

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

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ABSTRACT

To strengthen the theoretical foundations of international marketing (IM), the authors propose a framework for conceptualizing the complexity of the context that frames international and global exchange systems. In particular, they apply a service ecosystems approach, which is grounded in service-dominant logic and its foundational premise that service is the basis of all exchange. The proposed framework provides insight into the nature of context, a distinguishing feature of IM. The authors argue that the embeddedness of social networks and the multiplicity of institutions within a service ecosystem influence the complexity of context. They articulate the way the (co)creation of value influences and is influenced by the enactment of practices and the integration of resources through various levels (micro, meso, and macro) of interaction and institutions. They introduce the concept of “value in cultural context” to emphasize the influence of the symbolic and social components of context. The article concludes with a discussion of the research implications for how a service ecosystems view can aid in the advancement of IM theory and practice.

Keywords: service-dominant logic, service ecosystems, value cocreation, marketing theory, institutions

International marketing (IM) has been recognized as a distinctively complex subset of marketing as far back as the initiation of the discipline (Fisk 1910; Litman 1923). Early marketing scholars separated the study of IM from that of domestic marketing because of the unique issues associated with the former, including differences in tastes and habits (i.e., culture), currency, and laws, as well as increased geographic distances and limitations on communications (Fisk 1910). However, even at the time this bifurcation occurred, scholars argued that “there is fundamentally no difference between international, or what is termed foreign trade and domestic trade” (Litman 1923, p. 3).

This implies that although the context of IM may be more *complex* (i.e., comprising more interconnected

and moving parts; e.g., Simon 1996) than domestic contexts and thus seems more *complicated* (i.e., more difficult for managers and researchers to study, understand, and analyze), the fundamental mechanisms driving exchange and value creation remain the same (Bartels 1968). Furthermore, Ryans, Griffith, and White (2003) assert that the study of IM is deeply rooted in early economic theory and a “manufacturing mentality,” which has limited the understanding of complex, global phenomena that often move well beyond manufactured goods. The authors express the need for an underlying framework to clarify core constructs, especially those related to value and value creation, and to strengthen the theoretical foundations of the IM discipline.

In this article, we respond to this call by proposing a theoretical framework for understanding the “complexity of context” that influences and is influenced by social and economic exchange (Chandler and Vargo 2011). Rather

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than distinguishing international from domestic contexts on the basis of differences and distances across countries (Fisk 1910), we argue that all social and economic contexts are complex. Thus, we aim to help managers and analysts understand the underlying source of complexity in international (and other) marketing contexts by adopting a broader, service-centered and systems perspective.

To this end, we contribute to an evolution in marketing logic toward a service-dominant (S-D) logic (Lusch and Vargo 2006b; Vargo and Lusch 2004, 2008) and draw on a service ecosystems approach (Vargo and Lusch 2011b) for studying and understanding international (as well as domestic) marketing that is not limited to traditional, manufacturing-centered models. *Service ecosystems* are “relatively self-contained, self-adjusting systems of resource-integrating actors connected by shared institutional logics and mutual value creation through service exchange” (Vargo and Akaka 2012, p. 207). We argue that a service ecosystems approach can help make the complexity of IM contexts more understandable and less complicated (Lusch and Spohrer 2012; Simon 1996). In other words, we suggest that by focusing on understanding systems of service exchange, rather than challenges or apparent complications of particular contexts, IM researchers and practitioners can better understand and deal with the complexities of dynamic social systems (Glouberman and Zimmerman 2002). In this way, an S-D logic and service ecosystems approach can potentially provide a more solid foundation for developing international (as well as domestic) marketing theories and studying the creation of value both within and across countries and cultures.

The main purposes of this research are twofold: (1) to propose an underlying theoretical foundation to aid in the development of stronger IM theories, as called for by several scholars (e.g., Katsikeas 2003; Nakata and Huang 2005; Ryans, Griffith, and White 2003), and (2) to develop a deeper understanding of the complexity of context through which value is derived in all markets (e.g., local, national, global). We begin by highlighting the origins of the IM discipline to emphasize its normative economic foundations and then discuss a recent shift in focus on the sources of complexity of IM research, theory, and practice (Cavusgil, Deligonul, and Yaprak 2005). Next, we introduce an S-D logic, service ecosystems approach (Vargo and Lusch 2004, 2008, 2011b) to aid in clarifying and extending core constructs related to IM. From this, we propose a framework for thinking about the dynamic contexts (Chan-

dler and Vargo 2011) that influence and are influenced by international and global exchange.

Rather than focusing on differences between markets (e.g., foreign vs. domestic), we contribute to a recent shift in IM toward exploring dynamic relationships and changing perspectives in a global context (Cavusgil, Deligonul, and Yaprak 2005) and understanding how value is created through interaction across countries and cultures (Ryans, Griffith, and White 2003). In particular, we propose that the underlying source of complexity in international exchange (Chandler and Vargo 2011) is not based on differences or distances (e.g., across countries); rather, we argue that the complexity of IM is influenced by the increased embeddedness of a multitude of social networks and institutions as well as the multiplicity of resource-integrating practices that reproduce both (Giddens 1984). Finally, we propose the concept of “value in cultural context” and discuss the research implications for applying this service ecosystems approach to the advancement of IM.

COMPLEXITY OF IM

To understand how theoretical advancements can be made, it is helpful to discuss the origins and recent transitions in the IM discipline. Unlike other marketing sub-disciplines (e.g., services marketing and industrial marketing), IM was not developed as an extension of traditional marketing thinking. Rather, the formal study of IM, much like that of marketing in general (see Vargo and Lusch 2004), is built directly on the principles of classical and neoclassical economics, which were developed throughout the nineteenth and early twentieth centuries. Although international trade between England and Asia had been occurring at least since the late 1500s (Farrington 2002), the origin of economic and, subsequently, marketing studies largely grew out of Adam Smith’s (1776) *The Wealth of Nations*. In particular, the development of economics is grounded in Smith’s effort to better understand how to create wealth for England through the international trade of manufactured goods (Vargo, Maglio, and Akaka 2008).

Importantly, Smith (1776) argued strongly for labor (specialized knowledge and skills) as the *real* measure of value (i.e., value in use; Vargo and Lusch 2004). However, he succumbed to the difficulties of measuring labor and settled on money as the most accepted, albeit *nominal*, measure of value (i.e., value in exchange). Although it was not his intention, Smith’s focus on value in

exchange (i.e., nominal value or money), rather than value in use (i.e., real value—applied knowledge and skills), laid the foundation of economic and, eventually, marketing studies. In addition, his emphasis on exports, rather than imports, influenced the development of economic models that measure national wealth on the basis of the production of surplus tangible goods (exporting) and debt (importing), driven by the trade of manufactured goods for money.

International Commerce as Complex

Several of the marketing discipline's pioneering scholars, such as George M. Fisk, Simon Litman, and Archibald Wolfe (Cunningham and Jones 1997), formalized the study of trade-related issues and emphasized the roles of goods, money, and merchants in exchange. Early scholars differentiated the study of international and domestic trade to address particular issues related to the former, such as geographic distances and legal, political, and cultural differences across countries (Fisk 1910; Wolfe 1919). In general, they defined domestic commerce as trade within the confines of a single country and international commerce as trade occurring between buyers and sellers located in different countries. Fisk (1910, p. 3) provides a list of problems related specifically to international trade:

1. Differences in the habits and tastes of the people, in their language and business customs.
2. Differences in the currency, in weights and measure, in legal concepts.
3. Import duties and customs regulations, which are usually so constructed and interpreted as to hinder the bringing of commodities into a country.
4. Fluctuating rates of exchange.
5. Distance between the exporting and the importing country, which makes the establishment of personal contact between buyers and sellers often more difficult than is usually the case in domestic trade.

