A new form of strategic management is required for developing the social enterprise and appreciating the management of social enterprise from systemic perspectives. In this paper, we argue that participatory action research should focus on the process of problematization that explores the nature of the social enterprise (SE) in order to explore new sorts of “questions and problems” in given situations. Systemic perspectives enable us to appreciate systemic knowledge, which is the holistic understanding of complex nature of management of communities and organisational learning. In this paper, the process of problematization is demonstrated through the application of problem-solving approaches, that is, Beer’s Viable System Model (VSM) and Checkland’s soft systems methodology (SSM) to understand and create a business model for SE, facilitate debate amongst participants, and generate systemic knowledge about the transformational processes of social enterprise in Korea.

**Keywords:** Strategic management; social enterprise; participatory action research, problematization; problem-solving approach; Viable System Model; SSM.

**INTRODUCTION**

As the management of the social enterprise (SE) is different from the management of cooperative form, for-profit organization and nonprofit organizations, the aim of research is to help practitioners to understand what social enterprise is and role of participants for the designing of SE from systemic perspectives. The outcome of research presented in details throughout the application of the Viable System Model (VSM) and Checkland’s soft systems methodology (SSM) that were contributed to facilitate the process of problematization for exploring the nature of SE within the Community Health Centre in Korea.

**SHAPING THE SOCIAL ENTERPRISE FOR THE DISADVANTAGE GROUP**

Social enterprise is a kind of organization which has a specific purpose for the benefit of whole society. Social enterprise is different from traditional business enterprises in many ways. Unlike business enterprises, social enterprises are initiated by a group of citizens who aim to provide an expanded range of products and/or services and more
openness toward the local community. Social enterprises are characterised by the fact that part of their resources come from a social capital based on ‘reciprocal relations’ developed in the public sphere. Social capital can be a goal itself of social enterprise, not as tools as other enterprises thought, and it is important that social entrepreneurship’s role is seen as a key of the social enterprise. An ‘ideal type’ of the social enterprise has a complex ownership that is based on the ownership of multiple stakeholders and multiple goal structure and combining various types of economic relations. The aims of social enterprises depend upon the structure of its ownership in which social enterprises have the multiple form of ownership, that is, various stakeholders have ownership right according to their contributions to developing the legal form of private enterprise. In contrast to the situation in the capitalist form of business enterprises, ‘third-sector’ owners are not the investors and therefore the objectives of social enterprises are different from profit maximization or the accumulation of financial capital. As social enterprise is regarded as belong to the third sector, we have to understand two factors of the third sector to comprehend precisely the concept of SE. One refers to as a non-profit organization and the other refers to as a cooperative social economy (Nyssens, 2006:7-9).

In Europe, Work Integration Social Enterprises (WISEs) is a good example for a specific form of SE and thought as tools of active labour market, which has to help disadvantaged unemployed people who are structural exclusive from the labour market permanently. Through the WISEs, these people can be included into the society with productive activities. According to Davister et al. (2004), WISEs has been distinguished four categories. The first group has the oldest form of WISEs which offer open-ended work contracts for the handicapped people in Europe. A second group offers permanent, self-subsidized employment, and open-ended work contracts. But this is under higher pressure to be profitable than others in WISEs. A third group is the ordinary form of WISEs, which has an aim to socialize physically and/or psychologically disable groups of people through productive activities. The last group is the largest among WISEs, focusing on transitional employment or traineeships. One of the main goals of the group is to make a reintegration of the ‘disable’ workers into labour market. However, although WISEs can be categorised as the above, it is difficult to classify several WISES into these four categories. In the United States, the concept of social enterprises is rather vague and broad. There is a wide spectrum of organizations from for-profit business engaged in socially beneficial activities to non-profit organizations engaged in mission-supporting commercial activity (Kerlin 2005). In South Korea, the Korean Parliament approved a law allowing the creation of ‘social enterprise’ on 3rd January 2007, and Korean Government has introduced a law for the operation of social enterprises since 1st July 2007. In Korea, social enterprises are defined as “companies with social purposes that aim to create and provide jobs for the socially disadvantaged or marginalized groups, and with economic purpose that aims to ensure the provisions of specific goods and services through economic activities” (Korean Institute for the Social Enterprise Research, 2008: 15).

