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Beyond customer satisfaction. Supporting organisational change through Service Design. A case study in the insurance industry

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Abstract: Insurance companies are in the midst of massive disruptive change occurring as a result of new consumption models and technologies. Companies unable to keep up with the rapid pace of change run the risk of disappearing. Service Design has become an essential practice for firms competing in experience-centred sectors. However, Service Design is not only limited to improving customer experience: it has also been proposed as an enabler for strategic and organisational change. This paper presents a case study in which Service Design was applied to foster transformative strategy and processes in an insurance company. The experiment has shown that Service Design can help companies to identify new business opportunities, as well as assisting organisational transformations. The findings in this paper show that by adopting Design-led approaches, firms can achieve faster and more flexible New Service Development processes able to significantly reduce time to market.

Keywords: Service Design, Strategic Design, Change by Design, University-business collaboration

1. Introduction

The insurance industry is facing a massive once-in-a-generation disruption. Within the context of the burgeoning Sharing Economy and the irruption of the Internet of Things (IoT), there is a proliferation of innovative business models to meet new customer requirements and new market opportunities (PWC, 2016). Insurers even perceive that the existence of their traditional core business is starting to be questioned for the near future. According to McKinsey (2016):

> "The millennials will comprise close to half of the insurance customer pool within the next ten years […] they will expect highly interactive digital experiences,

> complete price transparency as well as fast and even instant delivery […] insurance companies that don't keep the change pace will falter and some might disappear".

Hence traditional insurance companies, which in the past focussed on changing from quality-centred to customer-centred management models (Pine and Gilmore, 2011), now face a much trickier transformation, in which a satisfactory customer experience is almost a commodity.

In this changing scenario, Service Design has become an essential practice for companies competing in experience-centred sectors, such as retailing, healthcare and well-being, banking and transportation among others (Andreassen et al., 2016; Zomerdijk and Voss, 2010). Service Design offers companies competing in those sectors a novel human-centred, creative and iterative approach to the development of new customer-centred services (Patrício and Fisk, 2013).

However, the scope of Service Design is not just limited to improving customer experience; it also has potential to bring about strategic and organisational change (Mager, 2009). Service Design can help companies to identify new business opportunities (Reason, Løvlie and Brand Flu, 2015) and support cultural and organisational transformation (Calabretta, De Lille and Beck, 2016). Therefore, besides the literature thus far, which mainly focuses on improving customer experience, more studies are needed in order to determine the transformative potential of Service Design in companies facing disruptive change.

This paper presents a case study of applying Service Design in a medium-sized insurance company immersed in the shift towards massive digitalization and new consumption models and discusses the results obtained. To this end, first we briefly review existing literature on the potential of Service Design to support strategic and organisational change. Second, we describe the Action Research methodology applied in this experiment. Third, we present the diagnosis of the insurer involved in the case study. Fourth, we describe the experiment in which MSc Design Strategy students worked together with an insurance company's top and middle managers on developing new vehicle insurance services. Fifth, we report the results of the experiment. Finally, we present the impact on the participant company and the conclusions of this research.

2. Transformative Service Design

During past decades, Design has gradually shifted its attention towards the design of services (Lee et al., 2016). Consequently, designers have enriched New Service Development (NSD) processes by including Human-Centred Design (HCD) frameworks and methods (Meroni and Sangiorgi, 2011).

Grönroos (2000) indicates that the most important contribution of Design to NSD is that the whole NSD process can be seen from the user's perspective. This is because, by applying HCD methods, companies are able to empathise with their customers and reliably tap into their needs. In addition, Service Design provides a series of visualisation tools, such as Customer Journey Maps, Blueprints, Systems Maps, Storyboards, and so on, capable of understanding the complexity of service offerings and able to take into account tangible and intangible assets, again, from the user's perspective (Diana, Pacenti and Tassi (2009). These visualisation techniques, usually implemented through co-creation workshops (Sanders and Stappers, 2014), allow companies to gain a better understanding and share information on user behaviour during service provision. Moreover, Service Design is capable of early prototype service moments and previewing failures in service delivery thanks to its prototyping techniques (Blomkvist 2014).

In summary, Service Design gives companies capabilities to better understand customer needs, to visualise services from the customer's perspective and to prototype service delivery processes.

Consequently, today, Service Design is considered to be a core discipline for service companies seeking excellence in customer experience (Andreassen et al., 2016; Zomerdijk and Voss, 2010). Moreover, Service Design has gained importance for manufacturers immersed in servitization processes (Calabretta et al., 2016; Iriarte et al., 2016; Sangiorgi et al., 2012; Teso and Walters, 2016) and it is frequently mentioned as a high research priority by service researchers (Ostrom et al., 2015).

