UNIVERSITY OF LJUBLJANA
SCHOOL OF ECONOMICS AND BUSINESS

MASTER'S THESIS

BUSINESS DESIGN IN MULTIDISCIPLINARY DESIGN AGENCY

Ljubljana, May 2021   ENYA CASERMAN

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INTRODUCTION

Design "always involves both an intention, plan or goal, especially in the analytical and creative phase, and a drawing, model or sketch in the implementation phase to shape an idea" (Borja de Mozota, 2011). A common saying goes that design shapes the world. It plays a significant role in generating new products, systems and services in response to numerous market conditions and opportunities. Design also acts as a "mediator between the industrial and technological world and the consumer" (Borja de Mozota, 2011).

Managing design is a fundamental part of branding. In practice, it refers to the way a human mind perceives the deepest values of the brand. One example is visual identity. We know that the consumer's brain can have two different reactions to visual stimuli. The first is fast and described as reactive, emotional or automatic, while the second is a bit slower and described as analytical and also rational. Two brain processes lead to decision making: one allows for a broad type of reflection and the other is automatic, but tends to be more imprecise (Borja de Mozota, 2011).

A generally accepted building block of innovation is creativity – the generation of new ideas (Horibe, 2001). This is why companies spend considerable resources on courses where people learn creative thinking through play with colorful building blocks. However, it is not just that. Innovation goes beyond idea generation by turning these ideas into action (Bohemia, Liedtka & Rieple 2012). The difficult part of the creative process is the continuous production of new ideas, and it is all for naught if these ideas do not see the light of day. It is limited to the execution approach. If we have unconventional ideas, we are creative, but once we convert them into value, we become innovative (Horibe, 2001).

When a series of changes are made to improve an existing product or product line, which have an impact on competitive advantage, we are dealing with incremental innovation. The latter is most commonly used in the technology industry, where companies need to adapt quickly to meet their customers' needs. It usually involves new desired or emerging features (Business Dictionary, 2019). The benefits of product optimization include cost minimization, desirability, genuine customer gain, repositioning in the market and adaptability when entering new markets or new laws (Bohemia, Liedtka & Rieple, 2012).

Radical innovation involves significant, large-scale changes and modifications that lead to revolutionary results. Therefore, the impact is higher, and as a result, new markets emerge. Radical innovation involves changing the existing fundamentals and principles with which we are familiar. (LEAD Innovation Management, 2018) If we compare the two approaches to innovation, radical innovation involves changing the fundamentals, while incremental modifications tend to be smaller

corrections, adjustments, or follow-on innovations that resemble an evolution (Bohemia, Liedtka & Rieple, 2012).

In exploring business model innovation, we assume that with the right tactics and performance, it will deliver value and prosperity regardless of the type (Giesen, Berman, Bell & Blitz, 2007). Translating design into value and working through a language that business stakeholders are familiar with is key to proving that design provides solutions to business problems. Using design thinking methods to strengthen the business and financial components of design work creates viable services and products (Tanimoto, 2018). With this master's thesis, we aim to evaluate the current business model of Gigodesign and identify the areas of opportunity. The main research question is: How to identify and face changing customer needs and adjust the current business model accordingly? Gigodesign is a multidisciplinary design agency specializing in product design, branding, digital, experience design and design consulting. Our internal analysis includes:

- Questions about Gigodesign's position as a player on the national and global market,
- An analysis of user behavior,
- An identification of the current state of the company, which will be useful for further development and improvements.

The results of this master's thesis will provide detailed directions and suggestions for specific improvements. As a document, it will constitue a helpful tool for strategic decision-making in the future and a recipe for long-term survival.

The main goal is to develop a structure, a set of adapted and new services that cover the needs of and work towards achieving the intended results of the Gigodesign company. The goal is also to provide a framework for becoming even more customer-oriented, which entails identifying all user requirements, outperforming the competition and, above all, ourselves. We have set some specific goals that will guide us through the analysis:

- Answering questions about Gigodesign's positioning as a playeron the national and global market,
- Gathering opinions and experiences relating to the market specifics, significant past events and future visions,
- Assessing the current state of the company to aid in further development and improvements,
- Identifying the areas of opportunity.

1 ORGANIZATIONAL STRUCTURE AND BUSINESS PROCESS DESIGN

The term business model refers to the manner in which a company creates value through the products and services it offers. Whether defined or not, business models are present in every business. They are linked to a customer's perception of value and the constant generation of profit. According to freely available business articles, opening up a debate on the business model debate positively contributes to further experimentation. It should be noted that a business model debate is not only necessary within the company, but also with suppliers and customers (Chesbrough, 2007). Such an approach requires a forward-looking mindset.

Articles also state that companies have started making positive changes in the form of concrete actions, rather than just holding discussions about their possibilities. Many companies today fail to maintain a competitive advantage over time due to short-term business goals. Therefore, an exploration and analysis that enable a deeper understanding must become a constant (McGrath, 2010). Companies must rise above to find business opportunities that create value. In addition, they must also continually evolve their offerings.

Almost half a decade after Rittle called design work "wicked problems", we can apply his statement and look at it from a business model perspective (Horst & Webber 1973; Buchanan1992). This way, we are now dealing with a design concern. To further elaborate on what has been said before, it also seems logical that similar experiments can be applied in a more business-oriented environment when looking for potential business model improvements. Since business models are relatively dynamic – when changes are made, the market and customers react – it is the right time to put the design focus on users and interaction. Buur and Larsen's research originated in Participatory Innovation, where user understanding is presented to broader stakeholders and management to drive innovation. This way, business as such becomes a constant target of design (Buur & Larsen, 2010).

Chaston and McCauley claim that a pervasive case is typical of the design industry. They say that the owners of this industry have only worked in design. We can see this by the fact that they connect their goals to their lifestyles or other types of satisfaction rather than economic goals (Chaston, 2008; McCauley, 1999). We call this "art for art's sake", and it originates in artistic self-expression. The design industry is one of the most famous examples of lifestyle being more important than financial gain (Chaston, 2008). A designer faces difficulties when designing something according to his wishes or designing something for the market. An individual's subjective opinion can affect the way a strategy develops within a company. If the owner of a design agency focuses on the market and the needs of the users, this will eventually show in great value. To gain valuable market insights, we need to dig deep, conduct a thorough analysis and evaluate users as well as their needs.

The nature of work in the design industry is specific and highly customized. Therefore, it cannot be quantified (Miozzo, Lehrer, DeFillippi, Grimshaw & Ordanini, 2010). Due to this, the economies of scale are more difficult to achieve. Rather than producing efficiency, design is about making meaning (Lawrence & Phillips, 2002). Creative work happens spontaneously, in a disorganized and inconsistent manner (De Bono, 1992) and with management independence (Amabile, 1996). These characteristics make it difficult to implement measurements or precise numbers (Heskett, 2009). Therefore, a design strategy developed based on analysis is uncertain as far as implementation in a design agency is concerned.

Design agencies rely heavily on talent, on their networks and on building meaningful relationships. Depending on the number of employees, their skills and specific client needs, agencies can sometimes be influenced by actions that can overtake a company's direction (Hargadon, 2005). This is possible because external relationships are part of resources. For example, if the client requires a particular emerging hard skill from the agency, it must be brought in-house. A decision must be made as to how to bring it in-house – either by hiring a skilled employee or through freelance networks. The decision should be guided by the best possible balance between the client's needs, availability and the required resources. The outcome in this case should be a decision on whether to employ the capable person permanently or temporaryily.

The number of employees usually classifies design companies as small and medium enterprises (SME) or even micro and small enterprises (MSE). Strategy development is directly influenced by both company size and the mode of implementation. Studies by Verreynne (2004) show that strategies developed for large copanies cannot be implemented in smaller companies. Small companies are more likely to use simplified strategy development. What is more, the unpredictable nature of the design industry complicates the analysis of the strategy development process (Verreynne, 2004).

We know a few types of business model innovation, namely revenue model, enterprise model and industry model innovation. With the right strategy and execution, all of them can lead to success. Most frequently, innovation is found in network-focused enterprise models. This practice is most common in older companies, and this holds true for diverse companies across different regions and industries, regardless of their size, age and other factors. Entering new industries and transforming existing ones is possible through innovation of the industry model (Giesen, Berman, Bell & Blitz, 2007).

The creation of new industries and new industry segments is achieved through the most radical industry model innovation. The redefinition of offerings and services is typical for companies that want to generate different revenue models. This is revenue model innovation, which also involves new pricing models. The core focus of the last type, enterprise model innovation, is to redefine

organizational boundaries (Giesen, Berman, Bell & Blitz, 2007) and to redesign the role it has in existing and new value chains. This is acieved by specialization, meaning that the organization has to focus on in-house knowledge, skills and talent necessary for implementing high-margin activities, while the rest should be outsourced (Giesen, Berman, Bell & Blitz, 2007). Defining business model innovation is challenging, but this framework provides us with an identification of the main types.

Figure 1: Chart of 10-year compound annual growth rate stock versus the type of business innovation, showing that each type is profitable
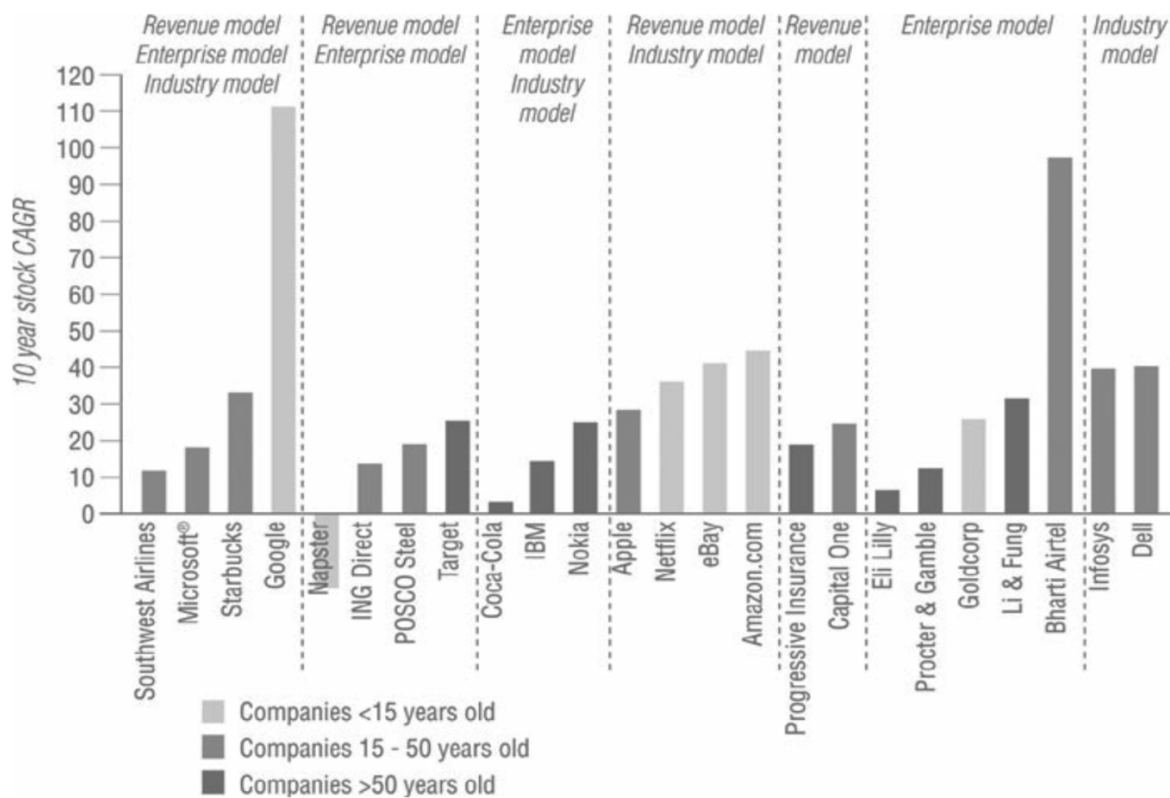
Source: Giesen (2007).

Companies use a particular business model to create value, whether it is defined that way or not. New approaches to business model design must take into account all the important aspects and competences of a company. These competences include product launch, resource management, marketing strategy, cost of goods sold and overall market fit. Without these competences, a company will face entry barriers. In terms of innovation, there is one other problem, which is bigger and more complex than we can imagine. It is not about the right product or process, but rather about the system as a whole. Business depends on outcomes while design relies on validity, which leads to contradictions in the relationship between the two (Martin, 2009). This occurs when business people are rewarded for achieving a business goal, while designers seek broader market

acceptance and a deeper understanding of the user and context. The best results are achieved when both parties collaborate, empathize with each other, use the tools they are familiar with, communicate on each other's terms, and sometimes even step out of their comfort zones (Martin, 2009).

2 BUSINESS MODEL DESIGN

Design keeps evolving as disruption changes the fundamentals of business. Design applies to the entire value chain (Osterwalder & Pigneur, 2010). Not many years ago, business was conducted using tools that are different from today's. A phone on the wall and an analouge watch on the wrist – digital technology has changed everything. Today, because of digital technology, new value is created through other tools, and even businesses are being created to deliver that value. The technologies we have today, such as fast data transfers, digital photography and location tracking, have made it possible to develop products, like like Dropbox, Instagram and Uber. The companies that see opportunities in these new technologies are able to create competitive advantage over those that remain static (Schenk, 2015). Helping businesses adapt and create new standards is a task of business design, which is a new and emerging design direction. Though everything used to be about selling products and services, today's businesses need to combine other services, new products, different people, talents and knowledge in an original, fresh and productive way. Business design approaches design problems from a holistic perspective, treating business strategy and business model innovation as design activities.

The way in which an organization creates, delivers and gains value is best known by the term business model (Osterwalder & Pigneur, 2010). The biggest challenge here is to present the concept as simple, relevant and intuitively understandable. The concept becomes a common language that enables people in the organizations to easily articulate and make strategic decisions. Without a systematic approach, it is difficult to talk about the business model as such and to innovate successfully (Gassmann, Frankenberger & Csik, 2014).

Researchers Osterwalder and Pigneur present a detailed study about what constitutes a business model in a company. They have found a pattern of the most commonly used components, which they describe as the nine basic building blocks. The building blocks are put together as a worksheet for creating a business model that strategically addresses the structure of an organization, its processes and systems. These building blocks also cover the core business areas: Customers, Services, Infrastructure and Financial Viability. To success, we need to move from a static business plan to a dynamic business model (Blank & Dorf, 2012).

This, the basic facts that need to be clarified when creating a business model are the following:

- What value does the company have to offer its customers?
- What is the fit between customer segments and value proposition?
- How is this value delivered to the end customer?
- What are the revenue streams and monetization forms of the company?
- What is the position of the company on the market in the industry and along the value chain (Giesen, Riddleberger, Christner & Bell, 2010)?

By trying to meet customer needs and capture the value proposition, we can develop new pricing models. However, innovating revenue models are not as sustainable as entreprise or industry model innovation, or at least do not create the same advantage. But sometimes, in an economic period of extreme confusion, both spending behaviour and customer preferences change, so in this case it is important to change pricing models as well (Giesen, Riddleberger, Christner & Bell, 2010). Business model innovation is normally driven by motivation that comes from the within the team. Changes driven by this kind of motivation create opportunities for product and service innovation, for which the business model must be improved accordingly. Nestlé has created a new product with high-end technology that targets premium coffee drinkers. Since the product was unlike any other Nestlé product, a new business model and a new company were required. They named the brand Nespresso (Giesen, Riddleberger, Christner & Bell, 2010). The success of new innovative business models is independent of the company's age, industry or geographic location. Consistency and alignment are the key characteristics that influence success (Giesen, Riddleberger, Christner & Bell, 2010).

