Transition from Startup to Growth Phase in a Software Development Company

A Case Study of Ramsalt Lab AS

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Abstract

Aim for most of the companies is to grow in size and in terms of revenue; more specifically for startup companies. In addition companies, in pursuit of growth, strive to elevate the level of customer satisfaction as they consider their clients to be the driving force for success. In this thesis we explore how such growth aims have enabled one IT-consultancy company in Tromsø to develop their strategy. The thesis is predominantly based on the review of theoretical concept and assimilation of these concepts to understand the case study of Ramsalt Lab AS.

In essence our thesis is driven by the topic based on a case study of Ramsalt Labs AS and their transition from startup to growth phase.

Ramsalt Lab AS (Ramsalt) is a consultancy company that currently delivers services related to web development. Their customers include organizations that organize one-time and recurring events, newspapers and universities. The services they deliver include the use of a Content Management System (CMS) named Drupal, which is an open source platform. This is a framework in which Ramsalt Lab AS wants to be a market leader. Recently Ramsalt modified their business model from being an exclusive IT-consultancy company to a more hybrid version of business model. This enables them to stay as a consultancy company at the core but also utilize the benefits of product oriented firms.

Our thesis has explored Ramsalt's experience with the launch Ramsalt Media as a standardized spin-off product. Furthermore, we have attempted to create a model (Spin-off Opportunity Model) which will assist Ramsalt to adopt similar strategy of spin-off products in other market segment and thus enabling them to grow. We also believe that the model created in this document will be further explored and can be applied by other companies in the software development companies.

Key words: Ramsalt, Ramsalt Media, Case Study, Innovation, Standardization, Spin-off, Brand Equity, Brand Extension, Efficiency, Business Model, Lean Startup, Design Thinking, Customer Development, Startup

Foreward

This thesis concludes our Master of Science in Business Creation and Entrepreneurship at the University of Tromsø - The Arctic University of Norway (UIT).The research was carried out the spring of 2014 and conducted in Tromsø. The project was supervised by Professor Lene Foss, with the help of co-supervisors associate Elin Merete Oftedal and university lecturer Sven-Arne Pedersen. The thesis was submitted to The School of Business and Economics, at the University of Tromsø - The Arctic University of Norway (UIT).

We would like to extend our sincere gratitude to Ramsalt Lab AS for letting us investigate the most interesting startup company in Tromsø and guiding us through the thesis by providing their invaluable feedback. We would also like to thank Knowit AB for giving us their perspective as an established software development company. In addition, we would like to extend our sincere gratitude to Professor Lene Foss, for her extremely valuable feedback throughout the entire thesis. We would also like to thank the two other supervisors for this thesis, Elin Merete Oftedal and Sven-Arne Pedersen for their valuable feedback and tutoring. Furthermore we would like thank The School of Business and Economics at the University of Tromsø - The Arctic University of Norway (UIT), for financing our field research expedition to Stockholm, Sweden.

Quamber: I would like to express of sincere appreciation to my classmates in the BCE studies. It has been a true experience and a sheer pleasure to get to know each and every one of you. My special thanks go out to my fellow author Martin Victor Nagy, you have been inspirational. Additionally I would like to thank my family for supporting me and motivating me to take this masters program.

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Abbreviations

BCE Business Creation and Entrepreneurship

CEO Chief Executive Officer

CMS Content Management System

EEP Entrepreneurship Education Program

EUF Editorial User Forum

GOM Guidelines of Modeling

ICT Information and Communication Technology

IT Information Technology

MVP Minimum Viable Product

SD Software Development

SDC Software Development Companies

SOM Spin-off Opportunity Model

UIT University of Tromsø - The Arctic University of Norway

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Chapter 1

Introduction: Theme & Research Questions

This chapter will outline the key points of the study; it will also assist in developing a link between the different parts of the thesis. The aim of this chapter is to give an understanding of our motivation towards this thesis and our contribution to the existing literature.

The topic of our master thesis is based on a case study on Ramsalt Labs AS and their transition from startup to growth phase. This chapter embarks its journey with the presentation of theoretical framework where we will give a description of the project and its related aspects. From there on we will give a brief introduction on the different aspects and challenges attached to the study.

The chapter will also enable us to reflect on the scope of the entire thesis. This chapter will entail a brief overview of different approaches, which we will utilize in order to gather relevant information. Having defined the scope of the thesis, the essence of the entire chapter is to formulate research questions on the bases of which we relate the entire study. At the end of this chapter an outline to the structure of the entire thesis will be provided.

1.1   Motivation

The current market demand has lead to a great emergence of software development companies (further referred to as SDC). Many of these SDC aim at customizing all services on request by their customers. However, when there are many clients with

similar needs and problems, looking at an approach where these similar needs are analyzed to develop a standardized solution, might help increase productivity and promote efficient workflow. This facilitation for higher productivity is increasingly sought after by many software developing companies, as they grow.

The IT-industry have in the last 20 years experienced a phenomenal growth in many countries (Agrawal et al., 2012). The IT-industry in broader terms encompasses companies that are involved in developing computer hardware, software, semiconductors, internet, telecom equipment, e-commerce and computer services. However, within the IT-industry the companies that are involved in developing the software are further divided based on the business model that they have for their operations.The business model concept generally refers to the articulation between various areas of a firm's activity designed to give maximum value to the customers (Tikkanen et al., 2005). Many of these SDC adopt a business model where they provide software services through consultancy by providing customized software solutions to their clients, thus called IT-consultancy companies. While there are others that follow the business model where they provide standard software solutions based on their understanding of the market needs. Overall both the IT-consultancy and the solution based companies come under SDC as a whole.

During our initial choice of topic for the master thesis, this project stood out as clearly the most interesting project. One of the authors of this thesis has a masters' degree within IT, as well as working experience in software development. The second author has a relevant experience in the field of finance and economics and has professional experience with working in corporate working environment. In addition, both authors have a great interest in new technology and are highly motivated to understand the dynamics within the software development industry. We found this project to be the most challenging where we could contribute the most.

1.2   Infusion of Academia and Industry

University contribution towards the developing and commercializing of scientific research has widely been discussed in the literature on academic entrepreneurship. Academic entrepreneurship refers to creating an environment in order to exploit knowledge and to stimulate entrepreneurial behavior within the university setting (Wakkee and Van der Sijde, 2002).

In essence the universities have stimulated this entrepreneurial behavior within the society by introducing the Entrepreneurship Education Program (EEP)(Fayolle et al.,

2006). By introducing EEP the universities have not only responded to increased interest in innovation (McQueen and Wallmark, 1982) among the students but have also responded to increasing awareness toward the importance of entrepreneurship as a stimulant for economic development (Hytti and Kuopusjärvi, 2004).

Research on academic entrepreneurship reveals that there are different motivations deriving a scientific research and a business. Scientific research is more future oriented, while businesses are more action oriented and focus more on short term results (Foss et al., 2013). This divergence in motivations has resulted in the evolution of university roles as a mediator between university and the industry. Universities now act as a catalyst for linking the industry to the university research. Moreover, the universities have also been instrumental in developing a network which not only has researchers but also business students that have vast knowledge about startups and market dynamics. This newly assumed role of bringing research and industry together has been conducive in development of academic entrepreneurship.

The Business Creation and Entrepreneurship (BCE) program at The School of Business and Economics at the University of Tromsø - The Arctic University of Norway (UIT) has been instrumental in creating this link between the industry and the university. The BCE program at UIT not only facilitates university research into successful startups, but has also contributed with skilled workforce who are useful to companies that are in need of developing their business.

In addition to developing companies such as Moose on the Loose AS, Globesar AS and D'Liver AS; the BCE program has also produced skilled human resource such as Tage Skotvold who is involved Ramsalt Lab AS in developing their business. In addition to this, our thesis research questions originates with Ramsalt being at the core.

In contrast to thesis based on research ideas developing within the university setting, our thesis is based on the findings from the case study on a company from the software development industry. The BCE program has enabled us to understand and develop the required competency in order to assist industry players with simplifying their problems.

Our educational background, studying a master in Business Creation and Entrepreneurship (BCE) leading up to this thesis, has played a major part in our understanding of various areas and processes within both academic and business entrepreneurial activity.

Component	Description
Component 1: Goals	Why is your study worth doing? What issues do you want it to clarify, and what practices and policies do you want it to influence? Why do you want to conduct this study, and why should we care about the results?
Component 2: Conceptual framework	What do you think is going on with the issues, settings, or people you plan to study? What theories, beliefs, and prior research findings will guide or inform your research, and what literature, preliminary studies, and personal experiences will you draw on for understanding the people or issues you are studying?
Component 3: Research questions	What, specifically, do you want to learn or understand by doing this study? What do you not know about the things you are studying that you want to learn? What questions will your research attempt to answer, and how are these questions related to one another?
Component 4: Methods	What will you actually do in conducting this study? What approaches and techniques will you use to collect and analyze your data, and how do these constitute an integrated strategy?
Component 5: Validity	How might your results and conclusions be wrong? What are the plausible alternative interpretations and validity threats to these, and how will you deal with these? How can the data that you have, or that you could potentially collect, support or challenge your ideas about whats going on? Why should we believe your results?

Table 1.1: Components for Research Design (Maxwell, 1998)

1.3 Theoretical Framework

In this section our main objective is to develop research questions on the basis of the preliminary understanding of the case study and literature review. We will therefore review the literature on the research design and evaluate the scope of our thesis and the theoretical framework that we are going to follow.

Within this section we will focus on defining the path we will follow to substantiate the research questions put forward. To accomplish this we will follow the guidelines of research design put forward by Maxwell (1998) and presented in table 1.1. The five components by Maxwell (1998) are used in this thesis, to analyze and ensure that the problem domain was sufficient to conduct academic research. In addition to this our discussions with the supervisors and the idea provider has helped us to reflect on the scope of the thesis and the understanding of the research questions.

1.3.1 Defining Goal

The first component of the research design focuses on the elaborating the goals of the study. In our thesis we will investigate the transition process of a Tromsø-based company Ramsalt Lab AS (also referred to as Ramsalt) from being a startup SDC to a growth company. Our focus is to analyze the changes made by Ramsalt for them to achieve the goal of growth. We will specifically analyze their transition from being a core IT-consultancy company to a more diversified SDC company offering more standardized solutions. Our study involves a case study on how Ramsalt developed a spin-off solution which focuses on standardization of recurring processes and creating a standard solution called Ramsalt Media; which specifically targets their clients from the media industry. Our research will look at how the creation of a standardized spin-off product assists Ramsalt in achieving their growth goals and if standardized software solutions can be innovative. We will analyze the case study and develop our arguments in order to relate our findings from Ramsalts case study to other IT-consultancy companies.

1.3.2 Conceptual Framework

Defining the conceptual framework is essential for our study, as it will streamline the thought process and enable us to develop a well structured argument. As our thesis relates to a case study on an IT-consultancy company at a startup phase, we will look into the theory that defines the challenges that startup companies have to encounter. In

addition to this the case study on Ramsalt will reveal how the change in their business
model has helped them achieve their growth goals. Thus to analyze the effects of
business model we will look into various models that define the adoption of business
model and their effects on the goals of the organization. We will also look into
theoretical material that explains the development of a dynamic business model. In
addition to this we will be reviewing the concept of standardization and can this concept
be innovative for software development companies. It is also imperative to understand
the function of organizations' work environment in understanding their attitude towards
experimenting and innovation in their work processes. Additionally an understanding of
the concept of spin-off as a brand extension is also essential, and is explained later in the
study. Understanding where on the innovation map this research lies, will help us in
developing our discussions. For this we will utilize our preliminary work which includes
the review of the innovation theory and the assessment of the case for innovativeness.
However, we will reevaluate the innovation study to adjust with more recent findings.

1.3.3   Understanding Research Questions

After setting the goals of the study and defining the conceptual framework for the
research, a reflection on the research questions (refer to section 1.4) can assist us in
carrying out the research. With this research we are trying to understand the Ramsalts'
transition from a startup phase to a growth phase. Through this study we want to
understand and analyze the finding from Ramsalts' case; and also to relate the findings
to other SDC in order for them to attain efficient growth. In essence our ultimate
objective is to develop a model that assists software development companies (SDC) to
identify the opportunities where they can standardize their processes and attain their
objective of growth and efficiency while keeping the innovation process alive.

1.3.4   Identification of Methods

The fourth component of the research design relates to the method we are going to
utilize how to carry out the research. We consider that the most suitable research
method for our thesis is an empirical study that is focused on a qualitative research
approach. Quantitative research are designed to help researchers to understand the
social and cultural context within which people live and it evaluates all the factors that
influence a situation rather than evaluating factors that can only be defined through
quantitative methods (Myers, 2009). Our research will evolve with an analysis of the
case study of Ramsalt Lab AS. In addition to this we will investigate the industry

dynamics by conducting interviews from within the industry in order to attain better insight. We will further formulate our understanding of Ramsalt's current work processes by retrieving internal documents and observing their success with the spin-off solution Ramsalt Media. A detailed analysis of the methods used are provided in chapter 4.

1.3.5 Verification

The last part of our thesis will focus on the validating the findings and reviewing the the limitations to the study. We believe that a qualitative study which is based on a case study and interviews from a single industry, can have findings that need to be validated with in other industries in order to be more substantial. A more detailed version of the validation and the implication of the study will be presented in section 4.3 and chapter 6 respectively.

1.4 Research Questions

Our study, being slightly unorthodox from the conventional Business Creation and Entrepreneurship (BCE) master theses, will be an academic oriented thesis. We will take a path where the main objective will be to accentuate on the following research questions:

1. RQ1: How to facilitate a transition from a startup company to a growth company within software development?

2. RQ2: How can standardization assist in creating spin-offs in a commercial setting, and how can it be innovative?

3. RQ3: How can an organizational work environment facilitate in development of an innovative model for growth?

In addition to the research questions we further scrutinize the research more specifically toward the implication of such a methodology on target industry players.

1.5 Spin-off in a Commercial Setting

Creating a spin-off in an academic setting relates to the commercialization of the research ideas that are developed in the university. The creation of university spin-offs

are considered as the most promising means to pass on the research results in the market (Ndonzuau et al., 2002). However, spin-off in a commercial setting has a different meaning. A spin-off in a commercial setting can relate to corporate restructuring where the motivation for creation of such spin-off is corporate focusing (or refocusing) (Chemmanur and Yan, 2004). The notion behind such a concept is that by creating a spin-off company the parent-company can focus on its core activities while they still gain from the spin-off announcement (Chemmanur and Yan, 2004).

Having reviewed the concept of spin-off in an academic and corporate setting; we now need understand the meaning of spin-off within marketing perspective. In marketing strategy the use of the term spin-off is utilized to refer to spin-off products that are used as a brand extension strategy (Keller et al., 2011). Brand extension is a widely used marketing strategy (Keller, 1998), which focuses on marketing the launch of a new product by linking the existing brand name to the new product. Thus by utilizing the existing core brand equity (Muroma and Saari, 1996) the firm gives a boost to the initial launch of the new product.

The understanding of the concept of spin-off product and brand extension has a high significance in our thesis, as our study is based on the creation of such a spin-off product by Ramsalt Lab AS. We will in our analysis of the case study examine the impacts of adopting such marketing strategy by Ramsalt, and will further elaborate on the impacts of adopting such strategy of creating spin-off products on other SDC.

Ramsalt Lab AS (also referred to as "Ramsalt") is a consultancy company and currently delivers services related to web development. Their customers include organizations that organize one-time and recurring events, newspapers and universities. The services they deliver include the use of a Content Management System (CMS) named Drupal, which is an open source platform. This is a framework in which Ramsalt Lab AS wants to be a market leader.

We will analyze Ramsalt's success in creating a spin-off product, and the influence of adopting the strategy of creating spin-off product on the growth aims of the company. The study will enable us to formulate a model for other SDC to identify opportunities to create spin-offs and achieve their growth aims. In essence the study will enable us in creating a recipe to develop a strategy, by which software development companies (SDC) can branch out there businesses successfully.

1.6 Case Study with a Market Study

A market study is usually based around a product, but in this project an internal process is being explored and further developed. Based on our preliminary understanding we identify the innovation as a process innovation, where the innovation inclines more towards incremental rather than a radical innovation (refer to chapter 3). Since it is a process innovation and a process centered project it requires a different approach than a product centered project.

The market study in a process centered project involves analyzing what actions are already being done, and how these actions can be adapted to make the process more efficient. Thus, a thorough analysis of the case will be carried out and detailed in the study. A product centered market study allocates a lot of focus on rigorous analysis of competitor's product.

