

methodological approaches more efficiently by defining a common high-level overview of the solution.

Improving on something that already exists

We think that service design would be more useful in a web start-up trying to improve on something that already exists. The main strategy in such a scenario would be to identify the weak points in competitors' offering and create something new with superior competitive advantages.

Service design would provide a great framework for jumping into a broad perspective analysis and help you understand the performance of the various components in their service offering. The key benefit of service design compared to the methodologies native to the particular disciplines involved is that it would help you see the service offering and the competitive environment as a whole - from the business model level to the business processes, customer goals and usage patterns, as well as the interface and business logic. Service design provides the right analytical starting point and level of investigation. When the service design analysis is finished and hypotheses are defined, further refinement of the solution may be delegated to the respective specialist disciplines like systems development, interaction design and graphic design.

Insight 1

In a startup that is creating something entirely new, service design may provide a holistic perspective on the challenge, but with a multidisciplinary team and limited resources, the methods that the various disciplines represent should be sufficient.

In a startup focusing on improving something that already exists, service design would be helpful during the initial analysis of competitors' offerings to generate high-level hypothesis that can be followed up by each discipline on the can follow up.

Top down or bottom up innovation? Service design may help you manage innovation on several levels.

Innovation and creativity can be inspired from many levels and approaches. A simplistic way to describe this dynamic would be to divide it in two main approaches.

Top down innovation

The first approach is to be mainly vision driven and to generate ideas from high-level hypothesis and abstract solution descriptions. This is usually the case in projects that try to create an entirely new type of solution for an emerging need where there is no obvious solution, no one has done this before and no relevant references exists. Innovation is based on assumptions and expectations, not on solid facts.

Secondbrain used to belong to this type of category of innovation. We did not know exactly what the problem was and could not predict a specific need in the market. We had to guide the team and all our efforts with a bold vision and be very responsive to emerging trends, other players in the marketplace and question our own assumptions regularly.

We wanted to create a personal system for managing online content from social media accounts. Though this makes pretty good sense today, it was uncharted territory for everybody back in 2006.

The main advantage of this type of approach is that it enables you to make a big creative leap. Most companies that have made a major impact have succeeded by leapfrogging everybody else with a radical innovation targeting an emerging need. It is hard to accomplish this if you don't see above the current state of affairs and use your imagination. A top down approach to innovation may help you get the right perspective.

However, the problem with this approach is that it risks not being founded on true problems and real market opportunities. Vision driven innovation projects risk choking on hot air.

Bottom up innovation

The second approach is mainly problem/solution driven and focuses on generating ideas from low-level fixes within a larger problem definition. The main characteristic of this approach is to identify verifiable problems and fix them one by one. Over time, the accumulation of low-level fixes emerges into a complete solution. The challenge is to manage and prioritize the issues and ensure they evolve in a unified direction thus resulting in a coherent solution and value proposition.

The main advantage of this approach is that it keeps you focused on real problems. The risk of wasting limited resources on things that do not fix a problem is pretty low.

The main problem, though, is that you may be spending your resources on fixing problems that do not matter. Sometimes one cannot see the forest for the trees. While bottom up innovation helps you focus on fixing problems, it may make you blind to the big picture.

Insight 2

If you compare innovation from a top down and a bottom up perspective, you find distinct pros and cons. One may, of course, argue that the best approach is to do something in between - a little bit of both. Such an approach would also benefit from a methodological foundation and this is where service design may come in handy. We believe that using service design may provide a framework for managing the two innovation approaches around a holistic overview of the design challenge/problem definition. Done correctly, service design may guide your innovation process from either position simultaneously.

Service design may be helpful in putting value on transactions and agents in your business ecosystem.

One of the characteristics of web services is that agents (the service, users and integrated 3rd party services) and transactions (the interaction and exchange of value between agents) are all represented in digital units that flow through the service points in the system. The digital representation of all entities makes them measurable.

Agents initiate transactions through various service points during service consumption. For example, a user (agent) selects to download (transaction) a mobile application (service point).

In the shift from product design to service design, time enters as a new dimension. A service is consumed along a timeline of events that create business and user value. In a web

framework all dimensions of the service are measurable, and this creates new possibilities for creating models that can explain value generation on a much more detailed level than before. Traditional business models explain how value is created and monetized in general. The business sells a certain mix of products through certain outlets in variations and price points that cater to specific customer segments. A business model for services, however, could specify how value is created in each service point along a series of events. This is where the microeconomic dynamics of service delivery meet business models.

The point is that a microscopic level of knowledge about the value that is created in a service would be very valuable as insight for the service design process, not to mention to managing the business. Imagine if you could put a number on the user value and the business value of each possible action and transaction across all relevant service points. This would make one able to precisely measure and estimate the total value generated, and allow one to make priorities and optimize the service accordingly.

For example, what is the cost of a help request made through email compared to through a community help system. What is the value of someone sharing a picture publicly to your social networking application? What is the value of a 70% completed profile on LinkedIn? And how do you estimate the value of a follower on Twitter - for the user, the person being followed, and the business providing the service?

Insight 3

Whatever the numbers, detailed and quantifiable measurements like describe above create value to the business on several levels. They would for example help you understand the value of your offering in general, give you insight that could help you improve service delivery, and explain the value that your users get from your service. All together, this could help you find out how to monetize the various service points in your service, both online and offline.

Service design may provide the missing link between design processes and business models.

One of the challenges in getting support for a design approach in business and product development is the weak tradition of integrating the business perspective. Design does not really have any authority in defining its own business value. The main reason for this may be that design methods, in general, do not deal with business models. Design is usually described as a tactical priority in the product development process - it is something that you add as a premium effort on top of your standard approach - and often justified by claiming a premium price in a top market segment.

Service design may help bring business models to the table by expanding the scope of the design challenge to marketplace dynamics. Design is no longer seen as a message or form factor of a particular offering. Rather it presents a holistic perspective on an ecosystem of transactions and agents across a timeline of service points and competing initiatives.

When designing a service it is easy to only think of it as a way of streamlining a process and creating a rewarding end user experience. If service design would only deal with this aspect of services, it would be reduced to something similar to usability efforts in web development projects.

But since service design deals with how people use services and the value that is created in this process, it should also be able to provide quantitative measurements that fit into a business model.

Insight 4

Service consumption creates user and business value. Part of the design effort is to align the two value perspectives. In order to get proper measurements of the value, one needs to develop sophisticated methods that assess and document the value generation in service delivery. This could be the missing link between design processes and business models and give service design a seat in the boardroom.