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Applying Service Logic and Theory to Entrepreneurship

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Abstract

Service ventures represent a major portion of entrepreneurial activity in today's global economy. This paper reviews two contemporary service theories and applies each to entrepreneurial contexts. The first is the Service-Dominant Logic of marketing, which provides a prescriptively interesting "theory of the firm", but not a descriptively pragmatic or informative "theory of strategy." In other words, it suggests why entrepreneurial activity exists without directing managerial decisions pertaining to the activity. It also absorbs all economic activity into the realm of "service," thus reducing or eliminating the ability to distinguish managerial insights along a service/non-service dimension. The second is the Unified Service Theory, which explicitly discriminates between service and non-service activity, and prescribes managerial approaches that are unique to each. The consideration of service versus non-service management holds important strategic and tactical significance for entrepreneurial decision-making, as is demonstrated through a case study.

Introduction

The economies of developed nations have been primarily composed of services for many years and, as of 2006, employment in the service sector worldwide was greater than in the manufacturing or agricultural sectors (International Labour Organization 2007). Even developing economies are experiencing tremendous growth in services (cf. Spohrer and Maglio (2008)). Some of this growth can be attributed to expansion of

existing services. However, it is clear that much of the growth of the services is the result of entrepreneurial activity.

The tremendous entrepreneurial opportunities in services is demonstrated by the Kauffman Index of Entrepreneurial Activity, which is defined as “the percent of individuals (ages twenty to sixty-four) who do not own a business in the first survey month that start a business in the following month with fifteen or more hours worked per week” (Fairlie 2009, p. 15). Fairlie reports Kauffman Index statistics by four major sectors—construction, manufacturing, trade, and services—plus an “other” category. For the period 1996–2008, the average Kauffman Index value for services was 4.8 times larger than that for manufacturing. In many instances, construction (which had the highest Kauffman Index value) and trade may also be considered services, further emphasizing the predominance of services in entrepreneurial activity.

Services are the bastion of entrepreneurship activity for various reasons. One reason is the ease of entry. As stated by Riddle (1986), “The vast majority of service firms are small businesses—frequently family businesses. Entry into the service sector is both easy and difficult. In many instances, service firms can be run on a labor intensive basis with relatively little overhead, capitalizing on the provision of highly personalized service.” Entrepreneurship opportunities are thus enhanced by relatively low capital requirements and the opportunity to compete with incumbent players through increased personalization. Ease of entry can actually be a challenge to entrepreneurs, since many services are fragmented, with many firms competing for the same customers’ attention.

It is useful to understand why service entrepreneurship is so prevalent, but perhaps more valuable to understand what it is about the nature of service that does or can lead to successful entrepreneurship. Understanding those issues is contingent upon a more fundamental question: What constitutes a service? That is the question underlying service theory or, as some have more aptly called it, a service logic. Kingman-Brundage et al. (1995) note the need for a service logic that includes organizing principles that (1) describe the elements (and their interaction) of service systems and (2) highlight how service systems are to be managed. Thus, a service logic should provide a foundation for understanding service entrepreneurship.

In this article we review two service logics. The first is the popular Service-Dominant Logic of marketing (SDL) proposed by Vargo and Lusch (2004a). Their first published version of Service-Dominant Logic, which we call SDL 1.0, has evolved into a revised version that we call SDL 1.1 (e.g. Lusch and Vargo 2006; Vargo and Lusch 2008). SDL 1.0 provided much useful insight, but also had some practical limitations. We will show how these limitations continue in SDL 1.1. We subsequently review an alternate perspective on service known as the Unified Service Theory (UST), which overcomes shortcomings of SDL 1.1. We propose a revised service logic called SDL 2.0, which combines the strengths of the original SDL and the UST. A final section summarizes.

Service-Dominant Logic 1.0/1.1

At the core of SDL 1.0/1.1 is a generalized definition of service. Vargo and Lusch (2004a) define service as “the application of specialized competences (knowledge

and skills) through deeds, processes, and performances for the benefit of another entity or the entity itself.” This is not just a definition, but is akin to a “theory of the firm” that indicates why firms exist. SDL 1.0/1.1 followed naturally from Slater’s (1997) call to service marketing scholars, and Porter’s (1991) work in strategy, to anchor discussion of a theory of the firm in terms of customer value. Accordingly, the originators of SDL 1.0/1.1 noted that “We . . . have also suggested that S-D logic could provide the foundation for a revised theory of the firm (and other resource-integrating activities), a theory of service systems (see also Maglio and Spohrer [2008]), and a revised theory of economics and society” (Vargo and Lusch 2008, p. 3, citation in original).

