

Briefing Paper 31

Black boxes in the wreckage?

Making sense of failure in a third sector social enterprise

Dr Duncan Scott, Associate Fellow, Third Sector Research Centre

Researching failure in a third sector social enterprise - ideology, politics and ethics compound methodological dilemmas

Researchers interested in identifying and discussing the dimensions of organisational failure in the third sector face a number of obstacles, these include;

- a common assumption that third sector activities are to be regarded in a positive light;
- problems associated with the conceptualisation, data collection and reporting on failing, and failed, activity.

The 'Double Halo' effect

Two overlapping assumptions complicate much research into errors, scandals and failures in the third sector; these can be termed the 'Double Halo' effect. In the first instance policy elites, both in government and the third sector, have prioritised the use of positive pictures of voluntary and community activities. When instances of unwitting incompetence, deliberate malpractice or just plain 'bad luck' arise, these are often explained via references to individual and exceptional behaviour rather than in relation to systemic and recurrent

influences. A popular theme, often accompanying mass appeals in the wake of natural disasters or underpinning televised extravaganzas such as 'Children in Need', is contained in the assertion that, although the third sector '*... has its share of rogues and time-servers..., at its best it does wonderful things on tight resources*' (McRae, 2009).

- At least there is here an acceptance that the romanticism about the sector's '*inherent purity*' (see Salamon, 1995, 15) is no longer accepted. But, there are still academic studies of third sector scandal and mismanagement of resources that conclude: '*...The idiom: 'a few rotten apples can spoil the barrel', however, seems applicable*' (Gibelman & Gelman, 2001, 63). There may (or may not) be only a few rotten apples, we just don't have sufficient evidence. In any case, the question remains as to whether the 'apples' and the 'barrel' should be the only focus of critical attention. To continue the metaphor, perhaps the orchard, its soils and the vagaries of the climate should also come under scrutiny?
- A second halo has surrounded much writing about third sector social enterprise. Some authors even appear to have a belief in its limitless potential. For

example, from a UK-based commentator we are informed that, '*... at the moment* (my emphasis) *we don't necessarily have the capacity to meet all the needs of mainstream society*' (Ahmed, 2009).

Meanwhile, on the world stage, we are confidently informed that social '*...entrepreneurs, for some reason deep in their personality know, from the time they are little, that they are on this world to change it in a fundamental way*' (Bornstein, 2007, 125).

- Much less common are those voices questioning the promotional discourse surrounding social enterprise at conferences, in government documents and marketing material (Foster & Bradach, 2005). One such voice seeks to pull the rhetoric closer to everyday experience, by sounding a sceptical note about the: 'nice positive stories, easily digested by politicians and policy wonks... (but raise the question)... do such comic-strip portrayals inspire anyone else, or do they leave the rest of us mere mortals feeling powerless?' (Greenland, 2008).

It is likely that closer attention to the everyday experiences behind the rhetoric will reveal some exciting and positive examples but these will be interspersed with a much more mixed picture of third sector agencies in general and their social enterprise variants in particular. Ultimately the problems for students of failure will not be solely methodological. They will also derive from questions about how to penetrate a number of personal and professional barriers likely to hinder progress to a more holistic if still incomplete conclusion.

The case of 'Enterprise Action' (EA) – the analogy of a 'Black Box' (referring to aircraft flight recorders) is offered as an introductory heuristic device with which to consider the rise and fall of a social enterprise.

Five published case-studies of collapsed social enterprises in the USA and the UK are

illustrative of the very limited literature in this field. Table 1 in Working Paper 31 summarises some of their principle features including name, primary focus and presented explanation(s) of the collapse. All of the commentaries look at organisational goals, structures and reported behaviours after the confirmation of failure. There are few signs of research conducted during the failing process nor is there much evidence of attention to the wider operating environment.

One set of questions emerging from the case-studies concerns definition. Different organisations called themselves 'Social Enterprises' without recourse to an accepted terminology. For example, one commentator (Dees, 1998) offers two polar types of 'Philanthropic' (= closer to traditional third sector social mission agencies) and 'Commercial' (= closer to market-oriented organisations). Inevitably, two polar types frequently produce 'mixed' types, driven by a determination to achieve a 'balancing act' between social and commercial.

Nearly all the studies of failure stay focused on the organisation and say little or nothing about extra-mural political and economic systems. Most crucially, all the accounts skate over the questions surrounding data collection and analysis. How they researched and made sense of failure is either implicit in their accounts or relatively opaque.

Lessons in failure – studies of organisational failure concentrate on the key individuals in an agency, and their attempts to reconcile 'social' and 'enterprise' goals. The Black Box imagery suggests greater consideration be given to influences in the wider operating environments.

How we research failing processes and failure will be made easier to the extent that individuals and institutions feel able to talk about these topics. Only then is it worth constructing research approaches which encourage trusting relations. In this respect the primary problem is not methodological

but one of assumptions within closed or open cultures. For example, many commentators, from within policy, practice, the media and academia, exude confidence. The evidence from EA and other sources (Gawande, 2003; Ormerod, 2006; Seanor & Meaton, 2008; Walshe et al, 2009) suggests, however, that organisations operate in inherently complex worlds and the best any of them can hope for is degrees of internal coherence. For example, Steeltown's largest employer was reported, during the final days of EA, as being four years late and £1 billion over budget on its latest construction project. (National Broadsheet, 12/5/07). A greater degree of realism in assessing the financial sustainability of agencies such as EA is surely the lesson to be taken from these details.

