Service-Dominant Logic: Status and Directions

S-D Logic

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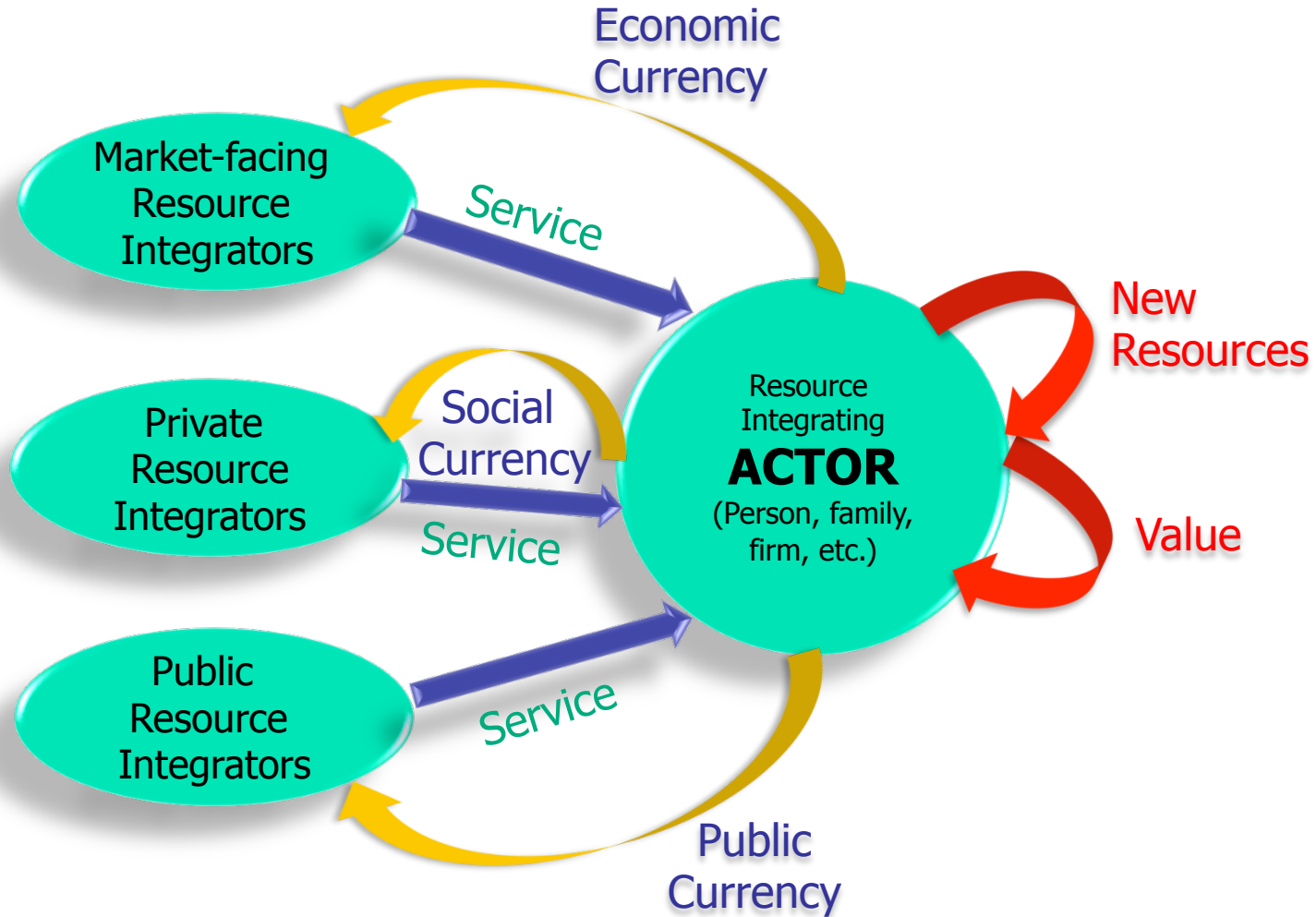**Robert F. Lusch**
Professor of Marketing
University of Arizona

Axioms of Service-Dominant Logic

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

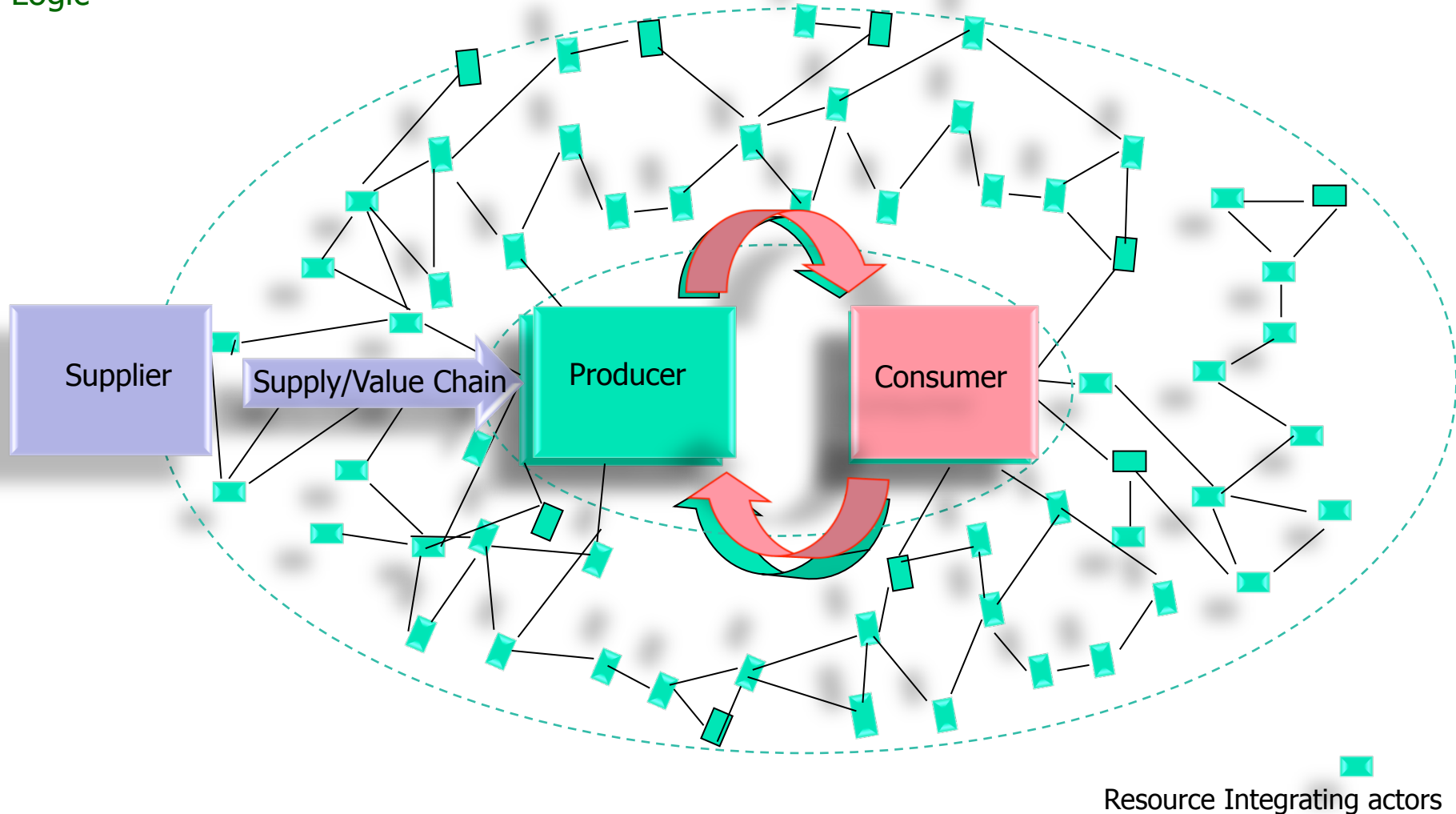# Value Co-creation through Resource Integration & Service Exchange

S-D Logic

Economic Currency

Market-facing Resource Integrators

Service

New Resources

Private Resource Integrators

Social Currency

Service

Resource Integrating **ACTOR** (Person, family, firm, etc.)