Researchers wanted to determine the internal and external factors that contribute to the occurance of business model innovation. The factors that influence the possibility of such a transformation need to be clearly outlined in terms of customer offering, value creation and revenue generation. Externally, this means that new partnership models, new suppliers, new partners and new customers need to be appropriately coordinated. It also entails rethinking how existing resources and capabilities are used in new, different and original ways. A deep understanding of how this affects the elements of a business model is required for a company to transform and create value through innovation. In a nutshell, the most important factor for successful business model innovation is overall alignment compared to unsuccessful attempts (Giesen, Riddleberger, Christner & Bell, 2010). According to the 2008 Global CEO study, seven out of ten CEOs focus on pursuing business model innovation through open collabotation and their partners. Alignment with partners, suppliers and customers is the key component of a capable collaborative business model. The study also shows that such an external alignment can only be achieved by working with a large number of collaborative partners.

Design is planning. It is the bridge between technological capabilities developed by global companies and the translation into products demanded by the user community. Sometimes, it is used to manipulate and create desire. It also brings back feedback from the outside world, i.e. product feedback, and uses it as knowledge for further development of improvements, also known as incremental innovation (Hargadon, 2005). The success of business model innovation also depends on how a given company manages its intangible assets. It is important to leverage the talent, capabilities, processes and technology. For instance, iPod was an exploration of how user experience design can be applied in the music industry (Giesen, Riddleberger, Christner & Bell, 2010). One of the most important strategic values is represented by the brand and brand equity. This evaluation provides essential clues that companies, owners, stakeholders, and internal audiences need to understand their value (Ambler, 2000).

In order to understand emerging customer segments, the new opportunities they present and their implications, we need to conquer the ability of strategic foresight. Foresight and planning are also known as "standardizing the process of reinvention". They provide an organization with the possibility to reinvent itself and better understand the possible future scenarios. Nowadays, the environment is changing faster than in the past; therefore, organizations have to make more sophisticated and complex decisions on how to operate and adapt to new challenges (Giesen, Riddleberger, Christner & Bell, 2010).

Financial business modeling gives us insight into what works and what does not in a given time frame. It gives us an opportunity to learn about the financial impact of a specific business model innovation. We can use it to stimulate the interaction we want to see in future scenarios (Giesen, Riddleberger, Christner & Bell, 2010). Well-designed performance indicators provide an understanding of what works and what does not. Because of this, organizations are able to respond to changing business situations. The ability to identify these changes and respond with the right activities is critical. Within an organization, this means managing data and acting on it to achieve faster performance, a better understanding and data-driven decision-making. Data integration also applies externally, so it must be managed across partners, suppliers and customers (Giesen, Riddleberger, Christner & Bell, 2010).

Leading businesses in an uncertain economic environment therefore requires one critical attribute – adaptability. Startup companies are often cited as a great example of how fast companies should work and how a flexible mindset works. Business model innovation approaches often seek to mimic these specifics of startups when seeking greater value from their existing tangible and intangible assets. When we compare successful and established companies and startups, we find that both types achieve adaptability through rapid implementation, change in the business focus, good leadership, and change management (Giesen, Riddleberger, Christner & Bell, 2010). In change management, the business leader must be able to maintain the current business while being

open and ready for new business opportunities. Successful entrepreneurs are able to conduct such experiments and pilot projects without exposing their businesses to risk (Giesen, Riddleberger, Christner & Bell, 2010).

For some business ideas, such as Nestlé's Nespresso, the business model requires a new form of organization, i.e. a new company. Conversely, others require the support of a different business model, as is the case with Apple's iPod. Leaders need to reveal the following set of characteristics to successfully manage business model innovation:

- Innovative leadership: It is about challenging the *status quo*, the as-is. It is about managing the new and the unexplored while continuing with the old, pushing the boundaries, and maintaining a strong management with internal resistance to change;
- Effective decision-making: It requires making decisions based on data, not past experience. It also requires the entire team to be on the same page, a strong organizational culture and a business oriented mindset;
- Prototyping a business model: Prototypes have to be tested for market validation, and the same goes for the business model. This is the only way to gather the information needed to proceed and create a viable and working business model (Giesen, Riddleberger, Christner & Bell, 2010).

With successful business models, flexibility is required to be able to respond quickly to signals from the external world. Vital business modeling demand continuous iteration, i.e. constantly checking what works and what does not, changing certain parts of the business model in line with the insights, especially in rapidly changing industries, such as the media industry. For example, Netflix adapts its business model based on new technologies, e.g. in video streaming. This is done as part of the services offered in exchange for a monthly subscription (Giesen, Riddleberger, Christner & Bell, 2010).

Thus, a viable business model should include:

- Transparency and lean management; resilience and the ability to change are achieved by streamlining processes and making the workflow visible;
- Extensible technological capabilities; new technologies offer new business models; however, an organizational mindset is the key factor that provides the ability to scale the business and achieve rapid growth;
- Globally optimized operations, a scalable business model, managing human resources and partners on a global scale, cost management and repeatable operations are the capabilities required for global optimization;
- Flexible expense and resource management; market circumstances sometimes require greater awareness, refocusing on core activities and outsourcing activities that are not essential to the business (Giesen, Riddleberger, Christner & Bell, 2010).

2.1 The Blue Ocean Strategy

According to the Blue Ocean strategy, companies should focus on developing products and services outside a specific market full of competition, also known as the Red Ocean. This implies creating demand instead of fighting for it. Consequently, competition fades into the background and becomes irrelevant (Chan & Mauborgene, 2005). The Blue Ocean strategy is about creating new markets. It challenges every business segment, thus creating new value streams or redefining existing cost structures that were not possible before. Common outcomes of the Blue Ocean strategy includde reduced costs and higher value creation (Denning, 2017). Researchers claim that when observing Blue Ocean strategies over time and by industry, some patterns stand out, for instance in the automotive, technology and entertainment industries. However, not one industry or company excels over time. Instead, they all rise and eventually fall. The critical determination of whether the company's curve rises and achieves growth was the application of strategy throughout the core business.

The Blue Ocean strategy is often associated with technological innovation because it is always present, but it does not define its characteristics. Strategy involves innovation in value creation, i.e. value from the customer's perspective (Chan & Mauborgene, 2005). It is an essential part of broadening horizons, rethinking and seeking opportunities. (Denning, 2017) The creators of the Blue Ocean strategy developed value innovation rather than comparing the company's performance with that of its competitors (Chan & Mauborgene, 2005). This was the only way they were able to achieve market-accepted products and services (Denning, 2017). Value innovation means putting the same amount of focus on both value and innovation. Real-life examples show why this balance between the two is so important:

- First, focusing only on value without innovation tends to result in incremental changes that are insufficient for a company to stand out in the marketplace;
- And, second, innovation without value has a tendency to be too futuristic, with too much focus being placed on technology that may not be well accepted in the eyes of customers (Chan & Mauborgene, 2005).

2.2 The 10 Building Blocks

The first and most important thing in any business model is the customers, who represent the core and the very focus of all activities. By means of detailed analysis, they are often segmented into several groups. It is up to the management to observe and decide which areas to prioritize and which to leave out. After the conscious decision is made by the management, the business model is designed around specific areas (Osterwalder & Pigneur, 2010).

Figure 2: Nine building blocks of the Business Model Canvas
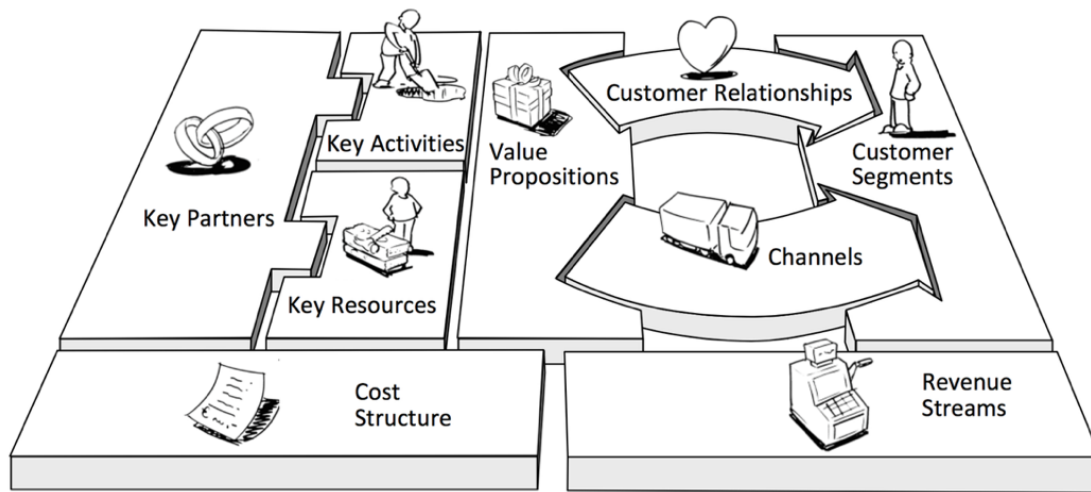
Source: Osterwalder & Pigneur (2010).

Understanding why customers tend to choose one product over another is usually explained by the value proposition or the creation of value for customers. The sources of value creation include novelty, execution and personalization. Values can be either numerical, i.e. the cost and speed of services; or comparative, i.e. design or customer service. Sometimes, the creation of a particular value proposition attracts an entirely new set of users. This is because their needs were previously not known and no such proposition existed. Such examples are mainly found in the tech industry (Osterwalder & Pigneur, 2010). The most important thing about the value proposition is its core message, which must be understandable, targeted and intuitive. The message must be easily accessible across all touchpoints of the company (Investopedia, 2019a).

Thus, the usual practice of adding value typically involves improving an offering. For example, the PC was repeatedly upgraded with better components according to the needs of its users. However, this did not meet the growing demand. Value creation was mainly seen in personalized offerings. With this popular strategy, we can still benefit from the economies of scale. We also know that design creates value; however, it is challenging to measure it accurately. Brand-conscious customers prefer products that present their brand in a special way. Cost-conscious customers see value in getting a better deal. Freemium business models are becoming increasingly common across a broad range of industries. Another way of creating value involves cost reduction for customers (Osterwalder & Pigneur, 2010).

There are different ways to reach the customer. Osterwalder and Pigneur defined it as the building block of channels, which explains how companies segment their users and how each of these

segments is addressed. Users can be targeted directly, indirectly or through partner channels. The combination of the above methods needs to be tailored for each organization to see what works well and what does not. A well- structured approach will lead to a good customer experience and ensure the maximum revenue (Osterwalder & Pigneur, 2010).

The type of customer relationship varies by industry. There are two types of customer services, namely personal and automated. A company must choose the type that best fits its business and operational processes. However, the types can be combined with the customers depending on the situation; to reach new customers, encourage existing customers to buy more or the organization's offerings, or to increase sales.

Organizations may also choose to hire real customer service representatives who can help them build the most intimate relationship with the customers; however, it usually takes more time to build trust from the users' perspective. Another type of customer relationship is self-service, where organizations simply ensure that customers receive all the necessary information to avail an offer. An automated customer service, on the other hand, studies the typical behavior patterns and offers help with predefined answers and product suggestions. With this approach, organizations are able to create more value and move far away from the long-standing customer-provider relationship (Osterwalder & Pigneur, 2010).

The revenue streams building block has to do with the customer's willingness to pay. It is the value that the customer is willing to pay in return for the organization's offering. The types of revenue streams are divided into one-time or recurring payments. There are a number of ways in which an organization can generate revenue streams. They vary in structure and can be formed as fixed price lists, various deals and public sales, or they can depend on the market and volume. The sale of property rights, rental and subscription are an example of giving users a non-permanent permission to use an asset for a specific amount (Osterwalder & Pigneur, 2010).

The ability to bring value to the market and later to the customer is referred to as vital resources. These can be either tangible, monetary, human or intellectual, which are either owned, loaned or acquired from a partner company. Key activities, on the other hand, describe the type of work an organization does to operate successfully. The activities depend on the type of industry in which the organization operates (Osterwalder & Pigneur, 2010). The basic activities are as follows:
- Manufacturing: designing, building and bringing the product to the market;
- Problem solving: developing solutions to individual situations or problems;
- Networking: platforms for contacting new people or reconnecting with people you know, various sofware solutions (Osterwalder & Pigneur, 2010).

Relationships along the supply chain and partnerships are referred to as the key partnership building block. They include strategic partnerships, either in a competitive or non-competitive environment; joint ventures; and the buyer-supplier link to ensure reliability during the process. Basic agreements make it possible to optimize the allocation of assets and activities. By building partnerships, we are able to reduce the risk within the competitive and non-guarantee. In this way, we are able to expand our capabilities with specific activities and services provided by other companies (Osterwalder & Pigneur, 2010).

The way costs are managed for an operating business model is defined by a company's cost structure. Cost reduction, which is a common practice, should not be present in every business model. We distinguish between cost-based and value-based approaches. The cost-based approach aims to reduce the operating costs as much as possible by lowering prices and applying the best cost structure possible. Conversely, the value-based approach is focused on creating value and is not as concerned with the cost structure. The offerings that are listed as premium tend to be more personalized, which is why we categorize them as value-based business models. The following economic terms are used to describe the different types of costs: fixed costs, variable costs, economies of scale and economies of scope (Osterwalder & Pigneur, 2010).

2.3 Value proposition design

When creating a business model; researching, analyzing and discovering pain points in the customer segment; and defining the value map in the Business Model Canvas, segment value proposition is useful for obtaining a better understanding of customer profiles. The value map presents an opportunity to understand each part of the value proposition in a particular business model in more detail. The value proposition chart is broken down into products, services, profit generators and pain relievers. In the customer diagram, we can define a specific segment of customers. Then we break it down into their work, pain, and gain. If we are able to define the value proposition chart that targets and meets the needs of the customer description, we can obtain reasonable results (Osterwalder, Pigneur, Bernarda & Smith, 2014).

2.4 Non-customers

Non-customers are somehow related to your offer but, in parallel, they are located in a distant market. Non-customers are identified in the Blue Ocean strategy, where it is possible to create demand instead of fighting it. Non-customers have a remarkable impact on the opportunities identified with the Blue Ocean strategy. Only a few companies are truly aware of their non-customers and are able to properly identify and address them. To this end, companies must deepen their understanding of non-customers in order to tap into the huge demand and convert it into new customers (Chan & Mauborgene, 2005).

Tier-one non-customers make minimal use of the current market offerings while looking for better deals than yours. While they are doing so, they switch providers of products or services. This means they are right at the edge of the market. When the market expands, the number of new customers is a problem because the market remains unchanged. An example of a tier-one non-customer is someone who wants a quick, fresh and healthy lunch at a reasonable price.

Figure 3: Three tiers of non-customers
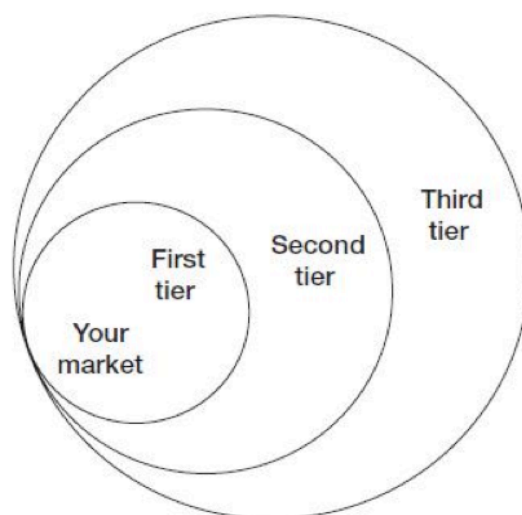
First tier: "Soon-to-be" noncustomers who are on the edge of your market, waiting to jump ship.
Second tier: "Refusing" noncustomers who consciously choose against your market.
Third tier: "Unexplored" noncustomers who are in markets distant from yours.

Source: Chan & Mauborgene (2005).

People who do not use the offerings have either chosen not to do so or cannot affod to. Their needs are either ignored or passed on in other ways. By looking at non-customers, identifying some of the market insights and comparing them to existing customers, certain implicit assumptions can be identified and rewritten to add value to more customers. Tier-three non-customers are the group of people who are the most distant from the industry and its offerings. This particular group has not been targeted or perceived as a potential customer by any company in the industry. In hindsight, companies would be pleased to know how many tier-three customers are abandoned. One example is the general assumption that teeth whitening can only be offered by dentists and not oral care product manufacturers. However, this potential holds true for most industries (Chan & Mauborgene, 2005).

