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Institutions as resource context

Kaisa Koskela-Huotari Stephen L Vargo

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Institutions as resource context

Institutions
as resource
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Kaisa Koskela-Huotari

*CTF, Service Research Center, Karlstad University, Karlstad, Sweden and
VTT Technical Research Centre of Finland, Oulu, Finland, and*

Stephen L. Vargo

*Department of Marketing, University of Hawaii at Manoa, Honolulu,
Hawaii, USA*

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Abstract

Purpose – The purpose of this paper is to examine the role of institutions and institutional complexity in the process through which resources-in-context get their “resourceness.”

Design/methodology/approach – To shed light on the process of potential resources gaining their “resourceness,” the authors draw from two streams of literature: the service ecosystems perspective and institutional theory.

Findings – The authors combine the process of resources “becoming” with the concept of institutions and conceptualize institutional arrangements, and the unique sets of practices, symbols and organizing principles they carry, as the sense-making frames of the “resourceness” of potential resources. In service ecosystems, numerous partially conflicting institutional arrangements co-exist and provide actors with alternative frames of sense-making and action, enabling the emergence of new instances of “resourceness”.

Research limitations/implications – The paper suggests that “resourceness” is inseparable from the complex institutional context in which it arises. This conceptualization reveals the need for more holistic, systemic and multidisciplinary perspectives on understanding the implications of the process of resources “becoming” on value co-creation, innovation and market formation.

Practical implications – As the “resourceness” of potential resources arises due to the influence of institutions, managers need a more profound understanding of the complimentary and inhibiting institutional arrangements and the related practices, symbols and organizing principles that comprise the multidimensional context in which they operate.

Originality/value – This paper is one of the first to focus specifically on the process of resources “becoming,” using a systemic and institutional perspective to grasp the complexity of the phenomenon.

Keywords Institutional complexity, Institutions, Resources-in-context, Service ecosystems, Value co-creation

Paper type Conceptual paper

Introduction

Since the publication of the initial work focusing on the collaborative, customer-centric nature of value creation at the turn of the millennium (Normann, 2001; Prahalad and Ramaswamy, 2002, 2004; Vargo and Lusch, 2004), the phenomenological and contextual view on value has received increasing attention (see, e.g. Helkkula *et al.*, 2012; Ng and Smith, 2012; Schau *et al.*, 2009; Vargo *et al.*, 2008). Service-dominant (S-D) logic (Vargo and Lusch, 2004) and its service ecosystems perspective (Lusch and Vargo, 2014; Vargo and Lusch, 2011) build on and extend this collaborative and contextual view of value creation by highlighting the systemic nature of value: value is co-created by multiple actors connected through the exchange, integration, and application of resources (Lusch and Vargo, 2014). The collaborative, contextual and systemic nature of value creation implies that resources are always integrated in the



context of other resources (Lusch and Vargo, 2014; Vargo and Lusch, 2004, 2011). This means that “resourceness” – i.e. the ability of potential resources to facilitate the accomplishment of something desirable – is determined by the availability of other, complimentary and inhibiting potential resources, including the actors’ ability to integrate and apply these resources (Lusch and Vargo, 2014; Vargo and Lusch, 2011). Hence, we conceptualize a resource, not as a substance or thing, but as an abstraction that describes the function that a substance or an idea can contribute to the achievement a desired end (cf. Lusch and Vargo, 2014). Therefore, not only value, but also resources are contextual and “becoming” (Vargo and Lusch, 2004; Zimmermann, 1951) and the process of potential resources gaining their “resourceness” requires further attention in service, and more generally market, theory.

The purpose of the paper is to highlight the contextual nature of resources and examine the role of institutions in the process of resources “becoming.” The service ecosystems perspective, grounded in S-D logic, makes it possible to see the complex, multidimensional and dynamic nature of the context, in which resource integration takes place (see, e.g. Akaka *et al.*, 2013; Lusch and Vargo, 2014). According to Chandler and Vargo (2011) context emerges in constellations of resources as actors connect with one another and is, therefore, unique to specific exchanges and continually evolving. Shared institutional arrangements enable and constrain the way resources are integrated and value is co-created in service ecosystems (Vargo and Akaka, 2012; Edvardsson *et al.*, 2014; Lusch and Vargo, 2014). According to Scott (2014), institutions comprise regulative, normative and cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to social life. In other words, institutions represent the “rules of the game” (North, 1990) that guide how resources are integrated in service ecosystems (Vargo and Akaka, 2012) and, as we will argue, provide the context in which resource “become.”

In order to shed more light on this phenomenon, we draw from two streams of literature: S-D logic and its service ecosystems perspective (Chandler and Vargo, 2011; Lusch and Vargo, 2014; Vargo and Akaka, 2012; Vargo and Lusch, 2011, 2016) and institutional theory, originating from multiple theoretical foundations, such as sociology (Berger and Luckmann, 1966; Giddens, 1984), organizational studies (DiMaggio and Powell, 1983, 1991; Meyer and Rowan, 1977; Scott, 2014) and economics (Nelson and Sampat, 2001; North, 1990; Williamson, 1985, 2000). Within institutional theory, we focus especially on the contributions highlighting the multiplicity and complexity of the institutional arrangements simultaneously available for actors (Clemens and Cook, 1999; Friedland and Alford, 1991; Greenwood *et al.*, 2011; Ostrom, 2005; Seo and Creed, 2002; Thornton *et al.*, 2012).

