Service-Dominant Logic: Status and Directions

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<table>
<thead>
<tr>
<th>Premise</th>
<th>Explanation/Justification</th>
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<tbody>
<tr>
<td><strong>A1</strong> Service is the fundamental basis of exchange.</td>
<td>The application of operant resources (knowledge and skills), “service,” is the basis for all exchange. Service is exchanged for service.</td>
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<td><strong>A2</strong> Value is always cocreated by multiple actors, including the beneficiary</td>
<td>Implies value creation is interactional and combinatorial.</td>
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<td><strong>A3</strong> All economic and social actors are resource integrators</td>
<td>Implies the context of value creation is networks of networks (resource-integrators).</td>
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<td><strong>A4</strong> Value is always uniquely and phenomenological determined by the beneficiary</td>
<td>Value is idiosyncratic, experiential, contextual, and meaning laden.</td>
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<td><strong>A5</strong> Value cocreation is coordinated through actor-generated institutions and institutional arrangements</td>
<td>Institutions provide the glue for value cocreation through service-for-service exchange</td>
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Value Co-creation through Resource Integration & Service Exchange

Market-facing Resource Integrators
Private Resource Integrators
Public Resource Integrators

Resource Integrating ACTOR
(Person, family, firm, etc.)

Economic Currency
Social Currency
Public Currency

Service

New Resources
Value
Micro Exchange Embedded in Complex (Eco)Systems of Exchange

Resource Integrating actors

S-D Logic
Resource Integration & Service-for-service Exchange within Service-ecosystems

Resource Integrators

Institutions & Institutional arrangements/logics
The Structure and Venue of Value Creation: Institutions & Service Ecosystems

**Institution**

- "any structure or mechanism of social order and cooperation governing the behavior of a set of individuals within a given human community."
- (Stanford Encyclopedia of Social Institutions)

**Service Ecosystem (S-D logic)**

- relatively self-contained, self-adjusting systems of resource-integrating actors connected by shared institutional arrangements and mutual value creation through service exchange.
Resource Integration & and the Structuration of Service Ecosystems

S-D Logic

Macro

Meso

Micro

Institutions

Resource Integrators
The Core Narrative & Processes of Service-Dominant Logic

- Generic actors involved in resource integration and service exchange enabled & constrained by endogenously generated institutions & institutional arrangements.
- Establishing nested & overlapping service ecosystems.
- Value co-creation.
- Service exchange enabled & constrained by institutions & institutional arrangements.
- Resource integration and.
“Hip-Pocket” S-D Logic

S-D Logic

Components & Structural Perspectives

Value Co-creation

Service ecosystems
• Nested and interlocking

Generic actors

Institutions

Resource Integration

Service Exchange
• Coordinated through

Societal:
National, Global, etc

(Sub)culture:
Brand, Market, “industry, etc

Exchange
B2C, B2B, C2C, etc

Macro

Meso

Micro
Institutions and axioms: an extension and update of service-dominant logic

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Abstract - Service-dominant logic continues its evolution, facilitated by an active community of scholars around the globe. Along its evolutionary path, there has been increased recognition of the need for a clearer and more precise delineation of the foundational premises and specification of the axioms of S-D logic. It has also become apparent that institutions have the potential to both broaden and restrict the evolution of the service ecosystem (sensual) concept and its specification in the marketplace. Therefore, the purpose of this paper is to examine the role of institutions and institutional complexity in the process through which resources come to get their “normalcy.”

Keywords - Institutions, service-dominant logic, resource context, value co-creation, institutions, managers need a more profound understanding of the complimentary and inhibiting roles institutions play.

1. Introduc...
<table>
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<tr>
<th>Levels</th>
<th>Aggregation</th>
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<tbody>
<tr>
<td><strong>Theory/Abstraction</strong></td>
<td><strong>Macro Level</strong> (e.g., societal, community -- national, global, local)</td>
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<tr>
<td>Meta-theoretical (e.g., S-D logic, cocreation of value)</td>
<td><strong>Primary Focus to Date</strong></td>
</tr>
<tr>
<td>Midrange theoretical (e.g., engagement, coproduction)</td>
<td><strong>Increasing Attention, Looking Forward</strong></td>
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Broadly Drawing from...