In order to determine why tier-one customers intend to leave or stop using offerings, it is necessary to explore the similarities in their responses instead of the differences. Maximizing Blue Ocean

opportunities should done sustainably in order to secure a win-win outcome. There is also no rule on how to target non-customers quickly. The focus should be on timing as the opportunities of Blue Ocean strategies vary based on time and the industry. What is more, the focus should be at the level of non-customers who are the most important catchment area (Chan & Mauborgene, 2005).
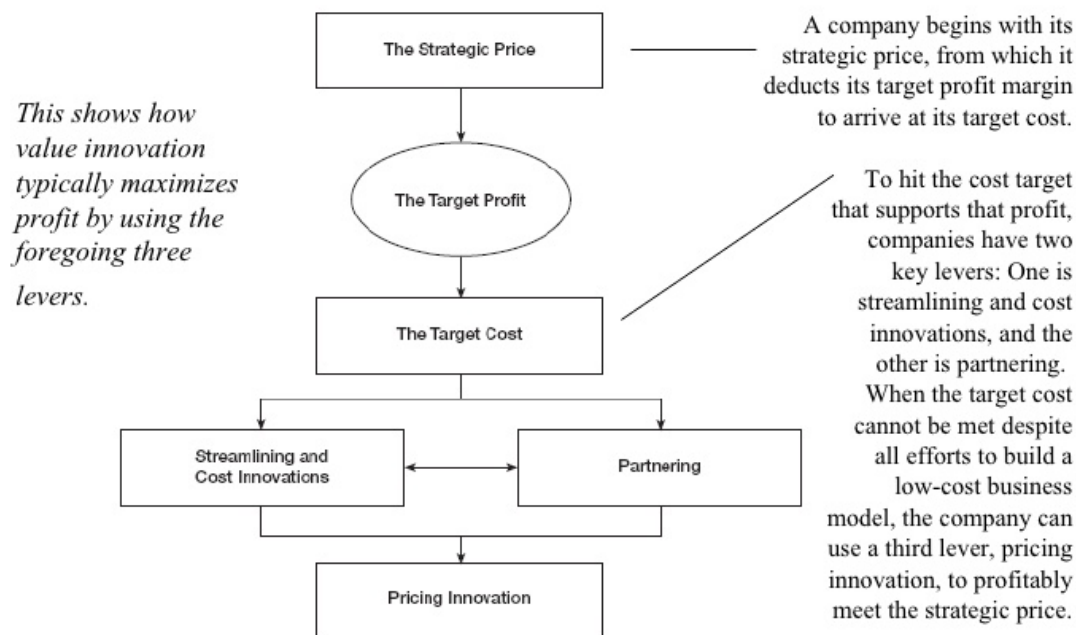
2.5 Profit model

By definition, profit is obtained by subtracting total costs from total revenue. According to the strategy Blue Ocean, a company that wants to maximize its potential for protif must set the desired strategic price and subtract the desired margin to achieve the target cost. To achieve the strategic cost structure with this model, it is crucial to subtract the cost from the price and not the other way around. This way, the cost structure is unique, successful and difficult to track by competitors. Swiss watch manufacturer Swatch was able to reduce its overall costs by 30 %. This is lower than any other watch manufacturer in the world. They accomplished this by setting a strategic price of $40. This decision allowed people to buy more watches, which are perceived as fashion accessories. Cheap Japanese and Hong Kongese manufacturers could no longer compete like they used to. With the new price, there was no profit margin for them anymore – the price could no longer be undercut. The Swatch team worked backwards to reach the target cost, fund the marketing and operating costs and still make a profit. Also taking into account the expensive cost of labor in Switzerland, Swatch worked differently to reach the set target, radically changing their manufacture and the product itself. These changes included replacing common watch materials, such as leather and metal, with plastic. Swatch engineers also reduced the number of parts from 150 to 51, which in turn reduced the time needed for assembly. Overall, design and manufacturing costs were now less than 10 % of total costs compared to the 30 % before. Asian manufacturers, which used to dominate the market on account of cheap labor, were now defeated by these innovations in terms of cost management.

The figure below explains the Profit Model of the Blue Ocean strategy and the increase in profit using this model. It consists of three main components: the strategic price, the target profit and the target cost. The target cost is achieved either by:
- Setting the strategic price and deducting the target profit,
- Or streamlining and cost innovation and/or partnering, which is also called price innovation.
The latter is used when an organization is unable to meet the target cost despite its best efforts (Chan & Mauborgene, 2005).

Figure 4: *Profit Model of the Blue Ocean Strategy*

This shows how value innovation typically maximizes profit by using the foregoing three levers.

The Strategic Price

A company begins with its strategic price, from which it deducts its target profit margin to arrive at its target cost.

The Target Profit

The Target Cost

To hit the cost target that supports that profit, companies have two key levers: One is streamlining and cost innovations, and the other is partnering. When the target cost cannot be met despite all efforts to build a low-cost business model, the company can use a third lever, pricing innovation, to profitably meet the strategic price.

Streamlining and Cost Innovations

Partnering

Pricing Innovation

Source: Chan & Mauborgene (2005).

2.6 The Business Value of Design

We all know the good and bad examples of product and service design, but we are also familiar with iconic design. Commercial success depends to a large extent on the design of a product. By looking at design – either good or bad – we are quickly reminded of how powerful design is in different areas, e.g. physical, service or digital design. But while good design does leads to business success, it is becoming increasingly difficult to achieve and maintain. There are few designs left that can truly stand out and meet all customer expectations. Businesses need comprehensive design capabilities now more than ever (Sheppard, Kouyoumijan, Sarrazin & Dore, 2018).

The McKinsey Design Index (hereinafter referred to as "MDI") rated companies on the strength of their design and how it matched with their financial performance (Sheppard, Kouyoumijan, Sarrazin & Dore, 2018). The study was conducted over 5 years, included 300 publicly traded companies and recorded over 100,000 design measures. The results of the study showed a significant relationship between the MDI results and exceptional organizational efficiency. 25 % of companies that performed best according to the MDI study increased their income and were able to achieve higher revenue over five years than their peers in their respective industries. Other results

include a 32 % higher revenue growth and 56% higher growth in total shareholder return (Sheppard, Kouyoumijan, Sarrazin & Dore, 2018).

In the study, companies that were successful in differentiation enjoyed greater benefits than companies that were not. Across all industries observed, the results were similar, implying that good design is important, manifesting itself in physical goods, digital products, services or combinations thereof. However, companies from the second, third and fourth quartiles were disproportionately rewarded (Sheppard, Kouyoumijan, Sarrazin & Dore, 2018).

The integration of design management, frequency and size of design investment and their contribution to the market differentiation of Slovenian companies was studied by KCDM (The Competence Center for Design Management). Their Business Design Intelligence study (hereinafter referred to as "BDI") observed 28 Slovenian companies and compared them to 208 high-growth European companies. Slovenian companies (46 %) are mostly small investors with small returns. The highest-ever productivity, sales of new products exceeding those of old productsby over 500 % and design at the heart of innovation are all indicators observed in companies (25 %) that invest little and enjoy large returns. The highest rate of growth, highest export rate and highest investments in design and marketing are all present in the next group (12 %), where both investments and returns are high. The last group (17 %) makes high investments but have small returns. These are young companies with little experience in design management and with fewest new products on the market (KCDM, 2017).

The continuous iteration of design, strategy and leadership has led designers to take on an increasingly important role of active participants in strategic decision-making. Corporate reputation, vision, strategic direction, investment in design, design leadership education and management of the innovation environment are now in the hands of design leaders. Design leaders are able to forecast and envision the future, direct people with their vision and motivate them along the way even when faced with barriers and disadvantages (Kotter, 1996). The differences between design management and design leadership are in the goals, execution and outcomes. They differ in terms of the outcomes required for their development. Design management and design leadership are interdependent, with the former using different approaches, processes, methods and tools that help the latter know if it is on the right path to the target future (Fraser, 2009).

2.7 Strategic Renewal

With advanced analytics, successful business model innovators can expand their understanding of user needs, markets, competition and channels. They are able to develop a better understanding of what creates value in entirely new and unique ways. The practitioners who successfully implement

business model innovations use different ways, mechanisms, products, or services to deliver value to entirely new user segments. These successful practitioners use research and data for:

- Creating forecasts and key market positioning with an action plan on how to achieve it;

- Recognition of business value and the likely impact,

- Ongoing monitoring and performance improvements (Giesen, Riddleberger, Christner & Bell, 2010).

A strategic renewal is a set of activities that an organization undertakes a long-term change. This involves improvements in various business areas, such as content, processes and other aspects that have a significant impact on the organization. The challenge is how to change and refresh these attributes. The type of attributes that need to be changed depends on the nature of the organization and the circumstances. Strategic renewal attempts may differ in the degree of success and the fact that an exact outcome cannot be assumed (Giesen, Berman, Bell & Blitz, 2007). Success can be reached independently of a company's age, industry or geography. It varies on a few characteristics (Giesen, Riddleberger, Christner & Bell, 2010).

2.8 The Golden Circle

A few years ago, TED Talks hosted Simon Sinek who talked about what it takes to inspire action. He explained his simple idea of what triggers great leaders to inspire. His idea is that we assume or know why we do what we do. But what about when things do not go as we assumed? Or when others achieve things that seem to defy all assumptions? Sinek adressed these questions when he compared computer companies that all had the same agencies, the same talent, the same media and the same consultants. Why does Apple's innovation stand out year after year when they all have the above assets? Sinek explains his discovery of how the world works. Inspiring leaders all think, act and communicate the same way. Sinek uncodified it and termed it "The Golden Circle." All organizations knows what they do, some know how they do it, but very few know why they do what they do. The "why" refers to the purpose, cause, belief behind a company's organization. As a result, the way we think, the way we act and the way we communicate is from the outside in. However, inspiring leaders and organizations all think, act and communicate from the inside out. So the goal is not to do business with everybody who needs what one has; the goal is to do business with people who believe what one believes. Sinek's opinion is nothing like this; it is all grounded in the tenets of biology (Sinek, 2009).

Figure 5: The Golden Circle
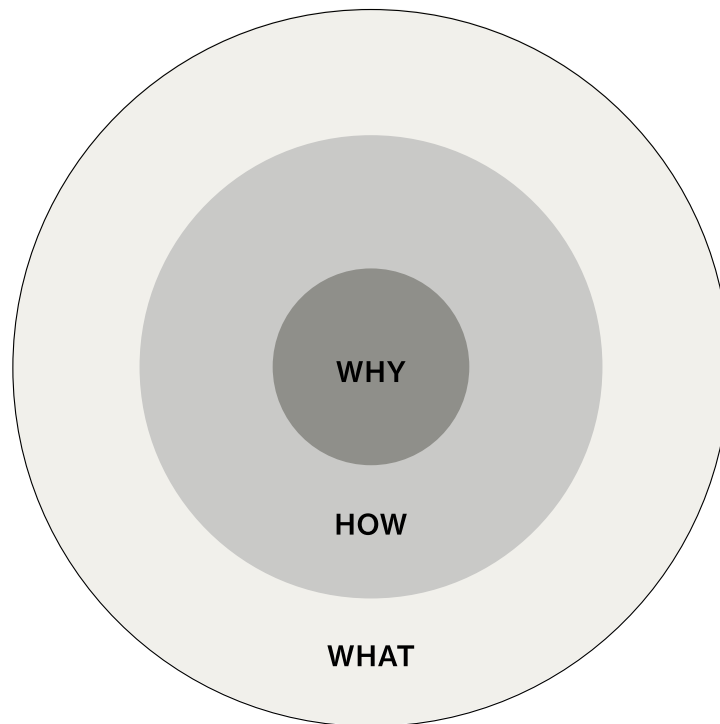
Source: Gigodesign (2020).

3   DESIGN THINKING

Design thinking is recognized as one of the most effective approaches to solving "wicked problems" (Buchanan, 1992) as well as stimulating innovation and creative thinking. It has been used to innovate various products and services; however, its place in modern times remains uncertain. On the one hand, researchers in the field of business, who used to be among the most loyal supporters of the approach, argue that the era of design thinking is over. On the other hand, researchers from the field of design claim that design thinking practitioners should continue to use parts of the method that work well and abandon others that do not, but there is a risk of oversimplifying the method. Thus, being torn between two distinct views, design thinking is moving in two completely opposite directions.

The reason why design thinking is so popular in the organizational practice is because business press covered the problem-solving methodology. It has been touted as useful for addressing organizational challenges. As some design thinking processes have attracted the attention of several organizations, the dominant theme in the management discourse is the "mind of the designer" (King, Parman & Liedtka, 2012). Design thinking can be perceived as a group of approaches that

all have the following attributes: empathy, ideation and prototyping – a deeper understanding of user behavior and how it changes over time (King, Parman & Liedtka, 2012).

The process of applying specific design thinking approaches should foster innovative outcomes, yet it has not received attention from business scholars. Also, the usefulness of the methodology has not been associated with academic literature when it comes to individual decision-making and cognition (Liedtka, 2014). The main goal of design thiking is to simultaneously seek human desirability, economic feasibility and practicality. The method itself trains people who are not designers to use the tools in addressing boundless challenges (IDEO, 2019).

The definition itself was first mentioned in a book by a professor of architecture, where the term referred only to architecture and was in no way associated with practices in the fields of business management. Today, its use is attributed to the IDEO innovation consulting agency. Although it was primarily used in product development in the past, design thinking is now used for comprehensive strategies, services, educational and other social systems. The current definition of IDEO is a union of tools, methods, designers, principles and approaches to problem solving (Liedtka, 2014). Another definition by the Design Management Institute, which is the main association of method practitioners in the business environment, describes design thinking as a user-centered innovation method with an emphasis on observation, collaboration, rapid learning, brainstorming, concept prototyping and business environment analysis (Liedtka, 2014).

There are some apparent and significant correlations between the phases in both approaches that design thinking can duplicate. There is a reasonable empirical decoding that involves a sequence of stages, with each stage pointing to a particular solution. Similarly, different modules and steps within the design process form design thinking, with each module indicating a contrasting facet of design thinking (Iskander, 2018). Reasonable empirical problem deciphering starts with the hypothesis that when searching for an answer to a problem, one should analyze all the data that is actually available. A distinction worth mentioning is that design thinking allows people to derive their experience, which is achieved through empathic connection (Iskander, 2018). From this point of view, the process distinctions between the two methods disappear. The subsequent stage within the two methods is called defining and involves the determination of the main design problem/challenge (Liedtka, 2018).

This is followed by the stage of developing a theorey on the best ways to solve the problem/challenge. This isreferred to as the "hypothesis phase" in rational experimental thinking and "ideation" in design thinking. Subsequently, both approaches recommend testing the projected solution. This in turn is called "implementation" in rational experimental thinking and "prototyping" in design thinking. The final phase represents the evaluation of the success of testing and analysis. The final phase, the "evaluation step" in rational experimentation and the "testing

step" in design thinking, establishes the iterative facet of each problem-solving method. With more dedication and motivation, designers go back to the previous phases by using the information obtained in the above phase to refine one of the two hypotheses or their solutions (Iskander, 2018).

3.1 Design Thinking Methods in Practice

Design thinking places end users at the center of the design process and enables teams to collaborate and work more efficiently (Forrester Research, 2018). Design thinking methods are used widely and commonly among enterprises nowadays. Discovering how global corporations, such as IBM and Google, use these methods will result in a deeper understanding of up-to-date practices. The popularity of using design thinking methods has grown in the past two years. A study conducted by IBM explores to what extent organizations have adopted these practices. IBM authorized Forrester Consulting to make a Total Economic Impact study and examine the potential return on investment enterprises may realize by engaging IBM's Design Enterprise. The survey contains four interviews with IBM's design thinking clients and 60 with executives who have used design thinking practices – some with and others without IBM. Different challenges were addressed when organizations turned to design thinking approaches, such as:

- Refining the business strategy in order to solve the most promising opportunities while mitigating the risk of bad investments;
- Solving the resistant culture by energizing and empowering employees to think creatively without fear of failure or punishment;
- Designing better products to improve the customer experience and sales;
- Speeding up slow-moving project design and execution,
- Ensuring smoothly run work processes.