By using both a systemic and an institutional perspective to shed light on resources-in-context and their emergence, we contribute to service theory by discussing how the “resourceness” of potential resources arises due to the institutional arrangements that provide context(s) in service ecosystems and guide actors by distinguishing unique sets of practices, symbols and organizing principles. We also draw attention to the institutional complexity implied by the service ecosystems. Each instance of resource integration, service provision, and value creation in a service ecosystem, changes the nature of the system to some degree and, thus, the context for the next iteration and determination of value creation (Chandler and Vargo, 2011; Vargo and Lusch, 2011). Consistent with Lusch and Vargo (2014), we argue that service ecosystems can be seen as interinstitutional systems in which multiple institutional arrangements co-exist and become shared through resource integration and service

exchange practices. As the diverse and partially conflicting institutional arrangements influence and guide actors' value co-creation efforts simultaneously, they act as sources and opportunities for choice, agency and change (Friedland and Alford, 1991; Seo and Creed, 2002; Thornton *et al.*, 2012) and can be seen as prerequisites for the emergence of new instances of resourcefulness. Hence, "new" resources "become" from existing resources through a combinatorial process (Arthur, 2009; Vargo *et al.*, 2015) that is enabled by the multidimensional and complex institutional context implied by service ecosystems.

The paper is structured as follows: first, we highlight the contextual nature of resources. Second, we introduce the service ecosystems perspective and discuss the complex and institutional nature of context in which "resourcefulness" arises. Next, we draw from institutional theory and conceptualize institutional arrangements, and the unique sets of practices, symbols and organizing principles they carry, as the sense-making frames of the "resourcefulness" of potential resources. We then further synthesize insights from the service ecosystems perspective and institutional literature by arguing that the multidimensional context in service ecosystems consists of various, partially conflicting institutional arrangements, which influence resource-integrating actors simultaneously and enable the emergence of "new" instances of resourcefulness. Finally, we offer the main implications of the paper for both theory and practice.

Contextual nature of resources

Academic research on resources has long traditions. One of the earliest works on the subject is Malthus' (1798) analysis of world resources. For him "resources" referred to natural resources that were static and to be captured for an advantage. These resources were considered scarce and, with increasing population growth, estimated to become depleted fairly quickly. However, against all the gloomy predictions, the world has not run out of resources. On the contrary, there are more resources available now than ever before, despite of the increasing size of the human population (Ridley, 2010). However, over time, views on resources have emerged that not only recognized resources as static and fixed "stuff," but also as intangible and dynamic functions of human ingenuity, such as skills and knowledge (Penrose, 1959; Zimmermann, 1951). In other words, these views emphasize that "resources are not; they become" (Vargo and Lusch, 2004, p. 2; Zimmermann, 1951).

The "becoming" nature of resources is one of the cornerstones of S-D logic (Lusch and Vargo, 2014; Vargo and Lusch, 2004, 2008). In S-D logic, resource integration is considered a central practice of value co-creation (Vargo and Akaka, 2012). It provides opportunities for the creation of new potential resources, which, through service exchange, can be used to access other resources to be integrated in order to co-create value (Vargo and Lusch, 2011). S-D logic suggests a transcending concept of service – applying one's resources, such as knowledge and skills, for another's benefit – to overcome the "goods" vs "services" divide characterizing much of the traditional economic and marketing thought regarding the nature of exchange (Vargo and Lusch, 2004). In addition, S-D logic abandons the differential roles associated with "producers" and "consumers" in value creation and views all social and economic actors as fundamentally similar, resource-integrating actors that are connected with each other through reciprocal service exchange (Vargo and Lusch, 2011). This complex web of resources, resource-integrating actors and service-for-service exchanges is best understood through a systems view (Lusch and Vargo, 2014; Vargo and Lusch, 2011). The systemic and contextual nature of value co-creation implies that

resources are always integrated in the context of other potential resources (Lusch and Vargo, 2014; Vargo and Lusch, 2004, 2011). This means that the usefulness of any particular potential resource from one source is moderated by the availability of other, potential resources from the other sources (Vargo and Lusch, 2011). Stated differently, resources are not inherently “valuable,” but become more or less valuable depending on the context of their integration (Chandler and Vargo, 2011).

