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## Article

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International Journal of Business Science & Applied Management (IJBSAM)

## Provided in Cooperation with:

International Journal of Business Science & Applied Management (IJBSAM)

*Suggested Citation:* Lamberti, Lucio; Paladino, Angela (2013) : Moving forward with service dominant logic: Exploring the strategic orientations of a service-centred view of the firm, International Journal of Business Science & Applied Management (IJBSAM), ISSN 1753-0296, International Journal of Business Science & Applied Management, s.l., Vol. 8, Iss. 1, pp. 1-15

This Version is available at:

<https://hdl.handle.net/10419/190646>

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## **Moving forward with service dominant logic: Exploring the strategic orientations of a service-centred view of the firm**

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### ***Abstract***

Service Dominant Logic (SDL) has been the subject of great conceptual debate over the past years. We are now clearly at a crossroad where application is required to cement its practical relevance to the organization and its performance. This paper extends the SDL debate, as founded by Vargo and Lusch (2004), by analyzing it through the lens of strategic orientations, in combination with a service-centred view of the firm. In doing so, the purpose of this paper is twofold. Firstly we aim to identify the existence of ‘common characteristics’ between SDL and existing conceptual orientations. Secondly, we go further to explore the conceptual relationships between these identified and empirically evaluated strategic orientations (market, resource, learning, service, and entrepreneurship orientations) and SDL theory. We proffer that a service-centred view of the firm requires the deployment of key facets of all of these strategic orientations. In this way, we argue that a SD ‘orientation’ emerges that is in essence a strategic orientation ‘combination’. In doing so, we develop a comprehensive framework and lay the foundation for the initiation of empirical work on SDL to further enrich the work initiated by Vargo and Lusch (2004). The paper concludes with a discussion of this framework, its implications for scholars and practitioners and areas for future research.

**Keywords:** service-dominant logic, strategic orientation, market orientation

## **1 INTRODUCTION**

Service-Dominant Logic (SDL) has been proposed as a unifying theory for marketing thought, and as such a topic at the forefront of marketing research. Despite a large number of studies that have analyzed the conceptual foundations of SDL (e.g. Madhavaram & Hunt, 2008; Vargo & Lusch, 2008), research on the applicability and utility of SDL for management practice is almost negligible (e.g. Payne et al., 2008). For instance, despite significant research seeking to contextualize marketing theories or specific cases in a service-centred view, literature has not yet been able to identify the practices adopted by a company endorsing SDL principles, nor has it nominated the strategic principles inspiring such practices. Thus, there is a dearth of literature analyzing the nature and the strategic orientations of a company endorsing the SDL principles. This is particularly relevant as the elicitation of strategic orientations represents the key for investigating the impact of a service-centred view on profitability.

To the best of our knowledge, no study to date has thoroughly explored (a) whether an orientation of a company encompasses the SDL principles and (b) if there is a relationship between such an orientation and other established strategic orientations. We posit that the ability to demonstrate such an intersection with established strategic orientations could provide the foundation for empirical research on the implementation of a SDL in firms and its impact on firm performance.

Service Dominant Logic (SDL) or the service-centred view (Vargo & Lusch, 2004), has been the subject of great conceptual debate over the past years. We are now clearly at a crossroad where application is required to cement its practical relevance to the organization and its performance. This paper extends the SDL debate, as founded by Vargo and Lusch (2004), by analyzing it through the lens of strategic orientations, in combination with a service-centred view of the firm. In doing so, the purpose of this paper is twofold. Firstly we aim to identify the existence of ‘common characteristics’ between SDL and existing conceptual orientations. Secondly, we go further to explore the conceptual relationships between these identified and established strategic orientations (market, learning, service, and entrepreneurship orientations) and SDL theory. We proffer that a service-centred view of the firm requires the deployment of key facets of all of these strategic orientations. In this way, we argue that a SDL ‘orientation’ emerges that is in essence a strategic orientation ‘combination’. In doing so, we develop a comprehensive framework and lay the foundation for the initiation of empirical work on SDL to further enrich the pioneering work initiated by Vargo and Lusch (2004).

In addition, concern has been expressed by marketing academics regarding the sharp decline in conceptual works, particularly in the review of past research and integrating that research to provide new conceptualizations of marketing issues (Yadav, 2010: 2). This paper seeks to work towards slowing this downward trend. Yadav (2010) calls for papers that add to discovery and/or justification. Specifically, we seek to advance knowledge through this conceptual paper, employing the context of discovery. Here, we synthesize existing ideas to combine previously unconnected fields of knowledge to explore a relatively new phenomenon that we recognize in the literature as SDL.

In order to set the basis for our arguments, we will review at first the basic concepts of SDL, in order to highlight its fundamental premises and its nature; by defining its conceptual prerogatives, we will introduce the concept of Service Dominant Orientation (SDO) to depict the strategic orientation of a company endorsing such prerogatives. Then we will analyze the linkage of this orientation with established strategic orientations that have already been discussed and analyzed in literature (namely market, resource, learning, entrepreneurial, and service orientations) in order to proffer an interpretation of SDO as a strategic orientation combinations, an idea that, since the established strategic orientations have already been operationalised, may provide useful operational tools for grounding empirical research on the diffusion, the antecedents and the outcomes of SDO. This represents the paper concludes with a discussion of this framework, its implications for scholars and practitioners and areas for future research.

## **2 LITERATURE REVIEW**

Debate in the SDL domain has centred on two main elements: the refinement of the SDL fundamentals (e.g. Ballantyne & Varey, 2008; Gummesson, 2008), and the analysis of company behaviours in a service-dominant perspective (e.g. Michel et al., 2008; Blezevic & Lievens, 2008), with a focus on co-creation and participative innovation (e.g. Payne et al., 2007; Mohr & Sarin, 2009). The former stream has led to a progressive redefinition of the SDL’s ‘fundamental premises’ (explained later), emphasizing the role of value networks in a SDL (Vargo & Lusch, 2008). Neither stream however works towards defining the strategic orientation of a company endorsing the SDL principles.