In this project the focus will be on industry and organization processes, but also on how to rearrange the business model to cope for the objective of the restructuring, creating a spin-off that facilitate for higher efficiency and scalability. This is why we have chosen a case study approach to the analysis.

We consider that information from the primary source (Ramsalt Lab AS) will be regarded as the most crucial piece of information in this entire study and will set the tone of the arguments that are presented later in the study. In addition to this end-user benefits are also one fact that needs to be adhered to, and thus existing network connection from Ramsalt Lab AS will enable the study to gather more information on the same.

1.7 Contribution

In our thesis we will be reviewing literature that focus on assisting companies in transition from a startup phase to a growth phase while adopting different strategies to increase their efficiency. Our expectation from this study is to contribute to the existing literature in a way that it will:

- Assist software development companies to identify opportunities where they can utilize standardization to create spin-off products, thus attaining efficiency and eventual growth, and to discover niche market segments.

- Provide a case study of a startup software development company, Ramsalt Lab

AS, and their exploration of specific strategic decisions in their transition process from a startup company to a growth company.

- Present a model with guidelines to facilitate startup companies within the software development (SD) industry and by that enable them to efficiently create spin-off products.

Overall we perceive that the current study will enable researchers to further explore if a such model can be applied to industries other than the SD-industry.

1.8   Limitations

During the course of this thesis we encountered challenges and limitations. However, we took these challenges as an opportunity to learn, and managed our thesis in order to carry out a stimulating research that contributes to the existing literature.

It is, nevertheless, important to mention some of the limitations that we encountered during the research. The first of these limitations relates to the timeframe in which this research was to be conducted. As the research study was spread over the period of six months, we consider that time limitation had impacts on the verification of the model presented in this thesis. We think that the model can be utilized by other companies in the SD-industry to discover spin-off opportunities within their work processes and thus enable them to grow.

Another limitation that we encountered during our research study was assembling relevant information to analyze the case. We think that it was difficult to retrieve strategic information from the SD-industry. However, this challenge turned out to be a learning experience for us as we needed to understand the industry dynamics surrounding software development, and thus we utilized various qualitative methods such as interviews to gather information.

The most challenging of all the limitations was to discover and relate existing literature to substantiate our arguments. We consider that a great degree of research can be done on topics that are related to spin-off products and we consider that our research will have a *'snowball'* effect on the research environment.

1.9   Thesis Structure

The thesis is organized in the following manner:

Chapter 2 - Background Theory give an overview of the necessary theory to both understand the investigated domain, as well as a proposed solution for improvement.

Chapter 3 - Innovation Study place the thesis on an innovation map. This helps clarify the degree and type of innovation.

Chapter 4 - Method presents all information related to the method used; type of data, how the data is collected, and how the data is analyzed.

Chapter 5 - Case Study describes the current status of business processes, strategies, and organization structure of Ramsalt Lab AS. The focus of the case study is Ramsalt's transition from a startup to a growth company.

Chapter 6 - Research Findings & Discussion describes the findings from the thesis. The findings consist of thoughts and ideas gathered through interviews with people in both the startup IT-consultancy company Ramsalt Lab AS, as well as the established IT-consultancy company Knowit AB. This chapter also provides a discussion on the importance of the findings.

Chapter 7 - Spin-off Opportunity Model is presented in this chapter, and further elaboration of the steps are described.

Chapter 8 - Conclusion and Further Work concludes the research and present proposed strategies for improvement in the problem domain, such as a model to support spin-offs business processes. Possible approaches for future research is also presented.

Appendix A - Competitor Analysis describes advantages and disadvantages of the competitors in a rigorous manner.

Appendix B - Interview Questions contains the questions used as a basis for the interviews.

Appendix C - Design Thinking Model is an elaboration to the model presented in the thesis.

Appendix D - Ramsalt Media Marketing Material provided by Ramsalt Lab AS as an explanation to the marketing strategy of Ramsalt Media.

Chapter 2

Background Theory

The aim of this chapter is to provide enough information to understand the theoretical building blocks of the thesis. The chapter will enable us to analyze the case study in detail and will also enable us to reflect on the findings and to create a model around it.

First, we look into lean startup principles, which is an efficient utilization and development of the business side of an idea. Then, we discuss the design thinking methodology, which focus on the development of the idea itself. After the initial discussion of the models we undertake the journey for comparing these models for a better understanding of them. Then, we explain the customer development model, which talks about customer discovery and the subsequent development of customers and company. We also try to understand the dynamics that are involved with standardization processes.

Later in the chapter, the impact of organizational learning is described. Then, we take a deep dive into the existing theory on organizational structure, work environments, and process innovation to get an overview of possible approaches to the case study of Ramsalt Lab AS. In the end, we analyze the various components of the business model and their impact on the overall efficiency of the entity, as well as theory on transition from a startup company to a growth company.

2.1   Lean Startup Principles

In the development of the spin-off Ramsalt Media, Ramsalt Lab AS utilized lean startup principles. To understand the background for the decisions on using this model in the development of Ramsalt Media we provide a description of the lean startup principles.

Lean startup is a customer-oriented approach of developing a sustainable business.

The lean manufacturing principles were originally developed by Toyota in the 70s (Warnecke and Hüser, 1995). The aim was to increase production capacity by focusing on innovating the manufacturing processes. Later, the lean principles were further developed by the IT-industry to accommodate for usage in business startups. Ries (2011) formed the lean startup principles which is a methodology for product and business development with a focus on iterative product development and as well as customer orientation. This type of iterative business processes are in accordance with the current trends (Poppendieck and Cusumano, 2012)(Blank, 2013).
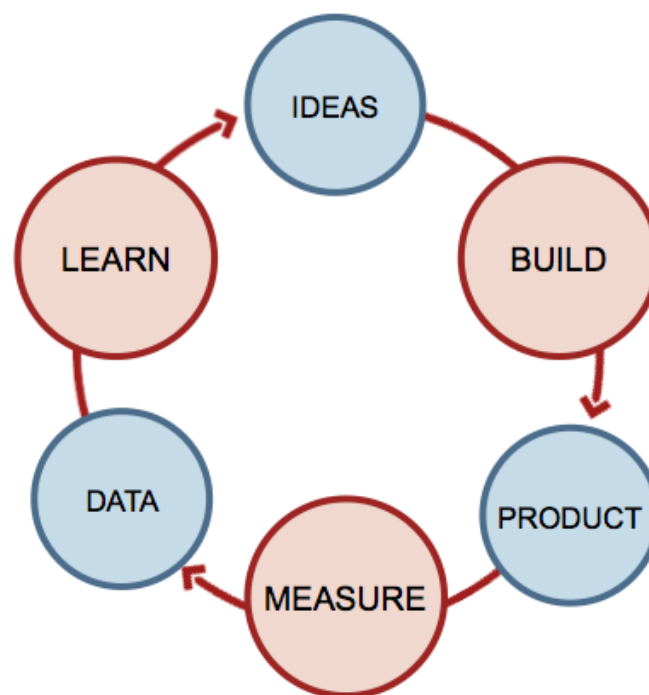
Figure 2.1: Lean Startup Build-Measure-Learn Feedback Loop (Ries, 2011)

The lean startup is a set of principles, all facilitating an efficient startup business. One of the most prominent principles is the build-measure-learn feedback loop, as seen in figure 2.1. The main stages are build, measure, learn, and in between these, the stages ideas, product, and data are found. The build stage focus on developing the actual product. The measure stage includes testing the product on a customer and retrieving feedback. The learn stage consist of figuring out necessary improvement steps based on the previous stage. The in-between stages are only placeholders, as the build, measure, and learning stages happen in between these. The model is called a feedback loop as it is iterative continued until reaching a satisfactory state.

This model also encompass some key ideas. One key idea is going as fast around the

feedback loop as possible. This will result in faster retrieval of feedback, which in turn can lead to earlier changes of the product. Another is quick development by developing a minimum viable product (MVP), which is a product with as least amount of functionalities to work, allowing for rapid testing and feedback.

Since Ramsalt Lab AS use lean startup principles as the core business model framework, including when developing the spin-off Ramsalt Media, understanding these principles are essential for our study as this will enable us to analyze the case in depth.

2.2 Design Thinking
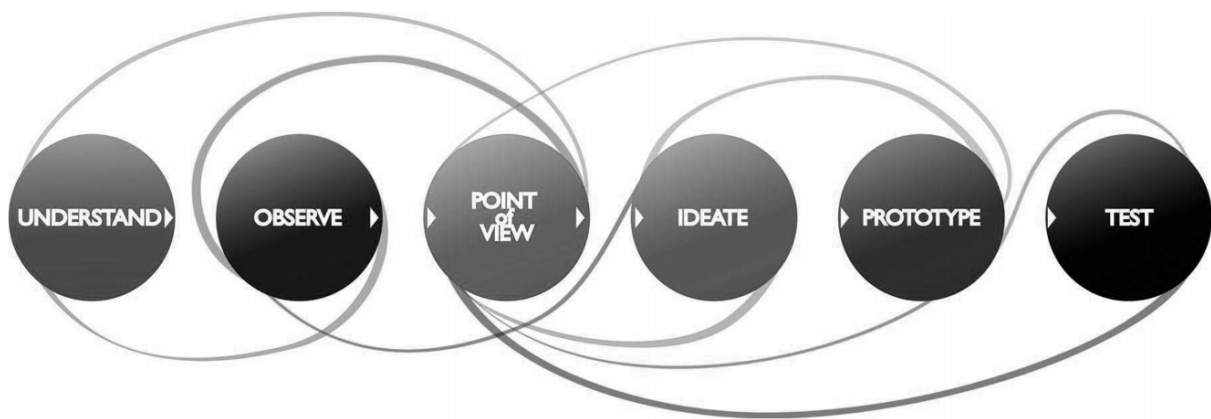
Figure 2.2: Design Thinking Process Model by (Plattner et al., 2009) as Presented by (Thoring and Müller, 2011)

As the lean startup principles is the standardization of business development, design thinking is the result of standardizing of the idea development process. Ramsalt Lab AS desires a standardization of the approach to developing spin-offs, from the idea opportunity discovery, to the spin-off business development. To accommodate the a broader perspective of both parts, design thinking is presented in this section.

Poppendieck and Cusumano (2012) argue that today's systems need to use a continuous delivery system approach to accommodate the rapidly growing software development companies. Therefore the idea development processes need to support rapid change and asynchronous updates. Design thinking is a widely used methodology that accommodates this.

The first signs of design thinking emerged out of design engineering in the 70s, giving greater focus on user-centered design. This was further developed in the 80s and 90s to form design thinking.

As presented in figure 2.2, design thinking is an innovation process methodology consisting of six main steps. Understand, observe, point of view, ideate, prototype, and testing. The understand stage is about understanding all relevant issues on the problem domain. The observe stage and the point of view stage is about getting empathy for the user by observing the user and investigating the problem domain with a user perspective. The ideate stage and the prototype stage is about creating a solution, and exploring the possible solutions. The test stage is just that, testing the prototype and figure out how well the proposed solution fits to the problem domain. The whole model is also iterative, which means that if a stage do need more research, a jump to a previous stage can be done at all times (in contrast to the model in figure 8.4 which propose that it is only possible at the end). Figure 8.4 show a highly detailed description of the design thinking process for understanding the specific stages to implement.

Understanding the design thinking idea development methodology is important, as it will enable us to identify possible approaches, such as efficiently creating a spin-off based on an idea derived from similarities of work processes in a IT-consultancy company. In addition, although not all of the design thinking principles will be utilized, the understanding of an iterative idea development process, which have some similarities with lean startup, is important to get a broader perspective on the idea development process.

2.3   Comparison of Lean Startup and Design Thinking

In this section, a comparison of the methodologies in the two previous sections, lean startup and design thinking, is presented. By understanding the similarities and differences of the two methodologies a gap for the creation of a model is investigated.

Thoring and Müller (2012) investigates the difference between two popular user-driven approaches to innovation startups, lean startup and design thinking. As lean startup has currently been utilized by Ramsalt Lab AS in the development of Ramsalt Media, it is interesting to see what possibly the ideas of design thinking could add to the startup process.

In table 2.1 the comparison by Thoring and Müller (2012) of similarities and differences of design thinking and lean startup is presented. The most important similarities are that they both have an innovation focus, both utilize a user-centered approach, they test the developed prototypes and make use of recurring improvement strategies through

What	Design thinking	Lean startup
Goal	Innovations	Innovations
Scope and focus	General innovations	High-tech innovations for startups
Approach	User-centered	Customer-oriented
Uncertainty	Solved wicked problems	Unclear customer problem
Testing	Fail early to succeed sooner	Pivoting is at the heart of the 'fail fast' concept. The sooner you realize a hypothesis is wrong, the faster you can update it and retest it.
Iteration	Yes ('Iteration')	Yes ('Pivoting')
Ideation	Ideation is part of the process, solutions are generated in the process	Ideation is not part of the process, product vision is initially provided by company founders
Qualitative methods	Strong focus: elaborated ethnographic methods, user research, observations	Not a focus
Quantitative methods	Not a focus	Strong focus: metric-based analysis; provides matrices, and testing
Business model	Not a focus	Focus
Adaptation of deployments	Not a focus	Five whys method
Typical methods	Shadowing, qualitative interview, paper prototyping, brainstorming (with specific rules), synthesis	Qualitative interview, smoke test, paper prototyping, innovative accounting, split (A/B), tests, cohort analysis, funnel metrics, business model canvas, five whys method
Hypothesis testing	Not focus	Focus
Prototype testing	Yes	Yes
Rapid iteration	Yes	Yes
Target group	Users (usually end users, sometimes other stakeholders)	Customers (distinguished between users, influencers, recommenders, economic buyers, decision makers)

Table 2.1: Comparison of Lean Startup and Design Thinking (Thoring and Müller, 2012)

rapid iteration. From the differences described, we find the scope, and the related project initiation, and user focus to be the most important ones. The scope of lean startup is addressing startups, but design thinking is trying to examine innovations at different stages, other than just startups. This is due to the fact that, for design thinking the project initiation starts with a challenge, but with lean startup the idea is usually already identified at project initiation.

Thoring and Müller (2012) identify some areas of both design thinking and lean startup which could be improved. In design thinking possible improvements are related to applying iterations even earlier, which increase efficiency as it helps to discover issues early in the process. In lean startup there are room for improvement in the way the customer desire is identified, an area which design thinking is covering very well.

This comparison enable us to investigate and identify factors not previously utilized, that can be adopted in the current business model, which in turn can enable Ramsalt Lab AS to be more efficient and achieve their growth goals.

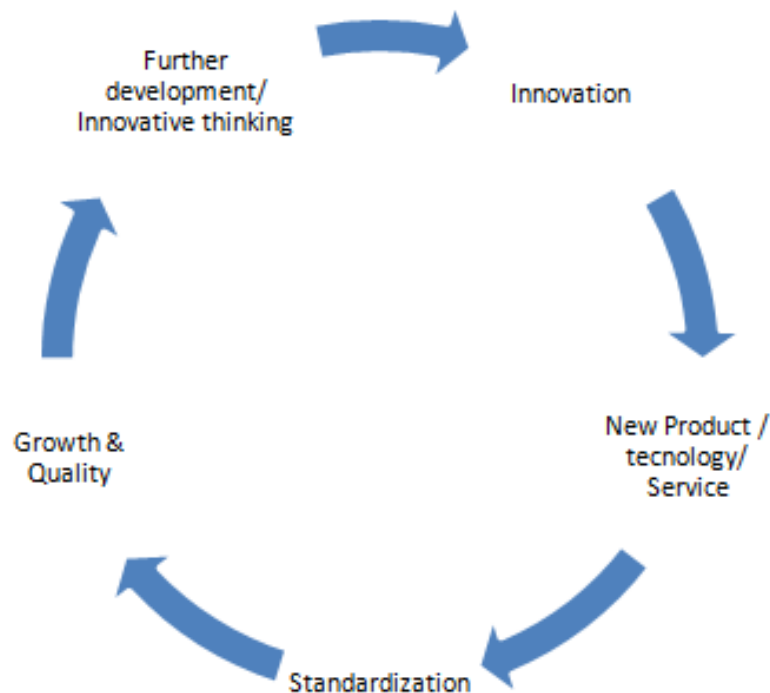## 2.4 Standardization a Natural Step to Attain Growth in Startups

Figure 2.3: Standardization & Innovation Process

Facilitation of a transition from a startup company to a growth company usually require a specified plan to be successful. Ramsalt Lab AS have through Ramsalt Media investigated the power of standardization. This section investigates this further, and look at how standardization can assist in a spin-off process with focus on scalability.

