Foundations & Frontiers of Service-Dominant Logic

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A Continuing Journey...

SERVICE-DOMINANT LOGIC

PREMISES, PERSPECTIVES, POSSIBILITIES

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The Complexity of Context: A Service Ecosystems Approach for International Marketing

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ABSTRACT

To strengthen the theoretical framework that is based on the concept of context, we propose a service ecosystem approach that emphasizes the role of relationships and interactions between service providers and their customers. This approach recognizes the complexity of service ecosystems and highlights the importance of understanding the interactions between different stakeholders to effectively manage the service delivery process.

Keywords: service-dominant logic, service ecosystems, context, relationships, interactions.

International Marketing (IM) has become an increasingly important aspect of business in the 21st century. With the rise of globalization and the increasing importance of customer relationships, the study of international marketing has become more complex and multifaceted.

This paper aims to explore the role of context in service ecosystems and to provide insights into the dynamic and complex nature of relationships and interactions within these ecosystems. By understanding the interplay between different stakeholders and their interactions, businesses can better manage their service delivery processes and enhance customer satisfaction.

The complexity of context is further emphasized by the importance of understanding the interactions between different stakeholders. By recognizing the role of relationships and interactions, businesses can better manage their service delivery processes and enhance customer satisfaction.

What's New?

Industrial Marketing Management

It's all B2B...and beyond: Toward a systems perspective of the market

Stephen L. Vargo a,*, Robert F. Lusch b

The CO-CREATION CULTURAL CONTEXT

Melissa Archpup Akaka, Stephen L. Vargo

Purpose — This chapter frames value creation collaboratively created methodology/approach research propositions context through the in-service dominant (S-D) approach for value co-creation.

Research implications co-creative value theory provides a frame for value creation through multiple practical implications contribute to the co-creative cultural context — part frame value co-creation.

1. Introduction

A state arises, as is conceived, out of the needs of mankind; no one is self-sufficient, all of us have many wants... Thus, we have many who... and many persons are needed to supply them, one takes a helper for one purpose and another for another; and when these parties and helpers are gathered together in one habitation, the body of inhabitants is termed a state. And they exchange with one another; and one gives and another receives under the idea that exchange will be for their good.

As the global, networked economy becomes more pervasive and its nature more compelling, it is (should be) becoming increasingly clear that we rely on one another through the voluntary exchange of applied skills and competences (Vargo & Lusch, 2004, 2008). Consequently, one might think that the above statement is contemporary. It is, however, from Panty The Republic (300 BC/300 BC) published over 2000 years ago.

Despite a globally independent world, the simple truth behind Plato’s words often seems to be missed: we all essentially human beings serving each other, through exchange, for mutual wellbeing. Perhaps this statement therefore punctuates our present (Vargo & Lusch, 2004, 2008); see also Vargo, 2007) contentions that it is important to develop a logic of and for the market (and society) and marketing that transcends time, space, and the sometimes myopic conceptualizations of academic circles. It was in the spirit of this contention that we previously used a 'logic of service' to stress out no another, more transcending view of economic exchange and suggested (Vargo & Lusch, 2008). It's all B2B.

Since our early collaborative work on what has become known as service-dominant (S-D) logic, we have tried to nudge marketing thought away from fragmentation and toward a more unified theoretical conceptualization and framework. A first step was to suggest transcending the 'good versus services divide with it is all about service.' More specifically and more recently, we recognized a need to overcome (more) conceptual problems associated with the notion of a 'product,' as a creator of value, versus a 'service,' as a destroyer of value, and have reflected this in our recent conceptualization at the center of S-D logic: all social and economic actors are resource integrators (Vargo & Lusch, 2008) — as captured in foundational premise (P1). That is, all parties (e.g., businesses, individual customers, households, etc.) engaged in economic exchange are similarly resource-integrating, service-providing enterprises that have the common purpose of value co-creation — which we mean by "it is all B2B."
Premises

THE S-D LOGIC CORE
# Adjustments to the Foundational Premises of S-D Logic

<table>
<thead>
<tr>
<th>Premise</th>
<th>Likely Revision</th>
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<tbody>
<tr>
<td><strong>FP4</strong></td>
<td>Operant Resources are the fundamental source of competitive advantage</td>
</tr>
<tr>
<td><strong>A2/F P6</strong></td>
<td>The customer is always a co-creator of value</td>
</tr>
<tr>
<td><strong>FP7</strong></td>
<td>The enterprise cannot deliver value, but only offer value propositions</td>
</tr>
<tr>
<td><strong>FP8</strong></td>
<td>A service-entered view is inherently customer oriented and relational.</td>
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'The grand aim of all science is to cover the greatest number of empirical facts by logical deduction from the smallest number of hypotheses or axioms'.

