

# Livework Foundry

A service design approach  
to startup development

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 TU Delft live|work

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*And it ought to be remembered that there is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things. Because the innovator has for enemies all those who have done well under the old conditions, and lukewarm defenders in those who may do well under the new. This coolness arises partly from fear of the opponents, who have the laws on their side and partly from the incredulity of men, who do not readily believe in new things until they have had a long experience of them.*

*- Il Principe (Machiavelli, 1513)*

”





Strategic Product Design Master Thesis  
Industrial Design Engineering Faculty  
Delft University of Technology

Project commissioned by  
Livework Studio, Rotterdam

Supervisory team composed by  
Chair: Jos Oberdorf  
Mentor: Giulia Calabretta  
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# Abstract

This project was commissioned by Livework Rotterdam with the intent of designing a new service value proposition to offer to clients. This new service would have to support large companies in developing disruptive startups through a service design approach.

Research was conducted to explore three core topics: companies' barriers to disruptive innovation, outsourcing innovation and design as entrepreneurship. Next to that, a case study that prototyped this type of project was followed to get insights on the process, on the capabilities and on the approach used. The insights from the research together with the reflections on the case study were synthesised in the design of the Foundry.

The Foundry is a new service by Livework that guides clients through the concepting, designing and development of a startup. At the Foundry, Livework's hybrid expertise of service and business design is put to practice in the entrepreneurial task of building a fully functioning startup for the client. Livework provides process and methods expertise while the client provides field expertise to help them set and reach their strategic goals.

In a six phases process the Foundry gives the opportunity of learning a service design approach to entrepreneurship while designing and developing an innovative, customer-centred, holistic and integrated startup.



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# INTRODUCTION

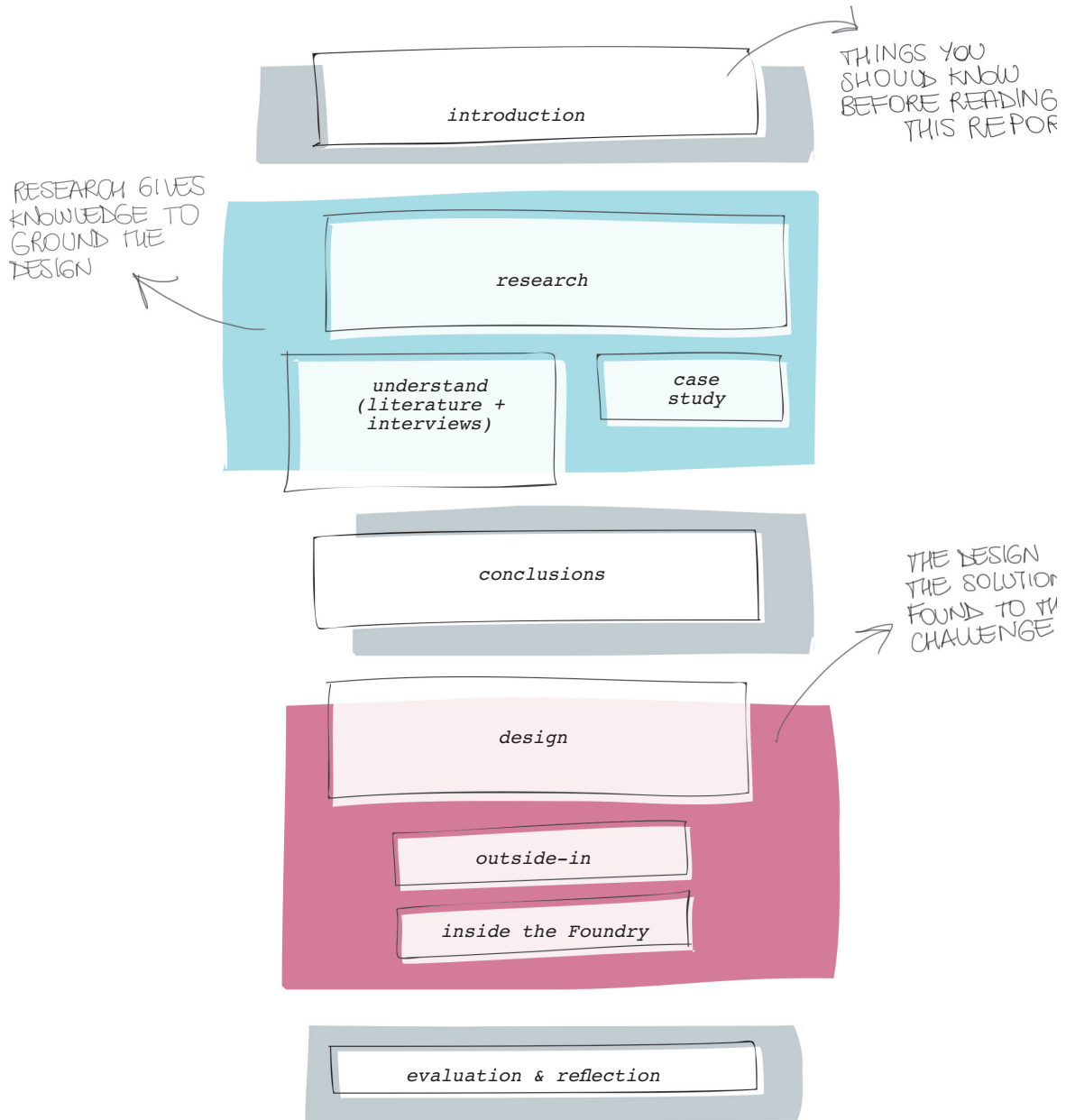
## Raison d'être

Livework is a service and strategic design consultancy that believes in human centred, holistic and meaningful innovation. Livework's goal is to have a positive impact on this changing world by helping their clients to embrace these beliefs and by bringing disruptive innovation together to the market.

Livework believes in the power of service design as an approach to develop innovations. This project's goal is to design a new value proposition for Livework in the shape of a service to offer to clients to help them develop disruptive innovations.

Unlike other services that Livework offers as a consultancy, the aim of this new service is to help companies develop disruptive value propositions, designing them from the customer experience to the business set up, bringing to the market a complete startup. In other words, Livework wants to offer a service for developing startups.

# Overview report content



*The visual here gives an overview of the structure and content of the report.*

*The **introduction** section is meant to give the background knowledge for a better understanding of the project. In the **research** section, the findings from the literature and field research are explained together with the findings of the case study. Following, a synthesis of the research is drawn in the **conclusions** section, and the design brief that results from it is described. Finally, the **design** section gives an explanation of the project outcome. A final **evaluation & reflection** on the project follow.*

*In this section the context and the approach used to conduct this project are described. First, an explanation of what is meant for disruptive innovation in this report, is given to get a common understanding. Secondly an analysis of Livework is made to give an overview of the company. Then, an overview on the trends that are changing the world we live in is given to provide an explanation of the market context.*

*Lastly, the approach and methodology used to conduct this project is given for academic validity.*

# 1 Context

## **Disruptive innovation**

In order to stay relevant and competitive, companies constantly try to innovate. The way companies approach innovation can be through two types of approaches: exploitation or exploration.

Exploitation implies a company improving and refining their existing products. The results of exploitation is generally incremental innovations: a product's features are improved or changed based on the customers' needs. On an organizational level, exploitation is usually associated with routinised procedures, tight structures and efficiency focused processes (He and Wong, 2004). This type of innovation is safe on the short-term and allows the company to have a constant income.

Exploration is instead a kind of approach that implies the research and experimentation of new opportunities, outside of the rigidity of the ongoing business. This type of approach requires organic structures and a certain amount of freedom and autonomy in operations (He and Wong, 2004). Exploration is a risky path with a high chance of failure but essential to pursue on the long run (Leifer et al. 2000). To high risks correspond great benefits when the innovation is successful. Despite many companies recognize the importance of an exploration approach to innovation, few are

acquainted with the practices necessary to pursuit it and balance it with exploitation. In fact exploration is crucial in boosting competitiveness and to ensure long-term growth (Schaeffer,2015).

Many researchers debate about the definition of disruptive innovation. Christensen (1995) addresses the topic by saying that some companies neglect wide portions of potential customers by focusing on and innovating only for the ones that provide the higher profits. By doing so, these companies leave room for new entrants with a more accessible product that will slowly move upmarket by stepping up their performance. When the entrants conquer the mainstream customers, disruption has happened (See for example what Apple did with computers: before they were complicated and expensive machines, Apple made them cheaper and accessible to a wider public, starting a democratisation of technology).

In response to that, Yu and Hang (2009) state that not all disruptive innovations conform to Christensen's description. Taking the mobile phone as an example, they explain that despite it was more expensive and with a poorer performance compared to regular phones, it still conquered corporate executives that were willing to buy it for its added values of portability and convenience.

“

*Innovation in a certain product category usually happens within the constraints of existing conventions. When these conventions are challenged then disruption happens.*

- Roscam Abbing, 2017

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Here then comes the definition of Roscam Abbing (2017), managing director of Livework Rotterdam.

Innovation in a certain product category usually happens within the constraints of existing conventions. When these conventions are challenged then disruption happens. Taking for example Christensen's one, computers were complicated machines for people that needed years of preparation to use them, the innovation focus was to make computers make "more things". Apple did not make a better product but instead made it much simpler therefore accessible to a wider public. The conventions of the product were challenged creating disruptive innovation.

In conclusion, disruption happens when innovating out of the constraints of the product and market conventions.

In the light of the explanations given, this graduation assignment focuses on disruptive innovation, targeting large companies that want to learn how to pursue an exploration type of approach to innovation to attain disruption.

## Livework internal analysis

Livework is a service and strategic design consultancy that operates in a variety of markets and with a rich and diverse portfolio of clients and projects. Livework's belief is that service design plays a determining role in improving the quality of the life and work of people. In order to keep up to their credo, Livework helps companies to understand the customer's perspective, and from that to design relevant solutions to improve the customer's experience.

### Projects

Since every client, market and challenge is different from the other, also the types of projects that Livework engages with are many.

Many companies approach Livework with the intent to better their own offer and to improve customer satisfaction. Livework's expertise is in having the clients see their business from the customer's perspective through thorough and qualitative research. From the research Livework is able to capture deep insights on the needs of the customers. These insights serve as a base to co-create ad hoc and customer-centric solutions. Livework's goal is to design as concretely as

## Glossary

**DISRUPTIVE INNOVATION** - While incremental innovation takes place as an improvement or an evolution of an existing product or service, disruptive (also called radical) innovation is a type of innovation that goes beyond the constraints of the product's or market's conventions. Often it results in a revolution of the market and product rules.

**CLIENT** - A company that hires Livework is addressed as 'client'. The client profile for this assignment are large companies or corporations.

**CUSTOMER** - In this project, the customer is generally intended as the target of the startup that the company (client) and Livework build together.

**STARTUP** - a startup is an organization that aims to develop products or services with a repeatable and scalable business models under extreme uncertainties. A startup aims to mature into an established business maintaining its scalability.

**LEAN STARTUP** - is an approach to business development that flourished in the last decade. It is based on an iterative release of products to get validation learning and improve the product and measure its progress.

**MINIMUM VIABLE PRODUCT (MVP)** - to get validation learning, the product with the minimum features necessary to make it work is released to the public. In Lean Startup jargon is called minimum viable product.

**ECOSYSTEM** - is a term that in this project is used to describe the holistic nature of the startups that are build by Livework. The ecosystem is composed by the customer experience (CX) by the business dimension and the organizational set up of the startup.

**MINIMUM VIABLE BUSINESS (MVB)** - this term is used in this project to address the first startup sample presented to the public. This means that all the dimensions of the CX- organization- business ecosystem are released with the minimum features necessary to test them.

**SERVICE DESIGN** - service design is a discipline that implies the creation or improvement of service and/or customer experience related solutions. This implies the use of design beliefs, methodologies and tools (i.e.: customer centricity, customer research, journey mapping).





*Image #1 - Livework Rotterdam office*

possible, delivering quick-wins as well as long term implementable solutions. Sometimes solutions come into the shape of a new or better service, other times solutions are in the improvement of internal processes, or a design of a new brand vision or strategy.

Helping companies in developing better front-desk services can be an important but small part of a solution. In fact, as a strategic and service design consultancy Livework helps clients understand that their internal processes and the way they run operations internally, directly reflect on the customer's experience. By aligning departments, simplifying processes and empowering employees, the client's company can deliver a more positive customer experience. Therefore, with different types of solutions, Livework supports clients in making their offer better and improving customers satisfaction. Next to that, Livework also helps companies in identifying possible futures. By conducting in depth customer and market research, new opportunities for clients are discovered. Leveraging on the client's core capabilities and brand principles, Livework helps defining new strategic directions or new visions. When exploring new market and product opportunities, Livework also aids the client designing solutions fitting the identified market and customers needs.

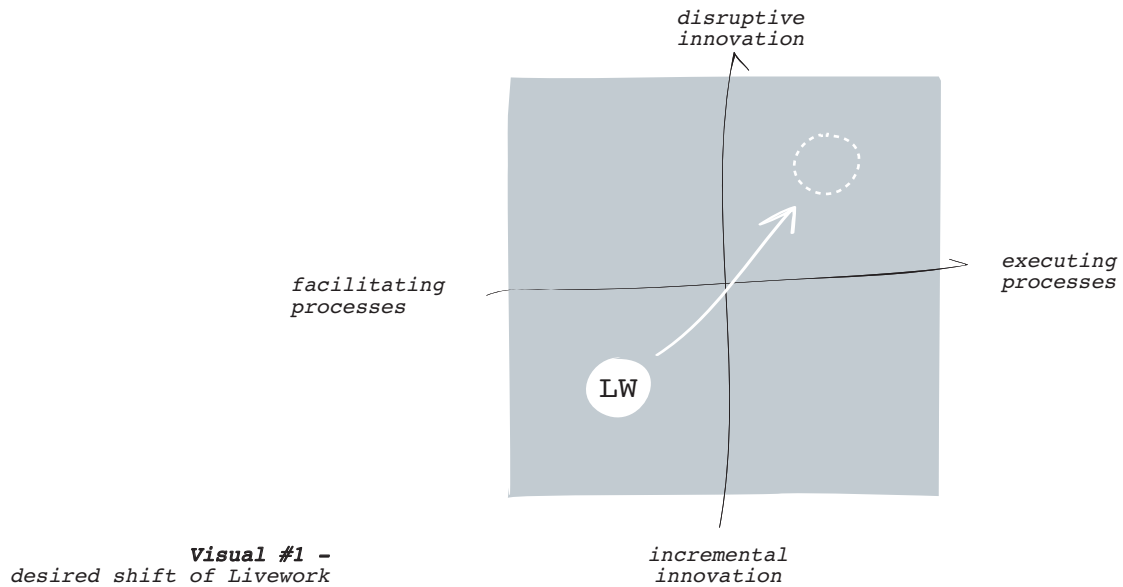
An important part of Livework's work is in their training expertise. In fact, Livework often helps companies not only by co-designing solutions but also by helping them understand the design process that leads to solutions, and to operate by the learnings they get out of it. In such way Livework aids companies in building internal capabilities having employed people working and experimenting design methods, processes and tools.

As described, Livework engages in a variety of projects, regardless of the market and the type of company. What these types of projects all have in common is the in depth qualitative research, the design of concrete and implementable solutions that deliver both short term results and long term strategies. At the center of all discussions from research to design and implementation are the customers and their needs. These characteristics are what define Livework's field of action.

## **Liveworkers**

The types of backgrounds that Liveworkers have are many and varied.

From pure service and customer experience designers to researchers, psychologist, business strategists and entrepreneurs, Liveworkers



across the studios create a multidisciplinary and heterogeneous mix of capabilities and skills.

Liveworkers have in common the belief that the world needs more customer-centred, integrated solutions. By helping companies understand the business value of customer-centricity, Liveworkers design and develop concrete and implementable solutions.

Next to the hard skills, a Liveworker is characterised also by soft skills. The company culture in fact is energetic, positive and pro-active towards projects and peers. This pervades also the employees that gain an attitude of enthusiasm, responsibility and ownership towards their work.

### **Livework Insight**

Livework Insight was launched at the end of 2016 and is a new department of Livework that sides Livework Studio. The goal of Insight is to take the experience and the knowledge created in the years of working in the service design field and making it tangible and accessible to the public. Insight takes the internal learning from projects and by complementing it with external research, it creates new knowledge to frame in models for the consulting practice and to conduct progressive research in the field. Through Insight, Livework

aims to maintain thought leadership and to keep at the front of service design as a practice and as a field of knowledge.

### **Stepping up**

Livework was one of the first service design consultancies to be founded, in 2001. As such they've been pioneers in the service design field and are thought-leaders in the service design community.

At this moment, Livework brings an impact by improving services and customer experiences and by help companies framing visions and identify opportunities.

What these types of projects try to do though, is create the conditions for innovations which are lead usually to incremental innovation (see visual #1).

Moreover, as a consultancy Livework does not have the last word on the implementation of the project so some of them end up not being actually implemented because of the client's company internal policies. What the clients get is a new perspective on their own business and an enhanced awareness of the vital role of the customer for their company's well being.

Livework believes in the power of service design as a mean for innovation and they see the opportunity of undertaking a more proactive role by helping large companies in entrepreneurial tasks. Livework wants to step up the game and fully apply their expertise to the development of implementable and tangible startups that will help companies to disrupt.

## A changing world

As being one of the first service design consultancies, Livework has been leading the service design field, and to maintain this leadership and competitiveness it is important for them to spot and nurture opportunities.

Nowadays companies are facing the challenge of remaining relevant in a changing world.

The markets are already facing the results of digitisation. With digitisation, people have access to many more means and platforms to get informed, gain knowledge and make more conscious and aware choices.

Customers become more empowered therefore more demanding. Economy is shifting from feeding the customers top down with products to a bottom up rising of new businesses that cover the gaps in the market. In order to stay relevant, mature companies have to learn to bridge this gap with customer insights and evolve accordingly.

The sharing economy is booming and companies with traditional ownership based assets don't know how to adapt or how to face the change. Therefore a change from ownership to access is happening. Companies that do not know how innovate in a relevant way try to compete with price, creating a competition based on lowest-price to compensate lack of relevance.

On top of all these trends, large and mature companies struggle in maintaining a competitive edge and are often overtaken by new and more agile companies.

In the interviews conducted for this research, companies explained the need and wish to stay relevant and to innovate more disruptively. They expressed the need for disrupting innovation to grow their market and to elevate the brand, but they also face lack of expertise and have internal barriers that prevents them to do so.

In this shifting world, Livework sees opportunities to support large companies in innovating and renewing their business. Livework wants to take the chance to offer a new service to large companies that helps them to innovate disruptively through developing startups with a service design approach.

## Conclusions

This chapter provided the background knowledge necessary to understand the nature of the project. The world is facing deep market and societal changes and companies, especially if large and mature, struggle in staying relevant. In order to stay competitive, pursuing innovation with an exploitative approach is not enough anymore.

For this project, disruption is described as an innovation of a product or service that challenges the existing conventions related to it. In order to stay relevant and sharpen the competitive edge, companies need to side everyday activities with a activities to seek new opportunities and therefore disruption.

Livework is a strategic and service design consultancy that has a variety of capabilities that go from pure service designers to business strategists.

Livework believes in the development of customer-centric, holistic and integrated meaningful innovations and in the power of service design as a way to it. By taking an entrepreneurial role, Livework wants to help large companies develop tangible and implementable startups.

# 2 Approach

This chapter describes the approach used to tackle the assignment. Here are explained the methods and the thinking behind the process used for the project.

## Research Question

The given assignment was framed into a research question.

*How can Livework help companies to innovate disruptively through a startup service?*

The research question can be unfolded in three subquestions.

*What is preventing companies from innovating disruptively?*

*How can a startup service help to overcome these barriers?*

*Given that Livework is a service design consultancy, how to apply their expertise to startup development?*

These questions helped framing the initial research and to identify the areas of investigation.

## Context

Livework's internal analysis was needed to provide with an overview of what the firm's field of work is and what its expertise is. The opportunity analysis was made to give a picture of what is the current context situation and to identify possible areas to which Livework can contribute to.

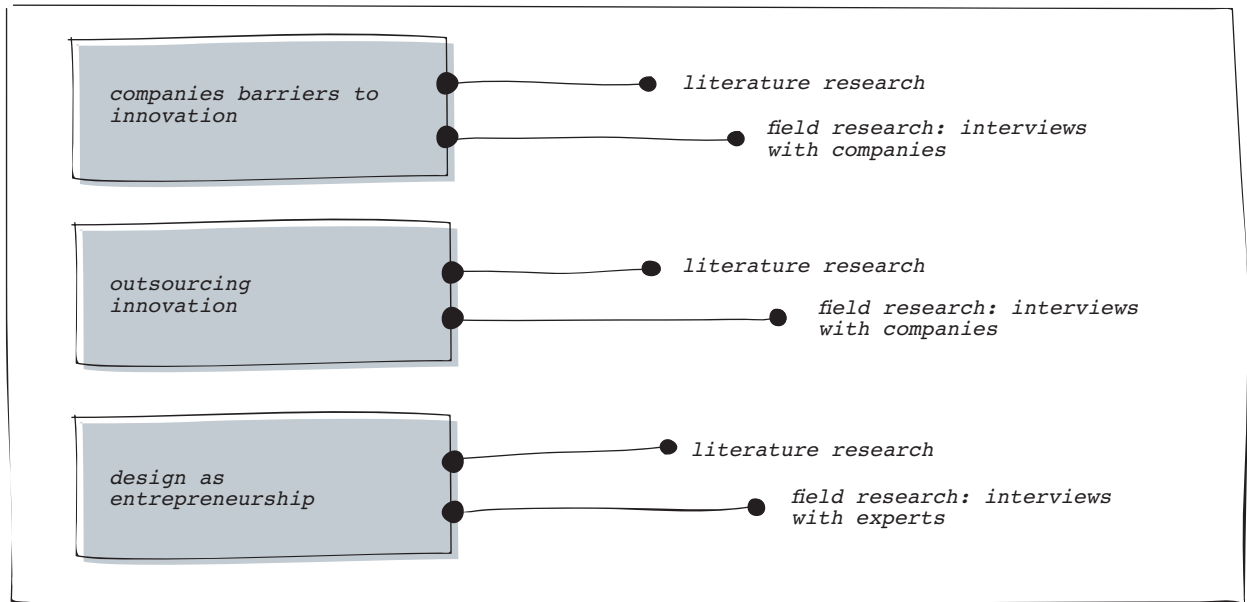
## Research

Given the research question, three areas of interest to research were identified (visual #2). In order to provide extensive background knowledge, research was conducted in two different ways around the same topics, with literature review and with interviews.