It is easily considered that innovation is the cornerstone for any entity to excel in its industry, however the growth of the entity relies on something more than just innovation. Simply having an innovative idea will enable the entity to rise to the top, but to sustain that position the entity need to adopt the art of standardization in its processes so that they can achieve scalability and are able to reach out to the masses. Thus it is important that we understand the importance of standardization.

It is commonly understood that both the elements of innovation and standardization are considered indispensable for corporate management, however they are often thought to be mutually exclusive, because the remaining space for innovative work is reduced along with the progress of work standardization (Kondo, 2000). However, on the contrary they act as a complement to each others cause. To understand how standardization contributes towards innovation, we need to analyze the dynamics around the adaptation of standardization in an entity.

In today's world, standardization is synonymous to work efficiency and product quality; however we need to look deeper into what benefits does it bring to an entity and what are the downsides to adopting it. On one hand, standardization, either in product or processes, can lead the entity to attain economy of scales in their operation. By streamlining the work flow, and issuing the standards for the ways to carry out a certain task and implementing the same, ensures product and service quality and also enables the entity to cut down on the recurring activities to a minimal thus ensuring efficiency. This in turn enables the entity to increase its productivity and also facilitate the growth of the entity.

On the contrary the shortcomings of adapting the standardization concept are that it restricts the creativity and ingenuity (Kondo, 2000). Even though standardization defines how a certain task needs to be performed, it does not focus on the task rather it focuses on the way it need to be carried out. Kume (1993) explains a difficulty in achieving successful standards-based management is that work standards are often not adhered to, even after a lot of time and effort has been put into standardizing the work methods.

Thus to adopt standardization which acts as complementary to the innovation strategy, an entity needs to strike a balance between the level of freedom for the workers to carry out their task. This strategy will not only lead to innovative thinking among the

workers as they will be provided with a necessary amount of freedom to explore, and at the same time will focus their concentration on the task or the aim of the work rather than the means to achieve the same. In conclusion, even though, innovation is the prime factor in developing new and innovative products and services, standardization acts as an engine for growth (Acemoglu et al., 2012) bringing the products or services into the mainstream market. Thus both the elements of innovation and standardization are necessary for the progress of the entity, as seen in figure 2.3.

With all the necessary information extracted from the literature, we can conclude that being a startup company in the high north, Ramsalt Lab AS is in the best position to expand by adopting the concept of standardization and reach out to as many customers as possible. Having said this, they will still have the flexibility in their operations to allow the company to be innovative and creative with their products and services. Thus by standardizing their service the process of reaching out to the clients will be smoother. However, once the standardized product is required to be tweaked in accordance to the clients need the company will still be able to get their innovative ability in action, thus a constant innovation process will be encouraged.

2.5   Customer Development Model

The customer development model was created by Blank (2005) for discovering a market and building a company around it, with an iterative rather than a linear approach, to increase learning efficiency and to decrease the time for the company to get up and running.

In Ramsalt Lab AS transition from a startup to a growth company, they look at new ways of targeting customers. They already have a base of customers, and their aim is to utilize this to acquire new customers. Acquiring new customers needs to be done efficiently, in order to scale up the company exponentially, thus without requiring proportional costs and resources. Investigating the customer development model could shed light on Ramsalt Lab AS current transition process, and as well as uncovering new possible approaches. Adaptation to the environmental changes is important, as customer and revenue generation is the base of a companies success.

The customer development model, as seen in figure 2.4, consist of four steps; customer discovery, customer validation, customer creation and company building. The first two steps are related to searching for the right business model. The latter two steps are related to the execution of this model.
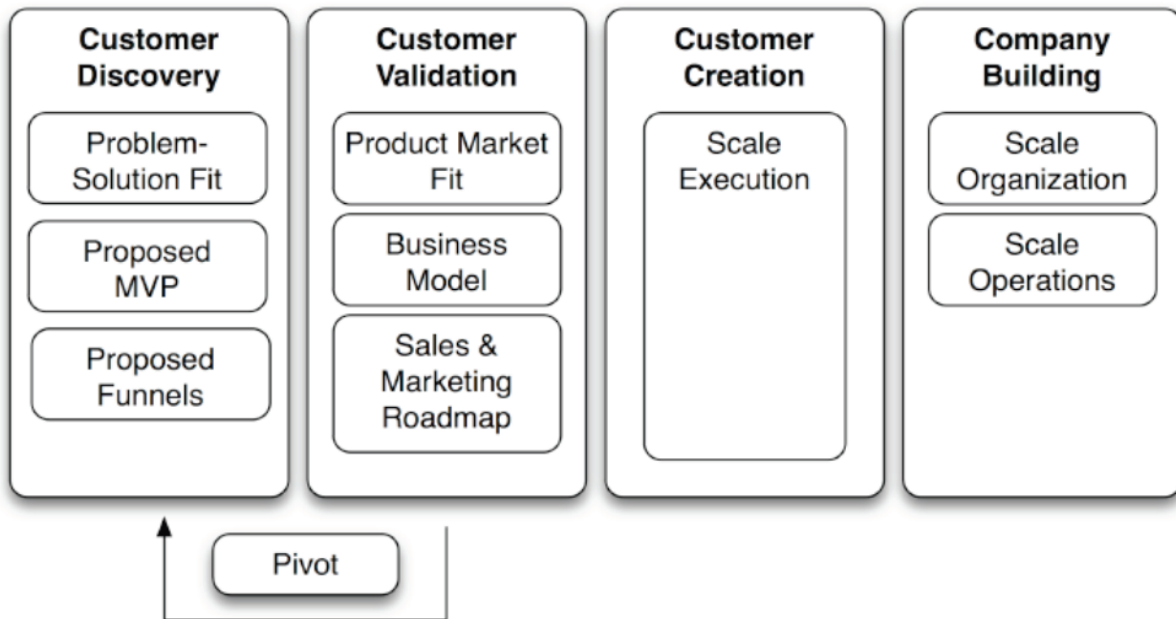
Figure 2.4: Customer Development Model by Blank (2005) as Presented by Cooper and Vlaskovits (2010)

The first step, customer discovery, consist of three elements; problem-solution fit, proposed MVP (Minimum Viable Product), and proposed funnels (Blank, 2005). Problem-solution fit is identifying a solution that will fit to the specified problem. Proposed MVP (Minimum Viable Product) is creation of such a solution, it should contain enough critical features to work. Proposed funnels are the work of defining possible market strategies, and the subsequent business activities.

The second step, customer validation, consist of three elements; product market fit, business model, and sales & marketing roadmap (Blank, 2005). Product market fit is looking at to what degree the product fits can satisfy the market. Business model is about designing a viable business plan. Sales & marketing roadmap is the action of developing the specific sales & marketing roadmap based on the current knowledge.

The first and second step are in an iteration loop, called a pivot (Blank, 2005). If the customer validation fails or needs an improvement, the pivot makes customer discovery to be review again. This will be repeated until the customer validation is found to be sufficient for proceeding to the next step.

The third step, customer creation consist of one element; scale execution (Blank, 2005). This step is the action of conducting the business activities as described in the business plan, with a special focus on the scalability. The business plan should always be formulated with an intent for possible scalability.

The fourth step, company building, consist of two elements; scale organization, and scale operations (Blank, 2005). Scale organization and scale operation are the actions of making the organization and business operation match the possible market.

The customer development model is a standardization of the process of discovering a market. By investigating this model and relating it to the customer discovery Ramsalt Lab AS experience in their transition from a startup to a growth company, as described in the case study in chapter 5, a more generalized model can be derived, as seen in chapter 7, suitable for other software developement companies.

2.6   Improving with Organizational Learning

Lengnick-Hall and Inocencio-Gray (2013) investigates the process of institutionalized organizational learning, which can lead to subsequent renewal of strategies and decision processes. Institutionalized organizational learning is defined as learning that become embedded in the organization, such as the systems, norms, values, and routines in the business.

This is relevant for Ramsalt Lab AS because their transition from a startup company to a growth company, which have resulted in the spin-off Ramsalt Media, has required organizational learning. One of the issues raised in this article is about understanding the optimal ratio of seeking new knowledge (exploration) and utilizing current knowledge (exploitation) in the organizational learning process context. Understanding this can lead to optimized efficiency in the business, and ultimately increased profits.

Lengnick-Hall and Inocencio-Gray (2013) focus on three components for institutionalization of the organizational learning; objectification, implementation, and internalization. Objectification involves splitting the individuals that have conducted the learning from the learned case, making the learned case a separate entity. Implementation is about using organizational learning in the organization. Internalization is mounting a term to the entity which is the learned case, with this action making the entity more tangible. Most researchers agree that these three are essential to the institutionalization process (Lengnick-Hall and Inocencio-Gray, 2013).

We believe the case study in this thesis could be a part of the institutionalized organizational learning in Ramsalt Lab AS. We identify the case study to potentially contribute as a base for objectification within the Ramsalt Lab AS organization. By making the case study, Ramsalt has objectified by dispersing the learning process over the entire organization. The experiences described in the case study will also be used to

develop a model, and hopefully as a base for further implementation and internalization in Ramsalt Lab AS.

2.7   Organizational Structure, Work Environment and its Impact on Innovation

Ramsalt Lab AS is a startup company and still a small organization. We believe the impact on innovation is easier to notice in smaller organizations. To maintain this when the organization grows, it is important to understand the underlying factors of aspect by the organization that have an impact on innovation.

By analyzing the current work environment in a number of companies, we see that a certain level of autonomy by the employees play a significant part in the creativeness in an entity (Bailyn, 1985; King and West, 1987). However, it does not mean that the employees are given total freedom for the activities they perform during their employment. The idea suggests that the top management should give a reasonable amount of autonomy to their employees at all levels so that they are involved in the overall success of the company. The freedom being referred to here, involves the autonomy of the employee to decide what work to do and how to do it. This strategy will also help the employees to see the overall contribution to the vision of the company and it will help them align their goals to the goals of the company. In addition, it will give the employees the sense of ownership and control over their own work and ideas.

Furthermore, management and organizational literature also identifies the point that having a more relaxed work environment assists creativity within the organization (King and West, 1987). Some other factors also play a vital part in creating the environment that is conducive for development of creativity and promotes the likeliness of innovativeness within the organization. To understand a few of these that can be instrumental for our thesis, they need to be explained a bit further. A psychological research on creativity states that people tend to come up with ideas or solutions that are unusual and are likely to be very effective if they are given the liberty to do so by the situation or by explicit instructions (Parnes and Meadow, 1959). Therefore liberty or freedom to the employees plays a vital role in the creative development of the entity. It is also important to understand the role of supervisory encouragement which involves goal clarity, and help the subordinates in the organization to understand their position within the organization. In addition it also help them to attain a sense of ownership to the work or the task they execute. It is also worth noting that creative ideas can also develop in a challenging environment within the work group (Amabile et al., 1996).

Creative ideas are the roots to the innovation. The success of a new program, the introduction of a new product, or a new service, depends on the people or team coming up with a good idea, as well as developing that idea beyond its initial state. Instead of looking into the traditional approach to creativity where it focuses the characteristics of a creative person (Mackinnon, 1965), it can be argued that the social environment can influence both the level and the frequency of creative behavior (Amabile et al., 1996). According to Amabile et al. (1996) innovation is the successful implementation of creative ideas within the organization. Thus, creativity by individuals and the teams are the starting point for innovation, as creativity is the prerequisite for innovation. However, there are other factors that are essential to promote the creative environment in an organization and getting to understand these factors can assist in identifying the effects on innovation in an organization.

Understanding the relation between organizational structure and work environment, as well as their impact on innovation is important to investigate Ramsalt's transition process from a startup company to a growth company. Such understanding is also making the base for developing an innovative model for growth.

2.8   Process Innovation with Dynamic Consistency of Business Model Components

Customers are at the heart of the entire process in a company's business model development; therefore, a continuous development of the business model to fit the current market is required. Ramsalt Lab AS desire to use spin-offs like Ramsalt Media to reach more customers and new markets, is done by adjusting their business model. This section investigates the theory behind such activity.

The business model concept generally refers to the articulation between various areas of a firm's activity designed to give maximum value to the customers (Tikkanen et al., 2005). In general, the concept of a business model helps to articulate how a firm operates and generates revenues (Demil and Lecocq, 2010). It is however important to understand that how the core components in the business model can have an impact on the innovation process of the firm.

According to Demil and Lecocq (2010) there are two approaches to the business model concept. The first approach is a static approach to the business model, which looks at the business model as a blueprint for coherence between the components, such as describing functions and activities. The second approach focuses on using the business

model as a transformational tool that address change and innovation in the organization, or in the model itself.

The latter approach is the one we will focus in our thesis. However, in this approach it is extremely challenging to find a sustainable business model immediately and therefore it is considered to be a progressive method to find the optimal consistency of the components and adapt to changing environments - as Winter and Szulanski (2001) argue:

"The formula or business model, far from being a quantum of information that is revealed in a flash, is typically a complex set of interdependent routines that is discovered, adjusted, and fine-tuned by doing"(Winter and Szulanski, 2001, p. 731).

The thesis investigate the proposition by Demil and Lecocq (2010) where these two approaches reconcile with each other to consider business model evolution; emphasizing mainly on the dynamics created by the interaction between the components of the business model. It is imperative to mention that though a firm strives for the maximization of wealth but at the core of all its activities it still gives the top most priority to its customers. The reason being, the success of a firm is dependent on the satisfaction of its client. Furthermore, the entire idea of producing or providing service to the clients is based on the identification of the need in the market.

To conclude, we wish to find the optimal consistency of the components in order to enable the firm to perform at its optimal level. In addition, we have recognized that for us, the two main components of the business model consist of customers, which are the lifeline of the firm, and the revenue model, which will enable the company to maximize its wealth, which is the ultimate aim of the entity. In the case study in chapter 5, we will be investigate a perfect case where the firm is actively involved in fine tuning their processes to adhere to the changes in and between the two components we have talked about earlier.

2.9   Evaluating the Business Process Model

As mentioned in section 2.1, Ramsalt Lab AS utilize the lean startup principles as the core business model framework. This section describe guidelines for evaluating the processes affecting the business model. This evaluation method assist the business model reviewing of Ramsalt Lab AS, with a critical perspective, found in chapter 5.

Becker et al. (2000) describes a framework to evaluate the quality of business processes within a software development company. The presented framework is called Guidelines

of Modeling (GOM), and consist of three basic guidelines as well as additional three optional guidelines. The basic guidelines includes the guideline of correctness, the guideline of relevance, and the guideline of economic efficiency. The three optional guidelines are the guideline of clarity, the guideline of comparability, and the guideline of systematic design.

The first of the basic guidelines is the guideline of correctness, this examines in what degree the model is in line with the meta model, the information the model is based on. The second, guideline of relevance, states that the model should fit as best as possible to the problem, and not contain any redundant information. The last of the basic guidelines, the guideline of economic efficiency constraints the other guidelines, in that it focus on a model that is economic feasible.

The first of the optional guidelines, the guideline of clarity emphasize that the model must be clear so that every person involved with the model can understand it easily. The second, guideline of comparability, states that the model need to be consistent in naming and use of methods as other models, for easy comparison between organizations and departments. The last optional guideline, the guideline of systematic design, state that different models should have a clearly defined relationships between them, so that the different perspectives on a model is consistent.

Becker et al. (2000) also describes how these guidelines can be applied for selected purposes, such as further investigating the workflow management and organizational view. This framework will be used to analyze the current business process model within Ramsalt Lab AS, in their creation and development of Ramsalt Media.

2.10   From Startup to Growth

Currently Ramsalt Lab AS consider themselves to be a startup company. They want to become a growth company, and have done some actions in achieving this. One is generating income exponentially over the resources used, by focusing on scaling the company up through the creation of the spin-off department Ramsalt Media, as well as a desire for similar spin-offs.

Dahle et al. (2010) divides the company life cycle into three phases. Startup phase, growth phase, and the established phase. Companies in the startup phase is identified by a turnover size of 1-3 million NOK, companies in the growth phase are identified by a turnover of 3-20 million NOK, and companies in the established phase are identified by a turnover of 20 million NOK or more. Dahle et al. (2010) point at some challenges for

startup companies wanting to transition into the growth phase. One prominent
challenge is "crossing the chasm" (Moore, 1991). This involves surviving the transition
from early adopters, such as technology enthusiasts and visionary users, to the mass
market, such as pragmatics, conservatives, and skeptical users. Moore (1991) solution
for surviving the transition is to focus on just one of the five groups in the growth phase,
and then use the experiences to proceed to the next user group.