For the purposes of further research on the designing and operating of social enterprises from systemic perspective, we will consider the following questions for the application of systems methods to explore the nature of social enterprise. Firstly, because the ownership of SE is heterogeneous in the form of multiple stakeholders, the question of governance
arises in the context of heterogeneous viewpoints and interests (Laville and Nyssens 2001:316). To what extent can systems methods be useful for dealing with the issue of the governance of SE? More precisely, how is the process of enquiry or structured debate possible for understanding and designing of the social enterprise for the socially disadvantaged or marginalized group?

Secondly, social enterprises usually have a complex mixture of goals. For instance, there are three different categories of goals; social goals that aim to benefit the community; economic goals that achieve the sustainability of SE through trading or market oriented economic activities in order to serve a social goal; and socio-political goals in which SE involves in socio-political actions that propose and promote a new model of economic development, the democratic decision-making processes in economic spheres and the process of including marginalized parts or groups of the population (Campi, et al., 2001: 30). To meet these multiple goals, SE mobilizes different kinds of market and non-market resources to sustain their public benefit missions. Social enterprises combine the economic principles of market, redistribution and reciprocity. In this way, ‘corporate social responsibility’ (CSR) practices are put forward to demonstrate enterprise’s commitment to attend not only to economic goals but also to the social and environmental needs of stakeholders and the community. In the context of SE, groups of citizens are regarded as agents of change in existing ‘central value systems’ of organizations and society, and participants, who are engaged in the learning process of systemic enquiry for organizational transformation and social change, become active citizens.

Lastly, the management and operation of social enterprises should be included in the political context. And these three questions may be seen as innovative on four central points that the multi-dimensional mode of governance, corporate social responsibility, and membership-ownership structure of SE which is driven by social objectives, and the relationship between the SE and public policies. In this way, we assume that there are certain ideals and values that SE should operate for in order to benefit local communities and achieve social welfare by mixed logics which located the crossroads of market, public policies and civil society.
The use of Viable System Model for designing the social enterprise

The philosophy underlying Stafford Beer’s Viable System Model (VSM) is based on the assumption that our understanding of social systems has a certain limit and it is improved to the extent when we are concerned with the social activities which are generated from the ‘esoteric boxes’ of the social system, which refers to the ‘metasystem’ that essentially means that the whole system ought to be capable of maintaining a viability when its components fail (Beer, 1975). This is what Beer calls the design of eudemonic metasystem, as re-interpreted in a new concept of enabling ‘systemic management’ (Espejo, et al., 1995: 227-246). Espejo et al. (1996) provides a model for ‘systemic management’ which has the three level of management, different criteria of organizational fitness (Table 1). Providing with some empirical evidence, Espejo et al. (1996) argue that systemic management should not only focus on responsibility for long-term economic success but stress on social responsibility and responsibility for the environment (243-248).

The Beer (1979)’s approach to viable systems is concerned with particular issues of organizational structure. Further developments of VSM draw much attention to conceptual functions in the minds of observers (Beer, 1985, 1986; Espejo, 1996, 1998). When we are dealing with ‘exceedingly complex systems’ which are generated from the ‘esoteric boxes’ of the social institutions, Beer (1975) refers to the ‘metasystem’ which essentially means that the whole system ought to be capable of maintaining viability when its components fail. This is what Beer calls the design of eudemonic metasystem, as explained in a new concept of system in the social and economic areas according to the principle of requisite variety which is well known as Ashby (1956)’s Law of Requisite Variety’. The Beer’s notions of metasystem and variety diffusion process according to Ashby’s Law are a particular perspective regarding the nature of complex processes between the social institution and its surroundings. Beer (1979: 97-298) argues that his statements about the four principles of organization, and three axioms of management, are capable of justification with reference to the ‘natural’ law of viability. He also argues that his model, which is based on the laws of viability, is useful to the extent that VSM offers a model for designers to rethink the fundamental issues of organization concerning its effective design which requires the features of a viable system (Beer, 1981, 1985). For Espejo (1989a: 89), complexity is somehow related with “interpersonal interactions” within the organization whilst “unfolding of complexity” refers to the degree of autonomy in the viable units which are likely happen the interpersonal interactions within the organization. The above rule for the criteria to partition the organizational missions shows how a mechanism, for an effective organizational conversation can understand and analyze the present structure and processes in terms of the diagnostic mode of the Beer’s model (‘Mode I’). On the other hand, in ‘Mode II’, “its outcome is a prescriptive definition of the control and communication processes likely to support an effective implementation of the organization’s agreed missions. Thus, its aim is organizational design” (Espejo 1989b: 363). A later development of a cybernetic approach to systemic
management in modern corporation that Espejo has proposed is that the epistemological position of a cybernetic approach should be concerned with multi-dimensions of social, cultural, political and ecological domains and a learning process of the method take into account the higher level of double-loop learning (Espejo, 1997: 3; Espejo and Stewart, 1998).