Therefore, Design professionals are progressively starting to participate in organisational governance (Morelli and Götzen, 2016) and are influencing Business Model Innovation (BMI) processes from the very early stages (Simonchik et al., 2015: Reason, et al., 2015). In fact, according to Nijs and Van Engelen (2016), the latest Service Design research is increasingly oriented toward transformative aims and practices in organisations. Such transformation lays the foundations for strategic change towards a new logic of understanding value creation. Several authors (Costa, Patrício and Morelli, 2016; Lee et al., 2016; Sangiorgi et al., 2012;) suggest that Service Design can work as an enabler for the adoption of what Vargo and Lusch (2004; 2008) called Service-Dominant Logic (SDL). This is a novel customer-dominant value creation framework in which value is co-created between the customer and the provider (Heinonen et al., 2010).

However, as Kowalkowski (2010) indicates, the adoption of SDL affects every dimension of companies, including business models, organisation and culture. Interestingly, owing to the increasing interest of manufacturers in service innovation and servitization (Martín-Peña and Ziaee Bigdeli, 2016), in which disruptive organisational transformation is seen as inevitable, an emerging research community has started to study the contribution of Service Design to organisational and cultural change in product-oriented organisations. For example, Calabretta, De Lille and Beck (2016) underscore the important role of Design professionals in creating more service-oriented mind-sets and promoting service-oriented, bottom-up innovation processes within organisations. Additionally, Iriarte et al. (2016) indicate that, when supported by top management, Service Design works to facilitate cultural and organisational transformations towards more customer-oriented services. However, more research is needed to explore the potential of Service Design to introduce changes into organisational systems, since:

> "When the service concept requires deeper transformations that touch into the fundamental assumptions of the organisation, then designers might meet stronger resistances (Junginger and Sangiorgi, 2009 , p. 4347)."

Thus, this paper seeks to contribute to filling this gap by analysing a case study in which Design students applied Service Design to foster transformation in an insurance company.

3. Methodology

The case study described in this paper took place during four months in 2016, following an Action Research (AR) approach. AR seeks to solve practical problems in real-life situations and to develop knowledge in which applied behavioural science is integrated into existing organisational knowledge (Reason and Bradbury, 2001). We followed the Coghlan and Brannick (2014) AR cycle composed of four stages: (i) diagnosis, (ii) planning action (iii) taking action and (iv) evaluating action.

For the Diagnosis, we studied the issues and the requirements of the company in several working meetings with top and middle managers at the insurance company. Based on these working meetings, we then decided to frame the action within an academic project conducted by MSc Design Strategy students. With the university's support, 17 students were divided into four groups and then worked on developing new vehicle-insurance services for the participating company.

Finally, in order to evaluate the action, a qualitative approach was used. Qualitative approaches are suitable for exploratory inquiries when, as in this case, there is a limited theoretical understanding of

the subject (Eisenhardt, 1989). Data was collected by means of one semi-structured and open-ended group interview (Rubin and Rubin, 1995). Three upper and middle managers from the insurance company (the Marketing Director, the Vehicle Service Director and a Business Intelligence Specialist) were interviewed. The interview lasted two hours and was conducted by two interviewers; it was recorded and carried out in-house at the company once the project was finished. The script used in the interviews was divided into three points: (i) questions about the company, (ii) the need for change and (iii) the results and benefits. The questions section was inspired by the work of Walker (2016). The results presented in paper are based on the data gathered in the interview.

4. The need for change: the company diagnosis

The insurance company participating in this case study was a medium-sized enterprise, established in 1982, with 400 employees and a turnover of nearly 200 million Euros. The company operates mainly in the Basque country (The Basque Autonomous Community and Navarre) and it offers insurance services (vehicle, home, health, life, accidents, and so on) to three main customer segments: private individuals, the self-employed and companies. Although in absolute terms it is not a small insurer, its main competitors, which operate globally, are much bigger in size, some of them being multinationals.

As mentioned in the introduction, this company, just as other traditional insurers, is currently facing major trends that may completely disrupt the market. The Marketing Director listed the following ones:

> "The IoT, self-driving cars, big data, block change, the Sharing Economy and the shift to the millennial client, who differs in attitude and interests, being tech-savvy and expecting personalised experiences."

In addition to the major trends, the insurer is experiencing the commoditisation of some service attributes. In this respect, the Marketing Director stated:

> "There is a saturation in the market since there are too many insurance companies [...] in the last 10 years, insurers have lowered prices to compete in the market place."

Notwithstanding, the Business Intelligence Specialist stated that:

> "At first it seems a mature and commoditised sector, but insurers are working to secure more things, and have started to offer a greater variations in services offered."

Consequently, change is seen as inevitable for the participant insurer. According to the Marketing Director:

> "Everything is uncertain; technology puts the very existence of, for example, vehicle insurance under question. Everything will change. Thus, the issue is not the change, but the cycles of change. When will it change? How fast? The pace of change is what matters, and adapting the company and the products to change at the right pace".

