

**The Service Dominant Strategy Canvas:
Defining and Visualizing a Service Dominant Strategy
Through the Traditional Strategic Lens**

Egon Lüftenegger, Paul Grefen, Caren Weisleder

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The Service Dominant Strategy Canvas: Defining and Visualizing a Service Dominant Strategy Through the Traditional Strategic Lens

EGON LÜFTENEGGER¹, PAUL GREFEN¹, AND CAREN WEISLEDER²

¹*School of Industrial Engineering , Eindhoven University of Technology*

²*De Lage Landen International B.V.*

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Abstract

Service orientation, customer focus and collaboration between firms are changing the way of doing business. Marketing scholars are the first academics to conceptualize these changes under a new mindset, known as the service dominant logic. We observe a direct relationship between the service dominant logic and cross-organizational information systems. However, the service dominant logic is difficult to communicate and operationalize. Management constructs are needed to apply the service dominant logic to the business environment. Strategy is the first management construct that we need for the business development of the service dominant logic. Currently, there are few works on the service dominant logic at strategic level. In this report, we present a structured definition of a service dominant strategy by taking these emerging works and confronting them with the traditional strategies taught at business schools. We make a projection of the identified strategic statements of the service dominant logic to organize them and make some conclusions. We contribute to the development of the service science at strategic level, by presenting a management tool that facilitates the design of service dominant strategies.

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1 Introduction

Currently, we are shifting from a Goods-Dominant logic from the manufacturing way of thinking towards a Service-Dominant logic. This logic is an innovative mindset that is emerging to an answer of the changes in the business landscape towards a service centered paradigm. In this paradigm, the role of goods is just a mechanism for service provision and service is the basis of economic exchange [1].

The Service Dominant logic has been developed by marketing scholars to set new directions in their field for a general theory of marketing and the market. This development is needed because the foundation of traditional marketing is Goods-Dominant. This foundation can be seen on McCarthy's 4Ps of marketing: Price, Product, Place and Promotion [2].

The concept of the dominant logic is useful for institutions reacting to changing environments and dealing with change. However, choosing new strategic directions derived from a new dominant logic is challenging, because must overcome the current mindset and mental models of managers. The collective wisdom of a company prevents the adoption of new ways of doing business. This phenomenon is know in the literature as the "dominant logic trap" [3], [4], [5].

In Figure 1, we illustrate how the dominant logic trap happens. The current dominant logic, represented as an oval inside the funnel, acts as a filter. This filter does not let service dominant business concepts, represented as an arrow, get through the current mindset of the organization.

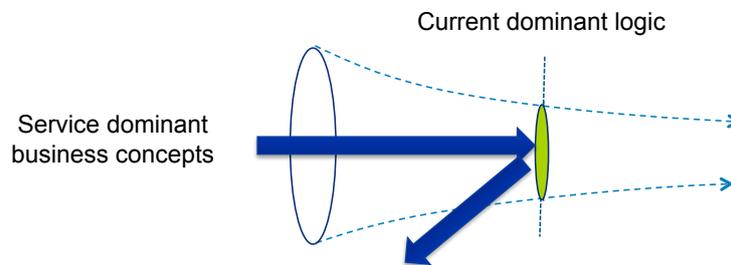


Figure 1: Dominant logic trap

1.1 Context

Service Science, also known as Service Science, Management, Engineering and Design (SSMED), aims to be a new, interdisciplinary approach to study, improve, create and innovate in service [6]. We, as Information Systems scholars, the expanding base of Information Technology (IT) innovation towards service is a rich context for our field on behavioral, economics, technical and organizational issues [7].

The Service-Dominant logic has been recognized as an appropriate theoretical foundation for the development of Service Science [8]. In Google Scholar the paper that introduces the service dominant logic [9] has over 2000 cita-

tions. The Service Dominant logic is a conceptual foundation that is grounded in a commitment with collaborative processes with customers, partners and employees [1]. Moreover, Service Science and the Service Dominant Logic are two related areas of research that share perspectives, concepts and people.

The Service Dominant logic is focused on value co-creation as a collaborative process and the interaction between the producer, the consumer, and other supply and value network partners [10]. The paradigm shift towards a Service Dominant logic is emerging now, because “the service revolution and information revolution are two sides of the same coin” [4]. Furthermore, IT is the enabler to learn and capture information about customers, enhancing the ability to customize services and develop customer relationships [4].

Moreover, we see Cross-organizational Information Systems (XIS) as enablers of a Service Dominant strategy. This connection is established by the focus on service flows and collaboration that is being pushed by the Service Dominant logic. The ultimate goal of our research is to establish a holistic view on Service Dominant businesses enabled by XIS. This goal will be achieved by the Service Dominant Business Logic framework presented in Figure 2. This framework is defined by four layers: Strategy, Business, Organization and Systems.

Firstly, as shown in in Figure 2 at the top of the pyramid, we have the Strategy layer. This layer is the long-term vision that recognizes the Service Dominant strategic paradigm. Secondly, we have the Business layer that takes the networked approach on business models by following the Service Dominant Strategy. Thirdly, we have Organization layer that focuses on the networked processes on the collaborative network. Finally, we have the Systems layer that is focused on a highly modular service-oriented architecture as enabler of our approach. In this report, we start the development of our framework on the first layer by focusing at the strategic level of the Service Dominant logic.

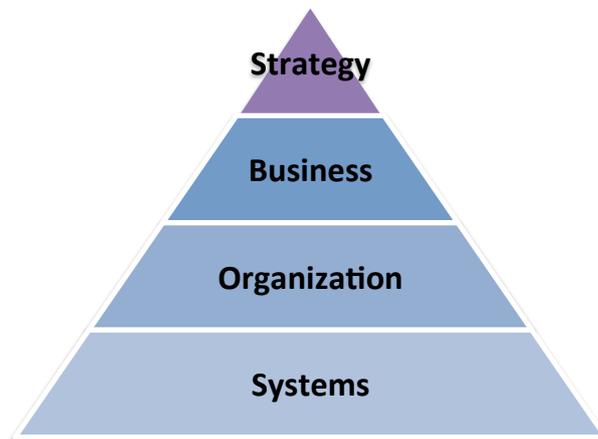


Figure 2: The Service Dominant Business Logic Framework

1.2 Problem

The development of Service Dominant businesses in Goods dominant companies requires the adoption of a service centered mindset. The change of dominant logic is a point of interest in strategy. Hence, we start our this dominant logic change at strategic level. Business managers and strategists require to learn about emerging dominant logics. These new logics are different from the regular practices that they have been following for a while [11].

Management academics have been paying little attention to services in their research. However, marketing scholars have been active and cooperative with industry for the development of the service dominant language and strategies [12]. Moreover, current research on the service dominant strategy only offer guidelines that are difficult to translate into a concrete business concept. Hence, an explicit service-based perspective in strategy is needed [12].

Nowadays, traditional perspectives seems inappropriate for a new setting that requires to cope with disruptive change. Existing strategic tools like the Balanced Scorecard [13], a famous strategic tool, measures the firm in a systematic way. However, the Balanced Scorecard is designed to improve firm's efficiency from an internal perspective that is suitable for a industrial economy. In these days, the dynamic networked world requires holistic thinking to replace or at least complement traditional strategic mindsets [14]. Hence, management tools are needed to develop service dominant strategies. These tools are highly relevant for the development of a Service-Dominant mindset in organizations that are Goods-Dominant.

1.3 Contribution

In this report, we contribute to the development of Service Science at strategic level by presenting a management tool that supports the analysis and facilitate the design of Service Dominant strategies. This tool is relevant, because it gives an structured and explicit perspective on the Service Dominant logic at strategic level.

1.4 Approach

In this report we define a Service Dominant strategy through the following steps:

1. Identify research work that use the Service Dominant logic at strategic level.
2. Identify the current traditional leading strategies.
3. Establish the relationship between the traditional concepts of strategy and the the Service Dominant logic at strategic level.
4. Define a Service Dominant strategy using the established relationships.
5. Visualize the defined Service Dominant strategy.

1.5 Structure

In Section 2, we identify the relevant research on the Service Dominant logic at strategic level. In section 3, we identify the traditional strategies that are taught at business schools. In Section 4, we identify the relationship between the traditional concepts of strategy and Service Dominant logic at strategic level. In Section 5, we identify and homogenize the elements of a service dominant strategy. In Section 6, we depict the construction of the Service Dominant Strategy Canvas. In Section 7, we present the Service Dominant Strategy Canvas. In Section 8, we illustrate with an example how to use it. Finally, we end this report with conclusions.

