Service-Dominant Logic & Institutional Logics

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The Importance of the Right Logic

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

The Source: Smith’s Bifurcation (The Wealth of Nations)

- Model of Economic Exchange
  - Division of labor (specialized knowledge & skills)
- National Wealth Creation in Context or 1776
  - Export of knowledge/information embedded in people/things
  - “Productive” = “labor” contributing to surplus exportable, tangible goods
Wrong Thinking about Service(s): The G-D Logic Perspective

Value-enhancing add-ons for goods, or

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

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

Services Economy = Post Industrial = Less-than-desirable economic activity
FOUNDATIONS: SERVICE-DOMNANT LOGIC
A Partial Pedigree For S-D Logic

- Core Competency Theory
- Resource-Advantage Theory
- Network Theory
- Consumer Culture Theory
- Experience Marketing
- Services Marketing
- Relationship Marketing
- Theory of the firm

Service-Dominant Logic
An Extended Pedigree for S-D Logic

- Service-Dominant Logic
- Business Ecosystems
- Stakeholder Theory
- New Institutional Economics
- Human Ecology
- Service Science
- Market Practices and Performances
- Social Network Theory
Evolving to a New Dominant Logic for Marketing

Invited Commentaries on “Evolving to a New Dominant Logic for Marketing”

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

Service-dominant logic: continuing the evolution

Why “Service”?
Impact of S-D Logic

Marketing

Marketing Theory

The nature and processes of market co-creation in triple C's leveraging insights from consumer culture theory and service management.

Entertainment

Entrepreneurship: Service-Dominant Logic in Green Design and Healthcare

Towards a service-dominant professional identity
An organisational socialisation perspective

SD professional identity
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The online version of this article can be found at http://mtq.sagepub.com/content.pdf
Impact of S-D Logic

Tourism Marketing in an Era of Paradigm Shift

Xiang (Robert) Li and James F. Petrick

Abstract
The present article synthesizes the latest discussion on the future paradigm of marketing. Three alternative marketing perspectives are discussed: relationship marketing, the network approach, and the service-dominant logic. Additionally, their relevance to the field of tourism marketing is highlighted. It is revealed that tourism marketing researchers have started to echo the new marketing thoughts, although in-depth conceptual exploration is still lacking. Finally, the implications of these new marketing conceptualizations on tourism research, practices, and teaching are discussed, and it is concluded that the present tourism marketing research could be opened up by putting more emphasis on strategy research and we prefer not to acknowledge, or which we ignore on a fairly regular basis, and part of the “reflecting gaps in our theoretical understanding.”

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

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

Service-Dominant Logic – Exposing CPA Australia’s K-Strategy
Impact of S-D Logic

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

Daniel J. Amit
University of Tennessee, USA

S-D Logic

INNOVATION

Towards a Reconciliation of Resource-Advantage (R-A) and Service-Dominant Logic (S-D): Theories of Service Innovation in Social Marketing Context

Stefan Miro, Stephen W. Brown, and Andrew S. Golden

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

Service Innovation Viewed Through a Service-Dominant Logic Lens: A Conceptual Framework and Typology of Service Innovation from a S Logic Perspective

Kilborn Yuen
Carnegie Mellon University, Singapore

Xiao Hong Lee
Carnegie Mellon University, Singapore

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

Bo Edvardsson
CTF Center for Service Research, Karlstad University, Karlstad, Sweden, and

Pérd Tronvoll
Holmberg University College, Drammen, Norway and

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

Abstract

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

Design/methodology/approach: This conceptual paper offers a service-dominant logic lens and a service system foundation approach emphasizing active perspectives on service innovation. From the value of innovation artifacts in practice, the paper will use customer to discuss the key actors in creating value in context.

Findings: The paper shows how a service orientation in a service firm is conceptualized and then explores service innovation from the lens of S-D logic, emphasizing customer and service actor co-creation of value. The focus is on the interdependence between the configuration of resources in a service system and outcomes that shape customer and other actions when interacting resources and co-creating value.

Research limitations/implications: There is a need to discuss service innovation in a model-contextual view to better understand the framing principle of artifacts that enable actors to create value.

Originality/value: Service innovation is understood as narrated by design or design-oriented services, design or design-oriented services, and design-oriented service systems. The configuration provides a new definition of service innovation: a new framework describing the interdependency between changes in resources and service innovation and a new service system for design and design-oriented service systems. The paper further extends the introduction of service innovation framework.

Keywords: Service innovation, S-D logic, customer and service actor interaction, innovation, design-oriented services.

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# The Axioms of Service-dominant Logic

<table>
<thead>
<tr>
<th>Premise</th>
<th>Explanation/Justification</th>
</tr>
</thead>
<tbody>
<tr>
<td>FP1</td>
<td><strong>Service</strong> is the fundamental basis of exchange.</td>
</tr>
<tr>
<td>FP6</td>
<td>The customer is always a co-creator of value</td>
</tr>
<tr>
<td>FP9</td>
<td>All economic and social actors are resource integrators</td>
</tr>
<tr>
<td>FP10</td>
<td><strong>Value</strong> is always uniquely and phenomenological determined by the beneficiary</td>
</tr>
</tbody>
</table>
Clarifications: Service vs. Services

- **Services** = intangible products
- **Service** = The process of using one’s competences for the benefit of some party
  - The application of knowledge and skills
- **Service** *transcends* "goods and ‘services’"

There are No “Services” in Service-Dominant Logic
The S-D Logic Actor: Co-Creating through Resource Integration & Service Exchange

Actor: Resource Integrator (individual, family, firm, etc.)