Interview outcomes showed that IBM's design thinking practice is successfully addressing these challenges, also enhancing culture, speed, efficiency, customer experience and profitability (Forrester Research, 2018).

Figure 6: Survey outcomes for the questions what best describes the maturity of an organization's design thinking practice and how it has changed the way teams work
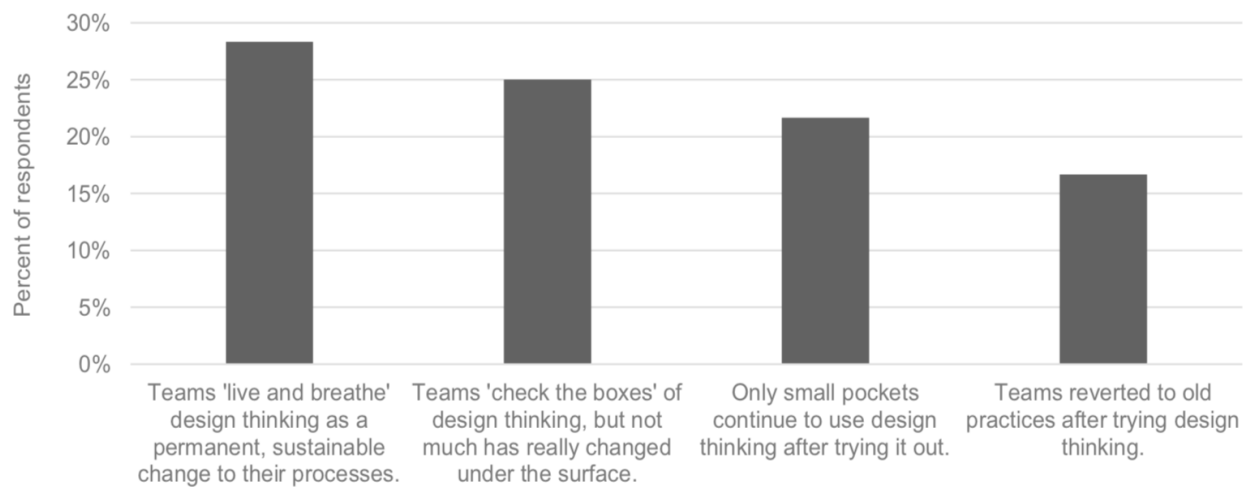
Source: Forrester Research (2018).

Organizations that participated in the survey stated that they had achieved an increased adoption of design thinking practices in the past two years. 78 % responded positively towards using design thinking. Over 50 % of them stated the company's use of design thinking had increased significantly; however, only 7 % of the surveyed mentioned a decrease in its usage (Forrester Research, 2018).

The most significant barriers in the adoption of design thinking practices were the lack of a shared vision, missed collaborative opportunities and the lack of collaboration. After adopting new design thinking approaches, the key were slow and frustrating projects as well as employees' rebellious attitude to change. Negativity held the organization back while poor design resulted in a deficient user experience, which led to revenue loss (Forrester Research, 2018).

3.2 IBM Enterprise Thinking

Design thinking presents itself as a framework for efficient teamwork, which places the user at the center of the design process. Its use provides companies and other organizations with many measurable and non-measurable, but important benefits (Forrester Research, 2018). IBM design thinking provides a valuable and extensible framework that organizations can use to continuously master and communicate their sustainability. They begin by pre-selecting and prioritizing users rather than dealing with other business pressures. In the event that they want or need to act quickly, a flexible and multidisciplinary team should be assembled. This team is essential if an organization wants to act faster in serving their users (Cutler, 2016). Design thinking is applied in every component of the organization and thus affects the organization in different ways. The main

conclusions and outcomes of all the interviews and research conducted by the organizations are quite simple: exceptional results with low budget costs (Forrester Research, 2018). IBM applies this framework throughout their business offering with the goal of lowering costs, speeding up processes and achieving much better results (Forrester Research, 2018).

3.2.1 The Principle

The Principles of IBM's Enterprise Thinking have a strong focus on user outcomes since they put user needs at the center. However, there are also expectations. People expect the new experience to be better than the previous, and products and services are measured by the experience delivere. That's why it is so important to know what people need and what they expect. When an organization works towards delivering these two things, it can begin to differentiate from its competitors in the marketplace (Enterprise Design Thinking, 2020).

The restless reinvention of treating everything as a prototype solution can quickly be improved. Basic human needs don't usually change drastically, but the way in which these needs are addressed does. To stay fundamentally with users and clients over time, you have to engage with them, consider their needs and try to continually improve products and services. People strive to be better and to improve, which always has and always will be the case. The reason why restless reinvention is considered one of the core principles at IBM us because they are constantly strive to improve their design, effort and results. They are never done and satisfied with the ideas they come up with, always remaining open to improvements. It is a mindset of treating everything as a prototype, always learning and continuously improving the results based on what has been learned. Diverse and empowered teams build a team with many points of view and give them the authority to act on breakthrough ideas. To solve users' and clients' toughest problems – those which are too complex to solve alone – IBM relies on diverse and empowered teams to deliver compelling and meaningful solutions. Diversity is essential, and each team member brings a unique perspective and different experiences that broaden the range of possible ideas. When building teams, it is important to pay attention to how diversity is brought to those teams. Diversity can be achieved through cultural diversity, gender diversity or bringing new skills and different levels of experience to the team (Enterprise Design Thinking, 2020).

3.2.2 The Loop

The core of IBM design thinking consists of a set of practices and actions aimed at identifying and determining the needs of the users and designing the upcoming superior times referred to as "the loop". The loop is a constant phase of monitoring, testing and making (Hamm, 2016). It serves as a model of how the IBM team puts design thinking into action. Observation, taking time to learn about the end users and their ecosystem, including the people they interact with, their environment

as well as their processes and workflows is critical. Before users are fully understood, any uncertainty has to be addressed. Unclear assumptions increase the risk of creating something people do not want (Enterprise Design Thinking, 2020). Research enables the recognition and targeting of troubling assumptions. It focuses on the needs of users and doing the right things for the right people. It is also a way of verifying findings, which means that decisions are based on uncovered truths, not on the initial assumptions. To get the right understanding of the users, it is necessary to explore who they are, where they work and how they use the offerings. Before doing anything, the users' reality has to be understood entirely to deliver something that they are going to find useful (Enterprise Design Thinking, 2020).

In order to validate the information obtained, it must be tested by the people who use one's product or service. By testing assumptions, one can take an honest look at what they know and what they think they know. Clarification curbs the risk of bringing useless products and services to the market. They should be included in the following crucial moments: at project kick-offs, after reading the requirements document or scope of work and after reading the request for proposal or change request (Enterprise Design Thinking, 2020).

Good design brings good business, and good design also has its roots in proper design research. When evaluating and comparing designs, industrial designers usually put more emphasis on innovation and figuring out how to overcome obstacles, whereas marketing managers put more emphasis on designs that make a difference. Customers or users may prefer more convenient and applicable designs (Walsh, 2000). It is crucial to look for ways of ensuring that the user's voice is heard. Good research practise should start with a beginner's mindset, with the ability to formulate and ask questions and to identify differences between what someone says and what they do (Enterprise Design Thinking, 2020). There have been many discussions about the added value of design (Walsh, 2000). In addition, design has also been recognised as a definer of the technical capabilities of functional products (Freeman, 1982) along with a model that satisfies the user, thereby producing lucrative results for companies (Hertenstein, Platt & Veryzer, 2005).

Short case study: Here's an example of how IBM handled an important but difficult client, who wanted some inside information for their project. The team at IBM approached the project using some of their design thinking techniques and ended up with a report that included all the data they had collected. However, the client became more skeptical after seeing it and said they wanted insights, not more data. The IBM team then discovered that user research was the missing link. They brought the data to the right person at the right time and were not prescriptive at this stage. The key questions to ask during the process and understand the essential needs were, "Why do they need this data?" and, "How would they act on this data?". This was explored and validated in the following steps.

Design research simulates originality, imagination and the effect through various avenues with the related purposes of revealing patterns that function as elementary colorful phenomena of human attitudes and encounters, exploring reactions to new products and bringing forth the undiscovered through a monotonous theorem and experimentation (Chakraborty, 2017). Design research should be an ongoing effort during the rest of the work. Secondary research, competitive evaluation as well as stakeholder and user interviews are approaches for gathering perspectives and knowledge from the research team, stakeholders and users in order to inform each product or service. Secondary research gains domain expertise and technical foundation in new areas. It consists of diving into existing research on the topic and including internal or external research, such as news articles, analyst reports (such as the Forrester Research), forums or papers. Secondary research sets the direction for the rest of the research.

Competitive evaluation helps us understand the strengths and weaknesses of competitors' solutions to the problems one is trying to solve (Enterprise Design Thinking, 2020). Investing in design strengthens the company's competitive advantage and diverts resources by improving branding and increasing user devotion (Verganti, 2009). Interviews are used to extract domain and technical knowledge to inform the direction of the research. When it comes to interviews, the first questions should be about the interviewee's job/role. Ask open-ended questions, have them describe a specific story and have them explain a story in which they describe emotions, feelings and what they do to capture the emotional context around their role. Questions should not prescribe solutions or seek the respondent's opinion on a particular solution. The best questions are open-ended and non-leading. An open-ended question encourages a full, meaningful response, while a non-leading question removes one's bias and allows the person to express their knowledge or feelings authentically (Enterprise Design Thinking, 2020). By asking and presenting many open-ended questions and, more importantly, asking follow-up questions, we can enhance the perception and knowledge of the responses we receive (Spradley, 1979).

However, objectively observing and understanding a person and their environment is essential to solving their problems. Frequently, what people say and what they do does not match. So, taking the time to observe and listen to the way users work, their habits and their body language can help better understand the motivations, goals or feelings behind their actions. To identify the root of the users' pain, researchers use a simple "5 Whys" exercise. Lean Startup also promotes this method because it asks for a reason beihind a problem and the reason behind the reason (Ries, 2010).

If you don't ask these questions, you get stuck with your results, product and deadlines. If you are not driven by what adds value to someone's life, why solve a problem that seemed unsolvable before? Everything that goes through the process will lead to an insight that solves someone's previously unsolvable problem in a certain way. So the question why is not something you should dare to ask – the question of why should be the first and last thing that comes to mind. Moreover,

if you do not ask why, you miss all the opportunities to be better than you could have been with just your own skills. The technique is useful when thinking more deeply about a problem or uncovering the intention behind an idea (Enterprise Design Thinking, 2020).

Problem Statements put the user at the center and focus everyone on a clear problem to be solved. It helps us answer the question, "Where do we start?" American inventor, engineer, businessman and holder of 186 patents Charles F. Kattering said, "A problem well stated is a problem half solved." In other words, if we want a valuable answer to a question, the right question should be asked (Enterprise Design Thinking, 2020). This statement provides clarity and focuses on the whole life of a given product. It imposes constraints and gives us a better understanding of what we are building and why we are building it (Reuter, 2015).

Defining the problem statement helps discover new pain points in the business from a business perspective, but it also provides valuable insights. It helps the client discover a whole new level of things they need but were not aware they needed before. What is more, it helps build trust between the two parties. The core of the problem statement should always include the user and their current problem – not a subjective one. The statement should be flexible and iterative. As we learn more about the user, their current state and the statement should be written collaboratively, meaning all team members have the relevant expertise. In a nutshell, problem statements are reformulated with the user in mind – they should change, be flexible and withhold solutions (Enterprise Design Thinking, 2020).

Group alignment is critical as teams often have to act in one direction, which can be frustrating. Although design thinking has not been popularized as a purely academic theory, it can be seen as a method designed for teams to solve difficulties (Brown, 2008). An influential culture of alignment helps prevent the aforementioned. With healthy conflict, discussion and decision-making, teams can move forward with everyone on the same page. Having a shared understanding is fundamental to design teams striving for prosperity and advantageously overcoming team discomfort (Hertenstein, Platt & Veryzer, 2005). It also moves teams in the direction of making and observing. Misalignment can cause unnecessary stress and, in the worst case scenario, blow up in front of the client. To come up with new, big ideas, it is essential to diverge. The appriach here should be quantity over quality (Enterprise Design Thinking, 2020). When generating big ideas, IBM abides by the following best practices:

- Focus on real user needs; the basis of a big idea is a real human need or problem faced by users;
- Keep things abstract, broad and conceptual; this means that any significant idea should be thought of as something from which more detailed ideas grow;
- No great ideas are bad ideas; absurd, counter-intuitive, or just plain wrong ideas can make the final solution special;
- Quantity over quality; initial ideas are usually obvious, so write them down and make room for truly innovative ideas (Enterprise Design Thinking, 2020).

With Enterprise Thinking, everything is treated like a prototype and should be part of every team's workflow. Prototypes are an important part of designing various courses of action and can undoubtedly influence outcomes (Bucolo & Wrigley, 2012). It gives ideas a form that we can interact with and then improve upon. It is important to understand and decide which ideas to proceed with and see the potential areas for improvement. Prototypes are also a powerful tool for communicating ideas to teammates and clients. Giving the same prototype to real users gives us invaluable feedback. When you adopt the mindset that nothing is ever finished, you become more open to change. If you design for users and their needs change, your products and services should evolve with them. Prototyping and identifying users is critical. Prototypes differ in infidelity. When a product looks finished, the customer might consider it as the final version and will have comments on the visual components, not its usability (Enterprise Design Thinking, 2020).

3.2.3   The Keys

The Keys are the core principle of Enterprise Thinking, which get things done. The three basic components are Hills, Playbacks and Sponsor Users. Hills are statements of intent written as significant user outcomes that show us where to go, not how to get there. They are complemented by three specific parts: who (who is our user), what (what will our user be able to do that they couldn't before) and wow (what sets us apart from the competition). Researchers emphasize that product innovation considers a before-and-after process to improve the functional characteristics of the outcome (Zaltman, Duncan & Holbeck, 1973). To understand the competitive landscape, we use activities that include the lean canvas and competitive mapping. Researchers also refer to innovation as the point in time when a new object, method or service is introduced in a particular field and affects the process of creating goods, such as the market itself (Schumpeter, 1934). The exchange of feedback through storytelling plays an important role in the Keys process.

Playbacks are the storytelling method we use in Enterprise Design Thinking. It helps teams to align, get mutual feedback and involve users and stakeholders in the targeted solutions. The essential outcome of the analysis phase is to arouse and increase the interest and zeal of individuals. The essence of the process is a feature with a playback option, which provides access to all relevant elements, vivid images that explain the new findings and quotes (Alkaya, Sleeswijk Visser & De Lille, 2012). When creating a playback, we should focus on the user, be open and action-oriented and, finally, offer no surprises. During the playback, we should ask ourselves, "Who is my user?", "What problem are they facing?", "How can I solve or improve it?" and "How will it change their life?". The best practices for participating in playbacks include being present, taking notes, and being considerate (Enterprise Design Thinking, 2020).

When we involve users in our work through co-creation, we can create prototypes faster and more accurately. Teams that make this an important habit will deliver successful products and services.

Yet, they remain honest throughout the process. Sponsor Users are often external customers, future customers or their end users. The relationship between our company and them is usually formalized with an agreement that covers confidentiality and our right to use their feedback. In this particular relationship between our company and a client or prospective client, the payment of fees may be considered an ethical conflict of interest and is not recommended (Enterprise Design Thinking, 2020).

3.3 Google Design Sprint

Google's internal teams developed Design Sprint to improve the company's customer experience culture and application of design leadership. It is a proven and demonstrated process for solving problems using design, prototyping and experimenting with consumer innovation. It is a combination of different methods, such as traditional user experience practices, IDEO, the Stanford School, business strategy and even psychology, applied to support atypical and confluent thinking in groups. With its set of methods, the framework is flexible and adaptable based on different goals and the way companies do business. Design Sprint quickly brings together groups with similar perceptions, goals and realistic outcomes. We can perceive it as a tool for creating and generating assumptions, creating a concept and testing it in the real world at a low cost (Google, 2020).