2 Related Research on the Service Dominant Logic at Strategic Level

In this section, we study the relevant research on the Service Dominant logic at strategic level. Firstly, in Section 2.1, we establish our criteria about the relevant research. Secondly, in Section 2.2, we identify the strategic statements from each research paper.

2.1 Relevant research criteria

Our search criteria is based on the use of the Service Dominant logic at strategic level. Research works on Service Dominant strategy are not common. By tracking down the work of Lusch and Vargo of the Service Dominant Logic to a strategic level we found the relevant research paper: “Competing through service” published in the Journal of Retailing [1]. The title of the research paper does not state explicitly a strategy. However, their research aims to help companies to gain competitive advantage through the Service Dominant logic. We complement this strategic view by identifying relevant research focused on the Service Dominant logic at strategic level. We identify this relevant research by searching on Google Scholar by including the keywords “strategy” and “strategic”.

Firstly, by searching the keyword “service dominant strategy” in Google Scholar with quotes we get only two pages with just one relevant result: “Constructing a Service-Dominant Strategy: A Practice-Theoretical Study of a Start-Up Company”. This research paper does use the service dominant logic at starting point by developing the strategy as an application to a real case domain. We use this work as it will enhance the practical relevance of our service dominant strategy model.

Secondly, by searching the keyword “service dominant strategic” in Google Scholar with quotes we get one result: “Proposing and conceptualizing a service-dominant strategic orientation”. This paper is an outcome from a forum on Marketing in which Lusch and Vargo were among the speakers.

2.2 Strategic statements identification

In this section, we identify the strategic statements for each research work on the service dominant logic at strategic level. The few number of research papers on Service Dominant strategy is explained by the emerging nature of Service Science. The three identified research papers are presented in the following sections: “Competing through service [1] is presented in Section 2.2.1, strategic service orientation [15] is presented in Section 2.2.2, and a service dominant strategy [16] is presented in Section 2.2.3. We identify and extract from each research work the Service Dominant strategic statements (SS) as follows:

2.2.1 Competing Through Service

The authors identify nine strategic statements in “Competing through service” [1]. This research focuses on achieving competitive advantage through services

using the Service Dominant logic as a foundation. The research is published in the Journal of Retailing, because retail companies are in direct contact with the customer. Under this view, these focal companies are in the best position to achieve competitive advantage. The authors argue that to compete effectively through service, the entire organization should view the market and itself with a Service Dominant logic.

We take these statements literally from their work as follows:

SS1: “Competitive advantage is a function of how one firm applies its operant resources to meet the needs of the customer relative to how another firm applies its operant resources”.

SS2: “Collaborative competence is a primary determinant of a firms acquiring the knowledge for competitive advantage”.

SS3: “The continued ascendance of information technology with associated decrease in communication and computation costs, provides firms opportunities for increased competitive advantage through innovative collaboration”.

SS4: “Firms gain competitive advantage by engaging customers and value network partners in co-creation and co-production activities”.

SS5: “Understanding how the customer uniquely integrates and experiences service-related resources (both private and public) is a source of competitive advantage through innovation”.

SS6: “Providing service co-production opportunities and resources consistent with the customer’s desire level of involvement leads to improve competitive advantage through enhanced customer experience”.

SS7: “Firms can compete more effectively through the adoption of collaboratively developed, risk-based pricing value propositions. Appropriately shifting the economic risk of either firm or customer through co-created value propositions increase competitive advantage”.

SS8: “The value network member that is the prime integrator is in a stronger competitive position”. “The retailer is generally in the best position to become prime integrator”.

SS9: “Firms that treat their employees as operant resources will be able to develop more innovative knowledge and skills and thus gain competitive advantage”.

2.2.2 Strategic Service Orientation

Another research work that uses dominant logic at strategic level is the “Strategic service orientation” [15]. This work recognizes the strategic focus depicted in 2.2.1. However, this strategic view is focused on the interactions with the

customer by providing a new perspective to this research area. This work is relevant for the definition of a Service Dominant strategy, because the Service Dominant logic is focused on the iterations between the producer and consumer as stated in [10].

From this research paper we identify the strategic statements as follows :

SS10: “Individuated interaction with an emphasis on understanding individual customers”.

SS11: “Relational interaction with an emphasis on supporting the connecting social and emotional links”.

SS12: “Ethical interaction with an emphasis on supporting fair and non opportunistic exchanges ”.

SS13: “Empowered interaction with an emphasis on enabling customers to shape the nature and/or content or exchange”.

SS14: “Developmental interaction with an emphasis on supporting customers own knowledge and competence development”.

SS15: “Concerted interaction with an emphasis on supporting coordinated and integrated service processes toward customers”.

2.2.3 Service Dominant Strategy

In this research, the author takes the service dominant logic to elaborate a service dominant strategy. This research is relevant because it is the first of this kind from an economic school. This Ph.D thesis enhances the practical relevance of the service dominant logic at strategic level, in which a real start-up was used as a case study in the development of a service dominant strategy [16]. However, the author of this research ignores the two previous works of the service dominant logic at strategic level.

In this work, the strategic statements can not be extracted literally, because they are presented as a Goods Dominant versus Service Dominant like : “rigid versus flexible organizational boundaries”. Where the right side of the sentence is the Goods Dominant and the left side is the Service Dominant. We develop a Service Dominant strategic statement by extracting the Service Dominant side of each sentence with the corresponding description within the document.

We extract the Service Dominant strategic statements as follows:

SS16: Flexible organizational boundaries in which collaboration is encouraged by minimizing the barriers for building large networks of individuals and organizations across boundaries.

SS17: Networked resource integration by forming and maintaining strategic partnerships that require the integration of resources among all the actors involved.

SS18: Value with end customers in which the company and customers co-develop offerings.

SS19: Focus on value creating with the objective of mutual benefits.

SS20: A dialog between the company and the market, where the innovation meets demand.

SS21: Market and customer knowledge is shared and applied across all the organization rather than a dedicated market function.

SS22: Holistic offerings that are part of the usage context, where actors co-develop offerings and co-create value.

3 Traditional Strategic Perspectives

In Section 2, we identified the strategic statements of the current strategies based on the service dominant logic. In this section we provide a background on traditional strategies. These strategies are currently in the mindset of managers and executives of business organizations around the world.

3.1 Strategic management perspectives

In figure 3, we visualize as a tree the leading strategies from business and marketing scholars [17]. In the upper branch, we can distinguish the three leading business strategies: industry based, competence based and resource based. In the lower branch, we can distinguish two leading marketing strategies: market oriented and relational marketing.

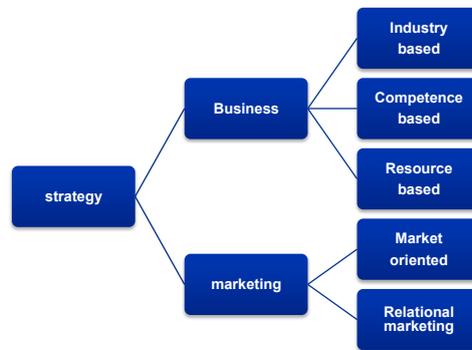


Figure 3: Visualization of business and marketing strategies

In the following sections, we use the definitions given by Hunt to describe the two main strategic branches.

3.2 Business strategies

Within the strategies developed by business scholars we can distinguish the following strategies: industry-based, resource-based and competence-based. Each strategy is depicted in the following sections:

3.2.1 Industry-based Strategy

This strategic view was established by Porter to stress the importance of the industry factors in the competitive landscape. The industry-based strategy suggests that to achieve competitive advantage firms should choose industries and modify their structure, select a generic strategy like cost leadership, differentiation and focus. Porter argues that a firm, should aim at choosing the best industries and/or altering the industry structure by raising barriers to entry and increasing its bargaining power over suppliers and customers [18], [19].

3.2.2 Resource-based Strategy

This strategic view suggest that to achieve competitive advantage, firms should seek resources that are valuable, rare, imperfectly mobile and non-substitutable [17]. The resource-based view strategy argues that a firm posses resources to achieve competitive advantage and superior long-term performance. Resources that are rare and valuable can be appropriated by the company to gain a temporary advantage. The advantage can be sustained if the firm can protect it against imitation, transfer or substitution. The Resource-based strategy emphasizes that improving and protecting the unique resources of the firm will reinforce its strengths and ameliorate its weaknesses.

3.2.3 Competence-based Strategy

This strategic view suggest that to achieve competitive advantage firms should identify, seek develop, reinforce, maintain and leverage distinctive competences [17].

3.3 Marketing strategies

Within the strategies developed by marketing scholars we can distinguish the following strategies: market oriented and relational marketing. Each strategy is depicted in the following sections:

3.3.1 Market Oriented Strategy

This strategic view suggest that to achieve competitive advantage, firms should gather information on potential customers and competitors and use the information to between business units to guide the strategy [17].