The market is evolving at a high speed, which pushes insurers to accelerate their development processes. The Marketing Director stated, "We have to be faster when bringing new products and services to the market; we usually are not very quick at this."

Against this background, and with the encouragement of top management, the insurance company decided to undertake our 'Enhanced Customer Experience Project' with the aim of increasing their brand ambassador base and reaching excellence in customer service. It was decided to focus the project in the service undergoing most changes —private vehicle-insurance service— and on the

most critical customer segment —millennials. After conversations with the researchers, in which successful case studies in other sectors were discussed, the company decided to address the challenge through Service Design.

5. The experiment: undertaking the Service Design Action

The experiment was developed within the framework of a long-term university-business collaboration. This framework was set up to enable the insurance company to experiment with Service Design through the application of Project-Based Learning (PBL) processes. According to Fink (2002), PBL processes allow cooperation between industry and university. In the experiment, MSc Design Strategy students worked on the assignment —the Enhanced Customer Experience Project— with the active cooperation of company's eight top and middle-managers, under the supervision and guidance of the authors.

In the experiment, the students applied Mondragon University Design Methodology (DBZ, 2014). As Stickdorn and Schneider (2010) indicate, Service Design methodologies do not differ procedurally from general design processes. Although they may vary in the number and in the denomination of phases, explorative (understanding the current situation, context, people, and problems), creative and evaluative actions (generating and prototyping ideas and concepts) are common to Design-led processes.

The process began with exploration phases, in which opportunities for improvements in the current customer experience were identified. These initial phases were guided by observations and by discussions with users and other stakeholders in order to uncover problems, needs or interests that could potentially lead to the creation of new service opportunities. Afterwards, the students focused on generating solutions through creating concepts and subsequently developing them through prototyping and testing with potential users. The experiment in this paper records their work up to the idea development phase, during which students built functional prototypes and mockups to represent the new designs that met the interests of the company.

The design process encompasses both HCD research methods and Service Design visualisation and prototyping tools. Table 1 lists the HCD research methods used by the students during the process, while Table 2 lists the Service Design visualisation and prototyping tools used. The HCD methods were classified according to the Hanington (2003) categorisation, while Service Design tools were classified according to the Diana et al. (2009) grouping.

During the process, three co-creation workshops with the participant company were held. The co-creation workshops were divided into three stages. First, the researchers presented the aim of the workshop, introducing to the company's employees the corresponding methodological phase. Then, the students presented the progress of the project, explaining the work carried out, the methodologies and tools (Table 1 and Table 2) applied and the results obtained. In the third stage, participating employees evaluated the students' work.

Table 1. The HCD methods used by the students during the experimentation

Category	Methods
Traditional methods	Surveys, Interviews, Focus Groups, Mystery shopper

Adapted methods	Contextual Observation
Innovative methods	Cultural Probes, Service Safaris

Table 2. Service Design visualization and prototyping tools applied by the students during the experimentation

Category	Tools
Maps	Service Ecologies (System Maps, Actor Maps)
Flows	Blueprints, Customer Journey Maps
Images	Personas, Design Scenarios, Mood boards, Evidencing
Narratives	Storyboards, Service Walkthroughs, Desktop Walkthroughs, Dramaturgy

6. Results: Evaluating the Service Design Action

Firstly, it is important to note that prior to the experiment, the participant insurer claimed to have no previous knowledge of the existence of Service Design, and the scope of Design as a discipline to improve service innovation and customer experience. As the Marketing Director stated, “To be honest, it was an experiment for us, a trial with not much expectations”. Yet, some concepts such as Touchpoints, Service Moments, Moments of Truth, and some tools, such as Service Blueprints, Customer Journey Maps, Mystery Shoppers, and so on, were partly in use within the company, “Since they are also used in marketing,” explained the Vehicle Service Director.

Nevertheless, even if some of the tools were familiar, the company showed great interest in the students’ capacity to embed the emotional point of view of the client when analysing their service offering. The Vehicle Service Director said that the company had never worked with a Customer Journey Map which embedded the client’s emotional perspective in such an explicit way. This aspect caught their attention and they valued it as a highly useful tool.

In this context, when talking about the main values of Service Design, the Marketing Director stated, “What I found most valuable about Design is the differential approach, the freshness of the designers and the powerful design process”. In line with this, the Vehicle Service Director stated:

> “The exploration phase was very powerful. The Design students understood the sector and the major trends very quickly, and they helped us observe the service offering through the client’s lens. In some cases, they even helped us open our eyes with respect to the way Claims Handlers deal with our clients”.

When asked about the quality of the results, the Marketing Director said, “The outcomes were satisfactory and the new design proposals were coherent in both the operative and strategic levels”.