Ramsalt Lab AS is currently in a transition process from a startup to a growth
company. Understanding the transition process will make a base for our investigation in
the case study, as seen in chapter 5.

Chapter 3

Innovation Study

In this chapter we shall discuss the overall dynamics involved in innovation and defining an innovative idea. The purpose of having a discussion around the innovation is to create an understanding of the concept, and to relate the innovative strategies adopted by Ramsalt in the case study we will conduct later in the thesis. It is imperative to mention here that the assessment on the innovativeness on Ramsalt's strategy, to have a standardized spin-off product, is based on our preliminary study of the case before we actually conducted the case study. It is also worth mentioning that we reevaluate the case study for innovativeness at the end of our thesis.

In this chapter we will initially aim to define the word innovation in light of the recent research, in contrast to the traditional perception that is associated with the word. Furthermore, we will investigate in detail the factors that have significant influence on the categorization of the project within the innovation landscape. A detailed cross analysis of the different type of innovations are therefore essential, and will be the focus in certain parts of the chapter. To carry out the analysis we will look at different models presented in the research literature and try to assimilate the facts that are presented.

To summarize, our core effort in this chapter is to understand innovation and the dynamics surrounding the topic and eventually relate the same to the case study in this thesis.

3.1 Innovation Exploration

Knowing which type of innovation a particular idea relates to is very important as this may have impact on different strategies of the company. We think that a lot of strategic

decisions are linked to the fact of how the idea is perceived in innovation terms. Depending on the type of innovation, a new venture might utilize different commercialization approaches to fully embrace and manage the innovation (Kassicieh et al., 2002). It is also very common that a lot of ideas are initially considered as one type of innovation and then turn out to be a different kind altogether. Thus we can say that determining which type of innovation an idea pertains to is a complex process. Having said that, we think it is important that we understand how to differentiate between the different types of innovation and for this we need to look in detail what characteristics pertain to each type of innovation.

Innovation can be defined as dynamic processes which focus on the creation and implementation of new or improved products and services, processes, positions and paradigms (Tidd and Bessant, 2011). It is important here to realize that novelty in itself is not good enough for an idea to be innovative; rather innovation needs to be judged on the basis of their contribution toward the improvements in efficiency, effectiveness, quality or social outcome. Thus we can say that every innovation is guided by an underlying question of "what is it that innovation process seeks to change or improve?". This is where Tidd and Bessant (2011) states four dimensions of innovation space, also known as the '4Ps of innovation', will help us understand and analyze the underlying question.

The model developed by Tidd and Bessant (2011) is build on a hypothesis that a successful innovation is essentially about positive change, and thus the model puts forward four broad categories where such changes can take place. The model (refer figure 3.1) depicts that when there is a change in the product or service, offered by an organization, then such an innovation pertains to 'Product Innovation'(Tidd and Bessant, 2011). In contrast a change in the way in which products and services are created or delivered will coincide with 'Process Innovation' (Tidd and Bessant, 2011). The third innovation involves re-positioning of an established product or process in a specific context. Position based innovations refer to changes in how a specific product or process is perceived symbolically and how they are used. The fourth and the final 'P' to the model presented by Tidd and Bessant (2011) relates to innovation that defines or redefines the dominant paradigms of an organization and the entire sector.

In addition to this, the model from Tidd and Bessant (2011) also highlights the fact that within each of the broad categories, an innovation can either be incremental or radical. Incremental innovation are the small changes made to the product or process, as seen in figure 3.1. In contrast, radical innovation can involve development of a totally new product or process in the market. To understand the model more clearly it is essential to have some examples related to few of the broad category with further sub-division to

either incremental or radical innovation. For example we can say that Windows Vista is a form of product incremental innovation as it replaces an already existing Windows XP, while offering certain improvements to the product itself. However, Toyota Prius can be considered as a radical product innovation as it brings a totally new concept of hybrid engines. In the same way for process innovation we can say that improvement in the fixed line telephone service will be considered incremental while introduction of Skype and other VoIP services can be considered as radical.
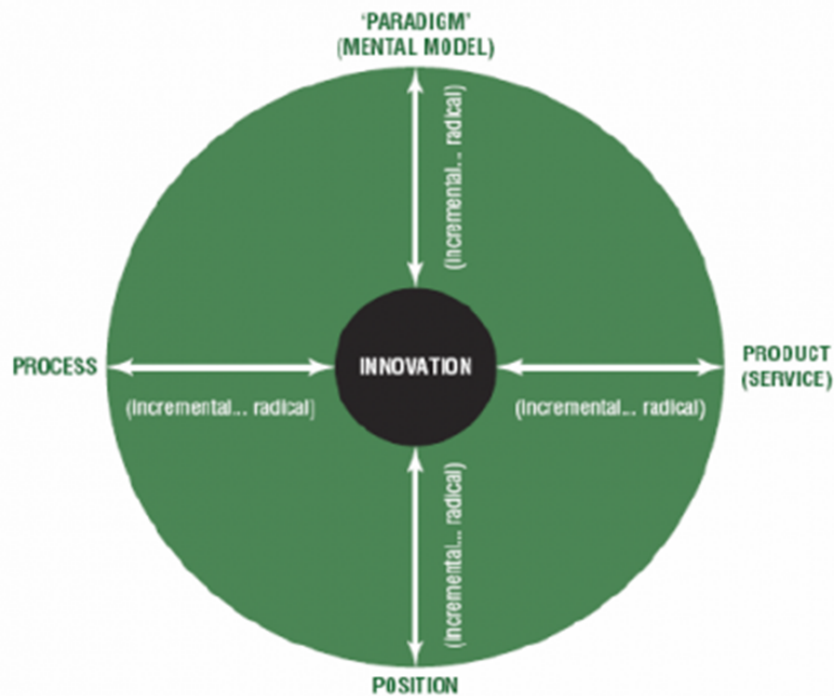
Figure 3.1: Types of Innovation (Tidd and Bessant, 2011)

3.1.1   Innovation, Technology and Market Interlinked

We consider that there is a very close relation between technology, market and innovation. We know that in general there is a perception that innovation is associated with the novelty in a particular idea and the newness associated to it. However, new research shows that there is more to innovation then just the novelty within the idea and many of the models presented in these research show that there are more than one factor influencing the innovativeness of the project (e.g. Bygrave and Zacharakis (2009); Wind and Mahajan (1997)).

Here we will analyze few of the models and try to determine how much other factors influence innovation in a project, with more specific look towards its relation with technology and market. As mentioned by Bygrave and Zacharakis (2009), an innovation

is high on both novelty and usefulness, which means that it needs to have a market, without the market it will just be an invention. Bygrave and Zacharakis (2009) further clarifies that even if the invention has a high degree of novelty, especially if patentable; unless there is market for the invention it will most likely live on the shelf collecting dust over an extended period of time. However, if it finds a market in the later stage it will move from the invention category to innovation. Thus we see that for an idea or a project to be innovative it needs to have a market.

It is also very essential to learn which factors stand out in a breakthrough innovation. Depending on the newness, innovation can be divided into incremental (continuous) or breakthrough (discontinuous)(Zhou et al., 2005). Incremental innovation refers to minor change in technology, simple improvements, or line extensions that minimally improves the existing performance. In contrast, breakthrough innovations relate to state-of-the-art technological advancement in a product category that significantly alters the consumption patterns of the market (Wind and Mahajan, 1997).

3.1.2   Radical and Disruptive Innovation and Impact of Market

Studies have also tried to further distinguish between the breakthrough innovations. The differentiation in these studies are based on the innovation's implication on the technology and market. Thus they segregate these breakthrough innovations into "technology-based innovation" and "market-based innovation" (Zhou et al., 2005). Technology-based innovations are more focused on adopting to new advanced technologies, and improved customer benefits related to the existing product in existing market (Zhou et al., 2005). Market based innovations departs from serving the existing market and involves new and different technologies, as well as creating a set of fringe and usually new customer values for the emerging markets (Zhou et al., 2005). Thus, a technology-based breakthrough innovation that fundamentally changes the technological trajectory, and improves customer benefits are called "radical innovation" (Zhou et al., 2005). An example of a such innovation could be color versus black and white television. On the other side, a market based breakthrough innovation that improves the performance through subsequent development to a level superior to the existing products and which eventually overtakes the existing product in the mainstream market is called "disruptive innovation" (Christensen, 1997).

We can also analyze the relation between market and innovation through a model presented by Freel and De Jong (2009), which points out that in order for an innovation to achieve the status of being radical it needs to have certain degree of external newness, which essentially means that the idea not only has to be new to the company, but it also
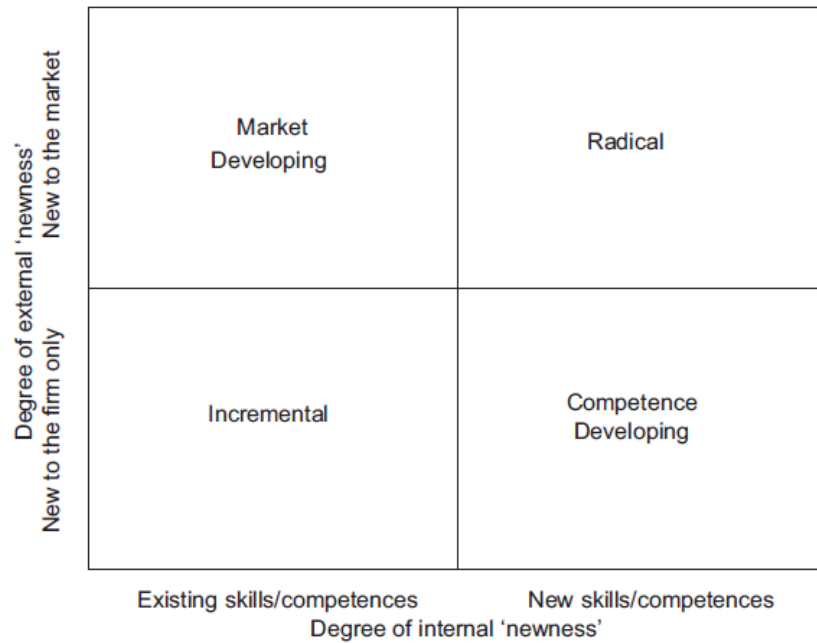
Figure 3.2: An Innovation Schema (Freel and De Jong, 2009)

needs to be new to the market, as seen in figure 3.2. In other cases, where it is only new skills to the company or is only new to the market, the idea will contribute towards competence developing or market developing respectively (Freel and De Jong, 2009).

Another model that can assist a company to realize what type of innovation a project pertains to was presented by Christensen (1997). He mentions that every innovation falls somewhere on a 2x2 diagram, where the two axes are radical/incremental and disruptive/sustaining, as seen in figure 3.3. Disruptive innovations pioneer new markets (usually growing on the edges of complacent incumbents); sustaining ones sell more into existing markets. Radical innovations are technically challenging; incremental ones are not (Christensen, 1997).

Based on the models and the research outlined in this chapter, we can conclude that study around innovation primarily revolves around two dimensions, one being the novelty in the idea (technological aspect) and the other being the impact it has on the market. Thus, we can conclude that innovation, market and technology are strongly interlinked with each other. This section will enable us to analyze the innovativeness in the strategies adopted by Ramsalt.

3.2 Case Innovativeness & Positioning

In this section we will evaluate the case study on Ramsalt and try to assimilate the innovation aspect involved within it. More specifically, the section will correlate the theoretical discussion from the previous sections to our case study on Ramsalt. The evaluation will however be based on the preliminary work done on the case before we started the thesis. The reason behind having a preliminary innovation study of the case is that, it will enable us to make an initial understanding of the case's innovativeness. The correlation of the theory with the case will assist us to make preliminary assessment of where Ramsalt's strategies lie on the innovation landscape. We shall also relate the models presented in the earlier sections, so as to have a better understanding of the entire discussion of positioning the case.

3.2.1 Type of Innovation

Based on the theoretical concepts that we have looked at in the previous section, the main objective for us in this section is to define what type of innovation our case fits in. Even though the task seems pretty simple, it is however an extremely complex process to distinguish between an incremental - sustaining innovation and a disruptive -radical innovation. To do this it is essential for us to first define the problem or the need, followed by a need to analyze the case study, and then determine which category of innovation the case study lies.

For this purpose we have included background to the case study in the chapter 1 of this paper; where we have identified its purpose. However, in short, the core essence of the entire case is to streamline the internal process to enable Ramsalt to create a standardized spin-off product, in a way which enables Ramsalt to maintain its innovative edge and also enable them to grow and be efficient. Ramsalt Lab AS is the primary beneficiary of this study, however based on our preliminary understanding we consider that the study will also have some benefits associated to the customers in way of cost and time efficiency. The benefit for Ramsalt will be that this project will enable them to have a smooth transition from being an IT-consultancy company at a startup phase to a more established company with the benefits of product standardization creating efficiency.

Having defined the need for the case study and the effects that it will have, on different stakeholders within and outside the company, we can now focus on defining at a preliminary level the kind of innovation the case pertains to. Therefore, as we have described in the case description, the project relates to streamlining of internal processes

and is more inclined towards standardization. We consider that it lies in the broader category of process innovation in the model presented by Tidd and Bessant (2011). Furthermore, according to our preliminary understanding of the case, we consider that the strategy adopted by Ramsalt does not have any effect on the existing market landscape, due to the fact that the change is related to standardization of processes to create a spin-off product. Therefore, we suggest that the project is more inclined towards an incremental process innovation (as seen in figure 3.1). We will however reevaluate the case study once we have carried out the entire case study and witnessed the development of the product spin-off from Ramsalt as Ramsalt Media.
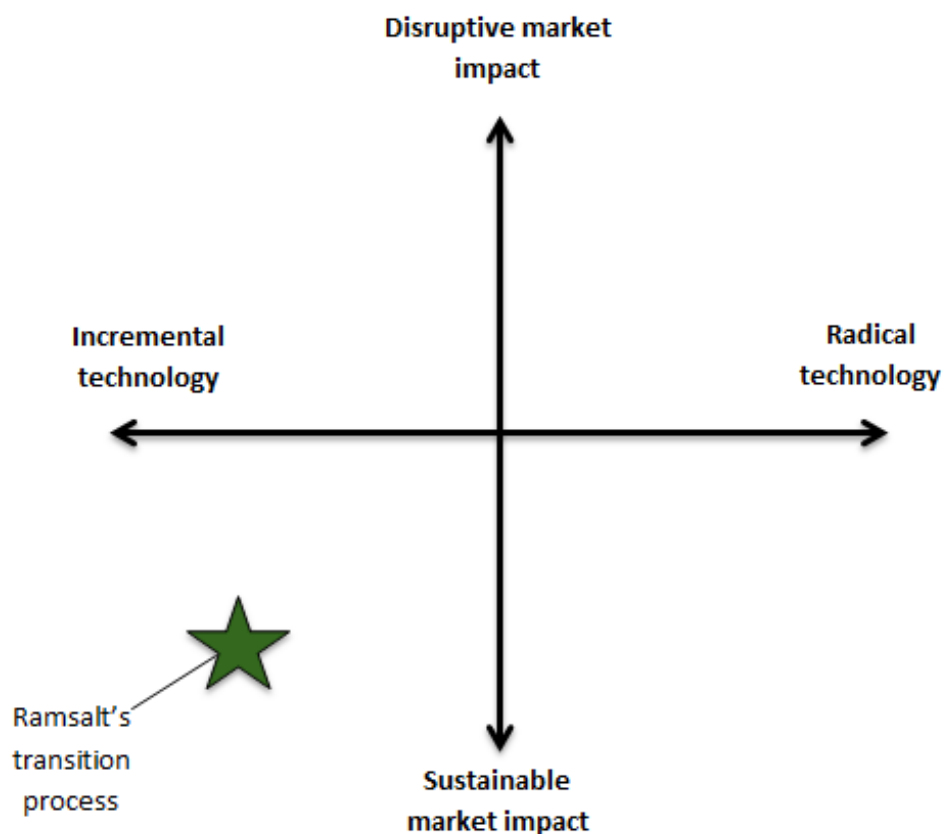
Figure 3.3: Innovation Type (Christensen, 1997)

To further support our preliminary views that the project relates to incremental innovation, we can look at the project in light of another model we have presented earlier. In light of the model by Freel and De Jong (2009) explained in the earlier section, we see that by the change in the process, the firm does not add on to any new competence in their core business activity. The only new competence to the firm itself does not have any significant impact on the existing market, thus according to the model the innovation lies within the incremental block (refer figure 3.2). Similarly while relating the case to the model proposed by Christensen (1997) we can say that the project lies under incremental sustaining innovation, as seen in figure 3.3.

