Foundations of Service-Dominant Logic

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FOUNDATIONS: GOODS-DOMINANT LOGIC
G-D Logic Model: Value Production and Consumption

Supplier

Producer

Consumer

Supply/Value Chain

Value Creation

Product/Value Delivery

Value Destruction

Goods/Money
Wrong Thinking about Service(s): The G-D Logic Perspective

Value-enhancing add-ons for goods, or

A particular (somewhat inferior) type good, characterized by (IHIP):

- Intangibility
- Heterogeneity (non-standardization)
- Inseparability (of production and consumption)
- Perishability

Services Economy = Post Industrial = Less-than-desirable economic activity
Problems with Goods Logic

Goods are not why we buy goods

- Service (benefits) they render
- Intangibles (brand, self image, social connectedness, meaning)
- Inputs into experiences (holistic outcomes)

Goods are not what we fundamentally “own” to exchange with others

- Applied knowledge and skills (our services)

Customer is secondary and seen as value receiver and destroyer

- “Consumer orientation” is an add-on--does not help

“Services” (IHIP) characteristics do not distinguish services vs. goods

- But they do characterize value and value creation
THE G-D LOGIC PROBLEMS “FIXES”
G-D Logic: The “Consumer Orientation” Fix

The Consumer Orientation is Inherently Producer Centric
G-D Logic: The “Relationship” Fix

Producer → Consumer → Producer → Consumer

Producer → Consumer → Producer → Consumer

Producer → Consumer → Producer → Consumer

Producer → Consumer → Producer → Consumer

Producer → Consumer → Producer → Consumer

Producer → Consumer → Producer → Consumer

Producer → Consumer → Producer → Consumer
The Inadvertent Route to G-D Logic

Smith’s Model of Economic Exchange
- Division of labor (specialized knowledge & skills)
- Value-in-use (real value)

Smith’s Focus on National Wealth Creation
- Value-in-exchange (nominal value)
- Productive = “labor” contributing to surplus exportable, tangible goods

Economic Science
- “Utility” as a property of goods (exchange value)
- Newtonian model of science = matter embedded with properties
- Producer-consumer distinction

Neoclassical economics
- The science of exchange of things (products), embedded with properties ("utiles")
- Foundation for all business disciplines
FOUNDATIONS:
THE S-D LOGIC CORE
Evolving to a New Dominant Logic for Marketing

Invited Commentaries on “Evolving to a New Dominant Logic for Marketing”

The Four Service Marketing Myths: Remnants of a Goods-Based, Manufacturing Model

Service-dominant logic: continuing the evolution

Why “service”?

Service-dominant logic: reactions, reflections and refinements
Impact of S-D Logic
Tourism Marketing in an Era of Paradigm Shift

Xiang (Robert) Li and James F. Petrick

Abstract - This paper synthesizes the latest discussion on the future paradigm of marketing. Three alternative marketing perspectives are discussed: relationship marketing, the network approach, and the service-dominant logic. Additionally, the relevance to the field of tourism marketing is highlighted. It is revealed that tourism marketing researchers have started to echo the new marketing thought, although in-depth conceptual exploration is still lacking. Finally, the implications of these new marketing conceptualizations on tourism research, practices, and teaching are discussed, and it is concluded that the tourism marketing research could be paved by putting more emphasis on strategy research and we prefer not to acknowledge, or which we ignore on a fairly regular basis, and part of the "reflect gaps in our theoretical understanding," which could be a result of a lag between our current theoretical knowledge and real-world practices. It may also be possible that previous marketing beliefs need to be reevaluated.

Concurrent with the growth of tourism marketing, the flourishing development of generative and co-creation theories, marketing practice, and marketing research has been analyzed under the existing service-dominant logic. This article aims to provide a service-dominant logic perspective on the tourism industry, and the future of tourism research and practice could be paved by putting more emphasis on strategy research and we prefer not to acknowledge, or which we ignore on a fairly regular basis.
Impact of S-D Logic

SERVICE INNOVATION VIEWED THROUGH A SERVICE-DOMINANT LOGIC LENS: A CONCEPTUAL FRAMEWORK AND A NEW CONCEPTUALIZATION OF SERVICE INNOVATION GROUNDED IN S-D LOGIC AND SERVICE SYSTEMS