Value

Public Resource Integrators

Service

Public Currency

Micro Exchange Embedded in Complex (Eco)Systems of Exchange

Supplier

Supply/Value Chain

Producer

Consumer

Resource Integrating actors

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

S-D
Logic

Resource
Integrator/
Beneficiary

("Firm")

Resource
Integrator/
Beneficiary

("Customer")
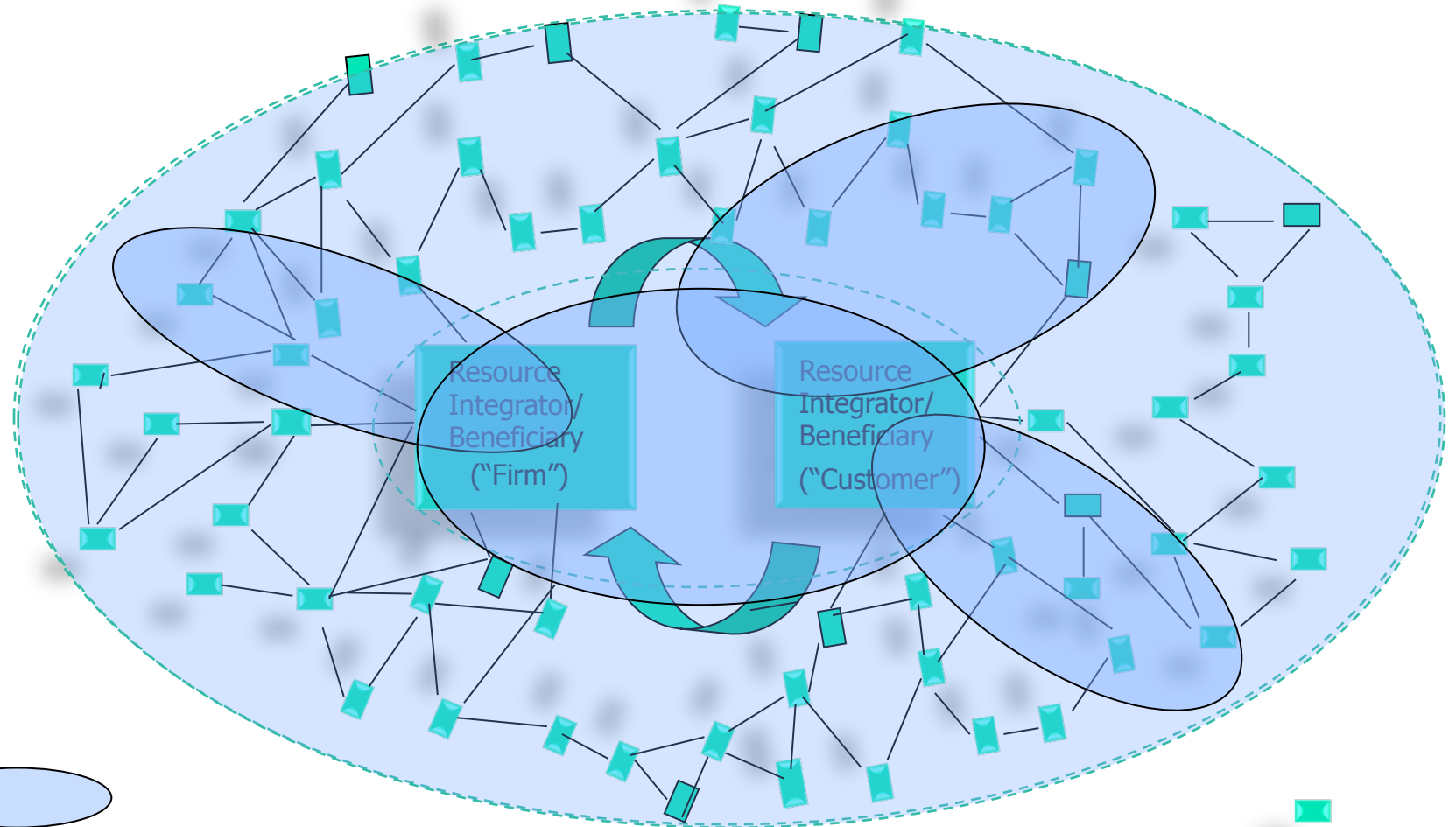
Institutions & Institutional
arrangements/logics

Resource Integrators

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

Institution

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

- (Stanford Encyclopedia of Social Institutions)

Service Ecosystem (S-D logic)