3.2.2   Market Impact

After analyzing the case at a preliminary stage and based on the theoretical discussions in the previous section, we conclude that the reason for positioning our project in the incremental sustaining innovation is justified mainly because the project will not have any significant impact on the market dynamics. Having said that, it is imperative to mention here that the impact on the market will be low, and the process change will enable the firm to become more efficient, which will eventually benefit the customers and Ramsalt's own growth aims. Also we like to assume that, although the process change is not highly radical, it might be useful for other consultancy firms that are looking for the same kind of transition, from consultancy to product based firm. We think that certain parts of the entire process can and will be adopted by other competitors in the market so as to streamline their processes. A reevaluation of the case study to ascertain the innovativeness of Ramsalt's strategies will be presented in chapter 6.

Chapter 4

Method

In this chapter we will elaborate on our choice of research methods, identified in chapter 1. We will present a short understanding of our choice of the research methodology. In addition to this we will elaborate on the choice of data collection methods used throughout this thesis. This chapter will give a broader insight on how we have utilized the research methodology and the data collection methods to develop our thesis. We will also compare the different research methodologies available in order to get an in depth insight on the research method chosen.

4.1   Type of Research

The aim of this section is to understand the different approaches for carrying out a research and adopt an approach that best suits our thesis. To analyze which research approach suits us the most we will be exploring and comparing the different research methods available and in the end of the section we will try to present an argument for our choice of a specific research approach.

We consider that for the purpose of gathering relevant data, a qualitative research method will be more effective as compared to quantitative research. Even though qualitative research has been underscored widely, we consider that it is very effective. Quantitative research is designed to help researchers understand the social and cultural context on how people live, and it evaluates all the factors that influence a situation, rather than evaluating factors that can only be defined through quantitative methods (Myers, 2009).

To understand the reasons behind a certain action it is very important for the

researchers to understand the context in which the decision was taken. Consequently, it is important for us to understand, so that we can isolate the possible factor that will play an important tool in developing a model. Qualitative research implies that it is virtually impossible to grasp the reason behind an action or a decision in an organization unless talking to the people involved.

On the other hand, quantitative research method is more focused on numbers than anything else. Numbers in a quantitative research represent values and levels of theoretical constructs and concepts and the interpretation of the numbers are viewed as strong scientific evidence of how a phenomenon works (Straub et al., 2004). Qualitative research is really helpful when it comes to in depth analysis of a particular subject. However, it also has drawbacks, such as the fact that research carried out in a qualitative method often can not be generalized to a larger population. On the other hand, a major shortcoming of quantitative research is that many of the social and cultural aspects of the organization are ignored, or are treated in a superficial manner (Myers, 2009).

Qualitative Research	Quantitative Research
Inductive	Deductive
Subjective	Objective
Impressionistic	Conclusive
Holistic, interdependent system	Independent and dependent variables
Purposeful, key informants	Random, probabilistic sample
Not focused on generalization	Focused on generalization
Aims at understanding, new perspectives	Aims at truth, scientific acceptance
Case studies, content and pattern analysis	Statistical analysis
Focus on words	Focus on numbers
Probing	Counting

Table 4.1: Difference Between Qualitative and Quantitative Research Methods by Patton (1990) and Chisnall (2001)

It can be useful to combine the two research methods, or even adding more data gathering techniques. Combining qualitative and quantitative research methods in a study is also referred to as 'triangulation' (Myers, 2009). Triangulation helps in analyzing the topic from different angles. Triangulation can consist of two different data collection methods or a combination of both research methods. Our thesis will adopt the methodology where we will be using two different type of data collection methods, within the quantitative research methodology. We want to focus on the contextual nature of the entire organization. There is a wide range of options when it comes to

methods for collection of data (table 4.2). Using the appropriate data collection method eventually help the researcher to give concluding remarks on a certain research question. Comparing the different approaches in data collection can highlight the difference between the two research methods, as seen in table 4.2.

Qualitative Research: A focus on text	Quantitative Research: A focus on numbers
Action research	Surveys
Case study research	Laboratory experiments
Ethnography	Simulation
Grounded theory	Mathematical modeling
Semiotics	Structured equation modeling
Discourse analysis	Statistical analysis
Hermeneutics	Statistical analysis
Narrative and metaphor	

Table 4.2: Examples for Qualitative and Quantitative Research Methods (Myers, 2009)

In our thesis we will focus on the qualitative research methodology as it retains the contextual nature of the actions taken within the organization and also helps us explore further on how to specify a particular factor that influences the growth with a certain type of companies. Qualitative research will also enable us to understand the dynamics surrounding the strategies adopted by Ramsalt.

4.2   Data Collection Methods

Collection of data can be implemented in several ways. In this study we have focused on three methods; interview, unobtrusive measures, and case study. We think that these three methods will enable us to gather relevant information in order to develop our thesis and to answer the research questions as presented in chapter 1.

4.2.1   Interview

A way of collecting data in a qualitative study is by the act of interviewing. An advantage of using interviews as a data collection method relates to the great detail in the information retrieved, by gathering views, experiences, or beliefs of individuals (Gill et al., 2008). In contrast, a disadvantage relates to the retrieved data being seen from a

predisposed perspective. Reducing the effect of the disadvantage is possible by combining several types of data collection methods.

We conducted many consultations with Ramsalt Lab AS in which we deliberated on their work processes, as well as understanding the idea behind Ramsalt Media as a spin-off product. These consultations included casual interviews and interviews with specific information exploration. An information exploring interview with Ramsalt Lab AS was conducted on the 14th of May, and a follow up interview was conducted on the 28th of May, both interviews were in Tromsø, Norway. These interviews was used in this study to retrieve information directly from the sources of the decision processes, which was the individuals closest to the company's transition process. The agenda for these interviews was to increase our understanding of Ramsalt Lab AS experiences and comprehension, of prior and future challenges, as specified in table 4.3. In addition to the interviews, we had regularly meetings to understand the research domain. The interview objects targeted in Ramsalt Lab AS were:

Yngve Bergheim is the CEO of Ramsalt Lab AS, and has first-hand knowledge of the transition process decisions and strategies.

Tage Skotvold is the project leader of Ramsalt Media and has great knowledge about the transition process.

Interview subjects	Designation	Interview objectives
Yngve Bergheim Tage Skotvold	CEO - Ramsalt Lab AS Marketing Manager - Ramsalt Lab AS	Understanding the business model in Ramsalt, identify the market segments, discussion around spin-off product, cost and revenue structure
Patrik Syrén	SVP Corporate Communications - Knowit AB(Sweden)	Understand the dynamics of ICT consultancy industry, market information and client preferences, general discussions

Table 4.3: Interview Objectives

Knowit AB is the Swedish department (and origin) of the IT-consultancy company Knowit. The interview was used to record and explore experiences from the Swedish established IT-consultancy industry. Stockholm was chosen as it is currently is a fast-growing startup scene, especially within IT. The interview with Knowit AB was conducted on the 9th of May, Stockholm, Sweden. The agenda was to get an understanding of the decision processes and thoughts of established software development companies, with special focus on the issues investigated in this thesis, as specified in table 4.3. The interview object targeted in Knowit AB was:

Patrik Syrén is the senior vice president of corporate communications in Knowit AB (Sweden). He have been working in Knowit for the last 14 years. His background include working experience with consultancy, project management, marketing and communications, and educational experience within advertising, marketing, and management.

4.2.2   Unobtrusive Measures

One data collection method utilized in this thesis is unobtrusive measures. Ramsalt Lab AS has kindly shared documents of their business decisions and processes for us to review. The disclosed material is found in appendix A and appendix D. Ramsalt also let us also review their business model, but this is not disclosed.

4.2.3   Case Study

In our research one of the objectives is that we want to identify the most effective way in which a company can move from a startup to a growth phase. To determine the factors that can essentially influence the growth process, we have adopted the case study methodology. In this we will be looking at the organization's progress to a growth phase and we will try to isolate the factors that have played an important role in their development.

We presume that understanding the development process of Ramsalt from a startup company will enable us to develop valuable insight and will provide the most relevant hands on information to develop this thesis. Therefore we see that it is imperative for us to understand what case study brings to the entire thesis structure. For this we first need to understand how case study affects the research being carried out.

One definition of a case study is an analysis of persons, events, decisions, periods, projects, and policies (Thomas, 2011). Complementing this, according to Yin (2003) definition of a case study can be divided in two parts:

1. One being an empirical inquiry that:

   - Investigates a contemporary phenomenon within its real-life context

   - The boundaries between phenomenon and context are not clearly evident

2. The case study inquiry:

- Copes with the technically distinctive situation in which there will be many more variables of interest than data points

- Relies on multiple sources of evidence, with data needing to converge in a triangulating fashion

- Benefits from the prior development of theoretical propositions to guide data collection and analysis

Case studies are commonly used in the business schools for two main reasons; one being teaching and the other being research purpose. Case studies for teaching purposes are really helpful to students as these help the students to understand the theory and the principles that are relevant to businesses. For the purpose of this thesis we will focus our attention to the use of case studies for research purpose, which is also the purpose of use for our thesis. However, a comparison of the two on a basic level can be useful and this is elaborated in table 4.4.

Teaching cases	Research cases
Written primarily for students	Written primarily for researchers
Designed to illustrate an existing theory or principle	Designed to contribute to a new theory or explore/test an existing theory
Published on its own as a teaching case, often with notes for the instructor	published as part of a research article in a journal, conference, or book

Table 4.4: A Comparison of Teaching and Research Cases by Myers (2009)

In essence research cases are used primarily for the purpose to act as an empirical evidence to convince the other researchers of the applicability (or inapplicability) of a particular theory or proposition (Myers, 2009). However, research cases can be used in the exploratory phase of the research topic, which assists the researcher to isolate the features, factors and issues that may apply to similar situations (Myers, 2009). The other use of research cases can be for explanatory purpose of the research; where it is used to test the theory and to develop a simple understanding or compare the theories. The explanatory use of the case study is adopted when there is already a vast amount of literature available on the subject.

There are some different perceptions of what a case study should contain and what area it covers. Flyvbjerg (2006) presents five misunderstandings about case study research which we have taken into account in the development process of our thesis. The misunderstandings as defined by Flyvbjerg (2006) are:

1. Theoretical knowledge is more valuable than practical knowledge.

2. One cannot generalize from a single case, therefore the single case study cannot contribute to scientific development.

3. The case study is most useful for generating hypotheses, while other methods are more suitable for hypotheses testing and theory building.

4. The case study contains a bias toward verification.

5. It is often difficult to summarize specific case studies.

In our case study we will be more inclined towards the exploratory side of a particular topic. We will therefore explore the existing theories and attempt to determine the factors that can further enhance the horizon of the knowledge base.

4.3 Validity & Reliability

In order to develop a qualitative research that is trustworthy, we have made some deliberate actions towards achieving this. According to Merriam (1995) there are three aspects of ensuring trustworthiness; internal validity, reliability, and external validity.

Internal validity address how congruent the findings are with the reality (Merriam, 1995). Ensuring internal validity was done by having both authors present at all the interviews, taking notes and record sound during the interview. In addition, we wrote down keywords immediately after the interview, with the interview topics still fresh in mind. We believe these measures assisted us in increasing the internal validity.

Reliability concern the possibility of being able to replicate the findings (Merriam, 1995). The reliability was ensured by describing the research conducted in great detail in this thesis. In addition we used 'triangulation' (Myers, 2009), as described in section 4.1. We interviewed and conducted a case study of Ramsalt Lab AS, as well as an interview with Knowit AB, to ensure various perspectives on the same issues. In this way, we believe the findings and the steps getting there is possible to replicate.

External validity address if the findings can be applied to other situations, the act of generalizability (Merriam, 1995). Ensuring external validity is difficult with a qualitative research. Still, we believe we have ensured this by having extensive knowledge on the investigated domain, implementing actions regarding internal validity and reliability, and by this obtained results that can be generalized within the software development industry.

Verifying both validity and reliability, as well as being aware of the implications of all

actions taking in the thesis, is important, as it will make sure the results are grounded in the correct underlying factors, and without it, the research is worthless (Morse et al., 2002). To conclude, we believe the actions described in this section have ensured both validity and reliability in this thesis.

Chapter 5

Case Study

In this chapter we will present our case study on Ramsalt Labs AS and their experiences while developing Ramsalt Media as a spin-off product. The chapter will also investigate the reason behind Ramsalts' choice of strategy to create a spin-off product. We will also try to relate the literature reviewed in the earlier chapters in order to develop our arguments and thus enabling us to develop a model that can be applicable throughout the software development industry (SD-industry).

Our choice of case study as a research method is due to the fact that a case study can retain the contextual nature of the decisions made. A case study is an analysis of persons, events, decisions, periods, projects, and policies (Thomas, 2011) and therefor this method of data collection was considered to be the most effective for our thesis.

Our research utilizes this case study to investigate and understand the dynamics of Ramsalts' transition from being a startup company to being a growth company, with special interest to their adaptation in marketing approach and standardization concept. This chapter will also include an understanding of strategies and business decisions in process of this adaptation.

5.1 Aim of the Case Study

The case study will more specifically look into how Ramsalt has developed its media business segment. It will help us explore the current theory and develop a model which will enable the IT-consultants to progress in the markets. Our focus is predominantly towards the IT-industry as we consider that both lean startup model and the design thinking methodology do not apply perfectly on the industries work process. Our plan is

to develop a customized model for the industry where the industry participants can operate with minimal change in their current mode of working and can have the maximum return in the form of growth and efficiency.

We will look into how Ramsalt went through a drastic strategy change in their business model to accomplish their growth aims. The case study will highlight the thought process put into the shift in the strategy, where Ramsalt basically moved from being a core consultancy company to a hybrid version of a consultancy and product oriented company. The change in strategy was adopted for one of the target segments they cater. Their move towards standardization of their product for the media segment is predominantly motivated by the fact that, as a startup company standardization of product lineup enables Ramsalt to reach out to the customers in a more aggressive manner. In addition this strategy also helps Ramsalt to concentrate more on the innovative ideas and also work efficiently.

There are many factors that have encouraged Ramsalt to switch from a single prong strategy to a two pronged strategy where Ramsalt retains their core function as a consultancy company, while on the other hand they explore the idea of having a product oriented strategy with one of the market segment they work with.

5.2   About Ramsalt Lab AS

Ramsalt Lab AS is an IT-consultancy company situated in Tromsø, Norway. Having their base in northern Norway, they have the geographical advantage of attracting clients from the northern regions of Scandinavia and Russia.

Ramsalt have unique knowledge in Drupal framework development, and several of Ramsalt's employees have been associated with the development of the organization Drupal Norway. A partnership with Google was also established in January 2013.

The company currently have six employees[1]:

> **CEO - Yngve W. Bergheim** is an experienced web developer with 11 years of experience. His experience includes projects within IT- and the newspaper industry. In July 2013 he won the price for "Young Entrepreneur of the Year" and "Entrepreneur of the Year"[2].

> **Developer - Martin N. Lund** has 7 years of web developer experience. And he

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[1]Ramsalt Lab AS: http://www.ramsalt.com/om-oss
[2]Nordlys newspaper: http://www.nordlys.no/naring/article6707445.ece

is considered an expert in the Drupal framework.

Developer – Stephan Zeidler has experience as a web developer and has been working on Drupal since 2008.

Information architect - Vegard A. Johansen has a background in usability and development of user interfaces.

Site Builder - Erik Falster has created web pages for several student organizations.

Marketing Manager - Tage Skotvold is a business developer, currently working as a project leader on the spin-off department Ramsalt Media. He has a master in Business Creation and Entrepreneurship (BCE) from the University of Tromsø - The Arctic University of Norway (UIT).

5.3   Organizational Structure

Ramsalt's ability to adapt to the market conditions come from their top management's willingness to experiment in their work process. Being an entrepreneurial start up, the work environment at Ramsalt encourages the employees to innovate in their thinking process. It is also important to mention that having a flat hierarchy enables Ramsalt to analyze market dynamics in real time and take necessary actions to cater the new conditions. This means that even though the core financial and strategic decisions go through Yngve and Martin, there is still a considerable level of liberty available with the employees to carryout operational activity. Also, being a startup allowed the company to experiment with its business processes, enabling it to identify the processes where they can standardize to make their processes more efficient.