### Literature research topics

**Companies' barriers to disruptive innovation** - given that the service aims to address companies, it was important to have an overview and understanding of the reasons why companies struggle in innovating disruptively.

**Outsourcing innovation** - this topic was investigated in order to provide arguments to support or disprove the efficacy of outsourcing as



**Visual #2 - overview of research topics**

a mean to innovate. Also, this research was made to provide background knowledge on what types of practices currently exists.

**Design as entrepreneurship** - this topic was investigated differences and similarities between designers and entrepreneurs in terms of skills, mindset and approach. This was also made in order to provide arguments for designers to be suited for entrepreneurship.

Literature research was conducted consulting articles and papers from different sources. Given the recently trending and evolving nature of the phenomena studied in this research, such as startup practices and lean startup methods, an effort was put in finding reliable and relevant knowledge produced as recently as possible next to the necessary classics.

Moreover, in order to get a more in-depth understanding on the research topics, field research, more specifically interviews, were conducted with two groups: client companies and design & entrepreneurship experts.

### **Client companies interviews**

Six interviews were conducted with five companies of different sizes and market domains.

The companies were recruited from the Livework clients pool and were specifically selected based on an estimation on their need or wish to attain more disruptive innovation, and therefore being potential clients of this new service (see visual #3).

Client companies were interviewed with the goal of getting a first-hand in-depth understanding on the research topics, but also to get an impression of what would they need to overcome such barriers.

Interviews were conducted semi-structured in order to provide an organic flow of conversation, but all of them touched the following topics

**Barriers and difficulties in innovation** - to gain first-hand inside out perspective on the barriers to innovation and to get a grasp on the needs to pursue better innovation processes.

**Company culture and current approach to innovation** - to understand how familiar the company is with incremental or disruptive innovation and how they deal with it.

**Outsourcing innovation** - to get an idea about in what cases would these companies consider outsourcing innovation processes, what benefits and disadvantages they identify.

<i>type of company</i>	<i>role of interviewee</i>	<i>size of company</i>
<i>insurance company</i>	<i>manager of customer and brand development</i>	<i>large company</i>
<i>newspaper</i>	<i>head of consumer research dpt</i>	<i>SME</i>
<i>newspaper</i>	<i>manager marketing and communication</i>	<i>SME</i>
<i>outdoor camping products</i>	<i>managing director</i>	<i>SME</i>
<i>telco</i>	<i>innovation manager new business</i>	<i>large company</i>
<i>kitchen appliances products</i>	<i>chief sales officer</i>	<i>large company</i>

**Visual #3** - companies interviewees' profiles

### Designer - entrepreneurs experts interviews

Three experts in design and entrepreneurship were interviewed. These three interviewees were selected based on their hybrid field of expertise. Despite the different backgrounds, they all developed an expertise that makes an integrated use of design and entrepreneurship (see profiles of interviewees in visual #4). The goal for these interviews was to gain knowledge on the role of design as entrepreneurship, the similarities and differences to gather different perspectives and knowledge from first-hand experiences.

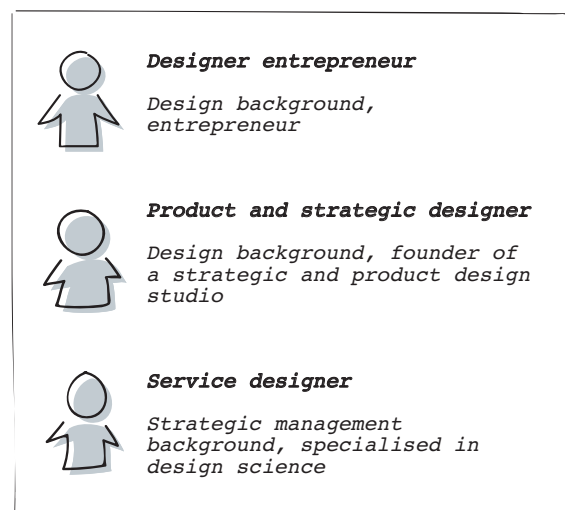
Interviews were conducted semi-structured in order to provide an organic flow of conversation, but all of them touched the following topics (see appendix for interview protocols).

**Experience with design and entrepreneurship** - in order to understand the interviewee's expertise, their use of design and entrepreneurship in their personal experience and practices.

**Comparison between design and entrepreneurship in skills and processes** - similarities and differences, advantages and disadvantages of making use of design for entrepreneurial tasks.

All the interview findings on each research topic were analysed with deductive reasoning, by creating macro categories (see appendix).

The findings of the research are presented not by method but by topic. This is to provide a more logic and organic narrative flow. This means that each chapter corresponds to a research topic, describing first the findings from the literature then from the field research. Following, in each chapter the conclusions from the research topic will be drawn by making a synthesis of the findings of both the literature and the field research.



**Visual #4** - expert interviewees' profiles

## Case study

The trigger for this graduation assignment originated from an ongoing “kitchen project” at Livework. The kitchen project was studied to get a real-life example to be able to reflect on it and elaborate it into a new value proposition for Livework.

The intention was to use the ongoing project as a case to study, observe and elaborate on. The design process used in the project set the basis for the design, providing an early structure and content as a starting point for elaboration. The case study was fundamental for the design part.

The project was studied to get an understanding of the process used, of the capabilities implied, of the relationship Livework-client and of the overall strategic potential of the to-be-developed service.

Interviews with the team members were conducted in order to get an understanding of the roles, capabilities, functions implied. Also, the interviews were valuable to have an overview of the ongoing process.

Observations were regularly conducted, meetings were always attended in order to get a grip on the dynamics of the team and to be constantly updated on the development of the project.

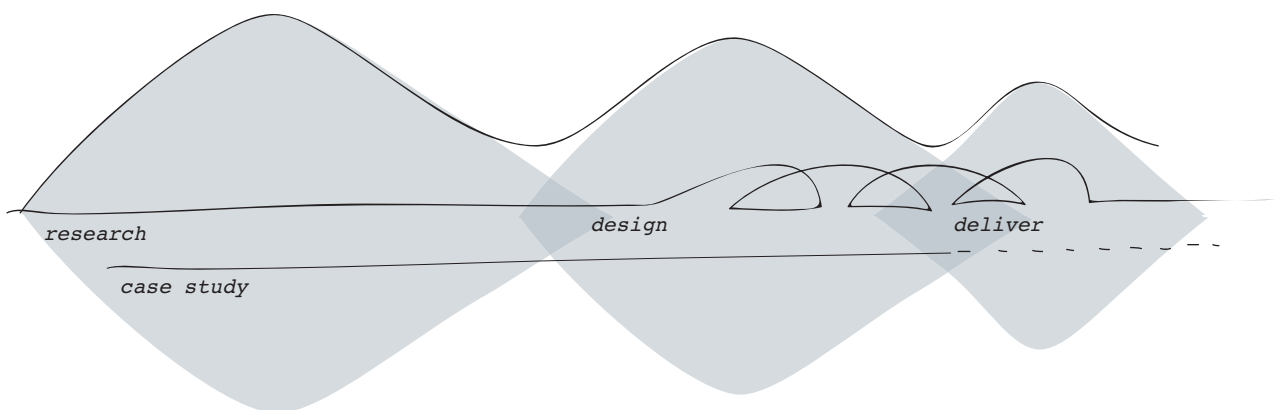
Towards the end of the project, a co-creation session was conducted with the team. This session aimed to look back at the project with a critical look and to reflect on the successes and downfalls of the experienced process. The goal was to identify how to improve this process for the new service.

## The design

The design challenge was defined by the synthesis of the research conclusions. Livework’s request for this assignment was to design the service and a way to communicate this new offer to clients.

The case study provided a base to shape and sharpen the service from an internal perspective. On top of that, a value proposition to give a description clear for potential clients was also requested. For this reason the deliverables of the assignment are not only a process map and a tool for internal use but also a brochure that gives an outside-in look on the new service.

The design was worked out through several sessions with the team that conducted the kitchen project, and with reflections with the managing director of Livework Netherlands. Interviews together with co-creation sessions were conducted with the team to reflect and contribute to the design.



Visual #5 - overview process

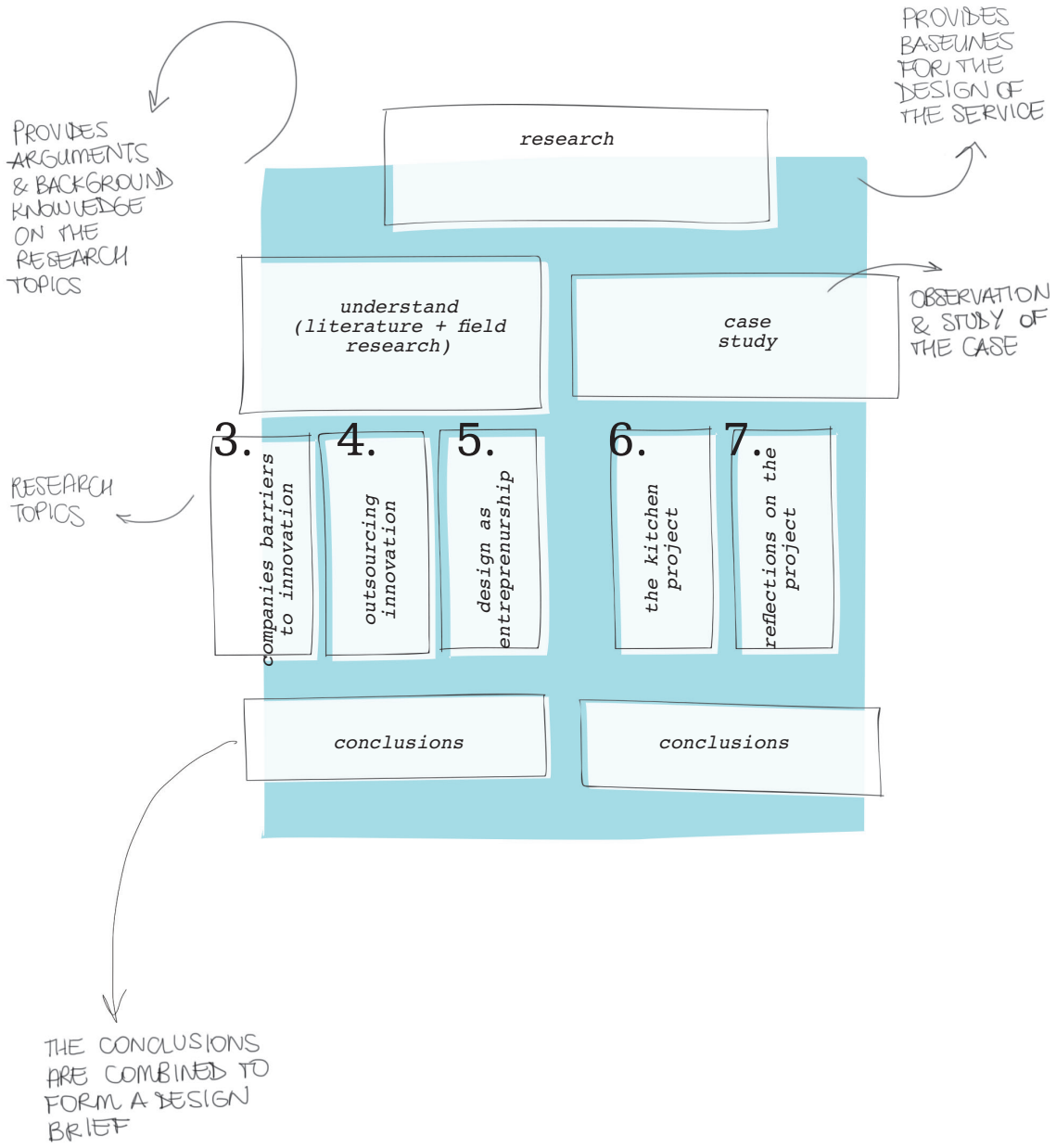




# RESEARCH



# Overview research



The **research** section is divided in two parts: the **understand** part gives an overview of the three research topics: companies barriers to innovation, outsourcing innovation and design as entrepreneurship. These topics were investigated both through literature and through field research for which six companies were interviewed.

The kitchen project was used as a **case study**. The case was observed and studied to get a basis from which to reflect, elaborate and build up the design of the new value proposition.

# UNDERSTAND



MON TUE WED THU FRI

MARK  
LINDA  
SAMIE  
JAMIE  
FRED  
MARZA  
MARK  
SAMIE  
MIKE  
ANDY  
ALEX  
ANGIE  
TAN  
ERIKS

ROLE DEFINITION

tasks responsibilities

MISSING A CLEAR STARTING POINT

lack of common ground  
unclear concept definition  
unclear process structure  
unclear approach strategy

CONCEPT DEVELOPMENT WHILE PROGRESS

KNOWLEDGE TRANSFER ISSUE

# 3 Companies' barriers to disruptive innovation

## Intro

This chapter aims to provide knowledge on the reasons why large companies struggle to innovate disruptively. This was made by conducting both literature review and interviewing companies in the field research.

## Literature research

### Structural barriers

In large companies, innovation is known to be difficult to pursue. Typically, companies focus their effort on incremental growth and profit (Wessel, 2012). As a company grows, internal structures are formed to control the increasing complexity of the organization. Practices like the construction of departments and of a bureaucratic system become necessary to govern the organization (Dougherty, 1995). Yet, these practices generally transform the company in a rigid ecosystem that prevents the rise of entrepreneurial activities and a cross-silos conversations.

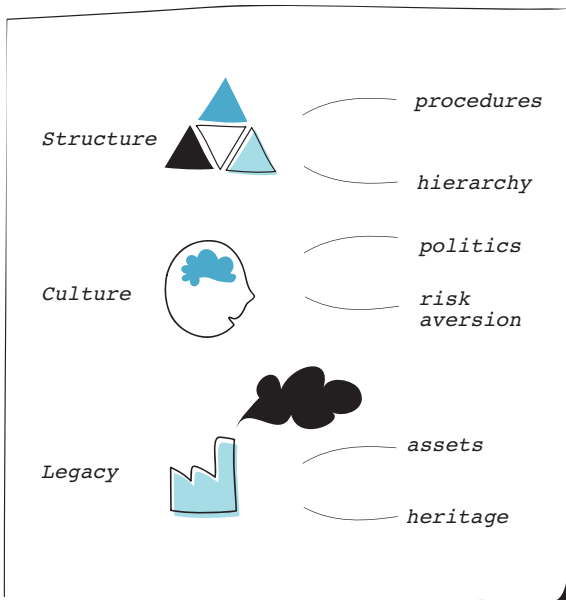
Because of differences in the structural, organizational and capital set up, small and medium enterprises (SMEs) and larger organizations generally have dissimilar ways to

deal with innovation. In large companies, the over formalisation of innovation processes results in innovation inertia, as usually opposed to small and medium enterprises (SMEs) that benefit instead from way less structural constraints (Schaeffer 2015).

Damanpour's study on the effect of centralisation on innovation (1996) shows that large companies are more capable of taking risks associated with innovation compared to SMEs. This is thanks to organizational decentralisation, as in delegation of authority and distribution of decision making power amongst different members (Child, 1984). Nevertheless, because of structural and bureaucratic constraints the members are not able to be as flexible and adaptive as they could. While a large organization has more opportunities for innovation than an SMEs, the ability to do so is hindered by too many rules and regulations.

### Ambidexterity

One of the biggest challenges that companies face, is how to balance the everyday business with entrepreneurial activities. Ambidextrous companies have the ability to juggle between exploiting the internal capabilities for incremental growth and explore new markets and opportunities (O'Reilly & Tushman, 2004) and is considered one



Visual #6 - barriers to innovation

“

*As companies grow, they develop structures and systems to control the increasing complexity. As a consequence it becomes more and more difficult to propose and implement change*

- Schaeffer, 2015

”

of the most difficult management efforts that only few companies are able to pursue successfully.

These types of companies have multiple structures and cultures that allow them to balance disruptive innovations while consistently increasing the current business (Damanpour, 1996). Therefore, when R&D departments are subject to the same sets of company rules and regulations, the kind of innovation resulting is typically incremental. Disruptive innovations in fact suppose that companies deviate from their current course of action, taking risks and jeopardising the existing activities (Partners, 2016).

Because of said standardised processes, disruptive innovation is on average more difficult to pursue than incremental innovation (Damanpour, 1996). Nevertheless entrepreneurial activities that lead to successful disruptive innovations are what revive a company's competitiveness.

### **Influence of company culture**

Also company culture plays a big role in the pursue of innovation. Company culture can be defined as the associations of beliefs and values that through formalised and non-formalised practices determines the overall character of the company (Tesluik et al., 1997). Companies that perform well

often don't see the need to consider change and do not feel threatened by the changing environment (Schaeffer, 2015). Focusing only on performing the daily business results in a lack of long-term vision and as a consequence in a lower competitive edge on the long run. In addition to that, Dougherty (1995) theorises that patterns of thinking and acting of employed people are an important factor for a company's ability to undertake innovation. In companies with similar structure and bureaucratic system, the ability of the people employed to interpret and overcome the barriers is determining for innovation enterprises.

Large companies need structure and bureaucracy to control the increasing complexity of the organization but this results in companies being less agile and flexible. Large organizations have more difficulties innovating than SMEs despite they're ideally more able to, because of their assets. Company culture and employed people's mindset highly affects the likeability to introduce and implement innovations. For large companies, disruptive innovation is more difficult to pursue compared to incremental innovation because it implies a deviation from existing business. So in order to innovate disruptively, it's needed not only an organizational structure that allows it, but also an appropriate culture and mindset.

“

*The big problem with disruptive innovations is that if you try to do it within your company it is easily stopped within two weeks because people don't want to support it.*

*- Peter,  
interviewee*

”

## Field research

Besides the structural barriers discussed in the literature review and confirmed by the interviewees, there are other barriers that companies encounter in an innovation effort.

Interviewees from large companies disclosed that it's common for the same company that promotes internal innovation initiatives through contests or through the formation of new departments, to end up declining the resulting ideas even before getting to a development phase. This can happen for different reasons.

### Internal politics

Because of the internal corporate dynamics, often innovation initiatives don't get to see the implementation or get eliminated soon. Even for companies with a dedicated organ to seek disruptive innovation, it is not easy to arrive at an implementation phase.

Innovating disruptively means making long term investments of resources and considering alternative ways of making business that would jeopardise the current business model. Because board members often have short term mandates, they are more prone to invest in quick wins. This

brings to a lack of long term vision and to a risk averse attitude.

When there is a lack of appropriate systems and procedures to foster innovation from the inside, and companies are not acquainted with innovation processes, the same KPIs are used to measure the validity of the new initiatives. New born projects though can not be measured with the same metrics as established businesses. Because of these reasons it becomes difficult to have support from peers, whose focus and priorities are on measurable everyday activities for the ongoing business.

Given the lack of procedures, and the top-down prioritisation of everyday activities, the help and collaboration of peers often relies on the personal will and motivation to do so. The interviewees that were involved in innovation projects highlighted the need of a change of culture and mindset both from the board and from peers.

On the one end, the CEO of a small but successful outdoor camping products business admitted that despite he would like to be more entrepreneurial, his employees would not be looking in favour at a different approach to innovation. According to him, this is due to a lack of experience and confidence with different approaches that lead to risk aversion.

On the other end, the innovation manager of New Business Development department of a telco corporate expressed how problematic it is sometimes to get support from peers when it is not considered as part of their job's tasks. According to her, this is because of the lack of influence and pressure from the board.

## Legacy

According to the interviewees that had experience in large companies, established and mature companies struggle in being agile because of their history. The sum of the assets that throughout the years was built up to maintain and upgrade their competitiveness, can become a burden when attempting disruption. While young and smaller companies can benefit from the agility to explore with more freedom and less risk, the significant legacy of a company becomes difficult to overcome from inside the company.

## Conclusions

The research conducted identified several types of barriers that companies encounter when trying to innovate disruptively (see visual #6).

The **structure** that helps manoeuvring large companies leads at the same time to innovation inertia because of the many rules and regulations that constraint operations.

Company **culture** influences greatly the capacity of a company to innovate disruptively. The mindset of the employed people is determining for the entrepreneurial spirit of the company and for internal cross-silos support.

Disruptive innovation is seen as a threat to the current business model and for this reason and for the fear of cannibalisation companies are generally very risk averse. This behaviour though increases the chances for competitors to win over the opportunity of innovating the own market. Companies struggle in balancing day-to-day activities with entrepreneurial initiatives. This is due to the lack of an appropriate supportive structure, resulting for example in the prioritisation of activities that meet KPIs targets rather than on sporadic enterprising initiatives.

