



S-D  
Logic

# Service-Dominant Logic: An Overview and Look Forward

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## Guest Lecture

University of Karlstad Business School  
Karlstad University  
Oct 5, 2016

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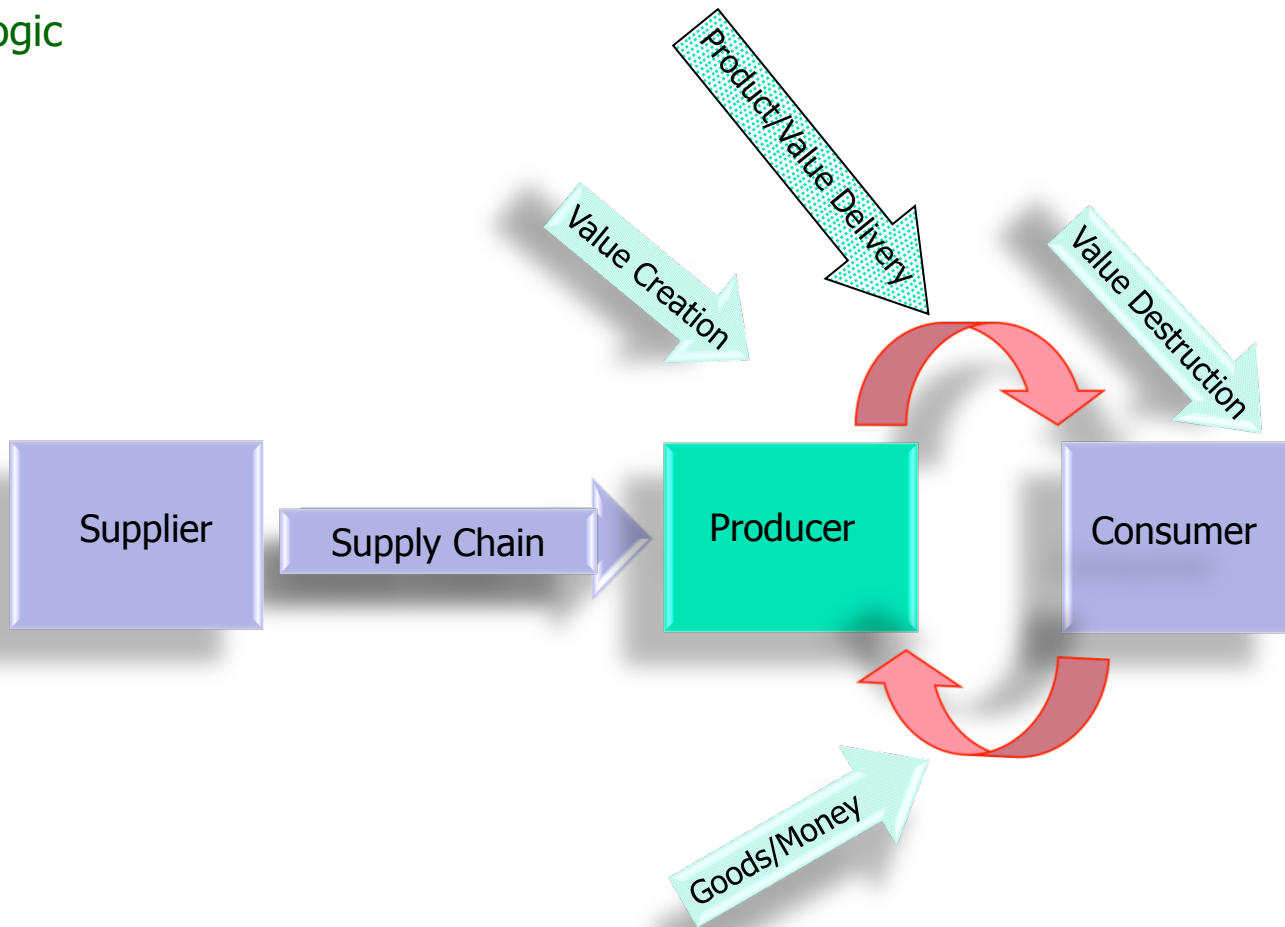
# The Importance of the Right Logic

- Without changing our pattern of thought, we will not be able to solve the problems we created with our current pattern of thought
  - Albert Einstein
- The greatest danger in times of turbulence is not the turbulence: it is to act with yesterday's logic.
  - Peter F. Drucker
- The main power base of paradigms may be in the fact that they are taken for granted and not explicitly questioned
  - Johan Arndt
- What is needed is not an interpretation of the utility created by marketing, but a marketing interpretation of the whole process creating utility.
  - Wroe Alderson

# Goods-Dominant Logic Model: Value Production and Consumption



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# Today's Agenda

## The S-D Logic Journey

- Basics
- Updates
- Extension

## Current S-D logic focal areas

- Service ecosystems
- Institutions

Some implications/midrange  
"applications"



# S-D Logic: The Story

## The Story and Back Story:

- Vargo, Stephen L. and Robert F. Lusch, (2004) "Evolving to a New Dominant Logic for Marketing," ***Journal of Marketing***.
- Submitted: 1999
- Published: 2004

## The Back-Back Story (1994-99):

- The dilemmas
  - The idea of a "new service economy."
  - The idea of two marketing approaches.
    - Goods and "services"
- The approach:
  - Read "everything" in the "service(s)" literature
    - Across time
    - Across disciplines
  - The insight: The goods/service(s) model is inverted
    - Goods are a the special case; service is the general case

Stephen L. Vargo & Robert F. Lusch

### Evolving to a New Dominant Logic for Marketing

Marketing inherited a model of exchange from economics, which had a dominant logic based on the exchange of "goods," which usually are manufactured output. The dominant logic focused on tangible resources, embedded value, and transactions. Over the past several decades, new perspectives have emerged that have a revised logic focused on intangible resources, the co-creation of value, and relationships. The authors believe that the new perspectives are converging to form a new dominant logic for marketing, one in which service provision rather than goods is fundamental to economic exchange. The authors explore this evolving logic and the corresponding shift in perspective for marketing scholars, marketing practitioners, and marketing educators.

The formal study of marketing focused at first on the distribution and exchange of commodities and manufactured products and featured a foundation in economics (Marshall 1927; Shaw 1912; Smith 2004). The first marketing scholars directed their attention toward commodities exchange (Copeland 1920), the marketing institutions that made goods available and arranged for possession (Nyström 1915; Weid 1916), and the functions that needed to be performed to facilitate the exchange of goods through marketing institutions (Chertigos 1920; Weid 1917).

By the early 1950s, the functional school began to morph into the marketing management school, which was characterized by a decision-making approach to managing the marketing functions and an overarching focus on the customer (Drucker 1954; Levitt 1960; McKitterick 1957; McCarthy 1960) and Kotler (1967) characterized marketing as a decision-making activity directed at satisfying the customer at a profit by targeting a market and then making optimal decisions on the marketing mix, or the "4 P's." The fundamental foundation and the tie to the standard economic model continued to be strong. The leading marketing management textbook in the 1970s (Kotler 1972, p. 42, emphasis in original) stated that "marketing management seeks to determine the settings of the company's marketing decision variables that will maximize the company's objective(s) in the light of the expected behavior of noncontrollable demand variables."

Beginning in the 1980s, many new frames of reference that were not based on the 4 P's and were largely independent of the standard microeconomic paradigm began to emerge. What appeared to be separate lines of thought sur-

fed in relationship marketing, quality management, market orientation, supply and value chain management, resource management, and networks. Perhaps most notable was the emergence of services marketing as a subdiscipline, following scholars' challenges to "break free" (Shoemaker 1977) from product marketing and recognize the inadequacies of the dominant logic for dealing with services marketing's subject matter (Dixon 1990). Many scholars believed that marketing thought was becoming more fragmented. On the surface, this appeared to be a reasonable characterization.

In the early 1990s, Webster (1992, p. 1) argued, "The historical marketing management function, based on the microeconomic maximization paradigm, must be critically examined for its relevance to marketing theory and practice." At the end of the twentieth century, Day and Montgomery (1999, p. 3) suggested that "with growing reservation about the validity or usefulness of the Four P's concept and its lack of recognition of marketing as an innovating or adaptive force, the Four P's now are regarded as merely a handy framework." At the same time, advocating a network perspective, Achrol and Kotler (1999, p. 162) stated, "The very nature of network organization, the kinds of theories useful to its understanding, and the potential impact on the organization of consumption all suggest that a paradigm shift for marketing may not be far over the horizon." Sheth and Parvathyar (2000, p. 140) suggested that "an alternative paradigm of marketing is needed, a paradigm that can account for the continuous nature of relationships among marketing actors." They went as far as stating (p. 140) that the marketing discipline "give up the sacred cow of exchange theory." Other scholars, such as Rust (1998), called for convergence among seemingly divergent views.

Fragmented thoughts, questions about the future of marketing, calls for a paradigm shift, and controversy over services marketing being a distinct area of study—are these calls for alarm? Perhaps marketing thought is not so much fragmented as it is evolving toward a new dominant logic. Increasingly, marketing has shifted much of its dominant logic away from the exchange of tangible goods (manufactured things) and toward the exchange of intangibles, spe-

# Wrong Thinking about Service(s): The G-D Logic Perspective



S-D  
Logic

Value-enhancing add-ons for goods, or

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

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

Services Economy = Post Industrial = Less-than-desirable economic activity



# Other Problems with Goods Logic

Goods are not why we buy goods

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

Customer is secondary and seen as value receiver and destroyer

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

Point toward wrong thinking about innovation

- Making “**better,**” **novel** (& more attractive) output – goods and “services”
  - with **more embedded value**
  - for **waiting markets**

# Key S-D Logic Publications

## Evolving to a New Dominant Logic for Marketing

Marketing inherited a model of exchange from economics, which had a dominant logic based on the exchange of "goods," which was focused on the exchange of goods in the future in perspective.

## Invited Commentaries on "Evolving to a New Dominant Logic for Marketing"

In the preceding article, Vargo and Lusch (V&L, 2004) proposed that an evolution is underway toward a new dominant logic for marketing. The new dominant logic has important implications for marketing theory, practice, and education.

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

Stephen L. Vargo  
University of Maryland

Robert F. Lusch  
Texas Christian University

Journal of the Acad. Mark. Sci. (2008) 36:1–10  
DOI 10.1007/s11747-007-9099-4

CONCEPTUAL/THEORETICAL PAPER

### Service-dominant logic: continuing the evolution

Stephen L. Vargo · Robert F. Lusch



Contents lists available at ScienceDirect  
Industrial Marketing Management

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© Academy of Marketing Science 2007

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

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#### ARTICLE INFO

**Book Review:**  
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**Keywords:**  
Service-dominant logic  
Service systems  
Co-creation  
B2B  
B2C

#### ABSTRACT

The delineation of B2B from "mainstream" marketing reflects the limitations of the traditional, goods-dominant (G-D) model of exchange and a conceptualization of value creation based on the "producer-consumer" dyad. Service-dominant (S-D) logic broadens the perspective of exchange and value creation and implies that all social and economic actors engage in exchange (e.g., firms, consumers, etc.) and are providing value-creating capabilities; that, in this sense, all exchange can be considered B2B. Given this perspective, the construction of B2B marketing (and other sub-disciplines) can be seen as applicable to "mainstream" marketing. This provides a new (A2A) orientation, in many ways toward a dynamic, customer and systems orientation to value creation. This article discusses this systems-oriented framework and elaborates the implications for further use as a general (though of the market) reference for the marketing sub-disciplines, marketing practices, and disciplines external to marketing.  
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**Keywords:** service; goods; heterogeneity

#### Introduction

In the few years since we published it has become known as "service-dominant logic" (Vargo & Lusch 2004a), there has been significant

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

As the global, networked economy becomes more pervasive and its nature more compelling, it is (should be) becoming increasingly clear that we rely on one another through the voluntary exchange of applied skills and competences (Vargo & Lusch 2004a, 2004b). Consequently, one might think that the above quotation is contemporary; it is, however, from Plato's *The Republic* (360 B.C./1990), published over 2000 years ago.

In a globally interdependent world, the simple truth behind Plato's words often seems to be missed: we are all (and all human beings) serving each other, through exchange, for mutual wellbeing. Perhaps his statement therefore punctuates our (Vargo & Lusch 2004, 2004b; see also Vargo 2007) contention that it is important to develop a logic of and for the market (and society) and marketing that transcends time, geography, and the sometimes myopic conceptual

frictions of academia. It was in the spirit of this contention that we previously used a linguistic telescope to zoom out to a broader, more transcending view of economic exchange and suggested (Vargo & Lusch 2004b) "It's all B2B."

Since our early collaborative work on what has become known as service-dominant (S-D) logic, we have tried to juggle marketing thought away from fragmentation and toward a more unified theoretical conceptualization and framework. A first step was to suggest transcending the "goods" versus "services" divide with "it's all about service." More specifically and more recently, we recognized a need to overcome (mis)conceptions associated with the notion of a "producer," as a creator of value, versus a "consumer," as a destroyer of value, and have reflected this in one of the newer central tenets of S-D logic: all social and economic actors are resource integrators (Vargo & Lusch 2004a) as captured in foundational premises (P1–9). That is, all parties (e.g., businesses, individual customers, households, etc.) engaged in economic exchange are similarly resource-integrating, service-providing enterprises that have the common purpose of value (co)creation—what we mean by "it's all B2B."