3.3.2 Relational Marketing Strategy

This strategic view suggests that to achieve competitive advantage, firms should develop a relationship portfolio with with stakeholders such as customer, suppliers, employees and competitors [17].

4 Establishing the Relationship Between Strategic Statements and the Traditional Strategies

In this section, we establish a relationship between the traditional strategic statements identified in Section 2.2 and the traditional strategies identified in Section 2. Firstly, we identify what is the relationship in Section 4.1. Secondly, we justify the established relationship.

4.1 Relationship identification

In Table 2, we identify the relationship between the elements of the strategic statements with the relational marketing strategy, the market oriented strategy, the resource based strategy, and the industry based strategy. The first column represents the strategic statements on the service dominant logic. The following columns represent the business and marketing strategies. The intersection between the statements and the strategies represent a represent a kind of relationship.

service strategy statements	Relational Marketing	Market Oriented	Competence Based	Resource Based	Industry Based
SS1			•	•	
SS2			•		
SS3			•	•	
SS4			•	•	
SS5			•	•	
SS6			•		
SS7			•		
SS8			•		
SS9				•	
SS10	•				
SS11	•				
SS12	•				
SS13	•				
SS14	•				
SS15			•	•	
SS16	•				
SS17			•		
SS18			•		
SS19	•				
SS20	•				
SS21			•		
SS22	•				

Table 1: Service, business and marketing strategies relationship

We found the projection relationship between the concepts in the strategic statements of the service dominant logic and the traditional strategies. The

projection relationship of the strategic statements and the strategies are represented on Table 1 with the symbol “•”. This relationship is established due that Service Dominant strategic statements can be explained and communicated through specific high concepts of the traditional strategies. As shown in Figure 4, we can define a service dominant strategy by business relationships, business resources and business competences.

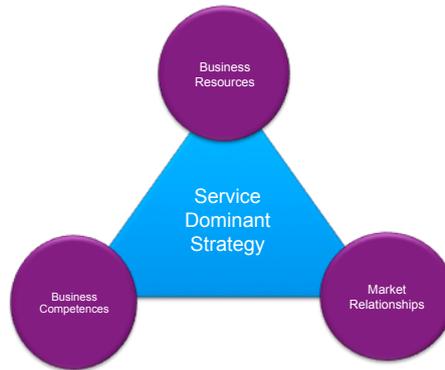


Figure 4: Defining a service dominant strategy by business resources, business competences and market relationships

We can overcome the dominant logic trap, by defining a service dominant strategy by means of the traditional strategic approaches. In Figure 5, we illustrate our approach. The circles inside the funnel labeled as BR (Business resources), BC (business competences) and MR (market relationships) will act as a bridge under the current strategic mindset of a company. This bridge will let service dominant business concepts to go throughout the mindset of the organization.

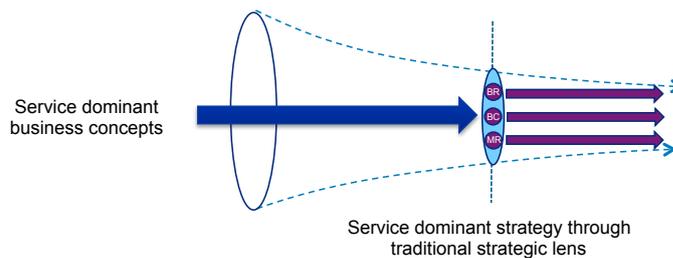


Figure 5: Dominant logic bridge

4.2 Relationship justification

The establishment of the relationship is explained in the following sections:

4.2.1 Industry-based Strategy and Strategic Statements:

We did not find a relationship between the Service Dominant strategic statements and the industry-based strategy. There are no inclusion of cost leadership, differentiation or focus on the Service Dominant strategic statements. The exclusion of the industry based strategy is consistent with other research which states that Porter's competitive advantage strategy and its value chain approach is more suitable for the manufacturing industry rather than the service industry [20].

4.2.2 Resource-based Strategy and Strategic Statements:

Competitive advantage can be achieved by distinctive resources. The term resources is variously defined in the RBV (resource-based view) literature. We take Grant's resource definition because, he distinguishes between resources and capabilities. A resource can be defined as the inputs or factors available to a company through which it performs its operations or carries out its activities [21].

We can recognize distinctive resources from the Service Dominant strategic statements as enablers of a Service Dominant strategy. We identify business resources as the projection result between the resource based strategy and the Service Dominant strategic statements.

4.2.3 Competence-based Strategy and Strategic Statements:

Grant argues that resources are not a source of competitive advantage by their own, capabilities are the source of competitive advantage. Hamel and Prahalad use the term "core competences" to describe the central strategic capabilities of a firm to achieve competitive advantage [21].

Hence, competitive advantage can be achieved by distinctive competences. The competences included in the Service Dominant strategic statements are enablers of a Service Dominant strategy. We identify business competences as the projection result between the competence based strategy and the Service Dominant strategic statements.

4.2.4 Market Oriented strategy and Strategic Statements:

The market oriented strategy is discarded, due to the fact that interaction with the customer must be individual instead of targeting a whole market at once. This is supported by the fact that co-production is enacted with customers to let them perceive value in a unique way. This result is validated with the Service Dominant logic literature, a shift from "marketing to" the customer towards "marketing with" the customer [1].

4.2.5 Relational Marketing Strategy and Strategic Statements:

Competitive advantage can be achieved by distinctive relational approaches. The shift of the Service Dominant logic towards "marketing with" the customer, implies a relationship. Hence, distinctive relationships are included in the strategic statements as enablers of a Service Dominant strategy. We identify

market relationships as the projection result between the relational marketing strategy and the Service Dominant strategic statements.

5 Defining a Service Dominant Strategy

In Section 4, we identify how the traditional strategies can be used to define a Service Dominant strategy. In this section, we define a Service Dominant strategy in terms of business competencies, business resources and market relationships. Firstly, in Section 5.1, we confront each Service Dominant strategic statements of Section 2 with the identified categories. Secondly, in Section 5.2, we describe each element for the resulting categories.

5.1 Elements Identification

Our approach to identify the elements of a Service Dominant strategy is visualized in Figure 6. By design, each Service Dominant strategic statement, represented as a rounded rectangle, is confronted against each strategic category represented as a circle. The confrontation is represented as an arrow through each category. If a Service Dominant strategic statement fits multiple categories they will be dissected into each matching category. The result of the process, represented as a rectangle, is an strategic element for each matching category derived from each Service Dominant strategic statement.

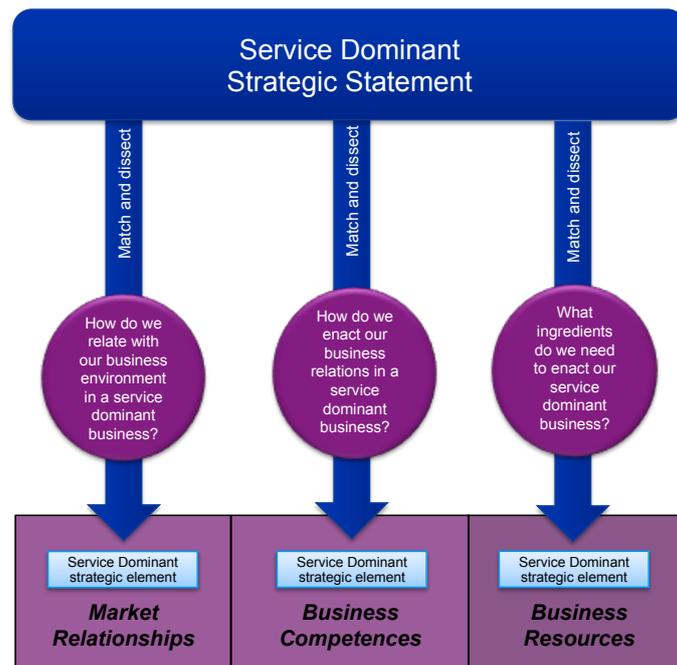


Figure 6: Elements identification

The identified business competences, business resources and market relationships for each strategic statements are shown on Table 2¹. The first column represents the strategic statements on the service strategies identified in

¹In Appendix A, we present a version of this table that includes the text for all strategic statements

Section 2. In the following columns we identify the business competences, business resources and market relationships for each strategic statement.

