

Developing Design Capability in Nonprofit Organizations

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Introduction

Design activities have been established as contributors to organizational success and key to remaining competitive and strategic.¹ Despite growing attention in this area, there remains little consensus on how design can be used in various organizational contexts.² Furthermore, although the strategic role of design has seen some discussion,³ this is rarely in relation to the specific outcomes desired by design-oriented organizations. Among the contexts of for-profit, nonprofit, and public sector organizations, these outcomes can be broadly defined by their economic and social viability.⁴

Numerous cases detail tangible design-led outcomes in the context of public and for-profit organizations.⁵ Among these examples, fostering design as an organizational capability can be observed as a prominent approach for realizing outcomes.⁶ Approaches for fostering design as an organizational capability in the for-profit and public sectors exist,⁷ but in the context of the nonprofit sector, the role of design remains ill-defined. Indeed, nonprofit organizations, which feature motivations that are present in both public and for-profit companies, are generally overlooked in the context of design research.

This article seeks to investigate how a nonprofit organization can foster an organizational design capability. Under this line of inquiry, a longitudinal action research study conducted on one of Australia's largest nonprofit aged-care providers is presented, and we explore the organization's barriers and journey in fostering design capability. This article contributes the nonprofit design ladder—a framework for building design capability in nonprofit organizations.

The article proceeds as follows. First, relevant literature is reviewed, introducing the various objectives for design in a business context. Second, the primary research problem is described, and the research design is outlined. Third, the case study and research journey are introduced. Fourth, the findings of the study

- 1 Bulent Menguc, Seigyoung Auh, and Peter Yannopoulos, "Customer and Supplier Involvement in Design: The Moderating Role of Incremental and Radical Innovation Capability," *Journal of Product Innovation Management* 31, no. 2 (2014): 313–28; Charles H. Noble, "On Elevating Strategic Design Research," *Journal of Product Innovation Management* 28, no. 3 (2011): 389–93.
- 2 Richard Buchanan, "Worlds in the Making: Design, Management, and the Reform of Organizational Culture," *She Ji: The Journal of Design, Economics, and Innovation* 1, no. 1 (2015): 5–32; Tim Brown and Roger Martin, "Design for Action," *Harvard Business Review* 93, no. 9 (2015): 56–64.
- 3 Buchanan, "Worlds in the Making"; Roberto Verganti, *Design-Driven Innovation: Changing the Rules of Competition by Radically Innovating What Things Mean* (Boston: Harvard Business Press, 2009); Brown and Martin, "Design for Action."
- 4 Laurel R. Goulet, "Organizational Commitment across Three Sectors: Public, Non-Profit, and for Profit," *Public Personnel Management* 31, no. 2 (2002): 201–10.
- 5 Kees Dorst, *Frame Innovation: Create New Thinking by Design* (Cambridge, MA: MIT Press, 2015); UK Design Council, Danish Design Centre, Wales Design, and Aalto University, *Design for Public Good* (UK Design Council, 2013).
- 6 Paola Bertola and Jose C. Teixeira, "Design as a Knowledge Agent: How Design as a Knowledge Process Is Embedded into Organizations to Foster Innovation," *Design Studies* 24, no. 2 (2003): 181–94; Ulla M. Mutanen,