Table 1. Three levels of organizational fitness (after Schwaninger, 1994)

<table>
<thead>
<tr>
<th>Level of management</th>
<th>Criteria of organizational fitness</th>
<th>Parameters/objectives</th>
<th>Indicators on VSM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normative Management</td>
<td>Legitimacy</td>
<td>Development Viability</td>
<td>System 5 (Policy making)</td>
</tr>
<tr>
<td>Strategic management</td>
<td>Effectiveness</td>
<td>New value potentials</td>
<td>System 4 (Intelligence)</td>
</tr>
<tr>
<td>Operational management</td>
<td>Efficiency</td>
<td>Delivering economic, social and ecological values</td>
<td>System 3 (Control)</td>
</tr>
</tbody>
</table>

Problematizing VSM as the ‘problem-solving’ method

The questions arise such as how VSM can function as a tool for changing an existing value system of organization when we concern with (and doing something about) problem contexts. As critiques argue that VSM gives an impoverished picture of an organization, VSM emphasizes the criteria of viability or stability at the expense of change (Checkland, 1980; Ulrich, 1981; Jackson, 1988). It can be said that predetermined goals may damage the environment as the field of the relationships in which the organization finds itself as the approach places emphasis on survival within a turbulent environment and underplays the role of individuals in the organization. Responding these critiques, Espejo (1999, 2000) proposed the Viplan Methodology that is divided into two types of loops, one is a cybernetic loop of systems method to dealing with problem situations, and the other is concerned with reflections on the intervention process itself and management of this process. The epistemology of the Viplan Methodology embodies the idea of “seeing systems” in terms of a circular causality of two main domains of observers and the observed. For an observer, complexity is the number of distinctions and responses that the actor is able to make in her action domains of the observed. These distinctions and responses define the actor’s complexity in her operational domains. In this sense, ‘knowing’ is a capacity to make a distinction in particular domain of action (Reyes and Zarama, 1997). In the proposal of ‘self-construction of desirable social systems’, Espejo (2000) argues that social systems should take into account a history and the role of organizations in the transformation of collectives into social systems. Events, processes and experiences in organizations are rarely transparent, and thus the features of social systems are intrinsically ambiguous. Social systems, therefore, are open systems, whose effective action can be depended on an organizational design which posses the
capability of utilizing effective knowledge diffusion process according to Ashby’s law. For instance, during the learning process of the Viplan Methodology, the participants seek to facilitate learning about a systemic process of problem solving by combining the two perspectives of Beer and Checkland (Espejo et al., 1996). And the learning process of the Viplan Methodology lead us to generate narrative understanding of social systems, and ‘hermeneutic circle’ lead us to raise cogent questions that are concerned with the issues in terms of the normative management and ethical governance (Espejo and Pheby, 2000). These issues will lead us to appreciate the process of problematization that seeks to a new thought that takes place within the process of appreciating ‘subjectivization’ that facilitates one’s becoming with multi-dimensional relationships to others, to things, and to ourselves (Yu and Lee, 2008: 260).