Service Dominant strategy statement	Market relationships	Business competences	Business resources
SS1		Meet customer needs	Operant
SS2		Collaborative	
SS3		Collaborative	Information Technologies
SS4		Co-creation and co-production	Customers and partners
SS5		customer understanding	Customer
SS6		co-production	
SS7		Risk based pricing	
SS8		resource integrator	
SS9			Employees
SS10	Individuated interaction		
SS11	Relational interaction		
SS12	Ethical interaction		
SS13	Empowered interaction		
SS14	Developmental interaction		
SS15		Concerted interaction	Service flows
SS16	Flexible organizational boundaries		
SS17		Networked integration	
SS18		Co-development	
SS19	Mutual benefit		
SS20	Market dialog		
SS21		market and customer knowledge	
SS22	Contextual		

Table 2: Service dominant strategy elements identification

5.2 Elements homogenization

In the following sections we homogenize the business competences, business resources and market relationships identified in Section 5.1. For each unified strategic element, we specify between parenthesis from which Service Dominant strategic statement of Table 2 is derived. The resulting homogenized elements are shown in Figure 7.

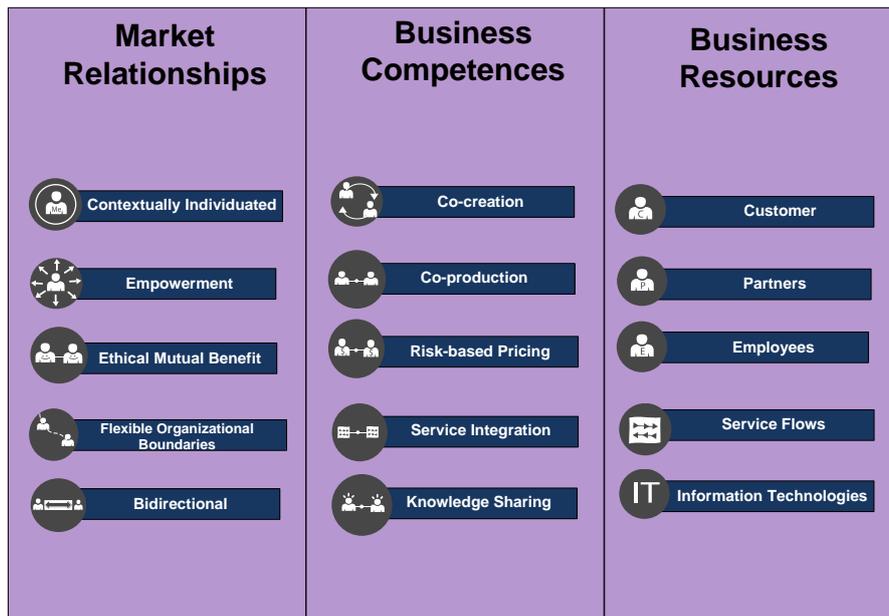


Figure 7: Homegenized elements

5.2.1 Market Relationships:

In this section, we identify the homogenized market relationships to achieve a Service Dominant strategy as follows:

Contextually individuated: The elements individuated interaction (from SS10) and contextual (from SS22) are homogenized into the contextually individuated element. This element argues that the value for a party depends on the context of that party rather than an arbitrary value.

Empowerment: The element “empowered interaction ” (form SS13) is re-named to empowerment to align with the naming of the other elements in this category. The empowerment element acknowledges the active role of the customers in the co-production by contributing into the service process. The firm should facilitate this active role by by taking customer input before of after the the development of the core offering. Moreover, this empowerment can be achieved by platforms where the customer can provide their own preferences

or requirements. This empowerment should also be established with partners within the value network [15].

Ethical mutual benefit: The elements “ethical interaction” (from SS12) and “mutual benefit” (from SS19) are integrated and homogenized into the ethical mutual benefit element. Firstly, the benefit should be ethical is driven by the increasing role of IT and interconnection. This driver demands more transparency from market players. Nowadays, it is easier for customer to detect unfair and opportunistic behaviors . Secondly, this ethical approach of fair interaction emphasizes a mutual benefit from all the parties involved in the collaboration [15].

Flexible organizational boundaries: The element flexible organizational boundaries (from SS16) establish that collaboration between firms is enabled by a flexible border relationship. This relationship is needed to minimize the barriers between firms to collaborate in the service co-production.

Bidirectional: We merge the relational interaction (from SS11) and market dialog elements into the bidirectional element (from SS20). This homogenization is explained due in both research works they use they use these elements to describe a two-way communication dialog approach with the customer. Hence, we conceptualize these two elements as the bidirectional element, where the customer is not only a receiver. This change is reflected as a shift from propaganda as traditional way of “marketing to the customer” towards a dialog where the company “market with the customer”.

5.2.2 Business Competences

In this section, we identify the homogenized competences needed to achieve a Service Dominant strategy as follows:

Service Integration: The resource integrator (from SS8), Networked integration (from SS17) and concerted interaction (form SS17) are homogenized into one derived element: Service Integration. This homogenization is done, due that each element comes from the three research works identified in Section 2.2. However, these three elements are focused on the service integration. Moreover, the Service Dominant logic is focused on service flows [10]. Hence, the networked integration of resources is being established in the service context. Furthermore, this integration requires the orchestration of service flows.

Co-production: The co-production (from SS4 and SS6) and co-development (from SS18) elements are homogenized under the co-production element. We homogenize these elements, because they are communicating the same concept under a different name. This is explained because they come from two different research works on the Service Dominant logic at strategic level identified in Section 2.2 ([1] and [15]).

The inclusion of partners and the customer in the creation service offering is a key competence of the service Dominant strategy. Moreover, the firm should deliver co-production opportunities with the customer’s desire level of

involvement to achieve competitive advantage and a superior customer experience.

Knowledge sharing: The elements “customer understanding” (from SS5), “developmental interaction” (from SS14) and “market and customer knowledge” (from SS21) are integrated into the homogenized “knowledge sharing” element. This merge is done to avoid repetition between our three research sources and give an integrated view of the role of knowledge from different stakeholders in the Service Dominant strategy. This sharing of knowledge should be done internally, with partners and the customer. Firstly, as depicted in [1], knowledge is captured by partners and internal firm employees to get customer insights for service enhancement. Secondly, as depicted in 2.2.3, market and customer knowledge should be shared internally. Finally, as depicted in [15] by the developmental interaction element (SS14), the expertise and knowledge should be openly shared with the firm’s partners and the customer.

Co-creation: The co-creation element (from SS4) changes the traditional perspective on value, where value is created by the firm and destroyed by the customer. Moreover, value co-creation with the customer is achieved in use by meeting their needs as value-in-use. The value co-created in use in the form of service, rather than ownership of a good. Moreover, The strategic role of the firm is to become a facilitator of value co-creation by helping the customers and partners involved.

We stress the difference between co-creation as value-in-use and co-production in a collaborative way of service creation. Please note that some authors use co-creation by meaning of co-production. By integrating the identified elements from the different research works we distinguish between co-creation and co-production. The different naming of the elements helps to avoid confusion in the meaning.

Risk-based pricing: The risk-base pricing element (from SS7) is present in the service dominant strategy due the collaboration in partnerships in a networked environment. The Pricing mechanism should be based on the risk of the actors that are co-producing the offering.

We do not include the collaborative element (from SS2) as a specific business competence element, because the collaborative approach is being achieved as a “meta-competence” of the Service Dominant logic [10]. For instance, we can observe this collaborative approach on the co-production element that emphasize the inclusion of partners and the customer in this process.

5.2.3 Business Resources

In this section, we identify the homogenized business resources needed to achieve a Service Dominant strategy as follows:

Information Technologies: The Information technologies (IT) element (from SS3) is presented in [1] as an enabler to collaborate and integrate services.

Moreover, IT increases the likelihood of cross-organizational collaboration and customer collaboration.

Service Flows: The Service Flows element (from SS9) is an enabler to shift the focus from Goods to Service. Where goods are just a mechanism for service provision, in which the customer is buying a service flow rather than a tangible [10]. The process orientation of the service dominant logic is supported by this element where service flows acts as cross-organizational business processes oriented to the customer. Moreover, service flows are needed to enable the collaboration and service co-production [15].

Employees: The Employees element (from SS9) is present in the Service Dominant Strategic Statements as a source of customer knowledge and understanding [1]. This approach is explained due that employees can learn about the customer preferences leading to a better understanding of the customer needs.

Customer: The customer element (from SS5) is present as a singular form rather than plural (i.e: customers). By including the customer as a resource brings the active role of the customer as producer-consumer in co-production. Moreover, by involving the customers we can get knowledge related with their needs in an active manner [1].

Partners: The partners element (from SS5) is identified as a key enabler for the firm to gain competitive advantage. Furthermore, the firm should engage partners in the value network in co-creation and co-production activities [1].

The operant resource element is a resource class rather than an element by its own. As defined in the Service Dominant Logic, an operant resource is a resource capable of acting on other resource. Moreover, we can see all the stakeholders as an operant resource [22].