“

*We had 4 to 5 great ideas that were all funded and only one saw life. It was terrible because we were full of energy and it took us half a year to go through legal compliances and financial services.*

- Wim, interviewee

”

**Legacy** constraints companies in sticking to the ongoing direction. After many years of practice, companies accumulate heritances and assets to which they are bonded and restrained by.

In conclusion, companies struggle in innovating because of structure, culture and legacy. As shown in the research, large companies have more difficulties than smaller companies in being agile and innovate. For this reason large companies are the target of this project assignment.

### what it means for the design

*This means that the new service of Livework will have to help companies overcome the barriers, to get acquainted with disruption and to learn how to innovate disruptively in a low-risk environment (see final conclusions in Chapter 14).*



# 4 Outsourcing to innovate

## Intro

This chapter provides knowledge on outsourcing as a practice to pursue innovation. The results of the literature and field research are here explained. Next to it, an overview on existing practices that companies make use of to innovate and their characteristics is provided.

## Literature research

Outsourcing is a practice used by companies that implies the employment of a third party (provider company) for the catering of a product or service associated with a core activity of the client's company (Bryce and Useem, 2006).

The practice of outsourcing originated as a way to perform more efficiently single operational and functional activities, such as displacing manufacturing and production processes elsewhere. The decisions that leads to the adoption of this practice are mainly cost related.

## Outsourcing for strategic growth

Later on next to that, outsourcing became also a technique to seek new opportunities for growth.

Traditionally, innovation used to occur closed and restrained within a company's walls. The same company would be in charge of the whole process from the idea generation to the distribution of the new good or service on the market. In recent times, companies started scouting for the development of capabilities to associate to newly identified market and product innovation opportunities (Chesbrough and Crowther, 2006).

Outsourcing became then a technique to improve competitive advantage by strategically integrating or enhancing internal capabilities, thanks to the collaboration with external companies. Companies can scout for new but established technologies to apply to their new identified market or product opportunity. By doing such, the risks are reduced creating a win-win situation. These types of collaborations between client and provider are typically short-term and multi partner.

In other cases, companies invest externally in long-term innovation development. This type of investment should not be made with the intent to generate quick-wins but to evaluate and assess emerging opportunities for growth (Hoecht and Trott, 2006). A long-term vision collaboration does imply a higher risk but also chances of much higher disruption and benefits when successful.

## Positive effects and potential risks

Literature extensively provides arguments on the positive effects of outsourcing innovation, as well as the potential risks associated to it.

On the positive side, Chesbrough (2006) states that the access to external skills is now a fundamental element to the success of innovation. The benefits of outsourcing innovation are generated by accessing expertise and specialised knowledge which increases the capacity of a company to stay up to date. Outsourcing gives the chance to approach best-of-the-world expertise, greatly improving competitive positioning. Bryce and Useem (2006) in addition, state that combining complementary assets and capabilities creates synergies that produce profitable value.

These types of collaboration allow companies to overcome internal bureaucracy and slow processes and thus boost innovation. The flexibility and speed of processes, combined with fresh outside-in looks give a much higher chance of disruption of the traditional business.

On the negative side, researchers also highlight the risks related to outsourcing innovation. In fact, on the client's perspective it is described how outsourcing for an extended period of time increases the chances of dependency on the company provider's capabilities. Also, what is largely feared is leak of information by the provider, so there is a matter of trust that can be only partly covered by contracts.

Also, providers that work for a long time in different industries may not have the leading edge expertise on the long-term because of contractual constraints with previous clients. Their expertise might spread amongst their many clients resulting in levelling out their best-of-world leadership role (Hoecht and Trott, 2006).

In literature there is plenty of debate whether outsourcing innovation is a good or bad idea. Aubert et al. (2014) try to solve the dilemma by addressing the type of innovation. Aubert et al. explain that outsourcing might not be the best option in a systemic type of innovation (when not only a component but the whole product is changed). This

is due to the complications of manoeuvring and later integrating the innovation. However, in order to pursue disruptive innovation, the authors state that outsourcing for exploration over exploitation results in a higher level of innovativeness. This is thanks to the new competences provided and to the interaction of these with the existing ones.

## Collaborating to foster disruptive innovation

As anticipated, a company becomes innovative not only when it invests in research but also when it collaborates and interacts with different elements of the system. Innovation and learning goes through interaction. From these insights it can be assumed then that outsourcing to innovate disruptively is fruitful to the client company because of the acquisition of new expertise, but that the involvement and engagement in the process from the client company is necessary.

In fact in a partnership for strategic purposes, explorative knowledge creation relies on the openness and dedicated participation of both parties. This is a much more intimate form of collaboration where both parties are contributing (Quinn, 1999).

“

*In-house capability is important to innovation but external advisors still have an important role to play. The ability to brush your teeth every day doesn't mean that you can get rid of your dentist entirely.*

- Thomson, 2013

”

“

*We wanted to have  
new experience  
on the table, you  
need someone that  
has an open mind,  
that is not in this  
business to have  
ideas.*

*- Robert,  
interviewee*

”

Outsourcing innovation is extensively debated, there are many pros and cons. It is agreed across literature though that to achieve higher levels of innovativeness, to have more freedom for exploration, to overcome internal barriers and be more agile, outsourcing is an extensively used practice. By closely collaborating, valuable synergies of capabilities can be created that can trigger disruption and facilitate implementation.

## **Field research**

The companies interviewed were asked how they currently innovate, what is their opinion about outsourcing innovation processes and in what circumstances they would make use of it.

Three out of the five companies did not have any form of innovation department. For the two smaller companies, initiatives took place very spontaneously: given the size of the company and the horizontal type of hierarchy it was said not to be difficult to gather relevant people to elaborate on new ideas. The third company, an insurance corporate, attempted for a while to boost innovation with internal contests but this initiative slowly faded since not enough attention was given to it.

The types of innovations that these companies undertake are incremental: in different terms they

look for the next product in line with the portfolio.

Of the two companies that had innovation departments, both large companies, one had an internal R&D and the other had a New Business Development department. The first focused on incremental types of innovation, but at the same time experimented with external companies for different types of collaboration. The second company developed a whole organ assigned to investing in technologies, scouting startup and developing themselves new potential business directions.

The interviewees had different opinions about it. Interviewees that already had experience with some type of collaboration with external parties could see the value of combining capabilities for higher quality outcomes. In other cases, the concern for external parties to “contaminate” the company’s identity was expressed. The fear that an external company would not be able to deeply understand the brand values.

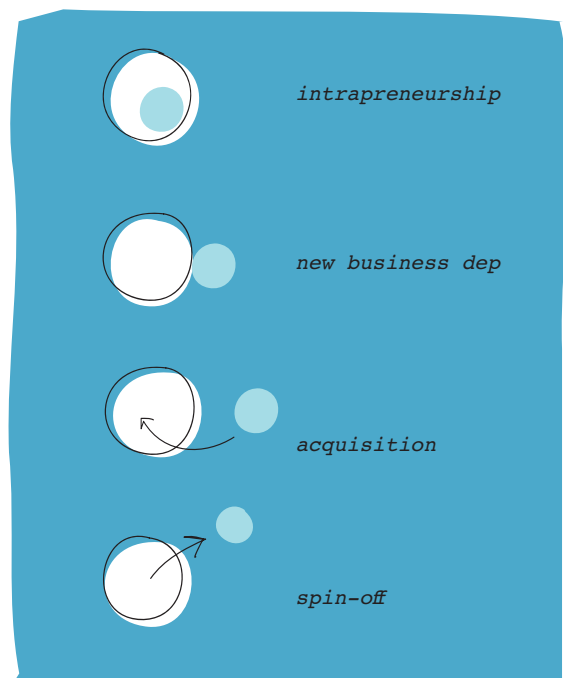
Against that, other reasons given to seek for outside contributions was precisely to have a fresh look on the company’s current situation, to bring new perspectives and new approaches to current issues.

Moreover, some interviewees also expressed how they don't necessarily lack ideas. On the contrary, their funnel is full of ideas that end up being forgotten for a lack of knowledge on how to pursue and implement them. This then confirms the need for structures and processes to focus on development and implementation of ideas rather than creation.

From the results of interviews it can be concluded then that the value of outsourcing to seek for external capabilities both for content expertise and for innovation approach is acknowledged. Nevertheless because of the lack of experience and knowledge in disruption and innovation processes it is sometimes overlooked and not considered necessary.

## Companies approaches to disruptive innovation

This paragraph aims to give a better understanding of what types of practices companies make use of in pursuit of innovation. As resulted from



Visual #7 - innovation types

online research and the interviews conducted, an overview of these practices is summarised here (see visual #7).

**Intrapreneurship** - through internal contests and initiatives, companies try to boost their entrepreneurial side. Employees of a company can participate to these internal contests and win a resource allocation for the implementation of the project. Often though, these projects don't get pursued or fail because of internal dynamics and barriers.

**New business department** - while R&D departments are typically involved in the innovation, development and refinement of the current products, new business departments are build with the purpose of researching and developing new business propositions. Since these types of department is still subject to the company's legacy and structure, to some extent the projects still result in slow and difficult processes.

**Acquisition** - Through launching external contests or simply by scouting, large companies look for promising innovations in the shape of technologies, startups or generally products to internalise and foster within the company's walls. Once again, if the company is not ready culturally and structurally to receive such input, results might not come as expected.

**Spinoffs** - By externalising and outputting the research and development of a new business, companies explore market and their own potential with a greater degree of freedom.

Next to these practices, companies that are not acquainted with exploration and innovation processes, make use of incubators, accelerators or other supporting forms. Since Livework would be then operating on the same level of these supporting companies, following is an analysis of the kind of support that these companies offer.

## Existing supporting companies

Online research was conducted to get an overview of what types of existing companies that support startups the market offers. The research was not conducted based on specific companies but on categories of companies to get a broader understanding of the type of support that the market offers.

	<i>incubators</i>	<i>accelerators</i>	<i>venture capitals</i>
<i>offer</i>	<i>investment advice &amp; support facilities &amp; network</i>	<i>technical advice &amp; support facilities &amp; network</i>	<i>seed capital</i>
<i>duration</i>	<i>1 to 5 years</i>	<i>3 to 6 months</i>	<i>until mature enough to sell shares</i>
<i>business model</i>	<i>fee or equity</i>	<i>fee or equity</i>	<i>investment for equity</i>
<i>training</i>	<i>advice and practical support</i>	<i>advice and practical support</i>	<i>not offered</i>

**Visual #8** - innovation types

Overall, three categories were identified: incubators, accelerators and venture capitalist (VC). The selection excludes all those types of events like hubs, hothouses and workshops because of their limited influence on startups.

From the research it resulted that these types of supporting companies even within the same category can have many different focuses, varying widely their offer and the type of collaboration with their startups.

Venture capitalists typically provide seed funding for promising startups in return for a stake. From the research it was also found how venture capitalists are increasingly interested in investing in startups founded by designers (Wilson, 2016). Given the booming successes of designer-founded startups like Airbnb and Pinterest, the attention is starting to shift on designer driven businesses. VC nurture the startups from a financial perspective until they're mature enough to be sold.

Incubators and accelerators instead can offer a wide range of support that goes from seed funding to discipline-specific support. Next the initial funding, these company's support can go from assets like alumni network and office space facilities to financial, legal assistance and business

development. Some incubators also offer support in product, branding, marketing, IT design and development.

Depending on the company, the involvement and proximity to the startup is more or less intense. This means that some incubators are only providing funding, facilities and networking, other instead get hands on the startups' contents with different types of assistance.

This means that the startups that choose these services are supported for the development of the ideas rather than for the elaboration of the idea or concept of the startup.

In visual #8 there is an overview of the differences between accelerators, incubators and venture capitalists.

## Conclusions

Both literature and field research was conducted on the topic of outsourcing innovation. Literature research provided background knowledge on the phenomenon and interviews provided insights on companies opinions.

In conclusion, research showed that to innovate disruptively and to grow strategically, creating short

or long-term collaborations with external parties is beneficial. This is because outsourcing allows access to expertise and specialised knowledge, interaction of different capabilities and assets that improves greatly the chances of innovation and disruption. Moreover by outsourcing, structural barriers and slow processes are drastically reduced, enabling the necessary speed of operations to foster innovation. On the downside, literature argues that outsourcing might create dependency on the collaboration and that the leading expertise might lose its edge on the long run due to contractual constraints.

Interviewees with little experience with outsourcing and innovation processes showed concern for such practice, while companies that were experienced were well aware of its benefits.

Lastly, the need for outside help was expressed by the interviewees not only as a source of content expertise but also for the lack of appropriate knowledge to develop and implement ideas. In these types of projects especially, the engagement of both parties is necessary to pursue an exploring type of innovation to accomplish strategic goals.

An analysis of the potential competitors' offer was made. Incubators and accelerators offer wide variety of support from legal assistance to product

design development support. VCs instead generally provide seed capital in exchange for an equity share. These types of supporting companies offer a development and build type of support rather than an idea generation or conceptual support.

***what it means for the design***

*The service will have to be offered as project to be conducted outside the client's company, since it will speed up operations.*

*Also, Livework will have to put on the table the expertise, capabilities and processes needed to lead, design and develop a startup (see final conclusions in Chapter 14).*

# 5 Design as entrepreneurship

## Intro

This chapter aims to give an overview of the difference and similarities between design and entrepreneurship. The goal was to get an understanding whether designers are suited to entrepreneurial tasks. On this topic, not much can be found on mature literature, while the debate in the design and entrepreneurial community is quite lively. To side the review of articles, three experts that operate between entrepreneurship and design were interviewed.

## Literature research

Since recent years, the value of design as a determining part of companies' strategies is more and more acknowledged. A 10 years study conducted by the Design Management Institute proves that companies that make strategic use of design across the enterprise have more than double return on investments compared to S&Ps.

Rae (2014) explains these results taking as an example Nike, ranking in the Interbrand's 2013 list of the World's most valuable brands. Nike has in fact design as a core of the corporate strategy. Their large and cross department design team uses human-centred insights to set the basis for strategic, functional and aesthetics directions. Nike

today has one of the highest shareholders return in the DMI index. Surely design is not the only determining factor for such success but it is said to be indeed a strong influencing force for growth and great competitive advantage.

## Designer founders

According to Alter (2013) there is an increasing demand for designers entrepreneurs. To confirm that, is the growing number of Venture Capitalists that are partnering up with startups founded or co-founded by designers (Wilson, 2014).

While recognizing the value of design for strategic innovations, Thomson (2013) states that innovation can not happen independently from a "team effort" where both creative and analytic skills are complementary and necessary.

## Skill set

The similarities and differences between design and entrepreneurial disciplines have been in recent years a hot topic of discussion. In the business and creative consulting community it is commonly agreed that given the different types of approaches and fields, designers and entrepreneurs share a similar set of skills (see summary in visual #9).

“

*[Design] when  
integrated  
with strategy,  
marketing and so  
forth can bring a  
great competitive  
advantage*

- Rae, 2014

”

*Identify customer & market needs*

*Framing of problems into  
challenges*

*Solving cross-function and  
multi-dimension problems*

*Working on multiple levels  
and in team.*

*Dealing with ambiguous  
problems and uncertainty*

*Approaching failure as part  
of the process*

**Visual #9** - Common skills for  
designers & entrepreneurs

Both designers and entrepreneurs are able to identify customer or market needs and to frame them into problems (Griffin et al., 2009). Through investigating users or through validating intuitions, both are able to analyse situations and formulate them into challenges.

Typically, entrepreneurs have the ability to solve cross-functional problems on multiple dimensions. Designers as well are able to design solutions applying their multi-disciplinarity to solve paradoxes (Behar, 2013; Au 2014).

A part of the ability of managing multi-level challenges lies also in the need of entrepreneurs to balance between customers, team, investors, suppliers etc. The same goes for designers when they have to juggle between users, producers, clients and so forth. (Alter, 2013)

Design and entrepreneurship are disciplines that deal with so called wicked problems. Wicked problems are those types of challenges that do not have a fixed solution or “correct” answer. Designers and entrepreneurs are comfortable in dealing with open ended and ambiguous problems in the research of a fitting solution (Underwood, 2013). To tackle these challenges, both designers and entrepreneurs use an iterative approach and are able to consider failures as part of the process,

necessary learnings to reach a satisfactory solution (Griffin, 2009; Alter, 2013).

In “The innovator’s DNA”, a book resulted from a six years research conducted by Dyer et al. at Harvard (2011), aims to map what characterises and triggers innovative minds. Innovative entrepreneurs are addressed for having a “creative intelligence” that enables discovery. This creative intelligence was unpacked in five different behaviours, otherwise called discovery skills: associating, questioning, observing, networking and experimenting.

Associating describes the ability of making cross-disciplines mental connections. Questioning is about having an inquiring attitude in search for the right problem. Observing is a way to make new discoveries through exploring common behaviours acting as anthropologist or social scientists. Networking is a skill requires investing into connections with a variety of people to extend the panorama of opportunities and collaborations. Finally experimenting defines the attitude towards exploring and trying different approaches to trigger unusual responses.

From Dyer’s research it can be noticed how these discovery skills are actually highly characterising also for designers.



## Behaviour

Despite the similar skillset, designers and entrepreneurs have to some extent different behaviours. In fact designers who love their craft and are deeply involved in the content of their projects usually do not have interest in applying their skills to other fields and prefer to stay “behind the scenes.” They generally are perfectionists who like to focus on details, in contrast with entrepreneurs are “just good enough” in many disciplines and they hire people to do the job (Alter, 2013).

Designers who are not discipline specific and are able to apply the process to different fields are then able to balance the details with the bigger picture. The ability to have an holistic perspective on projects makes this type of designers more suited for entrepreneurship. Moreover the what greatly characterises entrepreneurs is their attitude. In fact what define entrepreneurs is mostly their proactive approach, their ability to exercise political influence and to strategically network.

## Field research

Three interviews were conducted with people that had a hybrid profile between design and entrepreneurs. Two of the interviewees have a design background and one has a business management education. All of them started their own company, and apply design to their business both literally and strategically.

The interviewees were asked about their experience and about similarities and differences between the two disciplines.

### Skills

Adding to the literature research, interviewees also shared the belief that designers and entrepreneurs have a similar mindset and skills. These were mainly described as soft skills: good designers and entrepreneurs for example rely on their gut feelings for making decisions, they are able to take risks and take obstacles as challenges. Also the multidisciplinary and the ability to communicate cross-function was pointed out as a common skill.

On the one hand, an imbalance between designer and entrepreneurs was made explicit when addressing discipline specific designers.

“

*I can teach everybody how to build a business case, but I can't teach them how to be an entrepreneur.*

*- Boukje, interviewee*

”

In fact, designers that focus on products in quite a literal way, are more likely to be detail focused and invested in the content. Entrepreneurs instead typically maintain an overview of the process in favour of a vision.

On the other hand, the ability of exploring, understanding and interpreting customer needs is typical of non-discipline specific designer. Customer research lies at the heart of many types of design solutions. In fact the value of customer insights lies in the designer's ability of going beyond the literal meaning to uncover for the underlying needs. While this skill is something that good entrepreneurs have as an instinct, designers learn it and exercise it as a discipline in their everyday job. Only lately customer centricity has come into the landscape of entrepreneurship thanks to the Lean Startup approach, where customers are involved in the validation of the products brought to the market (see following pages for an explanation of lean startup and service design thinking approaches).

Next to the skills, it was largely pointed out by the interviewees how being an entrepreneurs is not only about knowing how to execute the right tasks. Being an entrepreneur is in fact a matter of attitude, pro-active approach, ability of appealing and being persuasive. Quoting one of the interviewees "I can

teach everybody how to build a business case, but I can't teach them to be an entrepreneur". This is then a personal attribute that characterises entrepreneurs.

## Process

Since the last decade entrepreneurship also uses iterative processes to validate assumptions. Two of the three interviewees stated that Lean Startup for new businesses, service design for design, agile for software development are equivalent processes for different disciplines. The advantage of designers is that they are already comfortable with iterative processes in contrast with business managers that use traditional linear modelling processes.

## Conclusions

Literature and field research was conducted to investigate the similarities and difference between design and entrepreneurship.

Findings both from literature and field research describe how generally designers and entrepreneurs share a similar skill set: problem framing, comfortable with open ended problems, multi-disciplinarity, divergent associations etc. Content and discipline specific designers tend to focus on details and lose track of the bigger picture

while designers that focus on the process and are not discipline specific are able to make use of their holistic approach to design and develop omnichannel solutions. This qualifies also entrepreneurs, since their horizontal type of knowledge gives them the ability to keep track of the vision.

Something that was found to be a determining attribute of entrepreneurs is their attitude. This reflects in their ability to network and engage people.

In conclusion, despite sharing similar mindsets and skills, not all designers are suited to be entrepreneurs. Designers that are not discipline specific but that are process focused, that use a holistic approach and use design as a strategic mean are suited for entrepreneurial activities provided that they have the same propositive attitude that characterises good entrepreneurs.

