

Ten Strategy Paradoxes in Service Innovation and Design

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Abstract

Many service designers like to think, speak and work in terms of attributes and benefits. By designing user-centric solutions that are useful, usable and desirable the service provider can help users fulfil their functional and emotional needs. Let's call this approach "designing for attributes and benefits".

While service designers like to speak about attributes and benefits, many service providers prefer to speak about ROI, value creation, revenue generation, cost savings, productivity gains, brand building, etc. Innovation and design projects should achieve an acceptable ROI and create corporate value. Let's call this approach "designing for ROI and corporate value".

According to my experience, neither the "designing for attributes and benefits" approach nor the "designing for ROI and corporate value" approach provides enough information, inspiration and direction in the fuzzy front-end of service innovation and design projects.

A third approach, "designing for strategy dichotomies and paradoxes", may be the answer. Inspired by dichotomies and paradoxes in strategic management literature, I have developed a theoretical framework for ten service strategy dichotomies and paradoxes. The dichotomies and paradoxes have been carefully selected to reflect strategic perspectives, issues and mega-trends in service management, service marketing, service innovation, and service design.

This is an explorative study. The findings need to be validated by further research.

KEYWORDS: service innovation, service design, service strategy, strategy paradoxes, strategy dichotomies

Introduction

According to my experience, many service designers in Sweden and the UK tend to focus on *customer-facing touchpoints* throughout the customer journey or service delivery system. Some service design firms even define service design as a range of interconnected touchpoints over time (e.g., Live|Work 2010, Transformator 2010). In other words, according to this point of

view, service design seems to be primarily about interactions, physical evidencing, and branding.

In keeping with the touchpoint theme, many service designers like to think, speak and work in terms of *attributes and benefits* – such as usefulness, accessibility, usability, reliability and desirability (see e.g., Merholz 2002). By designing user-centric solutions that are perceived to be useful, usable and desirable, the service provider can help users fulfil their functional and emotional needs. Let's call this approach “designing for attributes and benefits”.

Unfortunately, this approach is not ideal in the fuzzy front-end (FFE) of service innovation and design projects with its emphasis on identifying strategic opportunities, framing strategic problems, and making strategic decisions (e.g., Koen 2002). In my view, attributes and benefits are better suited as *evaluation criteria* (to compare and assess ideas, concepts, prototypes, solutions, etc.) rather than *guiding principles* (to inform, inspire and direct the development and design process).

While service designers like to speak about attributes and benefits, many service providers prefer to speak about ROI, value creation, revenue generation, cost savings, productivity gains, brand (equity) building, etc. (e.g., Merholz 2002, McCormack 2006). Innovation and design projects should achieve an acceptable ROI and create corporate value. Let's call this approach “designing for ROI and corporate value”.

However, this approach is not ideal either in the FFE of service innovation and design projects. Corporate objectives and project goals tell us what service providers ultimately want to achieve but provide precious little guidance on how to achieve it. And many designers do not have the inclination or ability to translate gut-level understanding of value creation to solid financial arguments (e.g., Merholz 2002, McCormack 2006).

Designing for Strategy Dichotomies and Paradoxes

So is it possible to come up with another approach that is potentially more useful for service providers and service designers in the FFE of service innovation and design projects? “Designing for strategy dichotomies and paradoxes” could be the answer.

Dichotomies (bipolar opposites) such as “globalisation versus localisation” and “centralisation versus decentralisation” are not uncommon in strategic management literature (Hamel and Prahalad 1994, de Wit and Meyer 1998, Mintzberg et al. 2008). Each dichotomy highlights two opposing, and seemingly contradictory, strategic perspectives. Accordingly, most people tend to treat dichotomies as trade-offs (implying a range of possible solutions), as dilemmas (implying two possible solutions), or as puzzles (implying one solution). (de Wit and Meyer 1998) An analogy I like to use is the volume control slider – by pushing it to either side you are either increasing or decreasing the level.

