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Reconfiguration of the conceptual landscape: a tribute to the service logic of Richard Normann

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Abstract This article is a tribute to the late Richard Normann, whose call for a "service logic" (Normann, Reframing Business: When the Map Changes the Landscape, Wiley, Chichester, p. 99, 2001) both parallels and enriches service-dominant (S-D) logic (Vargo and Lusch, J. Mark, 68:1–17, 2004a). Like Vargo and Lusch, Normann shifted the focus of the *offering* from an output to a process of value creation and perceived the firm as an organizer of this process, with the *customer* as a co-producer, rather than a receiver of value. He also argued that offerings are "frozen knowledge," similar to Vargo and Lusch's contention that the basis of exchange is applied operant resources (service) and suggested that the 'dematerialization' of resources increases their 'liquidity', which allows increased "density" for value creation. Thus, he suggested that firms need to "*reframe business*"—rethink the logic of value creation—to reveal opportunities in reconfiguring the *value constellations* of which they are part. This tribute explores these and other similarities and differences between Normann's work and the evolving S-D logic.

Keywords Service-dominant logic · Value co-creation · Liquification · Density · Value constellations

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Introduction

The combination of service-dominant (S-D) logic as the focus of this special issue, similarities between S-D logic and the work of Richard Normann, and Normann's premature death a few years ago, make it fitting to recognize his work here. In marketing circles, Normann is perhaps best known for his 1993 article with Rafael Ramirez, "From Value Chain to Value Constellation: Designing Interactive Strategy." Vargo and Lusch (2004a) noted the contribution of this article to S-D logic. However, nearly simultaneous with the review and publication of "Evolving to a New Dominant Logic for Marketing" by Vargo and Lusch, Normann (2001) published a monograph, *Reframing Business: What to Do When the Landscape Changes,* that similarly acknowledged the need for switching to a "service logic" (p. 99). His ideas in this publication both partially parallel and potentially enrich S-D logic. Thus, while this tribute is intended to celebrate Normann's work in general, it will do so primarily by joining a handful of others (Edvardsson et al. 2005a, b; Grönroos 2006; Michel et al. 2008 [this issue]) in connecting this last publication to S-D logic. After detailing the similarities between Normann's approach and the foundational premises of S-D logic (Vargo and Lusch 2004a), we highlight some innovative concepts Normann introduced that have particular relevance for the enrichment and extension of S-D logic.

Foundational parallels

While the foundational parallels between Normann's (2001) work and S-D Logic are striking, the details of each are distinct, though occasionally subtly so. Notable similarities, if not shared foundations, are especially recognizable in Normann's treatment of the role of the customer, the characteristics of market offerings, the role of knowledge, the meaning of value and value creation, and the nature of exchange.

Role of the customer

Normann describes the evolution of strategic paradigms from a production orientation to a relationship orientation to a new archetype of organizations—the business company as an organizer of value creation (2001, p. 24). Concurrent with this firm-centric to customer-centric evolution, the view of the role of the customer changes from a receiver of goods to a source of business and then to a co-producer of value. This co-production, or co-creation of value (see Vargo and Lusch 2006), function is not a special case limited to services, as traditional goods-dominant (G-D) logic and the related neo-classical economic model would suggest, but rather the fundamental joint role of the firm and the customer in value creation.

Characteristics of offerings

Similar to Vargo and Lusch (2004a, b; 2006), who regard service as primary and goods as a special case or at least a special method of service provision, Normann (2001, p. 114) argues that the traditional distinction between goods and services is misleading:

> *Services are activities (including the use of hard products) that make new relationships and new configurations of elements possible....* Viewing the economy as a web of activities and actors linked in co-productive value creation gives us another ... more creative view of the nature of 'offerings'. *Offerings are artifacts designed to more effectively enable and organize value co-production* (italics in original).

Thus, for Norman, an offering, of which a tangible component, if present, is only a part, serves as a knowledge-application vehicle, similar to Vargo and Lusch's "appliances." More importantly, Normann (p. 115) shifts the focus of the offering from firm output to the process of value creation by suggesting that *"the offering is a reconfiguration of a whole process of value creation, so that the process—rather than the physical object—is optimized in terms of relevant actors, asset availability, and asset costs"*(italics in the original).

