



## Journal of Service Management

Service-dominant (S-D) logic, service ecosystems and institutions: bridging theory and practice

Irene C.L. Ng, Stephen L. Vargo,

### Article information:

To cite this document:

Irene C.L. Ng, Stephen L. Vargo, (2018) "Service-dominant (S-D) logic, service ecosystems and institutions: bridging theory and practice", Journal of Service Management, Vol. 29 Issue: 4, pp.518-520, <https://doi.org/10.1108/JOSM-07-2018-412>

Permanent link to this document:

<https://doi.org/10.1108/JOSM-07-2018-412>

Downloaded on: 27 August 2018, At: 01:17 (PT)

References: this document contains references to 13 other documents.

To copy this document: [permissions@emeraldinsight.com](mailto:permissions@emeraldinsight.com)

The fulltext of this document has been downloaded 62 times since 2018\*

### Users who downloaded this article also downloaded:

(2018), "Co-creating services—conceptual clarification, forms and outcomes", Journal of Service Management, Vol. 29 Iss 4 pp. 641-679 <<https://doi.org/10.1108/JOSM-03-2017-0067>>

(2018), "Shaping service ecosystems: exploring the dark side of agency", Journal of Service Management, Vol. 29 Iss 4 pp. 521-545 <<https://doi.org/10.1108/JOSM-02-2017-0026>>

Access to this document was granted through an Emerald subscription provided by All users group

### For Authors

If you would like to write for this, or any other Emerald publication, then please use our Emerald for Authors service information about how to choose which publication to write for and submission guidelines are available for all. Please visit [www.emeraldinsight.com/authors](http://www.emeraldinsight.com/authors) for more information.

### About Emerald [www.emeraldinsight.com](http://www.emeraldinsight.com)

Emerald is a global publisher linking research and practice to the benefit of society. The company manages a portfolio of more than 290 journals and over 2,350 books and book series volumes, as well as providing an extensive range of online products and additional customer resources and services.

Emerald is both COUNTER 4 and TRANSFER compliant. The organization is a partner of the Committee on Publication Ethics (COPE) and also works with Portico and the LOCKSS initiative for digital archive preservation.

\*Related content and download information correct at time of download.

## Service-dominant (S-D) logic, service ecosystems and institutions: bridging theory and practice

Over the last few decades, there have been significant shifts in the academic conceptualization of value creation and markets. The first is a move away from viewing them in terms of linear value chains, in which things (physical products) with embedded value are offered to waiting markets for consumption, to seeing them in terms of dynamic and processual, value-creating constellations (Normann and Ramirez, 1993) or systems (Maglio and Spohrer, 2008; Vargo and Lusch, 2011; Ng *et al.*, 2011). The second is a change from viewing value as something created by a single actor (e.g. a firm) in relative isolation, toward seeing value as a cocreative endeavor (Vargo and Lusch, 2004; Prahalad and Ramaswamy, 2000), with context playing an essential role. Of particular note in the discussion of context are institutions, such as social norms and conventions (Vargo and Lusch, 2016; Humphreys, 2010; Giesler and Fischer, 2017).

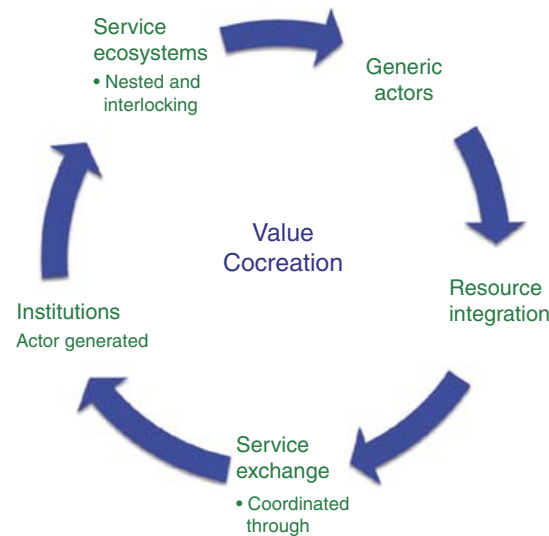
At the same time, service, a not-long-ago, all-but-ignored concept in much of the business literature, has increasingly become foregrounded. It has now been elevated to central status in subdisciplines such as service marketing and service management and also used to describe the focal activity of advanced, service economies and, aspirationally, by firms wanting to transition away from a traditional manufacturing identity to a service orientation. Indeed, with greater technological advancement, a service orientation is now essential for digital transformation and understanding digital and data markets.