However, some management strategists like de Wit and Meyer (1998) argue that it is potentially more valuable to treat dichotomies as paradoxes. A paradox is a situation in which two seemingly contradictory, or even mutually exclusive, factors are held to be true at the same time. The strategist should accept the conflict between the two opposites but search for ways to reconcile them. (de Wit and Meyer 1998) Returning to the volume control slider analogy, the equivalent would be to duplicate the slider and push both sliders in opposite directions at the same time. The audio level is perceived to be both high and low simultaneously – a paradox.

Originally inspired by de Wit and Meyer (1998), I have developed a theoretical framework for service strategy dichotomies and paradoxes that can inform, inspire and direct the FFE of service innovation and design projects. Since key FFE activities such as opportunity analysis, opportunity identification, idea generation, idea refinement and idea selection are often experimental, ambiguous, chaotic, unpredictable and unstructured, specific methods and tools for improving and “unfuzzifying” the FFE are sorely needed (Koen et al. 2002).

My framework has been designed to reflect strategic perspectives, issues and megatrends in service management, service marketing, service innovation, and service design (see e.g., Grönroos 2000, Normann 2000, Lovelock and Wirtz 2007, Lusch and Vargo 2006, Thackara 2006). For reasons of clarity, the framework is presented as a list of ten strategy dichotomies but each and every one can also be treated as a paradox (just substitute “vs.” with “AND”).

The Bau Framework for Service Strategy Dichotomies and Paradoxes

<i>Strategy Dichotomy</i>	<i>Main Perspective*</i>
Designing for Inclusion vs. Designing for Exclusion	Who, What, How
Designing for Simplicity vs. Designing for Complexity	What, How
Designing for Consistency vs. Designing for Flexibility	What, How
Designing for Tangibility vs. Designing for Intangibility	What, How
Designing for Interdependency vs. Designing for Independency	Who, What, How
Designing for Authenticity vs. Designing for Simulation	What, How, Where
Designing for Ephemerality vs. Designing for Longevity	What, How, When
Designing for Acceleration vs. Designing for De-Acceleration	What, How, When
Designing for Stakeholder Productivity vs. Designing for Resource Productivity	Why, Who, How
Designing for Evolution vs. Designing for Revolution	Why, What

* Service innovation and design projects typically cover new or redefined *service concepts* (what, for whom, by whom, why) and *service delivery systems* (how, who, when, where). (Adapted from Lovelock and Wirtz 2007)

The Bau Framework for Service Strategy Dichotomies and Paradoxes can specifically be used in the FFE of service innovation and design projects to (inspired by Koen 2002):

- » Assess/benchmark existing customer offerings in the marketplace.
- » Identify and learn from best practices in other industries.
- » Identify and analyse strategic opportunities.
- » Identify and (re)frame strategic problems.
- » Generate, enrich and screen strategic ideas.
- » Define concepts and value propositions.
- » Dispel design-related myths and half-truths, such as “keep it simple”.

The Bau Framework could potentially improve the FFE in four overlapping ways:

1. The dichotomies and paradoxes can encourage development and design teams to explore open-ended problems by switching between relevant perspectives, identifying other points of view, challenging assumptions, contextualising problems, generating alternative problems & solutions, and so on. This will arguably facilitate and enrich key FFE activities such as opportunity identification, idea generation and concept definition. (Inspired by de Bono 1990, Koen 2002.)
2. The dichotomies and paradoxes can encourage development and design teams – which ideally are multi-functional, multi-disciplinary and multi-cultural – to create a common frame of reference, build a project vocabulary, and think more strategically. This will

arguably facilitate and enhance not only key FFE activities but also overall knowledge creation, sharing, storage and transfer. (Inspired by Sveiby 2000, Hackett 2000, and Bumbo and Coleman 2000.)

3. The dichotomies and paradoxes can encourage development and design teams to align innovation and design efforts to mission statements, long-term objectives and corporate strategies. This will arguably help bridge or close potential gaps between corporate strategy and service strategy, between strategy and creativity, and between strategy and execution. (Inspired by Gorb 1990.)
4. The dichotomies and paradoxes can encourage development and design teams to broaden the scope of innovation beyond service concepts and delivery systems to include the questioning and rethinking of business models, guiding principles, strategic collaborations, backstage systems and processes, customer service charters, and so on. (Inspired by Lovelock and Wirtz 2007.)