In the initial few years Ramsalt focused on building its team comprising with the most competent people in their line of field. Thus for a start up to build their position as an expert in certain framework understanding, required the managements focus on team building and high level of excellence in the work they are hired to perform. This strategy of building up an expert team led to clients that search for excellence; thus at the initial stage Ramsalt built their client base on the bases of the reputation among their existing client. The strategy of relying on their existing customers to promote their services had its limitations and therefore they pursued for a more streamlined approach to market themselves. Thus, with the inclusion of Tage as a marketing manager in the company and the creation of a standardized spin-off solution have supported their need to streamline their entire marketing strategy.

5.4   Business Model Prior to Ramsalt Media

The core business model for Ramsalt involved that the company will generate all its business through carrying out consultancy activity. Ramsalt's vision to help customers achieve their goals involved them to tailor their solutions according to the client's goals. The vision evolved around the idea that instead of working "for" the client they work "with" the clients to achieve their goals. Thus, by owning the aims of their client, Ramsalt made its mark as the experts in Drupal platform. Ramsalt exclusively works with the Drupal framework and associated technology, and strives to be the leading Drupal consultancy firm in Norway.

Thus the initial business model was more inclined toward customer utility and revenue generation through consultancy services only. In addition to this, the business model focused on customer satisfaction as the core for the company's success.

5.5   Creation of Ramsalt Media

Creation of Ramsalt Media is an outcome of the deliberation by the team to isolate the recurring processes within one single market segment and standardizing it for overall efficiency of the company. The strategy of creating a standardized spin-off solution required Ramsalt to modify their existing business model (BM). Thus, this required Ramsalt to reevaluate their existing BM and to isolate the components that they consider the most crucial to their success as a company, and also enabling them to achieve efficiency and growth.

Ramsalt realized that the clients' satisfaction is at the core of their company's success and while considering a shift in the business model they had deliberately made it a point that this component remains undisrupted. To maintain the same level of client satisfaction, they needed to neutralize the negative attitude attached to a standardized solution in the market. This led to development of an innovative idea, creating a forum where Ramsalt interacts with their existing clients and potential client to give them the level of comfort they need to put their faith in the spin-off product.

The change in the business model not only enabled Ramsalt to make a transition from a startup company to a growth company, but will also enable them to be more prepared for future opportunities. The aim of this transition in the business model was to grow in their current market segment and eventually maximize revenue; additionally this strategy also targeted in developing an efficient consistency in the components of the

BM for other market segments.

5.6   Experiences with Ramsalt Media in a Process Perspective

Prior to the creation of Ramsalt media, the entire focus of the company was revolving around the notion of giving the best possible service to the existing clients. Ramsalt at their initial stage of startup focused on building a company that was considered as the market leader and were recognized as the best service provider in their respective industry. Thus based on the initial goal Ramsalt limited its consultancy services to a single platform "Drupal". Also, having a motivation to be the market leaders, led to building a team that was capable to ensure that the service provided to their clients was worth recognition. Furthermore, Drupal being an open source platform made it essential for the company to pursue potential employees that were known to be the best in the work they perform. Thus the entire startup phase of the company was directed toward building a company that is known for its excellence.

However once they achieved the target of building such a company their focus turned towards building up a client base for the growth of the company. Thus, creation of Ramsalt Media was driven by the motivation of the company to grow. Ramsalt like all the other IT-consultancy companies realized that with each new assignment there are certain recurring processes which can be isolated and standardized. By realizing this fact, Ramsalt decided that instead of taking each new assignment from the scratch they deliberated on identifying the processes that can be standardized; thus enabling them to create a standardized solution for potential new customers. The idea of having a standardized solution also enabled Ramsalt to reach out to their potential clients with a clear explanation of the services they provide. It also helps the clients to understand their needs as they are able to compare the model solution to their requirement and ask for modifications in the standard solutions to suit their needs. The creation of Ramsalt Media has resulted in bridging the communication gap between Ramsalt Lab AS and their clients. Ramsalt Media allow the clients to relate the solution based on the Drupal platform, with solutions made on other platforms that they are familiar with.

5.7   Spin-off Targeted Towards Brand Extension

Brand extension is widely used as a marketing strategy (Keller, 1998). The strategy
mainly focuses on the fact that launching a brand new product on its own can take a lot
more resources (Tauber, 1981), and can also have a slower market capture time. Thus to
give the new product an initial boost the firms adopt the strategy where they use their
core brand equity (Muroma and Saari, 1996) to launch the new product. This new
product is called the spin-off.

In our case study, we have witnessed that Ramsalt Lab has adopted a similar strategy of
product spin-off, where they developed a standardized solution for a market segment
that they were already servicing, and instead of launching the product with a separate
identity they adopted the strategy where they utilized their core brand equity to market
the new solution. By doing so Ramsalt Lab ensured that Ramsalt Media will give the
same level of assurance to the client with regards to customer satisfaction. It is also
worth noting that the standard solution was developed for the market segment for which
Ramsalt Lab had major client base. And so, by creating a standard solution for a
market segment in which they have already established themselves, enabled the clients
to have more confidence in the solution. Having strong references in the media segment
to support Ramsalt, has been key for them to create Ramsalt Media.

5.8   Customer Coherence and Marketing Strategy

Customers have always been at the forefront of the Ramsalt's vision. Their vision to be
the market leader could only be a success once the customers of Ramsalt considered
them as the best. Therefore, customer needs were given high priority from the start.
Building on their relationship with the existing clients, Ramsalt centered its effort in
building a stronger and a better relation with their potential new clients. At the initial
stage the focus was on building relations with their clients through exceptional
consultancy, thus the marketing strategy for Ramsalt's services were totally dependent
on word of mouth, where their existing clients promoted their services for them. Even
though this sort of marketing is considered to be effective, there were limitations to
having this strategy. The most dominant of the limitations was that this limited their
growth targets. And this was the reason for Ramsalt to come up with a marketing
strategy that will help them achieve their growth targets as well as retaining their
existing closeness with their existing and potential clients.

The idea around creation of Ramsalt Media was that Ramsalt as company wanted to

reach its growth potential and thus the exercise of creating a spin-off product in the form of Ramsalt Media was central to their marketing strategy; which enabled them to achieve their growth potential.

The launch of Ramsalt Media enabled Ramsalt to launch an aggressive marketing strategy (refer appendix D) towards the media segment. Consequently the creation of Ramsalt Media was a combination of both, streamlining their internal processes and marketing strategy to target potential new clients with the best possible client-entity relation. In addition to this the marketing strategy involved with the launch of Ramsalt Media was to keep the clients involved with all the creativity going within the project and within Ramsalt itself.

Ramsalt realized early on, that clients gave value to regular follow-ups, and that was the central theme of their marketing strategy with Ramsalt Media. In order to achieve cordial relations with their clients, Ramsalt came across an innovative idea, to initiate a forum called 'Editorial User Forum' (EUF) (Redaksjonelt Bruker Forum) for its current clients and as well as their potential clients, where they can interact with the company and among each other, and thus consider themselves to be part of Ramsalt's future. The first of the meeting in this forum was held in Tromsø on the 22nd of May, where they had 17 participants in total. These participants included Ramsalt's current clients and their potential new clients. Ramsalt experienced that during the meeting, at the forum, the participants were highly enthusiastic; where some of the clients gave a presentation and shared their experiences of their relation with Ramsalt. This activity of creating the forum turned out be one of the major take-away from the creation of Ramsalt Media, and consequently influenced Ramsalt's decision to implement similar forum for other market segments such as higher education institutions.

Thus, by this activity they will not only enable the client to feel closer to the company but also to create relations with them at a more personal level. This strategy has also helped Ramsalt in pitching their potential clients with the solution they have to offer and also enable the existing client base to connect with others in the industry. Ramsalt is viewing this strategy as a win-win solution for all the parties involved.

5.9   Competitors

To get an understanding of the competitor landscape of Ramsalt Lab AS, we provide in this section some relevant attributes of their competitors.

Table 5.1 presents a simple comparison of some relevant attributes by the competitors of

	News segment	Multiple segments	Using Drupal	Target region	Development stage	Consultancy services
NewsFront	Yes	Yes	Yes	Norway	Growth	Yes
Wonderkraut	Yes	Yes	Yes	Global	Established	Yes
Escenic	Yes	Yes	No	Global	Established	No
Labrador	Yes	No	No	Norway	Startup	No
Newsflow	Yes	No	No	Norway	Startup	Yes
Newscycle	Yes	No	No	Global	Established	No
Infomaker	Yes	No	No	Nordic	Growth	Yes
Ramsalt	Yes	Yes	Yes	Nordic	Startup	Yes

Table 5.1: Competitor Analysis

Ramsalt. The table shows the competitors' product names vertically, and attributes horizontally. The attribute 'news segment' show if the company provides products which target the news segment, in contrast to the attribute named 'multiple segments' which show if they also target other customer segments. The next attribute identifies if the system is based on Drupal, an open-source framework. The attribute 'target region' encompasses the region where the product is intended for sale. The next attribute 'development stage', identifies in what life cycle stage the company's product is located. We use a scale with the notches: startup, growth, and established. The last attribute 'consultancy services' map if the company also provides regular IT-consultancy services.

NewsFront[3] is the online news publication product from the IT company FrontKom[4]. NewsFront is based on the open-source framework Drupal. In addition to the NewsFront product, FrontKom provides IT-consultancy services. The company was founded in 2000 and we consider it to be a growth company, being larger than a startup, but not yet firmly established. They are currently based in Fredrikstad, Norway.

Wonderkraut[5] is based on the open-source framework Drupal, and they develop several products which target different customer segments. Wonderkraut also provides IT-consultancy services. They currently have 140 employees in nine different countries.

Escenic CMS is a web publication system which is not based on the open-source framework Drupal. The IT company Escenic and their web publication product Escenic CMS, has been acquired by the IT company Vizrt[6]. Vizrt is a global provider of real-time TV graphics. Based on their high growth the last couple of years, we consider

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[3]NewsFront: http://www.newsfront.no/
[4]FrontKom: http://www.frontkom.no/
[5]Wonderkraut: http://www.wunderkraut.com/
[6]Vizrt: http://www.vizrt.com/

them to be an established company. They are currently based in Bergen, Norway.

Labrador[7] web publishing system is developed by the company Publishlab AS. It was initially developed to be used by the Norwegian newspaper Dagbladet, but was later also sold to other newspapers. Publishlab AS has five employees and is located in Oslo, Norway. However, after TV2's joint venture with Aller Media on Publishlab AS[8], Ramsalt considers Labrador as a lower competitive threat, as it will predominantly focus on their two existing customers.

Newsflow[9] is a web publishing system developed by the company Thin AS[10]. This system is not based on the open-source framework Drupal. Thin AS is located in Oslo, Norway, in addition to other locations in Norway.

The company Newscycle Solutions[11] provides several solutions for the news segment, from content creation to advertising. They are located in St. Paul, Minnesota, United States. In addition they have offices in Central-America and in Europe. We consider the company to be well established. It is worth mentioning that with the mergers[12] in the company has made Newscycle Solutions to be at the forefront of the competitive landscape for Ramsalt.

Infomaker[13] is a company with products for both printed and online newspapers. They mainly provide products for the news segment, but provides IT-consultancy services as well. We consider them to be a growth company, by being larger than a startup, but not yet firmly established. They are located in Kalmar, Sweden, other places in Sweden, as well as offices in Norway, Denmark, and Finland.

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[7]Labrador: http://www.publishlab.com/
[8]Joint Venture TV2-Aller Media: http://www.journalisten.no/node/41871
[9]Newsflow: http://www.newsflow.no/
[10]Thin: http://www.thin.no/
[11]Newscycle: http://www.newscyclesolutions.com/
[12]Newscycle Merger: http://www.newscyclesolutions.com/news-and-events/atex-adbase-business/
[13]Infomaker: http://www.infomaker.se/

Chapter 6

Research Findings & Discussion

In this chapter, the results from the conducted interviews, in addition to a discussion, will be presented. This will enable an understanding of the decision processes in two different companies in the software development industry at two different phases in the company life cycle. The first, an established IT-consultancy company with great routines, and the second, a startup company with great ambitions. The argumentation presented in this chapter will form a foundation upon which we will be able to conclude the validity of our hypothesis.

Firstly, two sections follows, with results from the interview we conducted on 9th of May with Patrik Syrén. He is the senior vice president of corporate communications in Knowit AB (Sweden), as described more closely in section 4.2.1. In these sections all the company's experiences and additional relevant thoughts, as described by Patrik Syrén, are presented.

Secondly, one section follow, with results from the interview conducted on 14th of May with Yngve Bergheim and Tage Skotvold, the CEO of Ramsalt Lab AS and the project leader of the department Ramsalt Media, as described more closely in section 4.2.1. This section presents specific experiences by Ramsalt Lab AS, as described by Yngve Bergheim and Tage Skotvold.

In the discussion we will also try to encompass argumentations based on our understanding of the empirical study carried out during the course of this thesis. In our discussions we will try to shed light on the industry dynamics, and its effect on the selection of the business model, in a software development company. We will also direct our discussion towards the role of standardization in assisting a startup firm to develop into a more stable and well established in the market. We will also shed light on the why we consider the business model to be evolving rather than being static. All these

discussions will ensure thorough understanding of the problem and help us in presenting our conclusions.

6.1   Definition is Key

To understand key challenges that established software development companies face, we conducted an interview with Patrik Syrén, the senior vice president of corporate communications in Knowit AB. He points at some challenges that are present in the act of standardizing within software development companies that currently deliver IT-consultancy services.

Choosing a product from a product developing software company or a customized service from an IT-consultancy company may not be that different. It is essential to understand what is included in a standard solution, and what needs to be expected from a customized solution from a software developing company. Thus, from the meetings with Ramsalt Lab AS and Knowit AB, we have deduced that customers of a product, usually buy a program specified by a set of functionalities with a fixed price. The program usually need maintenance, such as bug fixes and security updates, as well as new releases of the program with new or improved functionality. The additional services, as well as new program releases, usually do cost extra. In contrast, customers of an IT-consultancy solution, do usually buy a program based on an initial set of requirements. The set of requirements could expand by request of the customer, creating a demand for new releases of the program, and the new releases could also include bug fixes and security updates. To conclude, these two could be perceived as very similar.

Before a customer project is started, the IT-consultancy company look at all aspects of the project, and evaluates them in relation to the potential profit margin. In the interview Patrik also disclosed his thoughts on aspects of product uniqueness. Upon starting a new project, reusing earlier code could increase the efficiency in development. Reuse of code could at first glance seem only positive, as the reuse could give a substantial increase in profit margin. According to Patrik, projects are usually not even started unless 70-80 % of the code from a previous project could be reused. This is not possible in all projects, but an IT-consultancy company should strive to do this, says Patrik.

In contrast, when a project is tailor-made for the customer, the customer get a sense of uniqueness. When the customer feels unique it is usually possible to get a higher return. Patrik explains this is possible, as the customer expect the resources used to deliver their system to be greater, and therefore valued at a higher price than an off-the-shelf

product.

An option which accommodates this double-edged sword, is to call it a solution. The solution is not a off-the-shelf product, still it utilize reuse of code at a high degree, with enough customization to accommodate the uniqueness of each customer. The degree of customization can vary, but it is usually always required. One important factor of presenting it as a solution, in contrast to a product, is making sure the customer still feels unique as if every line of code was written just for them. Then, the efficiency of reusing code in combination with a possibility to get highly paid is accommodated.

Patrik also emphasizes on the advantages of calling it a solution, even though they might be very similar, and both business models could be applied in the given situation. By having a continuously developed solution, the company does not need to sell in every new program release to the customer, as it is rather driven by the constant requirements of the customer. Patrik also believes a solution, in contrast to a product, creates a customer relationship which is closer, lasts for longer, and could generate more income.

6.2   Spin-off Strategy View in an Established Company

In extension of the previous sections, Patrik Syrén, the senior vice president of corporate communications in Knowit AB, says Knowit AB does not focus on the possibility to create spin-off products. He emphasize that this is a chosen strategy, as Knowit AB is an IT-consultancy company, and focusing on IT-consultancy services is the company's core objective. Currently, Knowit AB do not have a methodology for discovering spin-off product opportunities, and Patrik explains that they don't see any point in having it either, based on their primary objective.

Still, Knowit AB see the value of software development products as business opportunities. Patrik explains the current strategy is to rather be funding product developing startups initiated in other arenas, than creation of spin-offs out of business opportunities discovered through their own IT-consultancy services. Patrik also believes it is hard for a small company to start as an IT-consultancy company and transform into a product company due to the lack of available resources.

To conclude, the established IT-consultancy software development company Knowit AB desire to focus on its core objective, as this is where their value currently is generated. To validate if this is a recurring opinion among other established IT-consultancy software development companies more investigations needs to be conducted.

