of "broken incentives" in how the for-impact sector operates, which drive for-impact entrepreneurs and advocates to respond to donors/investors but not to end-users. It is beyond the scope of this article to enumerate the multiple broken incentives identified by our research, but there is one that is important to address here:

One of the most commonly cited broken incentives is the fact that there is not yet a regular practice among for-impact funders of preliminary investment to "get the idea right" before programs and services are expected to be functioning and generating impact. There is also very little consideration of co-creative engagement with end-users as part of "getting the idea right". This stands in sharp contrast to the for-profit sector, where, as discussed above, early-stage investors commonly provide seed funding for "proof-of-concept" cycles and user-engagement in prototyping.

The lack of resources for end-user engagement was mentioned in over one third of the interviews. The following quotes illustrate common points made on this topic:

> It's very hard for non-profits to do [end-user engagement in design processes] because they don't have the funding to do it. People might say it doesn't cost that much, but time costs money for NGO leaders.

> Everyone wants to take a risk that doesn't fail. We have to start to fund uncertainty.

> Compensating field experts? Compensating at all? This does not happen currently. Foundations ask people for their ideas but there is no budget or formal protocol for doing so.

> One [leverage point for change] is resources—the kind of seed capital and proof-of-concept investment that we see in the for-profit sector.

All interviewees who mentioned this factor emphasized that the phenomenon of end-user exclusion is driven by multiple, complex factors beyond just lack of funding. Interviewees also pointed out that end-user exclusion is not merely an issue at the

project-level of designing specific programs, campaigns or initiatives. Instead, many pointed out that the exclusion starts in the higher-level processes of setting priorities for whole organizations, agencies or even fields. This leads us to the second phenomenon: consolidation of influence.

Consolidation of influence

We define consolidation of influence as a persistent monopoly on decision-making power and designer authority when it comes to crafting the 'agenda' of impact. In almost half of the interviews, interviewees noted that the various broken incentives of the for-impact system result in there being only two parties at the table for discussions of impact agenda-setting: donors/investors and entrepreneurs/advocates (such as executive directors or program staff). Beyond the fact that end-users are excluded, many further mentioned that within the two-party dialogue, donors/investors wield the majority of the influence. The following quotes demonstrate the types of analyses shared on this topic:

> The real power brokers in the for-impact world are the board members as well as the philanthropists… There's a huge need there to create solidarity and equity… to make sure money is distributed more equitably …and goes to what people need.

> I think this is often due to power and control. The foundations see themselves as the agents of social change. And they have their strategic plan, and then they just want to see people carry it out.

> NGOs try to fit it in to what we do at [our funding agency]. It's like a bidding process.

> How can we flip the current dynamic so that foundations think innovative ideas are out there—and then our job is to find them.

> We need to shift away from the current model in which entrepreneurs must match the gestalt [created by donors], so that we can flip this.

An outdated mindset

Perhaps the most striking trend of all the interview data was that 84 percent of interviewees brought up the topic of *mindset*—and how the for-impact sector is operating with a sector-wide mindset that makes design with end-users appear to be impossible. Of the many quotes on this topic, the following are excellent examples of the points raised by so many interviewees:

> There is a problem in that our sector is focused on: how can we get the community to talk to us? But the bigger question is: How can we trust the community, and how can we truly believe that the community is just as smart as us? We have been trained… to think that we are smarter than the community. We have to un-train ourselves from this mentality… I think every [for-impact professional] needs to do a 12-step program to unlearn what we have been trained!

> How do we create leverage points? I see two key factors: Resources—the kind of seed capital and proof-of-concept investment that we see in the for-profit sector. But also mindset—we have to recognize that the problem is not just resources or not just risk-aversion on the part of funders. People within the sector are also very rigid, with stubborn ideas about what creates impact. They are sure they know… [and] don't need to test their assumptions.
>
> In the for-impact sector, we still believe and assume that we know about people.

The widespread recognition of a sector-wide mindset as an obstacle to end-user inclusion spurred us to investigate how this mindset originated and why it persists. We broadened our literature review to include an in-depth historical analysis of the origins of the for-impact sector and found that the answer is in large part a history lesson.