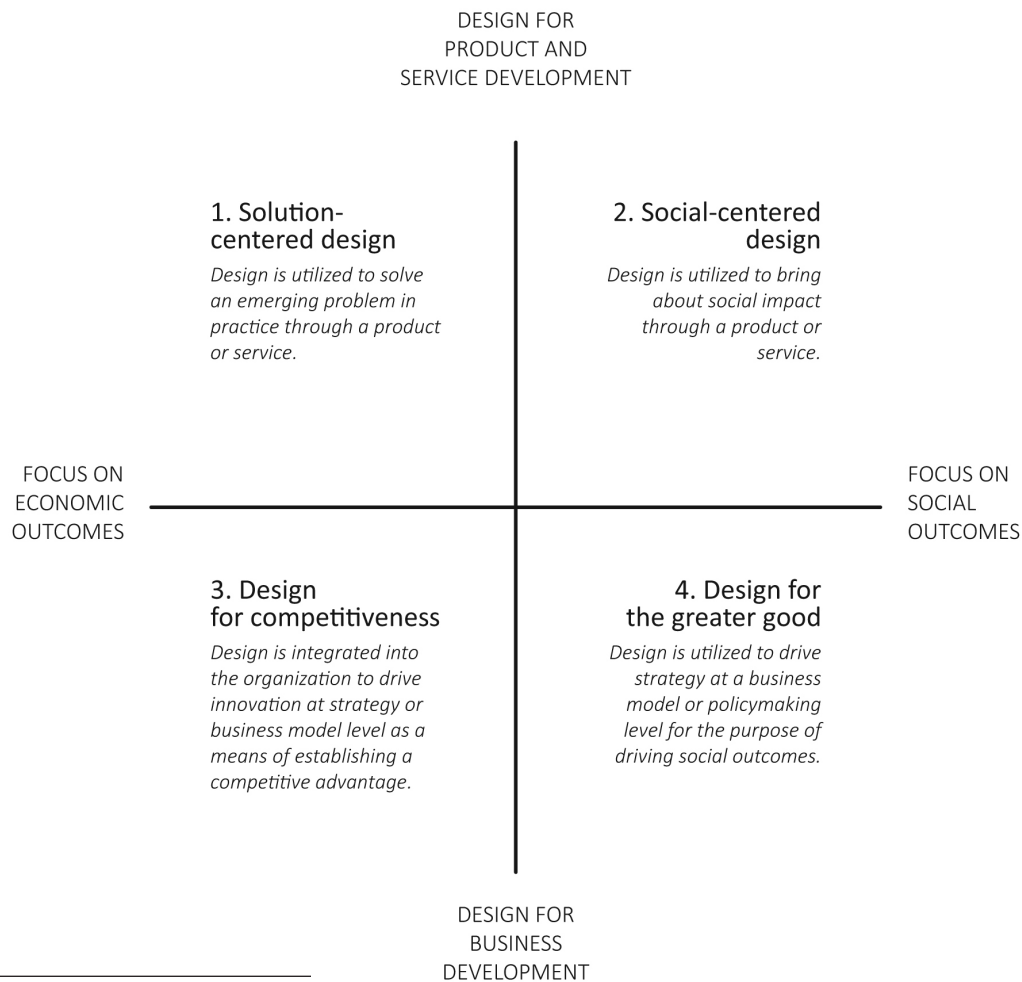


Figure 1
Design utilization matrix. © Erez Nussem.

- "Developing Organizational Design Capability in a Finland-Based Engineering Corporation: The Case of Metso," *Design Studies* 29, no. 5 (2008): 500–20.
- 7 UK Design Council et al., *Design for Public Good*; Ulla H. Ramlau, "In Denmark, Design Tops the Agenda," *Design Management Review* 15, no. 4 (2004): 48–54.
- 8 Marina Candi, "The Role of Design in the Development of Technology-Based Services," *Design Studies* 28, no. 6 (2007): 559–83.
- 9 Sara L. Beckman, and Michael Barry, "Design and Innovation through Storytelling," *International Journal of Innovation Science* 1, no. 4 (2009): 151–60; James Carlopio, "Creating Strategy by Design," *Design Principles and Practices* 3, no. 5 (2009): 155–66.

are discussed, and the nonprofit design ladder is proposed as a framework for fostering design as an organizational capability. The article concludes with implications for practice and research, outlining directions for future research.

Four Objectives for Design in Business

Four basic objectives for using design in business can be identified in literature. These outcomes are fundamentally different in two regards. First, design is either viewed as a traditional means to drive innovation at a product or service level, typically through its visceral, functional, and experiential aspects,⁸ or as a means to drive innovation at a strategy or business model level.⁹ The former traditional view indicates a focus on solutions, whereas the latter indicates a focus on opportunities, with an emphasis on the future versus the present. Second, design can be seen to be employed for

an economic purpose,¹⁰ or with the goal of driving social outcomes.¹¹ The four identified objectives for design utilization are shown in the quadrants of Figure 1, with the matrix segmenting the objectives across the two aforementioned dimensions.

Solution-Centered Design

In the first quadrant, design is primarily viewed as a means to solve an emerging and well-defined problem in practice. For example, a designer might be engaged in conceptualizing methods for persuading young adults to purchase life insurance,¹² or to increase a TV channel's share of a target customer demographic in market.¹³ The organization's view of design is typically constrained to a product or service level. Design is external to the organization, and the desired economic outcomes are established prior to the engagement of designers.

Social-Centered Design

In the second quadrant, design is used to achieve social outcomes. Again, here design is limited to a product or service, with the desired outcome of the engagement being predetermined by an organization without design capability. Examples include design being used to reduce violence and aggression in accident and emergency hospital departments,¹⁴ or to decrease malnutrition among children.¹⁵ Although these examples are also solution-centered, the desired outcomes are social and not economic.

Design for Competitiveness

In the third quadrant, design is integrated into the organization's strategy to achieve economic outcomes, typically in the for-profit sector. The focus of design is to drive innovation at the level of strategy or business model. Design is used holistically to define opportunities in practice, yet characteristically there are external forces or an internal vision driving the organization to change. One example of this form of design utilization is an organization reimagining the context in which it delivers value, such as when a manufacturer of audio products understood that hi-fis were used not in laboratories but in homes.¹⁶

Design for the Greater Good

In the fourth quadrant, design is used to drive strategy at a business model or policy-making level for the purpose of realizing social outcomes. Examples are found in various design labs or teams that inform government agencies by providing design education or behavioral insights for policy decision making,¹⁷ or when design is used and disseminated throughout an organization to improve the customer experience in social services.¹⁸ One case is when the Dutch Ministry of Health, Wellbeing and Sports changed

10 Claudio Dell'Era and Roberto Verganti, "Design-Driven Laboratories: Organization and Strategy of Laboratories Specialized in the Development of Radical Design-Driven Innovations," *R&D Management* 39, no. 1 (2009): 1–20; Matthew Holloway, "How Tangible Is Your Strategy? How Design Thinking Can Turn Your Strategy into Reality," *Journal of Business Strategy* 30, no. 2/3 (2009): 50–56.

11 UK Design Council et al., *Design for Public Good*; Tim Brown and Jocelyn Wyatt, "Design Thinking for Social Innovation," *Stanford Social Innovation Review* 8, no. 1 (2010): 31–36.