S-D logic’s view on resources builds on and extends resource-based views of exchange and the firm (see, e.g. Barney, 1991; Penrose, 1959), which have increasingly been adopted in a number of academic business disciplines. In particular, it builds on the work by Penrose (1959), who highlighted external opportunities as the stimulus for resources, therefore abandoning the purely intrinsic view on resources characterizing some of the other contributions in the resource-based view. However, the notable difference with S-D logic and many of the resource-based approaches is the emphasis of the former that resource application must benefit other actors (Lusch and Vargo, 2014). In other words, resources are applied and integrated to co-create value – that is, to improve the wellbeing of oneself by improving the wellbeing of others. The “applied” designation highlights the primacy of “operant resources” (e.g. knowledge and skills) in relation to “operand resources” (e.g. static raw materials) (Lusch and Vargo, 2014; Vargo and Lusch, 2011). In other words, S-D logic shifts the focus of the discussion on resources from one emphasizing only the accumulation of scarce, operand resources toward a broader view highlighting the integration and generation of adaptive, operant resources. Operant resources can reduce resource depletion, or increase availability, and create alternative service solutions (Akaka *et al.*, 2013). Although the primacy of operant resources is a central aspect of S-D logic, it does not reduce the importance of operand resources (e.g. natural resources). Rather, it emphasizes the integration of skills to develop new knowledge (Lusch *et al.*, 2010) to apply operand resources in a more effective, including efficient and sustainable, manner.

With the emphasis of operant resources, S-D logic views all actors as bundles of resources, some of which are used to provide service to others in exchange of additional resources (or rights, e.g. money, to future service) (Lusch and Vargo, 2014). Hence, resource integration has two related purposes. First, actors integrate resources to co-create value for themselves, that is, to make possible and/or enrich one’s life. Second, resources are integrated to create new potential resources that can be exchanged through service provision with others (Arthur, 2009; Vargo *et al.*, 2015). Each actor uniquely integrates resources from private, market-facing and public sources through exchange (Vargo, 2007; Vargo and Lusch, 2011). Private resources are those that are exchanged through social networks with friends and family members without the use of money as the right for service. Market-facing resources are those acquired from the “market-place” often through indirect service exchange (e.g. money and goods). Finally, public resources are those generally available communally, such as language and social norms or provided by governmental entities in the exchange of taxes (e.g. education, health care).

Service ecosystems perspective on resources-in-context

Actors specialize in providing different kinds of (applied) resources (i.e. service) for one another (Vargo and Lusch, 2004) and, due to this specialization, are highly dependent on each other (Lusch and Vargo, 2014). As individual actors cannot create value on their own, but must integrate and exchange resources with others, they can be

understood as parts of value-co-creating exchange systems (Vargo and Lusch, 2011). In other words, resource-integrating actors “come together” in service ecosystems (Vargo and Akaka, 2012; Vargo and Lusch, 2011). Service ecosystems are conceptualized as “relatively self-contained, self-adjusting system[s] of resource-integrating actors connected by shared institutional arrangements and mutual value creation through service exchange” (Vargo and Lusch, 2016, pp. 10-11)[1]. The service ecosystems perspective, therefore, emphasizes the co-created nature of value, the dynamic integration of resources, and the importance of institutions – shared “rules of the game” – in interrelated systems of service-for-service exchange (Vargo *et al.*, 2015). Together, S-D logic and its service ecosystems perspective offer a revised logic for understanding value creation by rethinking the meaning and process of resource-integration in context (Chandler and Vargo, 2011; Lusch and Vargo, 2014; Vargo and Akaka, 2012; Vargo and Lusch, 2004, 2008, 2011).

At the foundation of understanding the service ecosystems perspective on resources-in-context and their emergent nature, is the recognition that actors’ other available potential resources (e.g. skills and knowledge) determine the “resourceness” of potential resources (Lusch and Vargo, 2014). Resourceness reflects the potential of resources to enable the accomplishment of something desirable and is achieved through human appraisal and action of transforming potential resources into realized ones. The systemic view implied by the service ecosystems perspective highlights the complexity of the context in which resource integration occurs and the resourceness of potential resources arises (cf. Akaka *et al.*, 2013; Vargo and Lusch, 2011).

Context, including the constellations of available resources, is unique to individual actors and continually evolving (Chandler and Vargo, 2011). According to Chandler and Vargo resource-integrating actors join their unique constellations of potential resources together, when they connect with one another through reciprocal service exchange in service ecosystems. Hence, the available resources will vary contextually. By viewing context this way, it is possible to see how a group of actors and reciprocal links between them may constitute one specific context for a specific instance of value co-creation, whereas another group of actors and links may constitute different kind of context for another instance. The actors, links and contexts are complex, because links between the two actors can affect other actors or links throughout the context and beyond a particular context and vice versa (Chandler and Vargo, 2011; Vargo and Akaka, 2012). In other words, resource realization is highly contextual as the usefulness of any particular potential resource from one source is moderated by the availability of other potential resources from other sources (Vargo and Lusch, 2011). For example, without the knowledge of how to use a smart phone its “resourceness” is never realized. Similarly, when a smart phone’s battery dies and no charger is available, value co-creation through the integration of the smart phone with other resources (e.g. one’s social contacts, ability communicate, mobile network) is not possible, as all the necessary resources are not available.

