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Service co-production and value co-creation: The case for a service-oriented architecture (SOA) [☆]

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Summary An emerging marketing management logic proposes a new perspective on service activities, which previously have been subject to a biased goods-dominant logic. According to this new logic, customers always are co-producers of services and co-creators of value, not simple marketing targets, because they mobilize knowledge and other resources in the service process that affect the success of a value proposition. This article explores this key proposition, analyzing service co-production and value co-creation phenomena in the business-to-business segment and focusing on the case of service-oriented architecture (SOA) with an in-depth, qualitative analysis of two firms pioneering the implementation of SOA solutions.

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Introduction

Marketing literature and practice converge around the idea that, especially when it comes to services, customers play different foundational roles in value-creation mechanisms. Marketing theory recently introduced the concept of the service dominant logic (SDL), according to which the customer is always a co-producer of value, not a target of that value, because he or she mobilizes knowledge and other re-

sources, and this effort influences the success of a value proposition. According to this view, the customer becomes embedded in the service offering and ultimately is responsible for the value added to the process (Vargo and Lusch, 2004).

Service firms hope to exploit these concepts, particularly in business markets in which customers take active, tangible roles. Professional firms fully understand the value of serving a knowledgeable customer, and some recently have established formal initiatives to 'educate' customers (Anand et al., 2007). Technology service firms also have launched new generations of service offerings based on strong modularization that can be managed directly by customers (Miozzo and Grimshaw, 2005).

Although influenced by the same guiding principle, that of a desire to enhance the service exchange, theory and

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practice still remain disconnected. This is due to the distance between the academic need to abstract an emergent theory and the practitioner's desire to drive forward a new and potentially rewarding business model into the marketplace. This article aims to bridge the divide through an exploratory analysis that investigates how customers actively contribute to service production and value generation within service dominant relationships.

Specifically, this analysis focuses on the adoption of IBM's service-oriented architecture (SOA), an example of new generation technology service, as implemented by two medium-sized firms: one of which produces goods and the other services. Through an in-depth analysis of these two cases, we carve out some exemplary instances of the co-productive role played by service customers. These theoretical conceptualizations are then linked to the day-by-day managerial challenges faced by service providers and users in the business-to-business (B-to-B) domain.

Theoretical background: service co-production and value co-creation in the SDL

Co-production represents a central construct in service literature (Zeithaml et al., 2006), such that the customer always plays an active role in the service offering. This conceptualization derives from a specific characteristic of the service provision, namely, that the production phase cannot be disconnected from consumption activity (Lovell and Wirtz, 2004). Service activity innately transforms the features of a person or a good, which means it is not possible to deliver a service without the active participation of the customer. This phenomenon is revealed in practical examples such as: if a passenger misses a flight and the seat remains empty then no service has been provided, and instead, the airline suffers unexploited capacity; likewise a hotel or restaurant would be similarly impacted upon; conversely, when a consumer chooses not to purchase a cellular phone or car, the consumption phase cannot happen, though production activity has already occurred.

The quality of a service exchange clearly depend upon the customer, in the sense that the way they, especially in a B-to-B context, participate in the process determines the final service delivery and thus the level of satisfaction (Ernst, 2002). As such a firm does not share its business problems, strengths, and weaknesses accurately, a consultant may be forced to provide sub-optimal service-not because of its own deficiencies but because of poor customer participation. Similarly, a key element that doctors use to make accurate diagnosis is the information patient provides about his or her symptoms to those doctors. If the patient provides incomplete or incorrect information, the quality of the health service provided can be severely affected.

The concept of service co-production recently has been reconsidered and enhanced. The emergent SDL (Vargo and Lusch, 2004, 2006) provides a new perspective that is rapidly gaining an established position in marketing literature. It proposes a novel framework in which services represent the forefront of economic exchange systems. Management theory and business practice have long centred on a goods-dominant logic, but that logic may no longer be consistent with the foundational role of services in a modern

economy. According to the goods-dominant logic, services represent residual activities and/or peculiar (somewhat inferior) types of product. Value results mainly through manufacturing and other activities realized by the firm, and the customer is exogenous and destroys value through consumption.

Conversely, according to the SDL, a service offers an application of knowledge and competencies for the benefit of another entity, which makes it the basis of any economic or social exchange. Services and goods are mere appliances to perform a service and can be considered, respectively, the direct and the indirect ways to transfer knowledge and skills during the service process (Vargo and Lusch, 2004). Moreover, the SDL places the customer centre stage, such that the customer is always a co-producer, and the enterprise delivers not value, but value propositions. The first proposition means that customer relationships constitute a service system, not simply market-based relations (Stevens and Dimitriadis, 2005), because the customer firm integrates its own set of resources and competencies into any service process (i.e. service co-production). The second proposition relates to the first, but specifies that the value of a service exchange emerges within the economic sphere of the, because "it is not the service itself that is produced but the pre-requisites for the service" (Edvardson and Olsson, 1996, p. 1476). Only when the customer integrates their own resources may the process be completed (i.e. value co-creation).

In Fig. 1, we depict the service co-production and value co-creation phenomena in a framework that adopts SDL. In the remainder of this article, we explore these issues of service co-production and value co-creation in the context of B-to-B information technologies (IT) services. Specifically, we investigate how a new generation of IT, namely, service-oriented architecture (SOA), can enhance the processes of customer inclusion and participation in service provision.

Service-oriented architecture (SOA)

The SOA refers to a new generation of IT systems that possess particular features in terms of power and flexibility. SOA is based on a modular foundation, such that the elements within the IT system can be composed and decomposed according to the different needs of business users (Cherbakov et al., 2005). For example, business customers can create different IT solutions as required by different situations or contexts. The customer must play a central role during the planning and implementation of SOA systems, which should be "tailored" to the present and future needs of that firm. In such a system, the key aspect is not which set of technologies gets implemented but rather the services they render to benefit the activities of the business users (Erl, 2005).

We can define SOA several ways, according to different point of views. From a business angle, it represents a set of services that improve the capability of the firm to conduct business with customers and suppliers. From a technology angle, it is a new project philosophy characterized by modularity, separation of concerns, service re-uses, and composition, as well as a new programming method based

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