12 Brown and Martin, "Design for Action," 59.

13 Anna Whicher, Gisele Raulik-Murphy, and Gavin Cawood, "Evaluating Design: Understanding the Return on Investment," *Design Management Review* 22, no. 2 (2011): 47.

14 UK Design Council et al., *Design for Public Good*, 44–47.

15 Brown and Wyatt, "Design Thinking for Social Innovation," 32.

16 Verganti, *Design-Driven Innovation*, 44.

17 UK Design Council et al., *Design for Public Good*, 62–74.

18 Ibid., 52–59.

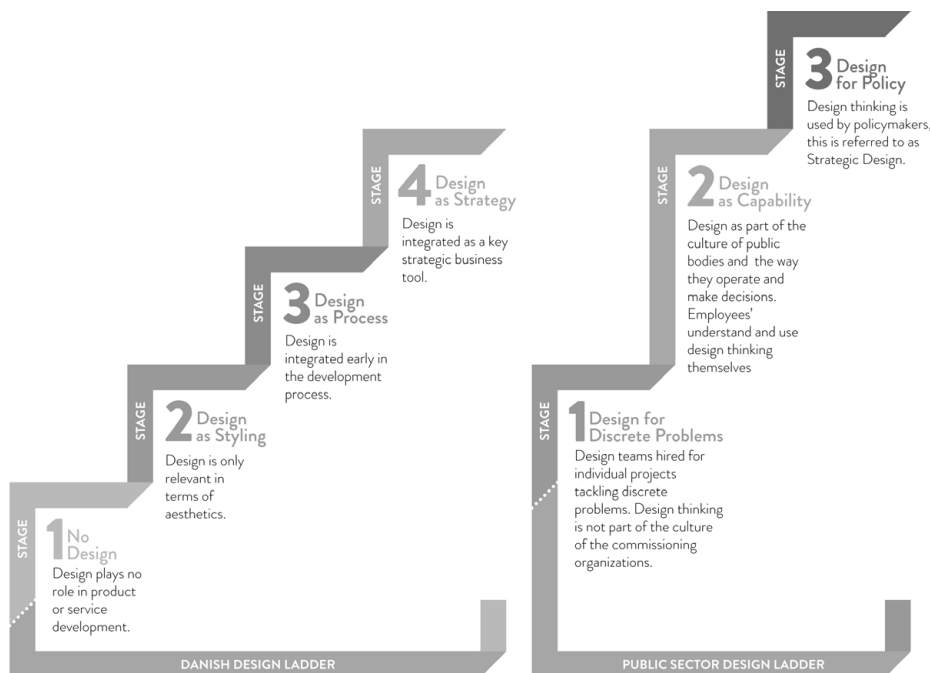


Figure 2

Danish and public design ladders adapted from Ramlau and UK Design Council et al.

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- 19 Dorst, *Frame Innovation*, 25–28.
- 20 Buchanan, “Worlds in the Making”; Verganti, *Design-Driven Innovation*; UK Design Council et al., *Design for Public Good*.
- 21 Geoff Mulgan and David Albury, *Innovation in the Public Sector* (London: Strategy Unit, Cabinet Office, 2003); Martin Stewart-Weeks and Tim Kastle, “Innovation in the Public Sector,” *Australian Journal of Public Administration* 74, no. 1 (2015): 63–72.
- 22 Clyde E. Hull and Brian H. Lio, “Innovation in Non-Profit and for-Profit Organizations: Visionary, Strategic, and Financial Considerations,” *Journal of Change Management* 6, no. 1 (2006): 53–65; Michael H. Morris, Donald F. Kuratko, and Jeffrey G. Covin, “Entrepreneurship in Other Contexts: Nonprofit and Government Organizations,” in *Corporate Entrepreneurship and Innovation*, 3rd ed. (Mason, OH: South-Western Cengage Learning, 2011), 117–49.
- 23 The Danish design ladder has been adapted from Ramlau, “In Denmark, Design Tops the Agenda,” 49. The public design ladder has been adapted from UK

policy to reintegrate individuals with mental handicaps into mainstream society and helped in shaping and facilitating the contributions of these individuals.¹⁹ This form of innovation typically occurs in public sector groups and agencies.

The objectives outlined in the matrix demonstrate that design offers a methodology for realizing economic and social outcomes in practice. Whereas the four goals encompass public and for-profit contexts, they tend to overlook nonprofit organizations, which seek economic and social outcomes concurrently. The strategic value of design,²⁰ and more broadly innovation,²¹ has received attention in for-profit and, to a lesser extent, public sector literature. Yet in the context of nonprofit groups, little research explores innovation or design.²² This demonstrates a gap in frameworks and tools for assisting nonprofit organizations in fostering design as an organizational capability.