6.3   Efficiency Strategy & Marketing Strategy

From the interviews and the meetings with Ramsalt Lab AS, through Yngve Bergheim and Tage Skotvold, we have developed an understanding on how they have utilized Ramsalt Media as a source of marketing strategy and as well as a strategy to improve their efficiency, thus enabling them to grow. We believe that Ramsalt has been able to successfully launch a spin-off product with a very innovative marketing strategy. Ramsalt believes that by creating a forum for its client to interact has enabled them create close ties and they perceive that this strategy of having a client forum can help them develop in other market segments other then media.

We have noticed that the launch of Ramsalt Media as a standardized spin-off solution has helped them to bridge the gap of knowledge about the framework Ramsalt uses and it has also assisted the customers to reflect on the product to identify their needs. Thus by having a standard solution to present to clients, Ramsalt has been able to streamline their sales and marketing strategy. This strategy has further increased customer benefits by reduction in the price, more efficient application of the solution as it takes less time to customize from a standard solution, furthermore it provides an overview of how the product will look like and that enables the client to reflect if they require any customization or not.

To conclude, Ramsalt beleives that the strategy of creating a standardized spin-off solution as Ramsalt Media has been a success in terms of client retention, work efficiency and further exploration of potential new clients. They however, do think that it will take some time to get to the optimal consistency of components in their business model. It is also worth mentioning here that in our interview with Ramsalt we presented a model presented later in chapter 7 based on the case study and our finding; they consider that the model is quite applicable and will be a good source of guidance for the team at Ramsalt Lab AS.

6.4   Optimal Consistency of Business Model Components

In course of our research we have come across views that define the mindset of the industry while considering a change in the business model that they already have. We have witnessed firms that are extremely reluctant to pursue any change in their business model while on the other hand there have been firms such as Ramsalt Lab AS that are

highly motivated to experiment with their existing processes and to redefine their
business model to attain their goal for growth.

We have also tried to understand the dynamics around this phenomenon, where there
are two different approaches towards business model choices in the same industry. The
fact of the matter being that, even though in the same industry there are still differences
when it comes to the dynamics surrounding the market segments each company caters.
In addition to this we have also reviewed the existing theory around the business model
evolution and the factors that play an important role in assisting the firms to develop a
business model that suits them to the best.

We have understood the different aspects towards selection and rediscovery of the
business model. We believe that business model for a firm is an evolutionary process,
which requires the firm to have the motivation to learn from their existing processes and
further develop to create an optimal consistency of interaction between the components
of the business model. In our case study we have come across a situation where the firm
has adopted the strategy to be experimental with their business model to attain the
growth goals they desired. The primary motivation for Ramsalt to experiment with
their business model, was the factor that they needed to expand their operations. They
considered that rediscovery of their business model to adopt this goal will enable them
to pursue this in a more efficient manner.

This process of rediscovering business model according to the change in environment so
as to attain goal assimilation can, however, be very rigorous. In addition it can be said
that it is a constant loop that revolves around the firm identifying the opportunities
within their processes that can be streamlined in order to have the optimal business
model. It is also worth mentioning here that even though Ramsalt have experimented
with remodeling their business model, it may take some time before they are able to find
the optimal consistency that will be sustainable for their organization. We think that in
addition to attaining a sustainable model, the model will also enable Ramsalt to carry
out self evaluation of their internal processes for the overall efficient business. In
Ramsalt's case we see that developing a standard solution for one of its segments was
considered as an opportunity to streamline the recurring process within the firm. In
addition the standard solution was also viewed as an extension of the existing services
offered by the organization. It also enabled Ramsalt to have a diversified revenue mix,
where at the core they will generate bulk of their revenues from their consultancy
business. In addition, the sale of the standard solution will enable them to reach out to
a larger client base.

In contrast to the methodology adopted by Ramsalt, we observe that some of the

IT-consultancy companies have a different outlook on having such a strategy, as seen in section 6.2. The general strategy behind the IT-consultancy business is that, even though there is a possibility to utilize the existing work for other projects of similar nature, it will limit the firms' revenue generation. The philosophy behind this thinking is that consultancy business is derived by the amount of work done on each project. Whereas on the other hand an off-the-shelf solution will have a lower price tag to attract clients as it is assumed that the clients might not want to pay more for what has already been done for someone else. This strategy however leaves a blank spot in the market which can be exploited. In this spot we see that Ramsalt have tried to exploit the market potential. The strategy adopted may enable Ramsalt Media to attract those clients that usually don't go for a professional solution because of the price.

6.5   Understanding the Market Dynamics

It is interesting to understand the process of selecting the business model for most of the software development companies in the industry. According to our findings from the interviews conducted, we have come to an understanding that the principal factor that is looked into while selecting the model which suits the mission of the company is the pricing strategy. The core of the matter being the fact that most of the industry experts think that having a pricing strategy that generates large revenues from one particular sale is more beneficial, than having a strategy that can give potentially larger client base with lower revenue from each client. However, having examined the findings we have come across a variance in the approach to the adaptation of the pricing strategy, where the selection of the pricing strategy is more dependent on the various market dynamics that the entity is catering.

Even though the software development industry is considered to be a specialized industry, and like most of the service industry their revenue generation relies on the work hours put into developing the solution. Though, there are possibilities where the entity can standardize their processes to cut down on the repetitive tasks. The price sensitivity of the market segment the company is catering also plays an important role in deciding which form of pricing strategy it needs to adopt. Thus if the segment has a client base of companies that have limited budgetary resources available at its disposal then there is a very likely chance that having a standardized price for a standardized solution can essentially be a success in generating the desired volume. This, however, has a drawback attached to it as well, the most predominant of which is the fact that catering to such market segments can result in higher cost to the service provider where it will have more clients to look after and thus higher cost of maintenance. It is also

essential to understand that a company could offer a standardized solution or a product which costs are built into the total price of the product.

The possibility to vary the cost structure of the solution can have a huge impact on the ability of the product to be successful. A general perception in the industry is assumed to point at that even if the solution can be standardized, it is not ideal to create a product out of it as this may impair the service provider to charge the clients for higher price. A positive outcome of adopting a strategy to create a standardized solution is that a larger client base can be targeted and thus creating a competitive edge over the other companies in the same industry. It also enables the company to reach out to the potential clients in a more aggressive manner.

Over the course of our research we have also come across firms that have centered their business model to discover a niche in the market and target it with a standard solution. The discovery of such a niche in the market is extremely difficult and requires a constant perseverance and also requires the firm to sustain the rigorous process. Thus to sustain this, startup firms in the software development industry start with a IT-consultancy business as their business model and gradually align their business model toward a more standardized solution. One example of such a firm is Axis Communication, they started off as an IT-consultancy firm, and later discovered a niche market within the sector that wasn't being pursued by the larger firms in the industry. The firm funded its initial stage with the consultancy business and then later moved towards standardized solution targeting the niche market, thus becoming the pioneers in the category of network cameras.

Thus, the crux of the entire discussion is that the most important aspect of selecting a pricing strategy depends on understanding the segments needs, their willingness to pay for the solution, and the cost it includes. While conducting the case study on Ramsalt Lab AS, we have taken their understanding of the market dynamics of the segment they cater through Ramsalt Media. We have considered both schools of thought in our discussion and deliberation on the business model adaptation.

A central aspect of our thesis focused on the strategy adopted by Ramsalt Lab AS to target their potential clients with a standardized solution and to which point they have been successful in achieving their goal. Similarly, we believe that identification of niche in the market can have an influence on the firms' decision to rediscover its business model. We also consider that Ramsalt Lab AS has been proactive in their approach toward the development of their business model and may have discovered a sub segment within the market, that was previously not catered by other software development companies.

6.6   Reevaluation of the Innovation Study

As the study progressed, it became evident to us that it is extremely essential to reevaluate the case study for its innovativeness. This section of the study will therefore reflect on the findings from the case study and the discussions and argumentations in this section to develop our final assessment on innovativeness of Ramsalt's strategies.

Our argumentation for the reevaluation for the innovation study also accommodates the fact that the initial innovation study of the case was based on our initial understanding of the case, as the study was a preliminary study to evaluate the strategies of Ramsalt. However after completing the research on the case study we have developed a better understanding of Ramsalt's motivation towards adaptation of the strategy to create a standardized spin-off product. We would also like to mention that at the start of the thesis Ramsalt Media was at its initial launch phase and since then it has progressed and this has been highlighted in the case study.

Even though Ramsalt's strategies would not be considered as radical, we still assume that their strategy can fall within the scope of disruptive innovation, as explained in chapter 3. Having said that, we need to substantiate our arguments for this change in the assessment of innovation in Ramsalt's strategy and for this we will refer to chapter 5 and earlier in this chapter.

As discussed in chapter 6we believe that the strategy to use standardization to create Ramsalt Media was not only a strategy to create a spin-off product for their clients but was also a part of a major marketing strategy. The launch of Ramsalt Media enabled Ramsalt to streamline their marketing strategy and also assisted Ramsalt to deliver better customer satisfaction by the creation of the Editorial User Forum (EUF) which was a by-product of Ramsalt Media's launch. This strategy of providing a forum where clients can interact with the company, not only enabled Ramsalt to neutralize the negative sentiments attached to standardized products but has also enabled them to create a better understanding of the services provided by Ramsalt and thus creating a better client-entity relation. In addition to this Ramsalt has been able to discover a sub-market segment that prefers a lower price entry point to avail the services of a professional IT-consultant, which can be explored with Ramsalt Media as a standardized solution.

We therefore conclude based on our argumentations in this section, that the success of Ramsalt with Ramsalt Media can be mapped on the model presented by Christensen (1997) (refer figure 3.3) as an incremental-disruptive innovation. Where with a slight change in the process they have not only maintained their existing client base but also

attracted potential new clients, which was based on the standardization concept and a combination of innovative marketing strategy to increase confidence in Ramsalt Media even though it is a standardized solution.

Chapter 7

Spin-off Opportunity Model

The work in our thesis includes investigating of how standardization could assist in creating spin-offs, and how it could be innovative, and enable the company to grow. Deduced from the work in this thesis we created the Spin-off Opportunity Model (SOM). Based on our study we believe that this model will facilitate spin-off opportunity discoveries in software development companies. In this section the background for the model is undergone, in addition to describing the model in depth, and possible outcomes are reviewed. In the end, we present a basic evaluation of the model by Ramsalt Lab AS.

7.1   Description

Based on our research we created a model could assist firms in the IT-industry to adopt standardization processes, and to attain optimal level of growth. For this we have analyzed the case study of Ramsalt Media in light of the theoretical discussion in earlier chapters, with special interest in the lean startup principles, design thinking, and the customer development model.

We have also conducted interviews which have enabled us to get an overview of aspects that needs to be considered when a firm decides to create a spin-off product. These aspects have been developed into steps in our SOM. We have also noted, that the creation of a spin-off product is growth driven and is targeted towards efficient work processes, and it can be a very rigorous process. It requires constant evaluation and reevaluation, and still it might not give the right consistency to the business model.

The model is created for spin-off opportunity facilitation in any IT-consultancy company. We believe the model should work equally well whether the IT-consultancy

company is in the startup, growth, or established phase. We consider that companies in the startup and growth phase, will gain considerably from this model as it assist in scalability. This model enable growth without requiring a substantial addition to resources. We have also noted that factors such as managements' attitude toward innovativeness and their willingness to experiment are also vital. And the discovery of a niche market can influence the company's decision to rediscover their business model. All these factors and discussions from the previous chapters result in our creation of the Spin-off Opportunity Model (SOM).

The model can also be implemented with different scopes, depending on the desired outcome. It can be used specifically for investigation of standardization possibilities of the marketing processes, with a possible outcome being a spin-off product, company, department, or just marketing material.

7.2   Steps
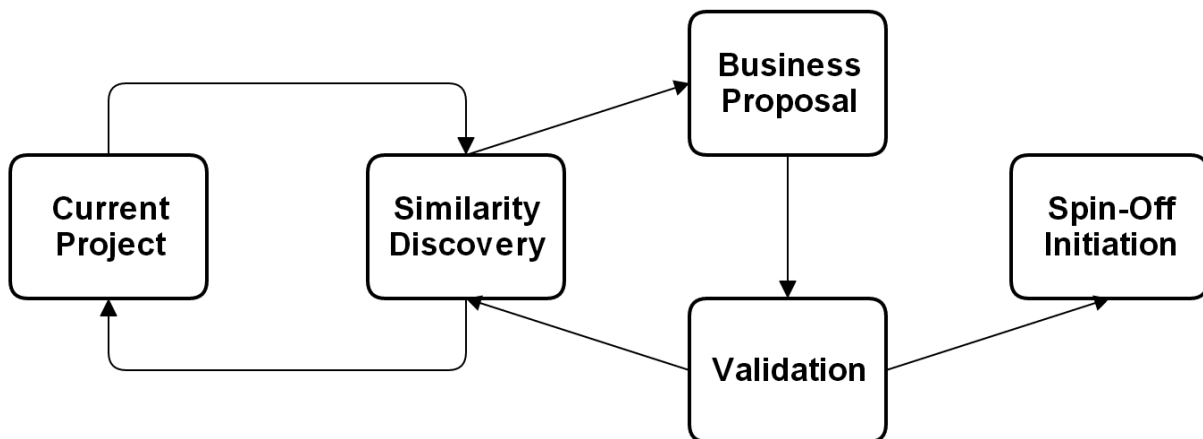
Figure 7.1: Spin-off Opportunity Model

The Spin-off Opportunity Model (SOM) consist of five steps, organized from the start towards two possible ending scenarios. The steps are; current project, similarity discovery, business proposal, validation, and spin-off initiation.

To enable this model, the project manager needs to decide if they choose to use the experiences from the previous projects in conducting the new IT-consultancy project. If successful, it could have an efficiency change, that could impact the entire company. If the project manager decide to enable this model in the current project, and contribute with the project's experiences, then this model should also be implemented as a recurring part in the entire company's learning strategy to get full benefit.

The 'current project' step is the initial phase of the model. This step is executed at the start or at the end of each project, depending on how the project manager assess the model execution to fit into the current project. In most IT-consultancy projects, the time limit is rigid. To accommodate this, and to prevent the project from not delivering on time, we recommend the first step to be conducted at the end of each project, but with an addition. The addition is to tell each member of the team to write a list of similarities with previous projects within the same organization. This is to be done as they go along with the projects work. This step is completed when a decision is reached on whether or not the model is to be used. This step should be conducted only once for each project.

The 'similarity discovery' step is used for investigating possible similarities between the current project and previously completed projects. Similarities includes market segments, customer requirements, possible reuse of code (either application specific or code libraries), marketing material, offer information, as well as all materials used on more than one project. Similarity could also be found in use of resources, such as using key knowledge or key personnel for similar tasks. One way of identifying the similarities is to have focus groups with 5-8 team members, where everybody discusses possible similarities from this project in contrast to previous projects. In addition, if each team member was told to make a list of similarities during the project initiation, this can be reviewed as well, and make a base for focus group discussions. This step is completed when the discoveries made in this step result in either giving a confirmation for going forward to making a business proposal, or that the discoveries are not enough, and the resources should be directed back to the current project.

The 'business proposal' step is about investigating the business spin-off opportunity based on the similarity discovery step. This includes defining the problem that need to be solved, and how well a solution can accommodate the need of enough customers for it to be viable. The market fit also requires investigation in this step. In addition an early business plan with a special focus on the how the efficiency can give improvement in resources and costs should be proposed. This step is completed when information about the business potential is presented, with special focus on the possible product and its market potential.

The 'validation' step reviews the positive and negative impacts of initiating a spin-off. This step consist of evaluating if the business plan is viable, as well as if the underlying assumptions about both project similarities and possible business opportunities are sufficient for a spin-off. One key issue which require careful investigation is the degree that a spin-off will affect the current IT-consultancy operation in the organization, the goal is to reduce it to a minimum. This step is completed when the validation results in

either a need for a new look at similarity discovery, or that the spin-off is ready for initiation. The former should be chosen if the business proposal is currently seen not viable, or that the similarity discovery needs closer investigation. The latter should be chosen when both the similarity discovery and the business proposal indicate a spin-off business opportunity.

The 'spin-off initiation' step use information from the similarity discovery and business proposal to initiate the business. This step is the last phase of the model and it is completed when a spin-off is initiated.