Knowledge

Similar to Vargo and Lusch's (2004a) emphasis on the primacy of *operant resources*—dynamic resources that can cause effects—with goods serving as carriers of competences, Normann (2001, p. 116) argues that offerings are "frozen knowledge"—"an accumulation of past knowledge and activities. He argues (p. 115) that "tangible 'products' can be effective instruments into which past activities can be 'frozen' and made available to actors for their present and future value-creating activities." In part, this effectiveness is based on the notion that "[p]hysical products are a particularly efficient medium because of their reproducibility and predictability" (p. 117). However, "[p]hysical products are not the only way"; rather, "people (as a result of education and experience), manuals, systems, language and culture" also carry knowledge. Ultimately, for Normann, the product is a knowledge-carrying component of the entire knowledge-driven reconfiguration process of value creation.

Value

Normann's interpretation of value is consistent with S-D logic's ideas of consumption, value-creation networks, and the interplay between value-in-use (phenomenological value) and value-in-exchange (market value, price). He points out that Latin has two verb forms for "consume," one of which means to *use up* or *waste*, and the other to *complete* or *perfect*. Because Normann conceives of "the customer as *value creator* rather than a value destroyer" (2001, p. 98, italics in original), the offering is no longer the *output* of a manufacturing process or value-chain logic but rather an *input* to a value-creating process (Normann 2001, p. 99). Therefore, value is primarily defined in terms of value-in-use, from which, in virtually all cases in a market-based society, value-in-exchange can be derived (see Vargo and Lusch 2004a, p. 7).

Exchange

In line with this conceptualization of value, Normann criticizes traditional economics and G-D logic (which he refers to as "manufacturing logic") by noting, "[e]conomic theory seems to assume that goods and services flow in one direction (from producer to consumer) in exchange for money" (2001, p. 121). He argues instead that "the value exchange between providers and customers and within a value-creating constellation consists of much more than goods/services, money, and information" (p. 122). This "between" and "within" orientation and the movement of the level of analysis to "value constellations"— cooperative networks of providers—(and "customer communities"—cooperative networks of customers) seems to intimate, if not echo, the reciprocal service-for-service orientation of Vargo and Lusch (2004a), while the complexity of exchange and the implied intermediary role of money appear to partially capture S-D logic's second foundational premise: "Indirect exchange masks the fundamental unit of exchange."

This notion of networked value-creation is consistent with S-D logic's ninth foundational premise, (Vargo and Lusch 2006, p. 53), especially as revised: "All economic and social actors are resource integrators" (Vargo and Lusch 2008 [this issue]).

Reconfiguring value constellations by reframing business

Innovation, within the context of value constellations and customer communities, is less likely to occur linearly through value chains but rather it emerges dynamically from newly created *value constellations* (Normann 2001, pp. 106–10). As noted, for Normann, value is not produced in factories and then consumed by customers; it is co-created by economic actors who exchange a variety of resources that go beyond goods and money. Innovative value constellations "identify economic actors and link them together in new patterns which allow the creation of new business that did not exist previously, or ... change the way certain types of value are created. This is not about a simple reallocation of existing activities between a set of actors, but of constructing a new, coordinated set of activities resulting in a new kind of output" (Normann 2001, p. 107). Customer co-production (value co-creation in S-D logic terms), thus, is an integral part of a value constellation, which means the traditional output of the value chain (Porter 1985) must be re-conceptualized in terms of "value stars" (p. 72, see Normann and Ramirez 1994; Wikström and Normann 1994)—inputs into customer value-creation processes.

According to Normann (2001) organizations that take advantage of and create new opportunities by reconfiguring business systems represent "Prime Movers" (p. 51, see also Ramirez and Wallin 2000) who "obey the call of business today: *reconfigure or be reconfigured*." That is, prime movers not only take advantage of historical market imperfections or exploit technological breakthroughs but also change existing value constellations through "unbundling" and "liquefying" and "rebundling" resources to create new "densities."

Resources and density

One of the most potentially enriching concepts for S-D logic that Normann develops is the "density" of offerings. Density refers to "the best combination of resources [that] is mobilized for a particular situation—e.g. for a customer at a given time in a given place—independent of location, to create the optimal value/cost result," and the term itself "*expresses the degree to which such mobilization of resources for a 'time/space/actor' unit can take place*" (Normann 2001, p. 27, italics in original).