- Science of Cognitive Computing
- Ecological Theory
- Institutions & Institutional Arrangements
- Service Exchange
- Ecosystems
- Value Cocreation
- Structure Theory
- Evolution Theory
- Practice Theory
- Resource Integration
- Complexity Theory

Theory of Value Cocreation through Markets, Economy, Society

Value Determination
The world we live in is much more a man-made, or artificial one, than it is a natural one
- The significant part consists mostly of artifacts, called symbols (p. 2)

‘Judgment’ is a heuristic search
- The real-world economic actor is a satisficer, who accepts good enough, because (optimization) is not a choice (p. 29)

Markets and organizations are social schemes that facilitate coordinated behavior, conserving the critical scarce resource of human ability to handle complexity (p. 49)
Institutions as the Building Blocks of Social Science

- “The discovery of the inescapable evidence of the interdependence of market phenomena overthrew [the] opinion that there was in the course of social events no regularity and invariance of phenomena [as found in] “natural phenomena”... (von Mises, 1949 p. 2).

- “One must study the laws of human action and social cooperation as the physicist studies the laws of nature” (von Mises, 1949 p. 3).

- Can we dig below the immense diversity of regularized social interactions in markets, hierarchies, families, sports, legislatures, elections, and other situations to identify universal building blocks used in crafting all such structured situations? Yes. (Ostrom 2005)

- The diversity of regularized social behavior that we observe at multiple scales is constructed from universal component organized in many layers. (Ostrom 2005)

- Institutions are both the “recursive organizers” of practices and the “practices with the greatest time-space extension.” (Giddens 1984, p. 17)
“Greater divisions exist within than between disciplinary camps.” (Scott 2000, p. 2)
Innovation: The S-D Logic Perspective

Continual creation of new markets by:

- Leveraging existing service institutions/ecosystems
- Dynamically reconfiguring service ecosystems
- Creating new ecosystems
- In short: doing "institutional work"
Institutional Work

Interplay of Actors, Agency, & Institutions

Development

- **Isomorphism** – institutional dominance
- **Agency** – Individual intention
  - Especially specialized: “intuitional entrepreneurs”
- **Structuration**: Duality of agency and structure

Institutional work = intentional form of structuration

- **Maintenance** of institutions
- **Disruption** of institutions
- **Creation** of institutions
Complimentary Institutionalizations and Upstream Adoptions Processes for UBER and Lyft

- Institutionalization of Pay per Distance Traveled
- Institutionalization of Customized Pick Up and Drop Off
- Institutionalization of eCommerce
- Institutionalization of Rating System to increase Trust
- Institutionalization of Mobile Communication and Data Exchange
- Institutionalization of Sharing Solutions
- Institutionalization of Mobile Applications for Ordering Services
- Institutionalization of Accepted Transportation Practices
- Institutionalization of Sharing Solutions
Select Institutional Work by Uber/Lyft: Maintenance, Disruption and Change

**Institutions maintained:**
- Pay for Distance Traveled
- Customized Pick Up and Drop Off
- Use of traditional Cars
- Etc.

**Institutions disrupted:**
- Professional Drivers
- Cash Payments
- Flagging Down
- Regulated Industry
- Etc.

**Institutions changed:**
- Rating System of Driver and Passenger
- Payment in Cloud
- Etc.
In January 2009, Lotus revealed that it was working with a major manufacturer—rumored to be GM—to develop a PHEV that could compete with the Roadster. Thus, the companies’ collaboration has not eliminated the possibility of the two eventually competing against each other.

Future Collaboration
Following Lotus’ PHEV announcement, Musk quickly noted that Lotus had informed Tesla well in advance of its intentions, and Tesla has stated it hopes of possibly supplying powertrain components should Lotus go ahead with the project. Though their collaboration continues, it appears both companies are clearly preparing for life after the Roadster: Tesla by going after bigger markets and Lotus by competing directly against the Roadster it designed.

