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From Micro to Macro: Stakeholders and Institutions

Stephen L. Vargo¹

Abstract

This article introduces the special section of “Extending Service-Dominant Logic” in this journal, which is part of jointly published special sections in the *Australasian Marketing Journal*, *European Journal of Marketing*, *Journal of Macromarketing*, and *Marketing Theory* on the same topic, all based on articles developed from manuscripts submitted to the Forum on Markets and Marketing in Sydney, Australia. It links the three articles in this issue and also links the associated macro-, meso-, and microperspectives.

Keywords

service-dominant logic, value cocreation, stakeholder, property rights, bottom of the pyramid, sustainability

In 2005, Fred Morgan and I (Vargo and Morgan 2005) published a manuscript in the *Journal of Macromarketing* called “Services in Society and Academic Thought: An Historical Analysis.” Though published after a somewhat better-known, more-impactful article that Bob Lusch and I had published in the *Journal of Marketing*, “Evolving to a New Dominant Logic for Marketing” (Vargo and Lusch 2004a), the latter was actually crafted from an elaboration and extension of an earlier draft of the former. Thus, perhaps this special section of the *Journal of Macromarketing*, which is part of a further extension of the work represented in these earlier and related articles (e.g., Vargo and Lusch 2004b, 2008), is particularly appropriate.

The joint message in these earlier articles was rather straightforward: the goods-centered model of exchange, what Bob Lusch and I have called “goods-dominant (G-D) logic,” was an artifact of the coalescence of several historic events, rather than a model resulting from a compelling analysis of economic activity in its own right. In fact, throughout history, there have been allusions to an alternative model, one that represents service as central—what Bob Lusch and I now call “service-dominant (S-D) logic.” Ironically, this allusion, arguably, can be found in some of the work of Smith (1776), with whom G-D logic is more readily and apparently linked. In some cases, such as Bastiat (1848, 162), the service-centered model has been more directly advocated: “services are exchanged for services It is trivial, very commonplace; it is, nonetheless, the beginning, the middle, and the end of economic science.”

In “Evolving . . .” (Vargo and Lusch 2004a), Bob and I tried to capture and extend what we saw as a new coalescence in economic thought, especially from within marketing but also from outside. This alternative view has distinct similarities to Bastiat’s (1848) vision, but this time is supported by work in

service marketing and related research streams. As indicated, it also has similarities, to some parts of Smith’s (1776) discussion of economic activity, before he shifted the discussion away from that general topic and toward the narrower issue of how to create national wealth in the context of 1776 (see Vargo and Morgan 2005). It is the intersection of contemporary and historical thought that we captured in “Evolving . . .,” and which has now become identified as S-D logic.

One of the first things that became apparent following the publication of Vargo and Lusch (2004a) and Vargo and Morgan (2005) is that not only did a shift from G-D logic to S-D logic suggest the need for a reconceptualization of the market, but more fundamental and more surprisingly, there had actually been *very little study of the market at all in academic marketing*. Venkatesh, Penaloza, and Firat (2006) punctuated this situation by noting “the market is everywhere and nowhere in marketing.” That is, we talk about the market, but with rare exception—notably, some in this journal (e.g., Layton 1985, 2007)—we have not studied the market much and thus do not know much about how it works. Similarly, Araujo (2007), Callon (1998), Kjellberg and Helgesson (2007), and others have pointed out that an essential first step toward a theory of market-*ing* is a theory of the market.

I also discussed the need for a closer look at the market in order to advance the understanding of marketing in “On a

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Theory of Markets and Marketing: From Positively Normative to Normatively Positive” (Vargo 2007). I suggested that whereas market-*ing* essentially by definition has a normative purpose, normative decision making should be built on a “positive” theory (i.e., of the market). Yet, marketing’s foundation actually derives from economic science, which, in turn, is built on Smith’s (1776) normative views about what nations needed to do to become wealthy in the context of the industrial revolution: *The Nature and Causes of the Wealth of Nations*.