By Edvardsson

CTF Center for Service Research, Karlstad University, Karlstad, Sweden,

Toward a Reconciliation of Resource-Based Advantage (R-A) and Service-Dominant Logic (S-D) Theories: A Study of Service Innovation in Social Marketing Context

INNOVATION
## Core Foundational Premises of Service-Dominant Logic

<table>
<thead>
<tr>
<th>Premise</th>
<th>Explanation/Justification</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FP1</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>
</tr>
<tr>
<td><strong>FP6</strong> The customer is always a co-creator of value</td>
<td>Implies value creation is interactional.</td>
</tr>
<tr>
<td><strong>FP9</strong> All economic and social actors are resource integrators</td>
<td>Implies the context of value creation is networks of networks (resource-integrators).</td>
</tr>
<tr>
<td><strong>FP10</strong> Value is always uniquely and phenomenological determined by the beneficiary</td>
<td>Value is idiosyncratic, experiential, contextual, and meaning laden.</td>
</tr>
</tbody>
</table>
Derivative/Elaborative FPs

FP1: Service is the basis of exchange

- Operant Resources (knowledge and skills) are the fundamental source of competitive advantage (FP4)
- All economies are service economies (FP5)

FP6: The customer is always a co-creator of value

- The firm cannot deliver value but only offer value propositions (FP7)
- Goods are distribution mechanisms for service provision (FP3)
FP9: All economic and social actors are resource integrators

- Indirect service masks the fundamental nature of exchange (FP2)

FP10: Value is always uniquely and phenomenologically determined by the beneficiary

- A service-centered view is inherently customer oriented and relational (FP8)
Clarifications: Service vs. Services

- **Services** = intangible products
- **Service** = The *process* of using one’s competences for the benefit of some party
  - The application of knowledge and skills
- **Service *transcends* “goods and ‘services’”

There are No “Services” in Service-Dominant Logic
Value Co-creation through Resource Integration & Service Exchange

Market-facing Resource Integrators

Private Resource Integrators

Public Resource Integrators

Resource Integrator (individual, family, firm, etc.)

Economic Currency

Social Currency

Public Currency

Service

New Resources

Value

S-D Logic
From Product (Output) to Value (Outcome) & Experiences

Value in context
Value in use
Value in exchange

Co-creation of value
Co-production of the value proposition

Value = Benefit (beneficiary specific) = increase in the viability of the system

Evaluation = Perception of benefit

Co-production is relatively optional.
Value is always co-created.
Actor Centricity & Resource-Integration based, Service-for-Service Service Exchange

The Market

S-D Logic

Actors = Resource Integrators
SERVICE ECOSYSTEMS & INSTITUTIONS
“It's all B2B...” – A2A (Actor to Actor)

From a G-D logic, perspective
- (B2C, producer to consumer)
- Consumer centricity is inherently firm (producer) centric

From a S-D logic perspective
- All actors are, resource-integrating, service-providing enterprises (B2B or A2A)
- Resources & value creation must be understood, contextually, co-creatively, and (service-eco)systemically
Micro Exchange Embedded in Complex (Eco)Systems of Exchange

S-D Logic

Resource Integrator/Beneficiary ("Firm")

Resource Integrator/Beneficiary ("Customer")
From Many to Many to Service Systems

Service science = the study of the creation of value within and among service systems (resource integrators)
Institutional Governance in the Service (Eco)system

Resource Integrator/Beneficiary ("Firm")

Resource Integrator/Beneficiary ("Customer")

Institutions

Resource Integrators

S-D Logic
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 logics and mutual value creation through service exchange.
Resource Integration & and the Structuration of Service Ecosystems

S-D Logic

Macro

Meso

Micro

Institutions

Resource Integrators
Reframing

RELATIONSHIPS AND TRANSACTIONS
Rethinking Relationship

- Joint, interactive, collaborative, unfolding and reciprocal roles in value co-creation.

- Implies a complex web of value-creating relationships, rather than making relationship an managerial option.

- In particular contexts, optimal (for the firm), normative relationships might include repeat patronage (i.e. multiple, relatively discreet transactions) but they do not have to for relationships to exist.