THE PROCESS OF RHIZOMATIC SYSTEMS METHODOLOGY

The recent work of Yu and Lee (2008) helps to elucidate the process of problematization that aims to make participants to become active citizens who think and act in a given situation. Based on the work of Yu and Lee (2008), we propose that the learning process of ‘rhizomatic systems approach’ which falls into five phases in order to questioning missions, purposes and value systems of social institutions (including the social enterprise). The following describes five phases in the development of appreciating the process of problematization.

Phase 1. Making a connection with persons in the social field

This phase refers to researcher’s initial activities that aim to make a connection with persons in organizations or communities. Yu and Lee (2008: 257-258) showed that the concept of the ‘personal touch’ or personalization is necessary to identify and make a connection with persons who can be seen as participants in the social field. The concept of the personalization refers to people’s perception of being recognised by decision makers or participants, and how people generate interactions through the creation of boundaries to limit dialogue, and open up the process of making a connection with other individuals in the social field.

Phase 2. Forming groups through creating rhizomatic networks

This phase occurs after making a connection with persons in social field, and forming groups of participants or active citizens who aware of just why difficulties and ‘uneasy’ situations occurs when participants see how social institutions are. Participants or active citizens will make groups through creating rhizomatic networks in order to encourages themselves to engage with others in the process of dealing with uncertainties or problematic situation in the real world.

Phase 3. Questioning ‘the missions and value systems’ of social institutions

Phase 3 can be seen as a means of challenging existing value systems through questioning ‘the missions and value systems’ of social institutions. This phase falls into
two distinctive stages.

Stage 1. Drawing a natural boundary for ‘problem solving’

In stage 1, ‘problem solving’ refers to identify a mismatch between the enunciative and machinic assemblages in the social field. As Yu and Lee (2008: 259) have shown, “the process of ‘problem solving’ is required to address such a mismatch or make a ‘problem’ of assemblages in the ‘actual plane.’ By drawing a natural boundary for ‘problem solving’ within the actual plane, it is possible by a means of the openness of a ‘question’ and the determination of a ‘problem’ if participants are aware of or appreciate the current situations that reveal the complex relation between the enunciative and machinic assemblages in the social field.” By drawing a natural boundary for ‘problem solving’, participants come to know why the social enterprise exists for. To see this way, the appreciative process of ‘problem solving’ will be preceded for revealing the alternative relations between the enunciative and machinic assemblages in the social field (ibid).

2. Using ‘problem solving’ method(s)

When groups of participants deal with the problematic situations, the systems methods or methodology will be useful to explore the nature of ‘problems’ that lead to appreciate the process of problematization. For example, when participants are engaged with the use of Checkland (1981, 2005)’s SSM and Beer (1985)’s VSM in practice, it explores new questions and problems in relation to the community practice or designing the ‘ideal’ social enterprise for the social enterprise.

Phase 4. Appreciating the process of problematization

This phase refer to the appreciation of learning process of problematization and participants challenge the taken for granted assumption, norms, rules, and thinking towards a new way of thinking and practice. As Yu and Lee (2008: 259) explained, “it creates a new mode of unconscious thought and existence, and new possibilities of life which leads to experimentation. In experimentation, there is a ‘transcendental’, in other words, a higher power of decision-making which operates when decision makers look for all the possibilities and affirms all chances.”

Phase 5. Entering the process of subjectivization

Phase 5 refers to the process of subjectivization. It is a question of an inquiry concerning the individual moral and ethical values and awareness, and the values and attitudes of the social enterprise in which the organization works and the society in which the organization operates. During the process of subjectivization, “it is possible through making a connection with “the others” or “minorities” and recreating rhizomatic networks that refer to communities of inquiry and practice within the organization” (Yu and Lee, 2008: 260). Put differently, through the process of subjectivization, participants have an opportunity to have the possibility of transforming themselves into the ethical subjects in which they are engaged with the process of learning by its performance in
executing vision, recreating values and commitment through good relationships to others.

CASE ANALYSIS

Background information

At the beginning of the project, the researchers (Dr. Jae Eon Yu and Professor Hicheon Kim at the Korea University), members of staff at public health centre at Anam Dong at Seoul, groups of students at the Korea University agreed to select a pluralist approach of using SSM and VSM (or the Viplan Methodology) as systems-based approaches. Participants expected that the use of SSM would contribute to make an accommodation of diverse interests amongst participants as SSM is a tool for dealing with cultural aspects of the social systems in a sense of everyday life. On the other hand, participants agreed that VSM could be a good model for designing the social enterprise from cybernetic perspective.