We initially picked "B" because, given the most commonly used designations of "B" (business) and "C" (consumer), economic (and social) actors come closest generically to what is captured by "business" rather than "consumer." Stated alternatively, a business is thought of as enterprising, a characterization that we find also more fully captures the activities of those with whom they exchange, than is implied by "consumer" which has rather passive, final connotations of a "target" with a primary activity of using stuff up, rather than creating and contributing. Additionally, B2B scholars have been

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DIALOG, DEBATE, AND DIRECTION

## SERVICE-DOMINANT LOGIC

PREMISES, PERSPECTIVES, POSSIBILITIES



ROBERT F. LUSCH



## Institutions and Axioms: A Update & Extension of Service-Dominant Logic

- Stephen L. Vargo
- Robert F. Lusch

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Journal of Ma... Vol. 68 (Janu...

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18 / Journal...

Achie... D... In the preced... ing article, V... and Lusch (V... 2004) propos... ed that an ev... olution is un... dertaken tow... ard a new do... minant logic... for marketing... The new dom... inant logic h... as important... implications... for marketing... theory, prac... tice, and edu... cation.

Marketing was original... manufacturing-based mo... del developed during the Industri... al marketing has been broad... the exchange of more than... discipline of service mar... much of this broadened p... same goods and manufa... cence of this model is evide... antics that have been ide... from goods—intangibil... and perishability. The an... tics (a) do not distingui... have meaning from a ma... imply inappropriate nor... that advances made by... foundation for a more s... change from which more... can be developed for all...

Keywords: service; goods; heterogeneity

Early marketing th... goods marketing, essen... tialized exchange of manuf...

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Marketing

Management

Entrepreneurship

# Impact of S-D Logic



**Marketing Theory**  
<http://mtq.sagepub.com/>

The nature and processes of market co-creation in triple  
averaging insights from consumer culture theory and ser  
Lisa Peñalosa and Jenny Mish  
*Marketing Theory* 2011 11: 9  
DOI: 10.1177/1470593110393710

The online version of this article can be found at  
<http://mtq.sagepub.com/content/11>

David Ballantyne and Richard J. Varey (2008),  
issue on the Service-Dominant Logic of Market  
*Marketing Science (JAMS)*, 38:1, pp. 11-14.

The service-dominant logic a  
marketing

**Branding in B2B markets: insight  
service-dominant logic of m**

David Ballantyne and Robert Ailken  
University of Otago, Dunedin, New Zealand

**Abstract**  
purpose - This paper aims to explore how the service-dominant (S-D) logic of marketing proposed by  
line a branding concepts and practices.  
methodology/approach - Vargo and Lusch argue that service interaction comes from goods-b  
er and a supplier. Their key concepts are examined and the branding literature critically compared.  
findings - Goods become service applications. Usage judgments about the value-in-use of goods extend  
cept is no longer transaction-bound. Service-ability (the capability to serve) becomes the essence of a  
a core parameter in developing and sustaining the life of a brand.  
research limitations/implications - S-D logic highlights the need for rigor and clarity in the use  
identification a variety of previously unexplored contact points in the customer service cycle, expanded to  
actical implications - S-D logic encourages extending brand strategies into a wide variety of con  
originality/value - Some of the issues raised are not new but currently compete for attention in the  
nding.  
Keywords: Brand image, Value added, Value-in-use pricing, Marketing, Knowledge management, B4

The current issue and full text archive of this journal is available at  
[www.emeraldinsight.com/11757-5816.htm](http://www.emeraldinsight.com/11757-5816.htm)

## Towards a service-dominant professional identity An organisational socialisation perspective

Maria Åkesson and Per Skälén

*Service Research Center, Karlstad University, Karlstad, Sweden*

### Abstract

**Purpose** - The purpose of this research is to investigate organisational socialisation of service-oriented employees.

S-D professional  
identity

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4 February 2010  
Accepted 4 February 2010



WMG Service Systems Research Group  
Working Paper Series

Academy of Management Learning & Education, 2007, Vol. 6, No. 3, 201-240

## A Service-Dominant Logic for Management Education: It's Time

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DAVID E. BOWEN  
Thunderbird School of Global Management

Even though services dominate the US economy and figure prominently in other developed economies, principles for the effective provision of service experiences receive little attention in conventional management education. We provide an argument for what is termed a service-dominant logic for management education. It is organized into three parts. The first reviews the current status of the management discipline's coverage in our research and teaching of the unique challenges and opportunities in managing services. The second details seven key differences in managing services that are either minimally covered or ignored in traditional management courses. The third offers some suggestions

Transitioning  
a Service-D  
Value Propo

Irene Ng  
Glenn Parry  
Laura Smith  
Roger Mauli  
Gerard Briscoe

Callaway and Dobrzykowski / Service-Oriented Entrepreneurship: Service-Dominant Logic in green design and health  
Service Science 1(4), pp. 225-240, © 2010

## Entrepreneurship: Service-Dominant Logic in Green Design and Healthcare

Stephen K. Callaway, David D. Dobrzykowski  
College of Business Administration  
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transition from manufacturing to service may have implications for the  
value creation. Service-dominant logic (SDL) poses a new paradigm for  
economic exchange and argues that service is a true basis for understanding  
centric perspective, as opposed to a goods-centered perspective, argues that  
the process of parties using their specialized operant knowledge for mutual  
providers and customers interact in order to co-create value. Using the S-D  
as service-oriented entrepreneurship, where new business opportunities can be  
creation perspective that may have been otherwise unnoticed by the goods-  
are developed using literature on SDL and entrepreneurship. Next, secondary  
are offered which support linkages between SDL and: (1) the identification o  
, (2) a lifetime view of products/services, (3) redefining the role of th  
of information and goals between firms and their customers, and (3) the

J. of the Acad. Mark. Sci. (2008) 36:21-24  
DOI 10.1007/s11747-007-0072-y

### BRIEF REPORT

## Service-dominant logic and resource theor

Eric J. Arnould

5 July 2007 / Published online: 3 August 2007  
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importance accorded resource an  
ent logic marketing research  
at marketing ecology based  
Researchers may begin to  
as a deploying operant and  
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s for value definition and  
and Lusch 2004). Spaces  
ery clusters, to trade shows,  
ify the former (Leigh et al.  
et al. 2007). Service is the  
ultimate, of which examples  
), themselves for developing  
story. I will highlight a few  
ated to the resource based  
al ecology; cluster theoretic  
e, and Fox's intertemporal  
some distinctive contribu-  
that would invite further

Systems and Networks

Tourism

Other Topics



# Impact of S-D Logic

Marketing Theory  
<http://mtq.sagepub.com/>

Research Directions and Opportunities: The Perspective of Complexity and Engineering  
Alessandro Lodi, Francesco Polese, Primiano Di Nauta, Helge Löbler, Sue Halliday  
*Marketing Theory* published online 3 April 2012  
DOI: 10.1177/1470593111429519

## Tourism Marketing in an Era of Paradigm Shift

XIANG (ROBERT) LI AND JAMES F. PETRICK

*The present article synthesizes the latest discussion on the future paradigm of marketing. Three alternative marketing perspectives are discussed: relationship marketing, the network approach, and the service-dominant logic. Additionally, their relevance to the field of tourism marketing is highlighted. It is revealed that tourism marketing researchers have started to echo the new marketing thoughts, although in-depth conceptual exploration is still lacking. Finally, the implications of these new marketing conceptualizations on tourism research, practices, and teaching are discussed, and it is concluded that the present tourism marketing research could be improved by putting more emphasis on strategy research and*

*we prefer not to acknowledge, or which we ignore on a fairly regular basis," and part of the "reflect gaps in our theoretical understanding." Theoretical gap could be a result of a lag between our real world practices. It may also be possible that previous marketing beliefs need to be reevaluated. Concurrent with the growth of tourism marketing, the flourishing development of general management beyond technical issues, marketing analysis, and analyzed traditional marketing permit justification of marketing's existence (Montgomery 1999), and the future of*

## Co-creating logistics value: a service-dominant logic perspective

Atefeh Yazdanparast, Ila Manuj and Stephen M. Swaidan  
*Department of Marketing and Logistics, The University of North Texas, Denton, Texas, USA*

**Abstract**  
Purpose – The purpose of this study is to explore logistics service value through the lens of service-dominant (S-D) logic with a focus on the creation of logistics value jointly by providers and customers.

*J. of the Acad. Mark. Sci.* (2008) 36:54–66  
DOI 10.1007/s11747-007-0066-9

CONCEPTUAL/THEORETICAL PAPER

## An expanded and strategic view of discontinuous innovations: deploying a service-dominant logic

Stefan Michel · Stephen W. Brown · Andrew S. Gallan

Received  
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Abstract  
A novel  
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## Service-Dominant Logic – Exposing CPA Australia's K-Strategy

14 July 2008

Service-Dominant (S-D) Logic is an important new mindset in business. The fundamental premise of S-D Logic is that organizations, markets, and societies are fundamentally concerned with exchange of service where a service is the application of competencies (knowledge and skills) for the benefit of a party. Thus, service is exchanged for service and all firms, markets and societies are service-based.

The fundamental difference between the more traditional Goods-Dominant logic and S-D logic is that S-D logic is service-based and focuses on the creation of value and other things that can be

The current issue and full text archive of this journal is available at  
[www.emeraldinsight.com/1757-5818.htm](http://www.emeraldinsight.com/1757-5818.htm)

## What about interaction?

Networks and brands as integrators with service-dominant logic

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Rein Jürjado  
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### Abstract

**Purpose** – This paper aims to increase the understanding of networks within the service-dominant logic (S-D logic) and to demonstrate the importance of interaction between network actors as a force behind the co-creation process.

**Design/methodology/approach** – The paper uses rich empirical data from a travel network consisting of in-depth interviews and a survey of respondents to 100 companies and

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Journal homepage: [www.elsevier.com/locate/tourman](http://www.elsevier.com/locate/tourman)

Progress in Tourism Management  
**Aspects of service-dominant logic and its implications for tourism: Examples from the hotel industry**  
Gareth Shaw<sup>a,\*</sup>, Adrian Bailey<sup>a</sup>, Allan Williams<sup>b</sup>

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<sup>b</sup>Institute for the Study of European Transformation and Working Life Research Institute, London Metropolitan University, United Kingdom

ARTICLE INFO ABSTRACT

This paper introduces the concept of service-dominant logic as a research management. It does so in the context of tourism management's need to engage within the mainstream management literature. Moreover, it demonstrates the dominant logic in uncovering the role played by co-production and co-creation. These ideas are developed in detail through a case study of the UK hotel industry. Empirical research undertaken by the authors.

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creator of value (Payne, Storbacka, & Frow, 2006). The approach highlights the customer ship through interaction and dialog. This increasingly based around the customer as suppliers and consumers instead of passive clients of their relationship. The shift to tourism more on consumer experiences has been Gilmore's (1998) notions of the 'experience

management literature" remains highly relevant. In some areas this discussion is enriched with attempts by tourism a new conceptual frameworks as evolutions of knowledge management and

Initiation of business relationships in service-dominant settings

Bo Edvardsson<sup>a,1</sup>, Maria Holmlund<sup>b,\*,2</sup>, Tore Strandvik<sup>b,2</sup>

# Impact of S-D Logic

# INNOVATION & DESIGN

## Innovation, symbolic interaction and customer valuing: thoughts stemming from service-dominant logic of marketing

Daniel J. Flint  
University of Tennessee

Volume 6(2): 349-362  
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www.sagepub.com  
DOI: 10.1177/147059100626796



## TOWARDS A RECONCILIATION OF RESOURCE-ADVANTAGE (R-A) AND SERVICE - DOMINANT LOGIC (S-D) THEORIES: A STUDY OF SERVICE INNOVATION IN SOCIAL MARKETING PROGRAMME

## Service Innovation Viewed Through a Service-Dominant Logic Lens: A Conceptual Framework and Empirical Analysis

Andrea Ordanini<sup>1</sup> and A. Parasuraman<sup>2</sup>

J. of the Acad. Mark. Sci. (2008) 36:54-66  
DOI: 10.1007/s11747-007-0066-9

CONCEPTUAL/THEORETICAL PAPER

## An expanded and strategic view of discontinuous innovations: deploying a service-dominant logic

Andrew S. Gallan

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DOI: 10.1177/107059101038232  
http://jssr.sagepub.com  
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July 2007 / Published online: 24 July 2007

## Typology of Service Innovation from Service-Dominant Logic Perspective

Journal of Universal Computer Science, vol. 16, no. 13 (2010), 1761-1775  
submitted: 18/2/10, accepted: 6/5/10, appeared: 1/7/10 © J.U.C.S.

Abstract. Innovation, symbolic interaction, and customer valuing are critical

## and the Open Innovation Paradigm: Designing for un-embedded technologies

## A new conceptualization of service innovation grounded in S-D logic and service systems

Bo Edvardsson

CTF-Center for Service Research, Karlstad University, Karlstad, Sweden, and  
Bård Tronvoll

Hedmark University College, Elverum, Norway and

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

### Abstract

**Purpose** – The aim of this paper is to conceptualize service innovation through a service-dominant logic (S-D logic) lens and a service system foundation.

