

Evolution of service research toward a systems approach

Professor Bo Edvardsson

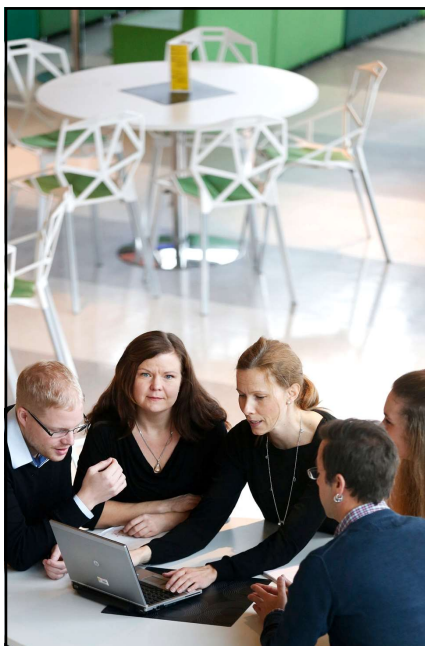
**CTF, Service Research Center, Sweden
Presentation at MIT course May 16th 2023**

Outline

- 1. Welcome to Service Research Center – CTF**
- 2. Assignment**
- 3. Evolution of service research**
 - From service as offering to service as a perspective on value co-creation
 - enabled by platformization and ecosystems
 - a systems approach to service
- 4. Summing up**



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1. CTF facts & figures

- Established in 1986
- Research, undergraduate and graduate education in collaboration with companies and other organizations
- Around 87 researchers and PhD students in business administration, working life science, computer science, psychology, political science and informatics
- International visiting professors



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Value creation through service





Paving way for collaborations

Being active in the international research community

- Publish in leading academic journals together with international scholars. International exchange is important.
- Involve businesses to collaborate in large grants applications
- Start research process from real challenges rather than theory gaps
- An international visiting professor program, with the ambition of contributing to the society
- An expert competence program (ISE), where short, digital, tailor-made courses are offered to match company needs
- CTF scholars give talks at conferences/companies, engage in media, take on board membership, offer commissioned advice



ROMA
TRE
UNIVERSITÀ DEGLI STUDI

Workshop on

**Sustainability
through Service
Ecosystem
Transformation**

Rome, 13-15 September 2022

Department of Business Studies
Roma Tre University

DECA

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AISME ACCADEMIA ITALIANA DI SCIENZE MERCEOLOGICHE

ServCollab

QUIS

Since 1988, the QUIS symposium brings together the best interdisciplinary academic research and management practices in a forum to advance the study of service – for CTF this has meant a strengthening of our international role.

QUIS18 will take place during June 20-23, 2023
at VinUniversity, Hanoi, Vietnam
The main theme: *“Re-imagining service to
enhance human life and society”*



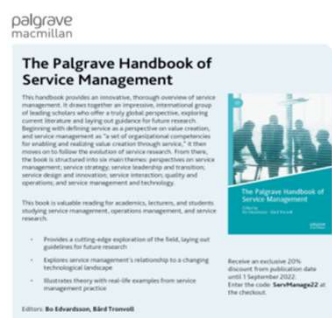
Research collaboration with companies

Joint research collaboration. Some notable examples:



Participation in executive development programs,
seminars, internal workshops etc to share CTFs
research results

Service Management: Evolution, Current Challenges, and Opportunities



Chapter 3 by
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Assignment

- Edvardsson, Bo and Tronvoll, Bård (2022). Service Management: Evolution, Current Challenges, and Opportunities. In Handbook of Service Management, Bo Edvardsson and Bård Tronvoll, Editors. Palgrave, London, chapter 3 pp. 35-52. eBook ISBN 978-3-030-91828-6. Print ISBN 978-3-030-91827-9
- Edvardsson, Bo, Tronvoll, Bård and Gruber, Thorsten (2011). Expanding understanding of service exchange and value co-creation: a social construction approach, Journal of the Academy of Marketing Science, Vol. 39, No. 2, pp. 327-339.

Read the book chapter and the article.

For each of the two articles, answer the questions:

1. What did you learn? What is the main message?
2. How can this be applied in business practice?



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Development of service research

1. Service vs goods (- 1977)

- Service defined in relation to goods
- Service characteristics - IHIP
- The service encounter

2. Breaking free from goods (1977-2004)

- Service quality
- Servicescape, service recovery, technology in services, service in manufacturing...