Given Smith’s (1776) purpose, and the technological and philosophical context at the time he was writing, he reasoned that the way to increase national wealth was through the creation and export of surplus tangible goods and identified those activities that created tangible goods as “productive.” This identification of “productive” activities, essentially excluded *all* other activities, such as legal, military, government, and most of what would now be known as marketing activities (with some exception), which were designated “unproductive,” not because they were not useful, or even essential, to human well-being, but simply because they did not contribute to national wealth through creation and export of surplus tangible goods. As discussed in Vargo and Morgan (2005), it was this restricted *production* and *product-centered* orientation that provided the foundational orientation for economic science and, later, for marketing and for what Bob and I have called G-D logic.

Some of these issues regarding theory in marketing were discussed during and following an S-D logic-focused special session at the Academy of Marketing Science World Conference in Verona, Italy, in 2007. One of the outcomes of those discussions was the creation of the Forum on Markets and Marketing (FMM), to be held every 2 years with a purpose of simultaneously advancing our understanding of the market, markets, and marketing and moving S-D logic closer to theory.

Toward a Theory of Markets and Marketing

The first FMM, with the subtitle of “Extending Service-Dominant Logic,” was sponsored by the University of New South Wales in Sydney and hosted and cochaired by Roger Layton in December 2008—FMM 2010 was sponsored by Cambridge University and hosted by Irene Ng. The meta-issues identified in the FMM 2008 call for papers were as follows:

- Marketing, markets, and value/values.
- Markets and marketing systems.
- Grand or general theory of markets and marketing.

The articles in this special section of *Journal of Macromarketing* were developed from working papers and presentations from that forum. Additional FMM 2008 related papers are being published, along with commentaries by me, in special sections of three other journals. These include the following:

Australasia Marketing Journal

“Practices as Markets: Value Co-creation in E-invoicing” by Oskar Korkman, Kaj Storbacka, and Bo Harald;

“Systemic and Service Dominant Socio-Economic Development: Legal, Judicial and Market Capacity Building in Bangladesh” by Anthony Pecotich, Don Rahtz, and Clifford Shultz; and

“Opportunism in Co-Production: Implications for Value Co-Creation” by Burcak Ertimur and Alladi Venkatesh.

European Journal of Marketing

“A Stakeholder Perspective of the Value Proposition Concept” by Pennie Frow and Adrian Payne;

“Dynamics of Value Propositions: Insights from Service-Dominant Logic” by Christian Kowalkowski;

“Towards a Theory of Marketing Systems” by Roger A. Layton; and

“Markets as Configurations” by Kaj Storbacka and Suvi Nenonen.

Marketing theory

“Theorizing about Service Dominant Logic: The Bridging Role of Middle Range Theory” by Roderick J. Brodie, Michael Saren, and Jaqueline Pels;

“Contextualization and Value-in-Context: How Context Frames Exchange” by Jennifer D. Chandler and Stephen L. Vargo;

“Position and Potential of Service-Dominant Logic—Evaluated in an ‘Ism’ Frame for Further Development” by Helge Löbler; and

“Leveraging Insights from Consumer Culture Theory and Service Dominant Logic: The Nature and Processes of Market Co-creation in Triple Bottom Line Firms” by Lisa Peñaloza and Jenny Mish.

From a Micro- to a Macroperspective

The broader market perspective taken in FMM is particularly appropriate, given Bob Lusch’s and my (Vargo and Lusch 2011) recent suggestion that “it’s all B2B.” The driving idea behind this proclamation is that one of the biggest deterrents to an understanding of markets is the “producer” and “consumer” divide. That is, the idea that one party creates (produces) value and another destroys (consumes) it blinds us to a full realization of the nature of economic (and social) exchange. Rather, we suggest all economic actors are fundamentally doing the same things: (1) *cocreating value* through the integration of market-facing, public, and private resources to create new resources and using these resources to make improvements to their own existence through *self-service*; and (2) using resources for currency to access additional resources through *service-for-service exchange*. Thus, we suggested that, rather than seeing the world in terms of B2C (essentially producer to consumer), markets need to be characterized in terms of a more generic “actor-to-actor” (A2A) orientation. From this orientation, value creation is necessarily seen in terms of complex, dynamic, service-for-service, networks and markets in terms of service ecosystems.