**Design/methodology/approach** – This conceptual paper offers a service dominant logic lens and a structuralist on theory approach emphasizing an actor perspective on service innovation. Since the value of innovation unfolds in practice, this paper will use customer to denote the key actor in co-creating value in context.

**Findings** – The paper shows how a resource constellation in a service system is reconfigured and thus explains service innovation from the lens of S-D logic, emphasizing customers' value co-creation of value in practice. The focus is on the interdependencies between the configuration of resources in a service system and schemas that shape customers and other actors when integrating resources and co-creating value.

**Research limitations/implications** – There is a need to discuss service innovation in a social constructivist view to better understand the guiding principles or schemas that enable actors to co-create value.

**Originality/value** – Service innovation is understood as sourced by changes in either resources or schemas (norms and rules) or a combination, resulting in structural changes in a service system. The conceptualization provides a new definition of service innovation; a new framework describing the interdependency between changes in resources and schemas as a basis for an innovative configuration or reconfiguration of a service system; and three propositions illustrating the relevance of this new framework.

**Keywords** Service Innovation, Service system, Resources, Schemas, Service-dominant logic, Value co-creation, Customers

**Paper type** Conceptual paper

### Introduction

Competition aims to create superior value for the involved actors. To gain competitive advantages, firms can facilitate service innovation by enabling actors to improve their own use value. That is, innovations often stem from a novel or improved way to use existing resources to co-create value, though in some cases, innovations also are based on new resources or new technologies in systems that are capable of creating service. These service systems constitute the basic context and enabler of value co-creation and thus the foundation for service innovation. The customer co-creates and determines the value of service innovation, while the company usually is responsible for the value proposition and facilitating the value creation process (Lusch *et al.*, 2007). Yet to understand the role of the service system in service innovation, we also must look at how structures, such as

## Designing for Service as One Way of Designing Services

Lucy Kimbell

Saïd Business School, University of Oxford, UK

This paper considers different ways of approaching service design, exploring what professional designers who say they design services are doing. First, the design and management fields, including marketing and operations. The paper proposes a framework that clarifies key tensions shaping the understanding of service design. It then presents an ethnographic study of three firms of professional service designers and details their work in three case studies. The paper reports four findings. The designers approached services as entities that are both social and material. The designers in the study saw service as relational and temporal and thought of value as created in practice. They approached designing a service through a constructivist enquiry in which they sought to understand the experiences of stakeholders and they tried to involve managers in this activity. The paper proposes describing designing for service as a particular kind of service design. Designing for service is seen as an exploratory process that aims to create new kinds of value relation between diverse actors within a socio-material configuration. This has implications for existing ways of understanding design and for research, practice and teaching.

**Keywords** - Designing for Service, Service Design, Service Management.

**Relevance to Design Practice** - Helps designers identify which concepts of design and service are mobilized in projects. Describes designing for service as an exploratory process in which distinctions between products and services are not important. Instead, services are understood as socio-material configurations involving people, processes, technologies and many different kinds of object.

**Citation:** Lucy Kimbell (2011). Designing for service as one way of designing services. *International Journal of Design, 5*(2), 41-52.

### Introduction

Over the past decade, a profession of service designers has emerged and an interdisciplinary field of service design research has begun to take shape. Accounts of service design vary from those that see it as a new field of design to those that stress its origins in other disciplines and make references to existing approaches within design, management and the social sciences. Although these studies provide useful insights, they do not offer a systematic analysis of what is involved in designing services that draws extensively on both design and service literatures (Meroni & Sangiorgi, 2011). Similarly, although the services marketing and operations management fields have discussed service design, there has been little effort to engage with different theories of design (Moro, Takikonda & Sampson, 2002; Tax & Stuart, 1997). This reflects a deep-rooted lack of attention to design within management and organization studies resulting in part from a gulf between the research and education traditions in the social sciences and design disciplines (Boland & Collopy, 2004; Jelenc, Romme & Bolland, 2008; Simon, 1969).

There is relatively little literature analyzing the work of professional service designers. Two decades ago, services researcher Evert Gummesson declared "We have yet to hear of service designers" (Gummesson, 1990, p. 57). Now, a profession of service designers exists. Many service designers are educated within the art-school design tradition within fields such as product or interaction design, rather than within the paradigm of engineering design. Although the field of service design is small and fragmented, without strong professional bodies or a developed research literature, it is visible through conferences

within universities (such as the 2006 conference in Northumbria University, see <http://www.cfdr.co.uk/isdn/>), a professional Service Design Network (Mager, 2004) with annual conferences, books (Holins & Shinkins, 2006; Meroni & Sangiorgi, 2011), and through the work its practitioners publish in reports and on websites. There has been description of the methods and tools these designers use, but relatively little theory-building (Sangiorgi, 2009). Meanwhile, there is little published about these designers within the management literature. Exceptions include Bate and Robert's (2007) study of what they call "experience-based" design, based on UK design consultancy ThinkPublic's work with a cancer treatment service; Zomerdiik and Voss's (2010) work on the design of cruises and entertainment services; and qualitative research on the material practices of service designers by Stiglmayr and Fayard (2010).

This paper uses an interdisciplinary approach to explore different ways of thinking about service design. It investigates whether professionals who take service design as their specialism bring something new to existing understandings of design. First, I review the literature on design and services drawing on design

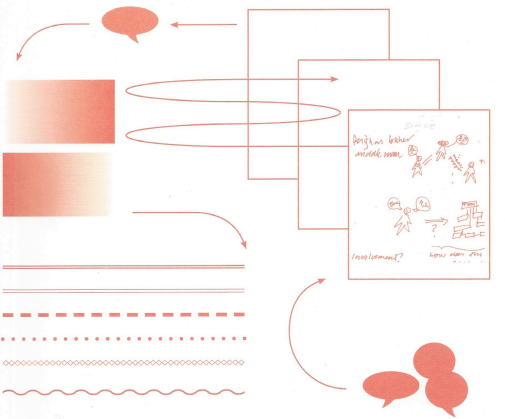
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## Katarina Wetter-Edman

# DESIGN FOR SERVICE

A framework for articulating designers' contribution as interpreter of users' experience



UNIVERSITY OF GOTHENBURG



# Major Turns and Transitions

## Orientations:

- From co-production to **cocreation of value**
- Actors as **resource integrators**
- From **dyads to networks** (zooming out)
- Value through holistic **experience**
- From B2C (producer/consumer) to **B2B (A2A)**
- **Practice-theoretical** approach

## Organization:

- From (8-11) FPs to **5 Axioms**

## Extensions:

- From networks to **service ecosystems**
- **Institutions** as coordinating mechanisms/building blocks