We focused our historical analysis on the United States because of its influential role in creating and continuing to shape the for-impact sector. Although historians and social scientists differ in their views of the U.S.'s role in the rise of a "third sector"(the non-profit segment of the private sector), many agree that "in its size and diversity the nonprofit world is uniquely American; it stems from a deeply ingrained American habit of forming voluntary associations whenever a purpose might be achieved through joint action."[47] Some trace its origins to the large numbers of citizens forming "voluntary associations" in the early republic.[48]

Our research places the birth of the US for-impact sector in the late 1800s when civil society was acknowledged as a viable and convenient method for the delivery of social welfare in the evolution of the American concept of self-governance. Philanthropy simultaneously emerged as the elite's response to the extreme inequality of the Gilded Age. Players such as Rockefeller and Carnegie established the first large-scale, formal foundations and spurred the development of a sector that came to see the quest of 'doing good' as a profession with its own science, community of practice, famed experts, and acting bodies. [49] This generated a professionalization of 'doing good *for* others' and at a scale attracting millions of dollars in investment. The sector was further established in the mid-20th century with the advent of "development" as a way to mitigate Europe's colonial legacy while justifying American expansion across the globe.[50]

The twin legacies of *colonization*—a quest promoted and justified through the first half of the twentieth century as an effort to 'civilize' regions "inhabited by peoples not yet able to stand by themselves under the strenuous conditions of the modern world"[51]—and early *philanthropy* –Gilded Age elites giving to the 'less fortunate' poor

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[47] Gardner J (1981) *Self-Renewal: The Individual and the Innovative Society,* p. xvi. New York, London, WW Norton & Company.

[48] Doyle W (2009) *Aristocracy and its enemies in the age of revolution*. Oxford University Press.

[49] Hall PD (2006) "A Historical Overview of Philanthropy, Voluntary Associations, and Nonprofit Organizations in the United states, 1600-2000." *The Nonprofit Sector: A Research Handbook*, edited by W Powell & R Steinberg, Yale University Press.

[50] Rist G (2008) The History of Development: From Western Origins to Global Faith (third edition). London, Zed Books.

[51] Article 22, The Covenant of the League of Nations, 1919. Available at: http://avalon.law.yale.edu/20th_century/leagcov.asp

–are inseparable from the roots of the for-impact sector. And, they have a very real effect on how 'impact' continues to be delivered today.

In the for-impact industry, 'doing good' is still largely perceived as the actions of the 'more fortunate' visited upon the 'less fortunate'. It is generally accepted as a *one-way* flow of resources, whether information, technologies, services, human-power, or investment. The sector is built upon an underlying assumption that some have the privilege to help, while others are relegated to being helped.

Early for-impact actors borrowed from the frames of the time to establish ways of doing business. From government they adopted a managerial, institutional ethos based in representational governance. From the for-profit sector they took on exclusivist, competitive professionalism as well as industrial era specialization. From the citizen elite, still strongly influenced by European notions of *noblesse oblige*, they embraced discretion, authority, confidentiality, and resource consolidation. From the zeitgeist of the time—a century in which women were not seen as fit for public life, African-Americans were viewed as less 'human', and landownership was still a barrier of entry in some affairs—they extrapolated that only some were fit to participate. This set of operating methods for impact creation was further entrenched by Social Darwinism and colonialism, both influential schools of thought at the time.

Our interviewees' responses suggest that there is still an entrenched 'belief system' alive today within the for-impact sector that holds that only certain groups of people (with certain kinds of education, privilege and access) have legitimate expertise and are capable of generating smart solutions. As one of our interviewees observed:

> I think that resources and power have always been conflated. Even our earliest myths show that as humans…[we have a] cultural expectation that someone who has more things and access to more resources is somehow better than others or more powerful. [We may not be aware of this] but can still operate in ways that assume that they are smarter.

As a result, while the for-profit sector leverages the power of end-user knowledge, this is far from the case in the for-impact sector. Discrimination against and devaluation of certain forms of knowledge—and of the people who are experts in such forms of knowledge—perpetuates a power dynamic of investors, entrepreneurs, and advocates who assume they understand or 'know best' what the end-user wants or needs. As noted by one interviewee:

> We need a shift in culture: Maybe we should be more mission-agnostic--*ie,* not be so stubborn and egotistic about assuming we know what people want and what is the best way to deliver it.

The people with the most local knowledge of a problem may be asked to report on challenges or to check a box saying that they have been consulted, but are rarely asked in earnest for their ideas, insights and proposed solutions. When viewed in contrast to the modern for-profit sector's drive to rigorously test assumptions about what people want by involving end-users in design and in decision-making, this approach seems strikingly out of date. One interviewee summed up this comparison:

In the private sector, they are increasingly understanding the importance of the relationship between customer and company, to create trust. ...In the development and urban planning world, when people do talk about "engagement", they tend to feel negative about it and tend to feel that it is onerous but not very productive. And to be honest, the way that engagement normally happens these days, it is not very productive!