3.3.1 Planning

Preparing for a Design Sprint is as important as doing the sprint itself. The duration of the Design Sprint varies and is based on the goals and needs of the team. It ranges from one to five days. At least one full day should be spent planning each day of the sprint. Writing a sprint brief will align the team and stakeholders on the goals and deliverables of the sprint. It is a place where Sprint Challange, the methods used to achieve the goals, the background of the project and the decision-makers matter. With each sprint, a single challenge is addressed that drives the team through the process. There are times when it appropriate to do the Design Sprint and when it is not. The right time to do a Design Sprint:

- At the beginning of a new project, when products and vision are to be defined;
- At an impasse, when a product or team needs to break the impasse;
- When timing is critical to bring speed to the development and/or decision-making process;
- After the discovery of new knowledge that could lead to new insights, data or research.

A Design Sprint is not appropriate:

- When user research has not been done correctly or when there is a lack of strong understanding of the customer base;
- When the product direction is clear and only design time needs to be spent;
- When there is no leadership buy-in (Google, 2020).

The cross-functional aspect should be considered when assembling the Design Sprint team. Therefore, teams typically include a UX designer, a user researcher, a product manager, a developer and the critical leadership (Google, 2020).

3.3.2   Design Sprint Methodology

Design Sprint Methodology includes six phases: Understand, Define, Sketch, Decide, Prototype and Validate. The phases lead to an alignment of the team to solve the problem or find actionable solutions that can be tested at a later date. Conducting research is helpful when approaching a new idea. However, identifying the focus areas is also achieved when conducting a Design Sprint on an existing product or process. The following are the core methods used for the understanding phase: Participant Observation, User Interviews, Diary Study and surveys (Google, 2020).

Figure 7: Triple Diamond as the core with the phases of Google's Design Sprint.
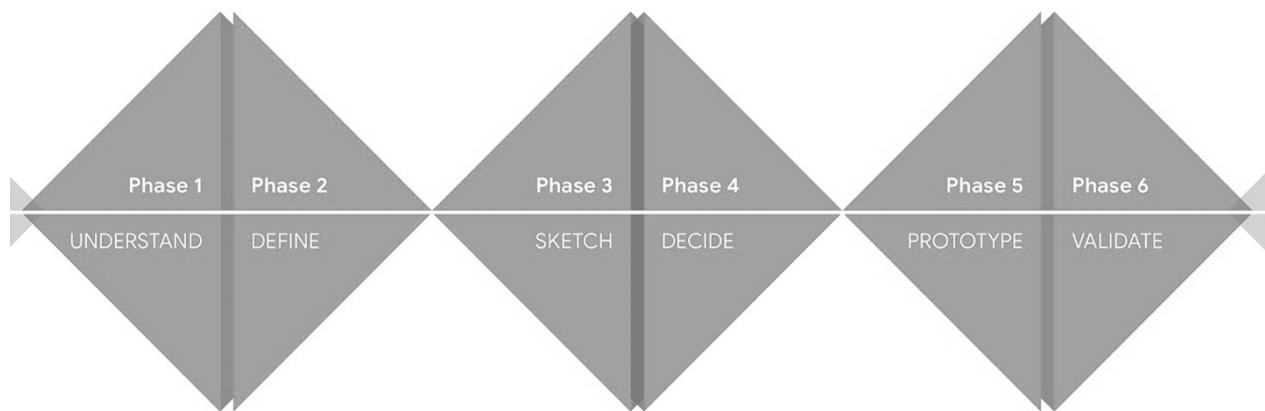
Source: Google (2020).

The goal of the definition phase is to define the specific context and desired outcomes. It should be completed with a specific focus – defined with goals, success metrics and signals. Metrics are obvious, numerical outputs related to desired behavior. Google commonly uses HEART (Happiness, Engagement, Acquisition, Retention, and Task completion), which breaks down the process of creating metrics. An example of the steps in this phase is:
- Goal: users start using smart pay to pay their bills;
- Metric: the percentage of clicks that result in a paid bill;
- Signal: user clicks.

In the sketch phase, a variety of ideas are generated and shared by the teams. A suitable method is the similar problem method, where the best existing ideas are repurposed, presented in a new context and/or combined with other ideas. If your product is coffee, one example of such a repurposed task is looking at how other companies have described or categorized their product offerings. With chocolate, industry research would be the appropriate. Crazy 8's is essentially a Design Sprint process where quick sketching challenges the designer to go beyond the initial idea. The goal is to produce eight sketches in eight minutes. Then, teams vote on ideas to move forward with the process. In the solution sketch, the idea is expanded. In the decision phase, the team chooses which direction they will go in.

With the help of decision-making exercises, the team will agree on the outlines. In the decision phase, different decision methods are used, which help the team to choose the right idea. Creating a prototype is a reflection of the experience the team imagined in the sketching phase. A prototype must be real enough to get an authentic response from a potential user in the Validate phase. The final phase, Validate, puts the team in front of the users. In this step, feedback is collected and the concept is validated, or an invalidated concept is to be improved (Google, 2020).

3.4 Differences between the two design thinking methods

Now, let us compare the two strategies for generating innovative business ideas focused on user experience, namely IBM Enterprise Design Thinking and Google Sprint. Both methods involve users, potential customers and other decision-makers or contributors in the development process. While there are many differences between the two mentioned approaches, we can find several similarities in the methodology and process design (Mueller & Thoring, 2012). By analyzing both design approaches, we will show some key points on the similarity and disparity side based on an analytical literature review.

Similar to the established design thinking process, IBM Design Thinking originates in problem definition and problem solving. The main disparity or dissimilarity between the above approaches lies in the particular guiding standards outlined and show the organization's processes, which are rooted in the complexity of its business. The Hills, Playbacks and Sponsor Users are emblematic parts whose application results in a flexible and scalable model. Enterprise Design Thinking is the new agile method of innovation. The aforementioned concepts are estimated, tested and integrated into the design with the goal of delivering value to users faster and in a scalable framework (Everett, 2019).

Even though it is usually used for alternative modern and innovative projects in other regimes, the term "Lean Startup" was created in the context of IT for software startups (Ries, 2010). The aspiration of a Lean Startup is to create a kind of an infinite loop that brings customer experience

to a company's product development cycles (Maurya, 2012). The goal is to test the company's expectations in the early stages of product development, occasionally even before a product is developed.

Similar to Google Sprint, Enterprise Design Thinking is also user-centered. Based on a user-centered approach executed by inclusive teams, it moves into the direction of problem-solving (Buchanan, 1992) and solution innovation. Design thinking involves a qualitative customer experience and needs analysis, using feedback loops and iteration series. This is becoming a major trend among business schools and has been used by R&D departments of organizations to promote innovation (Mueller & Thoring, 2012). Comparing both design thinking approaches, IBM Enterprise Design Thinking involves three process steps, and Design Sprint now consists of six process steps. Another crucial difference is that Google's Design Sprint method is linear in structure, whereas Enterprise Design Thinking functions as a loop with no traceable beginning or end. A spherical stringing together of the suggested steps should and must be performed over and over again (Mueller & Thoring, 2012).

Distinctions are allowed in the project initiation, so that the startup business concept is present in Design Sprint from the very beginning. As the project progresses, it is validated and can only be significantly changed during the project life. In Enterprise Design Thinking, the project is still initiated or derived from a question or problem and is not based on an idea. The goal of design thinking is usually to solve a complex problem (Buchanan, 1992).

The problem or even the obstacle is determined only after a considerable user cycle and secondary analysis. Moreover, the concepts are created through an ongoing process. In comparison, Design Sprint's qualitative research approach is less precise and comprehensive. Usually, the project is initiated by designers who have a concept and an idea of a product (Mueller & Thoring, 2012). Enterprise Design Thinking suggests many different approaches when creating findings based on user analysis (Kolko, 2011). Designers support the process of matching the researched information qualitatively with the aim of consolidating the information into an opinion or conclusion. It can be perceived as a theory that indicates the future course of the process based on customer demand.

3.5 Empathy

Empathy can be divided into two predominant dimensions. One is perceived as emotive empathy, which is a deeply rooted, emotional, shared and resonant experience. Another aspect of this type of empathy that could be achieved within the design process is seen as the ability to create holistic parts and processes. More specifically, a person feels what other people experience. The second dimension of empathy is cognitive. It represents a person's perspective of how the other person sees and experiences the world. Even when dealing with a case that is not experienced by a person,

this can lead to misconceptions and idiosyncratic views (Gasparini, 2015). The above two dimensions are to be used via user data (Kouprie & Sleeswijk Visser, 2009). Within the design process, empathy can be approached and used by utilizing different methods. Firstly, it can be seen as a design tool, where the implementation of the feeling is necessary.

Furthermore, empathy can be used by designers to gain customer need insights. Thus, knowledge is incorporated into the design process (Gasparini, 2015). It is very difficult to embellish user empathy within the design process in a flash of perception. Based on psychological hypotheses, this is a method that progresses within different cycles (Kouprie & Sleeswijk Visser, 2009). Designers use various approaches in conjunction with cognitive empathy to gain expertise and insight. This way, they are able to formulate the requirements of users and make the results of the process more attractive (Gasparini, 2015).

We can note that the observation of empathy in user-centered communication is receiving more and more attention in business management research, specifically in relation to sales, service, production and leadership. Moreover, empathy focused on users and customers is always very fascinating in innovation research influenced by design. Previous research lacks the analysis and debate about empathy as a theoretical composition applied in increasing innovation (Montonen, Eriksson, Asikainen & Lehtimäki, 2014).

In general, design empathy methods promote challenging individual communication between designers, users and customers. Although the latter method application can generate benevolent results, it has some disadvantages. For instance, it requires more time and money as well as other resources, such as appropriate working spaces and synergistic efforts (Kouprie & Sleeswijk Visser, 2009). There is a great interest in the above new and original methods that focus on improving empathy within innovation among companies (Montonen, Eriksson, Asikainen & Lehtimäki, 2014).

4 STRATEGY AND IMPLEMENTATION

Research Question:

How to identify and face changing customer needs and adjust the current business model accordingly?

Understanding the current position of Gigodesign as an organization and a player on a global market is a framework for developing a roadmap to efficient business model innovation. The purpose of positioning is to further research and identify areas where we can implement

improvements. We conducted four internal interviews to define the ongoing role, explore emerging trends and unleash the visions. The CEO, both Senior Partners of the company and Lead Brand Strategist shared their valuable industry insights, experiences and thoughts on business model design and innovation. The interviews were conducted from 15 to 29 March 2019. The average duration of the in-depth interview was 30 minutes. We also looked at the advertising industry in Slovenia, analyzed the total market size and competitors and made a benchmark.

For further research of the company's position as a design service provider from the customer perspective, we conducted second, shorter interviews with Gigodesign's clients. Our goal was to get the clients' feedback on the services provided by Gigodesign and to get to know our clients in terms of what they do, what their everyday obstacles are and what makes their current job easier to handle. The interview questions were anonymous, non-leading and descriptive. The most important part of this exercise was to get information through storytelling and emotions. We gathered the results by interviewing employees from different types of companies. The first differentiation factor was the size of a company, the second was the geographical location/area, the third was the ownership structure and the last one was the age. The interviews were conducted from 17 to 28 June 2019, all in the morning hours. The eight interviews with clients were done either in person (6) or by telephone (3).

4.1 Understanding the industry context

At Gigodesign, the most commonly used phrase is, "customer-centrcity is a table stake," which means you cannot enter business nowadays without thinking about your customers first. The sources of disruptive business models are emerging trends of discovering what brings value to customers. There are very few Slovenian design agencies, which either means that the market is small or that there is no market. Besides Gigodesign, there is only one other recently established design agency named Mashoni. Since it has not been in the business as long as Gigodesign, the analysis results would not be representative (Gigodesign would have the majority market share in this case). Thus, we benchmarked Gigodesign to the advertising industry.

The market analysis of the advertising industry among design agencies within the Slovenian market reached a revenue of €115 million in 2017 and has encountered a 4 % decrease in the following year, dropping to €111 million. Gigodesign's market share is just below 1 % (0,9 %) of all the generated advertising industry's market revenue. Hence, we can conclude that there is quite a lot of potential to capture and seize a larger market share. Other services that the leading agencies are offering, apart from the services that Gigodesign offers, include customer relationship management, automated marketing, content marketing, sales promotions, crisis management and media buying.

The most highest market share among all digital agencies was nearly 10 % (9,4%). We can see a proportionally divided market since there is no leading player with a majority market share that prevails into a monopoly structure. When comparing the above-mentioned, most significant market share with Gigodesign's market share, we can presume that with a more pervasive and agile (lean) market approach, Gigodesign can capture a higher market percentage. The following graph compares the ratio between revenue and the number of employees among the leading advertising agencies present in our market. The best and highest ratio of nearly €300,000.00/employee is observed in Agencija 101, followed by Futura DDB, Luna TBWA and PM with over €150,000.00/employee. Gigodesign has the smallest ratio, which can be improved.

Figure 8: Comparison of leading Slovene advertising agencies with the total revenue divided by the number of employees (in €1,000.00)
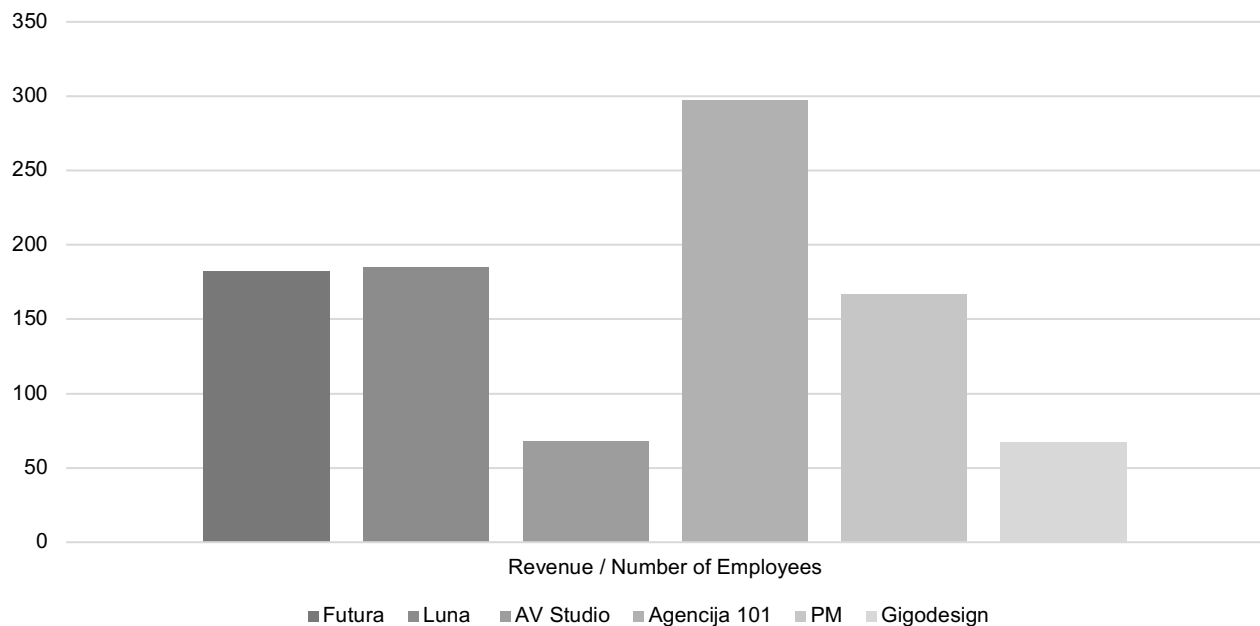
Source: Own work.

The next graph shows a comparison based on the ratio between EBIT and the number of employees. Futura DDB and AV Studio have the best earnings per capita ratio, and Gigodesign has a better position within this benchmark. In the final comparison of agencies by profit per each employee, Futura DDB and Luna TBWA are again the ones with the highest ratio. They are followed by PM and Agencija 101, which, as mentioned, has the highest revenue. In terms of profit ratio, Gigodesign is not far from the latter ones, but still has a lot more potential since the competitive advantage of all the mentioned companies is focused on and built upon digital marketing.