The contextual nature of resources also implies that humans live in a world filled with resource potential, but this is only realized when the potential resources are appraised and acted on (Lusch and Vargo, 2014). The resourceness of a potential resource is not an inherent quality of “things” (e.g. the value of gold comes from the meaning given to it by actors; if nobody would think that gold is valuable, it would not be). This means that a resource is never really a substance or thing, but an abstraction that describes the function that a substance or an idea contributes in order to achieve a desired end (Lusch and Vargo, 2014). The notion of “resourceness” determined through human appraisal is closely aligned

with Berger and Luckmann's (1966) notion of social construction of the everyday life. According to this view, everyday life presents itself as a reality interpreted by humans and apprehended as an ordered life. Such order is ongoing human production and exists only as a product of human activity. This might be difficult to conceive, as everyday life phenomena are prearranged in patterns that seem to be independent of the actor making sense of them. In other words, the reality of everyday life appears already objectified, that is, constituted by objects that have been designated as objects beforehand, which makes it seem that they would have always been there.

The compatibility of S-D logic and social construction theories has been discussed elsewhere (see, e.g. Edvardsson *et al.*, 2011; Pels *et al.*, 2009). It is, however, important to emphasize that S-D logic and its service ecosystems perspective advocate that the reality of everyday life is intersubjective (cf. Löbler, 2011) – a world shared with others – as one cannot exist without continually coordinating and collaborating with others. Hence, while actors' perspectives on the common world are not identical and may even be conflicting, there is an ongoing correspondence between one's perspectives and meanings with the perspectives and meanings of others, resulting in a shared common sense about "reality" (Berger and Luckmann, 1966; Lusch and Vargo, 2014).

The service ecosystems perspective enables a deeper understanding of value co-creation and resource integration by allowing researchers to zoom both in and out to see actors, not in isolation, but in all of their dependencies and interdependencies generated by the web of service-for-service exchange relationships (Lusch and Vargo, 2014). Service ecosystems, resulting from these reciprocal service exchanges, are characterized by complexity. In complex systems, what is considered as a whole system at one level of aggregation, is a part of a system at another level. This means that service ecosystems are composed of systems of multiple individuals, such as families, firms, industries and nations, themselves composed of many parts and, in turn, parts of still larger systems (cf. Ostrom, 2005). Hence, ecosystems are conceptualized as having multiple, nested "levels" of contexts that frame resource integration, service exchange and value co-creation (Chandler and Vargo, 2011). In other words, the service ecosystems perspective emphasizes the multidimensionality of context and illustrates embeddedness of simple micro-level actions and interactions within more complex meso- and macro-level systems and structures (Akaka *et al.*, 2013; Lusch and Vargo, 2014). The micro context composes of dyadic interactions between actors, that is exchange and resource integration between two actors. These numerous dyadic interactions are nested within broader, meso and macro contexts that influence and are influenced by the micro-level interactions (Figure 1). Hence, resource integration is framed by dynamic, embedded levels of contexts that evolve over time (Chandler and Vargo, 2011).

According to Chandler and Vargo (2011), the multidimensional context is composed of reciprocal links among actors connecting their partially shared institutional arrangements that guide individual actors' actions and interactions. Akaka *et al.* (2013) elaborate on the "complexity of context" by articulating the way in which interactions are embedded within intersecting and overlapping institutions or social structures. According to them, multiple structures, or institutional arrangements, converge and diverge as different actors enact practices and interact with other actors to integrate and exchange resources to create value. Though elaborating the relationship between context and institutions, the previous research contributions do not explicate the relationship between institutions and the contextual nature of resources. To further understand the role of institutional arrangements in the process of resources-in-context "becoming," we draw on institutional theory.

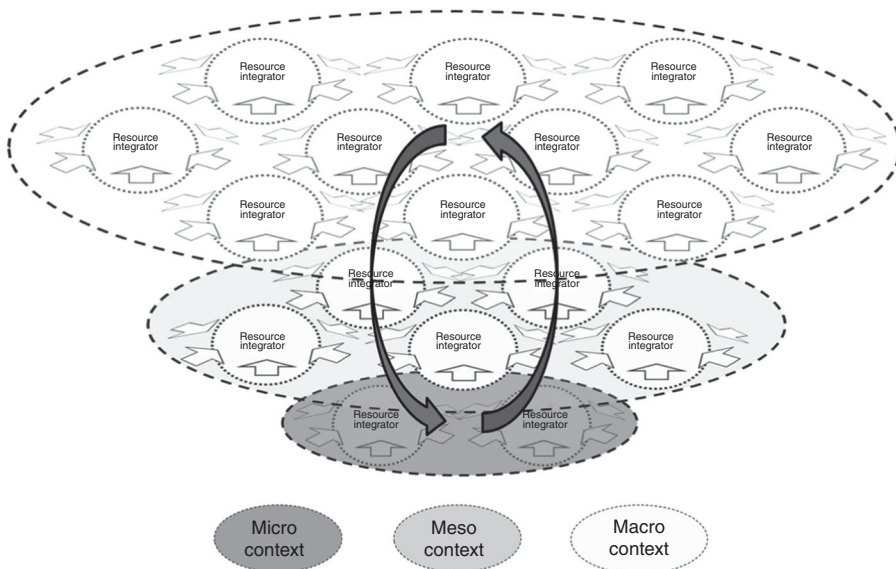


Figure 1.
Multidimensional
context frames
resource-integrating
actors

Source: Adapted from Chandler and Vargo (2011)

The role of institutions in the process of resources-in-context “becoming”