It is clear that for-profit operating methods have shifted dramatically since the Gilded Age. To run a company in 1890 was not at all what it was like to run a company in 1930 or 1950, let alone 2015. Yet replace a few key words from Victor Hugo's late 1800s speech at the banquet celebrating efforts to end slavery and the rhetoric could have just as easily been offered by a Gates Foundation representative at a 2015 gala celebrating attempts to 'eradicate poverty'. Similarly, if one assesses the institutional structure and decision-making processes of the League of Nations—an entity explicitly set up to manage colonies and the welfare of people "not yet able to stand up on their own in the rigors of the modern world," it is easy to recognize the blueprint of the modern-day structure and processes governing the World Bank Group. Why has the for-impact sector remained disproportionately mired in an outdated mindset and approach?

For-profit end-users are *vested with power*—the power to vote with their dollar, and thus ultimately to decide if companies thrive or cease to exist. For-profit entities thus have to respond and evolve in accordance with new demands and ethos among their customers or cease to exist. In the for-impact sector, we have not yet created any systematic way to vest end-users with power. They do not vote with their dollar. They certainly sometimes exercise their power in taking to the streets and mobilizing for reforms and change. But for-impact institutions' survival is not based on whether end-users want what these institutions are delivering. Locked in an echo chamber of entrepreneurs/advocates and donor/investors assumptions, the sector is buffered from actual demands and trends among end-users.

Lacking structural vesting of end-users with power, for-impact institutions have not been forced to update business-as-usual. Without pressure from end-users to change, stereotypes from the for-impact sector's historical origins, regarding those for whom the sector is designing impact, are allowed to persist. This environment encourages our sector's practitioners to regularly and unconsciously infantilize, dehumanize, ignore and even fear its end-users. These implicit mindset biases prevent the for-impact sector from seeking the end-users as true peers with expertise, even though the latest science demonstrates that their knowledge is essential for achieving quality, innovation, and optimized returns.

Comments from our interviewees, as well as insights from our historical analysis, led us to generate the following categories to describe how the sector has often approached its end-users:

Infantilization of the end-user: Infantilization of the end-user has a long history that is deeply rooted in colonized rhetoric. It is the mental creation of an 'underclass' of those 'less human', less fortunate, less advanced, underdeveloped, and impoverished. It assumes that certain peoples are more 'advanced' or professional and are therefore better equipped to shepherd others into progress and welfare. Trapped within a

continuing evolution of this narrative, generations of for-impact professionals have not sought out end-user partnership in designing solutions because they perceived them to lack the information, perspective, or education to know what was best for them.

Dehumanization of the end-user: The for-impact sector has grouped intended beneficiaries of impact into a homogenous crowd for a century, making it harder to hear their individual voices, critiques, ideas, and desires.   With the advent of international development in the mid 20th century, diverse national cultures and identities were grouped into the broad category of "underdeveloped" and then later "developing." With this nomenclature, enormously diverse countries, cultures and national contexts were suddenly grouped together and simply seen as belonging to the "underdeveloped world." Similarly, as a majority of the world's human population was declared to be living in poverty, the perception of their right to engage as equals with the "developed" few was diminished.   In telling the story of social impact, peoples and cultures have been dehumanized and replaced with a collective, exotic "other" for whom it is more difficult to feel empathy or relate. In line with the early practices of anthropology—originally defined as the practice of observing the uniform "native" populations of the world—it has become seen as best practice to observe and extrapolate, collect data and plan, rather than converse and get to know.

Fear of the end-user: The crowd of end-users has also been regarded as a massive, semi-homogenous proletariat and a "voice" criticizing power-holders. It is as though the for-impact sector is threatened by the size of the tidal wave the crowd could create as well as by the fact that the more "human" and individualized it becomes, the more convincing it might be of alternative methods. In these moments participation has often been forcibly blocked and beneficiary-led agendas thwarted.

Ignoring the end-user: Because for-impact agendas have not been designed from the beginning with beneficiaries, engaging with the end-user is perceived to be stressful, costly, and logistically taxing. For-impact professionals don't often know where to "fit" the ideas or how to take action on input. Ideas are commonly ignored—either implicitly or explicitly—and potential channels for participation blocked.