A theory of the firm provides entrepreneurs with a justification for entrepreneurial activity. SDL suggests that the basis for all entrepreneurial activity is to provide benefits to other entities by acquiring, developing, and exploiting specialized competencies. This conceptualization may seem like common knowledge, being similar to ideas of Adam Smith and others (see Ricketts 2006). What is not so common is specifically ascribing this perspective to “service.” SDL attributes “specialized competencies . . . for the benefit of another . . .” as being “service,” which contrasts with other popular preconceptions of service.

One needs to understand the history of the “service” concept to understand the distinctiveness of SDL (Meyer-Goldstein, *et al.* 2002). In academics, the concept of service has been most closely aligned with intangibility, heterogeneity, inseparability, and perishability (IHIP)—viewing “service” as a product that possesses the IHIP attributes (Lovelock and Gummesson 2004). Vargo and Lusch contrast SDL with

Goods-Dominant Logic (GDL), which views services as intangible goods. Recently, intangibility of services and the IHIP characteristics in general have been convincingly refuted in research literature (Laroche, Bergeron and Goutaland 2001; Lovelock and Gummesson 2004) including being refuted by Vargo and Lusch (2004b). The SDL insight is that service is not a product as much as a process (deed/performance). In other words, service firms exist not (just) to provide a product, but to provide a process. That process, according to SDL, facilitates the co-creation of value with customers. Thus, service entrepreneurship is not founded on providing customers with a value-laden offering (or product), but rather providing customers with the means (the process) to create their own value.

Vargo and Lusch present ten Foundational Premises (FPs), which represent the theory of the firm underpinnings of SDL 1.0/1.1, and which we summarize in Table 1. Explanations are from Vargo and Lusch (2004b; 2008).

--- Insert Table 1 about here ---

Table 1: Foundational Premises of SDL 1.1

FPs	SDL 1.1 (Vargo and Lusch 2008)	Explanation
FP1	Service is the fundamental basis of exchange.	“The application of skills and knowledge...is...service” (2008, p. 6)
FP2	Indirect exchange masks the fundamental basis of exchange.	Indirect exchange is using skills to make and sell products for money to customers without directly interacting with the customers (2004a, p. 8).
FP3	Goods are distribution mechanisms for service provision.	A physical good “is an ‘appliance’ for the performance of service; it replaces direct service.” (2004a, p. 9)

FPs	SDL 1.1 (Vargo and Lusch 2008)	Explanation
FP4	Operant resources are the fundamental source of competitive advantage.	Operant resources (knowledge) act on other resources, versus operand resources (objects) that are acted upon (2004a, p. 2).
FP5	All economies are service economies.	In other words, all economies are based on the application of specialized skills (2004a, p. 10).
FP6	The customer is always a co-creator of value.	This emphasizes “the <i>collaborative</i> nature of value creation.” (2008, p. 7)
FP7	The enterprise cannot deliver value, but only offer value propositions.	Emphasizes preeminence of “value in use.” (2004a, p. 11)
FP8	A service-centered view is inherently customer oriented and relational.	Emphasizes “doing things, not just for the customer but with the customer.” (2004a, p. 11)
FP9	All social and economic actors are resource integrators.	“The resource-integration role of the firm is equally applicable to individuals and households” (2008, p. 8)
FP10	Value is always uniquely and phenomenologically determined by the beneficiary.	“Value is idiosyncratic, experiential, contextual, and meaning laden” (2008, p. 7)

These foundational premises can be interpreted as having various prescriptive implications for entrepreneurship. FP1 and FP5 suggest that, ultimately, all entrepreneurial activity is in the domain of service. FP4 prescribes a focus of competitive advantage on operant resources (knowledge and skills, which act on other resources), versus operand resources (e.g., goods, which are acted upon). In other words, FP4 suggests that competitive focus should be on active resources. FP9 indicates that all players in a venture are active resource integrators, not passive recipients of value. This discounts some of Porter's traditional barriers to entry: assets purchased at pre-inflation

prices, capital, and even supplier networks. Porter's assertions suggest that intellectual assets (operand resources) also provide competitive advantage (1980; 1979).

FP6, FP7, and FP10 suggest that all entrepreneurial ventures should be gauged according to customer response. This makes sense, since the customer ultimately decides if the entrepreneur will be compensated. Unfortunately, for new business ventures the entrepreneurial value often comes from new and untested value propositions. There is obvious value in being customer oriented and relational (FP8). But again, one challenge in entrepreneurship is developing a value proposition for some set of yet-to-be-identified customers.