Developing Design

One established framework for gauging an organization’s design capability is the Danish design ladder (see Figure 2).²³ The theoretical foundations of this framework can be traced back to Buchanan’s “four orders of design” model, which conceptually presents the first two orders in the form of communication (graphic design) and product (industrial design), while the third and fourth order

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- Design Council et al., *Design for Public Good*, 30.
- 24 Richard Buchanan, "Design Research and the New Learning," *Design Issues* 17, no. 4 (2001): 3–23.
- 25 UK Design Council et al., *Design for Public Good*, 49.
- 26 UK Design Council et al., *Design for Public Good*, 30.
- 27 Dorst, *Frame Innovation*; Verganti, *Design-Driven Innovation*; UK Design Council et al., *Design for Public Good*.
- 28 Cal Swann, "Action Research and the Practice of Design," *Design Issues* 18, no. 1 (2002): 49–61; Ortun Zuber-Skerritt, "Action Learning and Action Research: Paradigm, Praxis and Programs," in *Effective Change Management through Action Research and Action Learning: Concepts, Perspectives, Processes and Applications* (Lismore, Australia: Southern Cross University Press, 2001), 1–20.
- 29 Wilfred Carr and Stephen Kemmis, *Becoming Critical: Education, Knowledge and Action Research* (Warrn Ponds, Victoria: Deakin University Press, 1986).
- 30 Bridget Somekh, "The Contribution of Action Research to Development in Social Endeavours: A Position Paper on Action Research Methodology," *British Educational Research Journal* 21, no. 3 (1995): 339–55.
- 31 Ben W. M. Boog, Lou Keune, and Coya Tromp, "Action Research and Emancipation," *Journal of Community & Applied Social Psychology* 13, no. 6 (2003): 419–25.
- 32 Bjorn Gustavsen, "Innovation and Action Research," *International Journal of Action Research* 1, no. 3 (2005): 267–89; Zuber-Skerritt, "Action Learning and Action Research."
- 33 Zuber-Skerritt, "Action Learning and Action Research."

introduce design to a wider set of issues concerned with user experience (interaction design) and the integration of design into an information ecosystem (environmental design).²⁴ Similarly, the ladder is composed of four stages: (1) design for product development, where non-designers are responsible for functionality and aesthetics; (2) design as styling, focusing on aesthetic and technical considerations; (3) design for initial stages of conceptualization, where design is integral to every stage of development; and (4) integrating design strategically as a means to drive innovation.²⁵

Although the Danish design ladder is framed toward product-oriented firms, which often operate in the private sector, this framework has also received attention in the public sector. The public sector design ladder (Figure 2) has parallels to the Danish design ladder, but focuses on social outcomes. The public ladder is composed of three stages: (1) design for pilots and individual projects; (2) design embedded in the culture of the organization, where employees are design practitioners; and (3) design embedded in policy making and filtered down through organizations in the sector.²⁶ Considering the established value of design in the for-profit and public sectors,²⁷ there is an opportunity to explore and assist the development of design capability in nonprofit organizations.

Many nonprofit organizations have political, social, and operational complexities that require thorough navigation and consideration of factors that have traditionally remained outside the scope of design. Because design offers significant strategic value, understanding the internal barriers and challenges to adopting and employing design strategies is imperative. This article therefore presents the findings of one organization's journey to develop design capability.

Research Design and Methodology

This research followed an action research methodology—a method that links theory and practice, where the researcher explores a social situation as a scholar-practitioner by questioning a phenomenon, collecting data about said phenomenon, and finally testing their hypothesis over numerous cycles of action.²⁸ An emancipatory action research methodology,²⁹ with a collaborative relationship and shared responsibility between the researcher and participants, was chosen to drive the study for three reasons. First, action research allows researchers to span the gap between research and practice.³⁰ Second, it is a scientific and social methodology that seeks to find solutions to social problems through participatory and practice-oriented approaches.³¹ Third, the processes that are incorporated within action research have proven to be suitable drivers for innovation and change.³² This study follows Zuber-Skerritt's action research approach of observing, planning, acting, and reflecting.³³ The longitudinal action research study

Table 1 | Proposed categorizations and relations of meanings at play in Little Sun and its mediations

Method	Month	Quantity	Purpose
Semi-Structured Interviews (Set I)	1	12 (30-90 min)	To build an understanding of the research context, capture staffs' perceptions of design and investigate whether the organisation had a core value and collective vision for the future.
Semi-Structured Interviews (Set II)	24	21 (30-60 min)	To gauge changes to the research context, staffs' perceptions of design and the organisation's strategy, core values and collective vision for the future.
Reflective Journal	1-24	252 entries	Capture insights and dialogue from the research engagement, and provide a platform for critically reflecting on perceptions of the design method.
Participant Observation	1-24	106 entries	Understand external and internal stakeholders' perceptions of the design process, and its impact on the organisation and its people. Capture levels of engagement during events and activities associated with the research engagement.

investigated nonprofit workforce development and culture, along with how these attributes affect organizational development of design capability.

Data Collection

Three modes of data were collected for this study: two sets of semi-structured interviews at different points in time, reflective journal entries, and participant observation from the research engagement. With multiple sources of data, methodological triangulation was used to increase the accuracy and validity of the findings.³⁴ A brief overview of the three data collection methods can be found in Table 1.

Semi-structured interviews were selected as the first mode of data collection to acquire real-time and retrospective accounts of the phenomenon being studied by the people experiencing it.³⁵ An initial set of twelve semi-structured interviews was conducted in the third month of embedded practice. These interviews were exploratory and open-ended, focusing on (1) building an understanding of design in the research context (i.e., standard and current forms of design utilization in the organization and industry), and (2) business and workforce development (i.e., innovation initiatives and changes in workforce).