In service ecosystems, shared institutions and institutional arrangements – assemblages of interrelated institutions – guide actors’ actions and interactions in value co-creation (Lusch and Vargo, 2014; Vargo and Lusch, 2016). That is, institutions represent the “rules” of resource integration and coordinate actors’ efforts to make joint value co-creation possible. Institutions are humanly devised schemas, norms and regulations that enable and constrain the behavior of social actors and make social life predictable and meaningful (DiMaggio and Powell, 1991; North, 1990; Scott, 2014). In other words, institutions are the prescriptions that humans use to organize all forms of repetitive and structure interactions including those within families, markets, firms and governments at all scales (Ostrom, 2005). Institutions, as “the rules of the game” (North, 1990; Williamson, 2000), therefore, provide the structure and context for value co-creation and resource integration in service ecosystems by shaping the ways in which actors integrate resources and create as well as evaluate value (Edvardsson *et al.*, 2014; Lusch and Vargo, 2014; Vargo and Akaka, 2012). Stated differently, institutions are seen as the coordinating elements that influence value co-creation efforts and also provide the reference base for value assessments (Edvardsson *et al.*, 2014). Institutions should not be confused with organizations, which can be seen as one type of an actor who participates in making the rules and playing in accordance with them (North, 1990).

Institutions are widely studied across social sciences and their numerous subfields with different focal phenomena, emphasis and meanings (DiMaggio and Powell, 1991; Nelson and Sampat, 2001; Scott, 2014). Unfortunately, the dialogue between the different “disciplines” is somewhat scarce (Scott, 2014) and the concept of an “institution” and its impact is interpreted somewhat differently by scholars, both within and between disciplines (Nelson and Sampat, 2001). Some of the seminal treatments of institutions emphasize their capacity to control and constrain behavior (see, e.g. Williamson, 1985; Meyer and Rowan, 1977; DiMaggio and Powell, 1983).

According to Scott (2014), in this early work, institutions are often seen as mainly imposing restrictions by defining legal, moral and cultural boundaries, distinguishing between acceptable and unacceptable behavior. It is, however, equally important to recognize that institutions also support and empower activities and actors (Giddens, 1984; Scott, 2014; Thornton and Ocasio, 2008). In other words, institutions provide stimulus, guidelines and resources to enable action as well as prohibitions and constraints on action (Scott, 2014).

Friedland and Alford's (1991) argue that human rationality varies by an institutional arrangement and, therefore, also the meanings of resources change depending on the nature of the institutional arrangement that is guiding actor(s) in a specific situation. Each of the institutional arrangements comprises a set of material practices, symbols and organizing principles that guide the actions of individuals and organizations (Friedland and Alford, 1991; Jarzabkowski *et al.*, 2009). In other words, the rules, practices and symbols of each institutional arrangement differentially shape, for example, how "resourceness" is perceived. Institutional arrangements, thus, represent frames of reference that condition actors' choices for sense-making and the rules by which they produce and reproduce their material subsistence, organize time and space and provide meaning to their social reality (Thornton and Ocasio, 2008; Thornton *et al.*, 2012). In other words, they provide guidelines on how to interpret and function in social situations (Greenwood *et al.*, 2011).

The idea that an institutional arrangement, such as a market, distinguishes unique organizing principles, practices and symbols, resonates well with Kjellberg and Helgesson's (2006, 2007) "markets-as-practices" framework, which is used in S-D logic as well (Lusch and Vargo, 2014; Vargo and Akaka, 2012). In their work, Kjellberg and Helgesson (2006, 2007) identify three fundamental market practices: exchange, normalizing, and representational. These practices are largely overlapping and considered to be bundles of practices including material arrangements that contribute to perform markets (Kjellberg and Helgesson, 2006). More recently Vargo and Akaka (2012) and Lusch and Vargo (2014) have extended Kjellberg and Helgesson's (2006, 2007) market practices perspective to a value co-creation practices perspective by reconceptualizing exchange practices, more generally, to "integrative practices". The concept of integrative practices is applicable to the institutionalized activities of resources-integrating actors in various situations, beyond mere "market" exchanges (see, e.g. Lusch and Vargo, 2014; Wieland *et al.*, 2015).

Combining the insights of value co-creation (integrative, representative and normalizing) practices and institutional arrangements (e.g., associated with a market, a religion or a culture) distinguishing unique practices, symbols and rules that guide human sense-making and action, starts to build a picture of how the "resourceness" of a potential resource emerge as an interplay of these elements. Representational practices are those that depict what a resource is and how it works, integrative practices are the routinized resource-integration activities related to specific value co-creation instances and normalizing practices are those that contribute to establishing rules or social norms related to the "resourceness" of resources and the ways resources are integrated. As these integrative, normalizing and representational practices result in unique sets of practices, symbols and organizing principles within each institutional arrangement, the different institutional arrangements guide actors' sense-making about the "resourceness" of potential resources in different ways.

