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A systems perspective on markets – Toward a research agenda

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ABSTRACT

This paper addresses the implications of an emerging, increasingly important way of thinking about markets: systems thinking. A market is one of the most foundational abstractions in marketing and business research; yet, it often receives too little attention. As a result, the taken-for-granted assumptions about markets spur from over-simplified conceptualizations of neoclassical economics that depict markets as static and mechanistic. Systems thinking represents a major change in perspective that involves transcending this mechanistic worldview and thinking instead in terms of wholes, relationships, processes, and patterns. We argue that building a theory of markets based on systems thinking, would enable scholars to develop more realistic models that correspond with fast-changing business environment and therefore, increase both the rigor and relevance of future research. To further this aim, we identify the main implications of systems thinking and formulate them into a research agenda to further the systemic understanding of markets.

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"Hopefully, future marketing scholars and practitioners will devise and use more realistic concepts to analyze the functioning and evolution of markets" (Buzzell, 1999, p. 61).

1. Introduction

In a recent editorial of *Journal of Marketing*, Kumar (2015) stresses the importance for marketing to stay on top of, and responsive to, the current economic vacillations, emergence of new markets and other fast changes occurring in the business environment. The advances in information technology, in particular, are accelerating these changes. Through digitalization, information travels faster and is more easily shared. According to Normann (2001), such 'dematerialization' and 'liquification' of information provide more opportunities for the creation of new instances of density – the degree to which mobilization of resources for a 'time/space/actor' unit can take place – within society, and makes change faster.

Yet, many mainstream marketing theories are built on assumptions of stability and lack of change, and do not provide realistic means for understanding and modeling the dynamic and turbulent everyday life. In

particular, the underlying assumptions behind the conceptualizations of markets are rather static and mechanistic. This stems from the fact that mainstream marketing inherited its market conceptualization from (neoclassical) economics (Arndt, 1981; Mele, Pels, & Storbacka, 2014), in which the market is seen as a pre-existing regularity that does not require explanation (Aspers, 2011). As an effect, Venkatesh, Penaloza, and Firat (2006, p. 252) have noted that "paradoxically, the term market is everywhere and nowhere in our literature". Markets are routinely viewed as 'given', and little attention is paid as to how they are formed or changed over time (Buzzell, 1999).

Recently, scholars studying markets within and outside the field of marketing have drawn inspiration from more holistic and systemic conceptualizations to begin to transcend some of the existing controversies (see e.g., Arthur, 2015; Giesler & Fischer, 2017; Padgett & Powell, 2012; Wollin & Perry, 2004). This suggests a need to rethink how marketing scholars view markets. In other words, important developments and insights challenging the conventional static and mechanistic assumptions of markets are emerging, but these are scattered across the sub-disciplines of marketing, with little proactive linking of them.

We gather evidence of an increasingly important way of thinking – systems thinking (e.g., Capra & Luisi, 2014; Holbrook, 2003; Senge, 1990) – across disciplines, and argue that adopting such view could enable mainstream marketing to overcome the rather static, current worldview and connect much of the fragmented developments in the field. We summarize the main implications of systems thinking into

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four perspective shifts that steer our attention from parts to the whole, from objects to relationships, from structures to processes, and from measuring to mapping. We then use these perspective shifts to inform a research agenda to further the exploration of systemic understanding of markets. Our contribution is, therefore, well aligned with Shaw and Jones (2005, p. 261) who note that “it appears obvious that any attempt to synthesize schools of marketing thought, or develop a general theory of marketing, must include systems thinking at least as a superstructure”. By developing a foundational research agenda to further the systemic understanding of markets, we also directly answer the recent calls for more conceptual scholarship within the field of marketing (see e.g., MacInnis, 2011; Yadav, 2010).

The rest of the paper proceeds in three parts. First, we describe the rise of systems thinking in both natural and social sciences and highlight specifically the increasing evidence of systems thinking within marketing literature. Second, we summarize the main implications of systems thinking and argue that future research on markets should be framed in a way that it captures these four interdependent shifts in thinking. What follows is a discussion of the key research challenges implied by the perspective shifts to further the scholarly understanding of systems-based understanding of markets.

2. The rise of systems thinking in natural and social sciences

During the 20th century, both natural sciences and social sciences have been embracing more systemic ways of understanding their phenomena. According to Capra and Luisi (2014), this approach challenges the dominant, mechanistic worldview that became deeply ingrained in virtually all fields of science until the late twentieth century. The basic tension between the two worldviews is one between the parts and the whole (Mitchell, 2009; Senge, 1990). The emphasis on the parts has been called mechanistic, reductionist, or atomistic; the emphasis on the whole holistic, organismic, or ecological. In twentieth-century science, the holistic perspective has become known as *systemic* and the way of thinking it implies as *systems thinking*.