I will now briefly present the first five of the ten dichotomies/paradoxes in the Bau Framework (unfortunately not all ten due to space limitations). I am assuming that the reader is knowledgeable about the fundamentals in service management and service marketing theory (see e.g., Grönroos 2000, Normann 2000, Lovelock and Wirtz 2007).

Designing for Inclusion vs. Designing for Exclusion

The inclusion-exclusion dichotomy is primarily about the degree of stakeholder accessibility and engagement in the co-development, co-production and co-delivery of any service. Who should be involved, to what extent, and why?

While *designing for inclusion* may sound rather similar to *inclusive design* (designing mainstream services that are accessible to and usable by as many people as reasonably possible [British Standards Institute 2005]), the concept of inclusion can be extended to encompass areas such as *co-creation* (companies and customers co-creating products, services, experiences and value [Prahalad and Ramaswamy 2004, Lusch and Vargo 2006]), *self-service* (designing and implementing solutions to increase customer control [e.g., Heskett et al. 1997]), and even good old fashioned *mass marketing* (going after the whole market with one offer [e.g., Kotler 1984]). In addition, service providers can increase the level of inclusion by improving the affordability and availability of their offerings (inspired by Lovelock and Wirtz 2007).

Interesting examples of inclusion include: Skånetrafiken, the Swedish public transport company (making their busses and trains accessible to people with reduced sensory, cognitive and motor capabilities); My Starbucks Idea (inviting customers to submit, share and discuss ideas for improvement); Friskis&Svettis, the Swedish non-profit chain of keep-fit clubs (attracting people that do not feel comfortable in pretentious, elitist gyms); the self-service bicycle scheme Cyclocity from the outdoor advertising company JCDecaux; the Swedish street fashion brand WeSC (enticing users to become brand ambassadors and “activists”); and Baker Street Dental Group (providing round the clock dentistry in London).

The opposite of inclusion is *exclusion*. While many services tend to exclude users for all the wrong reasons – inadequate feature sets, poor availability, excessive lifecycle costs, language issues, physical barriers, and so on – designing for exclusion can actually be a sound and viable strategy for some providers if executed well. Services that are designed to address the needs and desires of specific segments, target groups and individuals, or services that deliber-

ately limit access and availability in different ways, may very well be perceived to be highly desirable, meaningful and aspirational. (E.g., Kotler 1984, Forroohar 2007)

The telecom company Orange develops offerings to match the needs of specific customer segments, as manifested by the five packages Canary, Dolphin, Racoon, Panther and Monkey (a segmentation-based tariff approach for pay monthly customers in the UK). Other examples of exclusion include: loyalty-based offerings and services (Hilton HHonors, IKEA Family); super-premium services (private asset management, global 24/7 concierge services); and services for seclusion and privacy (VIP areas in public spaces, adult-only resorts, members-only clubs with hidden entrances, invitation-only credit cards, rental of private hide-aways, anonymous browsing on the Internet).

The inclusion-exclusion dichotomy poses a strategic challenge for service providers and designers. Should you design for inclusion? Should you design for exclusion? Or should you design for reconciliation – trying to achieve both extremes at the same time? An example of reconciliation is Islamic banking services offered by High Street banks in the UK such as HSBC. On the one hand, Sharia-compliant financial products for Muslims can be seen as narrowly targeted offerings. [Exclusion] On the other hand, people whose faith had prevented them from using standard High Street products can now gain access to financial services. [Inclusion]

Designing for Simplicity vs. Designing for Complexity

The simplicity-complexity dichotomy is primarily about the degree of usability and intricacy in the co-production and co-delivery of any service. Simplicity seems to be one of those unchallenged mantras in the business and design world; brands, products, services and interfaces should be easy to understand and use (e.g., Maeda 2006, Norman 2002). Yet complexity can also add value.