7.3 Outcome

The most desired outcome of the Spin-off Opportunity Model (SOM) is an efficiency increase through a creation of a spin-off. Although this is the desired outcome, other outcomes will most likely also give positive impact on the organization. We have identified two positive impacts present in a situation that does not result in a spin-off. The first is focus during the entire model execution, and the second is the debriefing process that occur mainly in the similarity discovery step.

The first impact is that having focus on looking for similarities could lead to an easier similarity discovery in the next project. An easier similarity discovery could then turn more quickly into an efficiency increase through a spin-off. However, it is important that this focus does not interfere with the daily work.

The second impact is that debriefing in the similarity discovery step could point out issues or efficiency improvements to be applied. An extensive debriefing with the SOM will probably work better than a simple question sheet after each project, to investigate if the team members possess possible improvement suggestions. This suggest that even if the similarity or efficiency issues were not enough to create a spin-off, it could still be worth implementing for efficiency improvement of the next project in the organization.

7.4 Model Evaluation

To get a better understanding on the applicability of the model, we consulted Ramsalt Lab AS for an evaluation. This section presents only their initial opinions, as they have not yet had time to test it on a working project. The opinions were gathered through a follow up interview conducted on 28th of May with Tage Skotvold, the project leader of the spin-off product Ramsalt Media, as described more closely in section 4.2.1.

The model is evaluated to suit the needs of a company in their position, a startup company with a desire to continuously investigate spin-off opportunities. Tage emphasize on what he considers to be the brilliance and advantage of the model. By utilizing the model, an increased focus is given on sharpening the team's attention on similarity discoveries for possible spin-off opportunities. By introducing the model, the team will have a specific focus, with some specific steps to implement. This is a model that make the whole team comprehend both the intention and the steps to execute, and by doing this provide something the team can relate to and discuss with each other. It is worth mentioning that the model's similarity discovery will only have full effect if everyone are contributing with information, in contrast to only having the team leader or a team member responsible for spin-off opportunities. The model is not considered revolutionary, as it does have potential for further development, as we also point out in section 8.2.

To conclude, Ramsalt Lab AS evaluates the spin-off opportunity model to have great advantages. It would fit companies with an intention to explore innovative approaches for efficiency improvement and scalability. Only an initial basic evaluation was conducted due to lack of time. To get a detailed evaluation, an empirical user study should be conducted, as described in 8.2.

Chapter 8

Conclusion and Further Work

With this chapter we conclude our findings and discussions, and also present our understanding on the further work that needs to be carried out in order to further verify our findings. The conclusions have been derived from our discussions in the earlier chapters and present a more direct response to the research questions that we presented in the start of the thesis.

8.1 Conclusion

During the course of our thesis we have been reviewing different theories that exist around business models and the factors that have an impact on determining an optimal consistency of the business model. Furthermore, we have reviewed literature on innovation and on marketing strategy. Thus, by the review of literature, we have tried to assimilate these theoretical concepts into the case study of Ramsalt Lab AS and to learn from their experience with the launch of the standard spin-off solution Ramsalt Media. The study of Ramsalt in turn assisted us in developing a model that we think can be applied by other firms in the software development industry (SD-industry) to attain efficiency and eventually growth. One of the main aims of this thesis was to understand the dynamics around an software development companies (SDC) transition from a startup phase to a growth phase; and to understand how a spin-off product assist the firm in achieving this objective. Our conclusions are focused on answering the research questions and are presented as below:

1. RQ1: How to facilitate a transition from a startup company to a growth company within software development?

2. RQ2: How can standardization assist in creating spin-offs in a commercial setting, and how can it be innovative?

3. RQ3: How can an organizational work environment facilitate in development of an innovative model for growth?

In the course of our extensive research we have come to an understanding that even though some of the IT-consultancy companies are reluctant to adopt the strategy of standardization, it is however not the case with all of them. In our study we observe that SDC such as Ramsalt have a very proactive approach towards adaptation to changes in the market dynamics and are willing to experiment with their existing business model in order to attain their growth objectives. This attitude has helped us develop an understanding for the importance of business model evolution (Demil and Lecocq, 2010). We consider that a firm can attain the optimal efficiency if it is able to maintain the right balance between the different business model components. Having an efficient model will not only help the firm to streamline their internal processes but will also help in the growth of the firm as witnessed in the case of Ramsalt.

In our thesis we have emphasized on standardization of processes in order to create an efficient internal work flow, which is also effective for the growth of the business. We view standardization as an essential element for a startup firm, as it enables the firm to grow exponentially with seemingly limited resources. We consider that standardization in IT-consultancy firms is quite possible and can have a huge potential. It can create customer sub-segments, which are part of a larger market segment and are not targeted by the larger industry player. Such standardization strategy will enable the firm to attract clients that would usually not consider a professional solution because of the price tag attached to it. However, with standardization the firms can offer a standard solution to a broader client base at a lower price entry point, thus generating volume based revenues and also discovering a niche market sub segment. It is also imperative to note that customization of marketing strategy can turn a seemingly non-innovative product development approach to an innovative approach, which enables the clients to be attracted to a standardized solution.

After careful study of the facts from prior literature and the empirical study we conducted during the research process, we conclude that having a methodology which helps the firms to assess the potential of a spin-off product can be useful and worth deliberating. Thus, we developed a Spin-off Opportunity Model (SOM), based on the findings from the case study of Ramsalt, where we state the different processes that a firm should go through before considering the possibility to develop a spin-off solution. Our model is predominantly based on the case study and the interviews we have

conducted to develop our understanding of the industry. It is also imperative to mention here that while deliberating on development of the SOM, we have taken into account all the factors that have influence on the models applicability; we still think that the model can be further developed with the course of time and real life implementation.

8.2 Further Work

This thesis contain a comprehensive investigation of the research questions, but we acknowledge that there is possible to do supplementary work towards further verification of our hypotheses.

We understand that our investigation of whether a standardization can help a startup company to move towards a growth phase need to be further verified. Our thesis research was limited to the software development industry, and thus to further strengthen the notion of the hypotheses, a subsequent study should be applied to other industries.

We would also like to mention that the model presented in this thesis is an evolutionary model and thus it can be modified with the need for further refinement. The model should be studied in an empirical matter on IT-consultancy companies, as this will further verify the applicability of the model. We highly encourage conducting this further research.

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Appendix A - Competitor Analysis

This competitor analysis is conducted by Ramsalt Lab AS, and it is partly in Norwegian.

	Ramsalt Lab	Wunderkraut	Escenic	Labrador
Unique competence	+Godt alternativ for kunder som ønsker uavhengighet fra mediahus og dyre proprietære løsninger +Redaksjon, nettavis, Jobbe i avis, redaktør og journalisterfaring. +ekstremt løsningsorientert Neutral elements -Kan fremstå som for små for større aktører	+ Mange store kunder + Kredd i markedet pga størrelse totalt. Mange kontor i Europa + har egen løsning + Har aviskunder i sverige Neutral elements - Har én avis ukesavisen ledelse men, de er misfornøyde kunder - I Norge er organisasjonen liten 3 stk	+ Godt etablert på avismarkedet + Egen løsning + Store kunder - Kunder føler seg låst - Høye kostnader	+ Intuitiv og enkel forsideredigering. +Kjent eier, Dagbladet + Har kunder som Dagbladetog tv2 + Gir levende og dynamiske forsider Neutral elements - Har ingen løsning for mellomstore og små aviser (komplisert løsning, krever mange i redaksjonen for å få et bra produkt) - Er fokusert på behovet til eieren Dagbladet - Få store uavhengige aviser i Norge
Target group & Who will our customer be?	+ Produkt spisset mot et spesifikt segment +Nettavis, nettmagasin og internavis i bedrifter Neutral elements	+ Tar så vidt vi vet kunder av alle størrelser og i alle segmenter - Ikke spissing mot spesifikt segment	+Mellomstore til store kunder - Mange store nettaviser	+ Store kunder + Produkt spisset mot spesifikt segment - Vi må være obs på om de kommer med en abbonementsløsning
Customer need & What will we deliver?	+ Formidle nyheter og informasjon + Lære å skrive for nett, sosiale medier, annonsering, krysspublisering + Vi kan integrere mot PagePlanner / Størrelsen på løsningen kan ekskludere noen kunder	+ gode når de først leverer - Mange misfornøyde kunder - Har ikke noe standardisert avisprodukt	+ Gode totale løsninger for kunder i sitt segment + Kunder i deres segment trenger seriøsitet, pondus - Mindre kunder drukner i køen	En god løsning, alle som har sett den liker hva de ser - Mislykkes med mindre kunder
Partners & alliances	+Pageplanner en veldig god match, komplementær Neutral elements - Kan være vanskelig å knytte allianser mot lignende aktører som Pageplanner når vi allerede har et samarbeid med de?	ukjent hvordan de samarbeider i Norge i dag - Har samarbeid med PagePlanner i Sverige	Samarbeider med Vizrt som selger løsningen for de	+ Dagbladet + Nationen - For fokusert på behovene til sin eier - Escenic
How will we sell and deliver?	+ Proaktiv salgsmodell + løsningsorientert salg med større kunder + Mest mulig ferdig produkt, lett å sette opp + Tett kontakt med kunde for å kartlegge behov Neutral elements - Kan være vanskelig å gjøre salg med kalde leads	+ Ferdig løsning + drift og support - Passiv salgsstrategi?	+Ferdig løsning + drift og support - Passiv salgsstrategi?	+ Har ikke salgmodell på plass + Salg av løsningen til andre enn Dagbladet er en bibeskjeft
How will we get paid?	+Abonnement + komponent + oppstartspris. +Lav oppstartspris, få mange kunder Neutral elements - Prismodellen ikke på plass enda. Bruker oppstartspris og vedlikeholdsavtale	+ Løsningsorienterte salg	+ Løsningsorienterte salg. + Tar betalt 50% upfront 50% ved prosjektleveranse	- Oppstartsprisen er høy

Figure 8.1: Competitor Analysis Part One by Ramsalt Lab AS

Newsfront	Newsflow	Newscycle solutions	Infomaker		GAP
+ Akkurat samme konsept som Ramsalt + Spiller på mange av de samme erfaringene + Spin-out fra Frontkom, en av våre konkurrenter - Mangler referanser - Holder til i Tønsberg	+ Billig løsning + Små aviser og lag og foreninger + Lett for en liten avis å administrere + Modulbasert Neutral elements - For enkel for en medium stor bedrift -Blir litt for enkelt?	+Sammenslåing av Saxotech + flere +Mange kunder fra sammenslåingen +Veldig lite informasjon på hjemmesiden -Antakeligvis dyrt	Store i Sverige, litt som Escenic Komplett løsning for redaksjonen Nationen / Tun Media som kunde - Antakeligvis dyrt		Det er få aktører som leverer i segmentet over Newsflow men samtidig må man være påpasselig med å levere kvalitet som overgår de billigste løsningene. Viktig med prosessen med kunden for å oppnå best resultat.
+Ute etter samme kunder - Vi har flere referanser	+ Produkt spisset mot spesifikt segment + En løsning for de minste aktørene	En løsning for de store aktørene	En løsning for mellomstore til store aktører		Segmentet vi opererer i pt er bra men vi kan ta større kunder med f.eks samarbeid med Aquia
+ Formidle nyheter og informasjon - Ikke samme alliansepartnere som oss enda - Kjenner ikke markedet så godt i og med at de ikke har noen kunder	+ En løsning for de aller minste som kan plukke seg de moduler de ønsker fra gitte pakker - Begrenset funksjonalitet - Fremstår noe gammeldags	Har delt inn produktet inn i flere deler: Digital, Content, Circulation, Advertising, Audience.	Leverer totale løsninger til redaksjonen - Tyngre innsalg når løsningen er total, lite fleksibilitet		Vå løsning er på høyde med våre konkurrenter i vårt segment
+ Frontkom, Aleron Tech	+ Landslaget for lokalaviser - Tar antakelig vis en del kunder som kunne vært aktuelle for oss	Er en sammenslåing av flere kjente selskapsnavn og produkteiere: Saxotech, Panopoly, Adbase, DTI	Ingen kjente		Sterke allianser blant noen større konkurrenter
+Kjenner ikke til vår salgsmodell - Mulig de har enda mer proaktiv salgsmodell	+ Fokus på nettsidesalg og igjennom landlaget for lokalaviser + referansekunder	Bruker nok eksisterende nettverk + en progressiv salgsstil	Løsningsorienterte salg Nettverkssalg Presentasjon		Tvilsomt at våre konkurrenter har en proaktiv salgsmodell
+ Nevner månedspris på hjemmesiden men også tradisjonell prising	Har oppstartspris i forskjellige klasser + vedlikeholdsavtale	Antakeligvis høy oppstartspris + høye løpende kostnader	Antakeligvis høy oppstartspris + oppsett + måned eller lisens		Rom for innovasjon på prismodell for å slippe inn flere mindre kunder og holde på dem over tid

Figure 8.2: Competitor Analysis Part Two by Ramsalt Lab AS

Appendix B - Interview Questions

First, the interview subject get a short brief of the idea of this thesis, if not previously familiar with. Then these questions are asked:

1. How do you identify new market segments?

2. How much focus do you give new market segment possibilities?

3. Is creation of a spin-off something that you have thought of in your strategies?

4. Is creation of a spin-off something that you have done?

5. Do you know other companies that have done a successful or not successful spin-off from a consultancy firm?

Appendix C - Design Thinking Model

In this appendix a detailed design thinking model is presented.
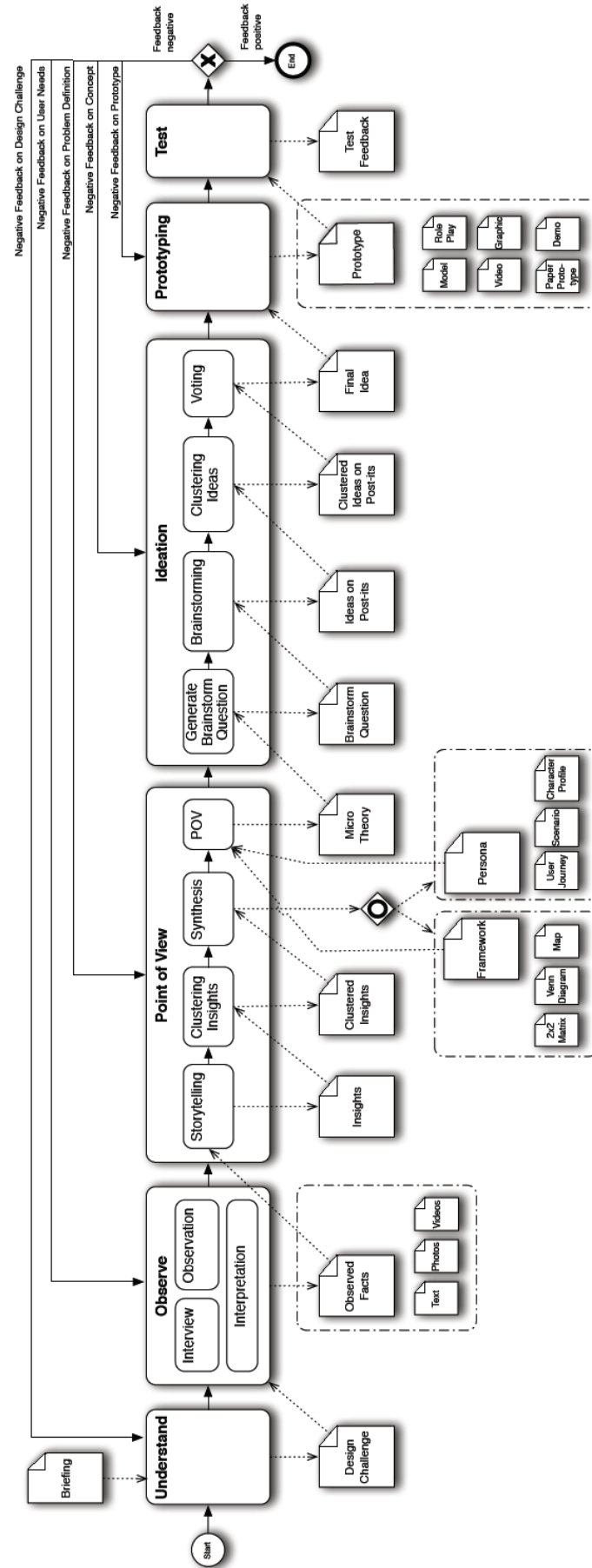
Figure 8.3: Detailed Design Thinking Process Model (Thoring and Müller, 2011)

Appendix D - Ramsalt Media Marketing Material

In this appendix Ramsalt Media marketing material is presented.

Figure 8.4: Ramsalt Media Marketing Material