3. Service as the dominant logic (2004-)

- Service as a perspective on value creation
- From value in exchange to value-in-use
- Value is cocreated in service ecosystems

Peter Drucker : Management: Tasks, Responsibilities, Practices, 1974

• "It is the customer who determines what a business is. ...What the customer thinks he is buying, what he considers value, is decisive – it determines what a business is, what it produces, and whether it will prosper." p.61

• "And **what the customer buys and considers value is never a product. It is always utility, that is, what a product or service does for him**" p. 61

From Aristotle...

(384–322 BCE)

- Initiated the study of value: **Value theory**
- **Value paradox:** In general, there are two ways in which a product can be used:..

A shoe can be used for **trading**

Exchange value



A shoe can be used for **wearing**

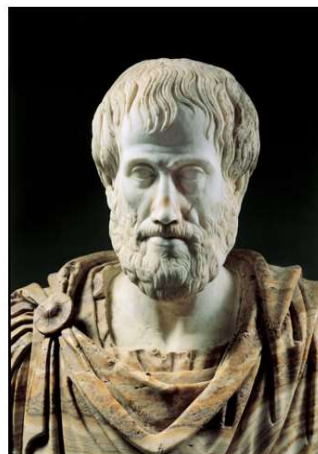
Use value

- **Market demand** is expressed through value-in-exchange (**price**)
- **Function** of use value (utility)
- Arise in **production** process

Dr Ilias Danatzis

- Subjective, individual perception of **utility** of a particular good or service
- Can **vary over time, between individuals**
- Arise in **consumption** process

Creating Customer Value



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...to Adam Smith

"The word VALUE, it is to be observed, has two different meanings, and sometimes expresses the **utility of some particular object**, and sometimes the **power of purchasing other goods** which the possession of that object conveys. The one may be called '**value in use**;' the other, '**value in exchange**.' The things which have the **greatest value in use** have frequently little or no value in exchange; and, on the contrary, those which have the **greatest value in exchange** have frequently little or no value in use. Nothing is more useful than **water**; but it will purchase scarce any thing; scarce any thing can be had in exchange for it. A **diamond**, on the contrary, has scarce any value in use; but a very great quantity of other goods may frequently be had in exchange for it" (Smith, 1776, p. 42)

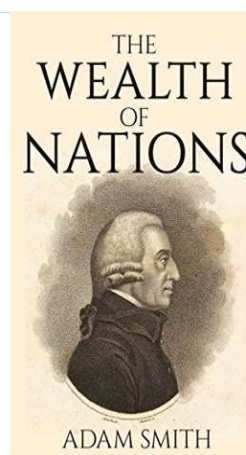


Dr Ilias Danatzis

vs.



Creating Customer Value



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Service characteristics

- **I** Intangibility
- **H** Heterogeneity
- **I** Inseparability
- **P** Perishability

"Sanningens ögonblick"



Reference	Definition of service
Bastiat (1848)	The great economic law is this: services are exchanged for services...it is trivial, very commonplace; it is nonetheless, the beginning, the middle, and the end of economic science
(Alderson, 1937); Alderson (1957)	What is needed is not an interpretation of the utility created by marketing, but a marketing interpretation of the whole process of creating utility
Rathmell (1966)	Goods are produced: services are performed
(Kotler & Connor Jr., 1977)	The importance of physical products lies not so much in owning them as obtaining the services they render
Lehtinen (1983)	A service is an activity or a series of activities which take place in interactions with a contact person or a physical machine and which provides consumer satisfaction
Lovelock (1991)	A service is a process or performance rather than a thing
Bateson (1992)	The heart of the service product is the experience of the consumer, which takes place in real time... it is the interactive process itself that creates the benefits desired by the consumer
Gummesson (1995)	Consumers do not buy goods or services, but rather purchase offerings that render services, which create value
Zeithaml and Bitner (1996)	Services are deeds, processes and performances
Grönroos (2000)	Service is a process consisting of a series of more or less intangible activities that normally, but not necessarily always, take place in interactions between the customer and service employee and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems.
Vargo and Lusch (2004)	Service is the application of specialized competences (knowledge and skills) through deeds, processes, and performances for the benefit of another entity or the entity itself
Edvardsson, Gustafsson and Roos (2005)	Service is a perspective on value creation rather than a category of market offerings. Cocreation of value with customers is key and the interactive, processual, experiential, and relational nature form the basis for characterizing service.
Lovelock and Wirtz (2007)	Services are processes (economic activities) that provide time, place, form, problem-solving or experiential value to the recipient
Vargo and Lusch (2016)	Service is a perspective on value and value is always cocreated, often involving multiple actors who integrate resources in service ecosystems. Institutional arrangements shape value cocreation.