- punctuated in FP8: “A service-centered view is inherently customer oriented and relational.”
Transactions as Instances of Relationships

Transactions can be characterized in terms of objectified, bounded, tradable entities ("goods" and "services") that represent parts of a larger network of relationships among specialized actors. (Araujo and Spring 2006)

“mutually agreed-upon transfers with compensation located within the task network, [which] serve to divide one set of tasks from another” (Baldwin 2007)
Rethinking. Reframing, and Reconciling from an S-D Logic Perspective

- **Economic (and social) Actors**
  - From Bs and Cs to **generic A(ctor)s**

- **Markets**
  - From a priori to **imagined, created, institutionalized, and performed**

- **Market-ing**
  - From functional area to **essential function of the firm (actor)**
  - From marketing mix to value co-creation

- **Value**
  - From a property of output to a **co-created outcome**

- **Strategy**
  - From prediction and control to **effectuation**

- **Technology**
  - From exogenous variable to **service-provision mechanism**

- **Role of Information Technology**
  - From tool to a **transformation in value creation processes**

- **Innovation**
  - From invention to **designing systems for value co-creation**
Reframing MARKETS & INNOVATION
Markets: Shared or (Co)Created

The MP3-Player Market
Or
The customizable-entertainment-storage-organizer-and-personal-assistant-and-life-applications-with-a-WOW-factor-platform market

The mineral-oil market
Or
The baby-butt-rash-avoidance-mommy-guilt-reducing-body-massage-and-sexual-lubricant market

The sodium-bicarbonate market
Or
The occasional-baking-But-primarily-refrigerator-freshening-teeth-cleaning-clothes-brightening market
Where was the Market...?

“Why would anyone want...”

- A horseless carriage (Model T)
- Talking movies
- A Television
- A Personal computer
- A Microwave oven
- The Internet
- An iPod
Implications for Understanding the Market

- There are no (a priori) markets
  - There are just micro-level, service exchanges
    - gifts, generalized reciprocity, service-for-service
- There is a market system:
  - transitory, contextual configurations of resources and exchanges, sometimes linked by institutions
- ...and hence markets can “exist”
  - They can:
    - Be envisioned -- images of service potential
    - become institutionalized -- Intersubjective realities
- Thus, markets become performed within the Market
  - They exist because we act like they do
  - “Markets are functions of marketing” (and other business practices)
A Market as an Institutionalized Solutions

Resource Application (service)

Inter-subjective Agreement

Human Problem

Institutionalized Solution = A Market

Market performativity
Perspectives on Innovation

**Goods Innovation**
- Making better output (goods)
- New technology
- Efficient processes
- Decreasing returns to scale
- Purpose: increase market share

**“Services” Innovation**
- Making better output (“services”)
- Apply goods innovation principles, adjusted for “IHIP” deficiencies

**Service Innovation**
- Providing input into customers'/actors’ value-creation processes
- Link firm-available resources to peoples purposes
- Effective solutions
- Increasing returns to scale
- Purpose: “Owning” the market -- market shaping
Innovation Becomes...

Developing more effective value propositions for participating in beneficiaries’ resource-integrating, value-creating practices, through service

- Systemic, emergent,
- Co-created and co-evolutionary
- Function of (de)institutionalization
Effectuation Theory

Marketing Under Uncertainty: The Logic of an Effectual Approach

How do people approach marketing in the face of uncertainty, when the product, the market, and the context in which market research is undertaken are unknown or uncertain? The authors use protocol analysis to study expert entrepreneurs and publish a study comparing 37 managers with 17 entrepreneurial experts. The study finds that entrepreneurs are asked to think about their situation as they make marketing decisions, whereas managers think about the same situation. The hypotheses are drawn from literature in cognitive science on decision-making agents facing uncertain situations.

KEYWORDS: Effectuation, uncertainty, expertise, service-dominant logic, serendipity.

Consider the following scenario: A knock on the door.

"Good morning, Professor. I was in your office yesterday. I got a job offer to run a marketing firm."

"But I can't accept it."

"I can. I got a job offer to run a marketing firm."

"I can't accept it.

"I can.

The key distinction here is that entrepreneurs focus on how they can act, whereas managers focus on what can be done. The logic of effectuation suggests that organizations exist because they are not perfect, and it is the 21st-century wave that is the focus of this paper.

KEYWORDS: Effectuation, uncertainty, expertise, service-dominant logic, serendipity.