The potential in most industry sectors to provide simpler-to-understand, simpler-to-buy, and simpler-to-consume services is simply huge. Users seem to find many services frustrating to understand, configure, order, purchase, learn, consume, modify, upgrade, modify, and terminate. This may be due to any number of reasons – such as poor marketing material, unresponsive staff, unnecessary queuing, bewildering choices, confusing interfaces, and lock-in contracts. (Inspired by Lovelock and Wirtz 2007.)

Good examples of services that are specifically designed for *simplicity* include the hardware and software platform Amazon Kindle (making it easy to buy, store and read e-books without a computer or Internet connection); the multi-room music system Sonos (making it easy to listen to music all over the house); the Swedish B2B video-meeting service Skiptrip (making it easy to book and conduct virtual business meetings); and Staples' range of Easy services (making it easy to replenish office supplies).

In this context, the opposite of simplicity is *complexity*. While this may sound counterintuitive, complexity is actually a sound and viable service strategy in many industry sectors. Providers that stage rich, challenging and sophisticated experiences can help users increase their levels of physical, emotional, intellectual and spiritual wellness. This can be achieved by helping users to challenge beliefs and assumptions, see things from other perspectives, explore new worlds, break down barriers, master new skills, transform themselves, and so on. Examples include EF Language Travel (summer language and activity programs abroad for students between 7 and 18), National Geographic (media products, brand stores and in-store services)

and ABCya! (educational computer games and activities for kids and elementary students). (In parts inspired by Pine and Gilmore 1999, and Johnson 2006.)

Another way of increasing the level of complexity is by staging intellectually stimulating experiences full of irony, parody, quotation, intertextuality, self-referentiality, in-jokes, double coding, juxtaposition and so on (e.g., Brown 1995, Johnson 2006). This is arguably not normally found in service design – with a few notable exceptions, like communist-themed restaurants. However, interestingly enough, complexity is not an uncommon trait in popular culture; well-known examples include intertextual, self-referential and narratively complex TV shows (*Lost*, *Seinfeld*), movies (*Matrix*, *Kill Bill*) and advertising campaigns (Diesel's multiple award-winning "Successful Living" in the 1990's).

The simplicity-complexity dichotomy poses a strategic challenge for service providers and designers. Should you design for simplicity? Should you design for complexity? Or should you design for reconciliation – trying to achieve both extremes at the same time?

Designing for Consistency vs. Designing for Flexibility

The consistency-flexibility dichotomy is fundamentally about the degree of standardisation and adaptability in the co-production and co-delivery of any service. On the one hand, standardised service concepts and delivery systems can (in theory) help companies maintain consistent quality levels. On the other hand, customisable, adaptable and responsive services can (in theory) better fulfil the specific needs of target groups and individuals. (E.g., Lovelock and Wirtz 2007, Christopher et al. 1991, Pine 1993, Peppers and Rogers 1993)

Service providers often find it difficult to maintain consistency, reliability and service quality. The quality of operational inputs, processes and outputs tend to vary over time (compared to, say, the manufacturing of physical goods). One of the main reasons is the people factor in service co-production and co-delivery, i.e., poor task execution by either employees or customers or even both. Inspired from the world of manufacturing, many service providers try to standardise service delivery systems to minimise service quality gaps. (Lovelock and Wirtz 2007, Christopher et al. 1991)

Providers typically try to increase the level of *consistency* by developing and enforcing brand standards (Hilton); by cultivating a customer-focused corporate culture (Zappos); by setting quality standards based on customer expectations (the NatWest Customer Charter, Virgin); by productifying customer offerings (McDonald's); by designing the service delivery system for simplicity and failure-proofing (Dell); by designing appropriate service recovery procedures (TUI); by educating and training users (YO! Sushi restaurants with "How to YO!" instructions to so-called YO! Virgins), and, finally, by automating services and taking staff out of the equation (self-service check-in kiosks, self-service solarium centres, self-service car rentals). (In parts inspired from Lovelock and Wirtz 2007, Christopher et al. 1991, and Pine and Gilmore 1999.)