- Market-facing Resource Integrators
- Private Resource Integrators
- Public Resource Integrators

Service

Economic Currency:

Social Currency

New Resources

Value

Public Currency
Micro Exchange Embedded in Complex (Eco)Systems of Exchange

S-D Logic

Supplier

Supply/Value Chain

Producer

Consumer

Resource Integrator/Beneficiary ("Firm")

Resource Integrator/Beneficiary ("Customer")

Supply/Value Chain
Resource Integration & Service-for-Service Exchange within Service-Ecosystems

Resource Integrator/Beneficiary ("Firm")

Resource Integrator/Beneficiary ("Customer")

Institutions

Resource Integrators
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)
- Both a resource and a restriction

Service Ecosystem (S-D logic)

- relatively self-contained, self-adjusting systems of resource-integrating actors connected by shared institutional logics and mutual value creation through service exchange.
Service Ecosystems: the Outcome and Context of Resource Integration & Service Exchange
“those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products” (DiMaggio and Powell, 1983, p. 143)

“the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize over time and space, and provide meaning to their social reality” (Thornton and Ocasio, 1999, p. 804).
Iron Cage of Institutions

...the care for external goods should only lie on the shoulders of the saint like a light cloak, which can be thrown aside at any moment. But fate decreed that the cloak should become an iron cage.
Max Weber, The Protestant Ethic and the Spirit of Capitalism, 1905

Once an institutional logic becomes dominant, it affects a firm's strategy and structure by focusing the attention of decision makers toward those issues that are consistent with the logic... Those that are in conformity with the dominant institutional logic are more likely to be legitimate and competitive and immune from change pressures (Thornton, 2002, p. 97-98)
Breaking the Logic

■ The core business (product business → service business)

■ Actors within the field

■ Measures of value
<table>
<thead>
<tr>
<th>Company</th>
<th>Initial value proposition</th>
<th>Current value proposition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avon</td>
<td>Books</td>
<td>Cosmetics</td>
</tr>
<tr>
<td>Nokia</td>
<td>Pulp mill (paper)</td>
<td>Cellular phones</td>
</tr>
<tr>
<td>3M</td>
<td>Mineral corundum</td>
<td>Innovative technology</td>
</tr>
<tr>
<td>Wrigley</td>
<td>Soap and baking powder</td>
<td>Gum</td>
</tr>
<tr>
<td>DuPont</td>
<td>Gunpowder</td>
<td>Chemicals</td>
</tr>
<tr>
<td>Raytheon</td>
<td>Refrigeration technology/Electronics</td>
<td>Defense contractor</td>
</tr>
<tr>
<td>Tiffany &amp; Co</td>
<td>Stationery</td>
<td>Jewelry</td>
</tr>
<tr>
<td>Hasbro</td>
<td>Textile remnants; school supplies</td>
<td>Toys</td>
</tr>
<tr>
<td>WPP (Wire and Plastic Products)</td>
<td>Wire shopping baskets</td>
<td>Advertising &amp; PR</td>
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</table>
Red and Blue Ocean Strategies
Based on Chan Kim and Mauborgne (2009)

Compete in existing market space
Beat the competition
Exploit existing demand
Make the value-cost trade-off
Align the whole system of a firm’s activities with its strategic choice of differentiation or low cost
“Defend Current Position” Perspective

Create uncontested market space
Make the competition irrelevant
Create and capture new demand
Break the value-cost trade off
Align the whole system of a firm’s activities with its strategic choice of differentiation and low cost
“Innovate & Pursue New Opportunities” Perspective
Managerial vs. Entrepreneurial Approaches to the Market

Managerial Thinking (Causal)
Distinguishing Characteristic
Selecting between given means to achieve a pre-determined goal

Entrepreneurial Thinking (Effectual)
Distinguishing Characteristic
Imagining a possible new end using a given set of means

CAUSAL vs. EFFECTUAL REASONING

Given Goal
- M1
- M2
- M3
- M4
- M5

Given Means

Imagined Ends
- M1
- M2
- M3
- M4
- M5
The Effectual Process of Innovation

S-D Logic

Expanding cycle of resources

Who We are
What We know
Whom We know

Actual Means

What can We do?

Actual courses of Action possible

Interactions with other people

Effectual stakeholder commitments

Converging cycle of constraints

New means

New goals

NEW MARKETS AND NEW FIRMS
Strategic Business Model Considerations

Societal Context:
Societal structures that need to be (de)institutionalized

Market-Level Context:
Market-, industry-, and brand-related structures that need to be (de)institutionalized

Provider-centered Processes:
Service provision practices
- Resource acquisition
- Resource integration
- Culture

Provider-centered Ecosystem:
Owned/accessible resources that can be applied to benefit some actor(s)?

Value Propositions:
Expected improvement in actors’ viability through other actor’s service?
- Service to be offered
- Co-production
- Value to be effected
  - JTBD
  - Experience desired
- Monetization
- Other provider benefits (brand development, WOM, etc.)

Value realization:
What is actor trying to achieve
- Jobs to be done
- Overall experience desired

Beneficiary-centered Ecosystem:
What personal/public/private resources must be available for service to be realized
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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