As far as many social researchers are concerned, this realism requires an acceptance that: *'...the certainty to which social science is prone needs to be laid to rest in the graveyard of twentieth century conceits'* (Back, 2007,1).

Some of the advantages of the 'Black Boxes' in Enterprise Action related to the qualitative approach, over time, of the research. Formal statements and documentary rhetoric of EA could be checked in successive visits, by interviews, conversations, observation and participation. On the other hand two disadvantages persisted. The first of these is inherent in any qualitative research where the field worker operates alone: intensive involvement in one corner precludes comparable access and involvement in another. A second inherent problem, more specific to Failure Studies, concerns disclosure. During several years of intermittent research, where good relationships with friendly people had been established, interviewees and informants were clearly not revealing much of their knowledge of impending organisational meltdown. Loyalty to the agency, their colleagues, reluctance to be responsible for

'making things worse', and a determination to hang on in the hope that things would get better, all played a part. After the crash, some people became more open (the former gatekeeper to the research phases¹) whilst others have been totally unresponsive² to successive drafts (the former Chief Executive). Social researchers may also play a part in this culture of reticence: too often they prioritise the development of relationships at the expense of asking potentially awkward questions. A close reading of the two publications which included details of EA before the final crash (Pharoah, Scott & Fisher, 2004; Russell & Scott, 2007) provides numerous clues to organisational tension and incoherence. More critical commentary (such as this paper) only surfaced afterwards.

And then there is the problem of the single case-study. Enterprise and Steeltown cannot represent everywhere. They may, however, encourage a wider perspective on social enterprise developments. How useful is the label 'Failing Town' in relation to Steeltown? Even if it is not possible to answer this question, the very act of posing it reminds us that EA did not fail alone. During the period of EA's final demise (2006–8) a further handful of small projects collapsed, a major infrastructure organisation went into administration amidst inquiries into financial irregularities and the local Social Enterprise Network concluded its three year programme (on a £600k grant) by announcing that it had established only 20 new jobs³.

An endnote for researchers

So many organisations 'crash' and leave little or no evidence of their experiences of failing and failure. Like the plane that disappears into the sea or explodes on a distant hillside, there may not even be a Black (or Orange) Box to open. Enterprise Action's (EA) life and death has become more available for post mortems because of the twin coincidence of two pre-crash research exercises and continuing (if limited) contacts with a

reasonably well-placed survivor. Unlike the recent account (Langewiesche, 2009) of the successful crash of the US Airways flight from La Guardia airport on January 15th, 2009, into the River Hudson when all were saved, Enterprise Action has few publicly accessible witnesses. No-one to recount their equivalent stories to those of the US plane, downed because it crossed the path of migratory Canada geese, hit five and sucked three into the engines. Saved by a special pilot and 'saved' for future studies of failure.

At least three dilemmas and questions require further consideration:

- Given the likelihood of limited resources, how far and in what ways can researchers look beyond the organisation into the complex social, political and economic environments which help shape success and failure? Should there be more studies that concentrate on the 'ecologies of influence' which lie outwith specific agencies?
- How useful are the concepts of a 'Failing Town' and a 'Failing Civil Society'? In view of the continued influence of the Double Halo effect, whereby both the third sector and social enterprise tend to be viewed relatively uncritically, this seems like a project whose time has come.
- What balance should be struck between researcher-researched relationships and the obligation to reveal poor/failing behaviour? At the very least, it may be more useful (if not more comfortable) to introduce emergent data of this kind to managers before any crash. The risk of endangering trust having to be weighed against potentially fruitful disclosures and discussions.

Research on Enterprise Action began because it had been singled out as an exemplary organisation - a literal prize-winning success. Failure as a topic emerged after the original sponsored research had been concluded. Yet, the opportunity to catch a series of glimpses of the wreckage and aftermath offered itself to this researcher, a person with some (semi-retired) time but few other resources. Social researchers, especially qualitative ones, must be alert to seize unexpected opportunities, even if not completely 'ready'. They cannot engineer failure nor can they afford to wait until the last nail is in the organisational coffin. They have to make the best of the circumstances they find themselves in. 'Twas ever thus.

¹ After the crash, he became first an informant and subsequently a friend. What encouraged the latter phase was a shared interest in the minutiae of Association Football. It is extremely likely that his willingness to operate as an informant would not have been sustained over several years purely on the basis of a shared interest in organisational failure!

² The Chief Executive's behaviour is not surprising, particularly given the media coverage of EA's demise. References to police arrests and insufficient evidence (implying, presumably, there was some?) to prosecute would encourage most people to seek a more private life. For someone who had been awarded several honours, partly in recognition of the work of the Enterprise Action organisation, the crash must have been doubly painful.

³ After EA crashed, eight micro-businesses, employing at least twenty people, have been identified as emerging directly from the closure.

This paper is part of the Third Sector Research Centre – Briefing Paper Series see www.tsrc.ac.uk for more details and a copy of the full Working Paper 31

The support of the Economic and Social Research Council (ESRC), the Office of the Third Sector (OTS) and the Barrow Cadbury UK Trust is gratefully acknowledged. The work was part of the programme of the joint ESRC, OTS Barrow Cadbury Third Sector Research Centre