Beyond Lotus: Other Key Aspects of the Roadster Ecosystem
Though it outsourced much of the Roadster’s production to Lotus and various component suppliers, Tesla overall maintained its independence. Indeed, much of its strategy was based on the ability to utilize existing battery and automotive technologies to avoid innovation risk.

Batteries
Developing cost-effective batteries that provided the power and range needed to satisfy customers had long proven an Achilles heel of EV development. Yet the explosion of laptops and battery-powered consumer electronics beginning in the late '90s had turned lithium-ion cells into near commodity products, eliminating the need for Tesla to spend money developing its own battery cell solution. Instead, Tesla developed a solution for patching 6,831 battery cells together in its proprietary ESS, while leaving it to the big PC makers to invest in improving distribution system. Although there are potential issues with this as outlined below, this collaboration could be beneficial in the long-term, even if only in Europe.

Conflicts and Risks
There are several potential issues that could arise over the course of this partnership. Daimler has interests in Li-Tec, its joint venture with Evonik Industries to create automotive batteries. If other battery companies prove to be more efficient than Tesla’s suppliers, Daimler might not use Tesla’s battery technology and may even pressure the company to switch to another battery supplier. In general, as the market for electric vehicles expands and if Daimler successfully brings an electric Mercedes Benz to market, the two companies may find themselves in competition.

Additionally, Tesla’s method of distribution deviates greatly from the overall automotive industry. Currently, Tesla sells its vehicles through company-owned showrooms. Typically, auto dealerships have contractual relationships with manufacturers creating a largely inefficient sales model. While Tesla is a relatively small scale automotive company at present, as they potentially grow, they may need Daimler’s help with distribution. Given Tesla’s commitment to cutting out existing inefficiencies in the way automobiles are sold, working with Daimler on distribution could be difficult.

As Daimler and Tesla enter additional partnerships, it may become difficult for the companies to agree on a strategic direction. In July, Daimler’s major shareholder Aabar Investments of Abu Dhabi took an equity interest in Tesla as well. Moving forward it may become difficult for Tesla...
Generic actors involved in resource integration and service exchange enabled & constrained by endogenously generated institutions & institutional arrangements. Establishing nested & overlapping service ecosystems. A fractal model of value creation including technological innovation, market innovation, business models innovation, value cocreation, service exchange, and resource integration and enabled & constrained by.
Institutional Work and Engagement

**Institutional work** = agency related to institutionalization

**Agency** = “a temporarily embedded process of social engagement, informed by past, but oriented toward present, and future”

(Battilana & D’Aunno 2009)
From Customer Engagement to Actor Engagement and S-D Logic

- "Customer engagement" as loyalty (Applebaum 2001)
- Engagement and new product development (co-production) (Sawhney et al. 2005)
- Engagement and CRM (JSR special issue 2010)
- Experiential nature of engagement (Brodie et al. 2011)
  - Connects engagement and S-D logic
- Systems perspective on engagement’s role in value cocreation (Jaakkola and Alexander 2014)
People with their cognitive mediators can be thought of as systems in networks. For example, a smart service system can be viewed as a type sociotechnical system in which most people are augmented with cognitive mediators to get and give service offerings. A wise service system goes beyond smart, to improve multi-scale entity interaction opportunities generation over generation improving individual and collective quality of life into the future.

Generic Actor and A2A Thinking

Avoiding division between “producers” and “consumers”

Recognizing things can be an actor

Suggesting “Things,” as in IoT, are Actors

Leading to IoA with IoT a subset

Enabling new insights about IoT
Program

Idea Sessions

Working-Group sessions
- Suggest 4 (minimum) – 8 (maximum)

Focal Topics
- Institutions
- Ecosystems
- Technology
- Midrange theory development

Networking, informal idea, and social time
FMM Associated Special Issues

Journal of Service Management

- Service-Dominant Logic, Service ecosystems and Institutions: Bridging Theory and Practice
  - Abstract submission by September 15

Service Science

- Service-Dominant Logic: Institutions, Service Ecosystems and Technology
  - Full paper submission by Dec 1

Editors:

- Irene CL Ng
- Stephen L. Vargo,
For More Information on S-D Logic visit: sdlogic.net

We encourage your comments and input. Will also post:
• Working papers
• Teaching material
• Related Links

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