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

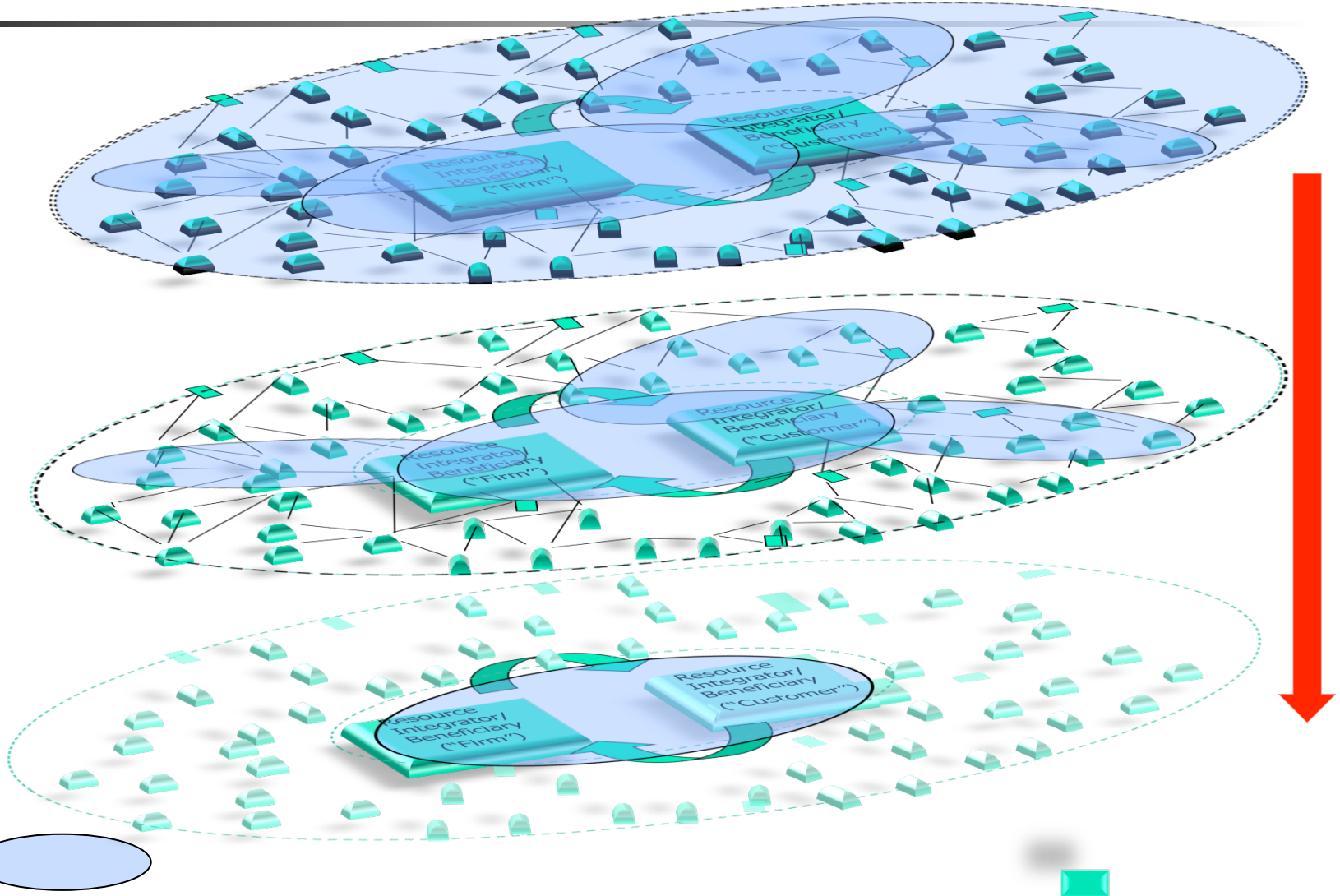# Resource Integration & and the Structuration of Service Ecosystems
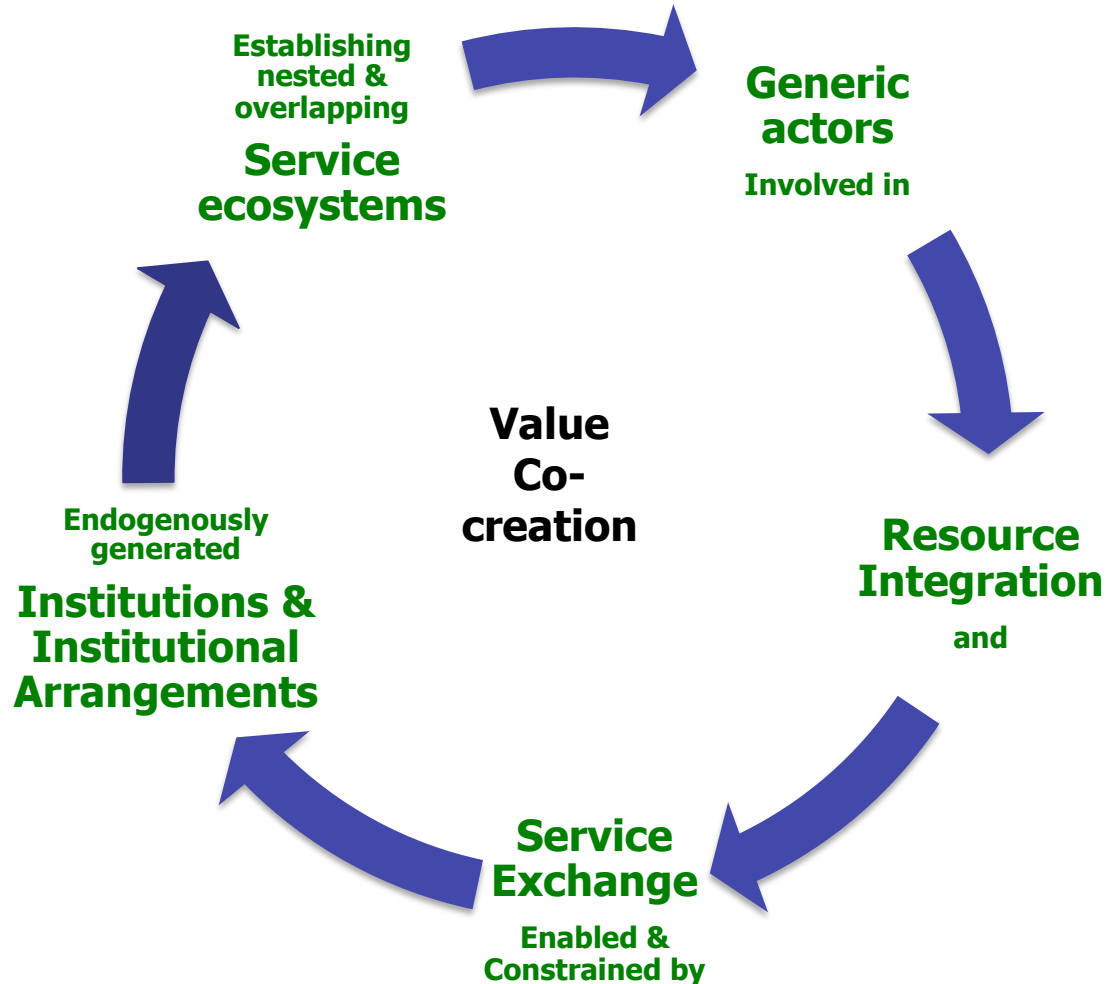

S-D Logic

Macro

Meso

Micro

Institutions

Resource Integrators

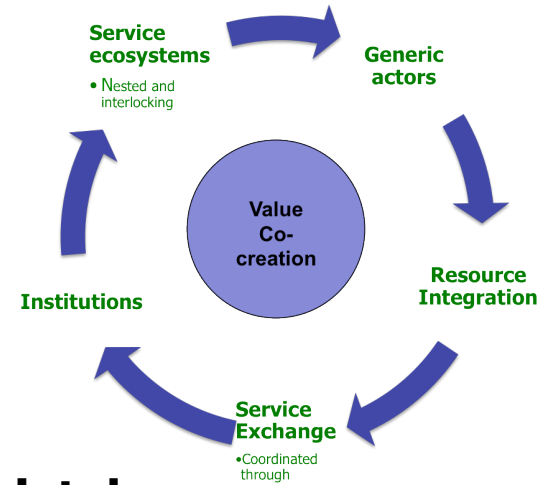# The Core Narrative & Processes of Service-Dominant Logic

S-D Logic

Establishing nested & overlapping
Service ecosystems

Generic actors
Involved in

Value Co-creation

Resource Integration
and

Service Exchange
Enabled & Constrained by

Institutions & Institutional Arrangements
Endogenously generated

"Hip-Pocket" S-D Logic

S-D Logic

Components &Structural Perspectives

Service ecosystems
• Nested and interlocking

Generic actors

Value Co-creation

Resource Integration

Institutions

Service Exchange
•Coordinated through

Macro

Meso

Micro

Societal:
National, Global, etc

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

Exchange
B2C, B2B, C2C, etc

Institutions

Resource Integrators

CONCEPTUAL/THEORETICAL PAPER
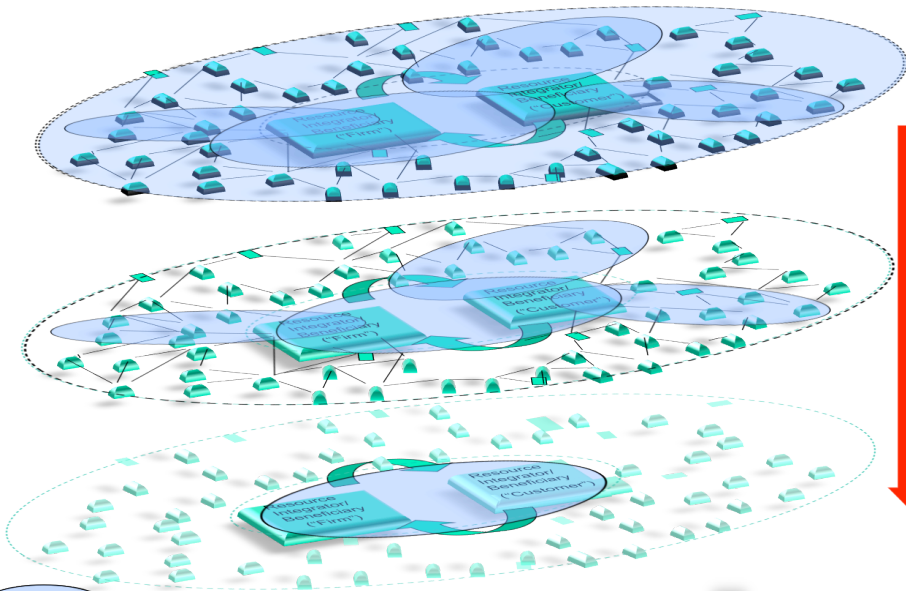
Institutions and axioms: an extension and update of service-dominant logic