6 Constructing the Service Dominant Strategy Canvas

In Section 5, we identify the elements of a Service Dominant strategy. In this section, we use the identified elements to construct a service dominant strategy model: the service dominant strategy canvas. Firstly, in Section 6.1, we establish the main categories to classify the elements. Secondly, in Section 6.2, we cluster the service dominant strategic elements in two sub-groups per main category.

6.1 The Service Dominant Strategy Canvas Main Categories

In this section we depict the construction of the Service Dominant Strategy Canvas. In Figure 8, we present the Service Dominant Strategy Canvas' main structure defined as market relationships, business competences and business resources. Firstly, the market relationships answer the question: "How do we relate with our business environment in a service dominant business?". Secondly, the business competences, answer the question: "How do we enact our business relations in a service dominant business?". Finally, the business resources answer the question : "What ingredients do we need to enact our service dominant strategy?".

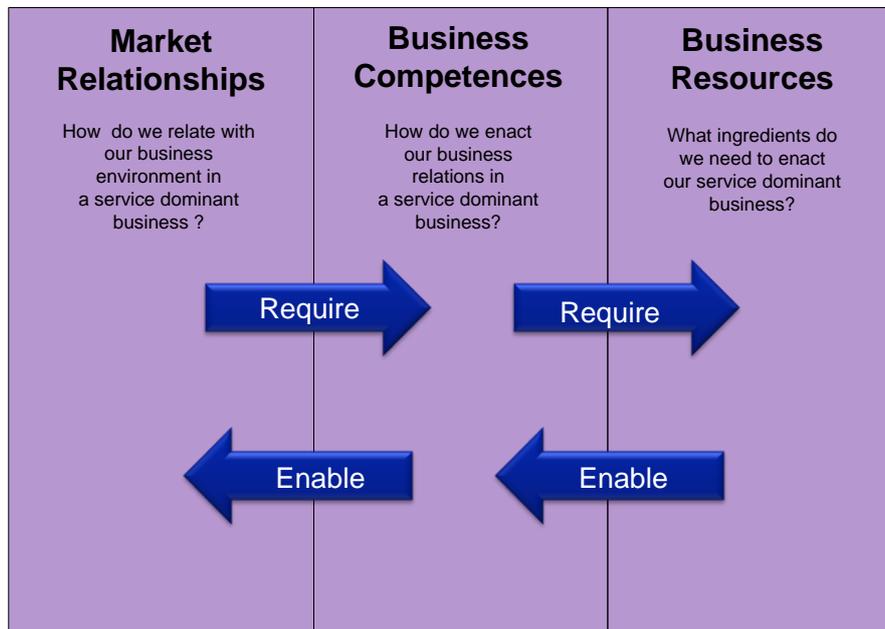


Figure 8: The service dominant strategy canvas' structure

As shown in Figure 8, the main categories of our model are connected through the "require" and "enable" relationships. The "require" relationship

is represented by an arrow pointing to the right side and the “enable” relationship is represented by an arrow pointing to the left. Market relationships require business competences to enact them. These business competences require the business resources as ingredients to enact these competences.

6.2 The Service Dominant Strategy Canvas Subcategories

As shown in Figure 9, we can distinguish complementary pairs sub-categories for each main category of our strategic model. Each subcategory is represented as a rectangle with round edges within each column. In the first column, we can distinguish between Endogenous and Exogenous market relationships. In the second column, we can distinguish between Collaboration and Value business competences. In the third column we can distinguish between Actors and Infrastructures business resources.

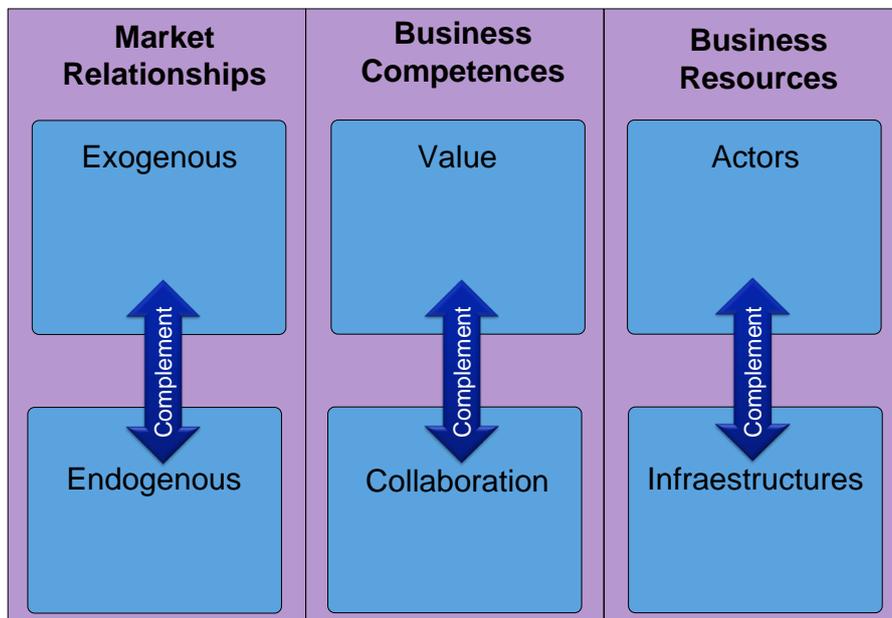


Figure 9: Complementary sub-categories

In Figure 9 is shown that each sub-category pair is related with the “complement” relationship represented by a bidirectional arrow. In the first column, the exogenous and endogenous market relationships complement each other. The exogenous subcategory clusters the inside-out market relationships and the endogenous subcategory clusters the outside-in market relationships. In the second column, the Value and Collaboration business competences complement each other. The Value subcategory clusters the business competences related with our proposition to our primary stakeholders. The Collaboration subcategory clusters the competences to co-develop the our proposition. In the third column, the Actors and Infrastructures business resources are complementary. The Actors are the business resources who participate in the service

dominant business and Infrastructures are what business resources we need to develop a service dominant business.

6.3 Element sub-clustering

Given the complementary relationship defined in Section 6.2, we can cluster the elements by asking a question for each pair of subcategories. The questions for each category are illustrated in Figure 10.

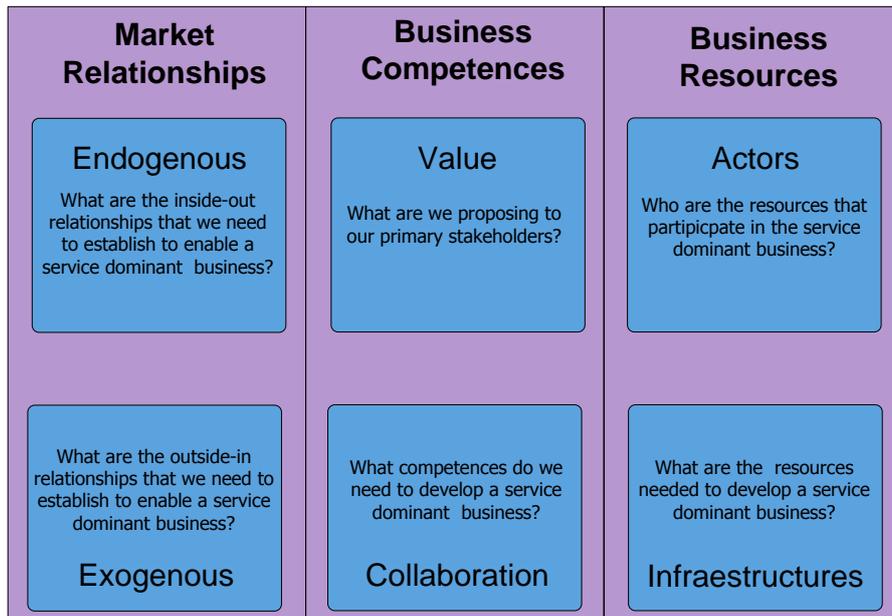


Figure 10: Complementary sub-categories

Within the market relationship category we can classify the elements corresponding to the endogenous market relationships category by asking the question: “What are the inside-out relationships that we need to establish a service dominant business?” The elements Contextually Individuated and Empowerment are market relationships that start from inside the company to the outside world. These three elements require to establish this relationship from our company to the actors involved in our service dominant business.

The exogenous market relationships, can be identified by asking the question: “What are the outside in relationships that we need to establish to enable a service dominant business?”. The market relationship elements that are needed to be established in the outside world are bidirectional, ethical mutual benefit and flexible borders. These three elements require the establishment of a market relationship between a pair of actors.