We should note that as hard-won battles over participation and access required that for-impact actors engage end-users or affected populations in the implementation of impact—particularly at the development banks, it has been necessary and also fashionable to *appear* very in touch with the end-user. However, often these consultation efforts consist merely of "checking the participation box" without authentic consultation, or truly building design processes that begin with and respond to end-user ideas.

Our interviews and historical analysis suggest an underlying colonized mindset persisting across the for-impact sector, which is resulting in end-user exclusion and consolidation of influence. We should not underestimate the power of mindset in determining which methods are deemed acceptable and advantageous. After all, in the for-profit sector, it was the shift in mindset inspired by design thinking that was one of the critical ingredients for the sector's revolution in end-user inclusion. What will it take to spark a similar revolution in the for-impact sector?

What will it take to listen?

As we saw in the case of the for-profit sector, a combination of evidence of financial return and implementation feasibility enabled a user-driven revolution to take off. What will it take to nurture such a revolution in the for-impact sector? We believe that enabling this shift will require three key ingredients: 1) investment to shift standards; 2) use of the tools and translation of the methods; and 3) shifting the mindset.

Investment to shift standards

Our research affirms interviewees' observations that donor/investors in the for-impact sector are uniquely positioned to catalyze the practice of user-driven design. A particularly thoughtful exploration of this possibility, and the concrete steps that can be taken to enable end-user design of impact, was recently put forth in *The Promise of Lean Experimentation,* by Ma and Murray.[52]

From our analysis, we note a subtle yet critically important point about the type of seed capital needed: Currently, there are some pools of philanthropic funding available analogous to the for-profit sector's seed capital (although such an approach is still relatively rare among for-impact financiers, and thus hard to access). While this type of funding can play an effective role, to truly resource a sector-wide practice of user-driven design of for-impact plans and programs, funding must be provided from the inception of an idea—from the point of testing initial assumptions and concepts, through to fine-tuning components of high-impact initiatives, and eventually, if appropriate, scaling. To bring to life the kind of revolution we are talking about, such funding must be the *status quo.*

Often, our sector sees seed capital as serving to enhance successful ideas locally or to take them to scale—*i.e.,* to fund an inner-city program that is working well in Detroit and then help it scale to cities across the U.S. The problem is that this type of seed capital requires for-impact entrepreneurs to somehow magically come up with the winning idea that will immediately demonstrate impact. What we actually need is funding for *assumption-testing*—for the "MVP phase," to use Lean StartUp parlance of minimal viable product. After assumptions have been tested and end-users have helped hone the idea, a program can launch with confidence. We could then anticipate impact returns within a realistic, agreed-upon timescale, and at that point, if appropriate, provide additional seed capital to bring the idea to scale. Resources must continue to be invested in co-creative engagement with end-users *throughout the cycle of a project*—including in evaluation and learning. As Ramaswamy says of the co-creation paradigm, the greatest benefits are reaped when we "engage people as active co-creators of value everywhere in the system."[53]

Currently, it is this very early, MVP phase that is so severely under-funded. This situation generates pressure for entrepreneurs and advocates to appear to know what end-users want and to be generating impact at the local scale immediately, even if it

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[52] Murray P, Ma S (2015) "The Promise of Lean Experimentation." *Stanford Social Innovation Review,* Summer 2015.

[53] Ramaswamy V, Ozcan K (2014) *The Co-Creation Paradigm*, Stanford, CA: Stanford University Press.

requires manipulating the data to do so. In short, the situation drives a cycle of entirely skipping stage one (assumptions-testing); pretending to be at stage two (observed trial success and perfecting the initiative), and then hustling to get to stage three (scale).

As discussed above, interviewees acknowledge a lack of resources for user-driven design work. How can investors help to make this a regular practice rather than a near-impossible one? Our interviewees had ideas for how such a shift can occur, including:

> Funders should support some sort of proof or demonstration of citizen demand and constituency-backing, before fully funding a proposed initiative--i.e., social capital base validation.

> [W]e first give general operating support and then we engage on co-design. That is how you create equal power and real negotiation. They already have the resources and your commitment. This means you invest in a better process— you bolster the infrastructure needed for a great community-driven design process.

Our interviewees expressed clear ideas for catalytic roles that for-impact financiers can play—and they conveyed enthusiasm for these ideas. Multiple interviewees pointed out that it is often the smaller foundations, small family offices and "hungry start-ups of the foundation world" (i.e., foundations that must fundraise their budgets every year rather than just sourcing them from an endowment) that are most willing to experiment in this realm. Could these actors be the venture capital catalyst of the for-impact sector?