#### **what it means for the design**

*The Liveworkers that contribute to the new service will need to have a proactive and entrepreneurial mindset and attitude to side to the shared skillset.*

*The team that will conduct the projects together with the client will have to be able to process focused and use a holistic and integrated approach (see final conclusions in Chapter 14).*

# Lean startup & service design approach

Lean startup is an approach to business development that is based on fast and iterative product validation cycles with customers. This approach focuses on producing and improving a product based on customers' feedback. The visual shows how an in-house idea is developed in a minimum viable product that is then presented to customers. Customers provide feedbacks that are then integrated in the product to be tested again with the customers. This iteration is a

A Service design approach instead starts by questioning the existing situation through customer research. With this approach customers are involved in the process already in the problem definition phase. Customers insights are then not interpreted literally but the reasons behind them are investigated to understand the customers' latent needs. The solution is then designed taking into account

the whole customer experience, designing the front and the back end of the solution in an integrated and holistic manner.

From a service design perspective, lean startup products generally come from known problems and for this reason they don't need much grounding research. In fact the focus is put on exploring answers rather than looking for the right question to ask. This approach makes it more difficult to uncover implicit needs of customers and innovate disruptively. Also by focusing on the product rather than on customers, the solution proposed are usually mono-channel while service designers typically are skilled in designing holistic and multi-channel experiences for customers.



*The important and difficult job is never to find the right answers, it is to find the right question.*

*- Drucker, 2009*



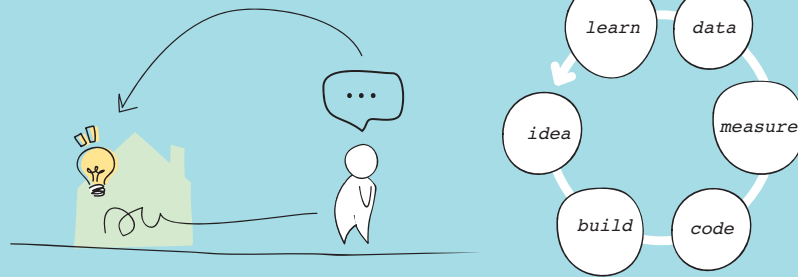
The ideas come from known problems

The product instead of the customer is at the center of the business

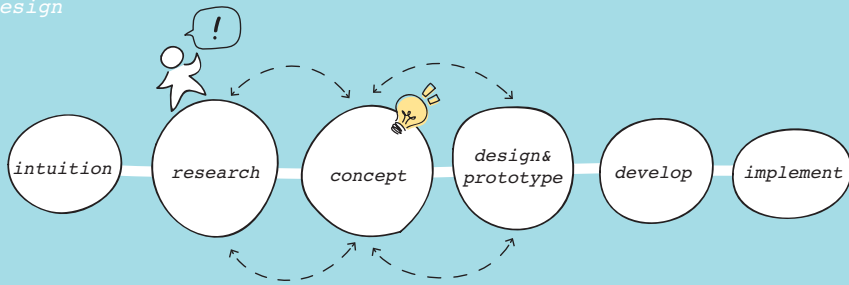
The focus is on exploring the answer rather than looking for the right question

The solutions are mono-channel and efforts are only on the product

lean startup approach



service design approach



# Conclusions

Literature and field research was conducted to investigate the three research topics companies' barriers to disruptive innovation, outsourcing innovation and design as entrepreneurship. The research was also conducted to provide arguments to support the choice of Livework to develop a startup service (visual #10).

Given the conclusions of the literature and field research, this chapter aims to explain how can Livework contribute to solve the identified issues and help companies innovate disruptively.

## **Companies' barriers + Livework**

One of the insights resulting from the research is that to innovate disruptively for a company means to change the business model, with a high chance to cannibalise the ongoing business. Research shows that because of structure, culture and legacy it's difficult for companies make this change happen. By externalising the process the risks are drastically reduced and the change to a new business model can happen gradually, delaying the cannibalisation. As a consultancy, Livework has plenty of experience with corporates internal dynamics and it can help their clients identify their long term strategic goal. Based on that, through the development of a startup, Livework can help the client achieving those goals faster with a lower risk.

## **Outsourcing innovation + Livework**

Outsourcing to innovate disruptively is an effective practice since it gives access to expertise and because it enables speed in operations. The given reasons for companies to outsource are not based on the lack of ideas in the funnel. The issue in fact lies in the the lack of appropriate structures or mindsets to bring the ideas forward. Given Liveworks' expertise on innovation processes, their holistic and multi-disciplinary approach, and the mixed expertise between service and business design, the firm can provide the client with the expertise and process knowledge necessary to bring their ideas forwards. By conducting the project at Livework's, the client gets the chance to get out of the barriers and mental constraints that prevent innovation to happen. By diving into a different culture the client can challenge those product and market conventions that trigger disruption.

As explained in the research though, for the client to reach its strategic goals and to learn how to innovate, it's necessary to take active part in the process. Livework has experience in teaching processes and service design approaches, and can help companies to learn how to innovate disruptively through practicing on a real-life situation.

## Design as entrepreneurship + Livework

From the research was concluded that designers have similar skill set as entrepreneurs. But not all designers have what it takes to pursue entrepreneurial activities. In fact, the designers that are more suited for the job are not content or discipline specific but are process focused, able to balance between long term vision and short term results, with an integrated, multidisciplinary approach and a holistic view.

Livework's hybrid team of service designer entrepreneurs fits the profile. In fact Livework has the skill set, the holistic approach and the proactive attitude that entrepreneurial activities require.

Nevertheless, the fact that designers are suited for entrepreneurial activity does not mean that discipline specific expertise can be completely neglected. The development of a startup still requires content specific knowledge, from engineers or programmers, to marketeers or economics experts.

In conclusion, Livework has the knowledge and expertise to help companies reach their strategic goals and innovate disruptively. By building a startup service entity, Livework can provide companies with a platform that helps companies in overcoming their barriers by externalising processes, experimenting disruption, reducing risks and delaying the cannibalisation.

### **Companies barriers to innovation**

*To innovate disruptively means to change the business model with the risk of cannibalising the owned business.*

*Because of structure, culture and legacy it's difficult to disrupt the business model.*

### **Outsourcing innovation**

*Outsourcing to innovate disruptively gives access to expertise and allows speed of operations.*

*For the client to reach its long term goals and to learn how to innovate, it's necessary to take part in the process.*

### **Designer as entrepreneurship**

*Designers have a similar skill set as entrepreneurs but not all designers are suited for entrepreneurship.*

*Designers that are process focused and use a holistic and integrated are suited for entrepreneurship.*

**Visual #10 -**  
*Conclusions on understand section*

A blue-tinted photograph of a modern kitchen island. The island features a white countertop with a square sink and a sleek, curved faucet. Below the countertop, the island is supported by a cabinet with a grid-like panel design. The text "CASE STUDY" is overlaid in white, bold, sans-serif font in the center of the image.

**CASE  
STUDY**



# 6 The kitchen project

## Intro

The kitchen project was what triggered the graduation assignment. This case was a first in the Livework portfolio, so the way it was conducted was based on expertise that the Livework team members had, but that was never applied to such a context. Therefore the process used by the team was a "prototype", a well educated guess on how to apply service design to entrepreneurship.

The kitchen project was used as a case to study the progress, the methods and process used, the capabilities implied and so forth. The findings served as a draft for the design of the service.

This chapter aims to describe the findings from the study. After explaining the context, an overview of the phases is given. The project had a process of - so far - three phases: research & concept which started before the decision of investigating the project, design & development that has been the main body of the study, and the business prototyping phase which is still ongoing. A closer look is given to the startup design & development phase, here details on the team roles, the process and the key activities are explained.

Following, the team that conducted the project was asked to reflect on the project and their insights are

here shown. Lastly are displayed the feedbacks from an interview made to the client during the startup design & development phase.

## Context

The project was initiated by two companies (company A. and company B.) that will stay anonymous for discretion reasons. The intent initially was to validate an intuition through customer and market research. The goals and results were unknown when the project started. Because of the results of the research, the project evolved into a concept and further into a value proposition integrative of a omni-channel customer experience. The concept required then the development of a stand-alone solution, with a new branding independent from the two companies' ones. This meant that the step further would have been the actual development of such new value proposition, meaning indeed a startup (see visual #11 for a stakeholder map).

The two companies decided to create a joint venture between them, and to entrust Livework with continuing the project with the responsibility of undertaking the development of the startup.

This new phase of the kitchen project provided the opportunity for Livework to experiment and exploit

their skills in a new way, and to apply a service design approach to entrepreneurship. Also, since this project was a first in the Livework portfolio, it also gave the chance to use it as a case study to develop a new value proposition for Livework.

In fact the kitchen project gave Livework the opportunity to learn and improve the used approach. With the observations and the study of the process, the kitchen project provided a fundamental starting point to develop and complete a Livework startup service value proposition.

### **The motive**

The project started in September 2014. Company A., a kitchen appliances producer, wanted to reduce their dependence on the existing kitchen retail market and company B., a cabinet furniture producer, wanted to reduce their dependence on their contract-based market and move from a B2B to a B2C market. The trigger to initiate the project with Livework came by the intuition for the need to disrupt the traditional kitchen market. Therefore the two companies that were already used to work together expressed the wish to investigate the possibility to reach the customers independently from the traditional retail channels in order to improve the purchase experience.

Company A.'s is furnished with an R&D department, but its focus is on the development of innovative products within the portfolio of kitchen appliances. Therefore together with company B. as producers and suppliers, they lacked the capabilities and the expertise necessary to undertake such exploration.

A third party was needed to help them fill the knowledge and expertise gap to help them pursue an exploration type of innovation.

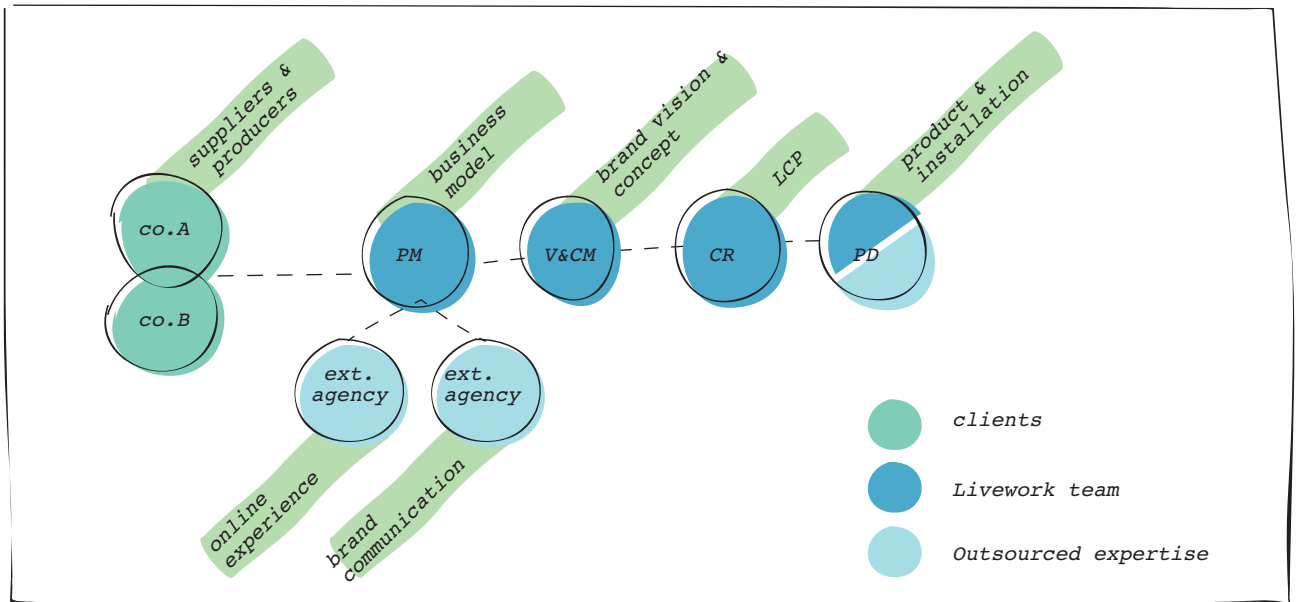
## **The phases**

The phases are here explained based on how the process was conducted. These phases provide the basics for the design of an improved process and approach.

The observation and study of the project started with phase 2. Phase 1 happened in a different moment, previous to the decision of initiating a startup and studying the process. For this reason this phase is summarised based on the interviews conducted with the team and on the archive material provided.

### **Phase 1. Research & concept**

When the project was initiated, Livework was asked to explore the hypothesis of a kitchen



**Visual #11** - stakeholder map

market evolving towards a more customer-centred direction. The intention was to have Livework do some extensive customer and market research to explore opportunities in the market.

For this reason the early outcome of this first phase consisted in a set of customer insights. These insights unveiled the core customer needs and led to a definition of a target group.

Through the insights Livework was able to identify a solution space that evolved into an early disruptive vision for a market opportunity. A new vision for a kitchen concept was presented as the result of the phase. The new vision was not limited to the innovation of the product, but to the entire customer experience: the branding principles in fact would have to go across every channel.

## Phase 2. Startup design & development

Given the results of the research, the kitchen companies decided to continue the project with Livework. Therefore a new phase of the project was started with the intent to build on the obtained results.

While the previous phase was meant as a check on the desirability of a new concept in the market, this phase aimed to investigate the feasibility of the innovation and on the development of the new kitchen. This

project phase led to the definition of an integrated and holistic value proposition for a new business. On one hand Livework worked on a better articulation of the concept, on the brand vision, market strategy and the theory behind the new customer experience. On the other hand, the firm focused on translating these constructs from abstract to concrete in the design of the solution, as in the product and all the other channels. These two intersected operations occurred at the same time, iteratively.

The result of this phase was the design and development of the main channels of the customer experience: the kitchen, the brand identity and communication, the retail and online experience, and the building of the supporting business case.

## Phase 3. Business prototyping

The business prototyping phase is still ongoing. After a long phase of adjustment, the two companies decided to step back and to stay involved in the project only with a minor stake. The reasons given were that the two companies were facing a growth of their business which kept them too busy to engage in other projects. Nevertheless the project is progressing and Livework's team is looking for investors. A set of kitchen modules was prototyped and produced, and an event to showcase the new business concept to potential investors is being organized.

## Startup design & development

The kitchen project started to be studied in this phase. This phase was conducted by the team experimenting and applying service design methods, tools and approaches to it. The project was studied to get a starting point for the design, a model to pick relevant elements from for the design and to reflect on.

The following paragraph aims to give an overview of how the project was conducted and on the key elements that were picked for the design.

### The team

Interviews with the team members were conducted to get a better understanding on the roles and of the capabilities implied.

For this phase, the core team was composed by four people: three Liveworkers and an external product designer that is in the close network of Livework and has already collaborated in the past with the firm.

The team that worked on the startup phase was for the majority composed by people that were not involved in phase 1. This brought throughout the project to imbalances in the definition of responsibilities, in difficulties with catching up with the research and in mild misinterpretations of the concept. These circumstances did not influence negatively the project or the concept per se, but they did result partly in a delay of the process and in a discomfort of the team members. Nevertheless the interviews gave a thorough understanding of the roles and capabilities implied and of the need for this type of project.

### The roles and capabilities

The team members were asked first to give some background information, then to describe their roles and tasks in the project and to give a visual representation of the process. Following, a synthesis of the roles and capabilities implied in the project is displayed (see visual #12 for overview).

“

*My personality is a lot like a system thinker. I can't isolate 'this' from the ecosystem that involved it. So I try to design the systems not just the products.*

- V&C manager

”



#### **Vision and concept manager**

*is responsible for the evolution and development of the vision into the concept and then into the design*



**Project manager** is responsible for the organizational and operational part as well as the business modeling and casing.



**Customer researcher** is responsible for the LCP and the communication flow between the team and the customers.



**Product designer** is the one that converts the concepts into attractive products that convey the vision message.

Visual #12 - roles of the team

**Vision and concept manager** - The V&C manager is the guardian and curator of the concept. This person takes care of the evolution and development of the vision and makes sure that the concept principles are maintained through the design of the solution. This role requires the ability of deeply understanding and decipher customer's insights and to translate them into meaningful concepts and design requirements. The V&C manager is in charge of the brand identity and of its translation into the actual different startup aspects.

**Project manager** - The project manager sides the V&C manager. This person is in charge of the management of the project and of the team. This role requires organizational and leadership skills together with a knowledge on how to design business models and to make business cases. The project manager is responsible for operation and for the alignment of the team's activities.

**Customer researcher** - The CR is in responsible for the constant flow of communication between the customers and the team. In this project this was made through the Lead Customer Programme that will be later further explained. The CR has the task of investigating the customers and to elaborate the findings into relevant insights and report them to the team. This role requires the ability of setting up

interviews with the aim of uncovering the relevant topics and to explore opportunity areas with the customer. This also requires the ability of interacting with the customer maintaining a balance between neutrality and friendliness to ensure the validity of the findings.

**Product designer** - The product designer is responsible for shaping the concept into an attractive product that conveys the brand principles. The product designer has the ability of transforming abstract concept in the concrete shapes of a working object.

The roles explained here are not independent from one another. The team collaborated closely and contributed to the elaboration of the customer insights, in the concept making and in the design and development of the startup aspects. Overall the team was able to juggle between abstraction and concreteness and in designing a holistic and integrated solution that would benefit the customer bringing value to the business. These roles and capabilities will then provide the base to determine the characteristics of the team in the design of the new service.

## The process

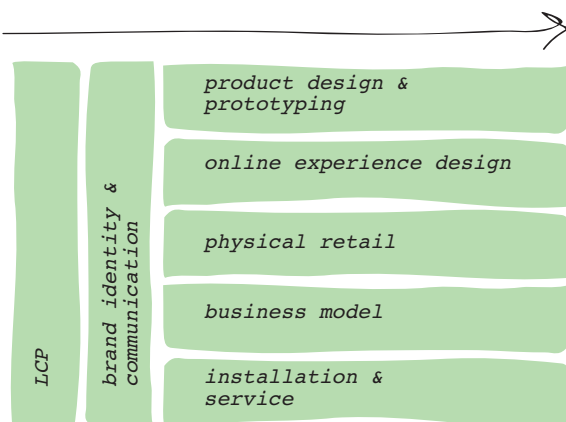
The startup and development phase lasted around 9 months. The team worked heterogeneously throughout the week with regular meetings for update and collaboration. From the process, here are highlighted a few key elements and activities that were core to the process and characteristic of the service design approach.

In the research & concept phase, the concept was drafted into different “lanes” that would have to be developed in parallel. These lanes corresponded to different aspects of the new business and functioned as a checklist of all the elements added up would compose an integrated and holistic solution.

Key activity for this project was the Lead Customer Program (LCP). This program was set up from the very beginning with the goal of creating a constant source of inspiration, insights and feedback from the customers.

## The lanes

As anticipated, seven topic lanes were identified to structure the design and development of the startup. These lanes meant to give an overview on all the channels and aspects that had to be addressed and designed to have a final integrated and holistic solution. The lane were: brand identity & communication, LCP, Product design & prototyping, online experience design, physical retail, business model, Installation & service (see visual #13).



Visual #13 - development lanes

It can be noticed that the lanes belong to different categories, mixing channels with tools and strategies. In fact for example, the LCP was used as a source of content and the brand identity is something that had to consistently flow through the design of the channels. For this reason it was sometimes difficult for the team to manage the parallel development of these lanes.

Nevertheless this approach was key to deliver a holistic and integrated experience to the customer. This ability of designing omni-channel solution is in fact core for the service design approach.

## The LCP

The Lead Customer Programme was what maintained a communication flow between the customers and the team throughout the project.

During the research phase opportunities for innovation were identified based on interviews conducted with customer. They were asked about the current situation and the pain points of their journey as customers. From the insights, a vision started to emerge and it was further elaborated into a concept.

In the concept phase when a target group profile was outlined, a matching pool of people was selected to take part to the program and were constantly consulted for inspiration, insights and feedbacks. During the design & development phase customers were kept updated about the progress and their opinion were reported back to the team to be analysed and translated into the concept. The strength of the designer here lies in the ability of understanding the reasons for a customer's opinion. Good designers are able to go beyond the literal meaning of a customer feedback and elaborate on them with a conceptual thinking.

As the lane structure, the LCP was core to the process and is a core activity defining of the service design approach.

## Conclusions

The second phase of the kitchen project was used as a case study to get an understanding of the characterising elements of service design as an

approach to startup. The process used and the key aspects defining the process were used as a base for the design of the new service for Livework.

The team was interviewed to understand the types of roles and capabilities that such a project requires. The team was composed by a vision and concept manager, a project manager, a customer researcher and a product designer. The project was conducted quite in a horizontal way, all the roles contributed to the development of the design even though each one was responsible for an aspect of the progression. Overall, the team had to manage the balance between the abstraction of the vision and the translation of it in a concrete solution. The vision in fact had to be conveyed through all the aspects of the startup to create an integrated solution for a holistic customer experience.

A structure in lanes was used to design and develop parallelly the different aspects of the startup. To some extent during the project these lanes conflicted since they were of different nature but they did help in keeping track of all the aspects necessary to result in a integrated, omnichannel startup to ensure a holistic customer experience.

The LCP was key to the project as it provided a constant stream of communication between customers and team. The LCP was used to

research for opportunities, to take inspiration to draw a vision, to frame it into a concept with a flow of feedbacks and insights from the customer.

These elements are core to the service design approach to startup and were used as a base for elaboration and design of the new service offer of Livework.

# 7 Reflections on the kitchen project

## Intro

The kitchen project was used as a case to study the process used, the capabilities implied and to elaborate on what are the peculiarities of applying service design to startup development. After monitoring the project and elaborating first conclusions, the team that worked on the project was asked to join a co-creation session. The goal of the co-creation session was to look back at the project and reflect on what didn't completely work out. The team was asked to reflect both from a process, organizational and outcome perspective. The team was asked to reflect in general on what were the points for improvement, what the ideal situation would be like and for each phase what are the benefits and where the value lies.