Although they separated the study of international trade from that of domestic trade, early marketers emphasized that the main difference between the two was in the *context* of international markets due to increased “complexity” of exchange across national borders (e.g., Litman 1923). Initially, the study and practice of IM

viewed the complexity of international exchange to be based on *differences across countries* (e.g., laws, currency, culture) and focused on addressing such issues. However, in recent years, increasing interaction across national borders (e.g., Nakata and Huang 2005), the emergence of regional and global markets (e.g., Alden, Steenkamp, and Batra 1999; Tellis, Yin, and Bell 2009), and the growth of global brands (Holt, Quelch, and Taylor 2004) have shifted attention to a view of complexity centered on *dynamic interactions and intangible aspects of a global exchange system* (Cavusgil, Deligonul, and Yaprak 2005). We elaborate this shift in attention from a view of complexity based on differences to one based on system dynamics in the following subsections.

Cross-Country Differences. The study of IM expanded because of the lack of growth in developed domestic markets in the early 1900s (Craig and Douglas 2001). In the 1960s and 1970s, increased attention was paid to where and how products should be sold around the world (Craig and Douglas 2001; Hess and Cateora 1966; Wind, Douglas, and Perlmutter 1973). Fueled by reductions in production costs, an influx of supplier firms, and an oversupply of manufactured goods, firms transitioned from being “simple suppliers” to “product innovators” and then “advocates of their products” (Ryans, Griffith, and White 2003). Scholars in IM began focusing more specifically on international strategies and the management needs of firms (e.g., Wind, Douglas, and Perlmutter 1973).

Cavusgil, Deligonul, and Yaprak (2005) recognized this stage as the “early development” phase of the IM discipline, at which time IM studies focused on understanding the differences between a firm's domestic environment and the foreign markets in which it entered or wanted to enter. According to the authors, the early development of IM research was built on theories in economics, sociology, and anthropology and focused on cross-national and cross-cultural interfaces. During this phase, IM researchers dedicated their efforts to understanding issues related to moving goods across countries (e.g., supply chain management), differences in operating and expanding their firms in foreign environments (e.g., internationalization), and variations in consumer preferences across cultures (e.g., adaptation of products) (Cavusgil, Deligonul, and Yaprak 2005).

In particular, Albaum and Peterson (1984) found that one of the greatest concerns for IM scholars during this time centered on multicountry distribution or supply

chain management and the export of goods across countries. In addition, attention to the process of internationalization (Cavusgil 1980, 1984), or the increasing of a firm's international presence, became a primary concern for those who wanted to engage in or study international exchange. Furthermore, issues regarding cultural differences across countries became central to the study and practice of moving goods around the world (Ryans, Griffith, and White 2003). For example, increased attention to cross-cultural consumer behavior contributed to several studies focused on country-of-origin biases, diffusion of products, and the influence of national culture on buying behavior (Cavusgil, Deligonul, and Yaprak 2005).

As communications between the firm and its foreign customers moved to the forefront of IM research, the debate between standardization and adaptation of products and promotions emerged. This debate raised issues regarding the best approach for adjusting IM strategy—namely, the four Ps (price, product, promotion, and placement)—to provide either a standardized or a customized (adapted) offering in foreign countries (Nakata and Huang 2005). The adaptation/standardization debate continues today and, as we discuss subsequently, is a major indication that an underlying framework is needed to further develop core constructs in IM and advance the discipline (Ryans, Griffith, and White 2003).

Global System Dynamics. The emphasis on differences among countries and cultures has been recently overshadowed by the need to understand dynamic interactions between firms and customers across global exchange systems (Douglas and Craig 2011). More specifically, since the 1990s, IM researchers have paid increasing attention to “the convergence and consolidation of industries, the convergence and fragmentation of markets, [and] the adaptation of organizations and demanding customers all over the world” (Cavusgil, Deligonul, and Yaprak 2005, p. 4). Cavusgil, Deligonul, and Yaprak (2005) recognized this as the phase of “recent development” in IM, which has expanded to address “multiple market challenges” and has led to the development of “indigenous” IM theories. In particular, IM researchers have more recently focused on understanding the dynamics of intangible resources (e.g., brands), networks of exchange (e.g., global supply networks), and emerging and transitioning markets (e.g., global consumer culture) (Cavusgil, Deligonul, and Yaprak 2005).

Along these same lines, Douglas and Craig (2011) describe how the central issues in international and

global research have shifted from differences across national borders to the convergence and divergence of local, regional, and global markets. They argue (p. 85) that in light of the reconfiguration and increasing interconnectedness of world markets, “global marketing strategy needs to be reassessed to adjust to these new and diverse sources of market growth and opportunity.” By moving away from a focus on differences across countries and centering on the emergence of new markets, the authors argue for a “semiglobal” marketing strategy to address the increase of communication links within and among countries.

In addition to studying changes in market interactions, IM researchers have become increasingly interested in the development and exchange of intangible and dynamic resources. Clark, Rajaratnam, and Smith (1996) discuss how recent changes in global markets have drawn attention to the marketing of intangibles across countries, particularly “services” (i.e., intangible products). Also centering on the development and exchange of intangible resources, Holt, Quelch, and Taylor (2004) emphasize the dynamics of global brands and their role in increasing both heterogeneity and homogeneity across national and other cultural borders. Furthermore, the study of global phenomena has not been limited to brands but also includes the study of “global consumer cultures” (Alden, Steenkamp, and Batra 1999) and similarities and differences between buyer behavior and consumption practices around the world. In their discussion of global positioning and perspectives, Akaka and Alden (2010) underscore the need to better understand the unique views of and interactions among both firms and customers in international and global exchange.

Shifting Views on Complexity

The increased attention to the dynamics of global consumer cultures (Alden, Steenkamp and Batra 1999) falls in line with Douglas and Craig's (2011) recognition of convergences and divergences in global markets and has raised issues with traditional models of adaptation or standardization of market offerings and communications across countries (Akaka and Alden 2010; Alden, Steenkamp, and Batra 1999). Table 1 outlines the shift in focus from the sources of complexity in IM that were recognized in its “early” development phase (i.e., differences across countries) to sources that emerged in its “recent” development phase (i.e., dynamic interactions in global exchange systems) (Cavusgil, Deligonul, and Yaprak 2005).

Table 1. Sources of Complexity in IM

IM Phases	Complex Aspects of IM
Early development: cross-national differences	<ul style="list-style-type: none"> • Issues with operating or expanding in foreign environments • Issues with moving goods across different countries • Consumer preferences across cultures
Recent development: dynamics of global exchange systems	<ul style="list-style-type: none"> • Intangible resources (e.g., brands, services) • Convergence and divergence of communications and logistics networks • Emergence and growth of regional and global markets

This shift in focus toward dynamic interactions in global exchange systems has exposed several limitations with traditional IM theories, many of which were borrowed from other disciplines (e.g., Czinkota and Ronkainen 2003; Ryans, Griffith, and White 2003). Cavusgil, Deligonul, and Yaprak (2005, p. 6) argue that in the “recent development” phase, “the borrowing of theories, methods, and axioms from economics, psychology, and anthropology has been declining as IM researchers develop approaches that are more indigenous to the field.” However, the need for new IM theories is becoming increasingly clear (e.g., Czinkota and Ronkainen 2003; Douglas and Craig 2011). This is because the dynamics of global contexts continue to reveal the limitations of a logic based on normative, goods-centered theories and manufacturing-based models of exchange (e.g., Ryans, Griffith, and White 2003).

This brief overview of the origins of the IM discipline and the continuing shift in focus to alternative sources of complexity in international and global contexts suggests that a deeper understanding of the mechanisms and dynamics of exchange is needed to better understand the complexity of the IM context and reconcile it with the basic drivers of markets and marketing. According to Axinn and Matthyssens (2001), two possibilities exist for reframing and refocusing IM: (1) adapt existing models within the traditional paradigm or (2) innovate and create new models under a different lens. In other words, IM researchers and practitioners can continue to adapt and apply models using a “manufacturing mentality” (Ryans, Griffith, and White 2003) or develop new theories and models using an alternative, service-centered logic (Vargo and Lusch 2004, 2008).