S-D  
Logic

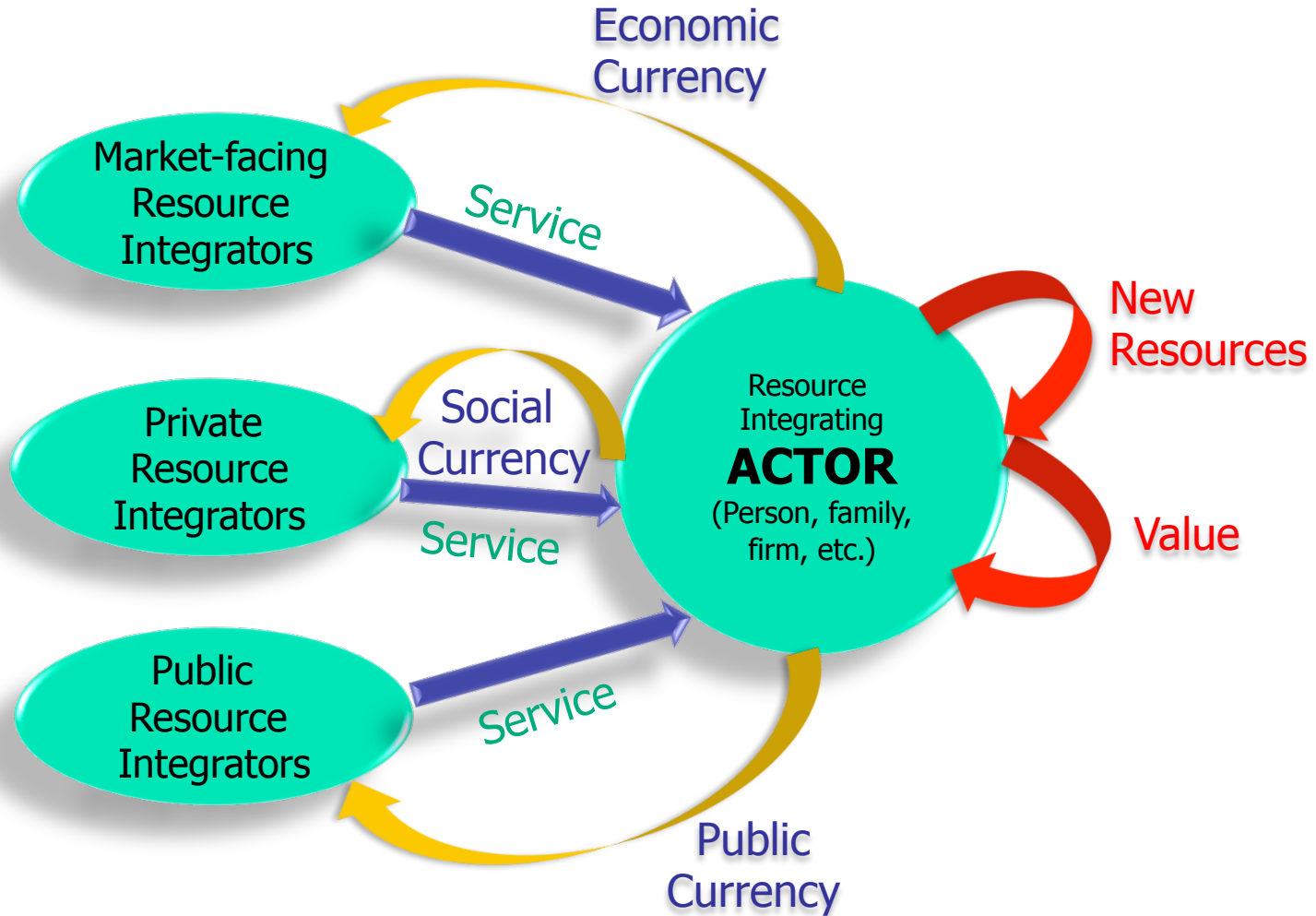
# Axioms of Service-Dominant Logic

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

# Value Co-creation through Resource Integration & Service Exchange



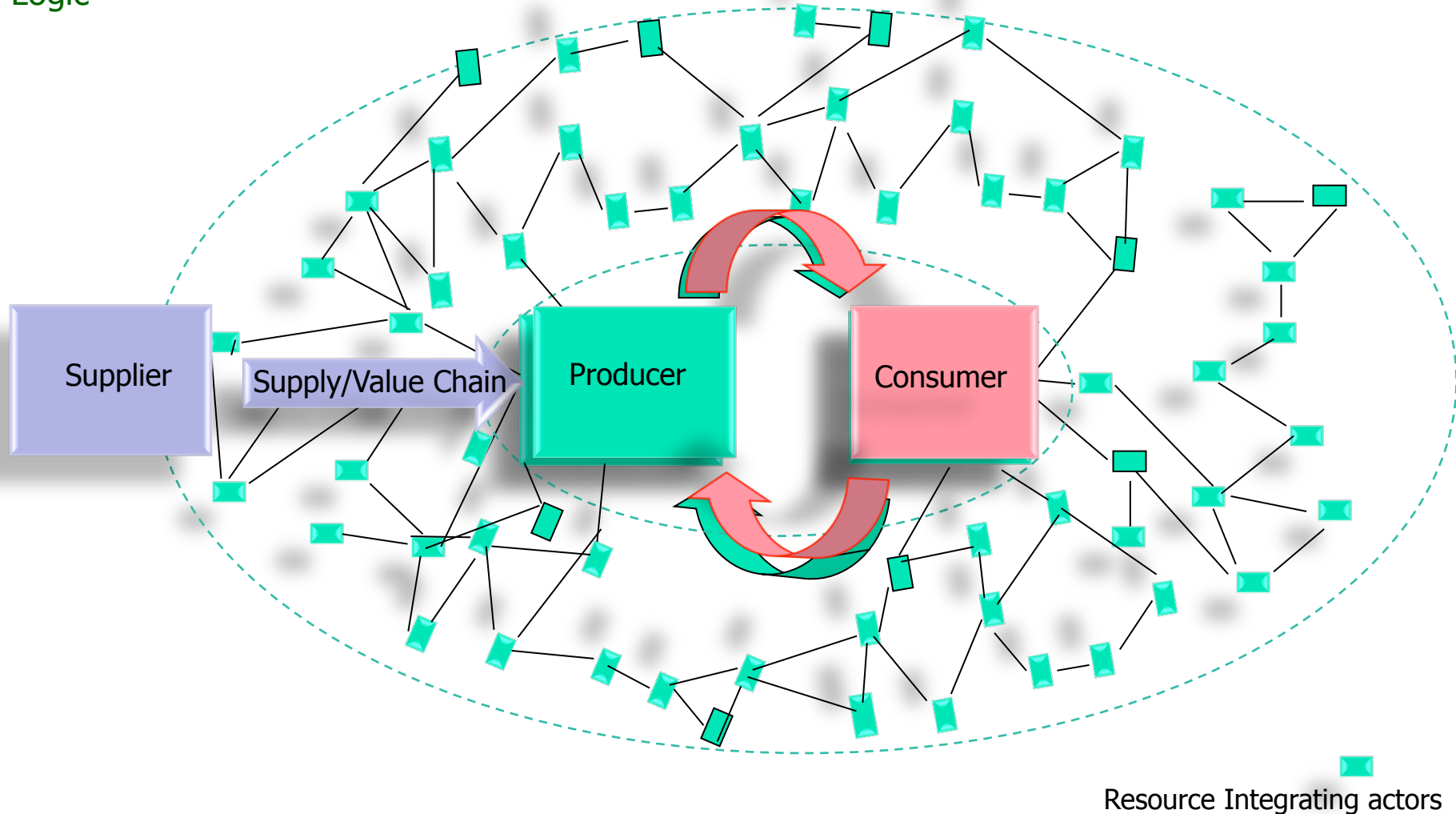
S-D  
Logic



# Micro Exchange Embedded in Complex (Eco)Systems of Exchange



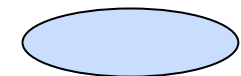
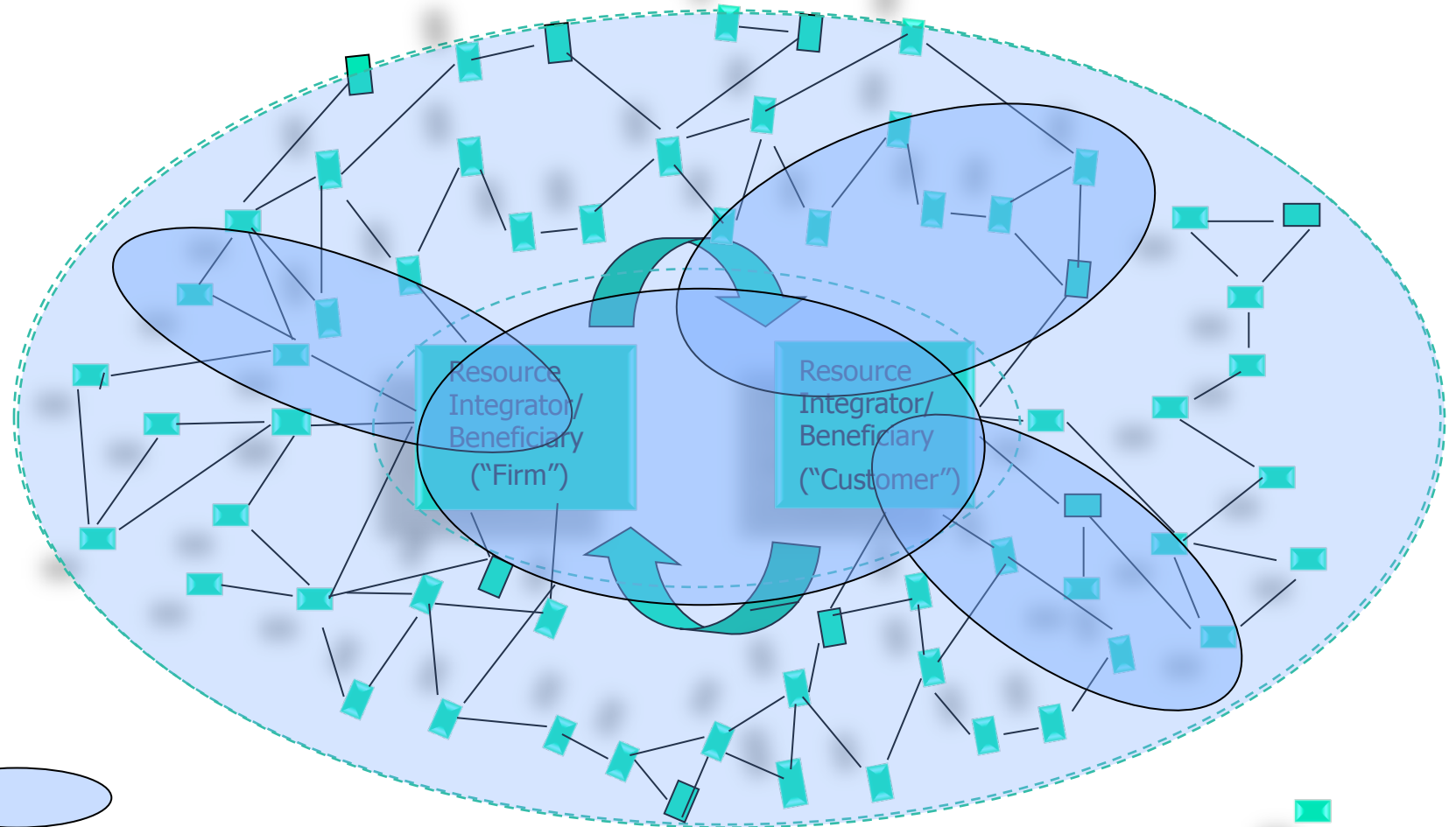
S-D  
Logic



# Resource Integration & Service-for-service Exchange within Service-ecosystems



S-D  
Logic



Institutions & Institutional  
arrangements/logics

Resource Integrators



# The Structure and Venue of Value Creation: Institutions & Service Ecosystems



S-D  
Logic

## Institution

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

- (Stanford Encyclopedia of Social Institutions)