Figure 9: Comparison of leading Slovene advertising agencies with EBIT divided by the number of employees (in €1,000.00)

Source: Own work.

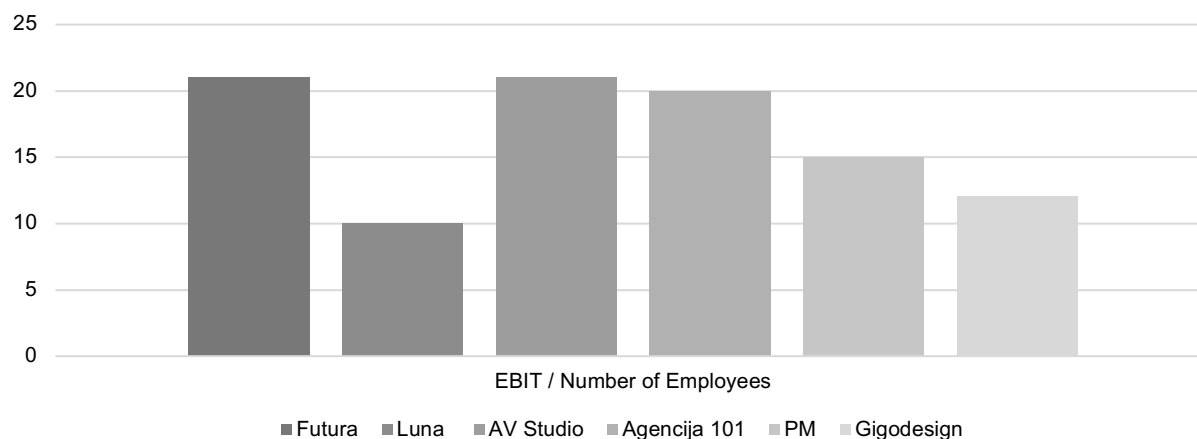*Figure 10: Comparison of leading Slovene advertising agencies with profit divided by the number of employees (in €1,000.00)*

Source: Own work.

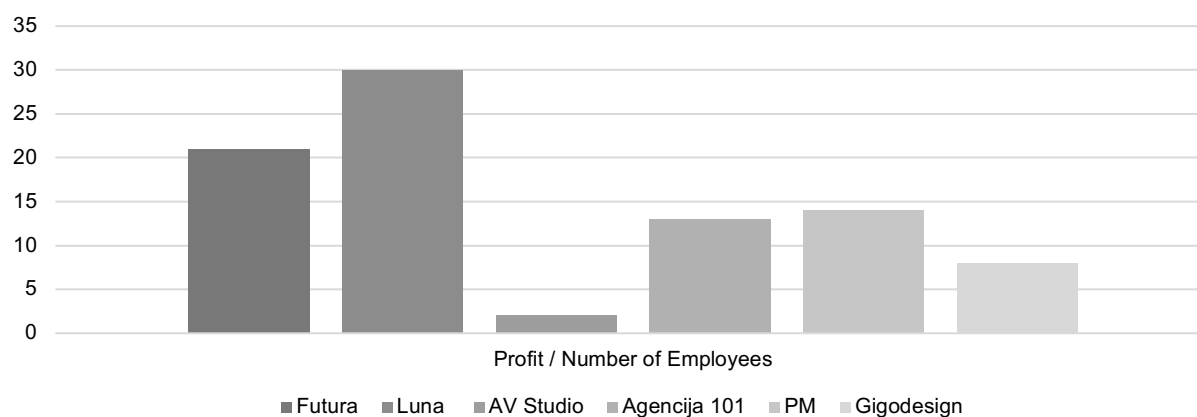## 4.2 Interviews – Years of professional experience

Matevž Medja, Senior Partner and Founder of Gigodesign: A design agency has traditionally been part of the professional services business model. Over the decades, certain agencies have experimented with different business models, and some agencies have transformed into a completely different type of organization. Pentagram, which is one of the most well-known and successful design agencies in recent decades, is a confederation of autonomous studios operating virtually independently under a common brand. 37 Signals started out as a web design agency. Along the way, they developed the SaaS product Basecamp, which in a few years accounted for

most of their revenue and they eventually abandoned the agency service part. Today they are exclusively a SaaS provider. Some design services can be automated online. Most of the services are available at substantially lower rates on online talent marketplaces, and artificial intelligence will reduce the need for people in the design process. One can either treat these as a threat or an opportunity.

In our industry, as in others, the most apparent source of disruption for established agencies are young, new, "hungry" and innovative agencies. They have to invent new ways of doing things to establish themselves. The other source of disruption is globalization enabled by technology. The hourly fee of a designer in India is orders of magnitude lower than in the Western markets, but the skillset and quality of work not necessarily so. I do not know if the marketplace-for-talent business model fits into the design or tech industry – the short answer is: both; from inside the design industry and from others.

The degree of change has, in my opinion, more to do with human nature than with industries. We have design consultants that teach and preach to their clients the need to be innovative and to make bold decisions. Still, when it comes to their own business decisions, they act incredibly conservative themselves – like a Laggard from the curve of adoption preaching the need to be an early adopter. If there is one unambiguous learning considering business models, it is that it is necessary to be able to reinvent yourself, or else become irrelevant. It is critical not only for individual companies but for entire industries. The music industry's impulse for coping with online music sharing was legal persecution "of the Internet" in a struggle to retain the old business model. It resulted in a 90 % decrease in revenues and the rise of super successful online startups, like Apple Music.

The degree of innovation in the design industry and the right balance between incremental versus more radical innovations have more to do with human nature than a strategic approach. The willingness to risk can be extremely low and will block more radical innovation. There are usually no systematic Exploit/Explore ratio strategies behind decision-making.

The change in our industry is either imposed on us or we drive it. We have been both. Stereotypically, we were disruptive at the beginning of our ride and became quite complacent in later years. We recently split the company into two, so that each of the companies can make their own decisions with different innovation and risk degrees.

When speaking aobut new value offerings and managing the implications for business and competitive positioning, our core team will retain more strategic roles with higher-margin fees while outsourcing lower margin jobs. We are developing new "service products" as combinations of the existing and some new competencies. We are developing our own SaaS products that will

provide high-margin recurring revenue streams, and we are developing an ecosystem of synergic companies. By now, we have been leveraging our capabilities and assets by doing it more or less intuitively. We have only started this process recently after splitting the company.

Miha Klinar, Senior Partner and Founder of Gigodesign: The process of design thinking, which is common among designers, is not that familiar to management with a business background. Managers generally make about eight important decisions a day. Oftentimes, some of the decisions are made based on intuition or because something similar worked in a previous situation. Some decisions require a lot of energy and stepping out of your comfort zone. Choosing to make a decision based on intuition is more risky than it is right. Based on this, the design thinking theory has developed a management layer to make decisions more quickly.

I see our role as working closely with companies to achieve their strategic goals, while companies – their management – tend to trust their intuition and make decisions based on past events. Slovenian companies, for example, waited for market conditions in the wood industry to calm down. However, this did not happen due to the market specifics, so companies were closed down. Often, it is already too late once the management decides to make changes and, in almost all cases, this leads to working with a tight budget. However, after the first results start to show, confidence is finally established. Only then do companies begin to tackle more significant projects where more decisive, substantial changes can be made. This approach allows companies to be the leaders in their industry and not lag behind. Slovenian companies are usually not large enough, nor do they have the capacity to be the market leaders in a broader field. Therefore, they focus on a specific product or market segment – a niche – and specialize. Management often has little or no experience in design management, so design plays no role in their strategic plans. We use our knowledge and expertise to build meaningful relationships with clients and advise them on design management. This is the only way to achieve the most meaningful results.

Business models in the design industry are pushing towards innovation, which means design is becoming more integrated into the development phase. So, the paradigm for the last 30 years has been that design comes at the end of the product development process. If we look at this globally, design is becoming critical and integrated at the beginning of the process. This is the reason for the shift in what designers should know and what they should do. It shifts from design as such to consulting on design issues. From a service design perspective, the nature of work is changing. We are no longer just concerned with what clients ask us to do, but rather with how we identify a problem and then translate it into new projects and products.

On a macro level, large consultancies have bought design agencies because numbers are no longer as important as they used to be. Today's investments need to be made intelligently and with a deeper purpose. The reason the two poles – consultancies and design agencies – are coming together is

because numbers are no longer the most important factor in financial turnarounds. The primary focus is on how the whole thing plays out and what comes of it. All companies that can see this first phase can be an example of good practice. We don't just get hired for projects anymore. Clients involve us in briefings where specific industry expertise is required. They want to know what they should invest in the most. Ambitious companies that want to be leaders are interested in innovation management.

From the perspective of other companies, the so-called followers, the perception depends on where the initiative comes from. With "bottom-up", design is not valued as much as if it comes from top management. The usual approach to long-term collaboration starts with smaller projects that help us gain the trust of clients. It's also critical that the top management understands design. If they don't, they normally stick to the processes that are easy to measure. In other words, we can also distinguish between companies that attend trade shows to see what others are doing so they can copy it, and those that go to see what others are doing so they do not do the same.

"Smart companies" have development cycles for new products or updating new products. So, the balance of how you manage incremental innovation over the years can be called an innovation strategy. In my experience, the age of the company has nothing to do with whether it uses an innovation strategy. The date the strategy was last updated has to do with whether the company is working towards achieving its goals. The key here is how long the management can work with the same good strategy since design is not about short-term strategies, but rather long-term development where the results are visible later.

The greatest opportunities are seen in the form of integrating our services on a project basis, measured within strategies and with long-term relationships. They are also seen in reflecting on past experiences and translating them into today's challenges. Forms of collaboration distinguish design agencies that have diverse clients from those that are almost fully integrated. Design needs to understand its role when talking about innovation strategy. It has to manage innovation strategy and understand buyers, the market and their business models. Secure integration is necessary if hidden needs are to be uncovered. Our advantage is that we are hugely integrated, and at the same time we are not.

Luka Stepan, CEO of Gigodesign: New business models are not as common in the design industry as in other industries. Ten years ago, there was a venture capital practice due to the boom of startups where design was well integrated. Many design studios took advantage of the situation and later turned into brand consultancies in response to the startups. So, we are dealing with a shift from the traditional service approach, where we sell hours, to selling value. In a way, we are all problem solvers – i.e. auditors, management consultants and designers – for businesses, the only difference

between us being different starting points. The difference between the above activities is what you are trying to achieve, be it a more meaningful turnaround or added value through design.

The level of change is very high in digital design because the technology is so advanced. Ten years ago, there were not as many branches of design as there are today. But if you think about it, they are very similar and mostly differ in the forms of application and the expected outcome. HR plays an important role here as people with specific skills for specific needs are sought. Only in digital design do we come across a product manager who ends up being responsible for the outcome, but the process is always the same. A similar level of change is also present in industrial design, as a product needs to be multifunctional due to the emerging trend of digitalization. Business cases show that the integration of good design and technology leads to good end products. The development process must be connected from start to finish, or at least it should be if we want to add value.

When it comes to the level of innovation in the design industry, it is incremental rather than radical. It depends on the size of the company. More prominent companies tend to innovate incrementally because of the rigidity of the system. Small new companies and startups, on the other hand, define themselves as revolutionary with their innovation. It is difficult to estimate the exact degree because our experience is based on project work. Less than half of the innovations were radical. The question is whether steps were taken later on in terms of what happens to the brand afterwards. Gigodesign has a medium level of innovation. We always had to adapt to the market and recognize changes. Moreover, design as such was not as present as its use by service companies. In the former Yugoslavia, good design was just an accident – the right person was in the right place at the right time – and it was never systematized. Many product designs were copied from the West. The exception rather than the rule was, for example, the Iskratel telephone of that time, but there was never a follow-up so all products that came after proved to be counterproductive.

Nowadays, Slovenian companies are not focused on a broad market. They are very innovative in niche markets, which is good because the size of these companies is rather small. It is also tricky to be at the top because you don't have any tangible points at that moment. An example of a good business model is a client that has massive manufacturing facilities around the world and can offer a lower price. They are out of reach and successful. Working with this particular type of customers is an opportunity for us because we have always been successful in creating good products. Even in times when we over-designed and over-delivered, it was 100 % quality.

The biggest challenge in changing business models is how to leverage them. Clients are the ones paying for the services and we are the ones selling them. The perceived value from clients's point of view has to be high enough, and we can collaborate in any way we can. Also, the global trend of having too many designers on the market lowers prices and increases accessibility. The way we work – which is already internalized – involves a systematized approach to innovation. Therefore,

innovation comes organically and we want it to happen automatically. It is not always expected, and project briefings are often very conservatively laid out. It is also challenging to systematize innovation because there is never the will to follow up.

In terms of revenue model innovation, we look up to lawyers because their work is similar to what we do. In other words, they're very service-oriented, selling only knowledge. Thus, the most critical investment is in knowledge and people. It is the kind of field where a company depends on one-time payments. We own a few patents, but success depends on who the buyer is. I think there is room for improvement here. Clients often also use our designs and apply them to other products without us knowing.

Primož Mahne, Lead Brand Strategist at Gigodesign: Some agencies are trying to add new revenue streams to their existing services with their business models. Agencies do not rely on the repetition of the service, which we cannot do on stock and which is not scalable. An example is the Ustwo design agency. They made a game called Monument Valley, which became their business unit under the same umbrella – making digital products.

Here at Gigodesign, we have also started our own projects, one of them being street furniture called "City". It is a column used to block traffic, which allows you to bend the seat down, thus becoming part of the urban environment. What we have learned from the projects is that products are very easy to make. It is other parts, such as distribution and areas where we are not specialists, that are more challenging. New product development is a new business model, but as far as the core service business is concerned, it is better to charge per result rather than per hour. However, in relation to our market, all this is still at the very beginning. There have been attempts to move from time-based to value-based billing, which sounds simple but is in fact quite complicated.

If we copy the basic principle of scalability, when talking about new products, we are doing something that can be done easily and sold quickly. Value-based outcomes come from consulting companies where the outcome matters. When we look at lawyers, they still charge by the hour, with hourly rates varying on a case-to-case basis. So, the source is a different way of thinking – looking for opportunities where agency knowledge can be reinterpreted and sold differently.

In terms of the degree of change in the design industry, a lot of service design consultancies have become very attractive to corporations, such as banking groups and software vendors. There have been 5–10 acquisitions a year, which is a significantly high number. This is still happening. The real question here is to define what success is. For entrepreneurs it is represented by a payoff, how the agency is integrated into this massive engineering system and how they influence the internal architecture is another aspect that can be discussed. They realized that technology alone was not

enough. What they needed was a soft touch, a humanizing technology that is the reason for the acquisitions.

Years before, design was more independent and did not integrate as much because there were not as many options. With this kind of change in industries and technologies, user expectations are the only way to understand and satisfy needs – this is why design excels. It has the right approach to tackle so-called "Wicked Problems," where you don't know what the problem is and what the solution might be. Design uses its approaches to manage, if not successfully solve, these problems.

4.3 Customer Insights

The interviews helped us identify Gigodesign's clients, what they do, what problems they face on a daily basis and, most importantly, their opinions on working with Gigodesign. We conducted nine interviews with people who were in close contact during the projects. Their roles at work are either in management (30 %), upper management and/or company owner (70 %).

The problems expressed by all the participants include a lot of demanding work, quick decisions and difficulties with the organization. We found that the main pain points were:
- Lack of communication and information flow in 55 %;
- Lack of personnel in 45 %;
- Lack of organization in 33 %;
- Lack of motivation in 22 %;
- Large, rigid systems in 22 %;
- And lack of resources in 11 % of the cases.

Figure 11: Visual representation of the structure of respondents in the research.