Although the first option may lead to a more immediate “fix,” as international markets become increasingly interconnected, research problems will likely exacerbate, and a solid theoretical foundation based on an alternative paradigm and the use of new methods (Czinkota and Ronkainen 2003) will only become more important. The following section presents a service ecosystems approach, grounded in S-D logic, for conceptualizing the complexity of the contexts that frame international (as well as domestic) exchange. This approach extends prior transitions in IM research by providing an alternative, arguably transcending framework for studying and further developing central constructs in markets and marketing.

A SERVICE ECOSYSTEMS APPROACH

Vargo and Lusch (2004, 2008) introduced S-D logic to identify and extend a perspective that seemed to be emerging in marketing (and business in general) by refocusing on the primacy of service, rather than the goods that are only sometimes involved in its delivery—that is, by reframing “service” (as a concept that transcends and unifies “goods and services”) for thinking about the nature and dynamics of exchange and value creation in markets. We argue that S-D logic’s focus on service as the basis of exchange helps redirect the efforts of international (and other) marketing researchers from fixating on the challenges that have been associated with exchange in apparently unique contexts (e.g., international, services, business-to-business). Rather, a service ecosystems approach draws attention to understanding the fundamental drivers and dynamics of complex social and economic systems that influence and are

influenced by exchange (Vargo and Lusch 2008). In this way, S-D logic potentially leads to a more robust theoretical foundation that enables IM researchers to develop better theories for understanding complex contexts in relation to fundamentals of exchange, which can inform and be informed by general marketing and related disciplines. Furthermore, the development of positive theories of international and global exchange can potentially lead to the advancement of better normative theories to guide managers of international and multinational (and other) firms.

Service-dominant logic is grounded in ten foundational premises (Vargo and Lusch 2004, 2008), which can be consolidated into four core axioms centered on (1) the application of resources in reciprocal *service exchange* (Vargo and Lusch 2004), (2) the integration of *intangible and dynamic (i.e., operant) resources* that create new resources (Vargo and Lusch 2004, 2008), (3) the *cocreation of value* through interaction and collaboration within networks of actors (Vargo and Lusch 2008), and (4) the importance of the *context* through which value is created and evaluated uniquely by a beneficial actor (Chandler and Vargo 2011; Vargo, Maglio, and Akaka 2008). Service-dominant logic and its core axioms provide an alternative framework for further exploring the role of context in exchange and value creation, international or otherwise, as a complex phenomenon emanating from a few central constructs—service exchange, integration of (primarily operant) resources, value cocreation, and value in context. These cornerstones of S-D logic represent a critical foundation for decomposing a more complicated view of context (Simon 1996), which has been the main focus of IM research and practice.

Recently, Vargo and Lusch (2011a, b) extended the framework of S-D logic to a more systemic view by introducing the concept of a service ecosystem, which draws on a dynamic systems approach to study the interaction and exchange of service among various stakeholders and emphasizes the role of institutions (Williamson 2000) in value creation. The overarching implication of a service ecosystems approach for IM is a deeper understanding of the underlying mechanisms that drive multiple levels (i.e., micro, meso, and macro) of interaction (i.e., resource integration and service-for-service exchange) and shape the unique social contexts through which value is created (Chandler and Vargo 2011; Edvardsson, Tronvoll, and Gruber 2011). That is, building on the cornerstones of S-D logic, a service ecosystems view integrates a sociological perspective (e.g., Giddens 1984) and emphasizes the embeddedness of simple microlevel

actions and interactions (e.g., dyadic) within more complex meso- and macrolevel systems and structures.

A service ecosystems approach emphasizes the idea that market interactions (e.g., service-for-service exchange) occur throughout networks of firms, customers, and other stakeholders and are governed by “institutions” or “rules of the game” (Vargo and Lusch 2011b; Williamson 2000). However, these same institutions are also composed of human actions and interactions (Giddens 1984), and thus service ecosystems are formed and reformed through a recursive relationship between individual actions and the reproduction of relationships and shared meanings (e.g., social norms and cultures).

Although an S-D logic, service ecosystems approach is a framework, rather than a theory per se, it arguably “represents a first and necessary step toward the building of a true positive theory of exchange” (Vargo 2007, p. 59). It potentially broadens the scope of IM beyond normative, managerial concerns about cross-country differences and provides insight into understanding the dynamics of exchange relationships in multilevel markets (e.g., local, national, global). This provides a foundation for furthering the development of IM research in the “recent development” phase (Cavusgil, Deligonul, and Yaprak 2005; Douglas and Craig 2011) and addresses the concern that when marketing is considered from a market view, the term “international” becomes somewhat arbitrary, because all of marketing is part of a system that has international aspects (Van Rees 1984).

In the subsections that follow, we discuss how S-D logic’s reconsideration of the nature of value and processes by which value is created in markets can potentially provide a stronger theoretical foundation from which theories of markets and marketing, international or otherwise, can be developed. In particular, this service ecosystems approach lays a foundation for reconceptualizing some of the central concepts in IM. Table 2 provides an overview of how a service ecosystems approach can help provide a more solid framework for IM studies by connecting prior research on the nuances and differences of IM contexts with fundamentals of exchange and value creation. We next discuss a service ecosystems view of several central concepts in IM—exchange, resources, value, and context.

Service-for-Service Exchange

As with marketing in general, the early development phase of IM research centered on the exchange of goods through

Table 2. Extending Central Concepts in IM from a Service Ecosystems View

Central Concepts	Early Development	Recent Development	Service Ecosystems
Exchange	Import/export	Network interactions	Service-for-service
Resources	Tangible goods	Brands and services	Primarily operant
Value and value creation	Firm's view on value/value in exchange	Customer's view on value/value in use	Multiple views on value/value in context
Context	Domestic and foreign countries	Local, national, regional, and global	Micro, meso, and macro

importing and exporting across national borders (Cavusgil, Deligonul, and Yaprak 2005). One of the main areas of research during this time focused on the international distribution of products and management of supply chains across countries (Albaum and Peterson 1984). More recently, IM researchers have broadened their views to networks of interaction across multiple local, national, regional, and even global markets (Douglas and Craig 2011). However, the source of complexity in this view remains centered on a firm's ability (or lack thereof) to exchange tangible goods and create value across countries in increasingly more interconnected networks of firms, suppliers, and customers. Service-dominant logic shifts the focus of exchange from the trade and movement of tangible offerings by positing that *service*—the application of knowledge and skills to benefit another actor—is the fundamental basis of exchange (Vargo and Lusch 2004).

Importantly, S-D logic also recognizes that the underlying nature of exchange (i.e., service) is often masked by intermediaries, such as goods, money, organizations, and geographic distances, as well as legal, political, and cultural differences, which have been the focus of IM research and practice (e.g., Fisk 1910; Litman 1927). However, a service ecosystems approach simplifies the interaction in exchange systems by focusing on a balanced, generic, actor-to-actor perspective (Vargo and Lusch 2011b). This approach underscores the contributions of all actors in value creation, including suppliers, manufacturers, retailers, and individual customers, as well as other actors in customers' networks (e.g., family and friends) and actors that control and/or allocate public resources (e.g., local, state, and national governments, other geopolitical governing organizations).

Rather than focusing on a multitude of different intermediaries within global supply chains (e.g., supplier of

raw materials, manufacturer, wholesaler, retailer), S-D logic views all actors as resource integrators and cocreators of value. For example, a multinational fashion apparel company may consider many internal and external actors in different countries (e.g., supplier, manufacturer, wholesaler) in the value creation process, which is represented by the outcome of a finished garment. In an international context, this traditional, linear model suggests that value is created by “producers” in one or more countries and destroyed by “consumers” in another country (Normann 2001). However, a service ecosystems view offers a more networked, interconnected, and recursive notion of value creation.