This does not suggest that dyadic, micro-level exchange (what has been seen as B2C or firm-customer) is unimportant. It is, but the A2A orientation suggests markets and their role in value creation cannot be understood in terms of micro exchanges alone. However, neither can they be understood by a macroperspective alone. Rather, Chandler and Vargo (2011) have advised that to understand markets and value creation, one must constantly oscillate the focus among micro-, meso-, and macroperspectives. Through this A2A, “oscillating-foci” approach, one begins to see that there are a multitude of parties to the value creation that results from dyadic exchanges, as well as the shared structures and governance mechanisms that provide the context for and result from these micro interactions—what Giddens (1984) calls “structuration.”

Stakeholders and Institutions

Consistent with the spirit of the FMM and an S-D logic-based, A2A orientation, the three articles in this special section extend S-D logic and move it toward a theory of the market and marketing by zooming out from a traditional, micro-orientation to broader, meso- and macroperspectives to look at the parties (current and potential) involved in the market, as well as at key institutions for governance of the market relationship—property rights—all from an S-D logic perspective.

Lusch and Webster, in “A Stakeholder-Unifying, Co-Creation Philosophy for Marketing,” introduce a historical perspective that converges with S-D logic. They trace marketing through three “eras” in terms of marketing’s role in value creation/cocreation: marketing as (1) utility-creating and value-adding; (2) customer-oriented and value-proposing; and (3) management, in a network organization, with the last implying a philosophy for implementing a stakeholder-unifying cocreation of value. This mesophilosophy implies an S-D-logic-consistent, micro position of being an advocate “for the customer, with all resource providers within the networked enterprise.” This networked enterprise is seen in a primary role in the cocreation of value, through resource integration. Thus, the core competences of the firm become the strategic and tactical, dynamic capabilities used to cocreate value through multistakeholder relationships. Strategy formulation then becomes a process of matching function, network capabilities, and customers.

Laczniak and Santos, in “The Integrative Justice Model for Marketing to the Poor: An Extension of S-D Logic to Distributive Justice and Macromarketing,” zoom out even more to look at the macro-level implications of meso-level activities aimed at marketing in impoverished markets. In so doing, they extend S-D logic to societal and ethical concerns, such as justice, stakeholder theory, corporate social justice, and sustainability. Their integrative justice model (IJM) connects well with several of the foundational premises (FPs) of S-D logic, especially those claiming that value is always cocreated (FP 6) and service logic as inherently customer oriented and relational (FP 8). In essence, IJM takes a position somewhat similar to that taken by Lusch and Webster in seeing marketing activities (from a meso level or macro level) in terms of networked stakeholders,

including impoverished ones, and, in so doing, offers normative implications for involvement of a wider array of these stakeholders.

Haase and Kleinaltenkamp, in “Property Rights Design and Market Process: Implications for Market Theory, Marketing Theory, and S-D Logic,” take a macro level look at one of the core institutions that makes transactional exchange possible: property rights. As they note, “property rights are part of the institutional framework of society and thus shape the range of action for actors.” Thus, at a micromarketing level, “knowledge about the pertinent property rights bundles required for the achievements of the actors’ ends are among the most important operant resources.” They note that both S-D logic and property rights theory, as part of new institutional economics, developed in partial response to inadequacies of neoclassical economics, what S-D logic calls G-D logic. They compare S-D logic and property rights theory, argue that they are compatible, and suggest that, together, they can provide a basis for the development of a “market-oriented” marketing theory.

Taken together, the articles in this special section of the *Journal of Macromarketing* and those in the three related journal special sections, begin to move S-D logic beyond the characterization of a perspective and toward the building of market theory that can potentially, ultimately better inform normative marketing practices. I encourage readers to read them thoroughly and to make their own contributions to this process.

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Bio

Stephen L. Vargo is a Shidler Distinguished Professor and Professor of Marketing at the University of Hawaii at Mānoa. His primary research areas are marketing theory and thought and consumers' evaluative reference scales. He has had articles published in the *Journal of Marketing*, the *Journal of the Academy of Marketing Science*, the *Journal of Service Research*, and other major marketing journals. Professor Vargo has been awarded the *Harold H. Maynard Award* for "significant contribution to marketing theory and thought" and the *Sheth Foundation Award* for "long-term contribution to the discipline of marketing," both presented by the American Marketing Association.