FP2 and FP3 suggest that physical products should be managed as services. Vargo and Lusch refer to physical products as intermediaries, and hint that there are untapped entrepreneurial opportunities in turning traditional products into services. They say, "In a service-centered view, tangible goods serve as appliances for service provision rather than ends in themselves. In this perspective, firms may find opportunities to retain ownership of goods and simply charge a user fee (Hawken, Lovins, and Lovins 1999; Rifkin 2000), thus finding a competitive advantage by focusing on the total process of consumption and use" (Vargo and Lusch 2004a, p. 13, references in original). They cite an example of French firms that reportedly switched from selling furnaces and air conditioners to providing a "warmth service" of maintaining an agreed temperature in a building. This reframing from goods to service has occurred in a few other industries, such as aircraft engines, where Rolls Royce leases engines to airlines and takes responsibility for maintenance (Knowledge@Wharton 2007).

Nevertheless, one wonders if this type of servitization might provide very limited entrepreneurial opportunity. Involving a goods provider in the use and maintenance of a product surely comes with a cost. For most consumer goods it is more practical for the customer to simply take ownership of the goods and assume full responsibility for their use. It seems to be a stretch of the imagination for consumers to switch from buying shoes to engaging in a “feet covering service,” or replacing light bulbs with a “home lighting service.” As Moeller astutely points out, indirect exchange (the production and sale of goods) is a distinct and important business paradigm (Moeller 2008).

Strategic Limitation of SDL 1.0/1.1

As suggested, SDL can be useful for entrepreneurs in defining why entrepreneurial firms exist—complementing previous theory of the firm views related to entrepreneurship (see Ricketts 2006). A distinct shortcoming of SDL is that it does not provide clear direction in terms of a theory of strategy for entrepreneurial and managerial decision-making. The practical value of a theory of strategy is the ability to guide strategic choices that could explain why some firms persistently outperform others. Porter (1991) notes that a theory of strategy addresses two critical considerations underlying why firms succeed or fail. The first is the cross-sectional problem exploring reasons for superior long-term performance of firms, while the second is the longitudinal problem that examines the process by which firms create competitive positions. Both these problems are rooted in specific decisions about firm activities and managerial choices. It is not clear how SDL guides the management of activities or strategic choices, and in fact it is seen to reduce discrimination among choices.

For example, the statement that “All economies are service economies” (FP5) might imply that all firms are service firms and all processes are service processes. The SDL definition of service applies as easily to a physician using surgery skills to benefit patients as it does to a sock manufacturer using weaving skills to benefit future sock wearers. Surgery and sock manufacturing are indeed great opportunities for business and entrepreneurial activity, but should they be managed the same ways? Probably not.

By collapsing all business ventures into “service,” SDL reduces the value of using “service” as a basis for making decisions that allow firms to be competitive in distinct business and operating contexts. It provides such a broadly inclusive category of activities that there are no categorical decisions to be made.

In contrast, we argue that “service” is and has been distinct from something we might call “non-service,” and that service activities should be managed differently from non-service activities. Further, as suggested by Riddle, service activities provide both unique opportunities and unique perils for entrepreneurs. In the next section we will present an alternate service logic, which we call SDL 2.0.

SDL 2.0 and the Unified Service Theory

The basis of our SDL 2.0 is the previously published Unified Service Theory (UST) (Sampson 2009a; Sampson and Froehle 2006). The UST was presented some years ago as a basis for service operations management (Sampson 2001), and has been subsequently applied to service marketing, service oriented software architecture, and service science (Sampson 2009b). The UST defines service as follows: “Services are

productive¹ processes wherein each customer supplies one or more input resources for that customer's instance of need fulfillment." In other words, service processes are distinct in that they involve (integrate) customer-provided resources. Those resources are the customers themselves, their belongings, and/or their information (Lovelock 1983). This contrasts with non-service processes, which do not depend upon customer resources, and thus can operate independently from customers (Moeller 2008).

In the language of SDL, we present our alternate "SDL 2.0" definition of service as "the application of specialized competencies by processing customer-provided resources in a productive (i.e., beneficial) manner." To verify that this is not a tautology, we present a distinguishing definition of non-service as "the application of specialized competencies through processes that are not reliant on customer resource components, but rather operate for the benefit of future customers." We contend that the requirement of customer resource components (aka, "customer inputs") leads to significant differences in appropriate managerial decision making. As such, incorporating UST views to advance service logic insights provides a useful underpinning for a theory of strategy.