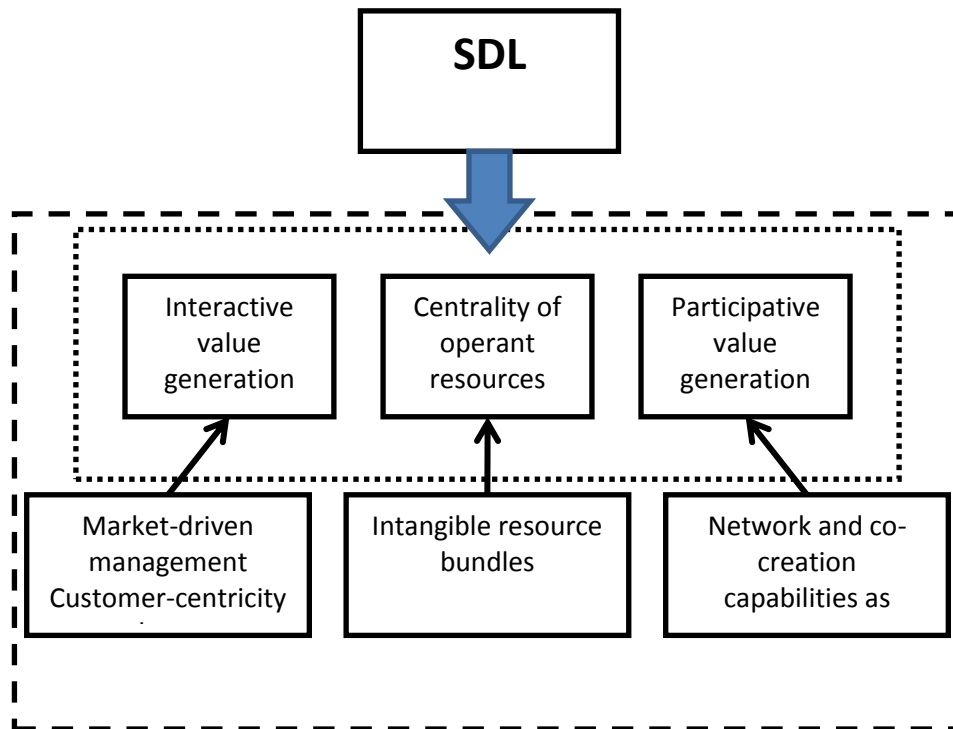
Vargo and Lusch (2004) synthesize their view of SDL by stating that *“increasingly, marketing has shifted much of its dominant logic away from the exchange of tangible goods and towards the exchange of intangibles, specialised skills and knowledge, and processes which [...] points marketing towards a more comprehensive*

and inclusive dominant logic, one that integrates goods with services and provides a richer foundation for the development of marketing thought and practice” (p. 2).

### 2.1 Principles of a Service-Centred View

The principles of a service-centred view are summarized by Vargo and Lusch (e.g. 2006a) in a number of fundamental premises (FP). These principles encompass three core concepts: (i) the centrality of operant resources; (ii) the interactive nature of value generation; (iii) the participative nature of value generation. We argue these notions are already reflected in part through various theories which we draw together to progress the development of SDL. Figure 1 reflects these ideas.

**Figure 1: Principles of SDL**



*The centrality of operant resources.* A central issue underlying SDL is the classification of resources involved in value generation and exchange. Consistent with Constantin and Lusch’s (1994) taxonomy of resources, there are two key resource groups for a firm (a) operand resources (i.e. tangible resources on which an operation is performed) as means for service delivery and (b) operant resources (i.e. intangible, e.g. human, organizational, technological or relational resources) employed to act on operand resources in value generation. In other words, goods are argued to be “distribution mechanisms for service delivery” (Vargo & Lusch, 2004). These notions clearly borrow learnings from the resource-based view, whereby operant resources are somewhat analogous to intangible resource bundles, which are largely dynamic in nature (Barney, 1995; Paladino, 2007), while operand resources are analogous to static resources, requiring deployment to become valuable for the firm, as well as the customer. These have been empirically assessed through the application of resource orientation (Paladino, 2007; 2008; 2009), thereby providing us with a starting point for empirical validation of these notions.

*The interactive nature of value generation.* The link between SDL and customer orientation has been identified since the seminal work of Vargo & Lusch (2004). The authors endorse the market-driven management principles (e.g. Day, 1994), as well as the explicit link with customer-centricity, which affirms the need for companies to establish an intimate level of customer knowledge and to pursue increased customization to meet evolving customer needs (Sheth et al., 2000, Shah et al., 2006, Wind & Rangaswamy, 2001). The conceptual link between SDL, market-driven management and customer-centricity lies in the relational view of resource exchanges in contemporary markets (Gummesson, 2008), whereby relationships are established and maintained through information exchange (Gummesson, 1990).

*The participative nature of value generation.* In FP6, Vargo and Lusch (2004) state: “the customer is always a value co-creator”. This statement derives from resource theory: moving from the assumption that: (i) operand resources are enabled by operant resources, thus market exchanges are but operant resource capabilities’ exchanges (Vargo et al., 2008); (ii) customer competences and firm’s customer relationship

capabilities are operant resources (Hunt & Madhavaram, 2006), and; (iii) one of the customer relationship capability is the customer linking capability (Day, 1994), specifically, the ability by the firm to establish and maintain valuable customer relationships, a conceptual antecedent of co-creation capability (Madhavaram & Hunt 2008). In this perspective, the participative nature of exchange and the systematic, proactive role of customers in value generation emerge as a foundation of a service-centred view (e.g. Etgar, 2008; Xie et al., 2008). Moreover, as highlighted by Vargo and Lusch (2008b), the participative architecture does not involve just the firm and the customer, but also, at least ideally, all the economic actors potentially interested in the value exchange. This is particularly evident in research addressing the innovation and SDL relationships, where the network of economic players emerge as co-creating actors in integrating resources (e.g. Michel et al., 2008).

Again, SDL research has emphasized the importance of the role of customers as value co-creators. Thus, as a consequence, a service-centred view requires the development of co-creation capabilities, given that customer orientation is a key component of co-creation orientation (Madhavaram & Hunt 2008). Co-creation capabilities theory is grounded in Day's (1994) work on customer linking capabilities. These essentially refer to creating and managing close customer relationships. Nonetheless, this is not the complete picture. While it addresses the establishment of a relationship aimed at co-creating value, it does not depict the operational approaches to co-creation. Vargo, Maglio and Akaka (2008), for instance, highlight that despite a strong interest in the issue, research has not explicated clearly what the processes involved in value co-creation are. Accordingly, it remains an area for further research. Moreover, as Payne et al. (2008) highlight, all value co-creation opportunities are strategic options, the accomplishment of which requires a relational exchange. This is also confirmed by Gronroos and Ravald (2009).