Stephen L. Vargo[1] · Robert F. Lusch[2]

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 crisper and more precise delineation 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, massive-scale) coordination and cooperation, involved in broadly, kets are tition that itation and (and coo axiom) i institutio vice eco cial disc offered a

Introduction

It has been a little more than a decade si oration of a perspective on how m practice was evolving to a new domin Lusch 2004)—now widely known as " D) logic—and over half that time since ed the evolution of the core framework 2008) During that period, through the p

Keyword
Service-

✉ Steph
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Rober
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[1] Shidl
Maile

[2] Eller C
Helen

MIS Quarterly

SERVICE INNOVATION IN THE DIGITAL AGE: KE CONTRIBUTIONS AND FUTURE DIRECTIONS

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The current issue and full text archive of this journal is available on
www.emeraldinsight.com/2055-6225.htm

Institutions as resource con

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CTF, Service Research Center, Karlstad University, Karlstad, Su
VTT Technical Research Centre of Finland, Oulu, Finland,
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Abstract
Purpose – The purpose of this paper is to examine the role of institutions and institutio
in the process through which resources-in-context get their "resourceness."
Design/methodology/approach – To shed light on the process of potential resource
"resourceness," the authors draw from two streams of literature: the service ecosyste
and institutional theory.
Findings – The authors combine the process of resources "becoming" with the concep
and conceptualize institutional arrangements, and the unique sets of practices, symbols
principles they carry, as the sense-making frames of the "resourceness" of poten
In service ecosystems, numerous partially conflicting institutional arrangements co-ex
actors with alternative frames of sense-making and action, enabling the emergence of n
"resourceness."
Research limitations/implications – The paper suggests that "resourceness" is in
the complex institutional context in which it arises. This conceptualization reveals the
holistic, systemic and multidisciplinary perspectives on understanding the implications
of resources "becoming" on value co creation, innovation and market formation.
Practical implications – As the "resourceness" of potential resources arises due to
institutions, managers need a more profound understanding of the complimentary
institutional arrangements and the related practices, symbols and organizing principles
the multidimensional context in which they operate.
Originality/value – This paper is one of the first to focus specifically on the proce
"becoming," using a systemic and institutional perspective to grasp the complexity of th
Keywords Institutional complexity, Institutions, Resources-in-context, Service ecosys
Value co-creation
Paper type Conceptual paper

Introduction

Since the publication of the initial work focusing on the collaborative, cust
nature of value creation at the turn of the millennium (Normann, 200
and Ramaswamy, 2002, 2004; Vargo and Lusch, 2004), the phenomen
contextual view on value has received increasing attention (see, e.g. He
2012; Ng and Smith, 2012; Schau et al., 2009; Vargo et al., 2008). Service-do
logic (Vargo and Lusch, 2004) and its service ecosystems perspective
Vargo, 2014; Vargo and Lusch, 2011) build on and extend this
and contextual view of value creation by highlighting the systemic nat
value is co-created by multiple actors connected through the exchange, inte
application of resources (Lusch and Vargo, 2014). The collaborative, co
systemic nature of value creation implies that resources are always inte

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Innovation through institutionalization: A service ecosystems perspective

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ABSTRACT

This article explores the role of institutions in innovation from a service-ecosystems perspective, which helps to
unify diverging views on innovation and extend the research regarding innovation systems. Drawing on institu-

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Organizational Dynamics

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-focused shops. The ascendance 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 ascendance 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.
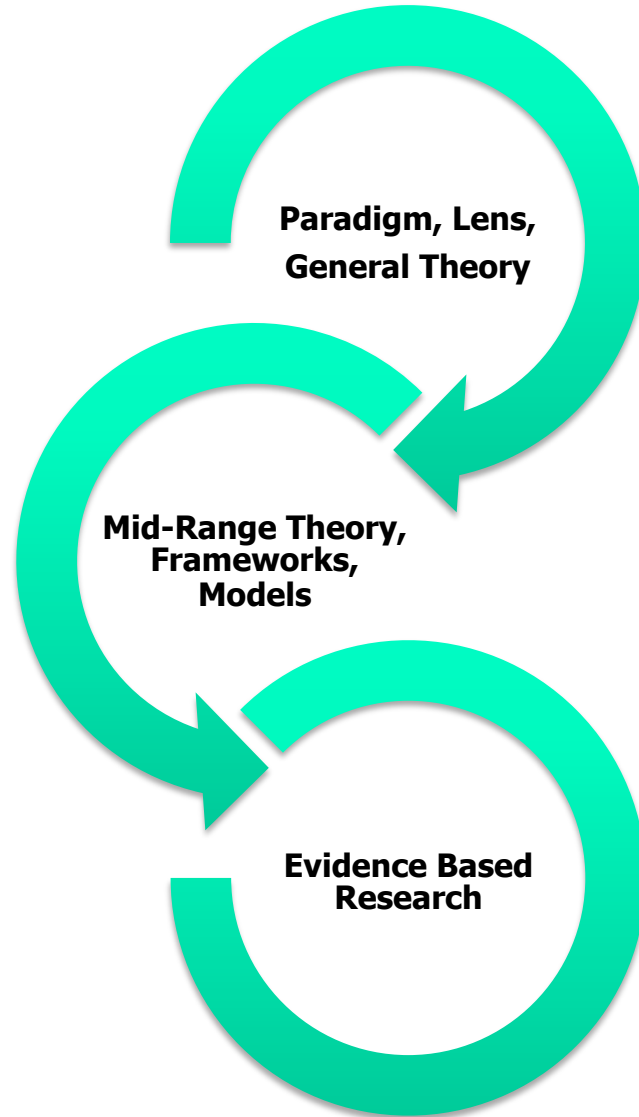
Today, the Internet connects workers, suppliers, customers and other stakeholders. We are now beginning to see more clearly the many-to-many networks that characterize business and society. National, regional and global transportation systems have also enabled firms (e.g. Amazon, FedEx, Walmart) to compete 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.

Journal of Business R

Fostering a trans-disciplinary perspectives of servi

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[b] University of Hawai'i at Mānoa, Shidler College of Business, 2404 Maile Way, Honolulu, HI 96822, USA
[c] Karlstad University, Service Research Center, Karlstad 652 12, Sweden

ABSTRACT

This article provides a brief introduction an
perspectives of service-dominant logic. Insig
ophy, service science, sociology, strategic m
service-dominant logic as well as foster mor
sented and share some observations and sus
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, transcisciplinary 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, Gummesson, 1994, 1995).

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

for an enti marketing marketing (Lu munity of and an oc sights tha ten found apparent tions and trade (exc ible hand tions and emerging gy and po fered pote massive, l

ten foundational premises were further refi mise was added, which dealt with institutions ments (Vargo & Lusch, 2016). For more pa foundational premises and the eleventh fou & Vargo, 2014; Vargo & Lusch, 2016) we representing the core of S-D logic.

The most current statement (Vargo & Lusc of S-D logic includes the following axioms. Ax damental basis of exchange. Axiom 2: Value actors, always including the beneficiaries. Axi nomic actors are resource integrators. Axiom ly and phenomenologically determined by Value co-creation is coordinated through act and institutional arrangements.