Expanding cycle of resources

- Actual courses of action possible
- Who I am
- What I know
- Whom I know
- What can I do?
- Interactions with other people
- Effectual stakeholder commitment

Converging cycle of constraints

- New means
- New ends
Innovation as Design Thinking

“Design thinking is an approach that uses the designer’s sensibility and methods for problem solving to meet people’s needs in a technologically feasible and commercially viable way. In other words, design thinking is human-centered innovation.” —Tim Brown
Thank You!

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

Steve Vargo: svargo@sdlogic.net  Bob Lusch: rlusch@sdlogic.net
Issues for a Theory of the Market

- There are no (a priori) **markets**
  - There are just micro-level, service exchanges
    - gifts, generalized reciprocity, service-for-service
- There is a **Market (Market System):**
  - transitory, linked, contextual configurations of resources and exchanges
- ...and yet markets **can “exist”**
  - They can:
    - Be **envisioned** -- images of service potential
    - become **institutionalized** -- Intersubjective realities
  - Thus, **markets become performed within the Market**
    - They exist because we act like they do
    - “Markets are functions of marketing” (and other business practices)
Innovation Meets Marketing

Business has two basic functions:
Innovation & Marketing

In S-D logic, these become intertwined, if not indistinguishable

True innovation is not the making of novel units of output but the designing and creating of new markets through service provision

Peter Drucker
COCREATION,
Goods-dominant (G-D) Logic

- Purpose of economic activity is to **make and distribute** units of **output**, preferably tangible (i.e., goods)
- Goods are **embedded with utility (value)** during manufacturing
- Goal is to maximize profit through the **efficient production** and distribution of goods
  - Goods should be **standardized, produced away from the market**, and **inventoried** till demanded

**Firms exist to (efficiently) make and sell value-laden goods**
From the Individual to Market-Based Co-Creation

Source: Ridley 2010
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(RE)THINKING ABOUT THE MARKET
The Value (effective) vs. Production (efficient) Trade-Off

**VALUE/Effectiveness**
- Benefit (Intangible)
- Customization (Heterogeneity)
- Customer Involvement (Inseparability)
- Contextual contingency (Perishability)

**PRODUCTION/Efficiency**
- Tangibility
- Standardization
- Separate production
- Inventoriability
Other disciplines have found it convenient to institutionalize the distinctions between applied and basic science... In marketing, the problem is rather one of spinning off a basic science from a problem solving discipline.

(Arndt 1985)

“Paradoxically, the term market is everywhere and nowhere in marketing.”

Venkatesh, Penaloza, and Firat (2006)

It is a peculiar fact that the literature on economics...contains so little discussion of the central institution that underlies neoclassical economics – the market

North (1977)
An Extended Pedigree for S-D Logic

- Social Network Theory
  - e.g., Giddens (1984); Granovetter (1973)
- New Institutional Economics
  - North (2005); Menard (1995)
- Human Ecology
  - e.g., Hawley (1986);
- Business Ecosystems
  - Insiti and Levien (2004)
- Stakeholder Theory
  - Donaldson and Preston (1995)
- Service Science
  - e.g., Spohrer and Maglio (2008)
- Market Practices and Performances
  - Araujo (2008), Kjellberg and Helgesson (2008)
RETHINKING TECHNOLOGY, INNOVATION & MARKET STRATEGY
There is no service revolution, just a service revelation, necessitated by information technology.

IT drives:

- **Unbundling**: separation of information from people and matter
- **Liquification**: movement of pure information
  - (Normann 2001; Lusch, Vargo and Tanniru 2010)
- It enables the **re Bundling** of information to create new densities
  - The combination of resources necessary to solve a given problem
Arthur on New Technologies: Resource Integration

“A novel technology emerges always from accumulation of previous components and functionalities already in place.” (p. 124)
S-D Logic Influence on Service Science

- Understanding service and service innovation requires new abstractions.

- Service is the application of competence for the benefit of another.

- Service involves at least two entities, one applying competence and another integrating the competences with other resources and determining benefit (value co-creation)—these interacting entities are service systems.

- A service system is a dynamic value co-creation configuration of resources, including people, organizations, shared information, and technology connected to other service systems by value propositions.

- A service interaction includes proposal, agreement, and realization.

- An atomic service system has no service systems as operand resources.