## Service Ecosystem (S-D logic)

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

# Levels of Aggregation & the Structuration of Service Ecosystems



S-D  
Logic

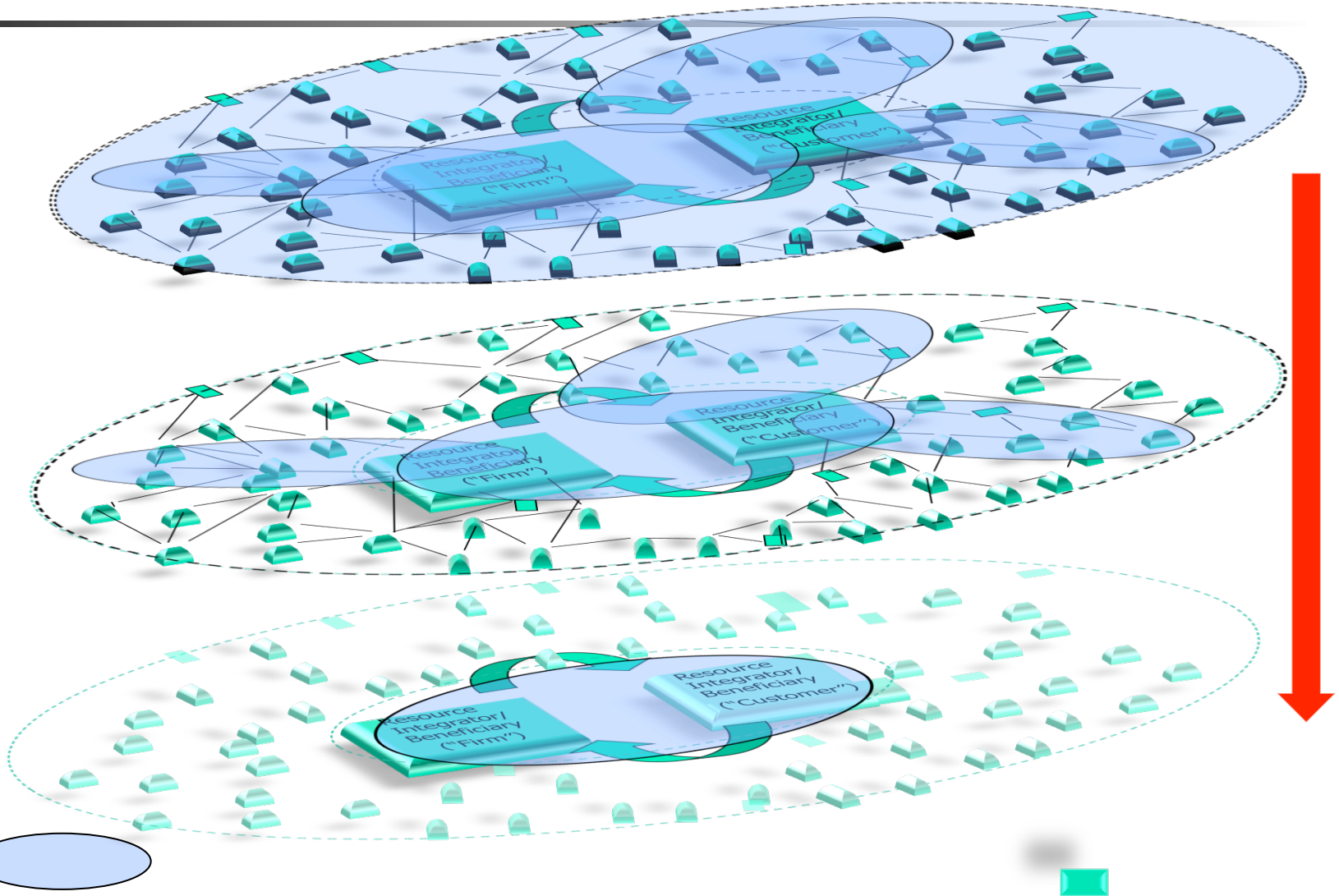
Macro



Meso



Micro



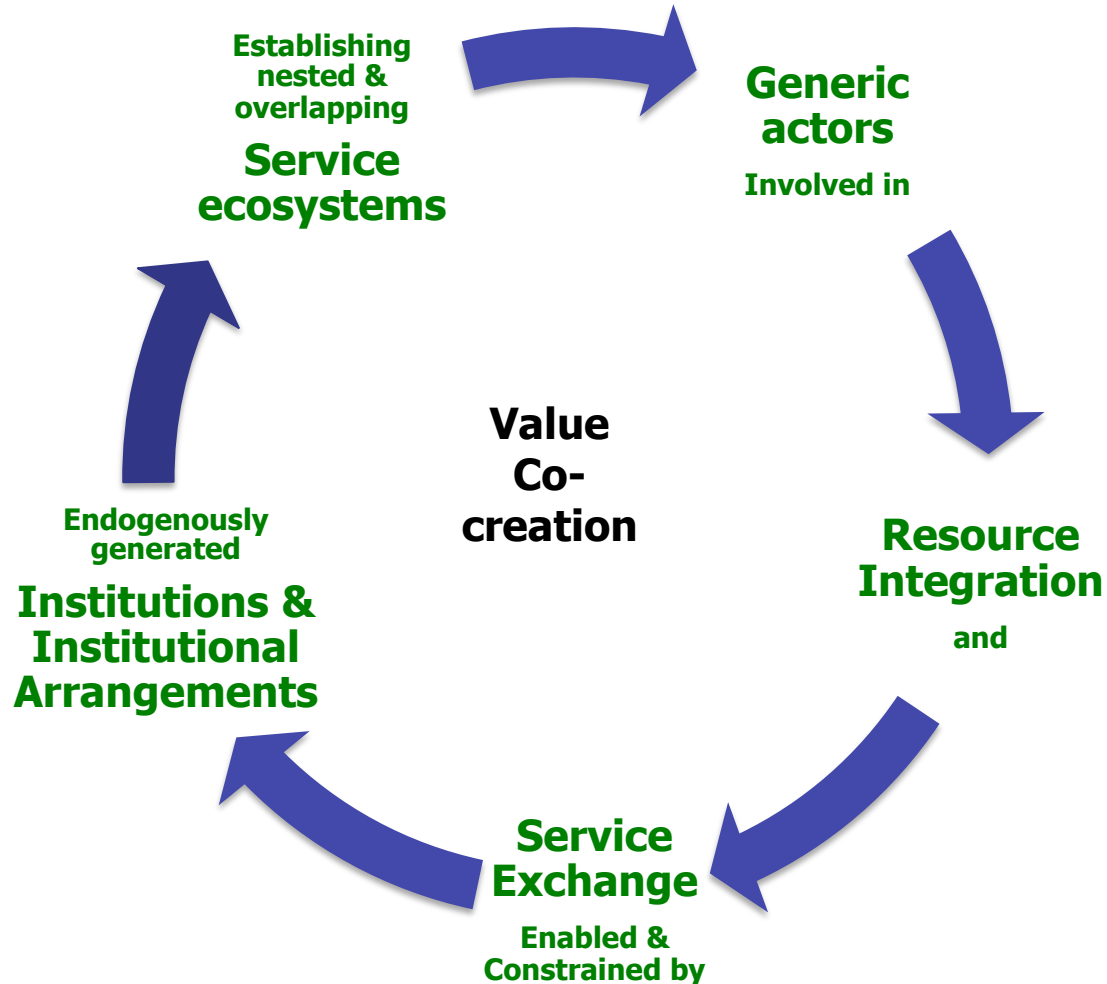
Institutions

Resource Integrators

# The Core Narrative & Processes of Service-Dominant Logic



S-D  
Logic

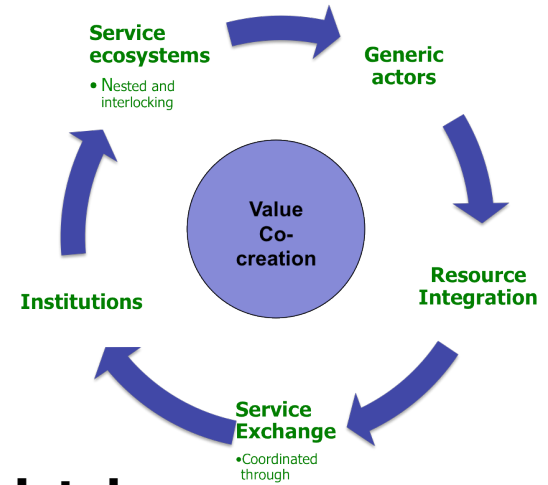


# "Hip-Pocket" S-D Logic



S-D  
Logic

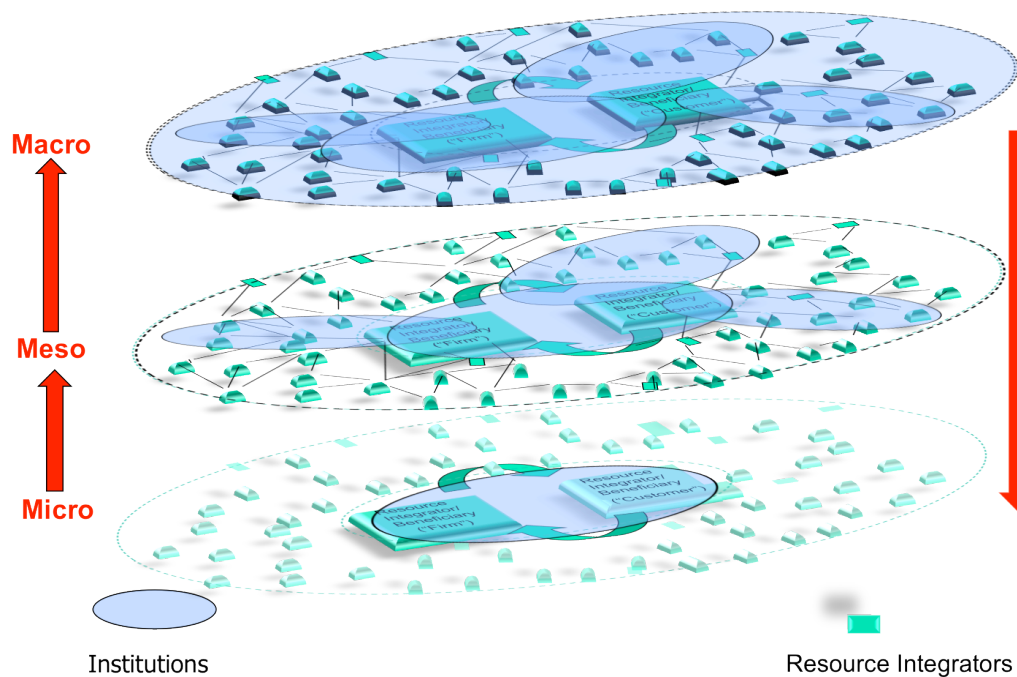
Components  
& Structural Perspectives



**Societal:**  
National, Global, etc

**(Sub)culture:**  
Brand, Market, "industry, etc

**Exchange**  
B2C, B2B, C2C, etc





S-D  
Logic

# TOWARD MIDRANGE THEORY

# Levels of Abstraction and Aggregation

**Levels**

**Aggregation**

**Macro Level**

(e.g., societal, community -- national, global, local)

**Meso Level**

(e.g., "industry"/market, cartel)

**Micro Level**

(e.g., transactions, sharing,)

**Theory/  
Abstraction**

**Meta-theoretical**

(e.g., S-D logic, cocreation of value)

**Midrange theoretical**

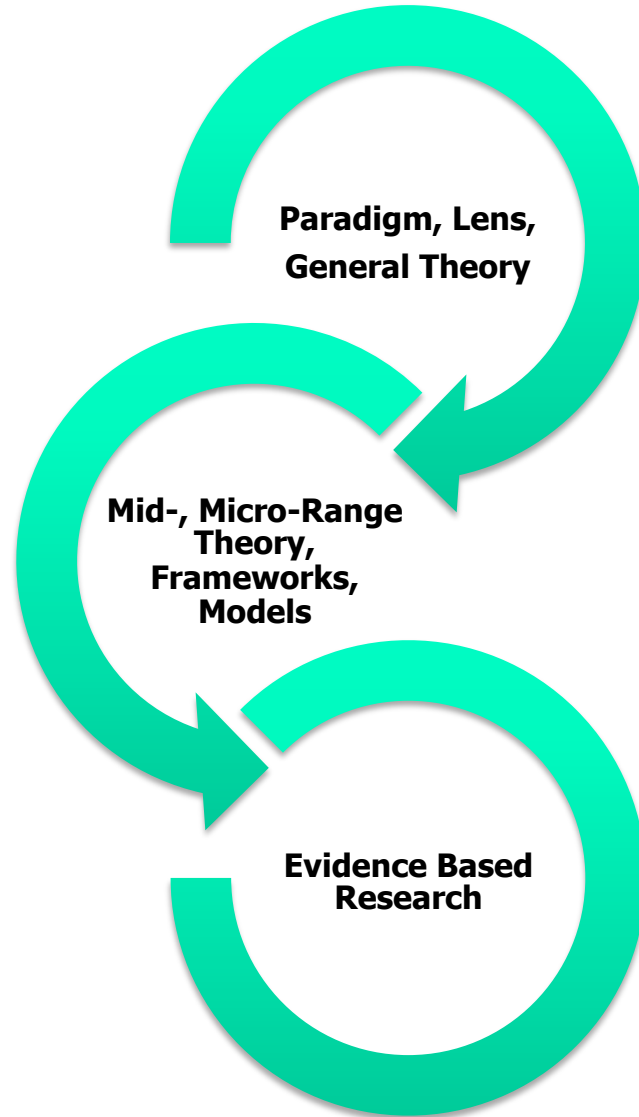
(e.g., engagement, coproduction)

**Micro-theoretical**

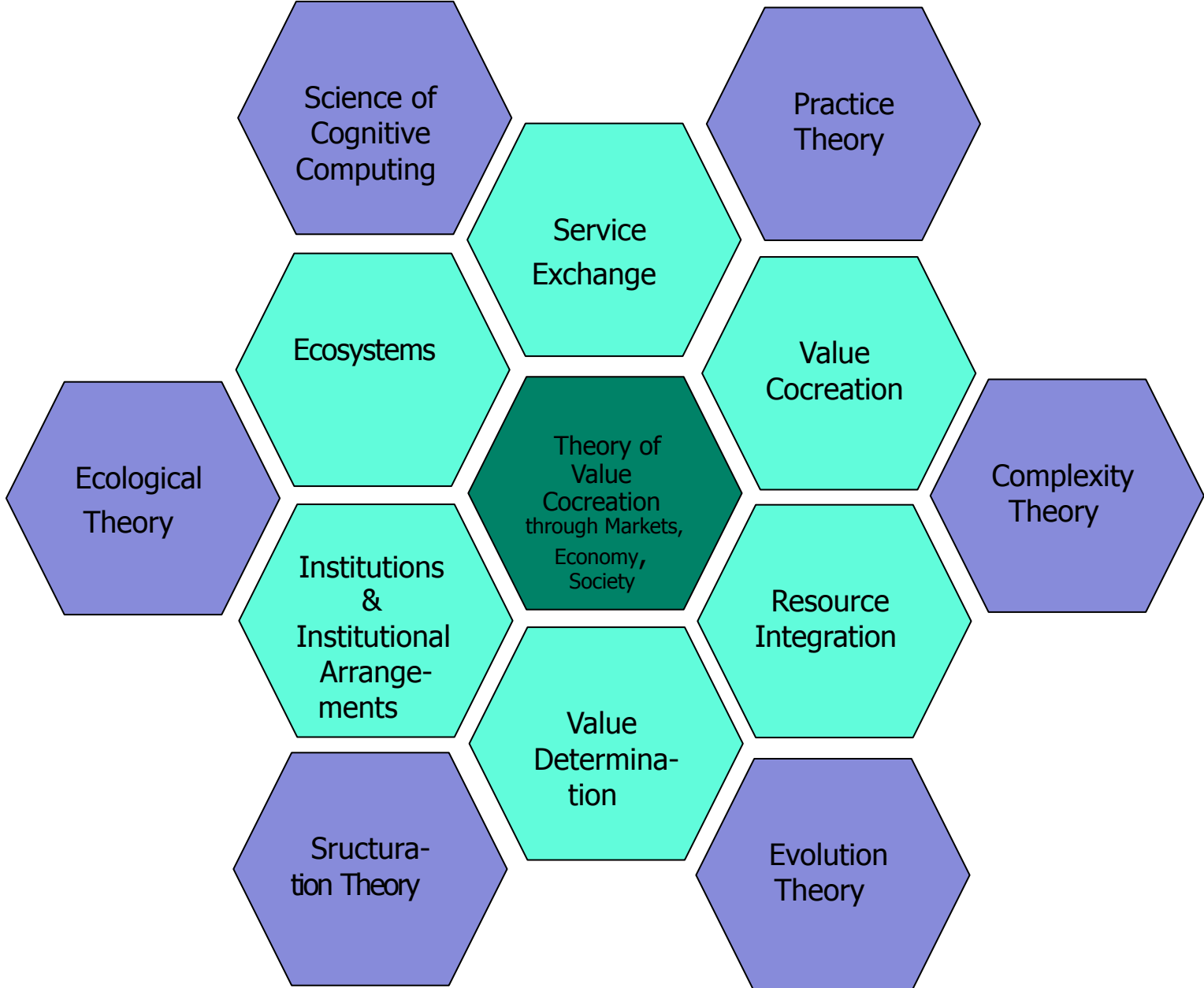
(e.g., law of exchange, decision making)

*Primary Focus to Date*

*Increasing Attention,  
Looking Forward*



# Broadly Drawing from...

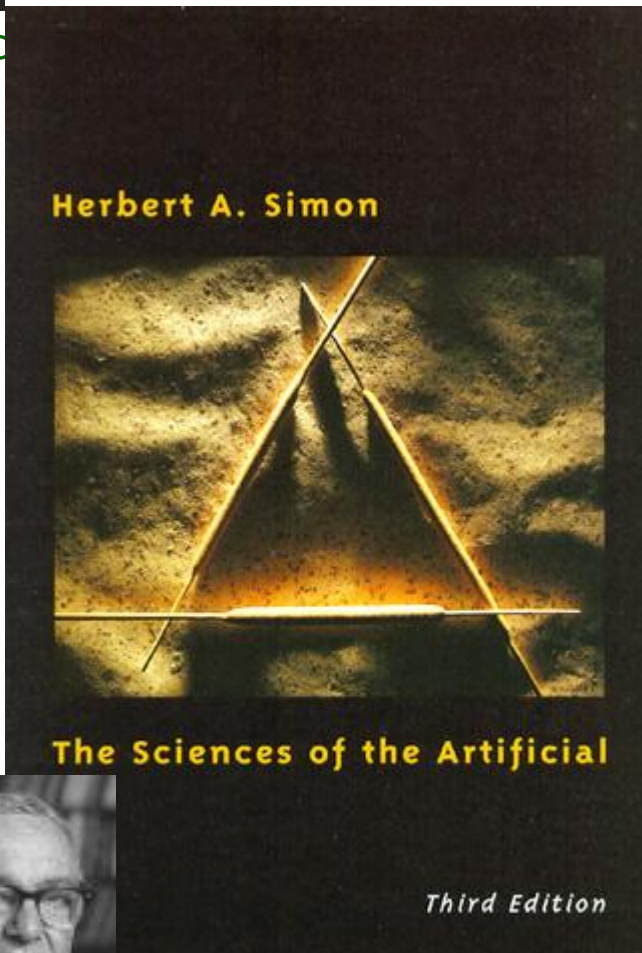






# The Sciences of the Artificial

S-D  
Logic



- The **world we live in** is much more a man-made, or **artificial** one, than it is a natural one
  - The significant part consists **mostly of artifacts**, called **symbols** (p. 2)
- 'Judgment' is a **heuristic search**
  - The real-world economic actor is a **satisficer**, who accepts good enough, because (optimization) is not a choice.(p. 29)
- **Markets and organizations** are **social schemes** that facilitate coordinated behavior, **conserving** the critical **scarce** resource of **human ability** to handle complexity (p. 49)