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Levels	Aggregation			
Theory/ Abstraction		**Macro Level** (e.g., societal, community -- national, global, local)	**Meso Level** (e.g., "industry"/ma rket, cartel)	**Micro Level** (e.g., transaction s, sharing,)
	Meta-theoretical (e.g., S-D logic, cocreation of value)	*Primary Focus to Date*		
	Midrange theoretical (e.g., engagement, coproduction)	*Increasing Attention, Looking Forward*		

Paradigm, Lens, General Theory

Mid-Range Theory, Frameworks, Models

Evidence Based Research

Broadly Drawing from...

- Science of Cognitive Computing
- Service Exchange
- Practice Theory
- Ecosystems
- Value Cocreation
- Ecological Theory
- Theory of Value Cocreation through Markets, Economy, Society
- Complexity Theory
- Institutions & Institutional Arrangements
- Resource Integration
- Sructuration Theory
- Value Determination
- Evolution Theory

The Sciences of the Artificial

Herbert A. Simon

The Sciences of the Artificial

Third Edition

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

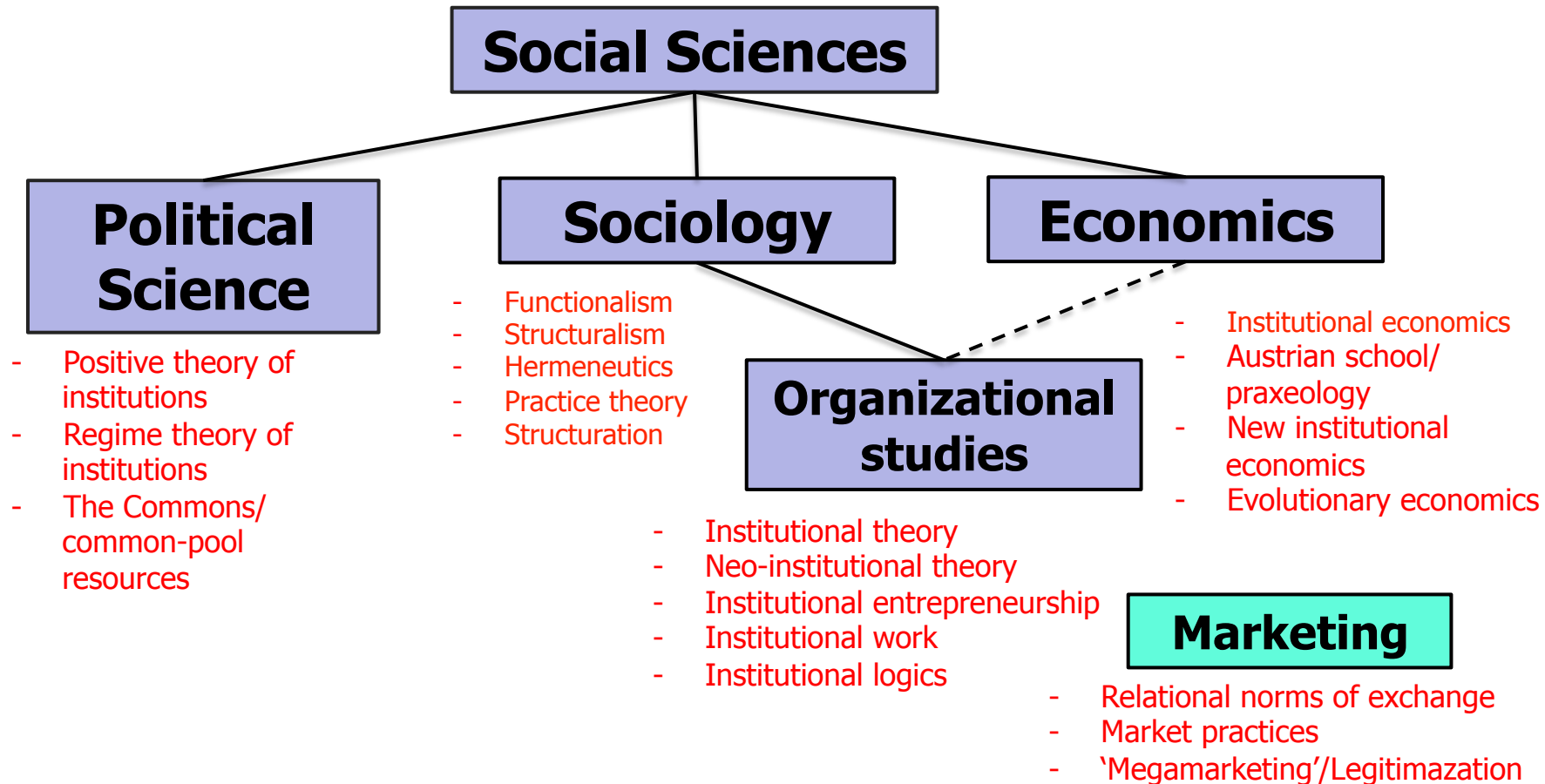# Institutions as the Building Blocks of Social Science

- "The discovery of the inescapable evidence of the interdependence of market phenomena overthrew [the] opinion that there was in the course of social events no regularity and invariance of phenomena [as found in] "natural phenomena"... (von Mises, 1949 p. 2).

- "One must study the laws of human action and social cooperation as the physicist studies the laws of nature" (von Mises, 1949 p. 3).

- Can we dig below the immense diversity of regularized social interactions in markets, hierarchies, families, sports, legislatures, elections, and other situations to identify universal building blocks used in crafting all such structured situations? Yes. (Ostrom 2005)

- The diversity of regularized social behavior that we observe at multiple scales is constructed from universal component organized in many layers. (Ostrom 2005)

- Institutions are both the "recursive organizers" of practices and the "practices with the greatest time-space extension." (Giddens 1984, p. 17)

Formal Institutional Theory Across Disciplines

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

Social Sciences

Political Science
- Positive theory of institutions
- Regime theory of institutions
- The Commons/ common-pool resources

Sociology
- Functionalism
- Structuralism
- Hermeneutics
- Practice theory
- Structuration

Organizational studies
- Institutional theory
- Neo-institutional theory
- Institutional entrepreneurship
- Institutional work
- Institutional logics

Economics
- Institutional economics
- Austrian school/ praxeology
- New institutional economics
- Evolutionary economics

Marketing
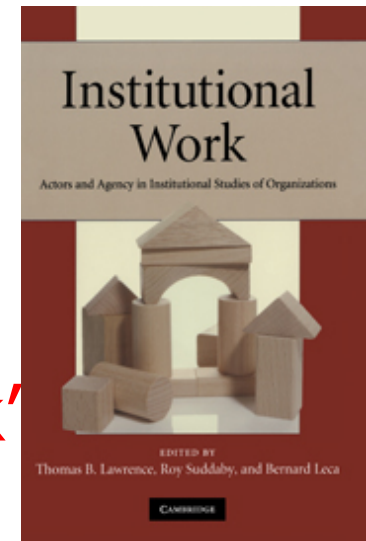- Relational norms of exchange
- Market practices
- 'Megamarketing'/Legitimazation