Source: Maglio (2009)
The Meaning of Technology

- **Definitions**
  - A means to fulfill a human purpose
    - Arthur (2009)
  - Useful knowledge
    - Mokyr (2002)
  - The application of scientific knowledge for practical purposes
    - Oxford New American Dictionary

- **And relationship to service**
  - Use of competences (knowledge and skills) for another’s benefit
  - Service = applied, beneficial technology (operant resources)
A Market as an Institutionalized Solutions

Resource Application (service)

Inter-subjective Agreement

Human Problem

Institutionalized Solution = A Market

Market performativity
Designing for service is designing dynamic systems and experiences in which one service is exchanged for another in an ongoing process, the value of which is constituted in practice.

Three consequences

• Designing for incompleteness
• Service co-created through practices of stakeholders
• Underpins symbols, things, actions thoughts
  • Thus, fundamental to all design activity, rather than a subfield
  • Kimball (2009)
The Dualism of S-D Logic

- Strategy
- Design
- Sociology of Markets
- Information Technology
- Marketing
- Innovation
- Ecosystems

Service-Dominant Logic
Sub-disciplinary Divergences and Convergences

Business-to-Business Marketing
- From differences:
  - Derived demand, professional buyers, fluctuating demand, etc
  - To emerging new principles:
    - Interactivity, relationship, network theory, etc

Service(s) Marketing
- From differences:
  - Inseparability, heterogeneity, etc.
- To emerging new principles:
  - Relationship, perceived quality, customer equity, etc.

Other Sub-disciplines

Other Intra-marketing initiatives
- e.g., interpretive research, Consumer culture theory, etc.
- From deterministic models to emergent properties
- From products to experiences
- From embedded value to individual meanings and life projects
The Service Ecosystem

- Relatively self-contained, self adjusting systems of resource-integrating actors connected by shared institutional logics and mutual value creation through service exchange
Does Service-Dominant Logic Provide Insight about Operational IT Service Systems?

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ABSTRACT

The rapid movement toward service orientation, on both the business and technology fronts, offers opportunities for building and delivering IT services. As we will argue, to capture the full utility that service provision offers, firms must transform their traditional business processes, which are often manual and one-dimensional, into more flexible, cloud-based, and customer-centric processes. In this way, IT service providers can effectively leverage the power of the Internet to deliver reliable, consistent, and predictable services. The result is a more efficient and effective delivery of IT services, which can lead to increased customer satisfaction and improved business outcomes.

Towards Service Engineering: Service Orientation and Business-IT Alignment

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Abstract

Service orientation is a core principle of IT service management (ITSM). A service-oriented approach to ITSM requires that IT services are aligned with business goals and objectives. This alignment is achieved by identifying the customer’s needs and aligning IT services to meet those needs. The alignment process involves a number of key steps, including identifying the customer’s needs, defining the services that meet those needs, and ensuring that the services are delivered in a manner that meets the customer’s expectations. The result is a more effective and efficient delivery of IT services, which can lead to increased customer satisfaction and improved business outcomes.

BRIDGING SERVICE COMPUTING AND SERVICE MANAGEMENT: HOW MIS CONTRIBUTES TO SERVICE ORIENTATION

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Abstract

This paper explores the relationship between service computing and service management, and how IT management can contribute to the alignment of IT services with business goals and objectives. The paper presents a framework for aligning IT services with business goals and objectives, and highlights the role of IT management in achieving this alignment. The framework is based on a number of key principles, including the identification of customer needs, the definition of services that meet those needs, and the delivery of services in a manner that meets the customer’s expectations. The result is a more effective and efficient delivery of IT services, which can lead to increased customer satisfaction and improved business outcomes.

A S-D Logic Based Approach to Input-Output Analysis for Technology Spillovers

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Abstract

Technology spillovers refer to the spread of technologies that are generated from an industry or a company’s innovative technology development and have direct or indirect positive effects on other firms or industries (or their activities). For example, spreading software technologies is regarded as an important technology spillover. Technology spillovers often take place within the innovation network or between different industries, and this knowledge is critical to understanding the implications of technology spillovers. In this paper, we present a framework for understanding and analyzing technology spillovers, and highlight the role of IT management in achieving this understanding. The framework is based on a number of key principles, including the identification of customer needs, the definition of services that meet those needs, and the delivery of services in a manner that meets the customer’s expectations. The result is a more effective and efficient delivery of IT services, which can lead to increased customer satisfaction and improved business outcomes.
MARKETS AS PROCESSES AND OUTCOMES OF CLEVER HUMAN TRICKS
An Extended Pedigree for S-D Logic