In accordance with the extant literature, SDL is identified as a general logic impacting on the nature of market relationships and, as such, with consequences on organizational policies and behaviours at both a micro- and a macro-marketing level (see for instance, Madhavaram & Hunt, 2008; Vargo & Lusch, 2006b). Though the authors emphasize that the managerial sphere of SDL is but a part of the domain of the theory, they also recognize that the analysis of the effects of SDL on management has thus far remained largely uncovered. To date, the SDL special issue organized by the Journal of the Academy of Marketing Science [JAMS, 36(1), 2008], has provided the most comprehensive and systematic contribution to the evolutionary debate on SDL. Some of the papers have focused on the refinement of the theoretical architecture of SDL (Vargo & Lusch 2008; Ballantyne & Varey 2008); others have analyzed the possible impact on business performances (e.g. Gummesson, 2008); a third stream, perhaps the most significant for the objective of this paper, has analyzed the managerial implications of SDL, establishing a link between individual theories and SDL, such as radical innovation (Michel et al., 2008; Blezevic & Lievens, 2008), co-creation and co-production (e.g. Payne et al., 2008; Doing et al., 2008; Etgar, 2008; Xie et al., 2008) or resource and service theory (Maglio & Spohrer, 2008; Arnould 2008). None of these have however drawn upon multiple literature bases to identify an underlying theme.

As SDL is a general theory of the firm, it cannot be tested in its current form. Thus, comparable to the marketing concept (and market orientation) (e.g. Kohli & Jaworski, 1990; Narver & Slater, 1990) and the resource based view (and resource orientation) (e.g. Paladino, 2007), a construct that applies the precepts of SDL is introduced. We introduce a new term, service dominant orientation (SDO), which assesses the extent to which a firm is oriented toward developing and nurturing interactive value generation processes, operant resources and participative value generation behaviours (see Figure 1). Thus, this strategic orientation is assessed at the same level of these comparable orientations.

### **3 ANALYZING THE LINK BETWEEN ESTABLISHED STRATEGIC ORIENTATION AND SDL THEORY**

Our idea in this paper is to establish a link between SDO and existing strategic orientations in order to (i) deepen the understanding of the strategic underpinnings of a SDO, (ii) set the basis for the development of a sound approach to identify a service-dominant orientation in practice.

In fact, the trend towards SDL in practice observed by Vargo and Lusch (2004) suggests that moving towards a service-centred strategy should be beneficial for companies. As noted by Olson and colleagues (2005), indeed, such a shift is determined by and influenced in terms of effectiveness; hence, finding the strategic orientation(s) of a company endorsing the principles of SDL could establish the basis for testing the hypothesized benefits for companies in terms of performance.

The service-centred view is not postulated as a "new" theory or a groundbreaking, radically innovative view of the firm, but rather as a trend, a progressive attitude observable in companies in response to competitive and market challenges (Vargo & Lusch, 2006a). It sounds reasonable, thus, that the strategic underpinnings of a SDO may be found in existing, established strategic orientations, and that establishing a conceptual link between SDO and existing orientation may help understand the common traits of SDO companies in practice and to actually test whether a SDO is beneficial. The SDL theory is so broad and general (Brodie, 2009) that rather than trying to encompass all the possible, different orientations at the basis of SDL, we will focus on a more

limited set, selected in the glance of two arguments: (i) level of debate in extant literature, (ii) the level of sophistication reached in the construct elicitation. The first argument follows the principle of relevance suggested by Zaltman and colleagues (1982) and Kohli and Jaworski (1990) for foundational studies in theory development; the second argument is instrumental: our objective is to establish these links also in order to support extensive, empirical research on SDL; the more linked strategic orientations are operationalised, the more SDO may enjoy the advantage of grounding on existing, reliable scales.

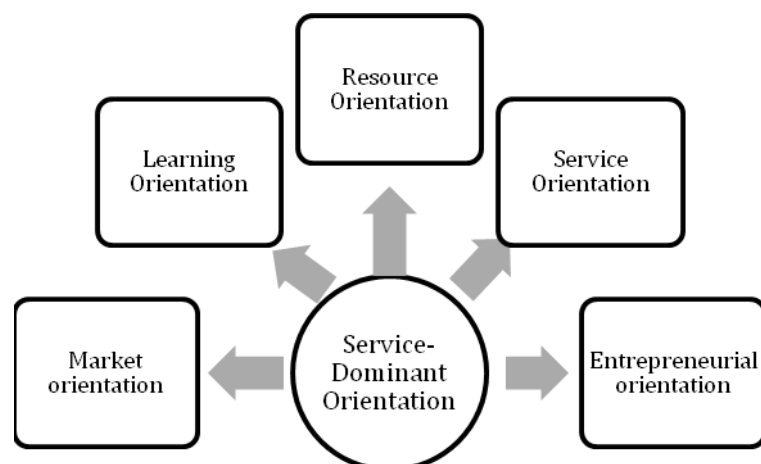
Upon a review of a vast literature of diverse strategic orientations, we identified five orientations which can respond to the two principles: market orientation (MO), resource orientation (RO), service orientation (SO), learning orientation (LO), and entrepreneurial orientation (EO). These orientations appear particularly relevant to be analyzed in relationship with SDL due to their complementarity: MO and RO actually depict two apparently diverging orientations, the former related to the marketing concept (i.e. the idea that the objective of the company is to satisfy customers in ways that remunerate the company – e.g. Lamberti & Noci, 2009), the latter to the resource-based view, which postulates that a company’s goal is to focus on its internal resource to generate value (Paladino, 2008). These orientations are thus, respectively, related to (i) an idea of “*read and react*” marketing (e.g. Jaworski & Kohli, 1990), in which the starting point of value generation lies in being able to understand customers’ needs and adapt internal resources to provide solutions; (ii) an idea of “*sell what you make*” marketing (Paladino, 2009), in which the company levers on its superior competences to develop products and solutions which marketing is asked to communicate to the market. SO has emerged as a concept as the service dimension of economic offering has gained momentum (e.g. Lytle et al., 1997), and as such encompasses the analysis of the customer relationship management approach by the company, which is essentially complementary to the “*philosophy*” of value generation which is depicted by MO and RO. Finally, LO and EO encompass the company’s approach to innovation. In fact, LO refers to the ability of the company to absorb knowledge from stakeholders and to turn such knowledge into changes in its behaviour and/or products (e.g. Lamberti & Pero, 2013), and as such has been considered a cornerstone in the huge literature about absorptive capacity (e.g. Cohen & Levinthal, 1990) and ambidexterity (e.g. Rothaermel & Alexandre 2009), but also as a fundamental lever to better accomplish the principles at the core of other orientations (e.g. Slater & Narver, 1995). EO, finally, depicts the general approach to competition by the company, i.e. its focus on radical innovation, its competitive aggressiveness, and its attitude to look for new ventures in a market (e.g. Lumpkin & Dess, 1996).