A second set of twenty-one interviews was conducted in the twenty-fourth month of embedded practice, with the aim of capturing additional data under the two aforementioned dimensions. The second set of interviews was structured to gauge changes across these dimensions resulting from the research engagement. A cross-sectional sample of participants were recruited by invitation amongst various departments within the organization, comprising mid- to high-level staff, including executive staff (three), heads of departments (eleven), managerial level staff (seven), and front-line/functional staff (nine).

34 Lisa A. Guion, David C. Diehl, and Debra McDonald, "Triangulation: Establishing the Validity of Qualitative Studies," University of Florida (2011).

35 Dennis A. Gioia, Kevin G. Corley, and Aimee L. Hamilton, "Seeking Qualitative Rigor in Inductive Research: Notes on the Gioia Methodology," *Organizational Research Methods* 16, no. 1 (2012): 15–31.

Reflective journals were kept by the primary researcher as the second method of collecting data. Content for the journal (e.g., quotes, annotations regarding assumptions, and thought processes) was entered in situ on a daily basis to retain accuracy, with a deeper reflection on the content taking place at the end of each week of the research engagement. A total of 252 entries were made in the journal, allowing for critical reflection regarding changes in the organization's workforce and culture, with a method for gauging and tracking changes in the organization's design capability.

Participant observation, the third mode of data collection, was primarily used to capture insights from daily practice and identify whether participants were actively engaged in and had an understanding of various design activities conducted with or facilitated by the first author (e.g., design integration workshops, design challenges). A total of 106 field note entries were made for participant observation in situ or through recordings and transcriptions of events.

Analysis

The study followed a within-case analysis, with emergent theory compared with existing literature to strengthen the theory-building outputs.³⁶ Data were thematically analyzed and coded for categorization using the qualitative data analysis software NVivo. Segments of text were labeled in accordance to the categories to which they were aligned, which allowed for retrieval and analysis of the data at a later stage.³⁷

Data were deductively coded following the Gioia methodology, a systematic approach for rigorous qualitative data analysis.³⁸ Informant terms, codes, and categories that emerged early in the research were analyzed, similarities and differences among these categories were compared, and the raw data were formed into first-order concepts. Subsequent data collection focused more on the tentative concepts of the subjects' relationships. A second-order data analysis was then undertaken, theoretically testing whether the categories that had emerged from analysis suggested concepts that described the observed phenomena. The second-order themes that emerged from this analysis were then aggregated into two dimensions: (1) workforce development and culture in nonprofit organizations, and (2) workforce impact on capability development. A data structure was constructed, illustrating how the raw data was progressed into the concepts, themes, and dimensions that emerged through the analysis.

The Case Study

This research was conducted in a large nonprofit aged care organization with more than 4,000 permanent staff and volunteers, providing aged care services in over thirty locations on the eastern

36 Kathleen M. Eisenhardt, "Building Theories from Case Study Research," *Academy of Management Review* 14, no. 4 (1989): 532–50; Lioness Ayres, Karen Kavanaugh, and Kathleen A. Knafel, "Within-Case and Across-Case Approaches to Qualitative Data Analysis," *Qualitative Health Research* 13, no. 6 (2003): 871–83.

37 Helene Joffe and Lucy Yardley, "Content and Thematic Analysis," in *Research Methods for Clinical and Health Psychology*, edited by David F Marks and Lucy Yardley (London: Sage, 2004), 56–69.

38 Gioia, Corley, and Hamilton, "Seeking Qualitative Rigor in Inductive Research."

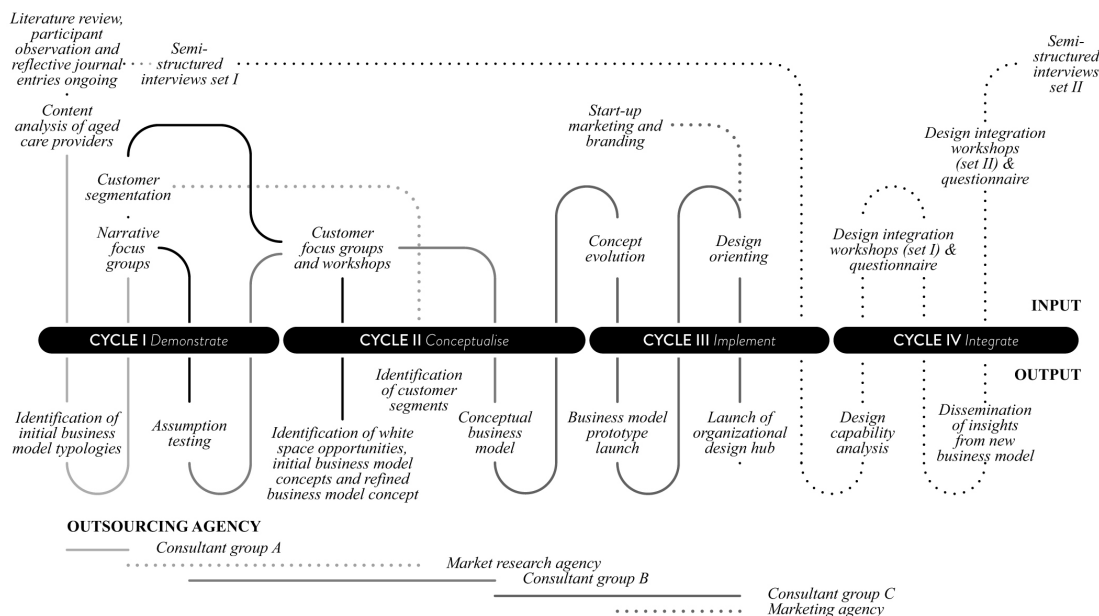


Figure 3
Action research outline. © Erez Nussem.

seaboard of Australia. In facing a burning platform driven by an aging population and government reform initiatives,³⁹ the organization's board of directors realized the need to innovate the organization's value proposition and mandated the design of a new economically and socially viable business model. The first author was therefore engaged as a "design innovation catalyst" in the organization's Strategy, Customer and Marketing (SCM) department for two years,⁴⁰ with the purpose of translating and facilitating design observation, insight, meaning, and strategy into every facet of the organization.