- Social Network Theory
  - e.g., Giddens (1984); Granovetter (1973)
- New Institutional Economics
  - North (2005); Menard (1995)
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  - Donaldson and Preston (1995)
- Service Science
  - e.g., Spohrer and Maglio (2008)
- Market Practices and Performances
  - Araujo (2008), Kjellberg and Helgesson (2008)
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).
New Institutional Economics

- The division of labor implies a division of knowledge that requires coordination.
  - Implies institutional structure will play a critical role in how knowledge will be integrated to solve problems
- Institutions = “rules of the game.”
- Organizations = players
The Sociology of the Market

- The economy is a function of the "performation" of economics (Collon, p. 23).
- "Lock-in provides richness...It is only when certain options have been drastically reduced that the market is finally organized and the individual agents can be calculative." (Callon, 48-9).
- Markets (are) a vehicle for achieving a society of peaceful cooperation (Slater & Tonkiss, p. 20).
- "At the micro level of analysis, we must grasp that economic and cultural categories are interdependent" (Slater 2001, p. 59).
Practice Theory and Structuration

- **Structure:**
  - recursively organized sets of rules and resources
  - the medium and the outcome of organization

Abstract

This article works on social theory with a Taylor, late Foucault, alternative to structuralism, in practice theory and in their respective mind, things have...

In the complex landcape...
Markets as Practices

- Markets do not (pre)exist; they are created from practices
- They are performed

Integrating

Normalizing

Representing
The Emerging Picture of Market System

- **Human Species, Characterized by:**
  - Independent *inadequacy*
  - Insufficient calculative ability
  - But exceeding *cleverness*

- **Heuristically driven**
  - Specialization and exchange – reciprocal resource integration and application *(service-for-service)*
  - Institutions – governance mechanisms
  - Language, concepts, symbolism – parsimony of thought and communication

- **Creating increasingly complex capabilities through**
  - Reproduction
  - Creative *contextualization*
  - Cooperation and co-creation
Effectual Logic

Turns predictive rationality upside down to discover the rationality when:

- The environment does not independently influence outcomes or even rules of the game
- The future is truly unpredictable
- The decision maker is unsure of his/her own preferences

In a nutshell, effectual logic is:

- Relational
- Network oriented
- Equity driven
- Cocreational
- Human centered and operant resource based
Service Ecosystem: A spontaneously sensing and responding spatial and temporal structure of largely loosely coupled, value-proposing social and economic actors, interacting through institutions, technology, and language to

- (1) co-produce service offerings,
- (2) engage in mutual service provision, and
- (3) co-create value.
The Value Proposition

- Markets, and thus Market-ing, can be more effectively based on and performed from an understanding of a value co-creating system of resource-integration and service-for-service exchange than one of goods-for-goods (or money)
Potential Implications

Making “services” more “goods-like” (tangible, separable, etc.) may not be correct normative marketing goal

- Make goods-more service-friendly.

Reconsider the primary nature of the firm

- From *manufacturing* (make and sell)
  - to *marketing* (*understand* and *serve*)
- Primarily Service Providers
  - Consider outsourcing non-core functions (including manufacturing)
  - Virtual, “on demand” modular marketing organizations
    - Resource integrators vs. resource owners (from networks)
Potential Implications (2)

Selling service flows rather than ownership, even when goods are involved

Shifting to Value-Based (Performance-Based) Contracting/Pricing

- Based on value-in-use/value-in-context

Value-Network/Ecosystems approaches to value creation

- Experience-”platform” creation
- Co-creation of value, brands, and markets
Growth in Prosperity

The Big Shift

Stocks \rightarrow Flows

Individual Institution Arena

Access

Leverage

Pitch

Achieve

Survival

Prosperity

Haviland Studio, Palo Alto, California, and Lahaina, Hawaii
The Drivers of Increasing Returns to Scale

- Property rights
- Scientific rationalism
- Capital markets
- Fast/efficient communications
- Competition
- Consumer society
- Work ethic
- Health
- Large-scale production

Specialization and exchange

Rules and Laws

Science and Language
Thank You!

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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