The use of problem solving methods

The use of SSM

Soft Systems Methodology (SSM) regards as an enquiring process of the systemic intervention. The use of SSM as problem solving method can be summarized by the following stages. The methods of finding out a ‘rich picture’ of the organization were conducted by the study of the written documents, the ‘objective’ data on newspapers, the workshops’ materials and informal and formal interviews with the members of staff at the public health-care centre at Seoul.

Stages 1 & 2: Drawing ‘rich picture’ (‘expression’)

These stages were concerned with finding out the current situations within the public health-care centre from the various perceptions as possible. The following quotations contain the condensed version of the people’s impressions about the whole issues.

Person A:
“People in our organization are insular and do not like being controlled by others.” She suggested that SE desperately needed to create a new vision, standards, values and commitment, and to create competence and capacity of people who are working at the Community Health Centre (CHC). She felt that it would be more successful if CHC has to think through its strategy and focus on the main target group in marketing and delivering its service.

Person B:
“How can we create a condition for improving the quality of health care and effective interactions amongst administrators or managers, the various working groups within the service-providing division?” She is very conscious that CHC should live up to the good
Person C: “Taking into consideration of establishing the social enterprise (SE), what can we do about corporate visions, strategy, culture, structure that guide us pride in our work?” She wants to establish the social enterprise (SE) as an independent body. Her idea is to establish a coffee shop, which is operated and managed by the social workers and the disadvantage groups, within CHC. The coffee shop will be a sort of a pop in CHC where people could have a cup of coffee or tea and talk about their daily life and so on. She believes that people at Anam-Dong where CHC locates in Seoul are quiet competent to run the business of a coffee shop on their own if SE can provide facilities and place within CHC.

The designing of the social enterprise: the application of VSM
The purpose of the application of VSM was to contribute to the construction of a shared mental model of participants (i.e. ‘informational domain’ in the terms of Espejo (1996)) that emerged from complex interactions amongst the desirable or feasible autonomous units within SE. What SE is supposed to do was to identify through missions or purposes it aimed to achieve. The social missions of SE, as perceived by participants of SE were to provide relatively high quality services, and to achieve effective service-supporting functions. Looking at SE from through the viable systemic metaphor, it was needed to identify ‘autonomous units’. These units or systems are referred to ‘primary activities’ within the system-in-focus (Beer, 1985). For example, the primary activities of the service-providing unit contains smaller primary activities of the business units for disadvantage groups, social works, and public health-care activities (Figure 1).

Figure 1. The unfolding complexity of SE

Using the design mode of VSM, the five functions can be identified as follows

(1) System Five: The ‘policy’ function
The missions of the social enterprise should reflect the needs and requirements of external environmental changes. The whole set of a higher management, which refers to the board of directors and representatives from the diverse groups, dealt with corporate level of policy making through the democratic decision-making process. The directors of the board formulated the corporate policy on the basis of their purposes to fulfill ‘the vision of multi-stakeholders’ within the social enterprise. System Five looks at the balance between systems four and three and manages it (Figure 2)
Figure 2. The model of System Five

(2) System Four: The ‘intelligence’ function
System Four functions like the living organism which features as self-production, self-reflection, and self-recursivity. System Four should possess an overall view of the whole environment of the social enterprise and is capable of reviewing overall strategy for the unexpected future (Figure 3).

Figure 3. The model of System Four

(3) System Three: The ‘control’ function
System Three will be organizing as network structure which is developed from a good relationship between policy-makers and managers and workers in the organization. System Three refers to the ‘operational control’ function which is responsible for the operational management. The operational management is concerned with the allocation of available resources, the autonomic functions of issuing directives the potential variety that can be reduced, and the audit channel of System Three*

(4) System Two: The ‘co-ordination and regulation’ function
System Two refers to an anti-oscillatory device for Systems One so that the processes of the various operational units of System One act in harmony. System Two collects information about the operational activities of System One and audits the autonomous units of System One from their corresponding Local Regulatory Centre (LRC). The control centre of the operational units of System One is a Corporate Regulatory Centre (CRC). The CRC functions as an autonomous unit that links to System One gets information about unpredictable effects and dangerous oscillations arising in the operational units of System One.