Case Study Progression

The research engagement consisted of four cycles. Issues and outcomes from each cycle were captured and fed into following cycles, with each cycle serving a distinct purpose. The cycles were designed to (1) demonstrate, (2) conceptualize, (3) implement, and (4) integrate design. The key activities designed and facilitated over the cycles research, along with the various agencies the organization outsourced or partnered with, are illustrated in Figure 3.⁴¹ The organization's strategic intent and exploration of the development of the design team (internal and external) throughout the study are discussed next.

Cycle 1: Demonstrate

The first cycle of research was structured to demonstrate the value of design in a business context. This phase required a deep understanding of the organization's stakeholders, its internal and external environment, and capturing customer insights as a foundation

39 Department of Health and Ageing, *Living Longer. Living Better* (Canberra: Australian Government Department of Health and Ageing, 2012); Kaare Christensen, Gabriele Doblhammer, Roland Rau, and James W. Vaupel, "Ageing Populations: The Challenges Ahead," *Lancet* 374, no. 9696 (2009): 1196–208.

40 Cara Wrigley, "Educating the 'Design Innovation Catalyst' for Change," in *Con-silience and Innovation in Design Pro-ceedings and Program*, edited by Kazuo Sugiyama, 1 (Tokyo: Shibaura Institute of Technology, 2013), 3547–57.

41 These activities are further detailed in Erez Nussem, Cara Wrigley, and Judy Matthews, "Exploring Aged Care Business Models: A Typological Study," *Age-ing and Society* Online (2015): 1–24; and Erez Nussem, Cara Wrigley, and Judy Matthews, "Disrupting the Aged Care Business Model," in *Business Innovation and Disruption by Design*, edited by R. DeFillippi, A. Rieple, and P. Wikstorm (Edward Elgar, 2016).

for future innovation. Key activities included a customer segmentation study and a content analysis of competitors. These tasks showcased design and demonstrated its value through the acquisition of customer insights. One external consultant was engaged for the initial stages of this research cycle.

Cycle 2: Conceptualize

The purpose of the second cycle was to build momentum for change activities. Opportunities for innovation were identified, conceptualizing what form they could take, and co-designing around the insights captured in Cycle 1. These activities were conducted as part of the business model innovation project, where tasks were delegated to a multidisciplinary team of four, with backgrounds in marketing, finance, project management, and design (the first author). Despite the project's brief time in Cycle 2, the organization was eager to apply the learnings of the study to additional streams of work.

Additional human resources were recruited as the scope of work increased. Hiring resources external to the aged care industry was thought to be more beneficial for project outcomes, because they would not be constrained by the existing mind-set and model of care provision. In conjunction with one additional full-time staff member with a background in finance hired to assist with the project, the organization also engaged with a prominent consulting agency for the majority of the second cycle to assist with business model conceptualization.

Cycle 3: Implement

In the third cycle the organization moved from a conceptual approach, applied new understandings of design, and launched a business model prototype for market testing. These activities saw the project team move to an off-site prototyping space. Under the same logic of the second cycle, the team disengaged from the existing model of care delivery to encourage disruptive thinking and avoid being constrained by any assumptions. Once again, rather than recruiting internally, an additional consulting agency was engaged in this cycle of research.

Cycle 4: Integrate

The fourth cycle was structured to integrate design through the conceptualization and facilitation of workshops. Here the project team made two additional changes in location to manage with growth in staff. The off-site project space referred to as the Design Hub was structured to be the center of innovation for the organization and the headquarters for the new business model. To ensure engagement of the core organization, key members of each department were invited for tours and working sessions at the Design

Hub. The organization ceased its reliance on external consultants and began the recruitment of full-time staff. Eight employees were recruited to deliver and continue refining the new business model (five new and three reallocated staff).

During the initial engagement by the researchers, the organization's SCM department consisted of ten staff members in the top three tiers of management. At the conclusion, this number had increased to twenty-three, with only four of the original staff members remaining—twelve new staff were hired, one staff member was promoted, and six were reallocated from other departments. The organization had a high rate of CEO turnover (five in the two years prior to the study), with a new CEO scheduled to commence two months after the conclusion of the study. Of the four SCM members who remained with the organization through the research engagement, three departed from the organization six months after the embedded practice period. Despite this turbulence and turnover, the appetite for design at the executive and board level of the business greatly increased, and the organizational structure for the SCM department shifted, creating two new design-focused roles, including a new position for the head of Design and Innovation.