Innovation: The S-D Logic Perspective

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

Actors and Agency in Institutional Studies of Organizations

EDITED BY
Thomas B. Lawrence, Roy Suddaby, and Bernard Leca

CAMBRIDGE

Institutional Work

Interplay of Actors, Agency, & Institutions

Development

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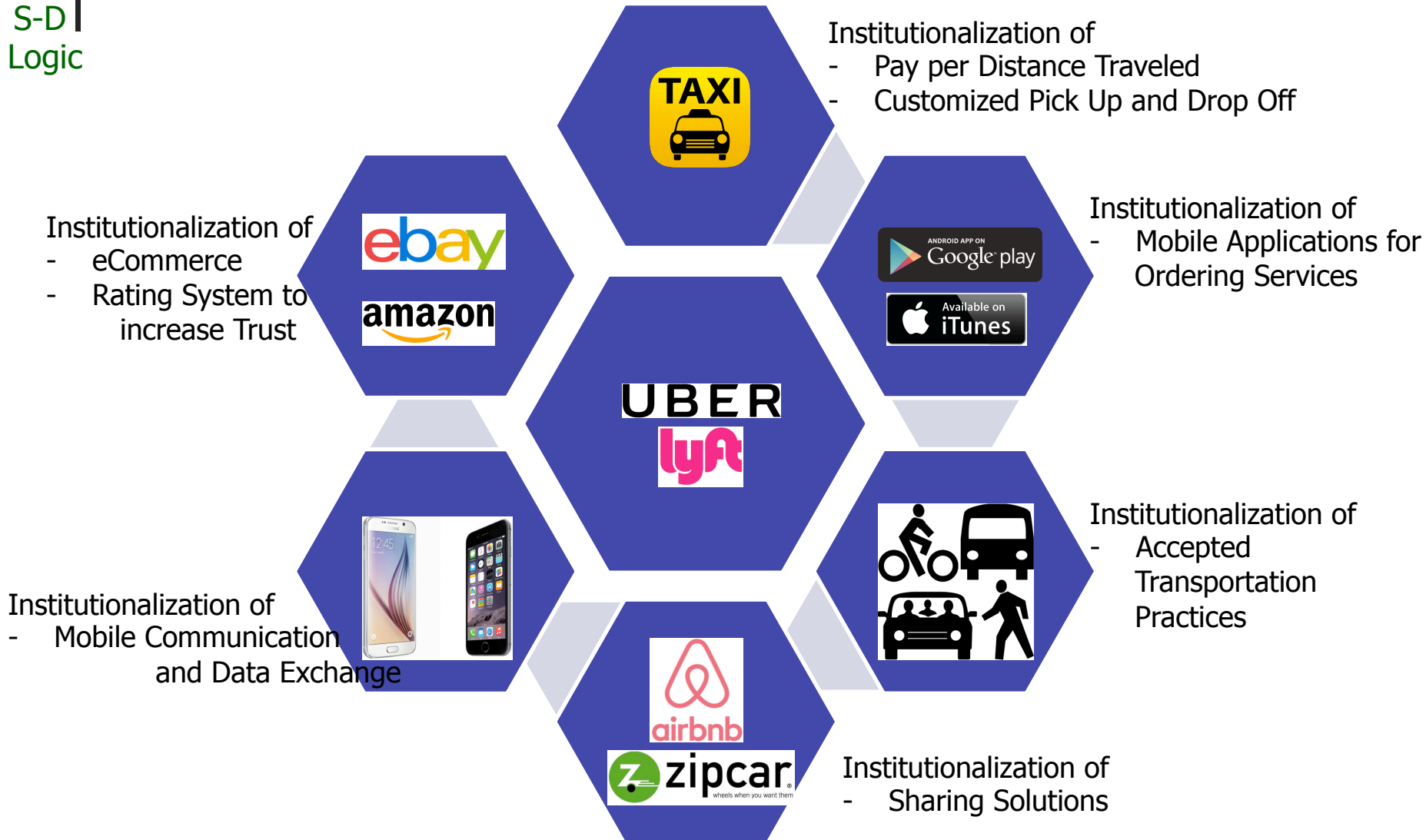- Structuration: Duality of agency and structure

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

Institutionalization of
- Pay per Distance Traveled
- Customized Pick Up and Drop Off

Institutionalization of
- eCommerce
- Rating System to increase Trust

Institutionalization of
- Mobile Applications for Ordering Services

Institutionalization of
- Mobile Communication and Data Exchange

Institutionalization of
- Accepted Transportation Practices

Institutionalization of
- Sharing Solutions

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.

Institutions disrupted :
- Professional Drivers
- Cash Payments
- Flagging Down
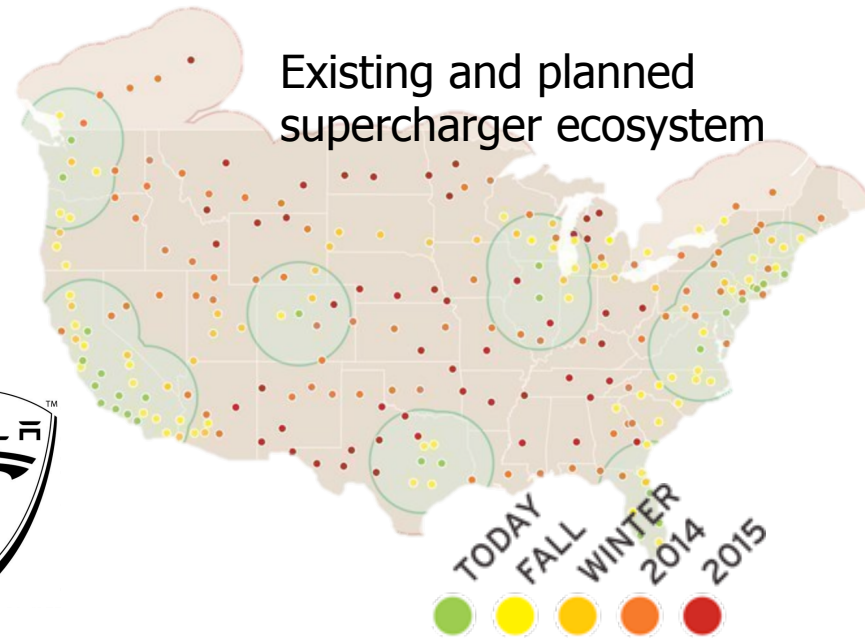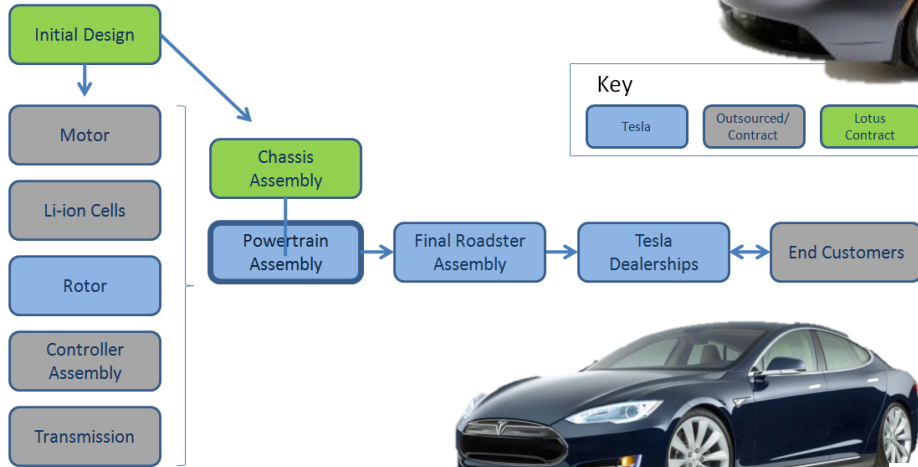- Regulated Industry
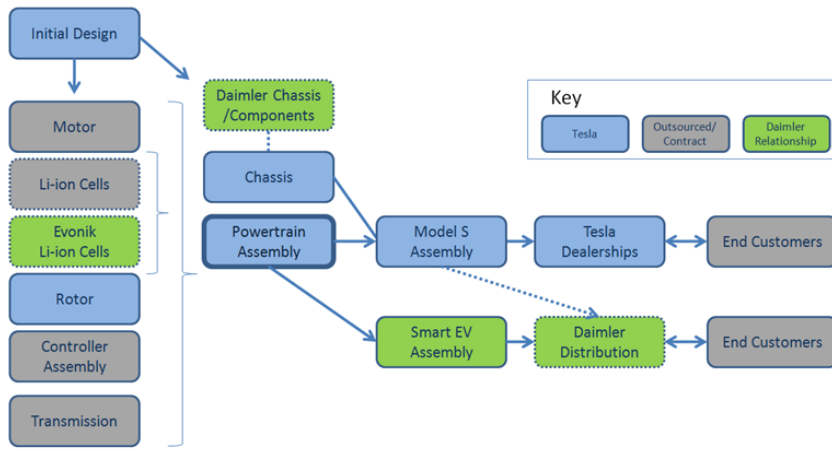- Etc.