In this view, all stakeholders are interconnected through shared institutions and the provision of service, and value creation occurs throughout the network at each exchange encounter, rather than at the end of the “value chain” (Porter 1985). In this way, S-D logic establishes an underlying theoretical framework for studying markets and marketing, international or otherwise, which shifts the locus of exchange from *units of output* (e.g., a finished garment) to the *processes by which value is created* through interaction among multiple stakeholders (e.g., between suppliers and manufacturers, manufacturers and wholesalers, wholesalers and retailers, public entities). This alternative logic, with its emphasis on service, both deepens and broadens conventional perceptions of value creation and centers on the underlying mechanisms driving market interactions, particularly the integration of dynamic, or operant, resources.

Primacy of Operant Resources

Although global intermediaries (e.g., legal, monetary, and political systems) often mask service-for-service exchange, the notion of service as the basis of exchange

is not new or novel. Somewhat ironically, the S-D logic understanding of service as the basis of exchange falls closely in line with Smith's (1776) original notions of "real" value and the division of labor. However, Smith's early emphasis, for convenience, on nominal value, or value in exchange (e.g., price), dominated the development of economic studies and directed economists, and eventually marketers, to study international exchange with a focus on the trade of *operand* resources—resources that require action taken on them to be valuable (Constantin and Lusch 1994), particularly goods and money (Vargo and Lusch 2004). Alternatively, an S-D logic, service ecosystems approach refocuses the study of IM on "real" value, which was recognized as being derived through labor by Smith (1776) and through the exchange of service by Bastiat and Sterling (1860). From this perspective, IM is driven by the exchange of service through the application of (especially) *operant* resources—resources that are capable of acting on other resources (e.g., knowledge, skills) to create value (Constantin and Lusch 1994).

The difference in emphasis between the exchange of operand and applied operant resources is in line with Romer's (1993) distinction between *object gaps* and *idea gaps* in economic development. In particular, Romer suggests that traditional economists focus on the study of object gaps or countries that suffer from a lack of physical objects, or operand (e.g., natural) resources. Conversely, those interested in understanding national idea gaps—countries that lack the competence necessary to create value in the modern global economy—need to supplement formal methods with diverse evidence from less formal models. Along these lines, a service ecosystems view arguably provides a more encompassing framework for understanding how value is created in a global economy by focusing on the primacy of dynamic (operant), rather than static (operand), resources in exchange.

The historic strength of many developed countries, such as the United States, Japan, and Germany, provides a good example of how operant resources are central to the wealth and well-being of a nation as well as value creation. It is evident that it is not the abundance of natural resources that has developed the economic strength of these particular countries. Though in a current state of flux, these nations' wealth and historic well-being have been largely driven by the development and exchange of operant resources, such as the knowledge, skills, and entrepreneurial spirit of their residents and citizens. Because human ingenuity and other oper-

ant human resources can arguably be cultivated anywhere, S-D logic allows for the consideration and development of wealth and well-being even in places in which other natural resources are lacking.

Note that S-D logic does not suggest that the application of operand (e.g., natural) resources is not important or that traditional models are not useful in understanding exchange-related phenomena (Lusch and Vargo 2006a). Although the primacy of operant resources is a central aspect of a service ecosystems view, this approach does not reduce the importance of natural or national resources or the need to import and export tangible goods. Rather, this service ecosystems view emphasizes the integration of skills to develop new knowledge (i.e., learning) (Hult et al. 2000; Lusch, Vargo, and Tanniru 2010) to apply (use) resources in a more effective, efficient, and sustainable manner. In a global context, this alternative view raises issues with traditional notions of national wealth based on the desire for exports over imports (Smith 1776) and underscores the limitations of focusing on the creation of value driven by the production and delivery of manufactured goods (Van Rees 1984).

Value Cocreation

In recent years, increasing attention has been paid to customer perceptions of value with regard to local and global brands and value determined through the use of market offerings across cultures (e.g., Akaka and Alden 2010). However, existing literature in IM maintains a view of value creation that describes firms as those that create value and customers as those who destroy value (Normann 2001; Ryans, Griffith, and White 2003). This firm-focused view is reflected in IM's long-standing emphasis on managerial issues and the "performance of business activities that direct the flow of a company's goods and services to consumers or users in more than one nation" (Hess and Cateora 1966, p. 4).

Alternatively, the S-D logic, service ecosystems view reconceptualizes what value is and how it is created through IM efforts by emphasizing the "cocreation" of value (Vargo and Lusch 2008) and recognizing the joint and collaborative efforts among firms, customers, and other stakeholders. According to a service ecosystems view, IM is driven by the exchange of service and the proposition, acceptance, and evaluation of value among multiple actors (Akaka, Vargo, and Lusch 2012) across national and cultural borders. The exchange of resources is negotiated between actors, often by identifying value in exchange (the price a person is willing to

pay; Smith 1776) for a particular resource. However, as we discussed previously, value in exchange is only a nominal representation of value; the “real value” or value in use (Smith 1776) is derived and determined through the integration and application of resources.

This distinction between value in exchange and value in use has important implications for the study and practice of IM and sheds light on how customer perceptions of particular market offerings vary across countries (Akaka and Alden 2010). In particular, a service ecosystems approach provides insight into the dynamic nature of global brands and how brands can influence culture (Holt 2004), and vice versa, by suggesting that value is always derived and evaluated by the customer (Merz, He, and Vargo 2009; Vargo and Lusch 2004, 2008). For example, the global brand McDonald’s, among others, often takes on a different meaning as it enters different countries and cultures (Watson 2006).

Watson (2006) describes the different meanings and social norms associated with the interaction between McDonald’s and its customers in a variety of Asian countries. In general, Asian customers do not embrace the American notion of “fast food” and spend considerably more time socializing over a meal at McDonald’s. They also often view McDonald’s food to be more like a snack than a meal and attribute higher status or prestige to eating at these establishments than most Americans would. In this way, the *practices*, or routine actions (e.g., socializing for hours at McDonald’s), customers enact in different cultural contexts reflect the unique experiences and value created through the exchange and integration of particular market offerings.

Because of these situational, social, and cultural elements that influence the creation of value in use, Vargo, Maglio, and Akaka (2008) argue that the concept of value in use may not fully capture the phenomenological nature of value. Thus, they discuss the concept of “value in context” to explicate the contexts that influence the derivation and evaluation of value. In this view, value cocreation is influenced not only by the use of a particular resource but also by contextual factors, including knowledge, networks of relationships (Chandler and Vargo 2011), and social structure (e.g., institutions) (Edvardsson, Tronvoll, and Gruber 2011).