30 %
Management

70 %
Upper Management
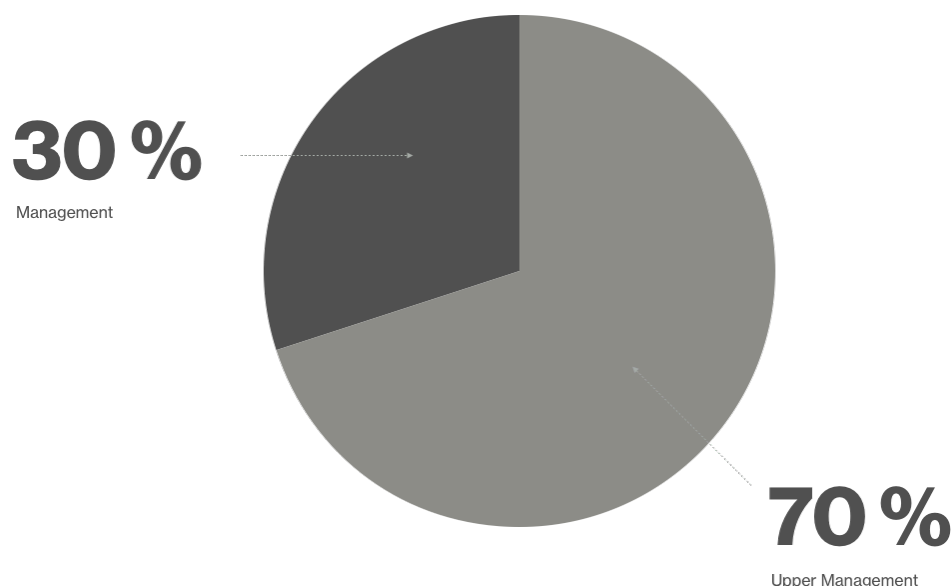
Source: Own work.

Clients say it would help them the most if there was a project brief and if there was always a designer in the company to teach and empower other staff. Some technical efficiency in the long run and support would also be of great value.

When clients were asked how they first found out about Gigodesign, 55 % said it was through a network and 45 % that it was a Request for Proposal. The IBM study showed that, interestingly, this structure is present in older companies wher business is based on strong customer relationships. When asked why they choose to work with Gigodesign, there were a few inspiring responses, such as, "Gigodesign showed interest", "We rely a lot on Gigodesign's opinion", "Gigodesign has very talented designers", "The only service provider that approached BrandScan strategically", "We got along well, Gigodesign has great expertise", "We work with those we get along with", "We had common interests", etc. We could cluster them and say that clients prefer to work with Gigodesign because it has a healthy, professional work ethic and talented designers, and due to long-term collaboration.

The general opinion about the experience during the project was somewhat reasonable. There was far more positive feedback on the solutions provided. The quality of project delivery was expressed through exceeded expectations, extensive technical knowledge and high standards. The time taken to complete the project was as agreed at the start of the project, and communication was easy. Clients find that they learn and grow together with Gigodesign, which makes them feel that Gigodesign cares. The presence of senior experience is also greatly appreciated, as are excellent fresh ideas.

On the other hand, some of the negative experiences are not knowing what stage the project is at. Also, some of the clients have expressed concerns about not knowing how many resources are still available during the project. Clients feel that Gigodesign could manage know-how more strategically and sometimes manage an expressed opinion better. They would also like to see an upgrade.

Figure 12: Graphical visualization showing how the opinion changed before and after the project.

Source: Own work.

A graphical representation of the client's expectations shows how opinion changed from the start of the project to the completion of the project by Gigodesign. It was found that in general (5 out of 9), the clients' opinion improved after the project was completed, while few (3) experienced no improvement. However, there was one exception (6) who initially had no expectations (or they were very low) and was completely surprised by the quality of the service and the quote itself, with her words being, "Gigodesign completely exceeded our expectations."
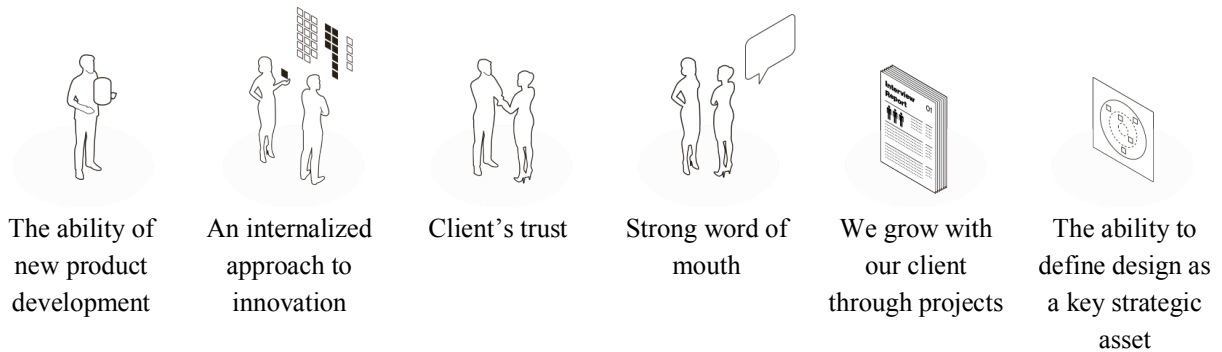
Table 1: SWOT Analysis.

Strengths	**Weaknesses**
• Working closely with clients and achieving common goals • Important relationships • Design management consultancy	• Not specialized in sales • No digital marketing
• Gigodesign could help companies develop cycles of new products/update new ones • The biggest opportunity is the integration of our services on a project basis • Patent protection within Gigodesign's solutions • Own product development	• The emerging trend of too many designers on the market, which results in dudmping • No differentiation and consequent loss of great clients.
Opportunities	**Threats**

Source: Own work.

We conducted the SWOT analysis using the results of internal and external interviews, basedd on which we identified Gigodesign's core competencies or areas of strength. One of the main strengths identified by Gigodesign and its clients is that they manage to work very closely together, achieve common goals and grow in the process. In terms of the weaknesses, Gigodesign identified itself as having weak sales, and clients expressed a lack of trackable processes and information about the budget and remaining hours. We see opportunities in the form of integration and business partners, which means that Gigodesign's role is no longer that of an agency which does design, but rather an agency that influences strategic decisions. The biggest threat to Gigodesign is the global trend of the oversaturated designer market, which results in dumping.

Figure 13: Visuals representing the core competences identified using the SWOT analysis.

The ability of new product development	An internalized approach to innovation	Client's trust	Strong word of mouth	We grow with our client through projects	The ability to define design as a key strategic asset

Source: Own work.

5 DISCUSSION

This thesis is aimed at exploring innovative business model innovation methods. Throughout the thesis, it is hypothesized that by placing more emphasis and focus on the end user, designers are able to understand the needs and problems of customers. this way, designers have more opportunities to create valuable outcomes for businesses and end users. In reviewing the research findings and seeking answers to the main research question of the thesis, we proposed changes from three perspectives: revenue model innovation, industry model innovation and business model innovation. Within each perspective, we have suggested areas that could be further improved in the future.

The thesis explores how revenue can be created through the implementation and delivery of a product or service reassessment and, of course, through pricing/standard, starting with revenue model innovation. By conceptualizing the business value chain and by going in the direction of contemporary and fresh industries, reformulating the existing ones or even generating brand-new industries, as well as by recognizing unusual values, we have suggested upgrades for industry model innovation. On the other hand, business model innovation offers and helps us innovate the part we present in the value chain by changing our lengthy deals and networks with employees, suppliers, customers and others that include the configuration of capabilities and assets (Giesen, Riddleberger, Christner & Bell, 2010).

In our research, we have found how remarkable strategic foresight is (Giesen, Riddleberger, Christner & Bell, 2010), along with the competence to recognize probable upcoming outlines. It can benefit the business by providing new models, which is vital nowadays as companies need to do business and choose what is best for them in a really confusing and dynamic atmosphere (Giesen, Riddleberger, Christner & Bell, 2010). A well-designed system of measuring business results provides timely insights into what works and what does not (Giesen, Riddleberger, Christner & Bell, 2010). Internally, this means that a company needs to work according to the data collected, act faster and with a better support of business decisions. Externally, this means that a company can make faster business decisions harmonized between partners, suppliers and customers (Giesen, Riddleberger, Christner & Bell, 2010).

The flexibility and versatility of the business model is an important argument for companies to cope with the ambiguity of the world, which is a strong case in the design industry. The core of any business model is its customers (Osterwalder & Pigneur, 2010). Gigodesign mainly focuses on long-term personal customer relationships, which means that customers come back to Gigodesign. The key is to find the perfect mix of media to match the customer's preferred mode of communication. Clients can be targeted through our channels, partner channels or even both. The right balance leads to an excellent customer experience with maximized sales (Osterwalder &

Pigneur, 2010). Gigodesign wants to maintain this relationship with its customers and continue to invest in their retention and long-term contracts.

5.1 Practical recommendations for revenue model innovation

While studying the market and trends, we found a high rate of change in this segment due to emerging new technologies. We can also see the changes based on the different job descriptions; therefore, the first suggestion is to offer new service – newly defined offers adapted to the specific needs of the clients and create added value. With the geographical location of Slovenia, which is positioned in Central Europe, and the intangible assets of the companies, such as knowledge, expertise, experience and competitive prices, Gigodeisng has a strategic advantage (lower price) compared to the countries to the north. The second proposition within this segment is to enter new European markets. With the right rollout strategy, this goal is very achievable as Gigodesign already has some great examples of projects completed abroad.

How we take care of our environment and the economic and social component can be measured with a sustainable strategy. Sustainability is usually defined as meeting the present demand without compromising the ability of future generations to meet theirs (Investopedia, 2019b). Sustainability can be achieved based on acceptance cultivating a similar design that supports the longevity of the business (Haanaes, 2016). By developing a sustainable strategy, the company will benefit in many aspects and ensure its continued existence. The areas of a sustainable strategy must include environmental protection, social responsibility, responsible treatment of employees, recognition of human rights, anti-corruption, anti-bribery and diversity in corporate boards (in terms of age, gender, educational and professional background).

5.2 Practical recommendations for industry model innovation

Strategic foresight is one of the core capabilities of an organization when it comes to new opportunities (Giesen, Riddleberger, Christner & Bell, 2010). Another expression for this is "standardizing the process of reinvention." This refers to the ability to understand future scenarios, benefit an organization as well as adapt to more complex and rapidly changing environments by developing current services and exploring the different ways we could apply them in other industries. According to the McKinsey report, it makes sense to find ways of integrating Gigodesign solutions in the consulting, engineering and banking sectors (Sheppard, Kouyoumijan, Sarrazin & Dore, 2018).

Entering new markets within a niche, which is common for Slovenian companies that they lack large production runs, is also feasible to achieve market differentiation. One of Gigodesign's core values is to be a strategic partner for its customers and help them achieve this differentiation. With

3 (33.3 %) of the 9 clients, the completed project did not exceed their expectations. Specializing in customer relationships is an area that could be a priority for future strategies/internal development activities. Our research shows that clients want more support, transparency and traceability throughout the life of the project. This includes staying in touch with them, providing the necessary information (e.g., hours spent and the budget) throughout the process and reviewing the process and progress once we have completed the project.

5.3 Practical recommendations for enterprise model innovation

In the context of increasing recognition of design thinking methodologies among organizations across industries, adapting the enterprise model in such a way that continuous tracking occurs is a decision that needs to be made. Looking at IBM's loop way of thinking and treating/approaching everything as a prototype creates a lot of room for improvement (Enterprise Design Thinking, 2020). Introducing this group mindset to employees, presenting practical case studies and applying it to the business model would encourage innovation in the business model. According to the interviews, developing a tracking system for Gigodesign's workflow would provide clients with additional project information and insights. The type of data they would find useful is well presented, as are the hours spent, budget and project status.

Further development of client relationships could be enhanced by new contracts that allow for closer collaboration between specific staff and clients. According to our research, communication is one of the biggest barriers that we could also improve with new contracts. The final recommendation is to outsource services when needed, usually during peak times (end of the year/ December) or when the NPV of a project is higher with outsourced help.

5.4 Limitations with future research suggestions

We rely on our research and, for the most part, on cited literature and written process models. Research and literature are not intended to reflect the real-world use of the processes in question at the pragmatic level. On the one hand, qualitative approaches might be anchored in lean startup, while on the other, the business model is present in designers when they apply the design thinking method in their projects. However, the latter still needs to be analyzed and questioned as this is not defined within certain process models and representations. Also, the specific mindsets, team constellation and corporate culture have not been analyzed. The proposals presented are the first steps towards a better understanding of the different approaches to business model innovation. Future work should include a structured approach to evaluating business outcomes across different business model innovations. Adopting the mindset that nothing is ever finished leads to greater open-mindedness and better acceptance of change. When designing for users, products and services should evolve with the changing user needs.

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APPENDICES

Appendix 1: Summary in Slovene language

V magistrski nalogi se ukvarjamo s poglobljenim razumevanjem pristopov k oblikovalskemu razmišljanju (angl. *design thinking*), ki ga podjetja uporabljajo za reševanje zapletenih situacij in problemov. V novejši literaturi je moč zaznati premike, ki opisujejo, kako podjetja spreminjajo svoje strategije, saj le stežka ohranjajo prednost pred konkurenco. Zagovorniki oblikovalskega mišljenja svetujejo, naj se podjetja fokusirajo na odkrivanje novih poslovnih modelov ter poslovnih priložnosti namesto na trenutno doseganje zastavljenih poslovnih ciljev. Za takšno miselnost je potrebno razvijati nove izdelke in storitve.

Eden izmed gradnikov inovacije oz. inoviranja je kreativnost, kar v praksi pomeni generiranje novih idej. Velja splošno prepričanje, da je kreativnost povezana z igro, kar načeloma drži. Vendar je za inovacije potrebno veliko več kot samo to, saj gre za udejanjanje idej. Največji izziv predstavlja neprestano generiranje idej – če jih ne uresničimo, gre vse v nič. Močna volja in motivacija sta še kako pomembni, saj dobra ideja brez dokončne izvedbe ne pomeni nič. Zato velja, da si kreativen, če imaš veliko originalnih in nevsakdanjih zamisli – toda le če znaš te zamisli tudi udejanjiti, si obenem tudi inovativen.

Oblikovanje in tehnologije, ki izpodrinjajo obstoječa orodja, simultano vplivajo drug na drugega. Digitalne tehnologije so nam spremenile življenje. Danes nova digitalna orodja prinašajo nove oblike vrednosti, ki omogočajo ustanovitev novih podjetji. Podjetja, kot so Dropbox, Instagram in Uber, so se razvila zlasti kot posledica nekaterih novih tehnologij – hitrost prenosa podatkov, digitalna fotografija, sledenje lokaciji. Zaradi digitalne transformacije imajo ogromno priložnosti za rast v primerjavi s podjetji, ki s transformacijo odlašajo ali stagnirajo.

Poslovni model opisuje, kako podjetja ustvarjajo vrednost. Pojem poslovnega modela je danes zelo razširjen in predstavlja enega ključnih sodobnih pristopov upravljanja podjetij. Vse organizacije posredno ali neposredno uporabljajo neko vrsto poslovnega modela, ki opisuje, kako se ustvarja vrednost podjetja. Novo oblikovanje poslovnih modelov mora biti prilagojeno kompetencam podjetja, kar pomeni, da morajo biti lansiranje, načrt trženja in modeli financiranja popolnoma usklajeni. Vsak novi poskus modeliranja poslovnega modela, ki ne bo vključeval enega izmed predhodno omenjenih kompetenc, bo naletel na ovire na trgu. Problemi inoviranja prav zaradi tega izhajajo iz celotnega sistema.

Medtem ko poslovanje temelji na doseganju ekonomske uspešnosti, se pri oblikovanju fokusiramo na potrjevanje s strani trga. Če združimo to dvoje, ustvarimo tenzijo. Poslovneži so nagrajeni, ko dosežejo zastavljene proračunske cilje, oblikovalci pa takrat, ko potrditev produkta s strani trga uskladijo s potrebami končnih uporabnikov. Pri združevanju teh dveh nasprotujočih si strani je

priporočljivo, da s pravilno komunikacijo in prilagajanjem pogojev izkoristimo avtentičnost in razlike v prid poslu. Ključno je, da sta obe strani seznanjeni s conami udobja.