## Process

While reflecting on the process, it was noticed how not all the aspects of the new startup were equally developed. Therefore, the need to spread the design attention more evenly on all the lanes throughout the process was strongly underlined in the session. Despite it was agreed that depending on the phase some lanes need more or less attention and focus, during the process all the lanes have to be progressing and kept monitored.

## Iteration

Throughout the process, the concept, the design and the actual development have been in constant iteration for refinement across all the seven topic lanes. According to the team, one of the greatest challenges in fact was seeking the balance between the abstraction of the elaboration of the concept and the concreteness of the development of the channels and touchpoints.

While discussing the concept, design and prototype phase it became clearer how these phases are very strongly interconnected and very iterative. It was agreed that rather than sequential, these phases should be repeated frequently and iteratively. A general remark was made that the overall process and these phases in particular were too diluted in time, causing a loss of focus and a slow reaction time. A much faster and intense pace would be preferable and needed for such a project (visual #14).

## Minimum viable business

The difference between prototype and minimum viable product - or minimum viable business in this case (MVB) - was appointed during the session. Prototyping was defined as a tool to integrate in the conceptualizing and designing phases to make mistakes



“

*If it was a different company with another attitude and a different way of working, maybe we would've abandoned this idea long ago. They really made it to the stage we're now.*

*- Robert, CCO of Company A.*

”

early on the process and quickly learn from them and adjust the designs. A prototype is not put into the market yet, but it is used internally to assess the designs in early phases. The MVB is instead the minimum design of the business necessary to be put on the market and to be presented to a public. The MVB is essential to evaluate the reception by early customers, to validate with customer's feedbacks and to possibly pivot and re-iterate the design.

### **Involvement of the client**

The client was involved in the research & concept phase but from the startup design & development phase their presence was marginal, reduced to make important budget related decisions and mid-term presentations.

Given that the clients faded out towards the end of the project, a reflection was made on the reasons why and about the involvement of the client in the project.

One of the conclusions was that when initiating the project, not enough stress was put into defining the strategic goal, the reason why they wanted to do a startup, and committing to it. It was commonly agreed amongst the team that drafting win/ lose scenarios and an early business case would give

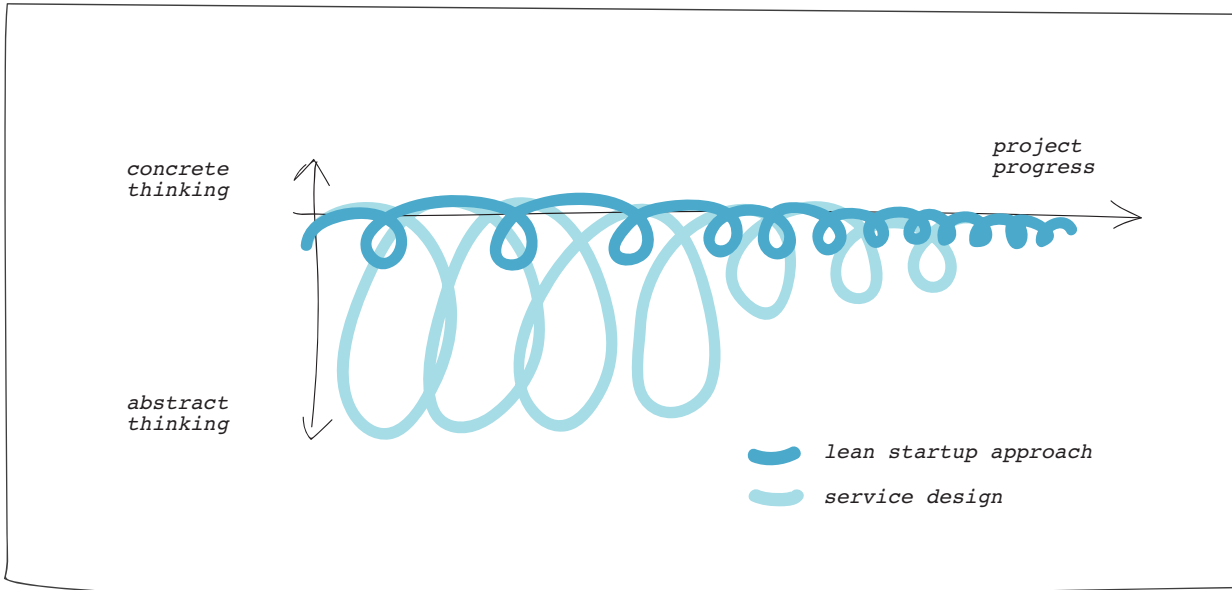
both Livework and the client a more solid base where to start from. Once the strategic goal is set, the team and the client could along the process have a constant check on it, monitoring if what's on development is still aligned with the goal and if or how it has an impact on it.

### **Feedback from client**

An interview with the CCO of Company A was conducted to get an understanding of the reasons that moved them to undertake this project with Livework, and to get feedbacks on it.

Livework was approached thanks to a connection between CMO of company B and the managing director of Livework Rotterdam, as explained at the beginning of chapter 6, the initial intention was only to explore an intuition. When the findings of the research converged towards the possibility of developing a startup, the client companies decided to entrust Livework with a further exploration and the development of this startup.

The CCO was asked what convinced them to undertake the project and give such responsibility to Livework. The reasons given were not only related to hard skills but to the attitude. In fact, the Livework team was said to be very confident and enthusiastic about the results of their research



**Visual #14** - iteration balance

and in their concept. This type of confidence was transmitted to the clients that trusted Livework to take responsibility and pursue the project. The interviewee underlined how Livework behaved almost like a real third partner in the project taking ownership and leading the process.

A late reflection made from the team on the role that Livework had in respect to the project and of the clients saw how atypical this type of collaboration was. Specifically in terms of the amount of trust, freedom and responsibility that they were given. Looking back at it, this freedom could have been taken as a hint of the limited involvement and engagement of the client. Nevertheless, the clients stated to be pleased with the role taken by the team. On top of that, the fact that all the concepts and

hypothesis presented from the team were backed up by thorough research with customers was said to be an extremely powerful element that won the trust of the clients. The interviewee expressed appreciation for quality of the work done and for being constantly surprised and impressed with the research and the elaboration of the project.

Overall the client was satisfied with the leading role and attitude of the team, with the research and with the quality of the results.

## Conclusions

A session with the team was conducted to reflect on the project and on the points for improvement.

For the how the process was conducted, it was concluded that the different aspects of the new business structured in lanes had to be developed more equally throughout the process. Depending on the phase of the project some aspect might require more attention than other but they should all be progressed parallelly and monitored along the process.

For the concept, design and prototyping phase, the need to better balance abstract thinking and concreteness of prototyping was pointed out. In the kitchen project this effort was somewhat

“

*We were very impressed by the research and by the quality of the work. [Livework] constantly surprised us.*

*- Robert, CCO of Company A*

”



**Image #2** - co-creation session with Liveworkers

dispersed in time and a more intense pace was suggested as a point for improvement.

Together with the parallel progression of the lanes, a practice like a minimum viable business was said to be necessary as a final step of the process. Unlike a minimum viable product that validates the product alone, the mvb aims to test and validate all the developed aspects of the startup including all the channels.

A reflection was made also about the role and the involvement of the client in the project. It was stated how clarifying the client's strategic goals from the beginning would have given an objective to work towards to engage the client, and the drawing of win/lose scenarios would have given the client a better understanding of the implications of the project.

The CCO of Company A was interviewed to get feedbacks on the project and on the team. The interviewee's opinion was overall positive and satisfied. The ability to take ownership and lead the project as well as the enthusiasm and confidence of the team were addressed as determining factors for the client's trust and interest towards the project. Also, the quality of the work backed up by the depth of the research were considered remarkable.

# Conclusions

The kitchen project was an experiment for Livework. Studying it and reflecting on it gave insights on how to improve and what to integrate in the new service value proposition for Livework. What was learned from the case study provided the basis for the development of the new service (see visual #15).

The project happened in three phases. The research & concept phase happened before the project started to be studied, the design & development phase were the core of the investigation, and the business prototyping phase is still ongoing.

In conclusion on what was learned from the kitchen project, first, it was realised the necessity of creating an initial common understanding on what are the client's strategic and learning goals. Understanding why they would want to use a startup service is necessary to set expectations and goals from the start and to monitor them through the process.

From the process, it was shown how the lanes structure was useful to display and take into account the aspects of startup but that a more even development of them through the process is necessary. Also, the balance between abstract thinking and concrete development was said to need a higher pace to be more effective.

The Lead Customer Program was essential to the process. In fact from the research to the validation, the LCP enabled a constant feed of insights from the customers which is a core characteristic of the service design approach.

Finally, from the interviews with the CSO of Company A, a positive feedback about the performance and contribution of the Livework team was given. In fact, Livework was positively addressed not only for the skills and quality of the work, but also for their attitude and entrepreneurial spirit.

### ***Strategic goals***

*Setting upfront a strategic and learning goal of the client is key to measure monitor the startup during the process.*

*For the client it's advised a deeper involvement to achieve the goals.*

### ***Lanes***

*The lanes structure helped to consider the project from a holistic and integrated perspective but needs elaboration.*

*All the lanes have to be developed more consistently and equally throughout the process to ensure a integrated and holistic MVB.*

### ***LCP***

*The LCP is a core activity of the process because it allows a constant source of inspiration, insights and validation.*

*The customer-centricity in the startup development is ensured throughout the process thanks to this program.*

**Visual #15** - Conclusions on the case study

# CONCLUSIONS



# Brief

This chapter synthesises the conclusions of the research and then frames them into a design brief. The brief gives a description of what are the design goals based on the research conclusions.

## Synthesis

As said in the Context chapter (pg. 18) the world and markets are changing. Companies are trying to stay relevant by innovating through different practices, but most of these practices are not suited for disruptive innovation because they encounter internal barriers (pg. 31). For this reason some companies outsource innovation and look for help in incubators, accelerators and other forms of supporting companies. Some of these supporting companies though have an approach that is product-centred and not customer-centred, they elaborate on ideas that come from known problems rather than trying to investigate what the real problem is, and they make use of customers feedbacks as validation rather than inspiration.

Livework believes that design has the power of helping companies innovate disruptively, and that this can be done by building startups with a service design approach. The research conducted confirms that designers that are process focused and not content specific and that approach projects from a holistic and integrated perspective, are suited to be

entrepreneurs. Therefore, Livework believes that in order to innovate disruptively companies need to adopt more explorative types of approaches, more customer-centric, more holistic and integrated.

The case study provided the basis for the design of the new service's process. By reflecting on the project, it was concluded that it's important to set upfront with the client what they aim to achieve with the startup, meaning setting the strategic goal of the client. This has been said to be necessary to measure if the choices and directions taken throughout the project would still outcome in the strategic goal.

The project was framed in "lanes" that structured the content to be researched, designed and developed. This provided a multi-dimensionality to the project that allowed to keep into account all the aspects necessary to design a holistic and integrated solution throughout the project. Also, to ensure a constant feed from the customer perspective in all the phases of the project, the LCP was essential to maintain the customer-centricity during the development.

Given the synthesis of the research conclusions, a design brief that follows aims to set the requirements for the design of Livework's new value proposition.

**Companies barriers to innovation**

Disruption of the business model.  
Structure, culture and legacy barriers.

**Outsourcing innovation**

Access to expertise and speed of operations.  
Taking part to the process to reach its long term goals and to learn how to innovate.

**Designer as entrepreneurship**

Designers that are process focused and use a holistic and integrated are suited for entrepreneurship.

**what it means for the design**

The design challenge is to create a service that:  
Helps companies explore opportunities and develop disruptive innovation by prototyping a new disruptive businesses. in the safety of an external startup environment.  
Helps companies overcome their barriers (structure, legacy, culture) in a low risk environment.  
Brings the innovation expertise, team capabilities and process knowledge to the table.  
Gets the client involved in the process also as a learning experience to meet their long term strategic goals.  
Makes use of a service design approach to entrepreneurship in creating value. Promotes a proactive approach to the project.  
Creates a holistic, multi-channel and integrated startups that ensure a full CX both from the front and back end perspective.  
Uses a customer-centred approach to create and capture new value.

**strategic goals**

Setting strategic and learning goal to consistently measure the development.  
More involvement of the client.

**Lanes**

Lanes structure and a more balanced distribution of effort to arrive at a holistic and integrated MVB.

**LCP**

The LCP is a core activity to maintain customer-centricity in the startup development.

**Visual #16** - Visual synthesis of conclusions from research into requirements for the design (see pg 47 & 61)



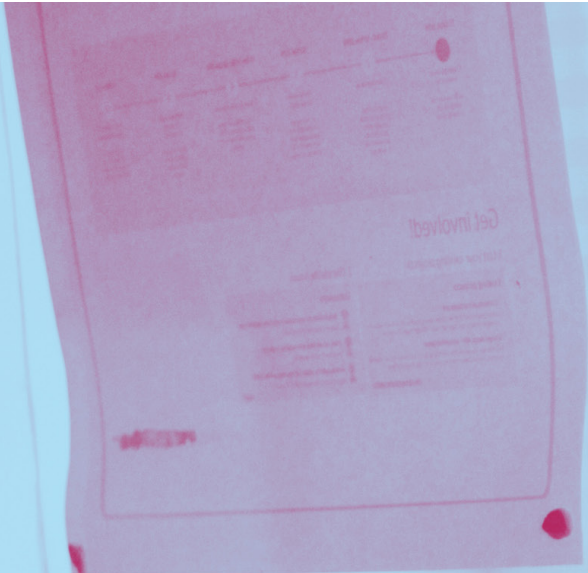
## **Design challenge**

Based on the conclusions of the research, the design brief determines the requirements for the design of the new service (visual #16).

Because innovating disruptively means to change business model jeopardising the current business, the new service offer should help the client explore new opportunities in a low-risk environment. Next to that, the service has to serve the purpose of helping companies to overcome their structural, cultural and legacy barriers. The new service has to involve and engage the client with the Livework to create a synergy of competences and capabilities that will foster innovation.

Key factor of the new proposition of Livework is the use of service design as an approach to entrepreneurship to create valuable innovation. This means that next to service design methodologies and tools, the solutions that outcome would be holistic and integrated experiences. Next to that, the customer-centred approach will be used with clients as a way to create disruptive propositions.

The new service proposition of Livework will need to fulfil the requirements that were outlined from the research conclusions.



DISCUSSION  
EXISTING PRODUCTS

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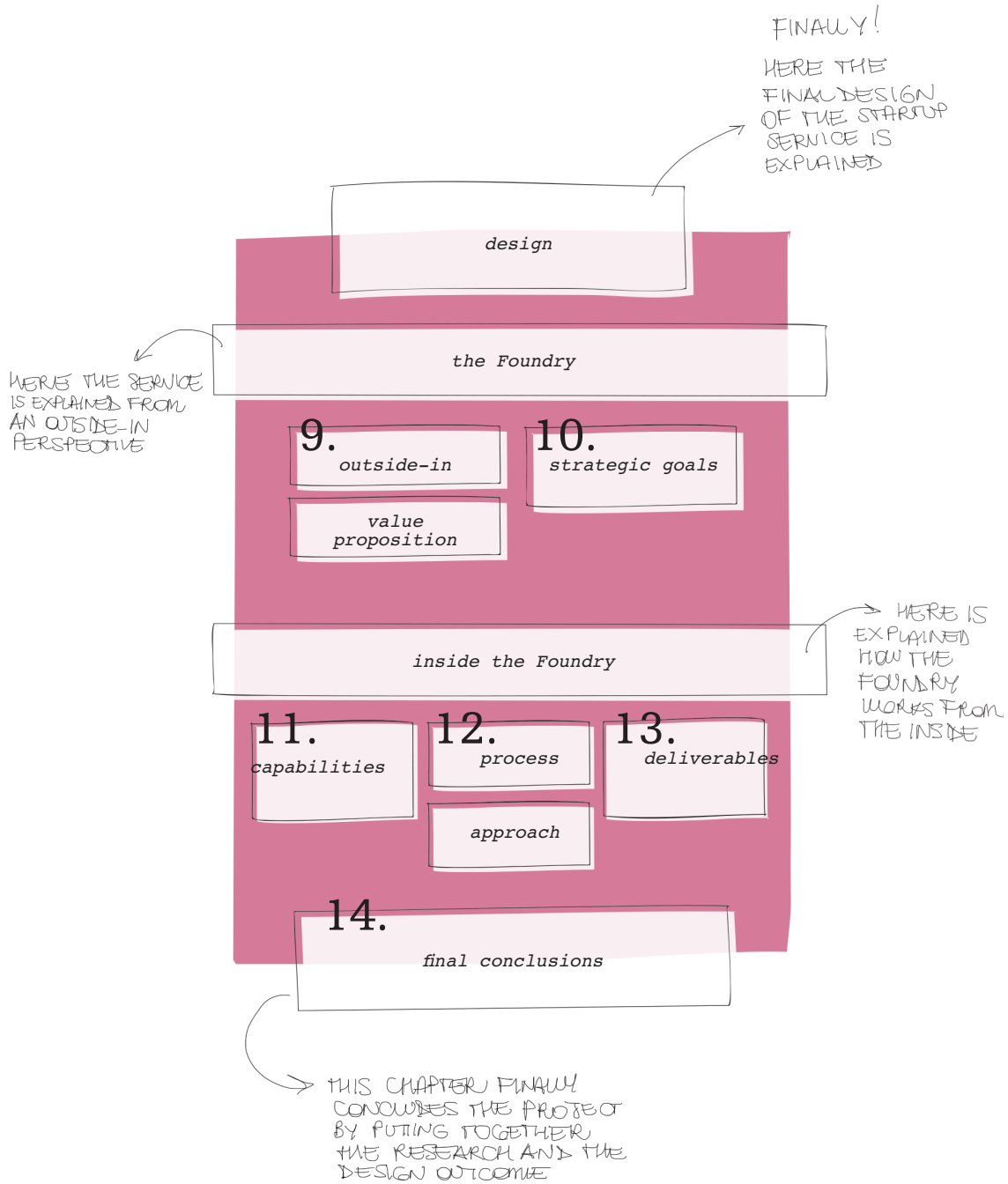
DISCUSSION  
EXISTING PRODUCTS





# DESIGN

# Overview design



*In this Chapter the result of the design is thoroughly explained. The design will be described first with an outside in perspective: the value proposition with the four pillars that characterise the new service are defined, following the strategic goals that the client can achieve through it and the type of partnership between the client and the Foundry is discussed. Afterwards, a closer look on the inside of the Foundry is taken: the capabilities implied are mapped together with a description of the process and the approach, then also the material that comes along with the design is explained. Finally, the conclusions put together the research conclusions with the design results.*



# THE FOUNDRY

# 9 Outside-in perspective

“

*The Foundry is a service that helps companies to design and develop startups through a service design approach.*

”

## Intro

Given the conclusions of the research and the design brief, a period of elaboration and design of Livework's new service proposition followed. The result of the design is Livework Foundry.

Livework Foundry is a new service proposition by Livework that targets large companies, be it new or existing clients. The Foundry comes in the form of a new department of Livework, parallel to Livework Insights and Livework Studio.

The Foundry takes care of boosting the entrepreneurial side of Livework. In fact it can be addressed as an incubator or more generally as a

startup service. The team that makes the Foundry is composed by Liveworkers that next to their projects engage also in these startup development types of projects.

The goal of the Foundry is to support large companies in innovating disruptively by developing with them disruptive startups with a service design approach.

In this chapter the Foundry will be described first with an outside in perspective: the value proposition with the four pillars that characterise the Foundry are defined, following the strategic goals that the client can achieve through it and the type of partnership between the client and the Foundry is discussed. Afterwards, a closer look on the inside of the Foundry is taken: the capabilities implied are mapped together with a description of the process.

# Value proposition

The value proposition is meant to describe shortly what the Foundry is about. This proposition is made with the intention of having companies get interested in the service by explaining shortly what it is about. The value proposition is essentially a window on Livework's new service for potential clients.

## Description

The Foundry is a service that supports companies to design and develop startups through a service design approach.

Large companies struggle in innovating disruptively and to stay competitive in the changing environment. Livework believes that customers need more human-centred and integrated solutions and experiences. With their process expertise and their design approach, the Foundry can help companies to get out of their constraints and use their field expertise to develop disruptive startups.

What differentiates it from other startup services is that service design is used as an approach to new business development. This means that service design culture, processes and methods are used to create sound concepts, build integrated solutions

from the product to the organizational structure. As such it also provides a learning opportunity for the client, that will be able to experience and execute service design methods and tools as an approach to innovation development. The intent of this service is to help companies to innovate more disruptively, learning a service design approach to startup by doing it in collaboration with experts.

## Outsourcing in the Foundry

By outsourcing the process, the client company's structural and legacy barriers are overcome and risks are reduced. By joining teams with the Foundry cultural barriers are overcome and the client company gets to experience and learn a service design approach to entrepreneurship.

In order to really challenge those conventions that hinder disruptive innovation, Foundry projects are run at Livework. This is to take the client's team out of the company environment that is constrained by its own legacy. By putting the teams outside of their usual contexts, the team will be fostered to think more freely and with a different perspective.



The Foundry's expertise lies in developing services and customer experiences while the client's expertise is in their field. The collaboration between the two enables a partnership that combines process and content expertise to develop a startup with a design approach. By combining teams, the client will be able to learn how to use a service design approach to foster disruptive innovation and develop a startup as a synthesis of the expertises implied in the process.