Systems thinking has its roots in several diverse sources, such as Smuts' (1927) holism, cybernetics advanced by Ashby (1956) and general systems theory developed by von Bertalanffy (1969). The change from the mechanistic to the systemic paradigm has proceeded in different forms and at different speeds in various scientific fields. For example, ecologists from early in the 20th century, have stressed the desirability of studying the ‘entire life’ of natural areas, as opposed to the study of single objects. The Chair of the Ecological Society of America observed in 1933 that, while the trend of research at the time was to study particular objects or organisms in natural science, “...the assemblage to which they belong is ignored or forgotten, together with the fact that they are to be regarded as integral parts of the system of nature” (Shelford, 1933, p. 240). In the 1970s, biologists Maturana and Varela coined the term *autopoiesis* referring to the self-generating, self-maintaining capability of living systems and paved the way for systemic understanding of cognition (Maturana & Varela, 1992; Varela, Maturana, & Uribe, 1974).

Systems thinking has been advocated by scholars in several disciplines following its foundation in the natural world. Anthropologists have suggested that ecosystem (or natural resource) management should move beyond solutions offered through legal, technical and economic methods toward “processes defined in terms of interrelationships and the sustainability of environmental and human systems” (Puntenney, 1995, p. 2). Also, a new direction in human health studies emerged through taking a perspective on the complexity of the living environment (Lebel, 2003). A large multidisciplinary and multinational group of scientists focused on the link between ecosystem research and human well-being (Hassan, Scholes, & Ash, 2005). Geographers have adopted an ecosystem concept to land management: “...the ecosystem concept proposes that the earth operates as a series of interrelated systems within which all components are linked, so that a change in any

one component may bring about some corresponding change in other components and the operation of the whole system” (Bailey, 2009, p. 3–4).

Also in economics, some scholars are rejecting the dominant equilibrium view and moving toward more systemic models (Arthur, 2015; Valentinov & Chatalova, 2014). For example, complexity economics sees the economy in motion, perpetually constructing itself anew and, therefore, emphasizes contingency, indeterminacy, sense-making and openness to change (Arthur, 2015). Even mathematics is shifting toward this direction. For example, Chaitin (2012) speaks about how mathematics is moving away from continuous formulations, differential equations, and static outcomes toward a focus on discrete formulations, combinatorial reasoning and algorithmic thinking.

Given the wide-ranging acknowledgement of the promise of systems thinking as a way to further understanding, it is unsurprising that it is gaining increasing attention from the academic business and management community. Organizational phenomena, it is advised, should “...consist not of dissociated collections of parts but of wholes emerging out of the open-ended interactivity of constituent parts, embedded in broader wholes, especially social institutions, inter-organizational fields and technological paradigms” (Tsoukas & Dooley, 2011, p. 731). Hence, organizational scholars have been urged to look at organizations, not as structures, but as processes of organizing (Weick, 1979).

There is a long, though underdeveloped, tradition of systems thinking in management literature. The term ‘system’ is widely used, for example, to talk about business system, production system, marketing system, channel system (Barile, Lusch, Reynoso, Saviano, & Spohrer, 2016). A related concept, business ecosystem, was coined in 1993 to offer a systemic and dynamic view on strategy, management issues, innovation and the collaboration among actors (Iansiti & Levien, 2004). Moore (1996, p. 26) defines a business ecosystem as “an economic community supported by a foundation of interacting organizations and individuals—the organisms of the business world.” The member organisms included in such economic community are suppliers, lead producers, competitors, and other stakeholders, whose purpose is to produce goods and services of value to customers, who are themselves members of the ecosystem. Over time, the capabilities and roles of the members co-evolve, and tend to align themselves with the directions set by one or more central companies. Ben Letaifa (2014) argues that managers have recognized the relevance of this concept as it grasps the complexity of their business reality in terms of new collaborative and innovative strategies.

In marketing, macromarketing scholars (see e.g., Meade & Nason, 1991; Shapiro, 2006) have been advocating a systems view of markets and marketing, that offers challenges to, and contrasts with, the prevailing neoclassical economic theory based on the idea of resource allocation. These contributions have, however, been rather scattered and not had a major impact on the mainstream marketing literature, which is still characterized by a micro-level and a managerial bias (Giesler & Fischer, 2017; Vargo, 2007). According to Shaw and Jones (2005), the first author to use systems terminology in marketing was Wroe Alderson (1965).¹ Alderson and Cox (1948) drew attention to the dynamic features of markets, the importance of cooperative as well as competitive behavior, and to “...all of the types of organized behavior systems that are significantly involved in the marketing process” (p. 148). Alderson’s work was carried forward by his students and colleagues, who delineated micro- and macro-marketing systems (Fisk, 1967), and showed how the marketing system was integrated into the larger society of which it forms a part (Dixon, 1967). However, discussions of marketing systems, per se, declined during the 1970s with the rise of marketing management and consumer behavior (Shaw & Jones, 2005). One of the notable exceptions was Arndt (1981, p. 37) who

¹ Alderson termed his approach to marketing thought as ‘functionalism’, but it is better described as ‘systems’ (Shaw & Jones, 2005).

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