In this context, the opposite of consistency is *flexibility*. While consistency is important, providers that stage highly flexible experiences can help users fulfil their functional, emotional and self-expressive needs. Providers can increase the level of flexibility by offering co-design, customisation and personalisation services (NikeiD, Build-a-Bear Workshop, Moonpig); by unbundling services (like airlines, tour operators and consultancies have done); by offering responsive, adaptable and interconnected services (TomTom); by offering contextual and location-aware services (iPhone apps such as Tube Deluxe and Urbanspoon); by staging

experiences that repeatedly create customer surprise and suspense over time (Disney theme parks); and, finally, by developing systems and processes that identify individual users, capture preferences and behaviour over time, anticipate needs and desires, and suggest tailor-made solutions (Amazon.com's personalised recommendations). (In parts inspired from Lovelock and Wirtz 2007, Pine and Gilmore 1999, and Peppers and Rogers 1993.)

The consistency-flexibility dichotomy poses a strategic challenge for service providers and designers. Should you design for consistency? Should you design for flexibility? Or should you design for reconciliation – trying to achieve both extremes at the same time?

Designing for Tangibility vs. Designing for Intangibility

The tangibility-intangibility dichotomy is fundamentally about the degree of visibility and abstraction in services. Service attributes and user benefits are often perceived as inherently intangible, which makes it difficult to appreciate from a user point of view and differentiate from a service provider point of view (e.g., Lovelock and Wirtz 2007).

Providers can increase the level of *tangibility* by using multi-sensory cues and physical symbols (the Abercrombie & Fitch signature scent, the “nerdy” dress code of Geek Squad, the fleet of specially designed Minis for UK estate agents Foxtons); by communicating through metaphors and analogies (the animals of Orange UK); by productifying and sub-branding customer offerings and service delivery systems (Orange UK, Amazon Prime); by highlighting and sub-branding out-of-sight service recovery systems and backstage functions (Genius Bar in Apple stores); by opening brick-and-mortar stores and other physical outlets (Swedish insurance company Länförsäkringar); by providing better information and way-finding systems (Schipol Airport's signage system, Lufthansa's wayfinding iPhone app); by redesigning hospitality elements (waiting facilities, washrooms, transport, etc.); by encouraging user reviews and references (guest/visitor books, TripAdvisor, Sanningslinjen from the Swedish insurance company “if...”); by offering opportunities to capture, edit, store and share memories (the travel guide website Reslust.se from Fritidsresor); by designing and offering desirable memorabilia (Disney); and, finally, by developing conceptual marketing campaigns (HSBC's classic “The World's Local Bank”, Accenture's infamous “Go on. Be a Tiger.”). (In parts inspired by Lovelock and Wirtz 2007, and Pine and Gilmore 1999.)

The opposite of tangibility is *intangibility*. Intangibility can be a sound strategy for providers that struggle to differentiate their offerings and add value in a homogenous marketplace. Providers can increase the level of intangibility by improving or adding supplementary services (payment, consultation, safekeeping, etc.); by improving intangible elements (frequency, duration, availability, etc.); by improving customer service (NatWest, Home Depot); by educating users for better service performance (Fiat's EcoDrive helps customers to drive economically and sustainably); by introducing or improving service recovery systems (TUI); by digitising and dematerialising real-life events, physical goods and information products (Second Life, Match.com, RadioTimes); by improving or adding digital channels (Amazon's iPhone app, BBC iPlayer); and finally, by encouraging rental instead of ownership (the pay-as-you-go rental car service Streetcar). (In parts inspired by Lovelock and Wirtz 2007, Pine and Gilmore 1999, and Negroponte 1995.)

The tangibility-intangibility dichotomy poses a strategic challenge for service providers and designers. Should you design for tangibility? Should you design for intangibility? Or should you design for reconciliation – trying to achieve both extremes at the same time?

Designing for Interdependency vs. Designing for Independency

The interdependency-independency dichotomy is fundamentally about the degree of connectivity and reciprocity for service providers as well as service users. Should providers make themselves more or less dependent on other companies in the marketplace? Should providers make users more or less dependent on each other? Should providers make users feel more or less dependent on them?