## **The pillars**

The four pillars are the founding and distinguishing characteristics of the Foundry's approach to startups. The four pillars express in a synthetic way what it means to apply service design to entrepreneurship.

In chapter 4 (pg. 36) was discussed the offer that generally incubators, accelerators and other existing solutions give in support of companies that want to innovate through startups. It was then explained (pg. 44-45) how from a service design perspective, the lean startup approach presents some pitfalls.

In fact, many of these solutions generally offer support with an approach that only ignites incremental innovation because it solves known

problems rather than creating room for disruption, that is mainly product and feature focused rather than customer and experience centred, it concentrates the efforts in creating business models to capture value rather than helping create more meaningful innovations and finally the outcomes are often mono-dimensional instead that holistic and integrated.

The contextual research, customer centricity, the value creation and holistic design are what characterise the Foundry's approach to startups.

Following a representation of the four pillars is displayed, relating the lean startup pitfalls with the service design approach as an answer to them.

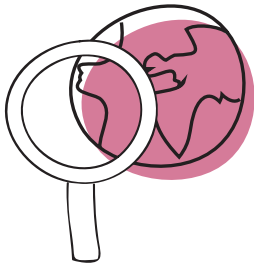
# The pillars

*The ideas come from  
known problems*

*The product  
instead of the  
customer is at  
the center of the  
business*

*pitfalls*

*answer*



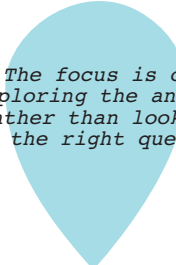
## Contextual Research

The ideas that trigger the client to initiate a Foundry project are essentially intuitions that need probing. For this reason the Foundry uses deep contextual research. Rather than using research to validate an answer, it **is used to explore what the right question to ask is**. Starting from the client's intuition, research is conducted to help identify opportunities and possible room for disruption. The Foundry makes the concepts emerge from real life observation, customer and market research. The research insights then provide a solid ground to redirect, refine and support the client's idea.

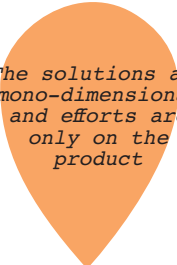


## Customer - centricity

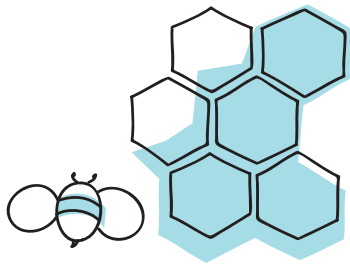
The customer experience is always at the center of the project. By understanding the underlying needs and motivations, **opportunities are unfolded to create new value for customers**. In the approach of the Foundry to startups, the customer perspective does not come into the picture only for validating the minimum viable product. The customer is at the center of attention, from the initial inspiration to the validation. Also, customer insights are not only present along the process but also across all the aspects of the ecosystem through the LCP. In fact the Foundry does not condense the insights on the customer experience alone, but are also on the development of the business and organization.



*The focus is on  
exploring the answer  
rather than looking  
for the right question*

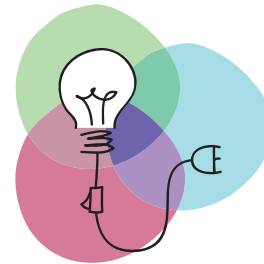


*The solutions are  
mono-dimensional  
and efforts are  
only on the  
product*



## Value creation

Design is all about creating and nurturing value. Intuition and contextual research provide the seeds of a new brand vision that is then elaborated thoroughly into a concept and further evolved into an integrated and holistic design. **A holistic customer-centered vision is created** as an answer to the question formulated in the research. This vision is then elaborated into concept and following framed into the design of the ecosystem. The Foundry has the methods and tools to create and nurture concepts, and by doing so it drastically increase the value of the original intuition. The design of the harvesting model follows.



## Holistic design

Disruption for Livework does not only lie in a product or in a customer experience innovation, but **also in the ecosystem that supports the experience**. The Foundry in fact also pays attention to designing an appropriate business-organization ecosystem in support of the customer experience. Starting from the front end, the Foundry progressively works inwards to develop an internal organizational structure, aligning departments and processes. Moreover, the business models are designed in such a way to capture value in a customer-centric way to enable a win-win situation.

# 10

## Strategic goals

### Intro

The Foundry targets companies that want to be competitive in the market by understanding how to innovate disruptively in this changing world, but struggle in balancing entrepreneurial activities and their ongoing business for different reasons (see chapter 3).

The Foundry can serve in fact different purposes, and depending on what the clients wants to achieve, their engagement with the Foundry will vary.

### Goals

The ultimate purpose of the Foundry is to help the client's company to get closer to their strategic goals. Four types of strategic goals have been hypothesised, and the Foundry can be used as a vehicle to reach them. In fact the value of the Foundry lies not only on the new business that results from it but also on the process from which the client can get insightful learnings.

### New business

On the one hand the Foundry provides a low risk environment to build a whole new business entity from scratch. By externalising the innovation

processes, the client does not have to invest great capitals to recruit and internalise expertise and to put in motion bureaucratic processes that will end up slowing operations and decreasing the chances of innovation. Also the Foundry forces the client out of their company's legacy, getting the chance to focus on creating and developing a new well defined value proposition, with a own target group, product and market if necessary. By outsourcing the development of a new business model, the harm of cannibalisation are delayed and the current business can proceed without sudden setbacks. Also, mixing teams and changing context will foster a change of mindset and attitude in the client's participant team, enhancing open mindedness and divergent thinking.

### Learnings

On the other hand the Foundry's process can be used to get insightful learnings. Designing and building a startup becomes a way for the client to gain new knowledge both from a process and from a content point of view. In fact the Foundry can help to get familiar and exercise in a real life situation service design as an approach to entrepreneurship. By using methodologies and tools, the client can learn new approaches to innovation. Also, by researching and developing concepts, the client gains new knowledge and insights from the field

that can then be applied internally. The Foundry then provides a platform not only to produce startups but also to gain content learnings.

Following, the four possible strategic goals are described to give a better definition of how the Foundry can be used for different purposes.

## **Client involvement**

The extent to which the client should be involved in the process depends on the strategic goal. The more the client is involved and engaged in the process, the more learning it can get from the project. Both by getting to know a new approach to entrepreneurship and by gaining insights on field content, the client can strategically use the new expertise.

In some cases (see for example Traction as a goal) the active engagement of the client is necessary to achieve the goal successfully. In fact the higher is the involvement of the client the more thorough will be the understanding and embedding of a new proposition. In other cases, if the goal is to purely develop a startup to spinoff, the involvement of the client might be less determining and therefore less intense.

At the start of the project, parallelly to the strategic and learning goals, an intention and expectation of effort and involvement of the client has to be made explicit and agreed.

# The goals

1



## Traction

By outsourcing the development of a new business, the client has less constraints to explore more thoroughly and faster than if it had to do it internally. By building a startup from scratch, the client company can take the learnings gained in the process thanks to the freedom of operation and make a strategic use of them inside the mother company. In this way the startup serves as a platform to experiment and explore freely to gain process and knowledge insights. When applied to the mother company, these insights will help redirecting the new business towards a new direction.

### example box

*IBM started by producing personal computers, now they are only at the back end of IT moving from hardware to software development.*

2



## Sub brand

The Foundry can be used to search and expand a branch of the client's company. The startup can grow into a sub-brand of the mother company and the learnings gained through the process can be used internally to refresh and renew the company.

### example box

*Next the production of tires, Michelin also has travel-related brands like Micheline Guides or Maps that add to the main brand.*

3



### Concurrent

The Foundry could serve the purpose of simply building a startup to explore the service design approaches, to gain process and innovation learnings from a real-life case. This startup could be then disposed of as a spin-out, to maintain it as a separate business or to grow it to sell it on the long run.

4



### Replacement

Similar to the traction, the replacement goal makes use of the startup as a vehicle for exploring and experimenting more freely, faster and with a lower risk. In this case though, instead of using the learnings gained from the process to address the mother company towards the new direction explored by the startup, the focus will be in replacing the old with the new business. This means that the new business will progressively go replacing the current one.

#### example box

*The car brand **Lexus** was created by Toyota with the intent to produce higher quality cars to compete with a different brand range.*

#### example box

***Lamborghini** used to produce tractors. It soon started to apply their know-how to a different market creating luxury and race cars.*

# Client-Foundry relationship

Here is described a clarification on the ideal relationship situation between client and Livework.

Ideally, a client hires Livework and a client-provider relationship is maintained throughout the project.

The balance of involvement and responsibility is decided upfront based on the goals that the client wants to achieve. In order for the project to be really effective, Livework would be in charge of the management of the project while providing the internal resources, expertise and developing capabilities.

This is to ensure a successful and complete learning experience for the client. By having the project lead by Livework, the client is enabled to fully focus on the learning of the design processes and on the content to build

the startup while the administrative operations are brought on without the client having to worry about it.

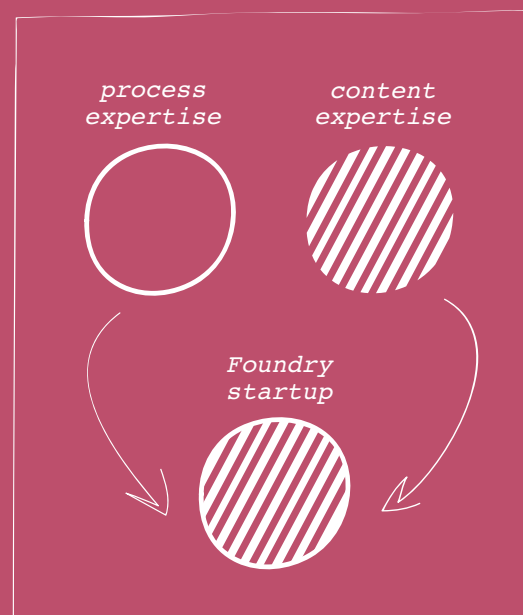
As it often happens during innovation processes, the premises and expectations set initially might vary. By all means, throughout the project the decisions regarding resources allocation, directions and metrics will be decided together based on what most effectively helps converging towards the client's long term goal. Liveworkers's role is to take responsibility and lead the project acting on the client's best interest.

The business model of the Foundry was out of scope for this project but hypothetically the compensation for the Foundry's service is provided by invoicing on an hour tariff basis. Next to this basic consulting model a discount can be considered in exchange for a percentage



of the revenue stream or an equity stake in the new business. But these constructions have to be studied very carefully because they bring with time a lot of complexity and pitfalls.

In conclusion, the Foundry provides process expertise and the client provides content expertise. Throughout the project decisions are taken together in the best interest of the set goal of the client. The compensation for the Foundry's service would be by partly pricing hours and partly by a percentage of new startup's revenue.



**Visual #17 - combination of expertises**



 **INSIDE THE  
FOUNDRY**

# 11

## Capabilities

### Intro

This chapter aims to give an overview of the capabilities that the Foundry brings on the table. The team of Liveworkers that pursues the projects in the Foundry is described in their expertise and the scope of it, together with the skills and the mindset that the Foundry can provide to the client. The type of network and methods that can be used during an innovation process are also explained.

### The team

The Foundry is composed by a hybrid team of designers, entrepreneurs and business thinkers. The Foundry team is equipped with a variety of skills, knowledge and expertise that cover many fundamental capabilities needed to undertake the development of a startup. The Foundry provides a team of experts in customer experience, service and business design to pair up with the client's field expertise. The client is the content expert and the Foundry is the process expert. Thanks to the years of practice as a consultancy, Livework has a broad and diverse network. From here the Foundry can draw supplementary expertise and capabilities to complete, integrate and expand the team's competences.

### Roles

As taken from the case study and validated with several examples from best practices, the core roles necessary for the Foundry are drawn. The number of roles does not constraints the number of people taking part to the project, in fact one person can take on more role depending on the case. Just like in the case study, the Foundry needs a vision & concept manager, a project manager, a customer researcher. The product designer is more generally called "builder" because depending on the nature of the project, the "product" might be a service, an app, a website or something else, that therefore needs appropriate expertise to build. In this respect, the functions may vary depending on the project needs (see visual #17).



### **Vision and concept manager**

*Not only is responsible for the evolution and development of the vision into the concept and then into the design. Also, is considered the "Founder" of the startup. As such and as keeper of the vision, his/her ability to lead and motivate the team is fundamental for the team's accomplishments.*



### **Project manager**

*Not only is responsible for the organizational and operational management. Also, he is responsible for the business development.*

*The PM is also in charge of the business case, financial and PR side of the startup.*



### **Customer researcher**

*Takes care of the relationship between the customers pool and is responsible for the communication flow between the team and the customers. The CR prepares the research protocols and conducts the research. The findings are reported to the team and together are interpreted*

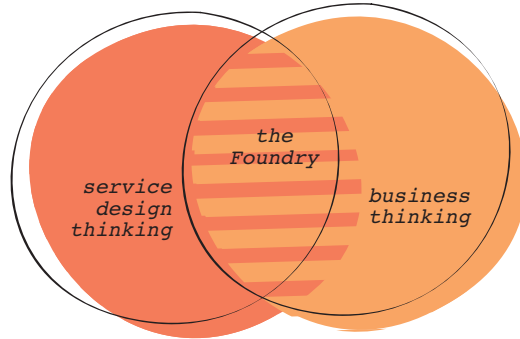


### **Builder**

*Depending on the meaning of "product", the builder can be of different nature, from coder to product designer or engineer. The builder is the one that transforms the concepts into tangible solutions that convey the message of the vision.*

## **Expertise**

The Foundry is composed by a hybrid team of service designers and business thinkers. As service designers, the Foundry members always advocate for customers, from the problem analysis to the design of the solution. As business thinkers, the team is able to design strategies in such a way to positively impact the organization and bring value to the business by making the customers satisfied.



## **Mindset**

Service design is at the core of the Foundry's doing. The team aims to always understand the perspective of the customers to design human-centred solutions. Service design is used to tackle projects with a holistic, systemic and omni-channel approach to design and deliver a complete customer experience. The multi-disciplinarity of the team enhances the ability of designing integrated solutions that work across all the aspects of the startup. Also, as entrepreneurs not only skills and competences are necessary, but as shown in the research, also the right mindset is. The Foundry has a team of people who believe in what they do and take responsibility in the projects that they pursue with a purposeful and proactive attitude.

- customer-centricity*
- systemic*
- multi-disciplinarity*
- proactivity*



**Visual #17 - Role description**

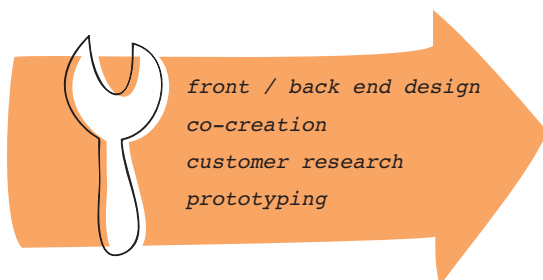
## Skills

Service designers and entrepreneurs have in common the ability to solve paradoxes and to balance opposites. This mental agility helps the translation of long term visions in quick wins and short term results. This also requires the capacity to deal with both abstract and concrete solutions. The process is approached with explorative and diverging phases as well as with synthesis and converging phases. Overall, the Foundry analyses problems thoroughly and finds in them seeds that are used to solve them.



## Methods

Service design is at the core of the approach that the Foundry uses for projects. Service design methods and tools support the process and development of the projects. The customer's perspective is used not only to start, but is maintained throughout the process. Organizational structure is created starting from the front end and is worked up progressively to align internal operations and teams in the back end in order to deliver the designed customer experience. The team works together with the client to collaborate with customers to reformulate problems and to co-create solutions. Moreover, as a design approach, the Foundry team makes results and solutions tangible, and prototypes iteratively to learn fast and early from mistakes.



## Scope

Livework is expert in customer experience and service design. The types of project that this Foundry aims to pursue are not related to deep content-specific innovation. Startups that do not have are not customer-facing, that are fully back-end, IT service and not experience-based are out of the scope. In fact the Foundry does not provide a vertical content type of knowledge, but it provides innovation processes and service design expertise. However, because of numerous years of service innovation across sectors Livework does bring a lot of sector, market knowledge and service expertise to the project. These are housed in Livework insight and fall outside of the scope of this project. The types of projects that the Foundry can generate are customer and experience focussed. In the Foundry customer insights are elaborated from qualitative data to develop strong customer-centred concepts. The Foundry is composed by business thinkers but not from pure business and number driven people.

## Networking

Livework's people are no experts in one single field, but thanks to the numerous projects conducted they are accustomed with several different fields. Also, thanks to the years of work as a consultancy, Livework disposes of a broad and diverse network where to draw the supplementary knowledge and expertise that a new project requires.

# 12

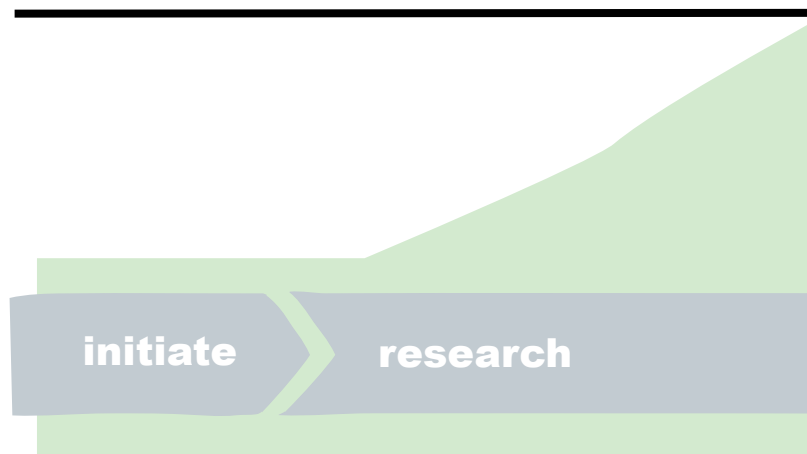
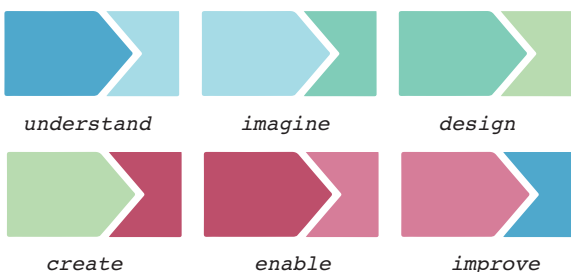
## Process

### Intro

In order to get a better overview of what it means to apply service design to startups, its process was mapped. The process was mapped by integrating the regular Livework's approach (see visual #18 ) with elements from the case study.

As explained more in detail in the following paragraphs, the process does not particularly differ from a regular design process. Its phases (initiate, research, concept, design, prototype and minimum viable business) are applicable to most design processes, therefore it was essential to explicit what makes such process a valuable approach to startups, in what way it generates disruption and how it differs from other approaches. The benefits map displays what are the benefit for each phase. The following chapter will discuss the phases of the process and their characteristics.

Visual #18 - Livework's approach



*The scope and strategic goals of the innovation project, and the necessary resources, are well defined from the start of the project.*

*When things along the project change, this initial set up will help adapt the plans strategically.*

*The exploration of the context from the customer perspective gives the opportunity to identify areas for disruption.*

*Rather than using research to validate a product idea, research is used to explore the rich context of customers lives.*

*By understanding underlying customers motivations and needs we find opportunities to challenge conventions and create new value for customers.*

## Benefits map



*Customer insights and conceptual thinking are the basis for an open exploration of the solution space. Assumptions and conventions here are challenged.*

*Concept creation is a holistic activity where all elements of the future business' ecosystem are conceived in an integrated manner.*

*Here the concept is brought to life in the three dimensions of the ecosystem:*

- *The value proposition and customer experience with its channels and touchpoints.*
- *The organization that supports is set up, gathering the necessary capabilities and roles*
- *The business model through which the value of the new proposition is captured.*

*Prototyping early, often and quick gives the possibility to test and understand what can and has to be improved.*

*Prototyping is essential to give customer something concrete to reflect and elaborate on. This gives the opportunity to have a subject for discussion, as a boundary object.*

*Not only the product gets prototyped but the whole ecosystem: the customer experience (with channels and touchpoints), the business model (through cases and scenarios) and the organization (through role description and recruitment).*

*The minimum viable business is the result of the project: a complete testable prototype of the new business to learn everything possible for a successful launch.*

*Here customers can go through the total experience, the team can practice running it and the business impact can be validated.*

## The phases & benefits

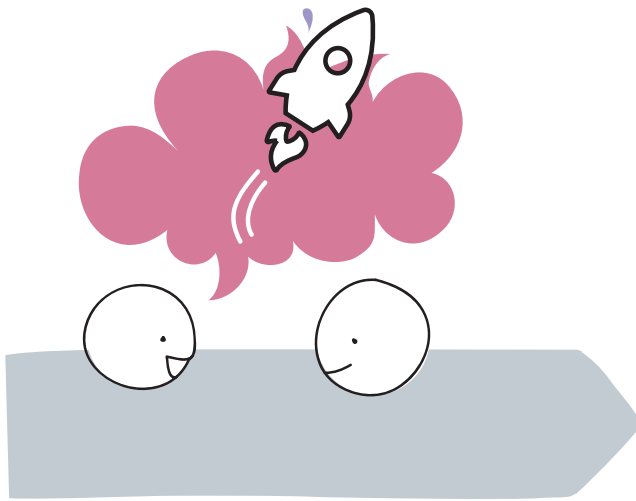
As anticipated, the phases do not apparently differ from a regular design process but when applied to startups, the activities and outcomes are of course different. In fact, added to the development of a singular product or service is the development of the entire ecosystem that composes a startup. This includes the business and organizational aspects, as well as all the different channels and touchpoints that add up to the customer experience. From research to prototyping the team that undertakes the project constantly has to balance between the abstractness the vision and the concreteness of prototyping as learned from the case study (see chapter 6). Following a description of each phase will be given to offer a clearer understanding.