# Institutions as the Building Blocks of Social Science



S-D  
Logic

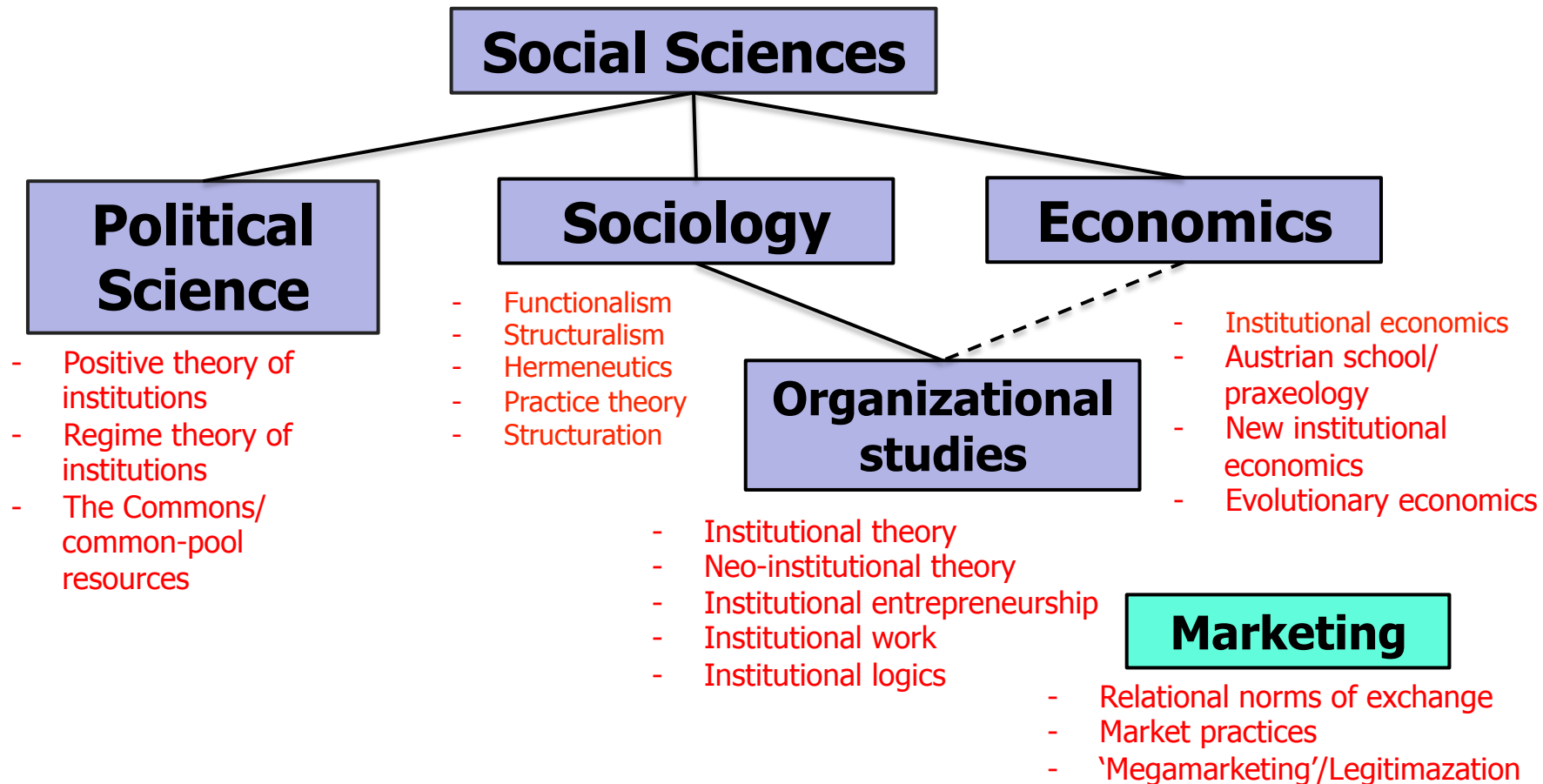
- “The discovery of the **inescapable evidence** of the **interdependence of market phenomena** overthrew [the] opinion that there was in the course of **social events no regularity and invariance** of phenomena [as found in] “**natural phenomena**”... (von Mises, 1949 p. 2).
- “One must study the **laws of human action** and **social cooperation** as the physicist studies the **laws of nature**” (von Mises, 1949 p. 3).
- Can we **dig below** the immense **diversity of regularized social interactions** in markets, hierarchies, families, sports, legislatures, elections, and other situations to **identify universal building blocks** used in crafting all such structured situations?  
**Yes.** (Ostrom 2005)
- The **diversity** of regularized social behavior that we observe at multiple scales is **constructed from universal component** organized in many layers. (Ostrom 2005)
- **Institutions** are both the “**recursive organizers**” of practices and the “**practices** with the greatest time-space extension.” (Giddens 1984, p. 17)

# Formal Institutional Theory Across Disciplines



S-D  
Logic

- "Greater divisions exist within than between disciplinary camps." (Scott 2000, p. 2)



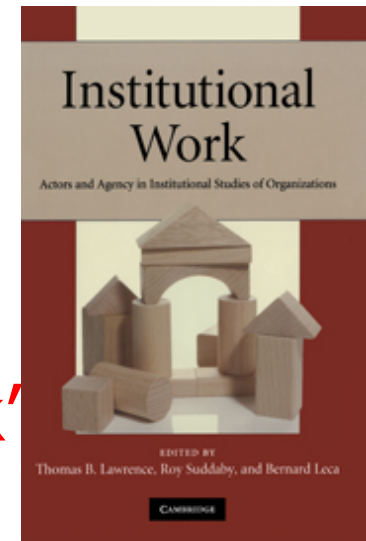
# Innovation: The S-D Logic Perspective



S-D  
Logic

Continual **creation of new markets** by:

- **Leveraging** existing service institutions/ ecosystems
- Dynamically **reconfiguring** service ecosystems
- **Creating** new ecosystems
- In short: doing “**institutional work**”





# Institutional Work

Interplay of Actors, Agency, & Institutions

Development

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

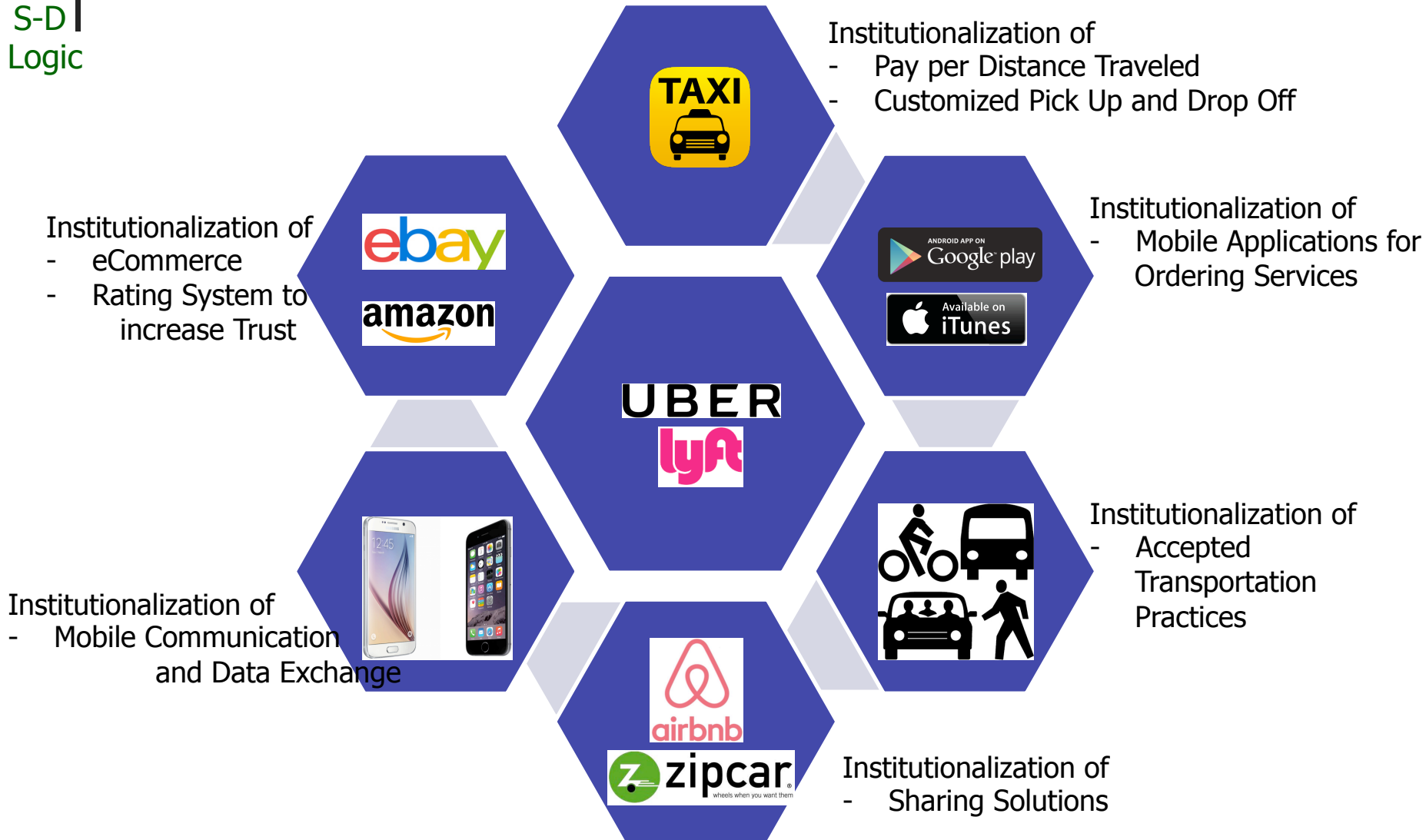
Institutional work = intentional form of structuration

- **Maintenance** of institutions
- **Disruption** of institutions
- **Creation** of institutions



# Complimentary Institutionalizations and Upstream Adoptions Processes for UBER and Lyft

S-D  
Logic



# Select Institutional Work by Uber/Lyft: Maintenance, Disruption and Change



S-D  
Logic

## **Institutions**

### **maintained:**

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



**UBER**  
**lyft**

## **Institutions**

### **disrupted :**

- Professional Drivers
- Cash Payments
- Flagging Down
- Regulated Industry
- Etc.

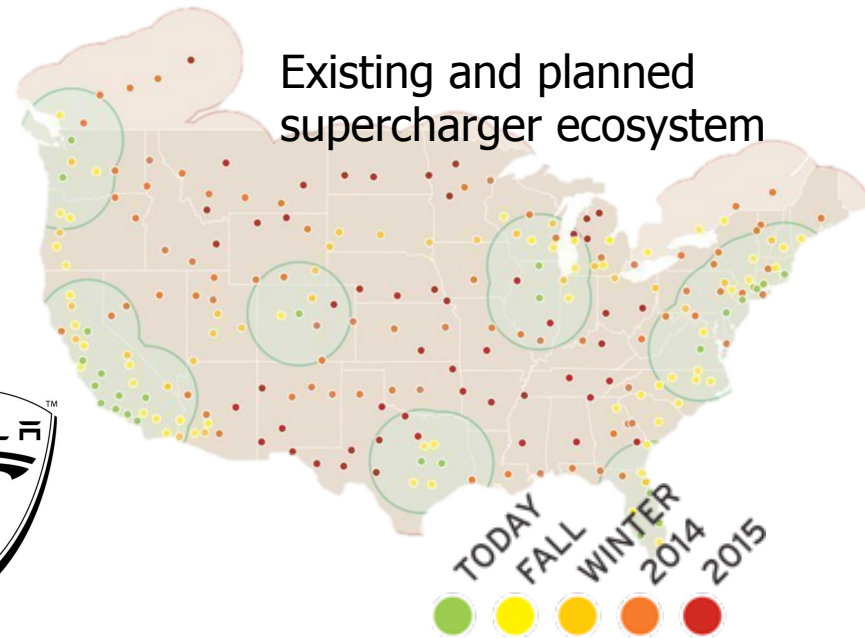
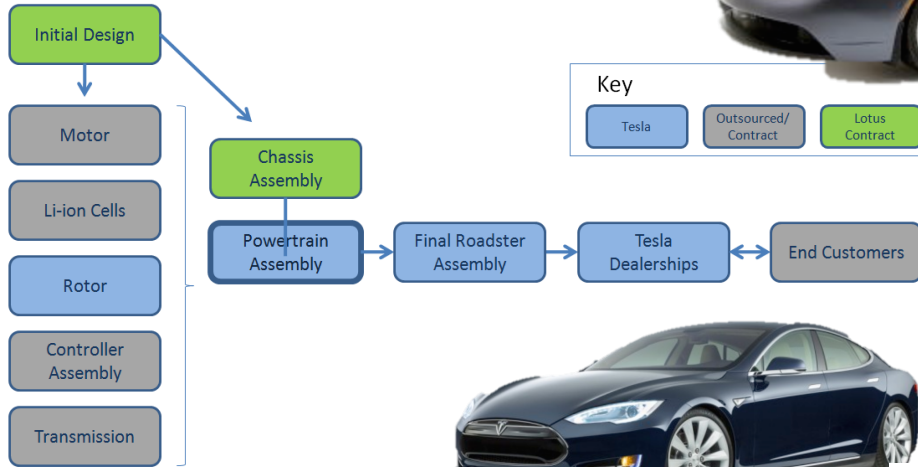
## **Institutions**

### **changed :**

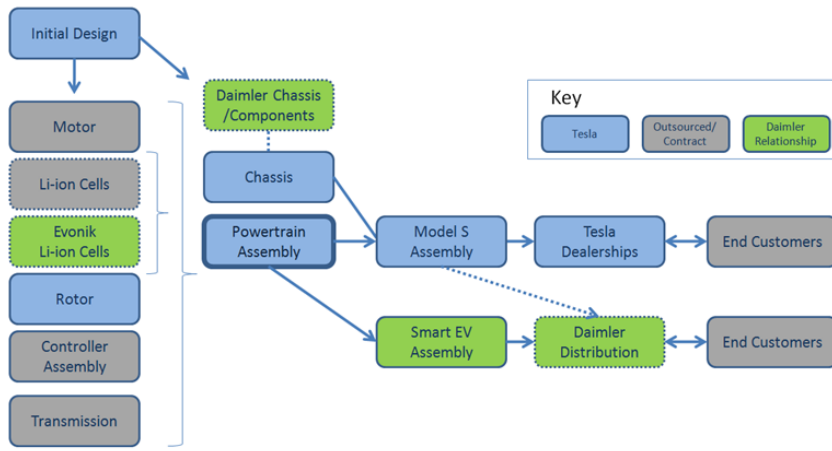
- Rating System of Driver and Passenger
- Payment in Cloud
- Etc.