S-D logic (Vargo and Lusch, 2004, 2008, 2016) represents an integration of these and related conceptual shifts into a service-based theoretical framework of value cocreation. It accomplishes this by first defining service in terms of a process of using one's resources for the benefit of another, rather than an output (i.e. an intangible product). It then identifies five axioms: service is exchanged for service (Axiom 1), the customer is always a cocreation of value (Axiom 2), all social and economic actors are resource integrators (Axiom 3), value is always uniquely and phenomenologically determined by the beneficiary (Axiom 4), and value cocreation is coordinated through actor-generated institutions and institutional arrangements (Axiom 5). The integration takes place through the conceptualization of a service ecosystem, which Lusch and Vargo (2014, p. 24) defined as a "relatively self-contained, self-adjusting system of resource-integrating actors connected by shared institutional arrangements and mutual value creation through service exchange."

This integrated framework, in turn, provides a narrative of value cocreation occurring through actors' integration of resources and exchange of service, enabled and constrained by endogenously generated, shared institutions (social norms, rules, symbols and other normative and heuristic guidelines) establishing dynamic, nested and overlapping service ecosystems, which provide the context for further value cocreation (see Figure 1). This metatheoretical narrative is intended to be applicable to all levels (e.g. micro, meso and macro) of aggregation, e.g. a dyad, family, organization, industry, cultural, etc.

Much, though by all means not all, of the work on S-D logic until now has been focused on developing this metatheoretical narrative. Hundreds of scholars from around the world have participated in its development. Recently, Vargo and Lusch (2017) called for additional midrange, S-D logic generated theory, which will link the framework more directly to practice and make it more subject to empirical testing. It was that call that motivated this special issue and served as a focus of the 2016 Forum of Markets and Marketing, with the explicit purpose of advancing S-D logic. Most of the following articles emanated from that forum, which was organized and hosted by Warwick University at their facility in Venice.





**Figure 1.**  
The narrative and process of S-D logic

Of the many papers submitted, the five that follow, in our opinion, will particularly advance the applicability and relevance of S-D logic.

In “Boundary objects for institutional work across service ecosystems,” Laszlo Sajtos and Michael Kleinaltenkamp explore the processes and mechanisms of boundary objects in facilitating institutional work across ecosystems. They present a novel conceptualization of a boundary object-led translation process in facilitating “institutional work.” It is one that supports the idea that these objects disrupt boundaries between actors’ ecosystems, a sufficient condition to dismantle institutional support for the practices of individual fields.

Suvi Nenonen, Johanna Gummerus and Alexey Sklyar’s in “Game changers: dynamic capabilities’ influence on service ecosystems,” advance the understanding of ecosystem change by proposing that dynamic capabilities are a special type of operant resources – resources that can act on other resources to provide benefit – enabling actors to conduct institutional work. Using a conceptual model, they explore which dynamic capabilities are associated with proactively influencing service ecosystems, and surmise that firms looking to do so should develop dynamic capabilities related to visioning, timing and influencing explicit institutions.

In the first S-D logic-based investigation into the “dark side” of actors’ agency in shaping service ecosystems, Suvi Nenonen, Valtteri Kaartemo, Cristina Mele, Angeline Nariswari, Jaquiline Pels, Kaj Storbacka and Carolin Wernicke take on the rarely-addressed issue of an actor’s deliberate attempts to influence a service ecosystem to achieve self-interested benefits, at the expense of the system. “Shaping service ecosystems: exploring the dark side of agency,” looks at how the process of shaping service ecosystems is prone to systematic conflict, ambiguous and opportunistic behaviors occurring between the focal actors’ ecosystem and other ecosystems vying for the same set of resources.