## Scope of a Foundry project

The project starts with the definition of the strategic and learning goals, and the engagement of the client. From this moment the Livework team and the client's team collaborate on the development of the startup, combining expertises and sharing the tasks.

Unless otherwise arranged, the work of the Foundry ends with the minimum viable business. This means that a time is accorded to gather feedbacks and validation, and the appropriate elaboration of these findings are added to the startup appropriately. The ideal situation is that before the launch, the startup can run independently by the organization set up during the process.



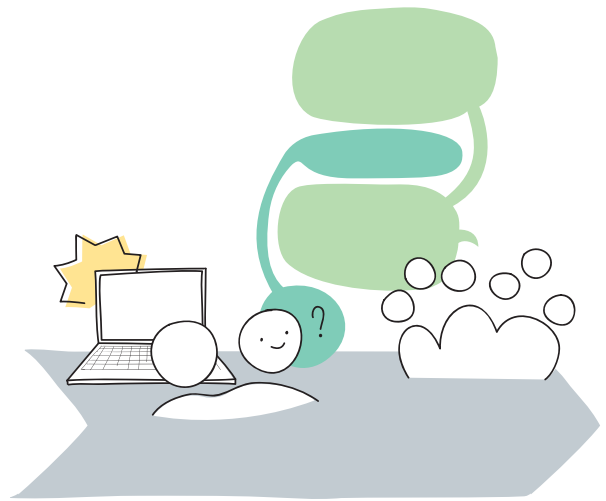


## Initiate

During this phase the client and the Foundry come together to get a clear understanding of what are the client's reasons to initiate this project. Together strategic and learning goals are set in order to begin the project on the same page. Also the scope of the project in terms of time and resources is defined in this phase. Determining the terms of the project upfront do not necessarily mean that they have to be rigidly maintained throughout the project, in fact it is usual that during an innovation process the initial expectations change. Setting up the goals at the start help to adapt the plans strategically and to orientate better along the process.

### ***Kitchen example***

*A kitchen company wants to be more customer-centric and innvoate more radically. They would therefore like to directly serve the consumer by developing new channels accordingly.*

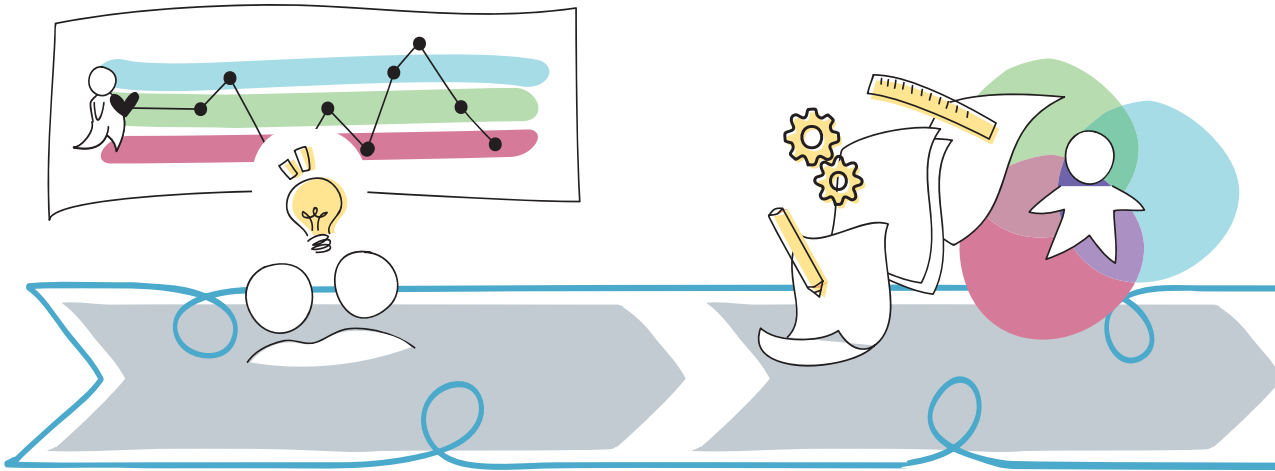


## Research

Once the project is kicked off, a thorough contextual research is conducted on the existing situation. Customers are interviewed and the market is studied in order to explore the contex. Through real observation and by asking customers, the research helps exploring the context of customers lives to identify areas for opportunities. Research is not used to validate a product idea, but to deeply understand the customer's perspective which gives the opportunity to identify areas for meaningful disruption. What is valuable of the service design approach is that before giving an answer, designers look for the right question to ask first, going beyond the literal interpretation of customers' explanations. In fact by understanding underlying customers motivations and needs, opportunities to challenge conventions are found and new value for customers can be created.

### ***Kitchen example***

*Customers that have bought kitchens are recruited to understand what is their current experience in buying and using a kitchen. The insights describe a bad experience because of paying process is not transparent and too many errors in the installation process.*



## Concept

Once areas for opportunities are identified the solution space is explored. The concept, design and prototype phase happen iteratively. Firstly, customer insights and conceptual thinking are used to create a vision. This vision enables the definition of principles that cover the opportunity area identified in the research phase. In this phase the assumptions and conventions of the existing situation are challenged in a new holistic and integrated concept that will be then translated into a design. In this phase a target group of customers is identified and selected be part of the Lead Customer Program. Once the target is identified, the customers contribute on the development of the concept and designs.

## Design

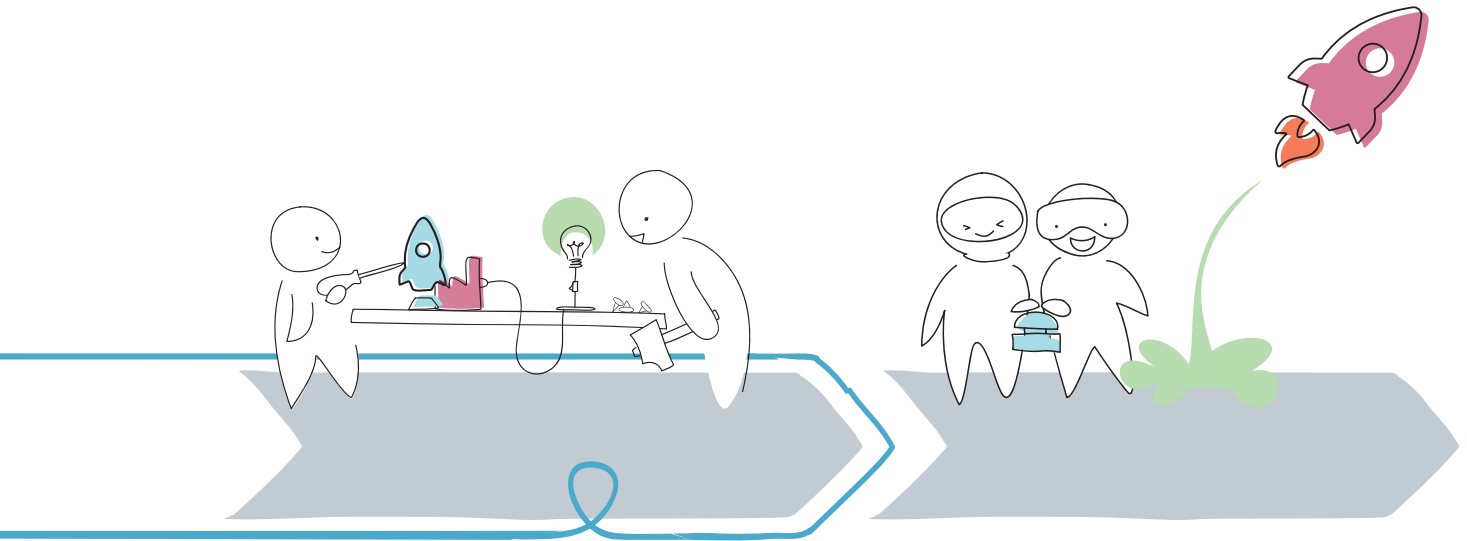
During this phase the concept and principles are translated into holistic and integrated solutions that include the business, the organization and the customer experience. The concept principles are conjugated into the design of the different aspects of the ecosystem: for the front end the customer journey, the channels and touchpoints are designed. In the back end the organization that supports the customer experience with its capabilities and systems is set up and the business model through which the value of the new proposition is designed. During this phase the LCP gives meaningful contribution to the design. This does not mean that the designs are validated based on customers' feedbacks. The designer's job in fact here is to go beyond the literal answers of customers and understand what are the reasons behind those questions and address the design accordingly.

### **Kitchen example**

*The new customer experience needs to be perceived as simple, transparent, high quality but minimal. This has to be perceived in an integrated manner through all the channels*

### **Kitchen example**

*The kitchen is composed by modules with an essential and minimal design. The customer journey is designed to allow an organic flow from beginning to end. Everything from the pricing to the salesmen pitch is also designed to be transparent and to make the customer feel empowered.*



## Prototype

As previously stated, the concept, design and prototype phases happen iteratively. This means that from the abstractness of a vision has to be balanced with the concreteness of a prototype throughout the process. This happens in different measure through the three phases: in fact while determining the vision, it is difficult to define and test the detailed functions of the product yet. Nevertheless it's important to understand the practical implications of a vision. A prototype could then be then a sketch, a pay off, a draft of a value proposition. Further in the process, it is instead important to understand the physical and concrete implications of the design. Prototyping also is essential to give customers something concrete to reflect and elaborate on, giving them a subject for discussion as a boundary object.

With different levels of concreteness, prototyping is extremely useful to test, learn and adapt the design as effectively as possible. For startups, prototyping does not only apply to product development but again to the whole customer experience with its channels and touchpoints. Also the organization and the business models are prototyped through role description and recruitment and business cases and scenarios.

## MVB

Lean Startup movement made the term "minimum viable product" popular. This term defines the production and presentation to the public of a product with the essential features necessary to make it "just" work. This is made to get soon customers' feedbacks to adjust, improve and further develop the product. The Foundry instead completes its process with the minimum viable business (MVB). The customers are presented with a working prototype of the startup as a holistic and integrated solution. This can be considered the rehearsal of the launch: the customers can go through the entire experience, the channels and touchpoints can be tested, the team can practice running the business and the business impact can be validated. The mvb finally aims to get feedbacks and validation from the customers.

### **Kitchen example**

*The kitchen with the minimal features necessary to convey the concept as well as the retail, the salesmen pitch and the pricing model are presented to the public to validate, measure and integrate the customers feedbacks.*

# The approach

## The ecosystem

The Foundry's aim is to design all the aspects of the triangle product- business- organization in an integrated holistic solution. The approach used in the Foundry always starts and ends with the customer. An example is provided in the next page (visual #19).

### The customer

The customer is at the center of the attention throughout the whole process. At the beginning, in depth customer research is conducted to identify problems and opportunities in the market. The research is conducted qualitatively in order to get thorough and relevant insights. Thanks to a deep understanding of the customer's current situation, of the positive and negative experiences and needs, the research provides the basic principles for the solution's design requirements. The solution is ideated and designed always with the goal to fulfill the customer's needs at the best and to deliver an appropriate experience. Throughout the process customers are consulted to get feedbacks and more insights to iterate and elaborate on the concept and to eventually make integrations to the design.

## The customer experience

The customer experience that results from the Foundry includes all the channels and touchpoints needed to deliver an integrated and holistic customer-centric experience, from the product to the online experience. The customer insights are used to create the ideal customer journey, that then gives the basic principles for the design requirements. These principles become then a branding vision that provide the foundations for the concept and design of the solution. The customer experience is multi-channel and it has to consistently convey the message of the concept. For example, in the kitchen case the customer experience included the product, the retail, the service and the online experience. These channels and the touchpoints were designed to transfer the brand vision. The customer experience includes everything that is in the front end of the customer journey.

## The business

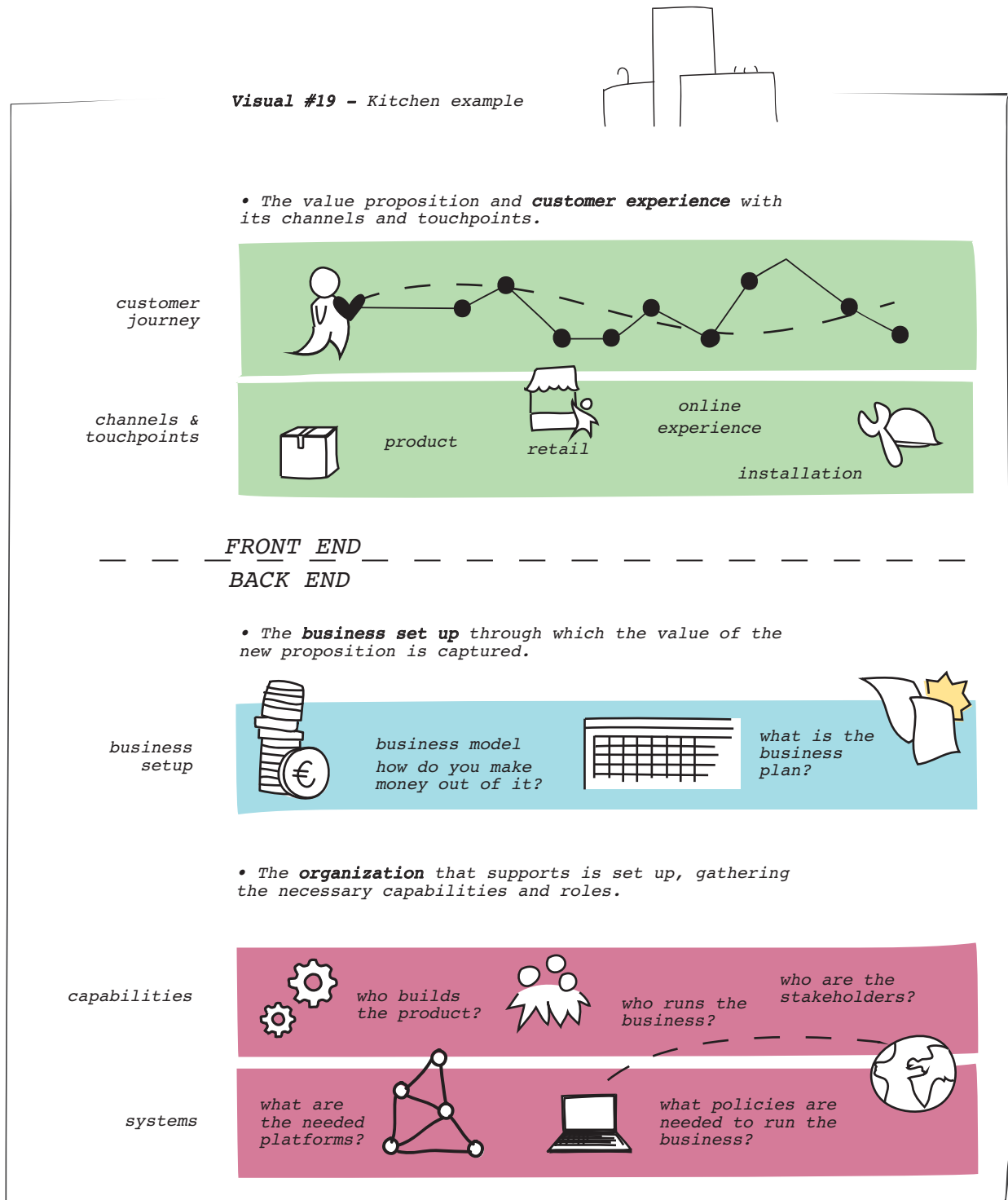
The business setup is developed with an outside-in perspective. This means that customer insights are used to design a business model that generates value through the development of customer-centric solutions and delivering customer satisfaction. The service design approach helps in understanding

how to positively engage customers to build long lasting relationships. The outside-in perspective is used to build a business that eventually generates value by making customers satisfied.

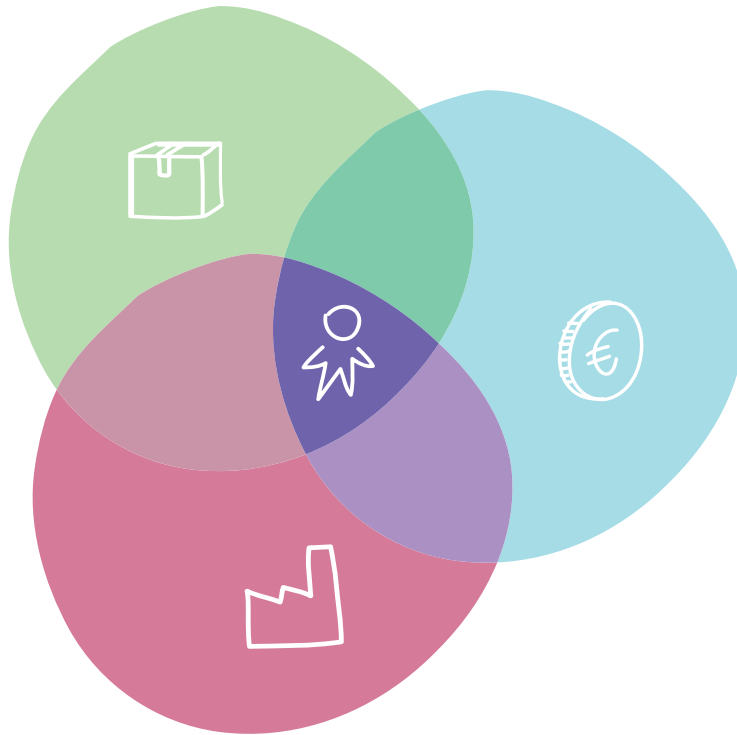
ideal customer journey and the functions of the channels, the internal processes, systems and capabilities are aligned to deliver accordingly to the designed customer experience.

## The organization

The organizational structure is also set up from the outside-in. This means that starting from the



# The ecosystem



## **Customer experience**

*The solution of the Foundry includes all the channels and touchpoints needed to deliver an integrated and holistic customer-centric experience.*



## **Business set up**

*The business model captures the value of the new proposition in a customer-centric way.*



## **Organization**

*The organization is set up with the necessary capabilities and roles and systems to ensure a flawless customer experience.*

# 13

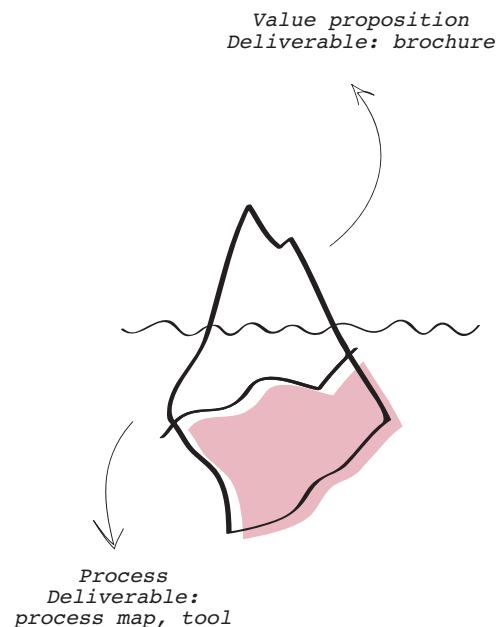
## Deliverables

### Intro

The deliverables aim is to give an overview and an explanation of what the results of this graduation project is. The final design is delivered through three deliverables next to the report. First, a brochure for potential clients was made with the objective to give an explanation of the Foundry's value proposition in an attractive way. Secondly a Process Map extensively explains the phases of the process that the Foundry undertakes, with guidelines on how to build up the startup. Lastly, to support the Foundry team along the process, a service blueprint tool is attached to aid the development of the startup phase by phase. The first deliverable targets clients, as a mean to give an outside-in look on the Foundry and its potential. The last two deliverables are to use during the project. In the following paragraphs, the three deliverables will be explained.

### The brochure

The Foundry is a new service that Livework wants to offer to client. In order to advertise and communicate as effectively as possible the new value proposition of Livework to potential clients, a brochure was made. The brochure targets potential clients and aims to give an outside-in look to what the Foundry is about. Here the value proposition is explained in a way to attract clients to make use of



Livework's new service offer. The brochure aims to engage the client by briefly and sharply explaining what the Foundry is and how it can help the client. The strategic goals and the pillars are displayed to give the client a better idea of what the client can achieve and what is the approach of the Foundry.



Image #3 - brochure

## The Process Map

The Process Map is for internal use. It gives an extensive description of what the phases of the process are and guidelines on how to conduct the project. The benefits, outcomes and activities of each phase are described to give the team an outline to refer to when in progress.

The process map is colour-coded to represent the different aspects of the ecosystem. Green represents the customer experience, including the journey, the channels and touchpoints that the solution requires. Blue is for the business dimension, meaning the business model and business case. Pink represents the organizational set up, including the capabilities and systems necessary. And orange if for the meta-process, meaning the monitoring of the strategic and learning goals with the appropriate metrics. Each vertical column represents a phase of the project. Horizontally from top to bottom is represented what characterises the process. The first line from the top represents proportionally

the effort and attention that should be put on the aspects of the ecosystem. Secondly the phases with a description are displayed together with a diamond-shaped that represent the diverging and converging nature of the process. In the third line the benefits corresponding to each the phases are described, following the outcomes for each of the three aspects of the ecosystem, then the activities including those for the monitoring of the project goal (visual #20).