As an example, consider of a pile of flat and smooth river stones. What kind of "resourceness" could they gain in different contexts under the influence of different

institutional arrangements? In Scandinavia, at one's home, the first thought could be to use the stones as a decorative piece by combining them with other decorative elements. In Hawaii, there is a special kind of hula, called hula "ili"ili, in which river stones are used as a musical instrument providing the rhythm for the dance. Hence, within this institutional arrangement, a stone becomes a crucial resource in the process of building cultural identity. Therefore, though it might not seem like it initially, the stones can actually have a lot of "resourceness," which changes depending on the institutional arrangement, that is used as the sense-making frame of the "resourceness" (Figure 2).

Some of the early institutional theory can be characterized as monolithic, that is, focusing on situations in which a prevailing institutional arrangement has isomorphic effects (see, e.g. DiMaggio and Powell, 1983). There is, however, an increasing number of studies that appreciate the multiplicity and heterogeneity of the institutions that make up the social world (Friedland and Alford, 1991; Clemens and Cook, 1999) and highlight their role as the source of change (Jarzabkowski *et al.*, 2009; Seo and Creed, 2002). The treatments and discussions of the co-existence of institutions have tended to be framed as a competition between two institutional arrangements with little suggestion of the possibility of ongoing complexity, that is, the presence of multiple institutional arrangements co-existing over extended periods of time (Greenwood *et al.*, 2011). The complexity of institutional arrangements, however, becomes very evident when insights from the institutional theory are combined with the service ecosystems perspective. That is, context, from a service ecosystems perspective consists of nested and overlapping networks of actors, as well as their associated institutional arrangements – i.e., other service ecosystems (Vargo *et al.*, 2015).

The service ecosystems perspective, hence, implies that human action is simultaneously enabled and constrained by several, sometimes inconsistent, institutional arrangements (cf. Clemens and Cook, 1999; Greenwood *et al.*, 2011). The resulting institutional complexity unfolds, unravels and re-forms over time, creating different circumstances to which actors must respond (Greenwood *et al.*, 2011). This institutional complexity is, therefore, in continual flux, as the meso and macro contexts emerge from the micro-level service-for-service exchanges (Lusch and Vargo, 2014) and in turn provide the context by which these micro-level exchanges are framed (Chandler and Vargo, 2011). This means that multiple "levels" of institutional arrangements simultaneously manifest themselves in the actions of resource-integrating actors in value co-creation. Furthermore, as the actors connect with one another through their service-for-service exchanges, they ultimately join their partially different and partially shared institutional constellations (Chandler and

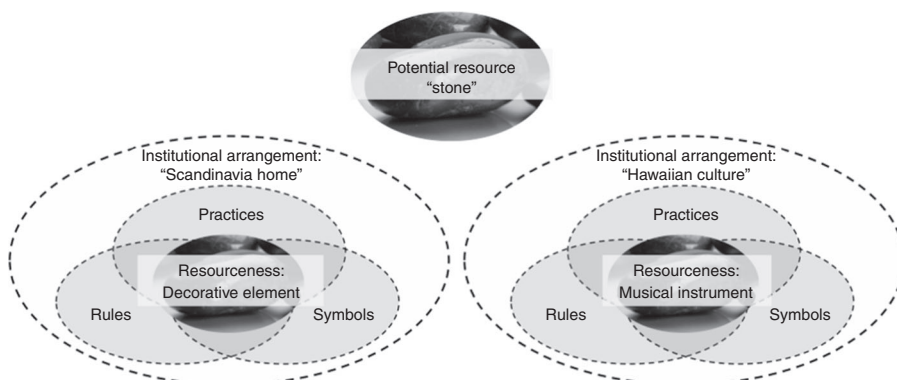


Figure 2. The "resourceness" of a potential resource emerges through the unique sets of practices, symbols and organizing principles of each institutional arrangement

Vargo, 2011). The overlapping and sometimes conflicting institutional arrangements influence the evaluations of experiences, such that similar experiences are often evaluated differently by different people, or even by the same person at a different place or time (Akaka *et al.*, 2013).

Whereas a single, dominating institutional arrangement (such as a prevailing paradigm in an academic discussion) brings forth stability, the complexity of institutional arrangements enables change (Friedland and Alford, 1991; Greenwood *et al.*, 2011; Thornton *et al.*, 2012). As people interact with each other and gain access to various institutional arrangements, they learn different sets of practices, rules and symbols that are applicable to similar situations. Due to the complexity of co-existing institutional arrangements, actors are able to use the guidance of multiple alternative institutional arrangements to combine potential resources in ways that results in the emergence of “new” kind of “resourceness” (cf. Arthur, 2009). In other words, actors can draw on multiple institutional arrangements as alternative frames to make sense of the “resourceness” of potential resources for specific resource integration instances. While actors reproduce behaviors consistent with the available institutional arrangements, due to the potentially conflicting nature of their guidance, actors also have the opportunity to synthesize and reconcile different institutional arrangements and notions of “resourceness,” and thus be creative. Hence, by using insights from S-D logic, with its service ecosystems and institutional theory perspective, this paper highlights the role of institutions in the process through which “resourceness” arises. It also points to the importance of institutional complexity in actor’s ability to afford new instances of “resourceness” to potential resources.