Normann emphasizes two dematerialization mechanisms that lead to the creation of new densities—liquification and unbundleability. *Liquification* refers to dematerialization through the separation of information from the physical world, allowing it to be easily moved about (pp. 31, 33). For example, the strength of digitalization of information (e.g., electronic communication) is not just that information becomes dematerialized but rather that the information can be moved about and remanifested in many different ways (p. 33). *Unbundleability* refers to the separation of "activities hitherto well defined and held together in time and place and by actor" (p. 33). As an example, Normann points to IKEA's reassignment of the role of furniture assembly to the customer and notes, "*The novelty is in the way the total activity clusters, not just some pieces traditionally thought of as being 'at the end' in the system of value creation, are unbundled and reallocated* to different actors" (p. 34, italics in original).

This dematerialization through liquification and unbundleability promotes rebundleability, which allows the creation of new *densities* capable of being combined with customer resources to create new value configurations. This implies a co-creative role of customers in the establishment of value constellations. Norman suggests, "today's value-creating context allows a much more 'dense' packaging together of various actors into different patterns of 'co-production' of value" (p. 6).

Reframing and reconfiguring by prime movers

Dematerialization, liquification, unbundleability, rebundleability, and the resulting potential for increased density, change the market landscape and create new value-creation opportunities. "Some economic actors will be quicker and more comprehensive in seizing the potential and thereby occupying the space" (p. 29); these actors are, of course, the prime movers. As Normann notes, "[by] identifying (customers') value-creating processes and by creating offerings which leverage and match these processes as 'densely', as possible we can begin to formulate principles for effective offerings and for how to combine and link resources in ways that answer to the criterion of density" (p. 138). Furthermore, this conception of value creation depicts market offerings as "tools to mobilize assets and link them together so that they are brought together to leverage value-creating processes. Offerings are tools for reconfiguration by meeting new patterns of co-production" (p. 138).

However, according to Normann, a prerequisite for reconfiguration is *reframing*, which moves prime movers away from an orientation of manufacturing and selling a product toward the wider set of capabilities required to design and run value-creating systems (Normann 2001, p. 66). Instead of optimizing the current value-creating system, reframing requires upframing—that is, consideration of the overall system of which the firm is a part. This upframing prevents myopia (Levitt 1960). Upframing also might be considered an element in economic development, which means that industries "can be upframed in an infinite number of ways" (Normann 2001, p. 220). After new frames—or in Normann's terms, maps that change the landscape—are created, prime movers redefine the roles of economic actors (e.g., as IKEA has done with home furnishings), within a broader, value-creating system. In so doing, they reconfigure the customer's and their own value stars.

Normann's concepts of liquification and unbundleability are, of course, dealing with the knowledge and skills, or operant resources, which are central to S-D logic. His customer co-production mirrors the similar concept found in Foundational Premise 6, as modified: The customer is always a co-creator of value (Vargo and Lusch 2006). While Vargo and Lusch (2004a) acknowledged the concept of value constellation as discussed by Normann and Ramirez (1993), it was largely conceptualized as an expanded network, defined as an alternative to value chains. However, in *Reframing Business*, Normann adds depth and new dimensions to the concept. Likewise, the density concept, coupled with the rest of the value-creation model, provides a foundation for exploring an alternative view of the market offering. Importantly, it also meshes almost perfectly and provides substance for Foundational Premise 9, as modified (Vargo and Lusch 2008 [this issue]): "All social and economic actors are resource integrators." Finally, since the creation of an "on-demand" world with maximum density would entail both public and private service systems, it would open S-D logic to substantial macromarketing research opportunities.

In short, Normann's concepts enrich and expand S-D logic by reframing the overall value-creation system. Importantly, he also reinforces the nested relationship between goods and service, if not goods and service logic: "the service logic clearly *frames* a manufacturing logic rather than replaces it. Creative business thinking comes from applying the service logic mode of thought, recognizing that within an overriding logic there are islands of a manufacturing logic" (2001, p. 98, italics in original).

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