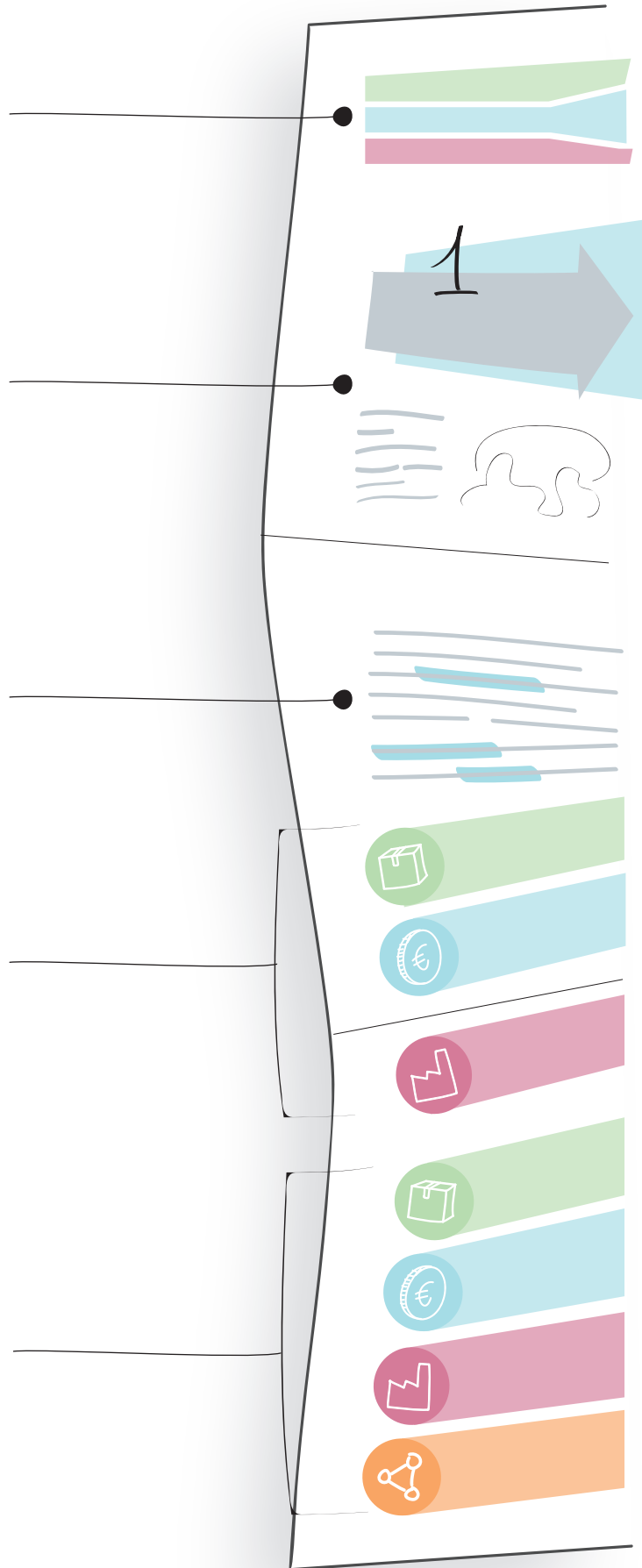
These lines describe the attention that should be invested in each phase per aspect of the ecosystem

The arrows indicate the phase of the process, together with a description of it.

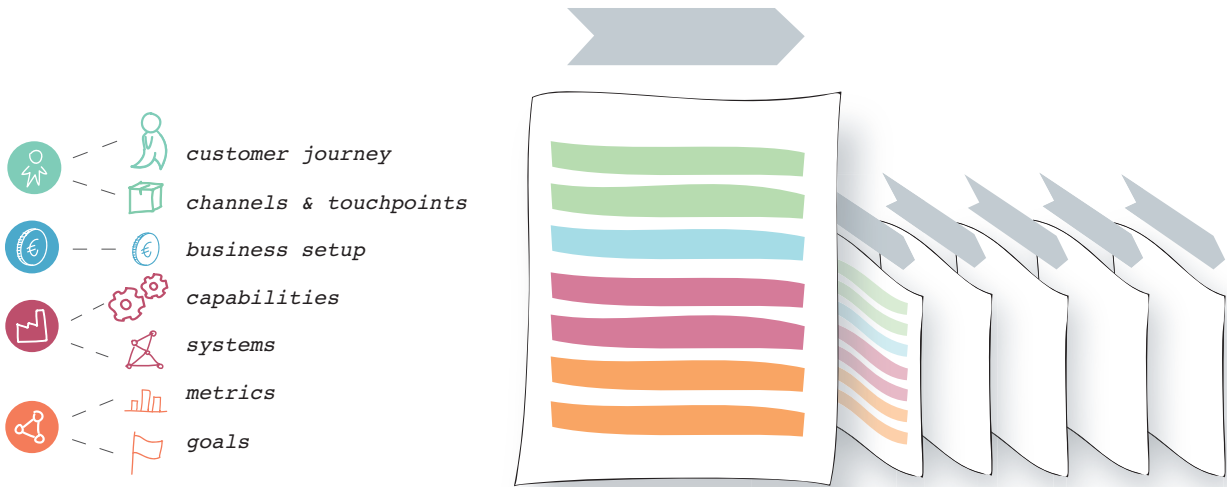
This is a description of the **benefits** and peculiarity of using service design for each phase of the process

These lanes describe the desired **outcomes** of every aspect of the ecosystem per phase of the process.

These lanes describe the **activities** and jobs that the team has to do in order to achieve the outcomes. These are divided by lane including an extra lane to measure the progress.



Visual #20 - Process Map



**Visual #21** - Service blueprint tool

## The tool

The tool is a simple service blueprint adapted to this type of project to help the team in the development of the startup. The goal of the tool is to provide a frame to be filled in each phase with the content that is progressively created to keep track of the evolution of all the aspects of the startup (see visual #21).

The tool is composed by six sheets, one per phase. The sheets have the same layout to help the team address all the aspects equally right from the initiate phase of the project. Of course, at the beginning the content for each lane will be “blurry” and vague but it’s necessary for the team to keep on having all the aspects at the back of the mind while progressing. With the evolution of the process, also the lanes’ content will be increasingly sharper and more defined.

The tool is divided horizontally in front and back end of the new proposition to develop, and vertically in before-during-after to keep into account of a holistic customer experience. The three aspects of the ecosystem are colour coded and displayed in lanes: the customer journey and the channels are in green to represent the customer experience dimension, the business model is in blue to represent the business dimension, the capabilities and system

lane are in pink to represent the organizational setup and lastly also the meta-process.

In fact, the building of the startup goes in parallel with meeting the client’s strategic and learning goal. For this reason, along the process, one of the lanes is dedicated to the meta-process. The meta-process is the process behind the process that allows the Foundry team to monitor if the progression of the startup is going in a direction that will meet the client’s long term goal.

# 14

## Final Conclusions

### Intro

As previously described in the introduction, the world is already facing the implications of digitisation, customers are getting more and more empowered and the booming sharing economy is drastically changing the markets. This brings to companies' need to look for a way to survive and stay competitive. Research shows that to do so, incremental innovation is not enough and the everyday activities that make the company function have to be sided with an explorative approach to innovation to discover new opportunities that would boost the business' competitiveness.

Not only corporates are impacted by the changing environment but Livework believes that they play an important role themselves in impacting society and the markets.

Livework believes in the power of innovation and wants to contribute to positively impact society and markets by helping corporates in innovating disruptively and delivering human-centred solutions.

Livework's goal with this assignment was to find a way to help companies make an impact and develop disruptive innovations through the development of startups with a service design approach.

This chapter aims to conclude on the project by explaining how the design requirements determined by the research findings are met by solution designed, the Foundry (visual #23 for overview).

The Foundry is a startup service that means to help companies and their teams to reach their long term goals (see pg. 78) through building a startup with a service design approach.

Livework's goal is to bring service design, entrepreneurial and business design expertise to the table, that combined with the client's field of expertise would outcome in the design and development of innovative, customer-centred and holistic startups.

	<i>incubators</i>	<i>accelerators</i>	<i>venture capitals</i>	<i>the Foundry</i>
<i>offer</i>	<i>investment advice &amp; support facilities &amp; network</i>	<i>technical advice &amp; support facilities &amp; network</i>	<i>seed capital</i>	<i>startup concept &amp; development</i>
<i>duration</i>	<i>1 to 5 years</i>	<i>3 to 6 months</i>	<i>until mature enough to sell shares</i>	<i>project based 6 to 24 months</i>
<i>business model</i>	<i>fee or equity</i>	<i>fee or equity</i>	<i>investment for equity</i>	<i>hourly rate, discount for revenue %</i>
<i>training</i>	<i>advice and practical support</i>	<i>advice and practical support</i>	<i>not offered</i>	<i>high intensity service design methods &amp; tools</i>

**Visual #22** - innovation types

1

## Overcoming barriers to innovation with the Foundry

### Research findings

Research showed how companies, especially if large sized, struggle in innovating disruptively because of their outdated or unsuited organizational structure, because of cultural and mindset barriers and because of the bond to their legacy.

Also, disruptive innovation is often seen as a threat to the current business model. In fact this type of innovation would lead on the long term to a cannibalisation of the current business. By not taking the risk though, these companies leave room to competitors to step up.

### Design requirement

For the design this meant that the new service of Livework would have to help companies overcome these barriers, and to provide a low-risk environment where to freely explore and develop disruptive innovations.

### Design solution

By placing the innovation process at the Foundry, the company's constraints are overcome in the discovery and development of new opportunities.

When the client's team exits their everyday context to enter Livework's energetic and future-oriented environment, the mental constraints that hinder disruptive innovation are reduced through close collaboration with a the Foundry team. In fact, next to the service design and expertise knowledge, Livework has training programs that can help the clients getting acquainted with different ways of approaching innovation.

Also, the Foundry brings to the table capabilities and a process structure that will help the client be better oriented when designing and developing the startup. Exploring opportunities in an environment as the Foundry allows the client to fully immerse on the content and to get as much learning as possible out of the insights gained, on the process and approach used. This is also thanks to the leadership and management role that the Liveworkers would take.

## 2

# Outsourcing at the Foundry

## Research findings

Research showed how outsourcing innovation is beneficial to grow strategically and innovate disruptively. In fact, creating short or long-term collaborations with external parties allows access to expertise and specialised knowledge.

The interaction of different capabilities and assets improves greatly the chances of innovation and disruption thanks to the creation of knowledge synergies. By outsourcing, structural barriers and slow processes and the risks are drastically reduced. The change to a new business model can happen gradually, delaying the chance of cannibalisation.

## Design requirement

This meant that the service would have to be offered as project to be conducted outside the client's company, since it would speed up operations, and that Livework would have to put on the table the expertise, capabilities and process knowledge needed to lead, design and develop a startup for the client to reach their strategic goals.

## Design solution

Not only outsourcing innovation helps overcoming all these barriers, but placing the innovation process outside the company into Livework's facilities would help the client think outside of the product and market constraints that limit innovation as explained in the definition of disruptive innovation (pg.14).

The research showed that companies currently try to engage in and foster disruptive innovations through accelerators, incubators and venture capitals. In chapter 4 is explained how these aiding company, from a service design perspective, do not provide sufficient grounding and support in the

concept development phase. Visual #22 shows the Foundry in comparison to the existing companies' offer.

For a project Foundry was created a 6 steps process (see chapter 12) to startup design and development. The process designed provides a base to follow from the definition of an initial idea to the release of the minimum viable business. The process helps to uncover opportunities for disruption, to create a vision and a concept, to frame the concept into a design, to prototype it and to test it with the public.

The Foundry is composed by a multi-disciplinary team that makes their expertise available to the client. The Foundry provides innovation process expertise, service and business design expertise, years of experience in consulting several different markets and a broad and diverse network (see chapter 11).

## 3

# Liveworkers as designer entrepreneurs

## Research findings

Research showed how designers and entrepreneurs share a very similar skillset such as problem framing, comfort with open ended problems, multi-disciplinarity, divergent associations etc. (see chapter 5)

Despite sharing similar mindsets and skills, research shows not all designers are suited to be entrepreneurs. Designers that are not discipline specific but that are process focused, that use a holistic approach and use design as a strategic mean are suited for entrepreneurial activities provided that they have the same proactive attitude that characterises good entrepreneurs.

## Design requirements

The Liveworkers that contribute to the new service will need to have a proactive and entrepreneurial mindset and attitude to side to the shared skillset.

The team that will conduct the projects together with the client will have to be able to be process focused and use a holistic and integrated approach.

## Design solution

Livework's hybrid team of service designer entrepreneurs fits the profile. In fact Livework has the skill set, the holistic approach and the proactive attitude that entrepreneurial activities require (see chapter 11 for more details).

Moreover, discipline specific expertise that can be necessary, such as engineers or programmers, marketeers or economics experts can be accessed through the broad network that Livework built in the many years of consulting practice.



# Service design as an approach to startups

## Research findings

What was learned from the case study, was the necessity of creating an initial common understanding on what are the client's strategic and learning goals. Understanding why they would want to use a startup service would in fact be necessary to set expectations and goals from the start and to monitor them through the process.

For the process, it was shown how the lanes structure was useful to maintain an overview on the design and development of the aspects of the startup, but also a more even development of them through the process was needed.

The Lead Customer Program was essential to the process. In fact from the research to the validation, the LCP enabled a constant feed of insights from the customers which is a core characteristic of the service design approach.

## Design requirements

For the design of the Foundry this meant that the client had to be engaged and involved from the beginning. The approach would have to be holistic, keeping into account all the aspect needed for the startup in an integrated manner to have the customers have a holistic and multi-channel experience. A customer-centred approach to create and capture new value would have to be part of the development, involving customer from the beginning to the end of the project.

## Design solution

In the initiate phase of the process tailored on the Foundry, is clearly stated how it's necessary to set the strategic goals with the client and adjust the client's expectations by making early business cases with assumed worse and best case scenarios. This way the client is able to understand where the startup would lead and together with the Foundry team common goals are set. These goals are monitored through the process thanks to the service blueprint tool (see chapter 13).

The LCP and the lanes structure were integrated in the design of the ecosystem as an approach to the startup and in the service blueprint tool. In fact the ecosystem helps to holistically design and develop the startup. The customers are always at the center of the ecosystem, from them and with them the other aspects of the ecosystem are designed and developed: the customer experience with its channels and touchpoints, the organizational architecture and the business set up. The tool helps to maintain an overview throughout the project and to monitor the progress of all the aspects of the system.

### **Companies barriers to innovation**

Disruption of the business model  
Structure, culture and legacy barriers

Helps companies explore opportunities and develop disruptive innovation by prototyping a new disruptive businesses in the safety of an external startup environment.

Helps companies overcome their barriers (structure, legacy, culture) in a low risk environment.

### **Outsourcing innovation**

Access to expertise and speed of operations.

Client taking part to the process to reach its long term goals and to learn how to innovate

Brings the innovation expertise, team capabilities and process knowledge to the table.

Gets the client involved in the process also as a learning experience to meet their long term strategic goals.

### **design solutions**

By outsourcing at the Foundry and working outside the usual environment barriers are risks are reduced.

The company can learn by working in close collaboration with the team, learning the process and the development insights and by letting Livework leading the process the client can fully focus on the content.

The Foundry is made by a multi skilled and multi-disciplinary team that balances design and business. The methods and process knowledge of the Foundry will be combined with the client's expertise to develop startups.

Setting strategic goals and measuring the startup progress throughout the process helps ensuring to be going in the right direction.

Using a service design approach making sure to touch and develop all the aspects of the ecosystem CX - organization - business always having as a starting and ending point the customer.

Makes use of a service design approach to entrepreneurship in creating value. Promotes a proactive approach to the project.

### **Designers as entrepreneurs**

Designers that are process focused and use a holistic and integrated are suited for entrepreneurship.

Creates a holistic, multi-channel and integrated startups that ensure a full CX both from the front and back end perspective.

Uses a customer-centred approach to create and capture new value.

### **Case study**

Setting strategic and learning goal to consistently measure the development. Also with more involvement of the client.

Lanes structure and MVB to develop the project from a holistic and integrated perspective.

The LCP is a core activity to maintain customer-centricity in the startup development.

**Visual #23** - overview research conclusions, design requirements, design solution

# Evaluation & reflections

This project started with the curiosity of exploring a new potential direction for Livework. As a service design consultancy leading the field, Livework keeps pioneering by constantly spotting and nurturing opportunities.

This project was a chance to explore the possibility of applying service design to entrepreneurship, supporting large companies in staying relevant by siding them almost as peers and adding to Livework's portfolio a more entrepreneurial type of project.

## Advantages for Livework

Potential advantages for Livework were mapped to make explicit what the Foundry would bring to the company.

By adding the Foundry to the portfolio of projects, Livework's adds a service that most consultancies don't have. Leveraging the hybrid nature of Livework's expertise, the Foundry becomes a strongly differentiating and competitive offer. As such, it upsells opportunities for existing clients and also is expected to attract a different type of clientel, expanding Livework's network.

A Foundry project engages the client and Livework longer and more intensively, moving from service designing to business casing. This ensures a more thorough and long-term type of relationship with the client.

As an internal benefit, the Foundry might attract at Livework more varied and different types of talent. This would add up to the hybrid nature of the team that composes Livework, adding value to it.

Lastly, the cross-over benefits between Livework Studio, Insight and Foundry could be considered. In fact together, these departments would contribute to create network, knowledge and revenue in an integrated manner.

## Feedback

The managing partner of Livework Melvin Brand Flu was interviewed at the very end of the project to get his opinion and feedback. According to him, the client's strategic goals that were mapped in this project could also be achieved in different ways, and a startup might not be necessary. Nevertheless the benefits



of a platform like a startup were underlined, since it allows to be more agile, to have faster processes, to preempt and explore thoroughly what is not accessible to the main brand, to reduce the risks as well as potentially exploiting higher value outputs. Design adds to that the value of making things concrete and the ability to prototype effectively, of co-creating and maintaining a close relationship with customers.

Concerns for liability were expressed. In comparison to other Livework's projects, the Foundry, as any entrepreneurial endeavour, entails risks of failures that in case would bring indeed reputational issues.

Next to the partner's feedback, the concept of the Foundry was informally pitched as a test to several current clients of Livework by Erik Roscam Abbing. The reactions were said to be overall positive, showing particular interest in the learning dimension of the Foundry.

In conclusion, the Foundry offers the possibility to expand Livework's and its clients horizons. As any innovation and entrepreneurial activity the Foundry comes of course with some risks. It then becomes a matter of choosing whether

to avoid the risk or to believe in its potential.

## Next steps

This project was developed synthesising research and case study findings to Livework's capabilities and assets. To some extent the design of the Foundry is still an hypothesis, and the first step would be to indeed test it. By undertaking a project that suits the Foundry's proposition as a prototype, it becomes possible to validate and iterate on the value proposition, on the process and tools used and on the client-Livework relationship.

As already hinted by the first reactions of the clients, the learning aspect could be indeed enhanced in the next design, and further it could be explored how to help the client integrate these learnings in their mother company, supporting change management and a long-term shift including the design of a "hand-over" strategy.

Due to the consulting nature of Livework, the Foundry's scope is limited to the six-phase process, until the Minimum Viable Business. It would then be interesting to study what

the following phases imply and how can the service design approach contribute further to the growth of the new startup from a business, organizational and of course customer's perspective. The design effort shouldn't in fact end with the ideation/ value creation phase but should continue to be a part of the core strategy.

## Reflections

Looking back at it, this project gave room to a lot of contrasts. It's been challenging and satisfying, difficult and straightforward, collective and individual, concrete and sometimes very, very abstract.

Being used to group projects in an academic environment, managing my own project has been quite a challenge. Next to the content learning, I learnt a lot about the process, my approach to it, my strengths and my weaknesses.

Overall, this project gave me the possibility of getting a much broader and realistic understanding of how the world works, I

understand now that those "companies" that seemed far away quite non-human entities are just made by people for people and as such they are also passive of behaviours, cultures, struggles and improvement potential.

I believe I really got the chance to explore a newborn field and that the Foundry really has the potential of bringing a new approach to entrepreneurship and make a difference for companies that need to renovate.

Throughout the project I gained so much more knowledge, I had my head so full of information and thoughts in an overwhelming but also extremely stimulating way. Tidying up and communicating my thoughts has been sometimes such a challenge. I felt lucky in being surrounded by people with such experience and profound intellects to guide me through thoughts with many wonderful and meaningful discussions.

I loved the research phase, I genuinely enjoyed meeting and interviewing people and peek into others' realities. I loved reading through articles and finding a way to make sense out of it. I loved following closely the Livework team and

learn how they think, picking from their brains.

For the design part, I only wish I had more time to elaborate, iterate on it and to “pack it” in a more coherent and thorough manner.

Reflecting on my approach to the project, I learnt that if I’m determined enough, I can work very hard and produce quality results at an impressive pace (sometimes I was positively surprised with myself), but that I should finally learn to push through by time and not when it’s almost too late. Also, I learnt that I should be a bit more daring at experimenting and a bit braver at involving people in my processes and struggles. Overall I’m positive that this project gave me a type of knowledge, skills and self-awareness that will help me in framing my future and in opening opportunities.

In conclusion, there’s always more that can be done and learnt, more research, better visuals, more validating and I’m sure that looking back at it in a few months I’m going to see this final design only as a draft that needs a complete makeover. But in this very moment I can conclude this project satisfied of where I am and what I did.



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