Findings

Findings captured here relate to the development of the nonprofit organization's workforce and culture, along with the impact of these attributes on developing an organizational capability for design. With the exception of the Design Hub, following the action research engagement, the organization was reported to be relatively unchanged. Analysis suggests that despite the launch of a new business model and a positive reception to design, the project's lack of impact on the wider organization was a result of nonprofit workforce development including recruitment of staff and a lack of engagement.

Workforce Development and Culture in Nonprofit Organizations

Nonprofit organizations feature unique workforce structures and cultural archetypes that are critical to consider when fostering organizational capability. As a traditional organization in a generally complacent sector, it is not uncommon for change initiatives to fail in achieving the traction required for sustainability. Indeed, participant observation revealed that staff operated routinely and were hesitant to change from accepted methods of practice.

Without a clear understanding of the contribution that design could make to the business, the traction required to drive the change was difficult to attain. This lack of engagement for design initiatives was characterized by staff who struggled to fit design into their schedules—especially because there was no

formal prerogative or accountability attached to it. Notwithstanding these challenges, design was widely understood in the Design Hub and desired within the broader organization.

A further challenge was the high rate of turnover in staff. Interview participants indicated a trend in staff members who had only been in the organization for a number of months but in the aged care sector for decades. Although this trend did not represent the entire workforce at this organization, it indicated that as an industry, the aged care sector might be a closed shop where the same capability is recycled through the various groups in the sector. This challenge was further compounded by an overreliance on external consultants. As one interview participant exclaimed, “I’ve been in professional services for dozens of years and I never knew that so many consultants existed until I came here; they’re all over the place.” Indeed, as observed through the business model innovation project (see Figure 3), the organization had outsourced significant work, engaging more than five separate groups of consultants over two years. Hiring consultants was rationalized through the apparent benefit of fast returns, but at the cost of knowledge retention and capability loss.

Workforce Impact on Capability Development

Coupled with a high rate of staff turnover, a reliance on outsourcing led to difficulties in building organizational capability and maintaining knowledge. For example, between the first and second cycles of research, two different groups of consultants were brought in to assist in designing the customer-focused business model. This changeover had two major consequences. First, it represented a risk to the organization. When consultants disengage from an organization, they take any knowledge and capability developed with them, which is then accessible to the organization’s competitors. Second, this process is inefficient because replacing capability and rebuilding knowledge is time consuming.

Despite the success of the business model innovation project, only one member of the core project team remained with the organization six months after the research engagement concluded. A similar occurrence was previously detailed in this organization—following a significant cultural transformation project by the organization’s People & Performance Department, the project team was no longer with the organization three months after the conclusion of the project.⁴² This turbulence in staffing can make business development a daunting task, and presents significant challenges for fostering organizational capability and maintaining knowledge.

These findings suggest that for an organization to foster design capability, change needs to be driven in small stages and be commissioned by a higher external authority (e.g., government or a

42 Erez Nusem, Cara Wrigley, Judy Matthews, and Sam Bucolo, “The Challenges of Adopting Design-Led Innovative Strategies in Not for Profits,” in *Proceedings 2013 IEEE Tsinghua International Design Management Symposium: Design-Driven Business Innovation* (2013): 284–93.

board of directors). Design must be used organically, rather than applied on a one-time project with a singular outcome. Embedded practice conducted through action research was found to be an effective method for addressing these requirements, with interview participants reporting a new design capability within the Design Hub to be one of the tangible impacts of the research.

However, design capability was not present in the organizations core business, and resided only with a handful of key proponents in the Design Hub. The launch of the new business model as a standalone start-up created the perception that existing staff were not engaged in the process and were undervalued. Staff referred to the business model innovation project and Design Hub as positive initiatives, as recorded in both participant observation and reflective journals. However, in the confidentiality of interviews, staff expressed feelings of tension and hurt as a result of not being engaged to participate. The organization also suffered capability and knowledge loss as a result of consulting contracts ending and key staff being attracted to external positions—an ongoing challenge for nonprofit organizations wishing to develop organizational capability.

The Nonprofit Design Ladder

The findings of the case outlined in this article present numerous challenges and risks (exacerbated by a volatile workforce) for nonprofit organizations in fostering design capability. To address this issue requires an organizational shift from reliance on a handful of key advocates for design. The motivation for fostering capability needs to exist for the organization as a whole and for staff members as individuals. This line of thinking resonates with Design for Public Good,⁴³ where design is driven by a higher external authority and staff are individually accountable for using design. Such an approach would help alleviate the challenges of a volatile workforce and a reliance on outsourcing, which could result in better organizational retention of capability and knowledge.