So, besides the importance and instrumental rationales, these five orientations were chosen also because they comprehensively encompass all the key-processes of the company’s approach to the market: innovation, marketing, customer relationship management and competitive behaviour. For this reason, analyzing the relationship between SDL and these orientations represents a useful exercise to analyze the managerial implications and the operational and strategic underpinnings of SDO all over the key-points of the company-market relationship.

We underline that we do not consider these five orientations the only ones whose relationship with SDL is worth to be analyzed, nor that SDO may be fully defined only as a combination of these five orientations. Rather, we believe that an initial analysis of the relationship between SDO and these orientations may provide an exploratory overview to set further research on the topic, and as such it is suited to the objective of the paper.

Table 1 summarizes the definitions and the key-references of each of the strategic orientations analyzed in this paper. In the following, the founding assumptions of these strategic orientations will be introduced and the conceptual link to SDL discussed.

**Figure 2: Conceptual framework: Service-Dominant Orientation and existing strategic orientation**



**Table 1: A Synopsis of Orientations**

Orientation	Description	Main references
<b>Market Orientation</b>	The strategic orientation of a company endorsing the marketing concept	Deshpandé & Webster, 1989; Olson, 1986; Kohli & Jaworski, 1990; Jaworski et al., 1993; Narved & Slater, 1990
<b>Resource Orientation</b>	The strategic orientation of a company that applies the principles of the resource-based view	Paladino, 2007; 2008; Peteraf, 1993; Teece, Pisano, & Shuen, 1997
<b>Service Orientation</b>	The service events, practices, and procedures within a work setting that expect and reward service excellence	Lytle, Hom & Mokwa, 1998; Hogan, Hogan & Busch, 1984; Lytle & Timmerman, 2006; Gonzalez & Garazo, 2006; Heskett, Sasser, & Schlesinger, 1997; Schneider & Bowen, 1995; Schneider et al., 2009
<b>Learning Orientation</b>	The organization-wide activity of creating and using knowledge to enhance competitive advantage	Calantone, Cavusgil & Zhao, 2002; Dixon, 1992; Argyris & Schon, 1978; Sherman, Berkowitz & Souder, 2005; Sinkula, Baker & Noordewier, 1997
<b>Entrepreneurial Orientation</b>	The practices, behaviours and activities encouraging entrepreneurship in the company, where entrepreneurship is the extent to which to which a company innovates, acts proactively, and takes risks	Covin et al., 2006; Lyon, Lumpkin, & Dess, 2000; Lumpkin & Dess, 1996, Hult et al., 2002; Wang, 2008; Baird & Thomas, 1985; Stewart & Roth, 2001; Runyan, Droge & Swinney, 2008

### 3.1 Market Orientation (MO)

*Founding assumptions.* Market orientation is the orientation of a company endorsing the marketing concept (e.g. Deshpandé & Webster, 1989; Olson, 1987). It is still one of the most debated topics in marketing strategy literature, and one of the first orientations to be measured. Two main conceptualizations of market orientation have emerged: on the one hand, market orientation as composed by intelligence generation (i.e. the ability of the company to acquire information about the marketing system), intelligence dissemination (i.e. the ability of the company to spread the information gathered about the marketing system to all the units directly or indirectly involved in the relationship with customers) and responsiveness (i.e. the ability of the company to respond to changes in the marketing system in a timely manner to meet evolving expectations) (Kohli & Jaworski, 1990; Jaworski & Kohli 1993). On the other hand, Narver and Slater (1990) conceptualize market orientation as a three-dimensional construct composed of customer orientation (i.e. the sufficient understanding of one's target buyers to create continuous superior value for them), competitor orientation (i.e. the sufficient understanding of the short-term strengths and weaknesses, long-term capabilities and strategies of both the key current and potential competitors) and inter-functional coordination (i.e. the coordinated utilization of company resources in creating superior value for target customers).

*Relationship with SDL theory.* SDL Fundamental Premise (FP) 8 states that “a service-centred view is inherently customer oriented and relational” (Vargo & Lusch, 2004). The authors also state that service dominance is customer-oriented and market-driven. Day (1994) argues that a market-driven company is inherently market oriented, as market orientation is the organizational orientation towards a market driven management; similarly, Vargo and Lusch (2004) highlight that SDL is customer-centric. Sheth, Sharma and Sisodia (2000) highlight that customer centricity is the extreme consequence of the application of the marketing concept in contemporary markets, underlining that market orientation represents the organizational shift from product centricity to the marketing concept. Madhavaram and Hunt (2008) argue that market orientation is a composite (that is, a second tier) operant resource. As a consequence, this implies that SDL, encompassing operant resources also by default, reflects the ideals of market orientation. As such, SDL can be assessed in part through the use of market orientation measures.

### 3.2 Resource Orientation (RO)

*Founding assumptions.* Resource orientation is the strategic orientation of a company that applies the principles of the resource-based view (RBV) (Paladino, 2007; 2008; 2009). The RBV sets the ultimate objective of a company to gain extra-profitability through the development of persistent and costly-to-imitate bundles (Peteraf, 1993; Teece et al., 1997). In this perspective, it emerges as a theory for driving performance through resources in a dynamic competitive environment (c.f. Barney, 1991; Collis & Montgomery, 1995). Unlike MO, which shows both an external and internal focus, in that it aims at developing a superior knowledge about the external environment and in developing internal bundles to meet evolving external expectations (Kahn, 2001), RO is inherently internally oriented. Indeed, its focus lies with the development of superior, stable and flexible bundles of firm resources (Paladino, 2007).