Value in Context

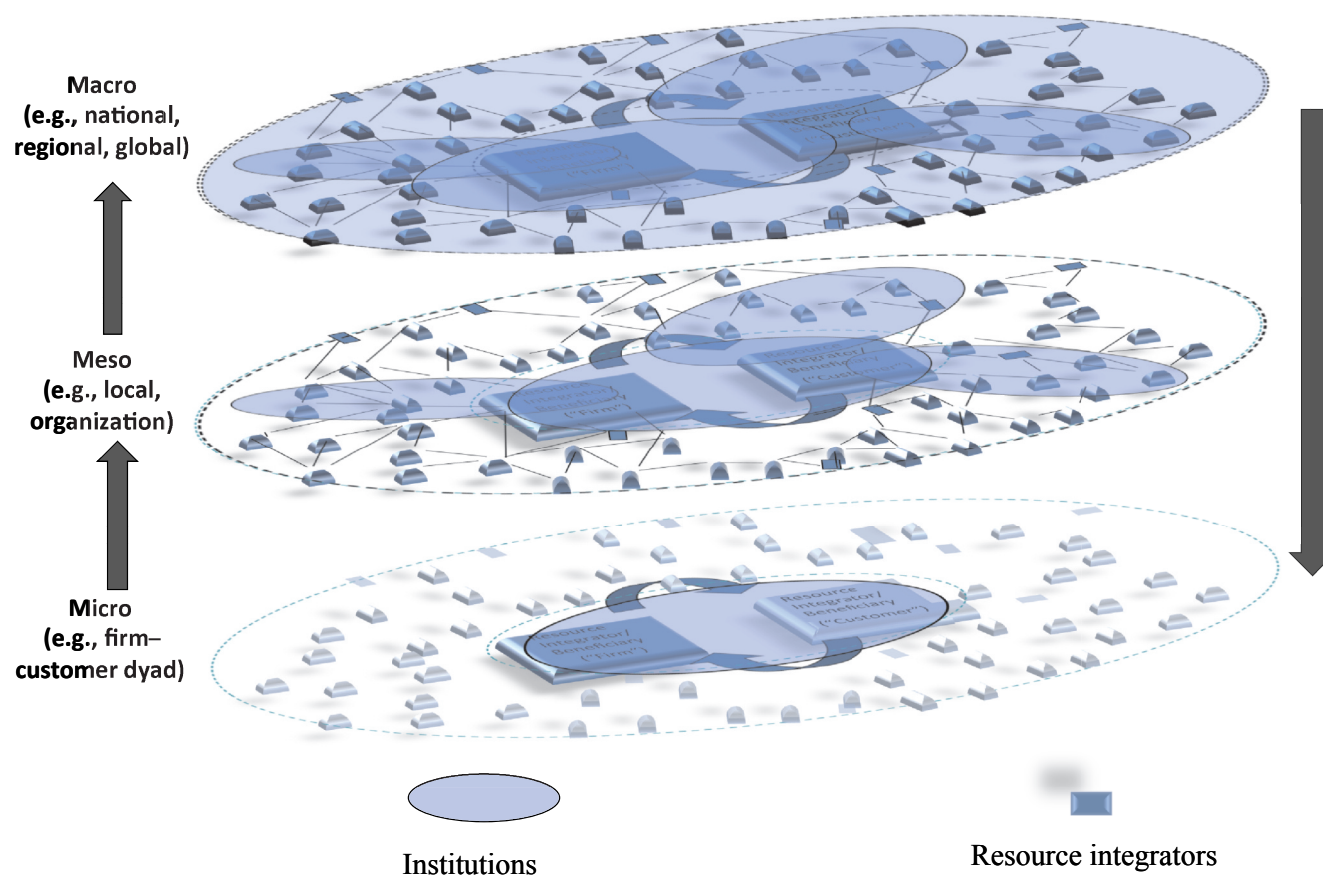
Service-dominant logic offers a more dynamic approach to studying global exchange systems because, in this

view, as cross-cultural (e.g., international) interaction occurs, the relationships among actors in service ecosystems (e.g., global markets) continually change. This approach extends prior research in IM that focuses on distinctions between domestic and foreign contexts (early development phase) as well as the emergence of local, national, regional, and global (recent development phase) contexts, because it offers a multilevel perspective of context. In particular, S-D logic’s concept of value in context draws attention to how the cocreation of value is framed by varying levels (micro, meso, and macro) of interaction as well as a meta layer that reflects their evolution over time (Chandler and Vargo 2011).

A service ecosystems approach emphasizes how microlevel interactions constitute meso- and macrolevel contexts. At the micro level, a dyadic interaction (e.g., exchange between a firm and a customer) frames the integration of resources by each actor as well as the value derived and evaluated from that particular encounter (Chandler and Vargo 2011). In a microlevel interaction, each actor that engages in exchange is guided by a set of institutions (Williamson 2000), and the success of the interaction is often dependent on the congruence (Solomon et al. 1985) of the institutions that guide the two actors. When similar institutions guide the actors entering an exchange encounter, the interaction is more likely to be successful. However, if the institutions differ between the actors (which is often the case in cross-cultural exchange), the likelihood of a successful interaction, in which both parties derive value, may be reduced.

To understand the differences in expectations, it must be recognized that each microlevel interaction is nested within a broader, mesolevel context (Chandler and Vargo 2011), which includes additional actors and a distinct set of institutions. Figure 1 illustrates how microlevel interactions are embedded within a meso level, and because multiple microlevel interactions and perspectives compose meso and macro levels, conflicts can easily arise.

The conflict of perspectives among institutions is especially apparent with the movement of signs and symbols (Venkatesh, Penaloza, and Firat 2006) across contexts. For example, because McDonald’s customers in Hong Kong were not used to standing in line or having employees smiling at them, the company’s first interactions with customers were confusing and somewhat chaotic. To remedy this situation and respond to existing institutions, employees were required to hold up

Figure 1. Embeddedness of Interactions in Service Ecosystems

Notes: Adapted from Vargo (2012).

signs that said they were smiling to be polite and needed to teach customers how to queue up to order their food (Watson 2006).

Conflicts among actors in service ecosystems often occur because actors are connected with multiple networks (e.g., families, companies, countries), and thus their roles (i.e., sets of practices) in value creation may vary depending on the resources and relationships they have access to in a given context (Akaka and Chandler 2011) and the institutions that guide them (Vargo and Lusch 2011b). Thus, as actors draw on different roles, relationships, and institutions to exchange and integrate resources and cocreate value, the micro-, meso-, and macrolevel contexts continually change (Chandler and Vargo 2011; Edvardsson, Tronvoll, and Gruber 2011). The following section offers an alternative perspective

of the complex nature of the social and economic context that frames *all* exchange, which is based on the consideration of a service ecosystems view of markets and marketing. This approach continues to move the focus of IM beyond a view of complexity based on differences between particular markets. It contributes to the understanding of dynamic interactions among multiple stakeholders and across various economic, social, and cultural contexts (e.g., countries, regions), which is of increasing interest in IM research (Cavusgil, Deligonul, and Yaprak 2005; Douglas and Craig 2011).

THE COMPLEXITY OF CONTEXT

The complexity of international and global contexts has been a central concern for IM researchers who struggle

to study a multitude of diverse interactions while concurrently striving to develop unifying theories. As Katsikeas (2003, p. 136) elaborates,

On the one hand, [IM researchers] are encouraged (e.g., by reviewers) to develop an understanding of all interactions and consequences pertaining to the multidimensional nature of the international environment studied. But, on the other, it is important to maintain a level of theoretical abstraction so as to capture the big picture and develop meaningful theory.

This “conundrum” makes it difficult for international researchers to “synthesize” prior research and generalize important findings, especially taking into consideration the countless national and transnational contexts that are of concern to IM academicians and practitioners (Katsikeas 2003).

Dynamics of Social Context

We argue that the service ecosystems approach provides an alternative, and arguably unifying, approach for studying IM, which can help bridge the gap between efforts to understand a multitude of diverse contexts and efforts geared toward developing underlying theories for dynamic systems of exchange. In particular, S-D logic’s emphasis on service reconsiders the resources and processes involved in value creation and stresses the complexity of all contexts through which value is derived and evaluated. More specifically, a service ecosystems view suggests that the complexity of social context that frames value creation and exchange (Chandler and Vargo 2011) is influenced by (1) the diversity of resources, (2) the multiplicity of institutions, and (3) the enactment of a plethora of practices in a particular context.

Diversity of Resources. The primacy of operant resources in exchange systems is evident in recent studies on global supply chains, which center on the importance of learning (Hult et al. 2000) and the empowerment of employees (Locke and Romis 2007) throughout networks of international organizations. At a micro level, individual employees interact with other individuals and learn through their interactions and the value that is (or is not) derived through exchange. At a meso level, organizations (or “industries”) are considered integrative entities, which are made up of networks of operant (and operand) resources (Akaka, Vargo, and Lusch 2012), particularly the collective competences of individuals (e.g., employees) and groups of people. In

this view, value creation within global supply chains is driven by the integration and application of operant resources within mesolevel networks (e.g., organizations, industries) that interact across national and cultural borders. However, the same can be said for more macrolevel networks, such as countries, that engage in exchange as well. When the focus on operant resources is elevated to an international level, the issue of scarce resources can be viewed with an emphasis on the need to generate operant resources to develop a nation’s collective knowledge and skills, or close its “idea gap” (Romer 1993).