From a provider point of view, companies can increase *interdependency* by making service concepts and delivery systems compatible with existing eco-systems, information systems, networks, channels, offerings, devices, etc., in the marketplace. Samtrafikken, who is responsible for overseeing the public transport network in Sweden, offers a range of services to competing public transport companies to encourage collaboration and co-opetition. Other ways of increasing interdependency include just-in-time, outsourcing, co-creation, open source innovation, co-branding and alliance marketing.

From a user point of view, providers can help users increase their level of interdependency by enabling and empowering them to build relationships with individuals, communities and organisations (Facebook, Shelfari, Authonomy, Timebanks); to join forces for common purposes (Kundkraft, Facebook, Pissed Consumer); to share something with someone (Flickr, MapMyRun, TripAdvisor); to use or enjoy something that other people possess (Pirate Bay and other P2P networks); to exchange something for mutual benefit (TimeBanks, Gum-Tree); and, to co-create and co-produce something (SimLife, GoogleDocs).

In this context, the opposite of interdependency is *independency*. From a provider point of view, providers can increase their independence levels by developing closed systems, “walled gardens” and security solutions that regulate and restrict access for external companies and other stakeholders. Apple’s closed system allegedly allows them to offer a seamless user experience (and make more money) (e.g., Lyons 2010). Providers can also increase their independence levels by being less reliant on external stakeholders such as lenders, suppliers, distributors, consultants and, yes, designers (the rather recent trend of design embedding is a sign of this).

From a user point of view, providers can help increase the level of independency by helping users to make unbiased and informed choices (PriceRunner, CNET, TripAdvisor); by enabling users to produce and consume services whenever, however and wherever they want (self-service, 24/7 availability, etc.); by empowering users to do and achieve things they could not have done before without outside help (NHS in the UK promoting and supporting self-care in homes for people with long term conditions); by screening users from other people in public areas (gated communities, VIP areas, limo services); by isolating and insulating users from the outer world (rental of private islands, Good News Gazette); by protecting and enhancing personal wealth (private asset management services); by protecting personal information and property (Apple’s Find my iPhone with tracking and remote wipe services); by protecting and enhancing personal health and safety (Boots’ symptom checker WebMD); by helping users gain access to otherwise unobtainable and impossible-to-book services (the 24-hour global concierge service Quintessentially); and, finally, by helping users terminate unwanted and difficult-to-cancel relationships, memberships, subscriptions, contracts, etc. (CancelWizard).

The interdependency-independency dichotomy poses a strategic challenge for service providers and designers. Should you design for interdependency? Should you design for independency? Or should you design for reconciliation – trying to achieve both extremes at the same time? An interesting example of reconciliation is the social networking health site

PatientsLikeMe. On the one hand, the site enables and encourages its members to share information about personal symptoms and treatments. [Interdependency] On the other hand, the site makes members feel more in control of their condition and improves their ability to cope with problems in life. Members also become more involved in treatment decisions, upsetting the traditional doctor-patient relationship. [Independency]

Final Thoughts

According to my experience, neither the “designing for attributes and benefits” approach nor the “designing for ROI and corporate value” approach provides enough information, inspiration and direction in the FFE of service innovation and design projects.

A third approach, “designing for strategy dichotomies and paradoxes”, may be the answer. Inspired by dichotomies and paradoxes in strategic management literature, I have developed a theoretical framework for service strategy dichotomies and paradoxes.

This explorative study has several inherent weaknesses. Firstly, my theoretical framework is based purely on an extensive literature review, my personal experience of service innovation and design projects, and client and student feedback from lectures, workshops, meetings and client projects since 2006. My final list of dichotomies and paradoxes is by no means exhaustive or definitive; research is needed to determine the validity and reliability of the framework. Secondly, I have discussed strategy dichotomies and paradoxes in isolation from other FFE-related methods and tools such as applied ethnography (e.g., Koen 2002), futuring (e.g., Koen 2002), and systems thinking (e.g., Jones 1992). It would have been valuable to discuss the relative merits of these methods. Thirdly, I have discussed strategy dichotomies and paradoxes in isolation from other approaches to design knowledge representation, such as heuristics (Long and Dowell 1989), pattern language (Alexander 1978), and design perspectives (Hult et al. 2006).

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