*Relationship with SDL theory.* Barney (1991, p.101) defines firm resources as “*all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc., controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness.*” In this perspective, resources are a central focal point of SDL (e.g. Arnould, Price & Malshe, 2006). By affirming that value is created by *operant* rather than by *operand* resources and that the customer is a value co-creator, SDL highlights that some operant resources are external to the firm (Day, 2006). Nonetheless, internal operant resources represent the levers for companies to create value in a SDL (Madhavaram & Hunt, 2008). Hunt and Madhavaram (2006) argue that the Resource-Advantage theory of competition, based on the premises of the resource-based view (see Hunt, 2002) is the competitive framework that could potentially lead to the development of a general marketing theory based on SDL. As such, service dominance encompasses the learnings of a resource-based view of the firm.

Accordingly, as the relevant resources in SDL are both internal and external in nature, SDL by default introduces us to an enlarged concept of RO. In fact, as customers and networks are external resources in a service-centred view (e.g. Arnould, Price & Malshe 2006; Gummesson 2008), customer orientation and competitor orientation can be classified as ‘resources’ (Hunt & Madhavaram, 2008) within the larger conceptualization of resource orientation.

### 3.3 Service Orientation (SO)

*Founding assumptions.* Service orientation has been defined as “*the service events, practices, and procedures within a work setting that expect and reward service excellence*” (Lytle, Hom & Mokwa, 1998, p. 457). Service orientation has been established at both an individual and organizational level. The individual level centres on understanding the disposition of individuals to be helpful, thoughtful and cooperative (Hogan, Hogan & Busch, 1984), while the organizational level focuses on the firm’s capability to develop and encourage policies and behaviours (also referred to as service climate) (Lytle, Hom & Mokwa, 1998; Lytle & Timmerman, 2006; Gonzalez & Garazo, 2006). A favourable service climate is established when an organization engages in a set of practices that encourage employee behaviours towards service excellence (Kelley 1992). Comparable with MO and RO, SO is also argued to be positively related to superior value creation, by increasing customer satisfaction and loyalty, growth, and, finally, profit (Heskett et al., 1997; Schneider & Bowen 1985; Schneider et al., 2009).

*Relationship with SDL theory.* According to SDL, people engage in exchange to acquire the benefits of services, while goods are “*transmitters of embedded operant resources*” (Vargo & Lusch, 2004, p.7). This is the starting assumption for Vargo & Lusch’s (2006a) FP3 (“*Goods are distribution mechanisms for service provision*”) and FP5 (“*All economies are services economies*”). The association between SDL and service orientation is thus quite overt (Brodie, 2009). With SDL, value is co-created with the customer (see also Boaretto, Noci & Pini, 2009; Payne et al., 2008) and exchanged through services (Brown & Bitner, 2006). It follows that, in order to create superior value, the organization must co-create superior services with the customer; to deliver superior services, the organization must employ its operant resources to provide customers with superior services. Thus, by default, it must develop a service orientation. The link between service orientation and SDL is also emphasized at an operational level. Brown and Bitner (2006) argue that SDL implies a radical change in the competitive differential, from products to employees, whereas Bettencourt and Brown (2003) show that poor service performance are driven by a poor service orientation, translated in role ambiguity and conflict by the employers. In this perspective, employee empowerment, one of the dimensions of service orientation (Lytle, Hom & Howka, 1998) represents a fundamental lever to apply SDL.

In summary, it is evident that a service orientation lies at the heart of a SDL. It is however somewhat diverse to the other orientations in its measurement and application. In fact, market orientation and resource orientation have been depicted as orientations at a corporate level (and, in fact, the measures were developed mainly with top managers or marketing managers) while their application at an individual level of analysis has been disregarded by comparison (e.g. Nath & Mahajan, 2008; Chiesa et al., 2009). In contrast, service orientation has emphasized the operational dimension and the role of the employees have been the core of the orientation (e.g. Schneider, Brief, & Guzzo, 1996). In fact, the Serv\*Or scale (Lytle, Hom & Mokwa, 1998), was purified through an empirical exercise involving all levels of employees rather than only top-level management. This is indicative of activities and behaviours conducted at an individual level of analysis.

### 3.4 Learning Orientation (LO)

*Founding assumptions.* Learning orientation has been defined as the “*organization-wide activity of creating and using knowledge to enhance competitive advantage*” (Calantone et al., 2002, p. 516). Learning orientation is argued to impact on the type of information gathered by the company (Dixon, 1992), as well as on its use in terms of interpretation and sharing (e.g. Argyris & Schon, 1978; Sherman et al., 2005). Sinkula, Baker and Noordewier (1997) depict a learning-oriented company as a company where learning is valued and promoted organization-wide and where there is a willingness to critically analyze routines and to accept new



ideas. It is not surprising, thus, that learning orientation has been associated to corporate innovativeness (Siguaw et al., 2006), and that this orientation has been associated also to market-driven management (e.g. Day, 1994).

*Relationship with SDL theory.* Under the tenets of SDL, the customers are value co-creators (see FP6), and the role of operant resources is to fine tune the service provision to customer needs (Vargo & Lusch, 2006b). This fine tuning is associated to information gathering from the market and consistent adaptation of behaviours to achieve positive performance outcomes (Payne et al., 2008) (see also absorptive capacity theory and dynamic capabilities theory; Teece, Pisano & Shuen, 1997). Information gathering deals with learning whereas adaptation is related to organizational open-mindedness, shared vision and commitment to learning, three of the four components of a learning orientation (Calantone et al., 2002). The fourth dimension, intra-organizational knowledge sharing, may be associated with SDL in that a learning-oriented company is inherently market focused (Slater & Narver, 1995). Thus it is accustomed to share intelligence among units (Kohli & Jaworski 1990). So, if we accept that market orientation is conceptually linked to SD-orientation, as a consequence, it is also structurally committed to knowledge sharing.