Note that the scarcity of natural resources has been a long-standing concern with regard to international and global exchange. According to Litman (1927, p. 4), “generally speaking, foreign trade is undesirable when it leads to the depletion of a country’s resources.” However, within an S-D logic, service ecosystems view, what might be considered a resource to some may be considered a resistance to others. This is because, in this view, “resources are not; they become” (Vargo and Lusch 2004, p. 3). For example, a natural resource, such as water, might be considered either a resource (e.g., in the case of a drought) or a resistance (e.g., in the case of a flood), depending on a particular context.

An S-D logic, service ecosystems view stresses that resources are always “becoming” (Vargo and Lusch 2004). This approach shifts a singular focus on either the preservation or the accumulation of scarce, operand resources toward the integration and generation of adaptive, operant resources, which can reduce resource depletion, or increase availability, and create alternative service solutions. In this view, it is the perspective and knowledge of people, such as employees, customers, and other stakeholders, that differentiates resources from resistances and drives value creation in both global and local markets.

Multiplicity of Institutions. Although the discussion of value cocreation has largely focused on the interaction between firms and customers (Prahalad and Ramaswamy 2004), a service ecosystems view also regards networks of stakeholders (e.g., suppliers, government agencies, nonprofit organizations) and social and economic factors as endogenous resources for value cocreation (Lusch and Vargo 2006a). In particular, the embeddedness of social networks (Akaka, Vargo, and Lusch 2012; Chandler and Vargo 2011) and the influence of intersecting and overlapping institutions (e.g., social norms) (Edvardsson, Tronvoll, and Gruber 2011;

Vargo and Lusch 2011b) are central drivers of both interaction and value cocreation.

In this dynamic view, networks and institutions are not exogenous or static. Rather, they are both continually reproduced through the practices that actors enact to integrate resources and cocreate value (Vargo and Akaka 2012). Thus, we argue that the complexity of context is influenced not only by the embeddedness of social networks (e.g., local, national) but also by the multiplicity of institutions (social structures) within a given ecosystem (Sewell 1992). In addition, *signs and symbols* play a central role in coordinating interactions through the integration of shared institutions, within social systems driven by service exchange (Venkatesh, Penaloza, and Firat 2006).

Importantly, institutions have been recognized as a critical consideration for understanding dynamics of international and global markets (Peng, Wang, and Jiang 2008). One of the most popular considerations of the effects of institutions in international exchange centers on the influence of national cultures on managers and their actions. Hofstede's (1980) five dimensions of culture—individualism, uncertainty avoidance, masculinity, power distance, and long-term orientation—are the most common cultural approaches for studying the effects of institutions on attitudes and behavior (Griffith 2010). With regard to institutions, Hofstede et al. (2002, p. 800) argue that “institutions are the crystallizations of culture, and culture is the substratum of institutional arrangements.” In their view, institutions are formed from national culture and cannot be separated or altered because they are “patterns of thinking, feeling and acting that differentiate one country from another and continue to be transferred from generation to generation” (p. 800).

Alternatively, Griffith (2010) argues that a closer examination of institutions can provide a more dynamic and multidimensional view of global markets. In his view, “institutional elements are not static in nature but rather ever evolving through integrative efforts” (p. 60). This dynamic view of international and global markets falls in line with Wollin and Perry's (2004) argument for markets as “complex adaptive systems,” from which order emerges through the interactions of many interdependent actors rather than from an external guiding force. The authors emphasize the social embeddedness of markets but also discuss how the “multi-level architecture of complex adaptive systems both enables and constrains the system” (p. 563). In particular, they shed

light on how different levels within a system drive stability or change by arguing that “discontinuous and revolutionary change occurs when deep, more-fundamental levels are disrupted. Changes at more marginal levels are more incremental” (p. 563).

This consideration of the depth of level within service ecosystems is especially important for the study of IM because it suggests that changes made at more fundamental or central levels of context drive larger changes than those that occur at broader or more marginal levels. In other words, by focusing on central drivers of change, IM researchers and practitioners will better understand how radical shifts in higher-level systems and structures (e.g., global) occur.

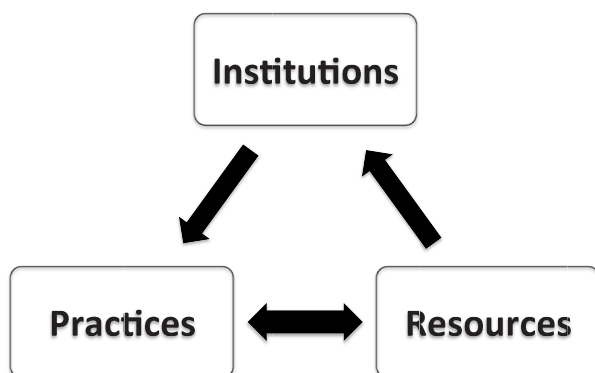
Enactment of Practices. According to Schatzki (1996, p. 11), “[practices are] the central social phenomenon by reference to which other social entities such as actions, institutions, and structures are to be understood.” In this way, changes in daily or routine actions can have substantial impacts in the wider social system, or service ecosystem. Giddens (1984) provides additional support for the relationship between human actions and interactions (i.e., practices), embedded networks, and institutions. His theory of structuration posits that both systems (i.e., social networks) and structures—rules (i.e., institutions) and resources—are reproduced through the enactment of practices. Sewell (1992) extends Giddens's view and emphasizes a more dynamic approach for understanding intersecting and overlapping institutions by elaborating on the “multiplicity of structure.” This suggests that in service ecosystems, institutions are also nested within and intersect with other institutions and that these “rules” of the game (Williamson 2000) are not always congruent. Underscoring the centrality and variation of practices in social systems, Swidler (1986) suggests that actors draw on varying “repertoires” of practices depending on their social context and that the enactment of different practices also helps shape the social structure.

With regard to value cocreation in service ecosystems, Edvardsson, Tronvoll, and Gruber (2011) draw from the literature on practices (e.g., Giddens 1984) in their discussion and conceptual development of “value in social context.” Along similar lines, Chandler and Vargo (2011, p. 38) argue that “actors can be said to be partially defined by their context while their contexts can be said to be partially defined by [the actors].” Thus, in a service ecosystems view, as actors enact various practices and engage in exchange with different actors across dif-

ferent cultures, the context through which value is derived changes as well (Akaka and Chandler 2011). However, note that what primarily drives these interactions between and among actors is the need to integrate and apply resources to create value for themselves and others (i.e., service-for-service exchange). This notion highlights the centrality of value cocreation in IM by broadening the scope of value creation beyond the firm and providing a dynamic perspective of multilevel and multidimensional contexts that frame international exchange. Figure 2 depicts the critical roles of institutions and practices and how they constitute social contexts as actors integrate and (re)create (i.e., innovate) various resources in their efforts to create value.

When value is cocreated across countries, the multiplicity of institutions and cultural aspects of context often become more salient. This is because wide variations in institutions within international and global contexts influence the interaction among different stakeholders and their relationships as well as their perceptions of value. Furthermore, as actors interact, they shape the contexts through which unique evaluations of value are derived (Chandler and Vargo 2011; Edvardsson, Tronvoll, and Gruber 2011). In this way, as firms, customers, and other stakeholders interact (partially through institutions) to cocreate value for themselves and others, they concurrently contribute to the cocreation or recreation of markets as well. Diverse perspectives and multiple meanings are connected by the roles actors enact (Akaka and Chandler 2011) and the rules that arise as guidelines (i.e., institutions) for interaction (e.g., service exchange).

Figure 2. Dynamics of Social Context



Notes: Adapted from Orlikowski (1992) and Vargo and Akaka (2012).