Oblikovanje poslovnega modela je implementiranje oblikovalskega razmišljanja v razvoj in inoviranje poslovnih modelov. Je nova smer oblikovanja, ki pomaga, da se podjetja prilagajajo izzivom današnjega časa. Ustvarjanje vrednosti je včasih pomenilo prodajo izdelkov in storitev, danes pa pomeni učinkovito kombiniranje storitev, produktov, različnih profilov ljudi in znanja. Oblikovanje poslovnega modela pristopa celostno in se poglobljeno ukvarja z izzivi oblikovanja. Strategije in inoviranja poslovnega modela se lotevamo na enak način kot oblikovanja. Prednosti takšnega načina pa že postajajo prepoznavni. Čeprav oblikovanje poslovnega modela temelji na metodah oblikovalskega mišljenja (angl. *design thinking*), se v procesu zelo poglobi v razumevanje trga, posla in panoge. Koncept narekuje analiziranje obstoječih poslovnih modelov in nato kreiranje novega. Vsako podjetje ima edinstveno sestavo stroškov, način ustvarjanja vrednosti, premoženja in način pristopa k novim področjem poslovanja. Če želimo ustvariti profitabilen poslovni model, moramo dobro razmisliti o zmožnostih podjetja, njegovih resursih in vrednotah.

Metodi oblikovalskega mišljenja, ki ju analiziramo, sta bili oblikovani zaradi potrebe po hitrejšem, bolj strukturiranem in stroškovno (cenovno) dostopnem načinu reševanja kompleksnejših problemov, s katerimi se vsakodnevno srečujemo v poslu. Google Ventures je za svoje potrebe in potrebe zagonskih podjetij razvil Design Sprint (Google, 2020). Gre za zgoščen in fokusiran 5-dnevni proces, kjer se tim (skupina ljudi) ukvarja s potrebami uporabnikov, spreminjanjem idej v prototipe in njihovo evalvacijo. Enterprise Design Thinking, ki ga je razvil IBM (Enterprise Design Thinking, 2019), pa je bolj primeren za korporacije. Glavni elementi procesa so osredotočanje na mnenje uporabnikov, nenehno inoviranje in različne ekipe. Glavni razliki med omenjenima metodama sta:

- Googlova metoda Design Sprint se osredotoča na učenje brez izdelave in lansiranja, kar pomeni, da lahko ekipe prihranijo čas in ustvarjajo pomembne rezultate brez obvezujočih stroškov;
- IBM postavlja uporabnika v središče procesa in s tem načinom pomaga, da ekipe sodelujejo in delajo bolj učinkovito.

Vsak pristop k inoviranju poslovnega procesa je lahko s pravo strategijo in izvedbo profitabilen. Prevajanje oblikovanja v nekaj, kar je vredno in predstavljeno na način, ki ga v poslu razumemo, je pogoj za dokazovanje dejstva, da ima oblikovanje vedno odgovor na probleme v poslovanju. Ko z metodami oblikovalskega mišljenja okrepimo poslovne in finančne komponente oblikovalskih del, ustvarjamo storitve in izdelke, ki so uporabni, enostavni in predvsem (dobro) delujejo. V sklopu raziskave analiziramo trenutni poslovni model podjetja Gigodesign z namenom, da odkrijemo nova področja za priložnosti. Gigodesign je multidisciplinarna oblikovalska agencija, ki

se ukvarja z vizualnimi komunikacijami, ustvarjanjem tržnih znamk, produktnim in digitalnim oblikovanjem ter svetovanjem.

V raziskavi se ukvarjamo predvsem z razvojem strukture ter naborom obstoječih in novih storitev, ki zadostijo potrebam naročnikov in dosegajo načrtovane poslovne rezultate. Želimo, da se podjetje še bolj usmeri na naročnike, identificira vse potrebe (zahteve) in s tem izzove konkurenco, predvsem pa samega sebe (podjetje). Področja raziskave zajemajo tudi:

- odgovore na vprašanja glede pozicioniranja Gigodesigna tako na domačem kot tudi globalnem trgu;
- zbiranje različnih mnenj in izkušenj ter identificiranje specifičnosti trga;
- analizo naročnikov Gigodesigna;
- popis trenutnega stanja podjetja za namene nadaljnjega razvoja in izboljšav.

Oblikovanje igra ključno vlogo pri generiranju novih izdelkov, sistemov, storitev in različnih razmer na trgu. Deluje kot povezovalni element med panogo, tehnologijo in uporabnikom. V raziskavi se vse navezuje na poglavitno vprašanje magistrske naloge: Kako prepoznati in se soočiti s spreminjajočimi se potrebami naročnikov in temu ustrezno prilagoditi trenutni poslovni model? V očeh naročnikov Gigodesigna želimo povečati dodano vrednost naših projektov in jo doseči z različnimi pristopi oblikovalskega razmišljanja. V magistrskem delu je ključnega pomena raziskovanje in preskušanje dobrih praks, ki so se v literaturi izkazale kot najboljše za posel.

V teoretičnem delu pregledujemo literaturo o predhodno omenjenem procesu Design Sprint (Google, 2020) in procesu Enterprise Design Thinking. Oba procesa natančno analiziramo in medsebojno primerjamo. Teoretični del zajema tudi nekatere ostale študije primerov in raziskovalne teme, povezane z oblikovalskim mišljenjem. V empiričnem delu je večina podatkov primarnih. Raziskava je kvalitativna, saj se ukvarjamo z interpretacijo ter globljim razumevanjem delovanja podjetja in panoge. Izvedli smo niz poglobljenih intervjujev z vodstvom Gigodesigna; so najbolj izkušeni in imajo največ informacij iz prve roke o panogi in trgu. To je prispevalo k celovitemu pogledu na trenutno stanje. Nato smo z naročniki opravili drugi niz intervjujev in dodatno ocenili prej omenjeno stanje ter si z njim pomagali pri sestavi priporočil za izboljšanje.

Na podlagi raziskave ugotavljamo, da poslovni modeli, ki izpodrivajo trenutni način dela (ang. *disruptive business models*), izhajajo iz vrednosti v očeh uporabnikov. V Sloveniji je zelo malo oblikovalskih agencij, zato trg zanje ne obstaja. Primerjavo (angl. *benchmark*) smo zato naredili z oglaševalskimi agencijami. Slovenski trg oglaševanja je dosegel 115 milijonov evrov prihodkov v letu 2017 in se zmanjšal za 4 % v letu 2018, kar znaša 111 milijonov evrov vseh prihodkov. Tržni delež Gigodesigna znaša manj kot 1 % (0,9 %), na podlagi česar ugotavljamo, da obstaja kar nekaj prostora za izboljšavo. Največji tržni delež v tej primerjavi znaša 9,4 %, prav tako so tudi ostali tržni deleži proporcionalno razdeljeni in ni vodilnega »igralca« na trgu, ki bi nakazoval na

monopol. Ugotavljamo, da bi Gigodesign z bolj prodornim načinom lahko zajel večji tržni delež. V primerjavi, ki smo jo izvedli, se je Gigodesign najslabše odrezal pri kazalniku prihodki/št. zaposlenih. V kazalniku EBIT/št. zaposlenih se je odrezal nekoliko bolje, prav tako pri zadnjem, profit/št. zaposlenih, vendar kljub temu ostaja še veliko prostora za napredek.

Na podlagi intervjujev z naročniki smo ugotovili, da so glavne ovire, s katerimi se soočajo na delovnem mestu (angl. *pain points*), sledeče:
- pomanjkanje komunikacije in pretoka informacij v 55 %;
- pomanjkanje kadra v 45 %;
- pomanjkanje organizacije v 33 %;
- pomanjkanje motivacije v 22 %;
- veliki, rigidni sistemi v 22 %;
- in pomanjkanje sredstev v 11% primerov.

Naročniki pravijo, da bi bilo v zvezi s premagovanjem nekaterih izmed zgornjih težav najučinkovitejše, če bi bil pri projektnem brifingu prisoten oblikovalec, ki bi učil in opolnomočil druge zaposlene. Dolgoročno bi potrebovali tudi nekaj tehnične pomoči in podpore. Splošno mnenje naročnikov je dobro, saj je bilo pozitivnih odzivov veliko več kot negativnih. Kakovost projektov opisujejo kot presežek pričakovanj v vseh pogledih, poudarjajo obsežno tehnično znanje in visoke standarde. Projekti so bili vedno dostavljeni v roku, ki so bili predvideni ob začetku sodelovanja, tudi komunikacija je bila dobra. Naročniki imajo občutek, da se ob projektih veliko naučijo in »rastejo« skupaj z Gigodesignom, kar jim daje občutek, da je Gigodesignu mar. Zelo cenjena sta prisotnost in mnenje izkušenih oblikovalcev, saj imajo ti vedno dobre ideje in so kritični. Naročniki so v nekaterih preteklih sodelovanjih zaznali manjko transparentnosti glede števila resursov, ki so ostali do konca projekta, in podatkov o fazi projekta. Naročniki so prav tako mnenja, da bi s svojim znanjem (ang. *know-how*) lahko upravljali bolj strateško; pogrešajo tudi nadgradnjo.

SWOT analizo smo naredili na podlagi rezultatov poglobljenih internih intervjujev in intervjujev z naročniki. Identificirali smo ključne kompetence, ki so tesno sodelovanje, doseganje skupnih ciljev ter skupna rast skozi proces. Gigodesign je šibki člen v prodaji. Naročniki so pogrešali sledljivost procesov ter informacije o proračunu in preostalih urah. Priložnosti vidimo v oblikah integracije in sodelovanju s poslovnimi partnerji, kar pomeni, da vloga Gigodesigna ni več agencija, ki samo oblikuje, ampak sovpliva na sprejemanje strateških odločitev. Največjo grožnjo predstavlja svetovni trend prevelikega števila oblikovalcev na trgu, kar povzroča znižanje cen storitev.

Zaključujemo s **praktičnimi priporočili na področju inoviranja prihodkovega modela**:
- na novo opredeljene ponudbe, ki se prilagajajo posebnim potrebam strank in ustvarjajo vrednost;

- za vstop na nove evropske trge;

praktičnimi priporočili na področju inoviranja modela na nivoju panoge:
- »standardizacija procesa nenehnega inoviranja;«
- vstop na nove nišne trge;
- biti strateški partner naročnikom;
- specializiranost na področju odnosov z naročniki;

ter praktičnimi priporočili na področju inoviranja poslovnega modela:
- razvoj sistema za večjo transparentnost (ure, resursi, status projekta);
- nove pogodbe, ki omogočajo tesnejše sodelovanje;
- zaposlitev podizvajalcev po potrebi.

S pomočjo naše raziskave smo ugotovili, kako izjemno je strateško predvidevanje, prav tako pa tudi zmožnost boljšega razumevanja potencialnih scenarijev v prihodnosti. Organizacije se morajo znajti, sprejemati hitre odločitve v bolj zapletenem in hitro spreminjajočem se okolju. Srce vsakega poslovnega modela so uporabniki. Gigodesign večinoma deluje na dolgoročnih tesnejših odnosih z naročniki, kar pomeni, da se ti vedno znova vračajo. Poiskati je treba pravo kombinacijo kanalov, da pravilno naslovimo uporabnike. Gigodesign želi ohraniti takšen odnos s svojimi naročniki in še naprej vlagati vanje ter dolgoročna sodelovanja.

Predstavljeni predlogi so začetni koraki za boljše razumevanje različnih pristopov k inoviranju poslovnega modela. Svojo skrb za okolje ter ekonomsko in socialno komponento lahko merimo s trajnostno strategijo. Trajnostnost je najpogosteje opredeljena kot zadostitev potreb sedanjosti, ne da bi pri tem ogrožali prihodnost. Trajnostnost temelji tudi na predpostavki, da razvoj takšnih strategij spodbuja dolgo življensko dobo podjetja. Razvoj trajnostne strategije bo podjetju v mnogih pogledih koristil in mu zagotovil nadaljnji obstoj. Področja trajnostne strategije morajo vključevati varstvo okolja, družbeno odgovornost in ravnanje z zaposlenimi, spoštovanje človekovih pravic, boj proti korupciji in podkupovanju ter raznolikost v upravnih odborih podjetij. Prihodnje delo mora vključevati strukturiran pristop k ocenjevanju poslovnih rezultatov med različnimi novostmi poslovnega modela. Miselnost, da ni nič dokončno, nas primora, da izstopimo iz cone udobja in se posledično veliko laže odločamo za spremembe.

Appendix 2: Questionnaire

The purpose of the questionnaire is to determine the strengths, shortcomings and options for business model innovation. Understanding ways to leverage business model innovation is a key source of competitive advantage in today's economy. The following questions will help assess Gigodesign's options and develop a roadmap to effective business model innovation:

1. **Understanding the industry context:**

Which new business models do you see emerging in your industry? Is the basis for competition changing?

Where are the new and disruptive business models coming from – from within your industry or from new players/other industries?

What is the degree of change and innovation in your industry? What can you learn from successful business model innovators – either in your industry or outside?

2. **Defining your current position:**

How does your degree of innovation relate to your industry? Do you have the balance right between incremental versus more radical innovations?

Do you drive the change in your industry or is it imposed on you? Are disruptive models emerging in areas you are currently not focusing on?

Which business model innovation paths are you exploring – industry model innovation and/or revenue model innovation and/or enterprise model innovation? Which ones are most aligned with your industry, capability and vision?

3. **Building your capabilities to manage business model innovation:**

Industry models: Do you have a systematic way of envisioning future industry scenarios and implications for your innovation strategy?

Revenue models: How can you exploit new/emerging revenue models as well as new value offerings, and manage the implications for your business and competitive positioning? Do you have a structured approach to thinking through revenue implications?

Enterprise models: Do you understand – and leverage – your unique capabilities and assets? Which capabilities and processes do you have in place to develop, maintain, evaluate and terminate external collaboration for innovation?

Appendix 3: Full client feedback

Table 2: Results of the user interviews on the experiences during the project.

Positive experiences	Negative experience
"Excellent experience with Gigodesign. We don't recall any bad experience during all the years we've worked together."	*"Gigodesign could manage know-how more strategically. It would be great to see some benchmarking. We don't have 10 agencies, that's why it would be great to see some insights."*
"Projects with Gigodesign are always finished in line with expectations."	*"Lack of energy from Gigodesign's side."*
"At the beginning, standards were set very high. They were met with every project ever since."	*"Sometimes I seek more initiatives."*
	"More fresh ideas at the beginning."
"Highly responsive."	*"A lot of things have been dragging on."*
"Very concrete and patient."	*"No systematized approach and bad traceability."*
"Very quick and good."	
"Very professional."	*"Bad time management."*
"Always very well prepared."	*"No traceability."*
"Very personal relationship."	*"I was defied by the advocacy of the solution."*
"Always sticking to deadlines."	
"Very flexible."	*"I feel that Gigodesign was very inflexible when it came to expressing opinion."*
"Simple communication."	*"Rigid."*
"Expectations were met with the graphic solution."	*"A lot of mistakes at the first project."*
	"Bad experiences with UX and UI design."
"Expectation were completely exceeded with packaging design."	

"Very good moves were made for Brand Identity." *"They always seem to find/identify some things we have forgotten to."* *"Our experience with Gigodesign is very good. Their technical knowledge was a great fit to our needs."* *"I find it great that there is senior experience present."* *"Senior Designer's out-of-the-box thinking."* *"Great fresh ideas."* *"Very happy with all the project outcomes."* *"Excellent solutions."* *"Most structured approach, Gigodesign knew excactly how and what to help with."* *"Gigodesign cares."* *"People who work at Gigodesign are very respectful."* *"They can argument their suggestions."* *"Very good experience with the younger designers. They are very proactive."* *"Overall great experience."* *"Working with Gigodesign is very pleasant."*	*"As a client I had no idea at which phase we were and how much money, hours there were left."* *"A bit expensive."* *"Upgrade is lacking."* *"I sometimes got a feeling that some things were made without much effort."* *"Mixed feelings."* *"Our proposals are not being well accepted."*

Source: Own work.