### **3.5 Entrepreneurial Orientation (EO)**

*Founding assumptions.* The conceptualization of EO has been widely debated in literature (e.g. Covin et al., 2006; Lyon, Lumpkin, & Dess, 2000). EO refers to the practices, behaviours and activities that encourage entrepreneurship in a company. It has been described as the extent to which a company innovates, acts proactively, and takes risks (e.g. Miller, 1983). Similarly, it has been described as the activities and processes leading to new ventures or market entry (e.g. Lumpkin & Dess 1996, Hult et al., 2002). In time, a shared vision of EO has emerged whereby it has primarily been associated to *market proactiveness*, i.e. the extent to which a firm anticipates and acts on future needs (Covin & Slevin, 1989; Lumpkin & Dess, 1996), and to *risk taking* (social, personal, psychological and strategic in nature), i.e. the extent to which managers are willing to make significant and risky resource commitments (Wang, 2008; Baird & Thomas, 1985; Stewart & Roth, 2001; Runyan, Droge & Swinney, 2008). EO has been the subject of wide debate given the lack of evidence supporting its often hypothesized positive relationship with performance (e.g. Dess, Lumpkin, & Covin, 1997; Hamel 2000; Wang, 2008). In time, EO has been analyzed in various contexts, that is, with a learning orientation, small business orientation, and so forth. In these instances, results generally have demonstrated a strong and positive relationship between EO and performance, particularly in new ventures, thereby renewing debate regarding the utility of this construct for larger organizations (Runyan et al., 2008; Wang, 2008).

*Relationship with SDL theory.* A link between SDL and EO may be established looking at the interactive nature of entrepreneurship orientation (Lumpkin & Dess, 1996): the concept of proactiveness strongly emerges in the operant resources theory, whereby, customers are classified as operant resources. In contrast, through the lens of SDL, these customers actively participate in value creation (Vargo & Lusch, 2004). SDL requires continuous fine-tuning between the company's operant resources and customers. It must accordingly empower employees and delegate decision making about customer management to the key resources that lie at the interface between the organization and the customer. As such, market proactiveness is stimulated by a service-centred view. Also, service orientation theory suggests that interface resource empowerment is a cornerstone for achieving superior service performance (Lytle et al., 1997). In accordance with customer centricity and SDL, firms seek external opportunities through their interaction with the customer, as well as through the empowerment of employees in the use of interface resources (Galbraith, 2005). These provide an organization with the ability to innovate, anticipate market changes and be a proactive player (Michel et al., 2008). These are not only elements of SDL but also key requirements of entrepreneurship and EO.

According to EO, risk is equated to resource commitment in proactive ventures, a strong component of SDL (Wang, 2008). In this perspective, the customer-centric nature of SDL (Vargo & Lusch, 2006a), which requires the consistent investment in customer management resources, new performance measurement systems and innovative organizational structures (Shah et al., 2006; Lamberti & Noci, 2010), supports the existence of a conceptual link between SDL and EO.

Thus, the link between EO and SDL stands in their interactive, resource focused and participative nature. Customer centricity (a focus on customers), the co-creative approach to value generation and the focus on operant resources in unison enable a firm to create value for both the customer and the firm. These notions are consistent with the tenets of all strategic orientations presented thus far.

**Table 2: The Link with SDL: A Review of the Founding Orientations**

Orientation	Founding assumptions	Conceptual Links with SDL
<b>Market Orientation</b>	<ul style="list-style-type: none"> <li>• Intelligence generation and dissemination (Jaworski &amp; Kohli, 1990)</li> <li>• Customer orientation and interfunctional coordination (Narver &amp; Slater, 1990; Slater &amp; Narver, 2005)</li> </ul>	<ul style="list-style-type: none"> <li>• FP8: “a service-centred view is inherently customer oriented and relational” (Vargo &amp; Lusch, 2006a)</li> <li>• Link with market-driven management and customer-centricity (Vargo &amp; Lusch, 2004)</li> <li>• Customer orientation as an operant resource (Hunt &amp; Madhavaram, 2008)</li> </ul>
<b>Resource Orientation</b>	<ul style="list-style-type: none"> <li>• Development of persistent, stable, flexible, costly-to-imitate resource bundles (e.g. Collis, 1991; Grant, 1991; Hitt et al., 1995)</li> <li>• Driving performance through resources in a dynamic competitive environment (e.g. Henderson &amp; Cockburn, 1994; Makija, 2003)</li> <li>• Inherently internally oriented (Paladino, 2006)</li> </ul>	<ul style="list-style-type: none"> <li>• Resource-centricity (e.g. Arnould et al., 2006; Gummesson, 2008)</li> <li>• Customer as value co-creator, thus as external operant resource (Day, 2006)</li> <li>• Resource-advantage theory (Hunt, 2002) as a RBV-based possible competitive framework for SDL (Hunt &amp; Madhavaram, 2006)</li> <li>• Establishment of MO drives resource empowerment (Lamberti &amp; Noci, 2009)</li> </ul>
<b>Service Orientation</b>	<ul style="list-style-type: none"> <li>• Disposition to be helpful, thoughtful and cooperative (e.g. Hogan, Hogan &amp; Busch, 1984)</li> <li>• Capability of the firm to develop and encourage policies and behaviours for service excellence (e.g. Lytle, Hom &amp; Mokwa, 1998)</li> </ul>	<ul style="list-style-type: none"> <li>• People as transmitters of embedded operant resources (e.g. Vargo &amp; Lusch, 2004)</li> <li>• Value co-creation requires service excellence in operant resources and suited policies (Boaretto, Noci &amp; Pini, 2009; Payne et al., 2008; Brodie, 2009)</li> <li>• Shift in the differentials from products to employees driving empowerment (e.g. Brown &amp; Bitner, 2006)</li> </ul>
<b>Learning Orientation</b>	<ul style="list-style-type: none"> <li>• Centrality of information gathering, interpretation and sharing (Dixon 1992; Argyris &amp; Schon, 1978; Sherman et al., 2005)</li> <li>• Learning valued and promoted &amp; willingness to critically analyze routines (Sinkula, Baker &amp; Noordewier, 1997)</li> </ul>	<ul style="list-style-type: none"> <li>• Fine-tuning of value creation with customers requiring information gathering and adaptiveness → organizational open-mindedness, shared vision and commitment to learning (Vargo &amp; Lusch, 2006; Payne et al., 2008; Teece, Pisano &amp; Shue, 1997)</li> <li>• Learning is linked to market-driven management (Siguaw et al., 2006), and SDL is market driven (Vargo &amp; Lusch, 2006a)</li> </ul>
<b>Entrepreneurial Orientation</b>	<ul style="list-style-type: none"> <li>• Market proactiveness and anticipation of future needs (e.g. Covin &amp; Slevin, 1989; Lumpkin &amp; Dess, 1996)</li> <li>• Risk taking and willingness to make resource commitments (e.g. Wang, 2008; Baird &amp; Thomas, 1985; Stewart &amp; Roth, 2001; Runyan, Droge &amp; Swinney, 2008)</li> </ul>	<ul style="list-style-type: none"> <li>• Interactivity for value co-creation requiring open-mindedness and operant resource commitments (Lusch et al., 2009)</li> <li>• Proactiveness is a key feature of operant resources (Vargo &amp; Lusch, 2004)</li> <li>• Customer-centric nature of SDL requires ad-hoc internal resources for customer management, new PMS and organizational structures (e.g. Shah et al., 2006) → risk taking and resource commitments</li> </ul>