Although the embeddedness of social networks is a central factor influencing the complexity of context, a deeper exploration of the drivers of interaction is necessary to understand the dynamics of these social contexts. As we noted previously, a service ecosystems view highlights the importance of institutions that guide each (micro, meso, and macro) level of interaction. In addition, a service ecosystems approach considers a “meta layer” (Chandler and Vargo 2011), which provides insight into how different levels of interaction relate and evolve. In this view, it becomes evident that the *complexity of context* is also a *function of overlapping, intersecting, and even conflicting institutions*, rather than fixed differences (e.g., in laws, currencies, language) across countries or cultures (e.g., Hofstede 1980).

Cocreation of Value in Cultural Context

Service-dominant logic’s service ecosystems view provides a dynamic lens for conceptualizing both institutions (Griffith 2010) and cultures (Craig and Douglas 2006) in international and global markets by explicating various levels of context—micro, meso, and macro—through which value is created. In other words, a service ecosystems view encompasses different levels of interaction as well as the relationships among them. As indicated, this view draws attention to the role of signs and symbols within the context of markets (Venkatesh, Penaloza, and Firat 2006) and regards political and legal institutions as endogenous to value cocreation processes as well.

Williamson (2000) considers culture the highest level of an institution that influences and is influenced by other institutions (e.g., legal, political, economic). This highlights culture as a level of context composed of multiple levels of institutions that intersect, overlap, and are continually integrated with other operant (and operand) resources to cocreate value. From this view, the cocreation of value is driven by the integration and exchange of resources among multiple actors, such as firms, customers, and even countries. Because a single actor cannot create value, resources are integrated and applied (service is provided) as value propositions are offered in exchange for the applied resources of others (service).

The concept of *value in cultural context* extends a view of social context (Edvardsson, Tronvoll, and Gruber 2011) and includes the signs and symbols that influence and are influenced by interaction and exchange (Venkatesh, Penaloza, and Firat 2006). In international and global markets, this broad view of context incorporates multiple levels of interaction and intersecting and

overlapping institutions but suggests that driving the formation and reformation of these meso and macro levels of structure is the enactment of practices and the cocreation of value. In other words, this framework helps decompose the complexity of context (Simon 1996) and refocus the initiative of IM on understanding the fundamentals of value creation and exchange. Furthermore, this view of cultural context emphasizes the phenomenological and heterogeneous nature of value (Vargo, Maglio, and Akaka 2008) by considering the multiple participants, perceptions, and practices that influence the creation of value. This conceptualization of value in cultural context has important implications for several issues in IM because it emphasizes the role of the customer and other stakeholders in value creation.

RESEARCH IMPLICATIONS

The conceptualization of value in cultural context offers a more dynamic view of culture than conventional frameworks in IM, which center on how collective values influence individual behaviors (e.g., Hofstede 1980). More specifically, the proposed framework suggests that the actions and interactions in which individual actors engage both influence and are influenced by a multitude of institutions (i.e., social norms) and resources (e.g., symbols). This view of value in cultural context aligns with Griffith's (2010) multilevel approach for institutional analysis, which varies among global, regional, and national levels of institutions. In his view, global integration is the highest order of institutions, and various institutional elements—social, political, and legal—converge within and among different levels. This multilevel view emphasizes the way conflicts can arise in multilevel contexts as firms enter foreign institutional environments and struggle to gain legitimacy, often through adaptation of products or messages, within a particular national market (Yang, Su, and Fam 2012).

Thus, what makes international and global contexts potentially more complex than domestic contexts is not so much the differences across contexts or the dynamics of interaction; rather, the complexity of international and global contexts is based on the *increased embeddedness of microlevel actions and interactions within a multitude of meso- and macrolevel institutions* as exchange occurs across countries and expands around the world. In this service ecosystems view, culture is considered a dynamic phenomenon, comprising multiple institutions (Williamson 2000), that influences and is influenced by the cocreation of value among multiple stakeholders

across the globe. We discuss the research implications and potential contributions of an S-D logic, service ecosystems approach and a focus on value in cultural context with regard to two major areas of research in IM: (1) adaptation/standardization and (2) emerging and transitioning markets.

Beyond Adaptation Versus Standardization

The standardization/adaptation debate has been central to the development of IM theory and practice for more than 40 years (Ryans, Griffith, and White 2003; Theodosiou and Leonidou 2003). The decisions to standardize or adapt marketing strategy have involved product development as well as advertising and other communications (Agrawal 1995; Levitt 1983; Papavassiliou and Stathakopoulos 1997). Although extensive research has attempted to identify ideal conditions for implementing standardization or adaptation strategies (or some combination of both) in global markets (e.g., Agarwal, Malhotra, and Bolton 2010; Agrawal 1995; Alden, Steenkamp, and Batra 1999), the effectiveness of these strategies remains unclear. In particular, Ryans, Griffith, and White (2003) suggest that the limitations of this research stream are tied to the lack of conceptual development and understanding of value and value creation in IM. The authors suggest (p. 596) that IM researchers can “no longer simply assume the relationship between value delivery and performance, but rather [must] explore the issue of value delivery directly.”

Ryans, Griffith, and White's (2003) recognition of the need for a “broader conceptualization of value” provides evidence that the adaptation/standardization debate maintains a view on value that is largely firm centric. We argue that the S-D logic, service ecosystems approach can help provide a unified framework that can potentially transcend this debate by moving the focus from value as created by the firm to value as collaboratively created among multiple stakeholders. In other words, by considering both the positioning of the firm and the perspectives and practices of customers (and others) (Akaka and Alden 2010) across countries and cultures, a service ecosystems view can provide a richer and more robust framework for the study and practice of IM.

This shift to “marketing with” customers moves IM strategy away from a firm-centric orientation to a stakeholder orientation (Lusch and Webster 2011) based on value cocreation. In this view, markets “become” (Kjellberg et al. 2012)—are created and reproduced (Giddens

1984)—because they are continually reformed through the actions (i.e., practices) and interactions (e.g., value cocreation) among multiple stakeholders (Edvardsson, Tronvoll, and Gruber 2011). This dynamic view of value creation sheds light on both the homogeneity and the heterogeneity—how market-related norms and meanings are both converging and diverging—within local, regional, and global markets and cultures (Griffith 2010).

With regard to IM strategy, the concepts of value cocreation and value in context imply that, rather than segmenting customer characteristics and targeting customers through standardization or adaptation techniques, managers can consider the social and cultural contexts that frame particular market interactions and focus on contributing to the *(re)formation of new or emerging markets*. In general, the consideration of cocreation of value in cultural context offers a broader and more integrative approach to market identification. This view centers on how actors enact routine practices to create value (i.e., benefit) for themselves and for others by drawing on and contributing to a multitude of institutions that comprise various levels (micro, meso, and macro) of social and cultural contexts and frame value creation and exchange (Chandler and Vargo 2011; Edvardsson, Tronvoll, and Gruber 2011) (see Figure 1).

Coevolution of Markets and Culture

As noted, this view of cocreation of value in cultural context offers a dynamic and multilevel view of institutions, which draws attention to both heterogeneity and homogeneity within and across cultures (national or otherwise). Furthermore, this service-centered perspective on culture sheds light on how local, regional, and global markets and cultures emerge and converge (Cavusgil, Deligonul, and Yaprak 2005; Douglas and Craig 2011). Importantly, it is the enactment of practices and interactions among stakeholders that continually (re)shape the social and cultural contexts (e.g., local, national, and global markets) through which value is created and evaluated (Giddens 1984). Tobin (1992) provides evidence of the cocreation of value in cultural context by highlighting the cultural change that occurs through the interactions between firms and customers across national cultures. He emphasizes the influence of the integration of foreign practices, signs, and symbols on the “remaking” of Japan’s national culture.