Some readers may object to our assessment that pre-implementation phases of the for-impact project cycle are under-funded, citing the fact that development banks and other large, institutional for-impact financiers invest millions in upfront feasibility, due diligence, and citizen engagement processes that require consultation with end-users. While this is true, these processes tend to fall squarely in the "firm-centric" paradigm articulated by Ramaswamy, in which end-users are presented only with a "yes-or-no, take-it-or-leave-it" decision, at very limited "touch-points" in the process pre-determined by "the firm." In other words, in many segments of the for-impact sector, significant financial resources are indeed being invested in front-end processes, but these processes are not functioning to truly engage end-users in co-creative design processes.[54]

Use the tools and translate the methods

With the advances in crowdsourcing, connective technologies, as well as sophisticated methodologies for offline, in-person end-user engagement, we have an amazing array of tools at our disposal, ready to enable the for-impact sector to engage in user-driven design at scale. Many of these tools are already being adapted for contexts of for-impact work—with leading examples such as Open IDEO's platform for for-impact design challenges at IDEO.org; Textizen's SMS-based tools for gathering input and

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[54] *Ibid.*

mobilizing end-users to attend design and planning sessions; Concordia design firm's fine-tuned processes for community-led, resident-centered design; and many more.

The for-profit sector is currently far ahead in implementing widespread end-user inclusion, and it could be tempting to simply lift the tools that are working and drop them into the for-impact sector. After all, the history of design theory documents that participatory approaches to design originated with for-impact actors in the 1960s.[55] Despite the availability of these methods, our literature review and interviews make it clear that simplistic cutting-and-pasting of "best practices" that work well in one context or industry and dropping them into a vastly different space can be highly problematic.

Several interviewees flagged concerns that crowdsourcing and tools of user-centered design could be applied in ways that undermine communities' collective decision-making processes or existing safeguards such as hard-won international legal protections for indigenous peoples' right to free, prior informed consent. As one interviewee cautioned, "Be careful because crowdsourcing … [can be] based on a very American, western, individualized idea of society." For-profit implementation of crowdsourcing methods often operate with a paradigm of individual consumer choices rather than collective, community decision-making.

And indeed, user-driven design processes for consumer products, such as a smart phone app, tend to engage people only in their individual capacities, as independently-acting consumers of a product that will exist for a relatively short timescale and with relatively minor possible negative impacts for end-users or others. In contrast, if a group of end-users is being engaged to design a new hydropower project or urban re-development plan, the timescale of the final product's duration is vastly greater, as are the potential negative impacts.

There are also complex leadership and organizational structures to account for among the end-users. For example, there may be government agencies at the national, regional and local levels; there may be civil society organizations, community organizations or indigenous groups with their own leadership and governance structures. Thus, it may not always be appropriate or effective to engage crowd-members only in their individual capacities; instead, the crowd and the process must be designed to respect and engage with these structures appropriately.

Thus, for the context of for-impact work, methods will need to be adapted and innovated to ensure that design processes are responsive to these conditions, and that they respect existing safeguards for communities' rights and decision-making authority.

Fortunately, as several of our interviewees pointed out, the for-impact sector already has among its actors a group with a strong record of innovating methods for participatory design: people's movements and community leaders. As one interviewee expressed:

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[55] Robertson T, Simonsen J (2012) "Challenges and Opportunities in Contemporary Participatory Design." Massachusetts Institute of Technology *DesignIssues*: Volume 28, Number 3 Summer 2012.

> I feel that user-centered design actually comes from community-organizing work and [has been present] in social movements for decades. These are methods that we developed—and that have been taken and packaged by the profit sector in a certain way. But user-centered design is first and foremost ours, from our movement. Global South groups have particularly sophisticated ways of doing this.

This quote uncovers a critically important point: To fully step into new methods in which we truly engage all actors in our for-impact universe as innovators, we cannot look to for-profit leaders as the only pioneers and our sector as simply riding on the coattails of this innovation. To decolonize our mindset, we must also remember that our sector's end-users are not just potential participants in funder- or entrepreneur-driven design processes; instead, they are thought leaders in their own right who are already innovating solutions that we may be long overdue in recognizing and learning from.