#### 4 DISCUSSION

It has been clearly articulated by Yadav (2010) that more conceptual works are needed in high impact journals. It has also been recognized that such conceptual works *are synergistically intertwined with other conceptual and empirical contributions* (p. 5). Using discovery as a basis for contribution, this paper has reviewed and synthesized a large body of literature to take us forward towards empirically assessing SD - orientation as a construct and thereby enabling researchers to quantifiably assess its impact on various facets of performance. To achieve this we have also provided a synthesis of previously unconnected fields of knowledge. This has not yet been achieved in the extant literature and as such represents a considerable contribution.

SD-logic, thus, emerges as a unifying theory for marketing thought, and in this perspective it urges marketers to modify the traditional ways to approach strategies and decisions (Ballantyne & Aitken, 2007). Since their seminal work on SD-logic, Vargo and Lusch have emphasized that a service-centred view of the firm must be translated into requisite behaviours to enable a firm to attain a competitive advantage: “a service-centred view [...] implies that the goal is to customize offerings, to recognize that the consumer is always a co-producer, and to strive to maximize consumer involvement [...] the resources must be developed and coordinated to provide (to serve) desired benefits for customers [...] It challenges marketing to become ... the predominant organizational philosophy and to take the lead in initiating and coordinating a market-driven

*perspective [...] [Service-centred firms] must establish resource networks and outsource necessary knowledge and skills to the network [...] and they must learn to manage their network relationships” (Vargo & Lusch, 2004, pp. 12-13).*

Literature contends that the accomplishment of a competitive advantage through a service-centred view lies in the translation of the SDL principles into consistent behaviours within the firm (e.g. Vargo & Lusch, 2008). On the other hand, the implementation of these behaviours, in turn, have been argued as being encouraged, developed and institutionalized through the development of one or more orientations (e.g. Lusch et al., 2007; Ballantyne & Varley, 2006). This demonstrates a shift in the literature towards an understanding of the actions that a company chooses to pursue when applying the principles of a service-centred view. This illustrates a movement towards the conceptual development of what we term a service-dominant orientation (see, for instance, Gummesson, 2008). This is particularly salient for two reasons. Firstly, this step represents a significant starting point towards the development of a strategic measure of a service-centred view. This is comparable to past works, including that of the marketing concept and the resource-based view, which have provided an important lever for the theoretical development and empirical testing of their respective orientations, namely market orientation (Jaworski & Kohli, 1988; Narver & Slater, 1990; Slater & Narver, 2006) and resource orientation (Paladino, 2007; 2008; 2009). Secondly, as noted by Venkatraman (1989), the conceptualization of strategic orientations is the key to enable the development of reliable, valid measures and move forward with empirical research.

Overall, this paper contributes several relevant insights. First, it shows that SDL encompasses several different strategic orientations, systematizing established knowledge in a broader theoretical perspective. This provides support for the contentions put forward by Vargo and Lusch (2006a), where they note that the response in the academic community to SDL ranges from scepticism to enthusiasm, passing by an intermediate state of consideration of the theory as a new “*package*” making sense out of formerly established concepts. Indeed, SDL plays a noteworthy role under both a theoretical and practical viewpoint in marketing wisdom. In fact, several studies have demonstrated that companies indeed reflect the concurrent application of several orientations (e.g. Paladino, 2008). As such, analyzing the impact of a single orientation at any one time is but a limited view of the strategic orientation-performance link (Paladino, 2009). Olson and colleagues (2005), for instance, contend that concurrent orientations are naturally and systematically in play in companies; this leads the authors to state that “*the message for managers is not to ignore any of the orientations but rather to prioritize them*” (Olson, Slater & Hult, 2005, p.61).

Though literature concerning the relationship between a single orientation and firm performance has often shown positive effects (e.g. Cano, Carillat & Jaramillo, 2004), it has fallen short in justifying or explaining why some variables remain insignificant or indeed surprisingly depict negative relationships (e.g. Grewal & Tansuhaj, 2001; Han, Kim & Srivastava, 1998). In this paper, we note that the conceptual links between the different strategic orientations of a service-centred view are both direct and indirect. Hence, strategic orientations emerge not only as complementary, but also in many cases as synergistic and conceptually entwined. Moreover, literature has observed that the concurrence of strategic orientations either enhances the predictive power of the orientation/performance models (e.g. Olson et al., 2005; Paladino, 2008) or elicits superior performance than the application of a single orientation (e.g. Paladino, 2009; Zhou et al., 2005). As such, it is reasonable to hypothesize that using a SD-orientation as a predicting or a moderating variable in the relationship between strategic (marketing) behaviour and firm performances should provide interesting insights on the actual effectiveness of SDL in practice and also refine the outcomes related to single orientations in past studies in a broader framework. In particular, we believe that the measures already developed for the single orientations may be used conjointly in order to, at first, understanding how pervasive SDO is practice, in which industries, size-classes, level of competitiveness in the market or other dimensions of classification SDO is more adopted or present and inferring about why it is like this. Finally, by studying the impact of the concurrent orientations on business performance, a preliminary discussion of the sustainability of a SDO in practice can be faced.

Further, we presented a synthesis of orientations that have been empirically evaluated that could in parts assist towards empirically assessing SDL without the need to ‘reinvent the wheel’. We also contend that there are environments in which a SD-orientation may be ineffective, just as this is the case for the multiple orientations that we have reviewed. Curiously, most of the empirical research in the SDL domain, has focused on interpreting phenomena from a SDL perspective (e.g. Ngo & O’Cass, 2007; Etgar, 2008) or in eliciting confirmation of SDL theory in company behaviours (e.g. Lusch, Vargo & Tanniru, 2010; Warnaby, 2009). These studies often do not consider that SDL may be affected by contingencies, and as such, remains a gap in the literature to be explored.