This service ecosystems approach to markets clearly moves IM beyond its managerial and production focus

and has important implications for academicians and practitioners struggling with current issues in this field. The conceptualization of value in cultural context can help make culture a more relevant and useful construct, which researchers have called for in IM (Singh 2007), and also provide deeper insights into cross-cultural “consumer” research (Craig and Douglas 2006; Douglas and Craig 1997). Because perspectives of value vary within a particular network, ongoing interactions drive social and cultural change (Chandler and Vargo 2011; Penaloza and Mish 2011). In this way, cross-cultural or international exchange integrates diverse markets and cultures, which represent various levels of institutions (Griffith 2010; Williamson 2000), that *coevolve* as practices are enacted and interaction among multiple actors occurs (e.g., Djelic and Ainamo 1999; Holbrook 2003; Lewin and Volberda 1999). In this view, the focus of IM research shifts from a restricted, normative initiative—determining how firms *should* market to customers in other countries—to a positive one—understanding how value *is* cocreated across cultures and how markets form and reform (e.g., grow). In turn, this will allow for the development of more robust normative theory (Hunt 2002).

In line with this coevolutionary, service ecosystems perspective, a distributive view of culture (Arnould and Thompson 2005) and the recognition of global consumer cultures (Alden, Steenkamp, and Batra 1999) suggest that culture is actually a dynamic, organic phenomenon that can change and be changed (Yaprak 2008). The dynamic nature of culture is most evident in the changes in cultural practices, such as celebrating Christmas in Japan (Kimura and Belk 2005), and the emergence of new transnational (Cayla and Eckhardt 2008) and global (e.g., Alden, Steenkamp, and Batra 1999; Cleveland and Laroche 2007) cultures. Additional evidence of coevolution in global markets appears in Djelic and Ainamo’s (1999) study of the global fashion industry and the changes that took place in organizational forms of fashion firms in France, Italy, and the United States from the 1960s to the 1990s. The authors find that historical legacies and institutional constraints within each country led to the emergence of different types of organizations within the same global industry. Importantly, the authors argue that it was the interplay between the environment and organizations that ultimately led to the development of distinct fashion markets in each country.

Although cultures, particularly national cultures, are traditionally considered static (e.g., Hofstede 1980),

recent research suggests that cultures are dynamic and change over time and space (Yaprak 2008). By focusing on practices as the foundational social aspects of value creation in service ecosystems, IM researchers can better understand the origins of broader meso- and macrolevel changes. The service ecosystems approach proposed herein suggests that these changes in culture are, at least in part, driven by the enactment of new or different practices and interactions among multiple stakeholders across countries and cultures. In other words, value cocreation drives market (re)formation and changes the landscape of local, national, regional, and global markets. This is because as actors enact practices and integrate resources across countries and cultures, they are guided by diverse institutions, both complementary and contradictory. The integration of different perspectives of value and enactment of different practices within a particular local, regional, or global context can potentially lead to the development of new forms of value, new markets, and even new cultures.

CONCLUSION

The study of IM has progressed in recent years through increases in technical rigor and an increasing emphasis on social and environmental issues (Czinkota and Ronkainen 2003; Nakata and Huang 2005). Although the development of the discipline continues to advance research methodology (Nakata and Huang 2005), identify important differences across national cultures (Hofstede 1980), and extend the scope for studying international exchange (Czinkota and Ronkainen 2003), several scholars have argued that stronger theoretical development for IM is required (e.g., Axin and Matthysens 2001; Nakata and Huang 2005; Ryans, Griffith, and White 2003). In this article, we propose and elaborate S-D logic and its service ecosystems view (Vargo and Lusch 2004, 2008, 2011b) as an alternative lens for developing and strengthening the theoretical development of the IM discipline, which transcends (but does not replace) the traditional production-oriented, goods-centered paradigm.

More specifically, we applied a service ecosystems approach to reconsider central constructs in IM—exchange, resources, value, and context—from an S-D logic view. In addition, we explored the complexity of context from a service ecosystems lens by articulating how micro-, meso-, and macrolevel interactions relate and evolve. We extended this view of embedded social networks with a discussion of the importance and multi-

plicity of institutions in value creation. We then discussed how networks and structure are both reproduced through the enactment of practices within and across various (e.g., local, global) contexts. The proposed framework depicts the process by which microlevel interactions (e.g., service exchanges) (re)shape meso- and macrolevel institutions through the integration and generation of new resources. In addition, we discussed the consideration of cocreation of value in cultural context as an extension of social context (Edvardsson, Tronvoll, and Gruber 2011), which draws attention to multiple levels of institutions in cultures (i.e., multiplicity of structure) and emphasizes symbolic, as well as social, aspects of the context through which value is derived.

In this article, we argue that a service ecosystems view can provide a unifying and underlying framework for advancing the IM discipline. This is because S-D logic integrates, rather than disregards, prior research on what have been considered “complexities” in IM and reconciles unique features of international and global contexts with the underlying basis of value creation and exchange (Vargo and Lusch 2008). Although this shift in thinking provides a framework for the redevelopment of the theoretical foundations of IM, much work remains to advance the development of a positive, service-centered theory of markets (Vargo 2007) that includes local, national, and global contexts.

A reframing of thinking about exchange and value creation from a service ecosystems lens provides a broader but realistic scope for traditional research topics in IM. For example, the market entry decision, and whether to enter the market by licensing, export, joint venture, or foreign direct investment, becomes a study of institutions and networks of actors that weave in and out of national borders as well as micro, meso, and macro levels of interaction and analysis. As this analysis unfolds, managers and researchers can begin to regard risk as much more than political or legal restrictions; rather, risk becomes associated with the challenge of engaging in exchange within embedded cultural contexts and multifaceted networks and includes supply chain risks, intellectual property risks, human resource risks, and risks in brand equity. Through the dynamic lens of service ecosystems, the voice of the market can be heard through social media and other communications that transcend geopolitical borders.

Within this framework, meaning emerges among both similar and diverse actors as they construct the social nature of their reality. Similarly, research and develop-

ment and innovation are punctuated by human resource and financial flows across national borders. Innovation is no longer what occurs within the firm but something that emerges through in an ever-evolving service ecosystem, in which it is massively cocreated. Global supply chains morph into global human resource systems of service-exchanging actors, in which liquefied information makes distinctions between offshoring and domestic business increasingly less relevant. It also becomes clear that the use of multiple methods is almost imperative rather than optional. Furthermore, a multimethod approach to understanding service ecosystems on a global level helps simplify what seems complicated to the untrained observer. The complexity does not vanish through the skylight but becomes an integral part of the mindset of those using an S-D logic and multimethod lens. Put simply, this approach enables them to view complexity as nested interactions among multiple actors rather than as a mushy, fuzzy, complicated mess.

This article has begun to address the need for developing a stronger theoretical foundation for IM, by highlighting the applicability of an S-D logic, service ecosystems view and proposing a framework for conceptualizing the complexity of the contexts that frame international and global exchange. However, Hunt (2002, p. 236) suggests that the development of a solid positive theory involves the formation of “systematically related sets of statements, including some lawlike generalizations, that are empirically testable and that increase scientific understanding through the explanation and prediction of phenomena.” Thus, to develop such theories for IM, empirical research is necessary to investigate how the enactment of practices influences the cocreation of value as well as shared institutions and collective meanings, particularly across distinct, perhaps national, cultures. Furthermore, longitudinal research is required to better understand how microlevel changes (i.e., changes in practices) may lead to meso- and macrolevel shifts in markets and cultures.

The service ecosystems approach and conceptualization of value in cultural context draw attention to the need to study international and global markets, because these contexts are highly embedded and emphasize the multiple levels of networks and institutions often associated with value cocreation and service-for-service exchange. However, the development of a positive theoretical foundation of markets is no simple task. Arguably, the difficulty of the task increases when dominant paradigms remain and restrain the development of radically different ideas. However, given the evolution of IM and

the limitations of a manufacturing mentality, this shift in thought seems optimal, if not required, to gain a deeper understanding of the dynamics and complexities of global contexts and the underlying drivers of international exchange.

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