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

TAXI

UBER
lyft

Tesla Institutional/Ecosystem Innovations

Roadster Ecosystem

Key
- Tesla
- Outsourced/Contract
- Lotus Contract

Model S/Powertrain Ecosystem

Key
- Tesla
- Outsourced/Contract
- Daimler Relationship

Existing and planned supercharger ecosystem

TODAY FALL WINTER 2014 2015

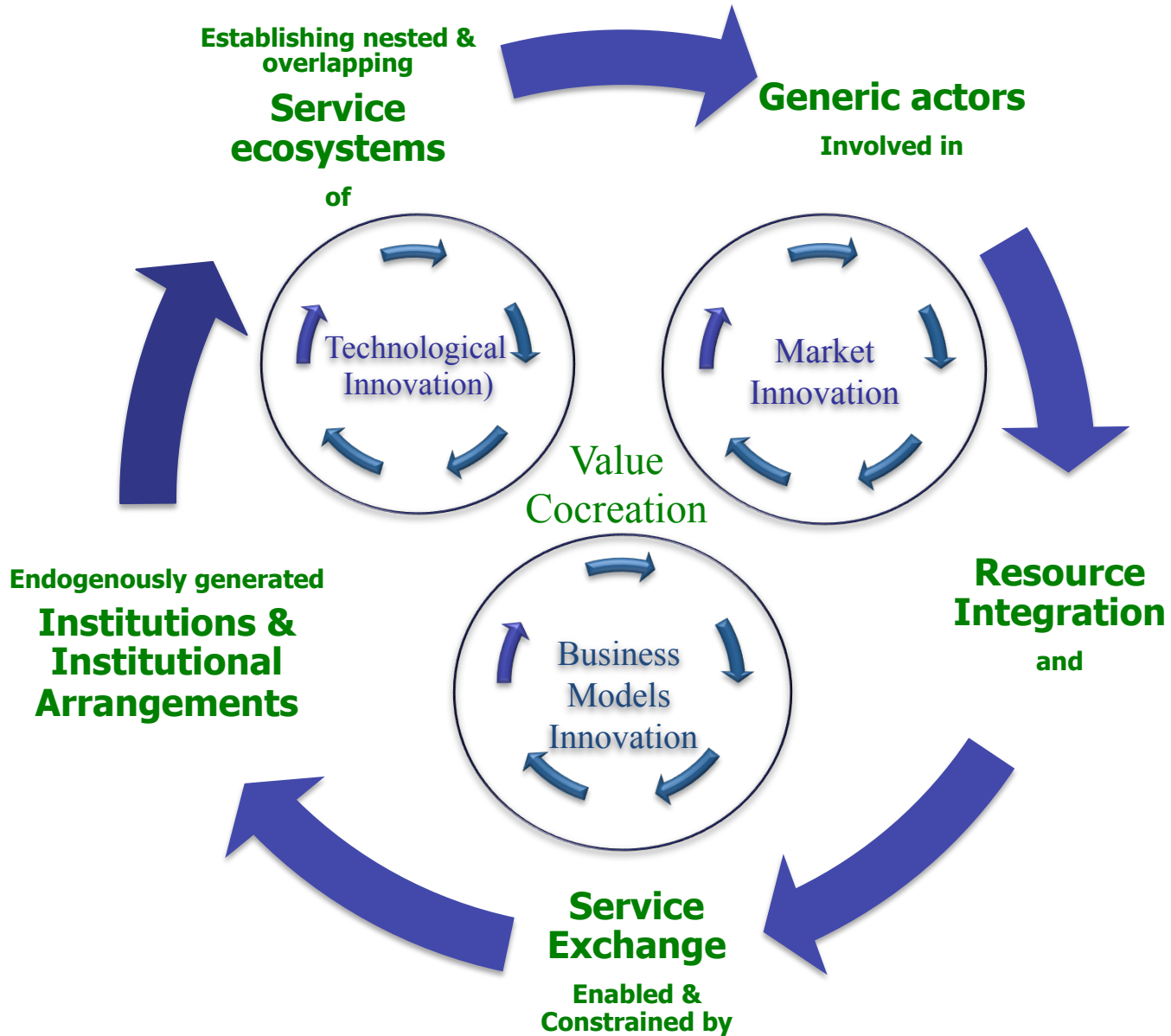## Other institutional Design Elements
- Laws (e.g., non-dealer sales)
- Habits (e.g., "fueling": more often, while parking)
- Regulations (e.g., preferred parking spots)
- Business model: Open patents to cocreation

A Fractal Model of Value Creation

Establishing nested & overlapping

Service ecosystems

of

Generic actors

Involved in

Technological Innovation)

Market Innovation

Value Cocreation

Resource Integration

and

Endogenously generated

Institutions & Institutional Arrangements

Business Models Innovation

Service Exchange

Enabled & Constrained by

Institutional Work and Engagement
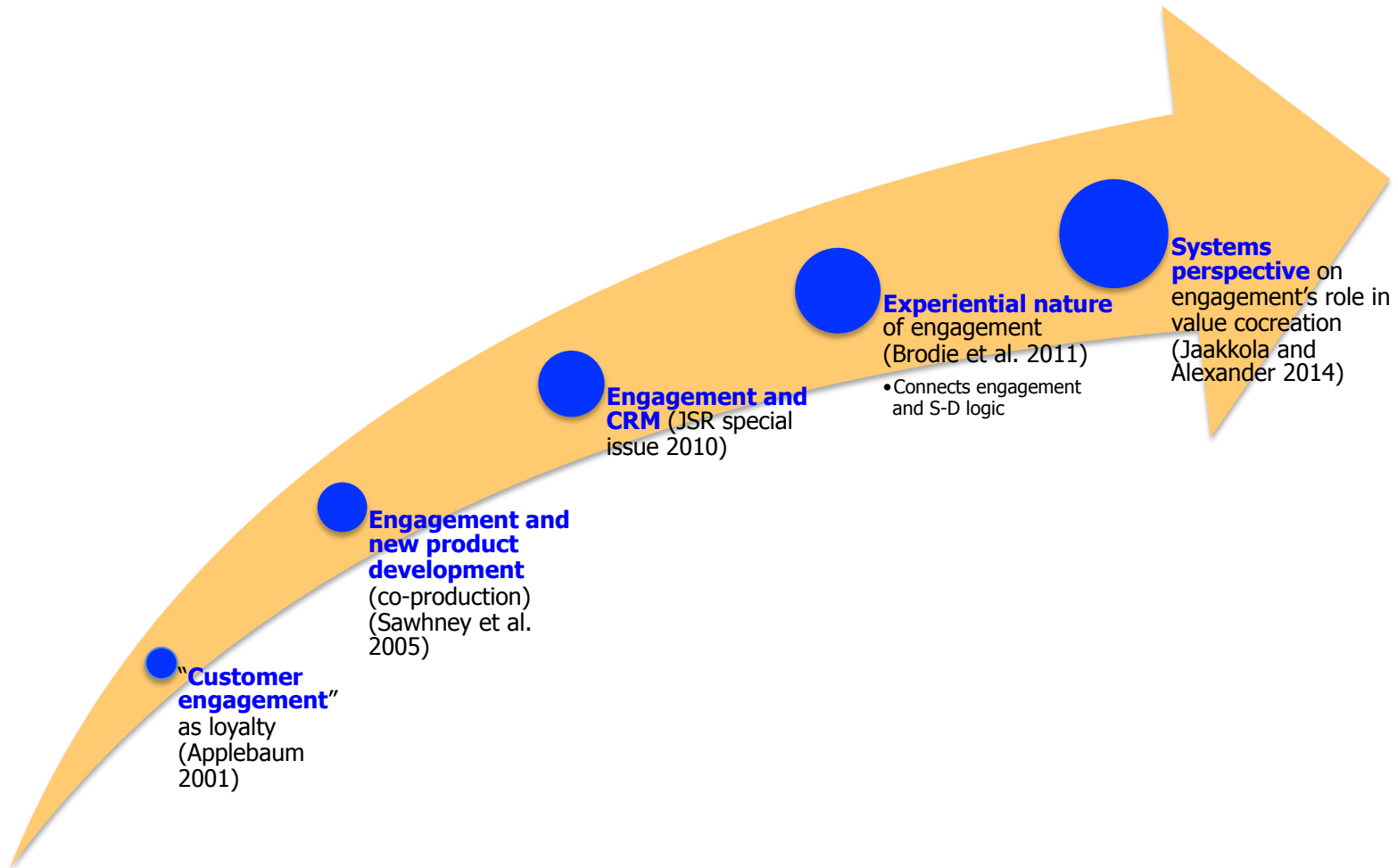
Institutional work = agency related to institutionalization