Discussion and theoretical implications

This systemic and institutional perspective highlights the contextual nature of resources and can be used to examine the process of resources-in-context “becoming”, that is, in gaining their “resourceness.” It especially draws attention to the crucial role of institutions and institutional complexity in this process. With some exceptions (see, e.g. Wieringa and Verhoef, 2007; Wittkowski *et al.*, 2013), there are relatively few approaches to service thinking that draw from institutional theory. On the other hand, S-D logic and its service ecosystems perspective has recently introduced institutions and institutional arrangements as one of its axioms (Vargo and Lusch, 2016). By drawing on a service ecosystems perspective (Chandler and Vargo, 2011; Lusch and Vargo, 2014; Vargo and Lusch, 2011; Vargo and Akaka, 2012) as well as institutional theory (Friedland and Alford, 1991; Jarzabkowski *et al.*, 2009; Scott, 2014; Thornton *et al.*, 2012), this paper extends this thinking by combining the process of resources “becoming” with institutionalization and conceptualizing institutional arrangements – and the unique sets of practices, symbols and organizing principles they carry – as the sense-making frames of the “resourceness” of potential resources.

Resource integration is seen as a central practice of value co-creation (Vargo and Akaka, 2012). In other words, value in service ecosystems is co-created by actors as they integrate resources from multiple sources (Vargo and Lusch, 2011). To integrate resources, resources-integrating actors must first be able to recognize the “resourceness” of potential resources available to them. Therefore, the ongoing process of affording potential resources their “resourceness,” becomes a prerequisite for resource integration and value co-creation. When connected to this omnipresent process of potential resources gaining their “resourceness,” the institutional approach shows its applicability for a wide range of social phenomena. Furthermore, the service

ecosystems perspective makes it possible to see the complexity, multidimensionality and the dynamic nature of the context, in which resource integration takes place (see, e.g. Akaka *et al.*, 2013). Aligned with Vargo and Lusch (2014), we argue that service ecosystems can be seen as interinstitutional systems characterized by institutional complexity, that is, the co-existence of multiple and intertwined institutional arrangements that become shared among the actors through resource integration and service exchange practices. As the diverse and partially conflicting institutional arrangements influence and guide actors' value co-creation efforts simultaneously, they create conflicts and tensions. If actors are capable of reconciling the institutional conflicts, the institutional complexity acts as a source for change (cf. Seo and Creed, 2002) and a prerequisite for the emergence of new instances of resourceness.

Hence, the conceptualization presented in this paper highlights the role of institutions and institutional complexity in the process through which "resourceness" emerges and new instances of "resourceness" come to be. This perspective enables seeing the concept of resourceness differently and, therefore, points to several questions and directions for future research. First, connecting institutions with the contextual nature of resources and better understanding the process of resources "becoming" provides opportunities for beginning to build a more unified basis for innovation theory that transcends the different "types" of innovation (e.g. technological, market and social innovation) currently prevailing in innovation research.

Second, by acknowledging institutional complexity as a source of change, this paper points toward the need for further research in understanding how (e.g. through which capabilities) actors are able to innovate by overcoming the institutional tensions and conflicts and reconciling between various competing institutional arrangements to be creative and realize opportunities for new kind of "resourceness" that may lead to new solutions for value co-creation. Connecting institutions to the conceptualization of resources-in-context and the process of how they "become" also has profound implications when discussing on sustainable strategic advantage of firms and larger networks or systems of actors as within these discussions resources are often treated as static and having "intrinsic" value.

A third, related, further research area is the need for better explanations about how actors influence and shape the institutional landscape in which they are embedded and, by doing so, also transform the perceived "resourceness" of potential resources. It is important to note that the relationship between resource integration and social contexts is recursive. This means that, as actors engage in value co-creation, they both draw on and contribute to the formation of the social norms, that is, institutions guiding value co-creation (Edvardsson *et al.*, 2011; Lawrence *et al.*, 2009; Vargo and Akaka, 2012). The underlying idea of this research theme concerns the much debated interplay between structure and agency. This debate is gaining attention also in the context of the study of markets, business networks and technology (see, e.g. Akaka and Vargo, 2014; Ehret, 2013; Mutch, 2010; Peters *et al.*, 2013).

Further research is also needed in order to understand how institutional arrangements and the related notions of "resourceness" become shared – in other words, how specific instances of "resourceness" institutionalize and become part of the structure guiding the everyday life of the resource-integrating actors. The systemic view on value co-creation implied by the service ecosystems perspective (see, e.g. Lusch and Vargo, 2014) supports the views suggesting that, instead of revolving around the efforts of single actors (e.g. firms), institutionalization as a process is spatially dispersed, heterogeneous activity carried out by actors with varying kinds of resources

(cf. Lounsbury and Crumley, 2007). As institutional arrangements change, the resourceness of potential resources changes as well. Understanding institutional change and actors' abilities to shape the context in which they are embedded is, therefore, very critical for innovation and market (re)formation (Vargo *et al.*, 2015).