Finally, it is interesting to notice a consequence of the above-mentioned existence of studies showing negative relationships between the strategic orientations analyzed in this paper and business performance, at least under specific circumstances (e.g. Cano et al., 2004; Lumpkin & Dess, 1996; Han et al., 1998; Wiklund, 2000; Theoharakis & Hooley, 2008). This means that a SDO, if seen as the combination of other strategic

orientations, might not be beneficial for the firm under certain circumstances. Obviously, empirical research on the topic, which can be now grounded in the framework presented in this paper, could provide evidence supporting or refuting this statement. Up until now, to our best knowledge, SDL scholars have not yet considered the area of application of the SDL paradigm. In the glance of the results of this paper, we contend that there is a possibility that SDO may be (temporally) ineffective in presence of specific contingent elements, and this is a very important outcome in enhancing the falsificability of the SDL theory, thus its scientific value.

## **5 MANAGERIAL IMPLICATIONS**

Since the managerial implications of each of the strategic orientations have been widely discussed in the respective literature, the main area of interest for this work deals with the management implications of concurrent orientations. Olson and colleagues (2005) suggest that there is the need for companies, when endorsing multiple orientations, to “*prioritize*” them. As strategic orientations may be (at least partly) contradictory (e.g. a resource orientation emphasizes the role of internal resources while market orientation stresses more on the interface and external ones), the endorsement of a SDO may generate organizational stresses. Hence, implementing a SDO should pass through an identification of the common traits of the different orientations, and by an increased emphasis on them in order to move the organizational culture towards a service-centred view. The main common trait of all the orientations presented is the knowledge-centricity. In fact, beyond the obvious knowledge intensity of a learning orientation, as Day (1995) notes, marketing capabilities in a market orientation lie also in the ability to generate market knowledge; a resource-based view emphasize how superior knowledge is a key, difficult-to-imitate resource bundle; service orientation, by focusing on interactions and adaptability, remarks market knowledge and employee empowerment as fundamental levers to pursue service excellence, and; finally, entrepreneurship emphasizes the ability to get knowledge and information before competitors to be proactive. So, the development of a SDO appears intimately linked to the ability by the top management to nurture behaviours suited to continuously gathering and sharing knowledge about the market, but also to empower employees by making them more prone and able to provide customized responses to customer requests. An increase in the knowledge-intensity, also through an increased autonomy by employees, of the company is thus required to pursue genuinely service-centric behaviours.

Nonetheless, it must be noted that the gradual shift towards the service-centred view, and indeed the greater autonomy for employees, enables a structural driver of complexity occurring in whatever service company: an increase in variability in the offer provision, due to the human-centricity of a service-centred view making it structural to obtain heterogeneous levels of performance by employees in the interaction with customers. This is particularly remarkable taking into account how co-creation becomes a structural value generation activity, and sets the basis for the development of new offers: different level of effectiveness in the interaction with the customers may lead to very diversely effective ideas for new product/new service development. This remarks once more how the resources involved in the establishment of a SDO do not belong only to marketing units, but also R&D, customer service, sales, technical assistance, etc. Thus SDL impacts each organizational function and as such, the company’s mission and business model, urging companies to assume customer-centred approach in all their processes. Over the last few years, several calls for an increase in the degree of influence of marketing throughout the organization has placed renewed focus on areas including customer-centricity (e.g. Sheth et al., 2000; Shah et al., 2006), marketing awareness and skills in strategic decision making (e.g. Homburg et al., 1999; Lamberti & Noci, 2012). These outcomes support the idea of a shift towards SDL. In this respect, as Vargo and Lusch (2004) suggest that the service-centred view is not only a trend in business, but also a general logic for the public sector, even if in this view evidence is much more limited. Nonetheless, the idea of co-creation in the public sector is not new, and it may assume different forms, including stakeholder participation in decision making (e.g. Jamal & Getz, 1999; Lamberti et al., 2011; Li, 2006).

Finally, it must be noted that the turn towards an increasingly customer-focused, knowledge-intense company with an increased autonomy by employees makes it harder and harder to communicate a solid, univocal brand identity when approaching the market, especially whereas companies are large, hence with a large number of both customers and employees interacting with the customers. This remarks how the challenge of a shift towards a service-centred view is not merely cultural in nature, but it clearly depicts important challenges at an organizational level, and especially in the establishment of business processes able to leave enough degrees of freedom to interface resources when interacting with customers, but maintaining an identity and a clear positioning in the overall relationship with the market, fundamental to get market success.

## **6 CONCLUSIONS**

This study investigated the conceptual linkages between SDO, i.e. the strategic orientation of a company endorsing the SDL principles and established strategic orientations in order to provide a first framework of the characteristics of a company endorsing a service-centred view of the firm. The choice of five strategic

orientations that are (i) established in literature, (ii) debated in terms of operationalisation and managerial implications, (iii) impacting on the main processes of market relationship by the company, provided a first comprehensive understanding of the nature of the impact of a SDO on the company-market relationship.

In this perspective, the main contribution lies with the identification of primary strategic orientations that build towards the establishment of a service-centred view, setting the basis for further research examining the link between SD-orientation and firm performance. We also briefly introduced the notion of a SD-orientation, as comparable terminology to alternative orientations that are employed when examining the *application* of the tenets of the broader theory, in this case, SDL.

We show that the five strategic orientations identified and analyzed (market orientation, resource orientation, service orientation, and learning orientation), selected among the countless orientations proffered in literature in the glance of relevance and operationability arguments, have strong conceptual associations with SDL, thus with SDO. As such, SDL acts as a framework where concurrent orientations coexist. Moreover, we show that a part of these linkages are indirect in nature, depicting possible correlations among strategic orientations. This assists managers in prioritizing the orientations and provides scope further research to examine the nature and effects of these interdependencies.

In conclusion, we contend that this work represents a first step to develop a framework to build towards an empirical assessment of SDL. We do not contend that the framework is definitive or complete. Indeed there is scope for further orientations to potentially be linked. Nonetheless, the main goal of this paper tackled with reinforcing the linkage between the SDL theory and current managerial and marketing wisdom and to set the basis for a development of empirical research on SDL. Indeed, we hope that this review will motivate an empirical stream of inquiry to further our knowledge and understanding of the applicability of this area of research.

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