(5) System One: The ‘implementation’ function
Each components of System One is autonomous and viable. Its various parts consist of managerial and operational functions which are directly concerned with ‘implementation’. Its parts implement the policies and higher level of managerial decisions from Systems Two and Three. The autonomous units themselves should absorb some of the massive environmental varieties so that higher management levels can deal with requisite variety.

The process of rhizomatic systems approach

The project carried out by an independent researcher (Dr. Jae Eon Yu), his students and
the members of staff at the community health centre at Anam Dong in Seoul, Korea. It takes for 3 months looking into the possibility of designing the social enterprise (SE) at Anam Dong using Beer’s Viable System Model (VSM) through the process of problematization. During the process of rhizomatic systems approach, five distinctive phases were identified as follows.

Phase 1. Making a connection with persons in the social field

On 5th March, 2009, Dr. Jae Eon Yu and Professor Hicheon Kim (from Korea University) visited the community health centre at Seongbuk Gu (in Seoul) and met Ms. Won Sook Hwang (Director), Mr. Je Heon Han (Manager at the health policy division) and Ms. Won Kyeong Cha (senior staff at the community health centre). There discussed the current issues at the community and agreed to carry out the project which was concerned with the learning and changes of the community.

Phase 2. Forming groups through creating rhizomatic networks

After discussions between researchers and participants from the Community Health Centre (CHC), they agreed to establish the social enterprise (SE), which aims to help the disadvantaged group, within Seongbuk Gu. In order to find out ‘uneasy’ situations within the community, they decided to act as the active citizens who were engaged with the process of a system-based approach that was used to design a new model for the social enterprise in Korea.

Phase 3. Questioning ‘the missions and value systems’ of social institutions

By drawing a natural boundary for ‘problem solving’ through a careful analysis of current situations within the community, participants reviewed the ‘missions and value systems’ of SE which were operated within the community, and used Checkland’s SSM (to find out the critical issues or ‘uneasy’ situation within the community) and VSM (to design a model of SE). Through the application of VSM, it was decided that new missions of SE should be established. Through building a new image of SE was necessary as it would help to give a clear direction for designing a good model of SE. Consequently the group of participants involved with the project were acted as the ‘active citizens’ were challenging an existing value system of the social institutions in the community.

Phase 4. Appreciating the process of problematization

The process of problematization occurred as it was a specific response to “difficulties and unexpected events” within a given situation. This response was referred to a first ‘singular point’ which appeared within the social field.

Phase 5. Entering the process of subjectivization

As a result of the appreciation of a series of events in the previous phase, participants
went through an experience of turning themselves into ‘becoming-minoritarian’ that resulted from events inspired participants to react against the effects of relations of power and knowledge in the given context.

**CONCLUSION AND DISCUSSIONS**

The outcome of the research indicates that the social enterprise has to have community or proximity services with special divisions which can be divided into three specific areas. For instance, there are the business units of caring for the disadvantaged group; social works that includes childcare, home help which cares for elderly people to various needs connected with family breakdown within the community; and health care that included care for sick people, emergency patients-cares, preventing the disease spreading out within the community. As our research looks into the possibility of systems thinking that can help us to explore the designing the social enterprise, reflections on the use of systems-based approaches are necessary. The designing mode of VSM was used to explore the social and entrepreneurial dimensions of SE within the community. In other words, using the design mode of VSM, ‘primary activities’ can be identified by the ‘informational domain’ in the terms of Espejo’s Viplan Methodology. Using SSM, participants focused to ‘what is’ in terms of finding out the ‘uneasy’ situations and consequently establishing the ‘standards’ of SE from multiple perceptions amongst them. Lastly, the rhizomatic systems approach was applied to appreciate or make a series of events in order to create new modes of existence or draw maps of new kinds of social reality in the given context.

**References**