Here the focus is on the contextual nature of resources and the role of institutions in affording potential resources their "resourceness." Previous research has also noted the contextual nature of value and the importance of institutions in the process of co-creating value and its valuation (see, e.g. Vargo and Akaka, 2012; Edvardsson *et al.*, 2014; Lusch and Vargo, 2014), but has not studied in detail how institutions actually guide actors in these situations. The conceptualization presented in this paper might serve as a starting point for theorizing about the role and influence on institutions when determining value-in-context.

In short, we suggest that a more holistic and systemic view of resource integration and value co-creation is needed, as "resourceness" is inseparable of the complex institutional context in which it is interpreted. We have started this work by synthesizing insights from S-D logic and its service ecosystems perspective with institutional theory. Further development of the notion of resources-in-context, however, requires drawing from even broader range of theoretical perspectives across research disciplines such as emergence (see, e.g. Harper and Lewis, 2012) and framing (see, e.g. Goffman, 1974; Callon, 1998). Therefore, more work, both conceptual and empirical, is needed to develop a more thorough understanding of "resourceness", as well as the dynamic nature of the complex institutional context, in which resource integration and value co-creation takes place.

Managerial implications

The key contention of this paper, namely that numerous institutional arrangements work simultaneously as sense-making frames for actors in the process of potential resources gaining their "resourceness," has also several managerial implications. As value is not something that can be produced and delivered by one actor to another actor (e.g. a firm to a customer), a key opportunity for sustainable business is to identify novel ways of co-creating value with other actors. To be part of the joint value-co-creation efforts, an actor needs to be able to serve other actors in a way that they will find useful for attaining their purposes. This means that the service (i.e. applied resources) that one actor is providing must have "resourceness" in the eyes of the other actors. In other words, the "resourceness" of an offering must be perceived as such by a service beneficiary before the offering is considered relevant.

Hence, from a managerial point of view, understanding how a potential resource (e.g. firm's value proposition) "becomes" a realized resource for a service beneficiary (e.g. customer) is highly critical in order to guarantee the success of one's business. This means that the potential resource should be viewed in the broader context of resource integration that includes also the surrounding social and cultural setting, that is, the institutional arrangements influencing and guiding actors in their sense-making of "resourceness." For example, when someone picks up a stone, it is impossible to know how he/she intends to use it without knowing more about the person and his/her surroundings. Only in the context of an institutional arrangement and other potential resources does the resourceness of the stone emerge (e.g. it is used as a decorative element or a musical instrument).

For a manager to be able to evaluate the "resourceness" of a firm's value proposition, requires profound understanding of the complex context comprising of numerous institutional arrangements that enable and constrain a service beneficiary in specific

resource-integration and value-co-creation instances, because it is the combined influence of the various institutional arrangements that afford potential resources their “resourceness.” The institutional context that frames resource integration at any given moment is multidimensional and includes both complimentary and inhibiting elements in the form of practices, symbols and organizing principles. It is important for managers to be able to identify these elements and try to maximize the benefits of the complementing institutional elements and minimize the influence of the inhibiting institutional elements. Being knowledgeable of various, partially conflicting institutional arrangements also makes it possible for managers to be able to reframe potential resources and discover new kinds of “resourceness” that enables the creation of novel value propositions.

Conclusions

The purpose of this paper has been to examine how resources get their “resourceness” by drawing from S-D logic and its service ecosystems perspective (Chandler and Vargo, 2011; Vargo and Akaka, 2012; Vargo and Lusch, 2004, 2011) and institutional theory, focusing especially on the contributions emphasizing the existence of institutional complexity (see, e.g. Greenwood *et al.*, 2011; Friedland and Alford, 1991; Thornton *et al.*, 2012). S-D logic and its service ecosystems perspective imply that the “resourceness” of potential resources depends on the multidimensional context in which they are embedded (Chandler and Vargo, 2011). This paper suggests that service ecosystems can be seen as an interinstitutional system in which the multidimensional context, comprising various institutional arrangements, is framing individual actors and resources on multiple “levels” at any given moment. This means that partially conflicting institutional arrangements are influencing on resource-integrating actors simultaneously. Actors can use the contradictory institutional arrangements, which distinguish unique sets of practices, symbols and organizing principles, as frames to make sense of the “resourceness” of potential resources and create new instances of “resourceness.”

Note

1. Originally Lusch and Vargo (2014) used the term institutional logics in their definition of service ecosystems. Since this term tends to be specifically associated with one stream of the organizational institutionalization literature, S-D logic has more recently begun using the term institutional arrangements instead (see, e.g. Vargo and Lusch, 2016).

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About the authors

Kaisa Koskela-Huotari is a PhD Student in the CTF, Service Research Center at Karlstad University, Sweden and a Research Scientist at the VTT Technical Research Centre of Finland. Her research interests lie at the intersection of value co-creation, innovation, knowledge creation and institutional theory. Kaisa Koskela-Huotari is the corresponding author and can be contacted at: kaisa.koskela-huotari@kau.se

Stephen L. Vargo is a Shidler Distinguished Professor and a Professor of Marketing at the University of Hawaii at Manoa. His primary research areas are marketing theory and thought and consumers' evaluative reference scales. He received AMA's Harold H. Maynard Award for "significant contribution to marketing theory and thought," and the AMA/Sheth Foundation Award for "long term contributions to the field of marketing."

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