Service(s)

- Service is a perspective on value creation and customers define service on the basis of value-in-use and **the resulting customer experiences.**
- Value is co-created with customers (and other actors) and not linked to units of output.
- Customers are resource integrators in the co-creation process.

... a service logic is becoming dominant!

- Focus on understanding, and providing opportunities for, **value creation!**
- **All** offerings render **service**
- Value is co-created during **usage**
- **Service is a logic which focus on how companies can support and enable customers' value-creation**



Clarifications: Cocreation vs. Coproduction



Coproduction is relatively optional.



Value is always cocreated

**Not what types of offerings you
have...**

**but instead what your offerings do
in the customer's business or life context**

Ford, C., Edvardsson, B., Enquist, B. 2012, Managing the Innovation Co-creation Challenge: Lessons from Service Exemplars Disney and IKEA. *Organizational Dynamics*, Vol. 41, pp. 281-290 .

This is the essence of value based competition

**Zooming out from a narrow
focus on offerings**

**Zooming in on dynamic
service ecosystems**

Service ecosystem

Defined as: “relatively self-contained, self-adjusting system of resource-integrating actors connected by shared institutional arrangements and mutual value creation through service exchange” (Vargo and Lusch 2016, pp. 10-11).



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Expanding understanding of service exchange and value co-creation: a social construction approach - Edvardsson, Tronvoll and Gruber 2011

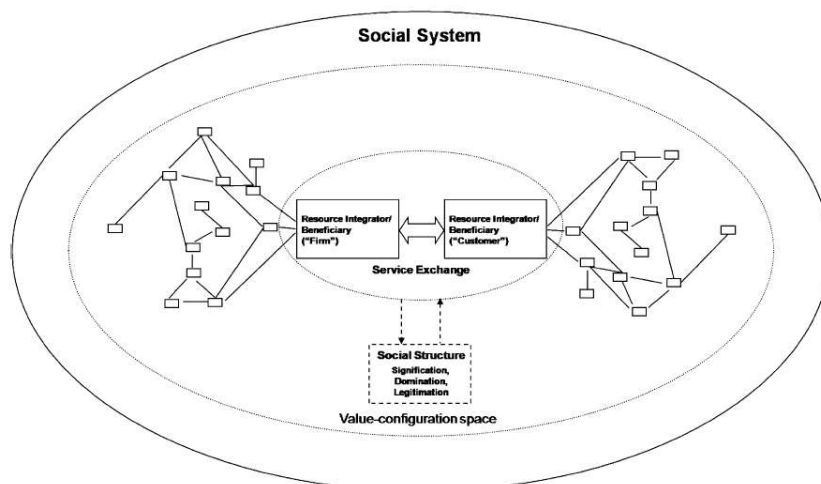


Figure 1 Expansion of S-D logic by incorporation of social structure and service/social systems (adapted from Vargo (2009a, b)).

- Structures of **signification** are institutionalized interpretive schemes, that is, the identities, beliefs, and values that lend meaning to people's actions.
- Structures of **legitimation** are institutionalized norms and rules. Drawing on Giddens' work, we define legitimation as the norms and rules that help us to know what we should do and how we should do it in this particular organization ([Staber and Sydow, 2002](#)).
- Structures of **domination** are institutionalized mobilizations of power ([Giddens, 1984](#)). The domination direct different actors access and deployment of the resources as well as the institutionalized authority relationships involved in mobilizing power, reflected in the representation of the interests of different groups within a social system ([Giddens, 1984](#)).

Digitalization, technology and Service platforms

- Information technology has enabled the growth and development of service innovations
- Examples: **Spotify, YouTube, Skype, Instagram, Twitter, TripAdvisor.....**
- More service providers rely on information technology to enhance resource integration and value co-creation



Mobile Apps



Challenges and opportunities

Service management focuses on a wide range of issues: **service experience, new business models, design for service, innovation** and leveraging **technology and platforms**.

A systems approach is needed

Platforms

Service platform - a space with structures designed for engaged actors' collaborative activities to enable value cocreation in the service ecosystem. Edvardsson & Tronvoll 2020

Platforms are often crucial in value-creating ecosystems for scaling up.