The value business competences can be identified by asking the question: “What are we proposing to our primary stakeholders?”. The Co-creation and Risk-based pricing are the value elements that we are proposing from the value-in-use and the pricing perspectives. The collaboration business competences

can be identified by asking the question: “What competences do we need to develop for a service dominant business?”. The Co-production, Service integration and Knowledge sharing are competences that we need to develop for the enactment of a service dominant business.

The actors business resources can be identified by asking the question: “Who are the resources that participate in the service dominant business?”. The business resources that answer to this question are the Customer, Partners and Employees business resources. The infrastructure business resources can be identified by asking the question: “What are the resources needed to develop a service dominant business?”. The elements that answer this question are Information Technologies and Service Flows.

After answering the questions we can visualize the result of the clustering process in Figure 11.

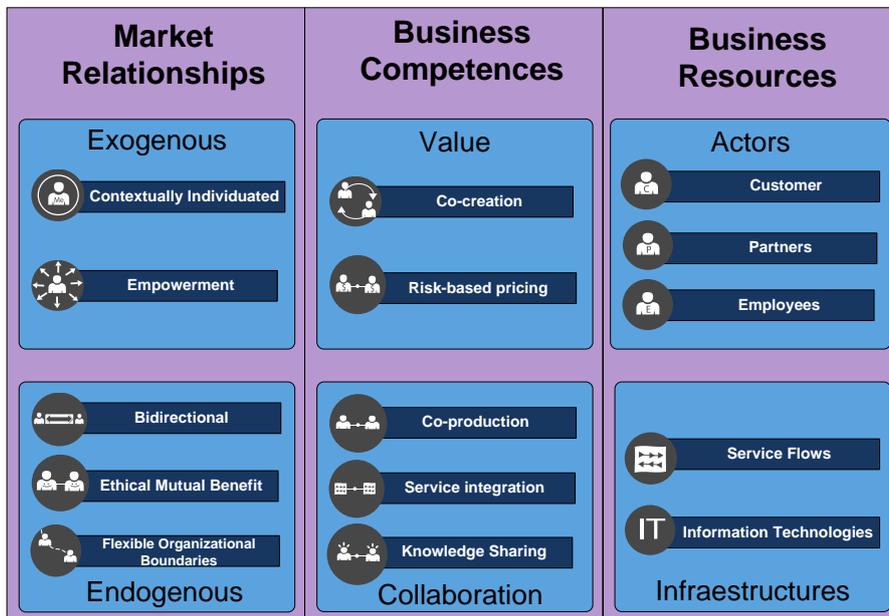


Figure 11: Result of the element clustering process

7 The Service Dominant Strategy Canvas

In Section 6, we shown how we constructed the Service Dominant Canvas. In this section, we present our canvas as a management tool to facilitate the design of service dominant strategies. We used the canvas approach, inspired by the success of the Business Model Canvas [23]. The Business Model Canvas is a tool to analyze and design business models in a visual way. The high rate of adoption of the Business Model Canvas is explaining by the adoption of visual thinking is a powerful way to communicate business concepts and ideas.

The Service Dominant Strategy Canvas, facilitate the design of a service strategy by answering the questions associated for each of the fifteen elements. As show in Figure 12, these elements are classified into three main categories: Market Relationships, Business Competences and Business Resources. Within each main category we can find a pair of sub-categories: Endogenous and Exogenous Market Relationships, Value and Collaboration Business Competences, and, Actors and Infrastructures Business Resources.

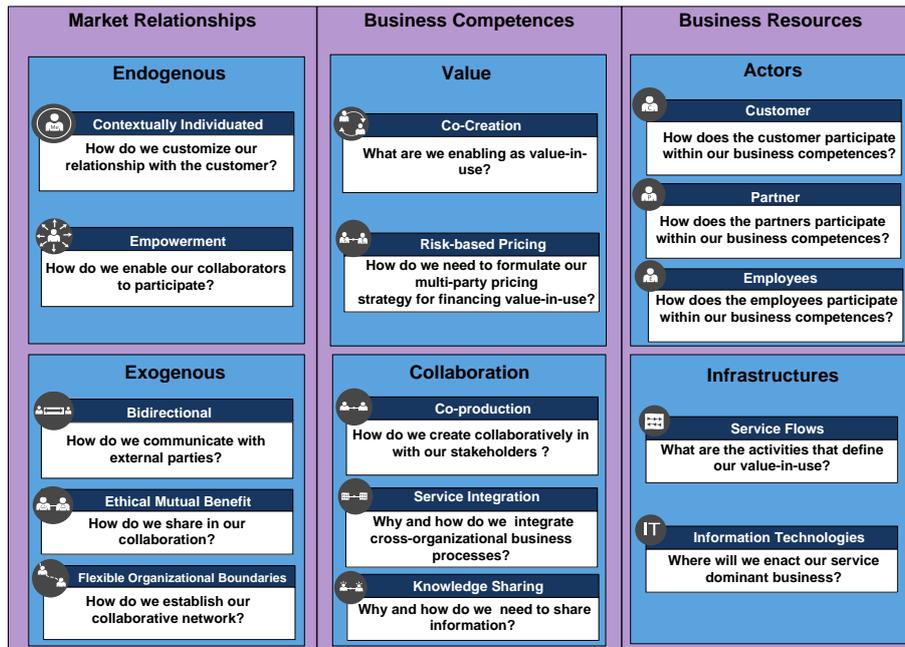


Figure 12: Service Dominant Strategy Canvas Elements and Key Questions

A full version of the Service Dominant Strategy Canvas that includes all the questions for each category, sub-groups and elements is shown in Figure 13 at the end of this section.

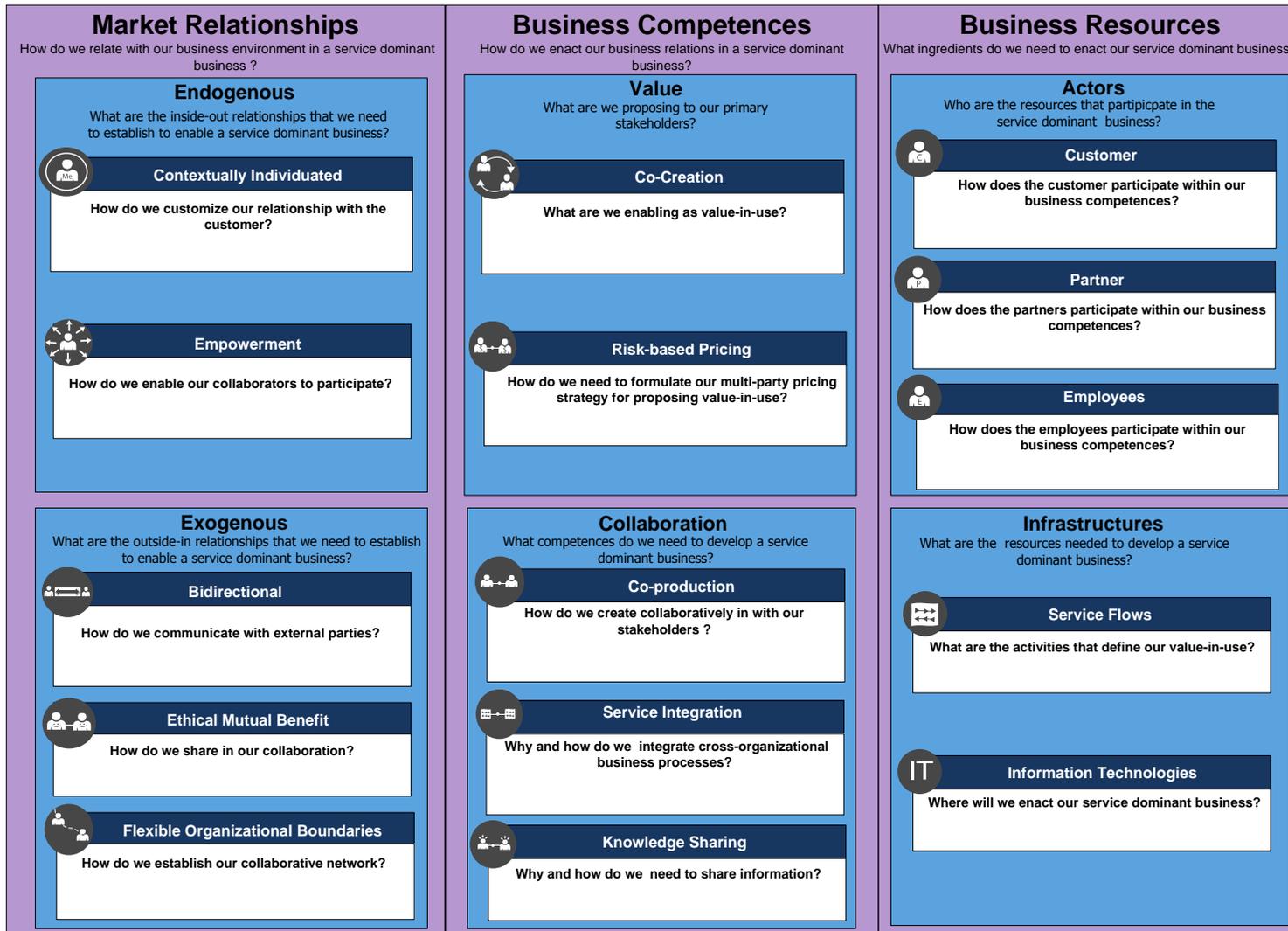


Figure 13: Service Dominant Strategy Canvas key questions and summary

In the following sections we start describing the Service Dominant Strategy Canvas by the Business Competences, that enable Market Relationships and require Business Resources.