Shift the mindset

As society changes, so do consumers—and therefore shifting for-profit incentive structures correspond to changing times. If a company cannot get consumers to 'want' their products or services—or convince an investor that someday consumers *will* 'want' their inventions, the company will fold. The end-user is the deciding factor of success. As end-users changed their mindsets, so too did the mindset of the companies creating products and services for them. And as mindsets shifted, methods had to continue to be innovated in order to deliver promised services efficiently, as would be determined by the consumer.

In the for-impact sector, however, the end-user is not vested with the power to 'vote with their dollar' and thus the mindset has been slow to change, leading to the systemic phenomena of *end-user exclusion* and the *consolidation of influence*.

As articulated by Clark and Monk in their 2011 study of transplanting institutional innovations from one national context onto others, "[N]o institution, however idealized in terms of its form, can be implemented such that form and function trumps inherited traditions and established cultural practices."[56] Clark and Monk argue that innovation of methods must continue in order for the methods to work effectively in different operating environments: "...[T]o imagine that institutions can or should remain fixed in terms of their form and functions... would be to consign these institutions to failure (over the long term)."[57] At the same time, they find that operating environments may need to change and evolve as well, if they are fundamentally incompatible with the desired institutional mandate. "In other words, there are organizational workarounds in the short term... but in the long term the local environment will need to evolve such that the inputs for a successful... institution are readily available."[58]

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[56] Clark G, Monk A (2011) "Modernity, Imitation, and Performance: Sovereign Funds in the Gulf." White paper, March 2nd, 2011. Available at SSRN: http://ssrn.com/abstract=1775353
[57] *Ibid.*
[58] *Ibid.*

We argue that the current mindset of the for-impact sector can be understood as a form of the "inherited traditions" and "established cultural practices" that Clark and Monk found to be decisive in determining whether an institutional model lifted from another context actually achieves its mandate or simply serves as a hollow symbol of a desire to step toward "modernity."[59] In other words, if we as a sector do not adequately recognize and respond to the colonized mindset as a powerful factor of our "operating environment," any attempts to apply inclusive methods and tools for designing with end-users will ring hollow.

By uncovering the inherited mindset of the for-impact sector, we are faced with an opportunity to choose whether or not to continue with 'business as usual'. We challenge our sector to ask itself: will a mindset that assumes that eighty percent of the world's ideas, ingenuity, and insight is of low or lesser value ever be able to create an operating environment in which we can effectively employ user-driven design at scale? If not, is it worth it to change? In other words, do we believe systemic engagement with end-users is going to generate social welfare returns as high as the profit returns reaped when for-profit actors listen to their end-users?

From our research to date, we firmly believe the answer is yes. Furthermore, we believe we have an opportunity as a sector to innovate on what it looks like to provide seed investment without controlling the agenda of the entity being invested in—in contrast to the for-profit sector in which such seed funding often happens in the form of a trade for equity. The for-impact sector is well positioned to step into a leading role for both innovation and widespread use of methods in co-creative design with end-users. We therefore encourage the for-impact sector to invest the effort, resources, and time needed to shift this inherited mindset and unlock the untapped innovation waiting.

Since the for-impact sector's structure does not inherently vest end-users with power similar to that of the consumer, impact actors must work together to create the initial conditions for end-user engagement. We argue that the dual force of philanthropic investment in seed funding to test assumptions and designs with the end-user, combined with the translation of crowdsourcing tools to be applicable in for-impact use, will be the catalyst needed. Once for-impact actors are in regular conversation, partnership, and relationship with their end-user community, the results themselves will cause the rest of the mindset to rapidly deconstruct. Our mindset will come to model our methods, creating fertile conditions for future methodological innovation with the changing times.

Unprecedented crossroads

Across both the for-profit and for-impact sectors, we are arriving at perhaps an unprecedented crossroads, in which the quantitative science, the business case and the moral imperative are, for once, all aligned and pointing to the same conclusion: When we apply a mindset and set of methods that assumes certain groups of people can solve problems while others are capable only of sitting on the sidelines, we doom our endeavors to sub-optimal results.

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[59] *Ibid.*

In the for-profit sector, failure to recognize this reality is increasingly generating risks for a company's bottom line. In the realm of for-impact work, this fallacy is having very real—and even dire—consequences for the lives and well being of many, many people with whom we share this planet. For this reason, we believe that the for-impact sector is in urgent need of a reformation—a sort of evidence-based civil rights movement, asserting the equal capacity of all people to be problem-solvers, experts, innovators, and dreamers.

Speaking from her community in the Philippines, Ms. Amon said it best: "What we are asking for is a meaningful conversation …[that] recognizes that local people are also experts."