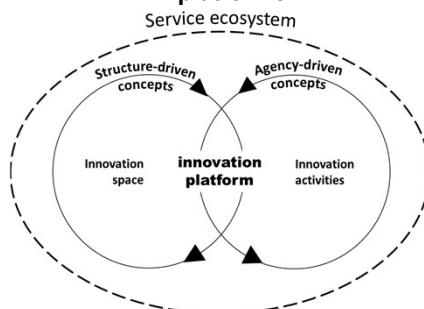
Platformization and Innovation in Service Ecosystems

The term “innovation platform” is defined as an approach that systematically facilitates external actors’ innovation with purpose to develop solutions to platform owners’ own problems and needs.

Source: Ojasalo, J. (2015), “Open Innovation Platform in a Smart City: Empirical Results,” The Journal of American Business Review Cambridge, Vol. 4 No. 1, pp. 195-202.



Figure 1: Innovation platform facilitated by digital service platforms



Ecosystems and innovation platforms

- **Innovation space** refers to an institutionalized practice organized outside - but linked to the ongoing business, designed to foster innovation.
- The innovation space includes a governance structure, forms of collaboration with outside experts, IPR, ways of selecting ideas for innovation projects.



Ecosystems and innovation platforms

- **innovation activities** refers to what actors with agency are doing when creating new and useful value propositions (VPs).
- The outcomes of innovation activities are manifested in innovative VPs.
- Innovation activities include the process from ideas to scaling up of innovations (e.g. simulations and testing, risk analysis and profit estimations).







Frontiers in Service conference, July 19-21, 2019 Singapore

How does Technology Platforms foster the Scaling up of Innovative Service Ecosystems?






Laura Di Pietro*, Bo Edvardsson**, Maria Francesca Renzi*, Javier Reynoso***



*University of Roma Tre, Italy ** Karlstad University, Sweden *** EGADE Business School, Mexico


Research Gap & Question


Call for more empirical and conceptual studies on service innovation (Ostrom et al., 2010, 2015).

Need for further empirical studies on the scaling up of service innovations (Wright and Stigliani, 2013).


Need to study the service ecosystem over time to find out how and why innovations scale up or diffuse (Aal et al. 2016)

“Technology is considered a *game changer* for service”
(Teixeira et al., 2017; Ostrom et al. 2015).





How does technology platforms foster the scaling up of innovative service ecosystems?

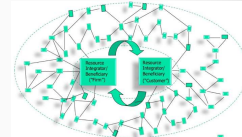


Key concepts (1/2)



Service Innovation = institutionalized change in service ecosystems that enables resource integration and value co-creation for engaged actors in new and useful ways (Edvardsson & Tronvoll, 2013).

Service Ecosystem = a relatively self-contained, self-adjusting system of resource-integrating actors, connected by shared institutional logics and their mutual value creation practices, which benefit engaged actors through their service exchange (Lusch & Nambisan, 2015; Vargo & Akaka, 2012; Vargo & Lusch, 2011).



“Scaling up” = the empirical phenomenon describing an **innovative service ecosystem's** ability to grow by attracting new customers and other actors (e.g. Den et al., 2010; Uvin and Miller, 1996; Harnish, 2014). It includes adjusting to and learning from new market and social conditions, such that it can create enough revenue and profits to enable **sustainable growth**. Scaling up implies spreading, diffusing, disseminating, and self-adapting an innovative service ecosystem to new market conditions.

(Di Pietro et al. 2018)

Aim

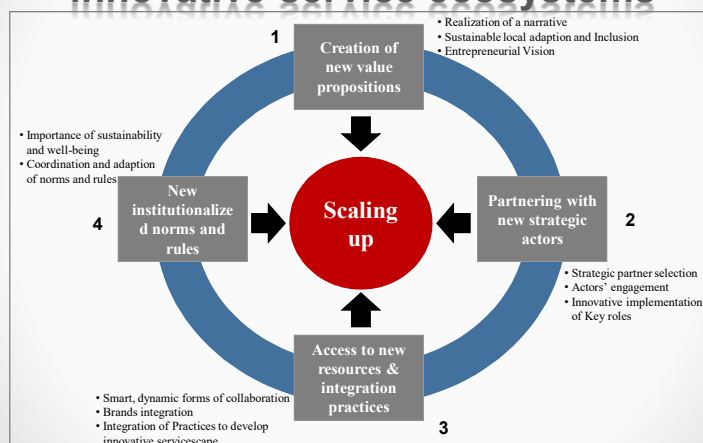
To extend the conceptualization of the scaling up of innovative service ecosystems by analyzing the role of technology platforms