Based on the students’ work, by the end of the project, the participating insurer’s team had identified 48 specific actions for implementing new proposals in the short and medium term. Moreover, the company commended the speed of their design process. Originally the team thought that the first year would only encompass the ideation phase; however, 16 out of the 48 actions were implemented in the same year the experiment was conducted.

Based on these results, the participating managers said that the experiment demonstrated that by adopting Design-led iterative processes, which join explorative, creative and evaluative actions, NSD work could be done more quickly. In fact, the Marketing Director indicated:

> "We have reduced significantly our time to market […] we didn't used to be so quick […] prior to the experiment we would develop the project internally and launch it to our entire client base […] now we have adopted a faster prototyping approach by testing these ideas with a select group of customers".

Nevertheless, the interviews also identified some challenges raised when implementing the designs proposed by the students. On the one hand, with respect to the new approach experimented by the company, the Vehicle Service Director stated that:

> "Perhaps the main barrier may be getting the organisation used to launching beta-version products and services, and testing them with key users. This may take a big effort in terms of adapting our organisations' work culture."

The interviewees went on to further explaining that the main challenge with to this barrier will be the company's internal culture; more specifically, in the words of the Vehicle Service Director:

> "Some of the new design proposals require changes in our software and hardware systems […] however; I believe that the major challenge for implementing the ideas may very well be our company's internal culture".

However, change in the company's internal culture is not seen as an insurmountable barrier. According to the Marketing Director, it is possible that the company actually has an important advantage in this respect that bigger competitors may not have, since:

> "Being a flexible, small, young and dynamic organisation positively contributes to the acceptance of a culture of change, as well as having top managers who understand the need of change and support transformation".

On the other hand, the interviews also highlighted some potentially important barriers for implementing some of the more disruptive design proposals which will affect the company's business model. Initially, the company was looking for easy-to-implement small changes in their service offering which could improve customer experience without transforming significantly their back-end processes. In this respect, some of the concepts presented require additional development and investment and, since the company pays special attention to its pace of change, this is one of their major concerns. According to the Marketing Director:

> "Some of the ideas related with the major trends, i.e. the Sharing Economy or big data, could have a big impact at a strategic level […] but it is key to pay attention to the timing of launching disruptions. We may think the market is ready, but if we launch something prematurely this could be a total failure."

However, despite such concerns, according to the Marketing Director, some of these disruptive concepts helped to open up the minds of some of the participating middle managers who do not keep a close eye on new trends in the sector. Moreover, one of the proposals that involved a strategic repositioning of the company in the market towards more collaborative insurance models was actually included in the company's plans.

7. Conclusions

This experiment, in line with the research of Grönross (2000) and Zomerdijk and Voss (2010), confirms the validity of Service Design as a discipline to examine service offerings through the customer's lens and as a way to seek excellence in customer experience. Moreover, the experiment

was also able to confirm that Service Design has potential to go beyond customer experience improvements and to work as an enabler for strategic and organisational change.

With respect to its important impact on the company's strategy, Service Design has helped the participating insurance company to discover and visualise new valuable business opportunities for upcoming scenarios, resulting in implementing improvements and creating specific new services. The company did not expect such profound change to take place prior to the experiment. The experiment's contribution to strategic-level changes, including profound changes in its services, meant that its top and middle managers were able to recognise the value of Design to go beyond improvements in customer satisfaction. Moreover, in this particular case study, Service Design was able to grasp a highly volatile and changing business scenario and to materialise satisfactory proposals in the short, medium and long term for a company immersed in disruptive transformation.

With respect to organisational change, prior to the experiment, the participant company was aware of the need to transform its organisational structures and processes in order to accelerate its NSD process. The company needed a much more flexible NSD approach to keep up with the pace of change in the sector. This experiment encouraged the company to adopt Design-led NSD processes, which subsequently changed the way in which it addresses the design, development and launch of new services. The company also adopted a faster prototyping approach by testing its ideas with a select group of customers. By doing so, and with a minor change in its organisational structure, they the company significantly reduced its time-to-market period.

This paper has presented a case in which Service Design was applied to foster change above and beyond improvements in customer experience. The experiment has shown that Service Design can help companies to identify and materialise new business opportunities and can help support organisational transformations for companies competing in rapidly changing markets. However the results in this paper must be understood within context. The participating company's internal drivers for change were strong and there was a strong push from top management to embrace change; moreover, the organisation was mentally prepared to embrace it. The company is also geographically compact, small and flexible enough to rapidly change its processes and structures. We therefore believe these factors had a positively influence on the experiment.

Further research is necessary in order to be able to generalise the conclusions presented in this paper. More empirical cases in more types and sizes of organizations in different sectors are needed in order to determine the true transformative scope of Service Design. In the same way, more research is needed in order to analyse how Service Design can help to disseminate cultural change, which seems to be the most critical barrier for introducing change in organisations facing disruptive change.

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