7.1 Business Competences Category

The Business Competences are required to enact our business relations. We can group the business competences in two subcategories: Value and Collaboration.

7.1.1 Value Business Competences

The Value Business Competences are the mechanisms needed to establish our service dominant value proposition. Within the Value business competences we can identify Co-creation and Risk-based pricing.

The **Co-creation** business competence is about what we are enabling as value-in-use. The value-in-use is enabled through delivering solutions to our primary stakeholders (i.e: our customer). In the Service Dominant Strategy Canvas we ask the question: “What are we enabling as value-in-use?”.

The **Risk-based Pricing** business competence is about how we formulate our multi-party pricing strategy for proposing value-in-use. This pricing strategy is based on transitive risk with our primary stakeholders. In the Service Dominant Strategy Canvas we ask the question: “How do we need to formulate our multi-party pricing strategy for proposing value-in-use?”.

7.1.2 Collaboration Business Competences

The Collaboration Business Competences are the mechanism needed to develop a service dominant business. Within the collaboration business competences we can distinguish: Co-production, Service Integration and Knowledge Sharing.

The **Co-production** business competence is about how we create with our stakeholders in a collaborative way. This co-production is achieved by including all the stakeholders in the production of our solution centered approach defined as value-in-use. In the Service Dominant Strategy Canvas we ask the question: “How do we create collaboratively with our stakeholders?”.

The **Service Integration** business competence is about how and why we integrate the business processes between all the stakeholders involved in our collaboration. This service integration is achieved by enabling the composition and orchestration of business processes to achieve the best solution that maximizes the value-in-use of all our stakeholders. In the Service Dominant Strategy Canvas we ask the question: “Why and how do we integrate cross-organizational business processes?”.

The **Knowledge Sharing** collaboration business competence is about how and why we need to share knowledge. Knowledge is crucial to achieve value-in-use, the knowledge sharing is achieved by capturing, procession and distributing the information related with value-in-use with all our stakeholders. In the Service Dominant Strategy Canvas we ask the question: “Why and how do we need to share information?”.

7.2 Market Relationships Category

The Market Relationships establish how we related with our business environment. Within this category we can find a pair of subcategories: Endogenous and Exogenous Market Relationships.

7.2.1 Endogenous Market Relationships

The **Endogenous Market Relationships** are the inside-out relationships that we need to establish with our business environment.

The **Contextually Individuated** endogenous market relationship is about how we customize our relationship with the customer. This contextualization is achieved by understanding the needs of the customer that maximize the value-in-use. In the Service Dominant Strategy Canvas we ask the question: “How do we customize our relationship with the customer?”.

The **Empowerment** endogenous market relationship is about how we enable our collaborators to participate. This empowerment is achieved by providing the right channels that enable our collaborators to co-produce and co-create. In the Service Dominant Strategy Canvas we ask the question: “How do we customize our relationship with the customer?”.

7.2.2 Exogenous Market Relationships

The **Exogenous Market Relationships** are the outside-in relationships that we need to establish with our business environment.

The **Bidirectional** exogenous business relationship is about how we communicate with the external parties. This relationship is established by a bilateral interaction that facilitates conversation and dialog to market with our external parties. In the Service Dominant Strategy Canvas we ask the question: “How do we communicate with external parties?”.

The **Ethical Mutual Benefit** exogenous business relationship is about how we share with our collaborators. This relationship is established by a mutual gain for all the actors in the collaboration. In the Service Dominant Strategy Canvas we ask the question: “How do we share in our collaboration?”. The Flexible Borders business relationship is about how we establish our collaborative network. This relationship is established by being flexible through the inclusion of multiple actors for the enactment of value-in-use.

7.3 Business Resources Category

The business resources are the ingredients that we need to enact our service dominant business. We can classify the business resources into two subcategories: Actors and Infrastructures.

7.3.1 Actors Business Resources

The actors business resources are who we need for the enactment of the collaboration of the service dominant business. In this subgroup, we can distinguish three kind of business resources: Customer, Partner and Employees.

The **Customer** business resource is an actor that meets the profile of an active customer. The customer participates by determining what is the value-in-use and co-producing the desired solution. The customer is the main stakeholder in the determination of value-in-use, because he is the actor that will use the solution. In the Service Dominant Strategy Canvas we ask the question: “How does the customer participate within our business competences?”.

The **Partners** business resource is an actor that meets the profile of an active partner. The partners participate in the co-production of the solution for the established value-in-use. In the Service Dominant Strategy Canvas we ask the question: “How does the partners participate within our business competences?”.

The **Employees** business resource is an actor that meets the profile of an active employee that is willing to understand what is valuable for the customer. The employee participates in the co-production of the solution for enabling value-in-use. In the Service Dominant Strategy Canvas we ask the question: “How does the employees participate within our business competences?”.

7.3.2 Infrastructures Business Resources

The infrastructure business resources are what we need for the enactment of the collaboration of the service dominant business. In this subgroup, we can distinguish two kind of business resources: Service flows and Information Technologies.

The **Service flows** business resources are the activities that define our value-in-use and enable solution provision. In the Service Dominant Strategy Canvas we ask the question: “What are the activities that define our value-in-use?”.

The **Information technologies** business resources are the enablers that facilitate our collaboration and enactment of our value-in-use. In the Service Dominant Strategy Canvas we ask the question: “Where will we enact our service dominant business?”.

8 Designing a Service Dominant Strategy

In Section 7, we presented the Service Dominant Strategy Canvas. In this section we use our strategic tool to illustrate how can be used to design a service dominant strategy.

We use the music streaming business scenario as an illustration on how the canvas can be used to design a service dominant music streaming strategy. In this line of business there is a shift from music media ownership towards to music listening.

As exercise, we completed the canvas by answering the key questions of the service dominant canvas with post-it notes in a physical paper. At the end of this section, Figure 14 shows the Service Dominant Strategy Canvas filled with the answers of the key questions in which the answers are represented as shadowed rectangular boxes. The resulting answers for each of the fifteen elements are described as follows:

8.1 Business Competences

8.1.1 Value

Co-creation: What are we enabling as value-in-use? Enabling people to listening music as value-in-use by focusing on flexibility rather than ownership.

Risk-based pricing: How do we need to formulate our multi-party pricing strategy for proposing value-in-use? A pricing strategy based on the most and least demanded artists to achieve a broad music library. The pricing deals should be established in such a way that users are able to stream as much music they want.

8.1.2 Collaboration

Co-production: How do we create collaboratively with our stakeholders? By establishing the co-production focus on activities related with music streaming content by song attributes like artist, category, language and so on.

Service Integration: Why and how do we integrate cross-organizational business processes? The listening music value-in-use is enhanced by integrating service flows from other organizations. By this way the customer experience is enhanced by integrating different business processes into one service flow accessed trough an user interface.

Knowledge Sharing: Why and how do we need to share information? The knowledge about the usage of our solution is shared between the collaborators to improve our current offering by extending it into areas that we did not think about before. For example we could discover the increasing demand of independent artist that will lead us to expand our library in that direction. This information could be useful for collaborators that want to produce content to fulfill these needs.

8.2 Market Relationships

8.2.1 Endogenous

Contextually Individuated: How do we customize our relationship with the customer? Proving the customer a personal space where he can fill his preferences and track down the usage of his listening experience.

Empowered: How do we enable our collaborators to participate? By providing the right channels to facilitate the co-production of music related content and extending the music listening experience

8.2.2 Exogenous

Bidirectional: How do we communicate with external parties? Through a bilateral interaction that enables creation and consumption of content related with the music listening experience. This communication enables the marketing with collaborators in the music streaming business.