We build on the 4 **empirically grounded drivers in the framework** suggested by Di Pietro et al (2018)

1. Creation of new value propositions
2. Partnering with new strategic actors
3. Access to new resources & integration practices
4. New institutionalized norms and rules



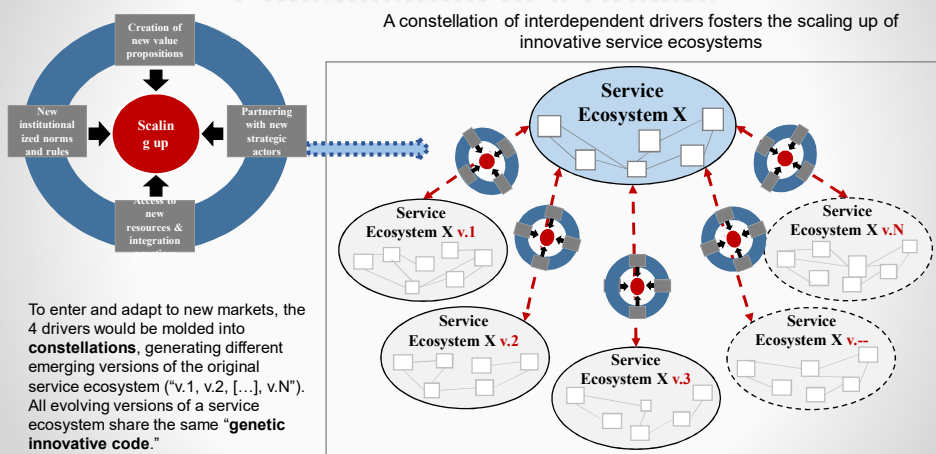
A framework for scaling up of innovative service ecosystems



Di Pietro
et al
(2018)

Constellation of 4 Drivers

A constellation of interdependent drivers fosters the scaling up of innovative service ecosystems



Edvardsson and Tronvoll (2019) in an article in **Organization Dynamics** suggest three types of platforms to enable service innovations.

Firm/ Innovation champion	Innovation platforms characteristics	Collaborating partners and innovation activities	Type of innovation platforms
IKEA Ingvar Kamprad	IKEA's innovation platform draws on extensive customer feedback to facilitate expert collaboration. The innovation platform focuses on upscaling fabrication across multiple actors.	Expert collaboration focusing on innovative lifestyle creation	Assembly focus
LEGO Ole Kirk Christiansen	The innovation platform supports collaboration among multiple actors by using ICT tools to reconfigure existing resources. The innovation platform encourages risk-taking innovative activities to identify new value propositions.	"Super-customers" participation in risk-taking brick building activities	
KidZania Xavier Lopez Ancona	KidZania's innovation platform focuses on enhancing learning through responsible roles linked to well-known brands. This distinctive business model involves experts from fields such as marketing, psychology, pedagogy and ludology, as well as from members of its board of directors. The company is actively developing an innovative learning platform to prepare kids for the adult world.	Expert collaboration in mixing brands to achieve innovative learning outcome	Brand constellation focus
Eataly Oscar Farinetti	Eataly focuses on the benefits of healthy, nutritious foods and culinary experiences from various Italian brands. The innovation platform is used to widen access to quality food and drink, based on a deep knowledge of what brands sell and serve. Eataly invites brand owners and customers to their innovation platform to disseminate ideas about the Italian lifestyle.	Expert collaboration to select brands to create an Italian lifestyle	Technology focus
Spotify Daniel Ek	Spotify's innovation platform is based on technical and legal expertise, using big data to analyze and advocate new offerings. The innovation platform invites record labels, media companies and artists to collaborate by creating, editing and sharing playlists and tracks on social media.	Expert collaboration combines technical, legal and music knowledge to enhance the listening experience	
Amazon Jeff Bezos	Amazon's innovation platform uses technology to encourage experts from different fields to search for advanced solutions that connect people to trade. The platform proposes that every actor can connect with others to trade merchandise and services.	Expert collaboration using technology and logistics to create a place to trade	



Thank you!



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