Einstein
## Core Foundational Premises: The Axioms of Service-Dominant Logic

<table>
<thead>
<tr>
<th>Premise</th>
<th>Explanation/Justification</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A1/F P1</strong></td>
<td>Service is the fundamental basis of exchange.</td>
</tr>
<tr>
<td><strong>A2/F P6</strong></td>
<td>Value is always cocreated by multiple actors, including the beneficiary</td>
</tr>
<tr>
<td><strong>A3/F P9</strong></td>
<td>All economic and social actors are resource integrators</td>
</tr>
<tr>
<td><strong>A4/F P10</strong></td>
<td>Value is always uniquely and phenomenological determined by the beneficiary</td>
</tr>
<tr>
<td><strong>A5/F P11</strong></td>
<td>Value cocreation is coordinated through actor-generated institutions</td>
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</table>

**Tentative: Do not quote**
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

Service

New Resources

Value

Public Currency
Micro Exchange Embedded in Complex (Eco)Systems of Exchange

Resource Integrating actors
Resource Integration & Service-for-service Exchange within Service-ecosystems

Resource Integrators/Beneficiary ("Firm")

Resource Integrators/Beneficiary ("Customer")

Institutions & Institutional arrangements/logics

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

- **Service ecosystems**
  - Nested and interlocking

- **Generic actors**

- **Value Co-creation**

- **Institutions**
  - Actor generated

- **Resource Integration**

- **Service Exchange**
  - Coordinated through
“Hip-Pocket” S-D Logic

Components & Structural Perspectives

Societal:
National, Global, etc

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

Exchange
B2C, B2B, C2C, etc
Perspectives

BUILDING ON THE CORE
Approaches to Advancement

Conceptual Inversion

Transcendence

Reframing and Reconciliation
The General and Special Case of Marketing: S-D Logic Inversions

General Case
- Managerial
- Predictive
- Manufacturing
- Invention
- Efficiency
- Rationality
- Competition

Special Case
- Entrepreneurial
- Effectual
- Market-ing
- Innovation
- Effectiveness
- Heuristics
- Collaboration

"It ain’t what you don’t know that gets you into trouble. It’s what you know for sure that just ain’t so."
-Mark Twain-
Transcendence

**Defined:** “Lying beyond the ordinary range of perception.” (Free Dictionary)

- Practically: **Zooming out; creating higher-order constructs** to resolve tensions/paradoxes from existing constructs
- Sometimes approached through **inversion**

**Examples**

- Services/goods => service
- Actor/environment => structuration
- Producers/consumers => generic, RI, Reciprocal-service-providing actors
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
Possibilities: Current Research Frontiers

- Ecosystems
- Institutions
- Innovation/Strategy
Possibilities/Frontiers

ECOSYSTEMS
(Eco)Systems Books

Highlighting the Open, Complex, and Adaptive Nature of (Eco)systems
Resource Integration & and the Structuration of Service Ecosystems

S-D Logic

Macro

Meso

Micro

Institutions

Resource Integrators
Service-for-service Exchange within Service-ecosystems

Resource Integrator/Beneficiary (“Firm”)  
Resource Integrator/Beneficiary (“Customer”)
Some Ecosystem Implications

- Need for unit of analysis larger than a dyad
- Need to reconsider conceptualization of value
- Need for fuller understanding of formation and role of institutions
- Possibly need to rethink agency
System Implies Triad as Unit of Analysis?

From Dyad

To Triad

- A link (dyad) or node influencing another link (dyad) (Choi & Wu, 2009)
- A system of *more than two* actors
From Dyads to Triads (1)

- **Problems with Dyads**
  - Ignore the complexities of ecosystems
    - Closed
    - Deterministic
    - Unambiguous

- **Advantages of Triads**
  - Considered *basic unit of networks/systems* (Callon, 1998; Simmel, 1950; Wasserman & Faust, 1994)
  - Reveal
    - Indirect interaction
    - Emergent outcomes/Unintended consequences
    - Endogenous change (e.g., structuration)
From Dyads to Triads (2)

- Implied in marketing by
  - Indirect (e.g., monetized) exchange
  - Marketing intermediaries
  - Many brand concepts (e.g., brand community, component branding, etc)
  - Most forms of power (referent, normative, etc)
  - etc.

- Implied in S-D logic by
  - A2A (all actors are “producers” & “consumers”)
  - Institutional influence
  - Ecosystems
  - Resource integration
  - Value-co-creation
  - Value-in-use, value-in-context, value-in-cultural-context
  - Experience
Value as Viability and “Co-viability”

S-D logic definition of value:

- benefit = increased (decreased) viability (wellbeing) of the system
- Suggests “value-in-viability” (?)

Reconciled with ecosystems:

- Implies concept of “co-viability”
  - Probably is the general case
  - similar to “inclusive fitness” in evolutionary theory (Hamilton 1964)
    - Explains “social” evolution, cooperation
    - Similar to “complex exchange” (e.g., Bagozzi)
Possibilities/Frontiers

INSTITUTIONS
Institutions: The Missing Concept for Value Cocreation

- **Defined:** “any structure or mechanism of social order and cooperation governing the behavior of a set of individuals within a given human community.

- **Integral to ecosystems:** relatively self-contained, self-adjusting systems of resource-integrating actors connected by shared institutional logics and mutual value creation through service exchange.