Ethical Mutual Benefit: How do we share in our collaboration? The sharing of financial income driven by the subscribers of the music streaming service in a proportional way related with the value-in-use of our music streaming business determined by our customers. The non-financial benefit can be sharing by giving visibly on the business for featured content creators.

Flexible Organizational Boundaries: How do we establish our collaborative network? Being flexible to the inclusion of multiple collaborators in the enactment of the music listening service.

8.3 Business Resources

8.3.1 Actors

Customer: How does the customer participate within our business competences? Our active customer participate by co-producing content related with music listening by using the tools that we provide through our service user interface.

Partners: How does the partners participate within our business competences? Our partners part participates by co-producing professional content related with music listening to enhance the value-in-use of the music listening experience.

Employees: How does the employees participate within our business competences? Our employees help the customers and partners to co-produce music listening related content by developing the right tools to facilitate the collaboration.

8.3.2 Infrastructures

Service Flows: What are the activities that define our value-in-use? Activities related to music listening such as music streaming, music concerts promotion, song lyrics matching and song sharing.

Information Technologies: Where will we enact our service dominant business? We will enact our business in a music streaming platform that allows the participation of our collaborators to produce content that maximize the value-in-use of the music listening experience.

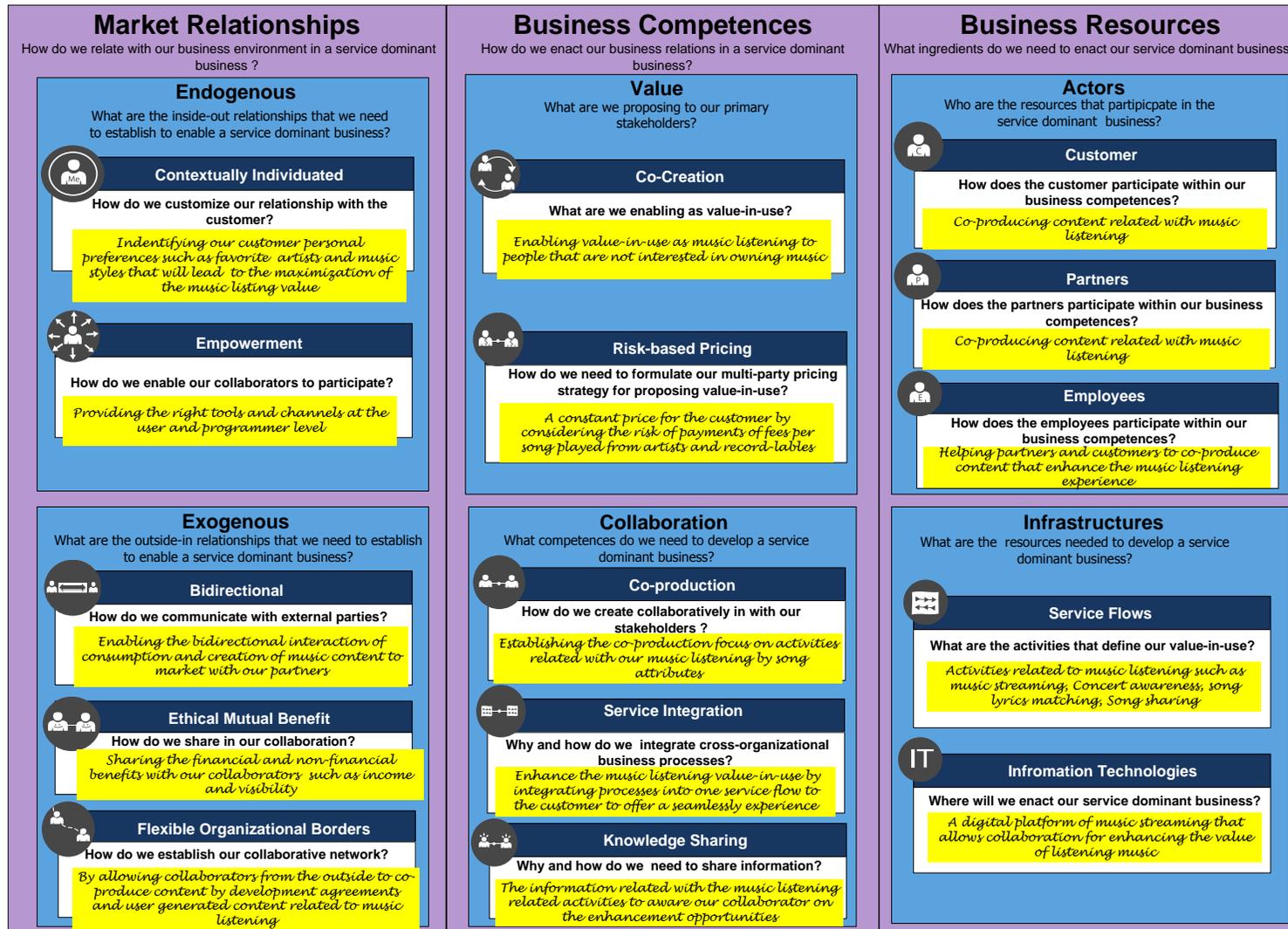


Figure 14: A Service Dominant Strategy Canvas for the music streaming business

9 Conclusions

In this report, we present the Service Dominant Strategy Canvas: a management tool to analyze and design service dominant strategies. This strategic perspective is constructed by taking a multidisciplinary approach on service by integrating business, marketing and information systems point of views.

We have tested the strategic canvas within several industry settings with innovation managers and strategist from logistics, asset-based finance and car leasing. These documents are available as project deliverables within the respective companies.

The outcome of this reports is the work related with the Strategy layer of our Service Dominant Business Logic framework. Currently we are working on the Business layer by developing a tool to design Service Dominant Business Models.

A Appendix

In this appendix, we present the Table 3 that includes the strategic statements identified in Section 4 to help the reader in following the matching and dissection process from Section 5.

Service Dominant Strategy Statements (SS)	Market relationships	Business competences	Business resources
SS1: "Competitive advantage is a function of how one firm applies its operant resources to meet the needs of the customer relative to how another firm applies its operant resources"		Meet customer needs	Operant
SS2: "Collaborative competence is a primary determinant of a firms acquiring the knowledge for competitive advantage"		Collaborative	
SS3: "The continued ascendance of information technology with associated decrease in communication and computation costs, provides firms opportunities for increased competitive advantage through innovative collaboration"		Collaborative	Information Technologies
SS4: "Firms gain competitive advantage by engaging customers and value network partners in co-creation and co-production activities"		Co-creation and co-production	Customers and partners
SS5: "Understanding how the customer uniquely integrates and experiences service-related resources (both private and public) is a source of competitive advantage through innovation"		customer understanding	Customer
SS6: "Providing service co-production opportunities and resources consistent with the customer's desire level of involvement leads to improve competitive advantage through enhanced customer experience"		co-production	
SS7: "Firms can compete more effectively through the adoption of collaboratively developed, risk-based pricing value propositions. Appropriately shifting the economic risk of either firm or customer through co-created value propositions increase competitive advantage"		Risk based pricing	
SS8: "The value network member that is the prime integrator is in a stronger competitive position". "The retailer is generally in the best position to become prime integrator"		resource integrator	
SS9: "Firms that treat their employees as operant resources will be able to develop more innovative knowledge and skills and thus gain competitive advantage"			Employees
SS10: "Individuated interaction with an emphasis on understanding individual customers"	Individuated inter.		
SS11: "Relational interaction with an emphasis on supporting the connecting social and emotional links"	Relational inter.		
SS12: "Ethical interaction with an emphasis on supporting fair and non opportunistic exchanges "	Ethical inter.		
SS13: "Empowered interaction with an emphasis on enabling customers to shape the nature and/or content or exchange"	Empowered inter.		
SS14: "Developmental interaction with an emphasis on supporting customers own knowledge and competence development"	Developmental inter.		
SS15: "Concerted interaction with an emphasis on supporting coordinated and integrated service processes toward customers"		Service coordination	Service flows
SS16: Flexible organizational boundaries in which collaboration is encouraged by minimizing the barriers for building large networks of individuals and organizations across boundaries	Flexible organizational boundaries		
SS17: Networked resource integration by forming and maintaining strategic partnerships that require the integration of resources among all the actors involved		Networked integration	
SS18: Value with end customers in which the company and customers co-develop offerings		Co-development	
SS19: Focus on value creating with the objective of mutual benefits	Mutual benefit		
SS20: A dialog between the company and the market, where the innovation meets demand	Market dialog		
SS21: Market and customer knowledge is shared and applied across all the organization rather than a dedicated market function		market and customer knowledge	
SS22: Holistic offerings that are part of the usage context, where actors co-develop offerings and co-create value	Contextual		

Table 3: Service dominant strategy elements identification

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