# Tesla Institutional/Ecosystem Innovations

## Roadster Ecosystem



## Model S/Powertrain Ecosystem



## Other institutional Design Elements

- Laws (e.g., non-dealer sales)
- Habits (e.g., "fueling": more often, while parking)
- Regulations (e.g., preferred parking spots)
- Business model: Open patents to cocreation



# An S-D logic and Institutional View on Innovation and Market Formation



S-D  
Logic

**Technological  
Component**

- **Duality of Technology**; (Orlikowsky 1992)
- **Technology as useful knowledge**; (Mokyer 204)
- **Combinatorial Evolution** (Arthur 2011)
- Etc.

Reconciles to a:

- **Cocreative,**
  - **institutional & performative,**
  - **service-ecosystem,**
- framework

**Market  
Component**

- **Market practices and performativity** (Kjellberg and Helgesson 2006; 2007; Araujo and Spring 2006)
- **Interpretive Flexibility**; (Pinch and Bijker 1984)
- **Markets as institutionalized solutions** (Vargo and Lusch 2014)
- Etc.

Vargo, S.L, H. Wieland, and M Akaka, (2014) Institutions in Innovation: A Service Ecosystems Perspective" *IMM* (in Press)

# Common Themes in Business Model Thinking

(Zott, Amitt, and Massa 2011)



S-D  
Logic

Emerging as a **new unit of analysis**

Emphasize a **systems-level, holistic approach**

**Firm activities play important role**

Seek to explain **how value is created (i.e., cocreated)**

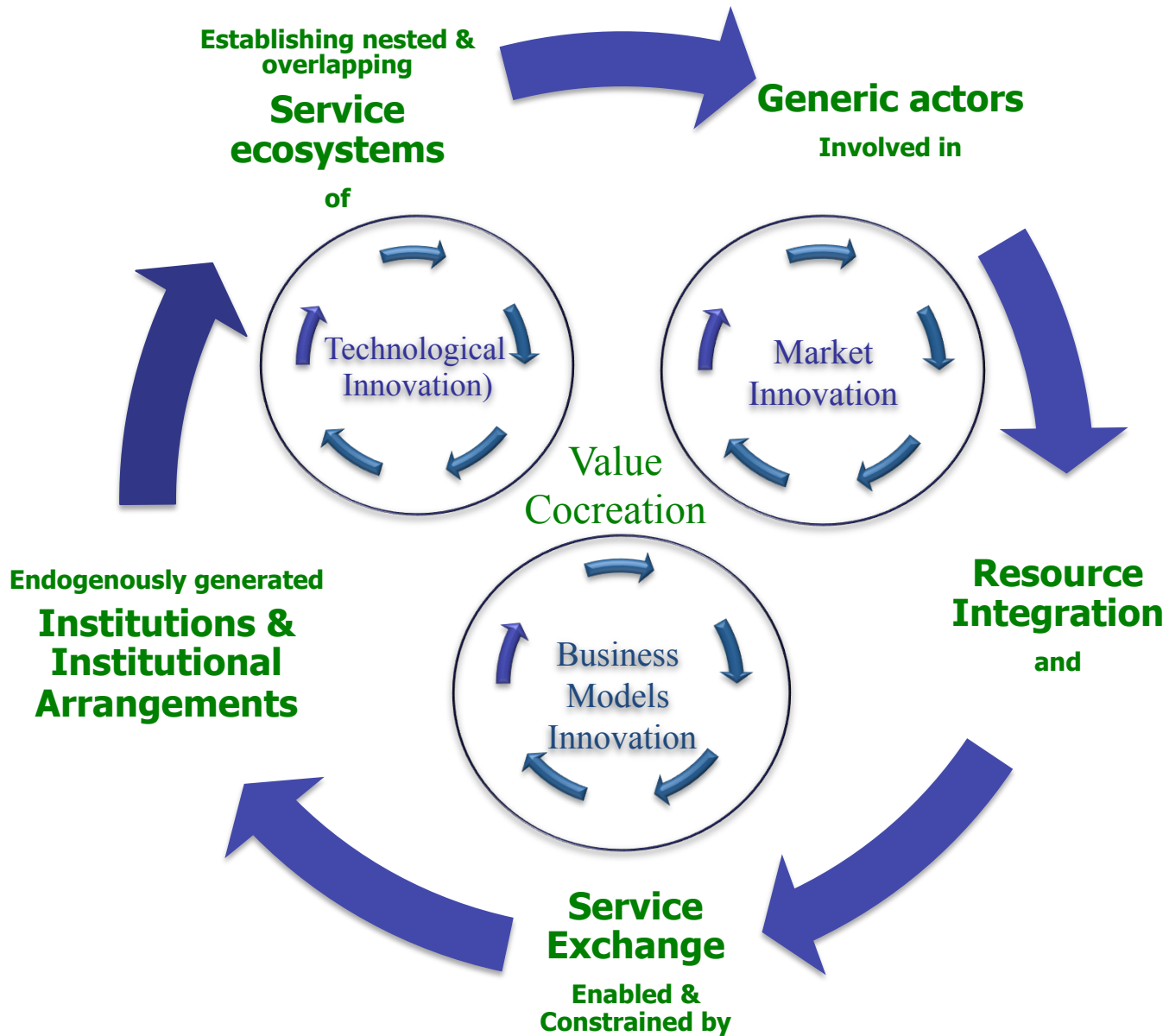
# Technology, Market Innovation & Business Models: A Partial Reconciliation



S-  
Lc

Technology	Market Innovation	Business Models	S-D Logic
Tech as useful knowledge; (Mokyer 2002)	Market practices and performativity (Kjellberg and Helgesson 2006; 2007; Araujo and Spring 2006)	seek to explain how value is created (not just how captured (Zott et al. 2011)	<b>Service Exchange</b>
Duality of Technology; (Orlikowsky 1992) Social Construction of technology (Pinch & Bijker 1984)	Markets as institutionalized solutions (Vargo and Lusch 2014)	The "institutional logic" of the firm (e.g., Thornton et al. 2012)	<b>Institutionalization</b>
Combinatorial Evolution (Arthur 2011)	Interpretive Flexibility; (Pinch and Bijker 1984)	Business model innovation (Chesbrough 2007) Emphasize a system-level, holistic approach (Zott et al. 2011)	<b>Resource Integration/ ecosystems</b>
Enables increased density within value constellations (Normann, 2001)	Facilitation of exchange through "institutional arrangements" (Loasby, 2000)	Cocreation through firm and partner(s) activities (Zott et al. 2011)	<b>Value cocreation</b>


# A Fractal Model of Value Creation





# Institutional Work and Engagement

**Institutional work** = agency  
related to institutionalization



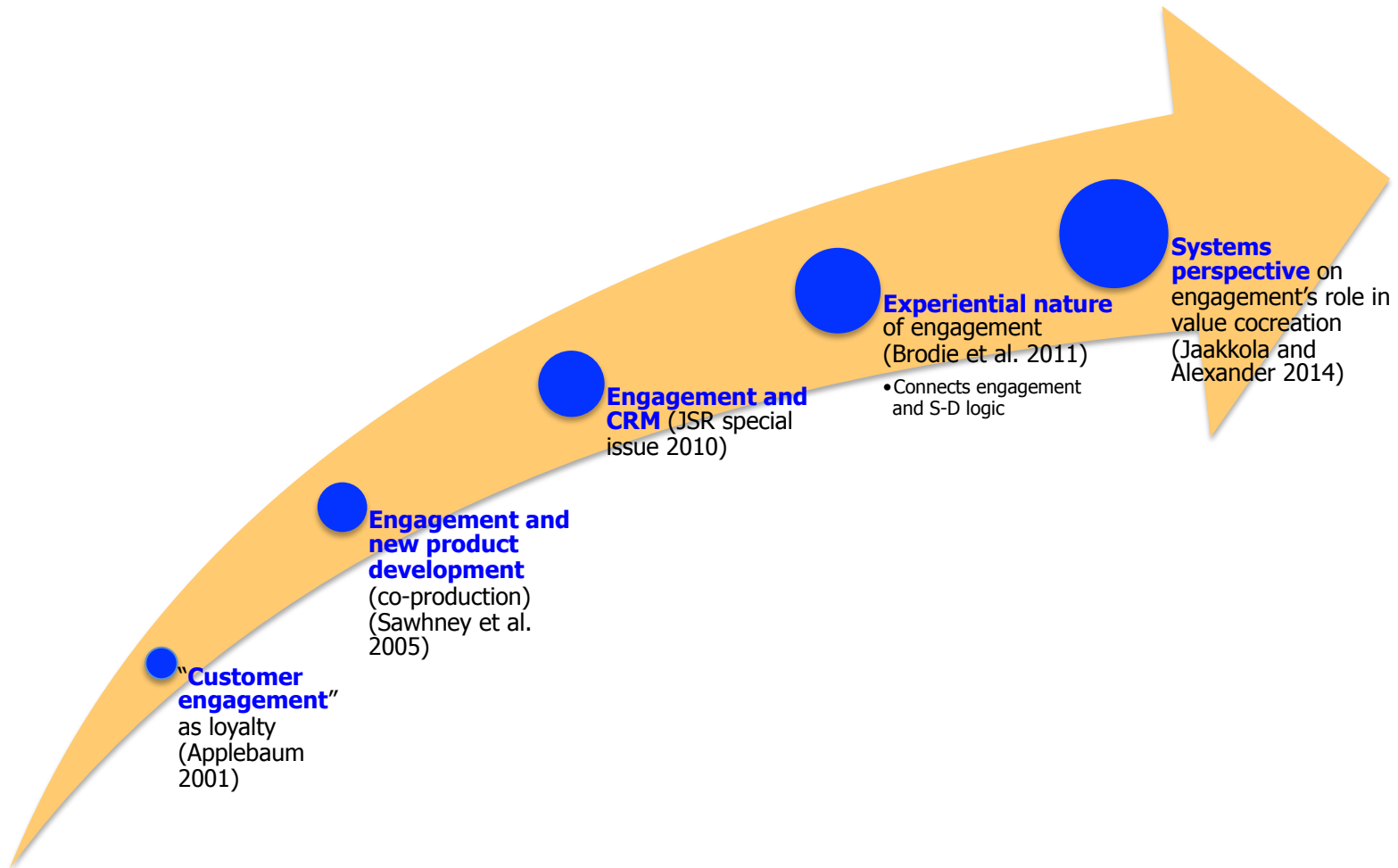
**Agency** = “a temporarily  
embedded process of **social  
engagement**, informed by  
past, but oriented toward  
present, and future”

(Battilana & D’Aunno 2009)

# From Customer Engagement to Actor Engagement and S-D Logic

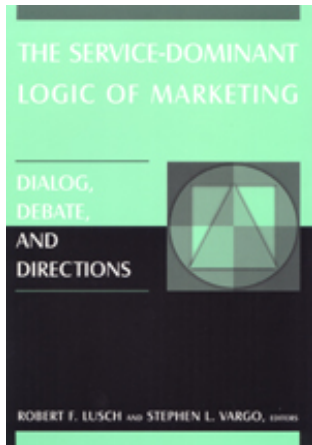


S-D  
Logic





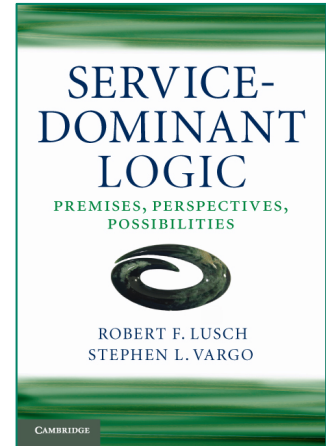
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# Thank You!

For More Information on S-D Logic visit:

[sdlogic.net](http://sdlogic.net)



We encourage your comments and input. Will also post:

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

Stephen L. Vargo<sup>1</sup> · Robert F. Lusch<sup>2</sup>

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**Abstract** Service-dominant logic continues its evolution, facilitated by an active community of scholars throughout the world. Along its evolutionary path, there has been increased recognition of the need for a crispier and more precise definition of the foundational premises and specification of the axioms of S-D logic. It also has become apparent that a limitation of the current foundational premises/axioms is the absence of a clearly articulated specification of the mechanisms of (often mass-scale) coordination and cooperation involved in broadly distributed networks. This paper extends the definition of S-D logic (and core axiom) to include institutionalization of service ecosystems. It offers a more precise definition of service ecosystems and offers a more precise definition of service ecosystems.