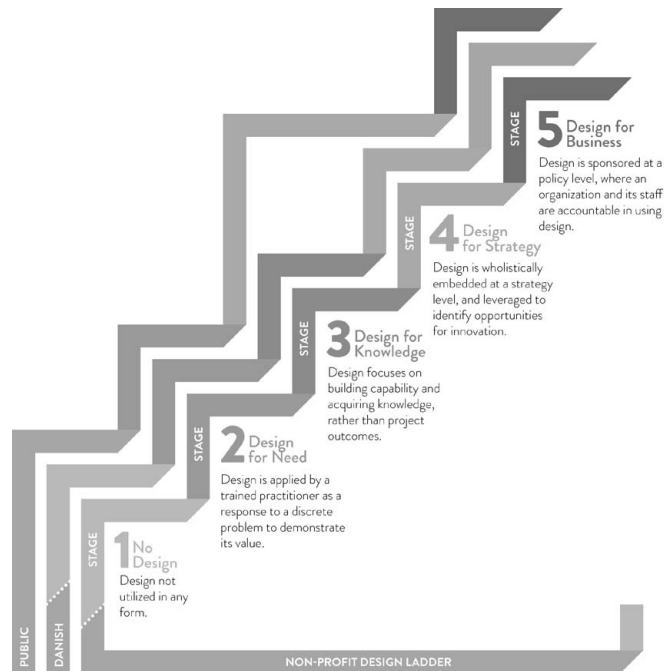
As nonprofit organizations share similar motivations to for-profit and public sector organizations, implications can be found in methods of fostering design capability in these contexts. Here the authors conceptualize a nonprofit design ladder, bridging the Danish and public design ladders. The nonprofit design ladder (see Figure 4) is uniquely tailored to the motivations and attitudes exhibited by nonprofit groups. It aims to provide them with a diagnostic tool that defines the extent to which design is used within an organization, along with a roadmap for increasing this use.

The ladder is composed of five distinct stages: (1) no design; (2) design for need; (3) design for knowledge; (4) design for strategy; and (5) design for business. Progression through these five

43 UK Design Council et al., *Design for Public Good*.

Figure 4

Non-profit design ladder. © Erez Nusem.



stages reflects the organic growth of design capability, justified through the economic and social outcomes of the organization.

The five stages are defined as follows:

- (1) No design: design is not used in any form and its perceived applications are the visceral, functional, and experiential aspects of a product or service.
- (2) Design for need: design approaches are employed by a trained practitioner as a response to a discrete problem, usually for a one-time project. The objective of the engagement is predetermined and typically manifests through an interaction or experience between an organization and its customers.
- (3) Design for knowledge: the focus of design shifts to fostering capability and knowledge through project outcomes. Here design begins to be used holistically, yet still with reliance on an external design proponent.
- (4) Design for strategy: design is holistically embedded in the organization and leveraged to identify opportunities for strategy or business model innovation, providing new methods for creating and capturing value based on customer insights.
- (5) Design for business: design is sponsored and mandated by a higher authority, where the organization and its staff are accountable for using design. Design utilization is identical to the fourth stage, only with additional safeguards which address the often volatile workforce of nonprofit organizations.

There is clear value in assisting nonprofit organizations to action design approaches, given the success of design in realizing economic and social outcomes in the context of for-profit and public sector organizations.⁴⁴ The nonprofit design ladder is therefore proposed as a framework to assist nonprofit organizations seeking economic and social viability.

The case detailed in this article presented an action research approach for advancing through the ladder by demonstrating the value of design through application in a pilot project, conceptualizing and implementing new products and services with economic and social viability, and integrating design capability through formal training. Major implications are in shifting from the third to fourth stages of the ladder, where a volatile workforce proved to be a barrier for progression. This research suggests that in addressing this barrier, design proponents should focus on developing capability and knowledge through project outcomes, rather than focusing only on applying design methods in projects.

The nonprofit design ladder challenges the notion that outsourcing capabilities and knowledge is a competitive approach for business innovation,⁴⁵ and suggests that although it is perceived as beneficial in the short run, outsourcing (among other staffing challenges) has significant and negative long-term implications. Nevertheless, developing organizational capability typically requires external facilitation during initial stages as a result of lacking internal capability. Furthermore, this research suggests that a lack of accountability is detrimental to the development of a design capability. Sponsoring and support for design from an organization's stakeholders is required to achieve long-term impact and develop the organizational and individual accountability required to progress the journey to fostering design capability. Support for design approaches by such authorities could also create significant social contributions to customers and help organizations remain economically viable.

Conclusion

This article details a nonprofit organization's journey to fostering design as an organizational capability, outlining the resources and approach used by the organization in this journey, and presenting the impact of nonprofit workforce development and culture on capability development. The findings of this research indicate that as a result of high rates of staff turnover and a reliance on outsourcing, a volatile workforce hinders capacity to foster organizational capability. In addressing this challenge, the article contributes the nonprofit design ladder, a framework to help these organizations to further develop their use of design and foster design as an organizational capability.

44 Dorst, *Frame Innovation*; Brown and Martin, "Design for Action"; UK Design Council et al., *Design for Public Good*.

45 Bertola and Teixeira, "Design as a Knowledge Agent."

Design is increasingly seen as a method that adds value to business,⁴⁶ with significant evidence validating the benefits of design approaches in practice.⁴⁷ However, there is a significant lack of empirical evidence to support the uptake of design in the context of nonprofit organizations. Using the nonprofit design ladder could help these organizations better negotiate stakeholder needs, address emerging challenges in practice, and more efficiently use resources and technologies. Enabling an organization to shift up the nonprofit design ladder is a difficult challenge, as the application of design in these contexts is still in early stages. Future research could explore the viability of design in nonprofit organizations and provide additional evidence of design approaches for these organizations to realize economic and social outcomes concurrently.

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46 Verganti, *Design-Driven Innovation*; Beckman and Barry, "Design and Innovation through Storytelling."

47 Dorst, *Frame Innovation*; UK Design Council et al., *Design for Public Good*.

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