- Might be the true source of human innovation and advantage (e.g., heuristics vs rationality)
The Sciences of the Artificial

- 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)
The Separation of Innovation: Technological and Market Components

Abernathy and Clark 1985, Schumpeter 1934, Hauser et al. 2006
An S-D logic and Institutional View on Innovation and Market Formation

Technological Component

Institutional & Ecosystems Perspective

Market Component

e.g. Orlikowsky 1992: Duality of Technology; Pinch and Bijker 1984: Interpretive Flexibility; Arthur (2011): Combinatorial Evolution

Bridging the technological-market divide with a service-ecosystem, institutional, and performative framework of socio-technical processes

Innovation as Combinatorial Evolutionary Processes

**Technologies:**
Ongoing combinatorial evolution of potentially useful knowledge

**Markets:**
Ongoing combinatorial evolution of solution-supporting institutions/practices for increased well-being

The collaborative institutionalization of practices that provide novel solutions for new and existing problems.
Bridging Technological and Market Innovation with Business Models

- **Trends in Business Models** (Zott, Amit, and Masa 2011)
  - Emerging as a new unit of analysis;
  - Emphasize a system-level, holistic approach to explaining how firms “do business”;
  - Firm and partner activities play important role (i.e., cocreation);
  - Seek to explain how value is created, not just how it is captured.
A Market as an Institutionalized Solutions

De-institutionalization
Re-institutionalization

Institutionalized Solution
= A Market

Resource Application (service)
Inter-subjective Agreement
Human Problem

Market performativity
Quasi-predictability

S-D Logic
Sustaining and Disruptive Innovation

The General Case

Modifying Markets

Recreating Markets

Creating Markets

(Pace of Performance that customers can utilize, absorb)

Non-market participants

Adapted from Christensen (various)
What practitioner gets from S-D Logic (the Spohrer challenge)

- **Understanding**
  - Purpose is *not to beat the competition, but to serve*
  - Markets *not entered, but continually (re) created*
  - Market innovation *at least as important as technological innovation*
  - Firm output *is only input for value cocreation*

- **Insight**
  - Possibilities *for innovation*
Expanded Venues for Innovation

Actor Ecosystem

Meso/Macro Ecosystem

Co-Production/Service Encounter Space

Actor Space

Resource Integrators

Resource Integrator/Beneficiary ("Firm")

Resource Integrator/Beneficiary ("Customer")

S-D Logic
<table>
<thead>
<tr>
<th>S-D Logic-compatible Innovation Approaches</th>
</tr>
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<tbody>
<tr>
<td><strong>Market (re)creation</strong></td>
</tr>
<tr>
<td>Disruption</td>
</tr>
<tr>
<td>Effectuation</td>
</tr>
<tr>
<td>(Re)Institutionalization</td>
</tr>
<tr>
<td><strong>Ecosystem development/enhancement</strong></td>
</tr>
<tr>
<td>Provider</td>
</tr>
<tr>
<td>Beneficiary</td>
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<tr>
<td>Solution centered</td>
</tr>
<tr>
<td><strong>Reframing firm role/objective</strong></td>
</tr>
<tr>
<td>Service-flow provision (vs product selling)</td>
</tr>
<tr>
<td>Value-based/performance-based pricing (vs unit based)</td>
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<tr>
<td><strong>Reframing beneficiary desires/value</strong></td>
</tr>
<tr>
<td>“Jobs to be done” (vs. product need)</td>
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<tr>
<td>Experiences (vs. product evaluation)</td>
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<tr>
<td>Co-creator</td>
</tr>
<tr>
<td><strong>Value creation/realization (for firm)</strong></td>
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<tr>
<td>Co-production/Open-source innovation/crowdsourcing</td>
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<tr>
<td>Self service</td>
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From S-D Logic to Application

S-D Logic (Grand "Theory")

Midrange Theory

- Blue ocean strategy
- Disruptive innovation
- Find the right job
- Design thinking and designing for experience
- Lean consumption
- Open innovation
- "institutional work"

Application
**Evolving to a New Dominant Strategic Understanding**

<table>
<thead>
<tr>
<th></th>
<th><strong>Economics</strong></th>
<th><strong>Marketing Management</strong></th>
<th><strong>S-D Logic</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Situation</strong></td>
<td>Market as waiting demand</td>
<td>Market as segments of demand and competing suppliers</td>
<td>Market as potential in dynamic system of resource integration (creation) and application (service exchange)</td>
</tr>
<tr>
<td><strong>Strategic strategy</strong></td>
<td>Fill demand</td>
<td>Manipulate 4Ps better than competition (competitive advantage)</td>
<td>(Re)create and institutionalize markets through resource creation &amp; service provision</td>
</tr>
<tr>
<td><strong>Goal</strong></td>
<td>Supply/demand equilibrium</td>
<td>Monetary profit through market share</td>
<td>Increased (co)viability</td>
</tr>
</tbody>
</table>
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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