### Introduction

It has been a little more than a decade since the publication of Vargo and Lusch (2004), which offered a crisp and more precise definition of the foundational premises and specification of the axioms of S-D logic. It also has become apparent that a limitation of the current foundational premises/axioms is the absence of a clearly articulated specification of the mechanisms of (often mass-scale) coordination and cooperation involved in broadly distributed networks.

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### Fostering a trans-disciplinary perspectives of service ecosystems

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#### ABSTRACT

This article provides a brief introduction to the evolution of service-dominant logic, including its foundational premises, service science, strategic management, service ecosystem, and service ecosystems.

#### 1. Introduction

Rapid growth and dissemination of service-dominant (S-D) logic within marketing and service science has provided a new lens for examining business, economy and society. The expansion spans many disciplines including: computer science, information systems, marketing, management, operations management, service science, and supply chain management, as well as specialized applications such as in arts, design, education, health, sports, tourism and others. The development of S-D logic (Vargo & Lusch, 2004) began with the identification of a convergence of ideas and trends occurring for over a century. The underlying purpose was to understand how markets work and what marketing is and how it should be conducted. From the outset, some of this conceptualization was, by necessity, transdisciplinary and drew on work in anthropology, economics, law, management, marketing and philosophy. However, most of it reflected writings in marketing, especially the evolution to marketing thought around “services” (e.g., Shostack, 1977) and relationships (e.g., Berry, 1983), both with a considerable heritage from Northern Europe and the so-called Nordic School (e.g., Gronroos, 1994; Gunnemsson, 1994, 1995).

The initial effort (Vargo & Lusch, 2004) culminated in eight foundational premises that offered the potential for an explanatory foundation

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# MIS Quarterly

SPECIAL ISSUE: SERVICE INNOVATION IN THE DIGITAL AGE

## SERVICE INNOVATION IN THE DIGITAL AGE: KEY CONTRIBUTIONS AND FUTURE DIRECTIONS

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Elizabeth Davidson

The current issue and full text archive of this journal is available on  
[www.emeraldinsight.com/2055-6225.htm](http://www.emeraldinsight.com/2055-6225.htm)

## Institutions as resource context

Kaisa Koskela-Huotari  
CTF, Service Research Center, Karlstad University, Karlstad, Sweden  
VTT Technical Research Centre of Finland, Oulu, Finland,  
Stephen L. Vargo  
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### Introduction

Over the last decade, service ecosystems research has emerged as a prominent area of study in which understanding the institutional context is critical. This paper examines the evolution of service-dominant logic, including its foundational premises, service science, strategic management, service ecosystem, and service ecosystems.

The prevalence of service-dominant logic has been classified into four phases (Bryman & Burgess, 2015):

#### Introduction

Since the publication of the initial work focusing on the collaborative, customer nature of value creation at the turn of the millennium (Normann, 2004; Ramaseshram, 2002, 2004; Vargo and Lusch, 2004), the phenomenon of value creation on value has received increasing attention (see, e.g., Heugens, 2012; Ng and Smith, 2012; Schau et al., 2009; Vargo et al., 2008). Service-dominant logic (Vargo and Lusch, 2004) and its service ecosystems perspective (Vargo, 2014; Vargo and Lusch, 2011) build on and extend this traditional view of value creation by highlighting the systemic nature of value creation and the role of multiple actors connected through the exchange and application of resources (Lusch and Vargo, 2014). The collaborative, customer nature of value creation implies that resources are always integrated

This research has been partially carried out in Digile Need for Speed program at Tekes – the Finnish Funding Agency for Technology and Innovation.



## Innovation through institutionalization: A service ecosystems perspective

Stephen L. Vargo<sup>a,1</sup>, Heiko Wieland<sup>b,\*</sup>, Melissa Archpru Akaka<sup>c,2</sup>

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#### ABSTRACT

This article explores the role of institutions in innovation from a service-ecosystems perspective, which helps to understand the mechanisms of innovation and the role of institutionalization in the research, production, and distribution of innovation.

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## A service perspective: Key managerial insights from service-dominant (S-D) logic

Charles R. Greer, Robert F. Lusch, Stephen L. Vargo

Several hundred years ago, when production began to shift to factories, the firm became a bureaucracy that organized and planned production and its sale. Most production occurred in the cottage or household or in relatively small, crafts-focussed shops. The ascendancy of the bureaucracy during this period occurred when people, things, and information moved slowly. Network connections between people and organizations were relatively few, short, slow, and at times impossible to develop.

As we entered the Industrial Revolution, few recognized that the transformation was less about manufacturing and mostly about the ascendancy of communication and transportation technologies. These developments enabled a revolution in manufacturing and established network connections between people and organizations that increasingly extended to networks connecting things, people and organizations. By the 1950's, most developed countries were moving beyond the industrial era and were entering what some called a “post-industrial”, “services”, “information,” and “network” society. In this era, the revolutions in transportation and communication continued and were joined by a revolution in computation. Soon, the network connections and the transmission of information between people and organizations became many, long, fast, and more easily performed.

During the Industrial Revolution economics was developing as a science, largely based on the pursuit of a Newtonian-like equilibrium model of markets and the economy. At the same time the manufacturing or goods-dominant (G-D) logic of management also developed. G-D logic embraced separating the consumer from the firm (producer) in order for the firm to focus on producing large quantities of homogeneous goods with workers performing highly specialized tasks that increased efficiency (lower costs). These produced goods would then be inventoried and transported to customers

when needed and domestic surpluses would be exported to help create the wealth of the nation. The firm focused on the production and sale of homogeneous units of output at prices that allowed it to maximize profits.

G-D can be best described as a logic of separation. Because people, information and things moved slowly, bureaucratic and hierarchical approaches to management provided good solutions for coordinating work within organizations. In the factory and throughout the organization, people performed specialized jobs in order to gain efficiencies through a high division of labor within the factory (e.g., automobiles, steel, brewing). Even when it came to managing the firm, some individuals performed the job of analyzing the exogenous environment while others prepared multi-year plans and still others performed the control function. Because information was scarce and took time to disseminate, the process of analysis, planning, and control also was costly and slow.

Today, the Internet connects workers, suppliers, customers and other stakeholders. We are now beginning to see more clearly the many-to-many networks that characterize business and society. National, regional and global transportation systems have also enabled firms (e.g. Amazon, FedEx, Walmart) to compete across large geographic markets. Firms also compete for talent, some of which can be obtained through knowledge workers using the Internet to collaborate. More and more specialized business processes are now Internet- or Cloud-based and have been implemented to increase collaboration (both with customers and suppliers and within the firm itself), improve service, and strengthen relationships. Examples of such Internet- or Cloud-based processes include data sharing at Phillips, order tracking at Stanley Black & Decker, knowledge sharing and activity updating at Coca-Cola Enterprises, and account tracking at Herman Miller.



**Table 2: Levels of Abstraction and Aggregation**

Levels	Aggregation			
<b>Theory/ Abstraction</b>		<b>Macro Level</b> (e.g., societal, community -- national, global, local)	<b>Meso Level</b> (e.g., "industry"/market, cartel)	<b>Micro Level</b> (e.g., transactions, sharing,)
	<b>Meta-theoretical</b> (e.g., S-D logic, cocreation of value)	<i>Primary Focus to Date</i>		
	<b>Midrange theoretical</b> (e.g., engagement, coproduction) <b>Micro-theoretical</b> (e.g., law of exchange, decision making)	<i>Increasing Attention, Looking Forward</i>		

# Levels of Abstraction and Aggregation

Levels	Aggregation		
	<b>Macro Level</b>	<b>Meso Level</b>	<b>Micro Level</b>
	(e.g., societal, community -- national, global, local)	(e.g., “industry”/market, cartel)	(e.g., transactions, sharing,)
Theory/ Abstraction	<p data-bbox="301 819 736 933"><b>Meta-theoretical</b> (e.g., S-D logic, cocreation of value)</p> <p data-bbox="301 943 736 1058"><b>Midrange theoretical</b> (e.g., engagement, coproduction)</p> <p data-bbox="301 1068 736 1182"><b>Micro-theoretical</b> (e.g., law of exchange, decision making)</p>	<p data-bbox="1031 853 1534 905"><i>Primary Focus to Date</i></p>	
	<p data-bbox="1045 1011 1514 1125"><i>Increasing Attention, Looking Forward</i></p>		

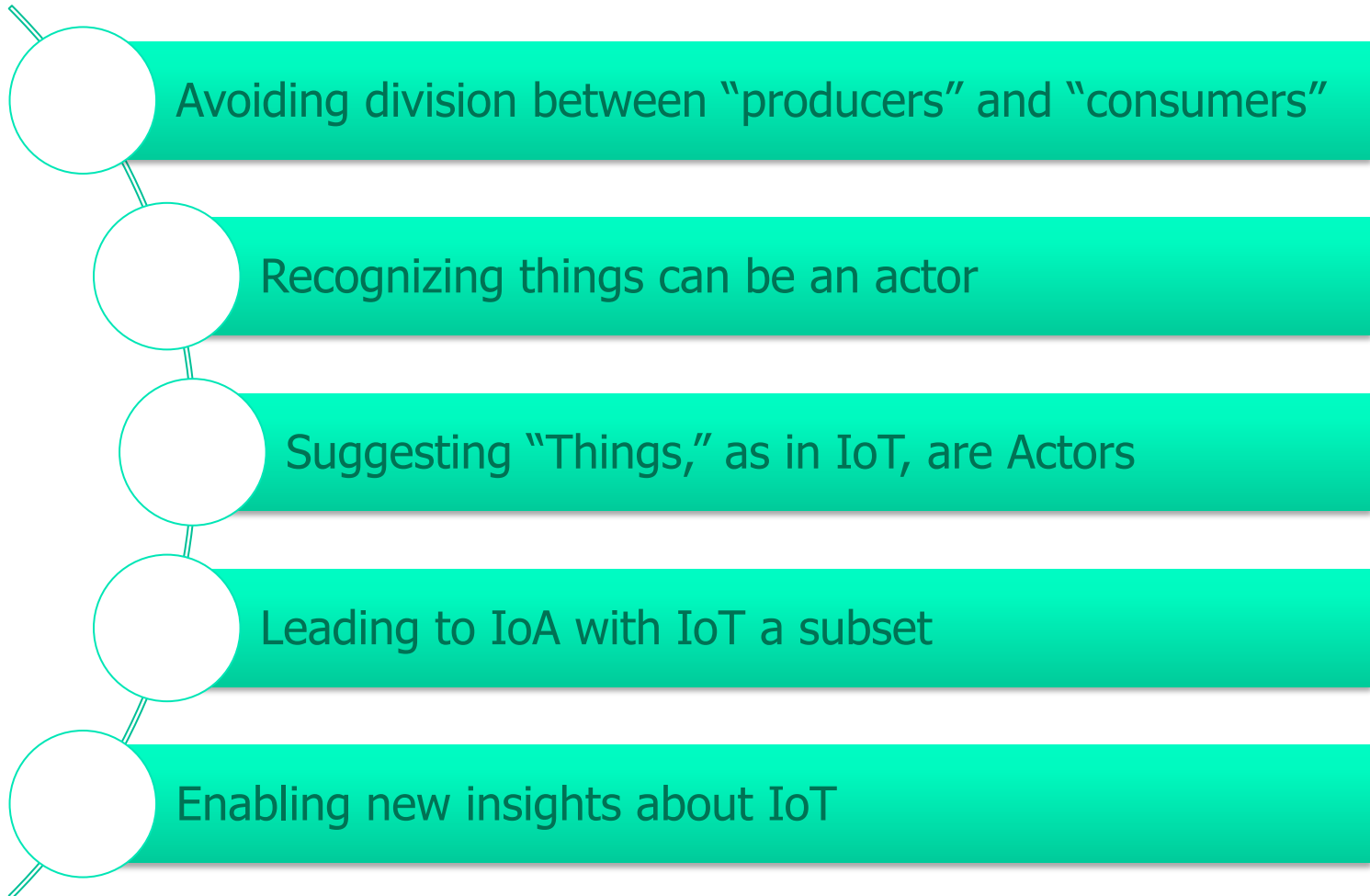


<b>Levels</b>	<b>Aggregation</b>			
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# Generic Actor and A2A Thinking





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# Program

## Idea Sessions

## Working-Group sessions

- Suggest 4 (minimum) – 8 (maximum)

## Focal Topics

- Institutions
- Ecosystems
- Technology
- Midrange theory development

Networking, informal idea, and social time



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# FMM Associated Special Issues

## ***Journal of Service Management***

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

## ***Service Science***

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

## **Editors:**

- Irene CL Ng
- Stephen L. Vargo,

# Smart Systems & Science of Cognitive Computing



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People with their cognitive mediators can be thought of as systems in networks. For example, a smart service system can be viewed as a type

sociotechnical system in which most people are augmented with cognitive mediators to get and give service offerings. A wise service system goes beyond smart, to improve multi-scale entity interaction opportunities generation over generation improving individual and collective quality of life into the future.

Source: Jim Spohrer <http://service-science.info/archives/4166> June 2, 2016