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

Systems perspective on engagement's role in value cocreation (Jaakkola and Alexander 2014)

Experiential nature of engagement (Brodie et al. 2011)

• Connects engagement and S-D logic

Engagement and CRM (JSR special issue 2010)

Engagement and new product development (co-production) (Sawhney et al. 2005)

"**Customer engagement**" as loyalty (Applebaum 2001)

Smart Systems &
Science of Cognitive Computing

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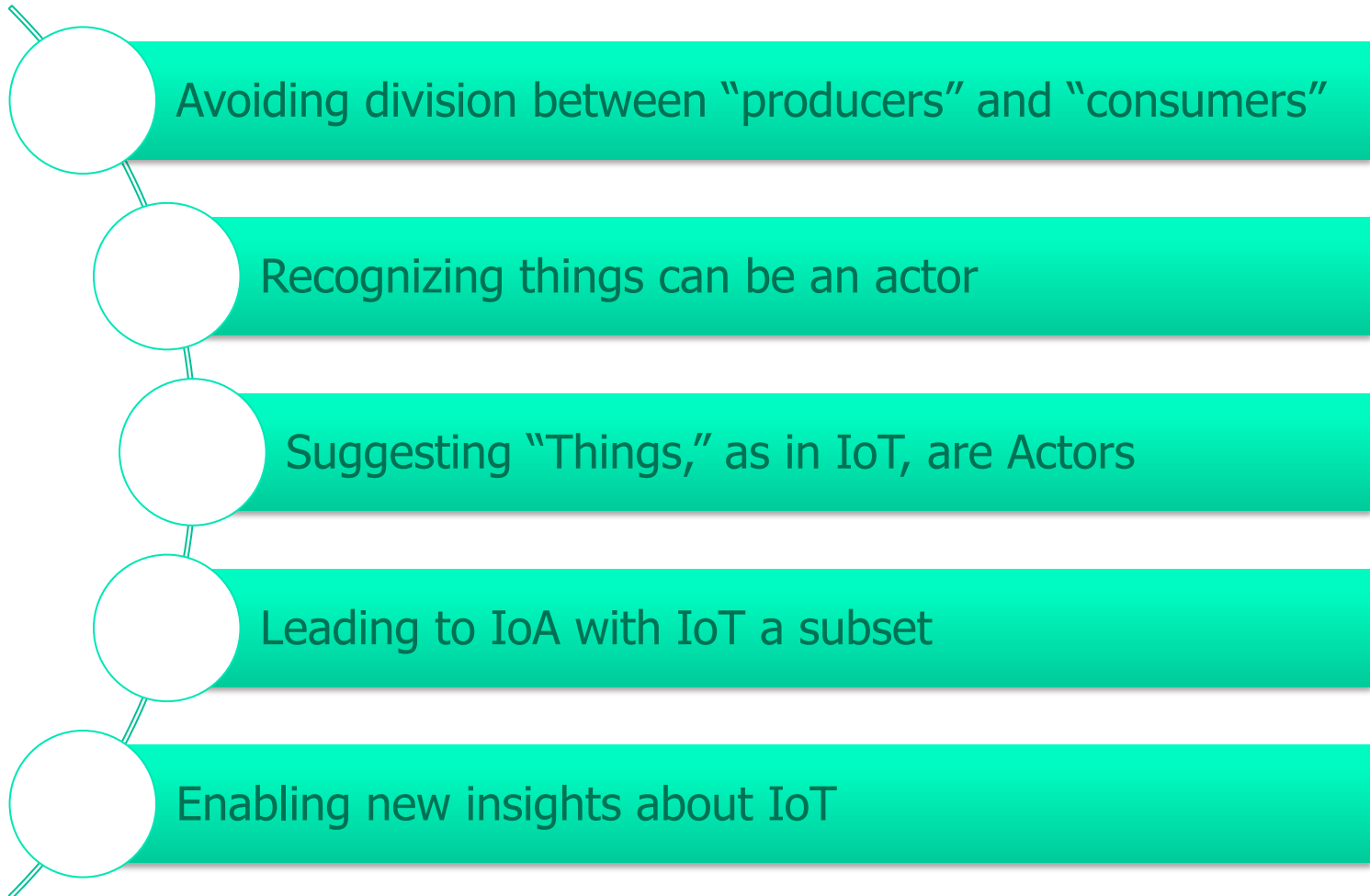sociotechnical system in which most people are augmented with cognitive mediators to get and give service offerings.   A wise service system goes beyond smart, to improve multi-scale entity interaction opportunities generation over generation improving individual and collective quality of life into the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

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

Generic Actor and A2A Thinking

S-D
Logic

Avoiding division between "producers" and "consumers"

Recognizing things can be an actor

Suggesting "Things," as in IoT, are Actors

Leading to IoA with IoT a subset

Enabling new insights about IoT

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

FMM Associated Special Issues

Journal of Service Management

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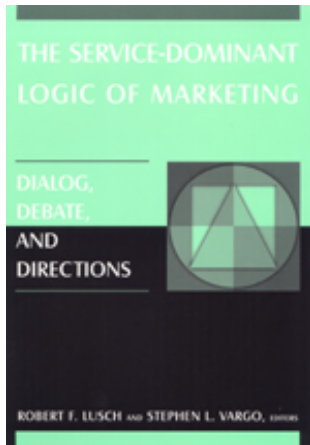 - Abstract submission by September 15

Service Science

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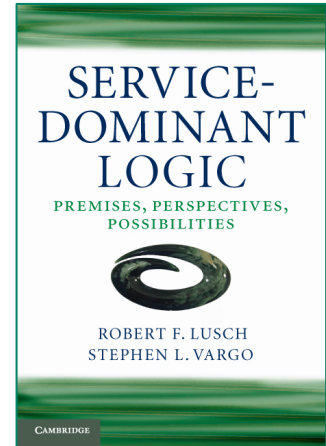
Editors:

- Irene CL Ng
- Stephen L. Vargo,

Thank You!

For More Information on S-D Logic visit:

sdlogic.net

We encourage your comments and input. Will also post:
- Working papers
- Teaching material
- Related Links

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