“A systemic logic for platform business models logic” by Julia A. Fehrer, Herbert Woratschek and Roderick J. Brodie challenges the idea of firms managing, influencing and controlling entire activity systems by introducing a new business-model logic. They highlight the value processes in, and properties of, platform business models to inform business-model thinking from a systemic and dynamic perspective. Derived from S-D logic, this systemic logic responds to phenomena in contemporary business environments characterized by increasing connectivity and sociality among actors. This conceptual paper systematically emancipates the business-model logic from a firm-centered, inside-out perspective and focuses on network relationships beyond the customer-firm dyad. It also explains value processes beyond organizational borders and rethinks value capture from a systemic perspective.

In “Institutional types and institutional change in healthcare ecosystems,” Tor Andreassen, Sara Leroy-Werelds, Oana-Maria Pop and Nadine Roijackers propose a typology of institutions enabling or constraining customer centricity and value cocreation in service ecosystems. They identify and illustrate nine types of institutions – culture, structure, processes, metrics, language, practices, intellectual property or IP, legislation and general beliefs – with examples from a healthcare context, and provide case study evidence on how pharmaceutical companies react to and induce institutional change.

This special issue contributes to the growing recognition that S-D logic and its institutional and service ecosystems framework not only provide the foundations of value cocreation in markets, but also in similar systems of resource-integrating and service-exchanging actors (Vargo and Lusch, 2016). In fact, the S-D logic framework is increasingly being used foundationally in a wide array of disciplines and subdisciplines both within and outside of business (Vargo and Lusch, 2017). In essence, acknowledgment and comprehension of the existence and role of institutions and ecosystems are increasingly being considered useful to, if not essential for, understanding value cocreation (Vargo and Lusch, 2011) in general. However, there remains much work to be done and all interested parties are welcome to participate.

**Irene C.L. Ng**

*Warwick Manufacturing Group, University of Warwick, Coventry, UK, and*

**Stephen L. Vargo**

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

### References

- Giesler, M. and Fischer, E. (2017), “Market dynamics”, *Marketing Theory*, Vol. 17 No. 1, pp. 3-8.
- Humphreys, A. (2010), “Megamarketing”, *Journal of Marketing*, Vol. 74, March, pp. 1-19.
- Lusch, R.F. and Vargo, S.L. (2014), *Service-Dominant Logic: Premises, Perspectives, Possibilities*, Cambridge University Press, Cambridge.
- Maglio, P. and Spohrer, J. (2008), “Fundamentals of service science”, *Journal of the Academy of Marketing Science*, Vol. 36 No. 1, pp. 18-20.
- Ng, I.C.L., Maull, R. and Smith, L. (2011), “Embedding the new discipline of service science”, in Demirkan, H., Spohrer, J. and Krishna, V. (Eds), *The Science of Service Systems*, Springer.
- Normann, R. and Ramirez, R. (1993), “From value chains to value constellations: designing interactive strategy”, *Harvard Business Review*, pp. 65-77.
- Prahalad, C.K. and Ramaswamy, V. (2000), “Co-opting customer competence”, *Harvard Business Review*, Vol. 78, January-February, pp. 79-87.
- Vargo, S.L. and Lusch, R.F. (2004), “Evolving to a new dominant logic in marketing”, *Journal of Marketing*, Vol. 68, January, pp. 1-17.
- Vargo, S.L. and Lusch, R.F. (2008), “Service-dominant logic: continuing the evolution”, *Journal of the Academy of Marketing Science*, Vol. 36 No. 1, pp. 1-10.
- Vargo, S.L. and Lusch, R.F. (2011), “It’s all B2B ... and beyond: toward a systems perspective of the market”, *Industrial Marketing Management*, Vol. 40 No. 2, pp. 181-187, doi: 10.1016/j.indmarman.2010.06.026.
- Vargo, S.L. and Lusch, R.F. (2016), “Institutions and axioms: an extension and update of service-dominant logic”, *Journal of the Academy of Marketing Science*.
- Vargo, S.L. and Lusch, R.F. (2017), “Service-dominant logic for 2025”, *International Journal of Research in Marketing*, Vol. 34 No. 1, pp. 46-67.

### Further reading

- Ng, I.C.L. and Wackenshaw, S.Y.L. (2017), “Internet-of things: review and research directions”, *International Journal of Research in Marketing*, Vol. 34 No. 1, pp. 3-21.