For example, the involvement of customer inputs (i.e., customer resources) in productive processes has major implications for forecasting and scheduling. Given

¹ Previous UST recitations referred to "*production* processes," implying "creation of utility" but may also have connotations of goods production. Herein, we use the phrase "*productive* processes" to more clearly indicate "benefit producing." This recitation also uses the phrase "instance of need fulfillment" in place of the phrase "unit of production." Vargo and Lusch (2004a; 2008) emphasize a stereotype of "units of output" as being at the core of Goods-Dominant Logic, despite the fact that all service processes also have units of output.

random demand, the forecasting problem becomes predicting demand for the benefit of production. Non-service processes such as make-to-stock manufacturing have the luxury of forecasting demand in aggregate across some time interval. If spikes in demand are forecast, such as due to a seasonal effect, non-service managers can prepare for those spikes by producing in advance. Christmas light manufacturers can and should produce as many Christmas lights in July as they do in December.

Service managers, on the other hand, do not have this same luxury of aggregate forecasting and scheduling. If demand is forecast to spike at some future date, service managers are limited in the ability to pre-schedule “production” in anticipation of the spike, since service production depends on customer inputs. Service processes cannot produce without customer inputs, so the best that managers can do is prepare for production in such ways as through capacity planning, and in some cases by scheduling customers through appointment systems. This is why Christmas light hanging services usually operate only in November and December and according to scheduled service.

The following is a managerial review of our alternate perspective on the SDL 1.1 foundational premises, emphasizing the criticality of our theory of strategy perspective that emanates from the service versus non-service process distinction.

FP1: Service is the fundamental basis of exchange. We agree that service is a fundamental basis of exchange, but we recognize that non-interactive (i.e., make-to-stock) production is also a fundamental basis of exchange. Customers need a value proposition (FP7) in order to create value (FP6), which often requires goods (FP3) produced through non-service production processes.

FP2: Indirect exchange masks the fundamental basis of exchange. We argue that indirect exchange—the production of goods (FP3) that can subsequently be used to provide service—is an essential basis for economic activity and prosperity. For example, if a brick manufacturer needs his teeth cleaned but the dentist does not need any bricks, money is a convenient intermediary. Indirect exchange allows for diverse networks of skill exchange that are dispersed across time, space, and skill.

FP3: Goods are distribution mechanisms for service provision. We fully agree. In our previous writing (Sampson 2001, p. 148) we called make-to-stock manufacturers “service-provider-providers,” meaning that they create objects that are subsequently used for service provision. Nevertheless, we emphasize that the strategic decisions pertaining to the production of make-to-stock goods is dramatically different from decisions pertaining to the production of service, even if the service involves the production of physical goods. The reader is referred to other publications for a detailed outline of this idea (Sampson 2001) or a summary (Sampson and Froehle 2006).

FP4: Operant resources are the fundamental source of competitive advantage. Operant resources are indeed a source of competitive advantage. However, in commodity production the operant resources are often commodities themselves. In such circumstances, the operand resources, such as physical assets and networks, provide significant competitive advantage.

FP5: All economies are service economies. We believe that the fundamental unit of analysis is the process. Even Vargo and Lusch state that “S-D logic revolves around processes” (Vargo and Lusch 2008, p. 6). Economies are comprised of businesses that

are comprised of processes. All economies, and all businesses, include service processes, as well as non-service processes; and processes have different managerial characteristics depending upon the process classification.

FP6: The customer is always a co-creator of value. Indeed, customers always participate in the realization of value, but not always in forming value potential. And, we assert that forming value potential is the precursor to realizing value for and from customers.

FP7: The enterprise cannot deliver value, but only offer value propositions. That statement seems to demean the role of forming value propositions. Enterprises offer value propositions that lead to value delivery.

FP8: A service-centered view is inherently customer oriented and relational. It is always good to be customer oriented. However, with respect to customers, it is sometimes inappropriate to be very relational. For example, soft drink manufacturers have a very hands-off relationship with customers (consumers), with vending machines being a preferred form of distribution. Vending machines are not a relational form of distribution, and they do enable customers to experience value in way that is more convenient and efficient than relational alternatives.

FP9: All social and economic actors are resource integrators. True, but all resource integration is not the same. Different actors have different roles. Some actors (producers) integrate their resources for the specific benefit of others, and other actors (customers) integrate their resources for the specific benefit of themselves. Control of

resources (customer versus firm) is a significant strategic issue (Moeller 2008). Money is generally used to account for the differences in resource integration.

FP10: Value is always uniquely and phenomenologically determined by the beneficiary. Value is determined by the beneficiary; cost is usually determined by the benefactor; both contribute to customer satisfaction. Value is only realized for the beneficiary if the associated benefits for the benefactor outweigh the cost associated with service provision.

This last principle captures the primary concern we have about SDL 1.0/1.1. Vargo and Lusch (2004a, p. 11) quote Barabba (1995, p. 14), who refers to the “integration of the voice of the market with the voice of the enterprise.” We think of the former as the “Voice of the Customer” (VOC) and the later as the “Voice of the Provider” (VOP), which respectively represent the traditional marketing and operations perspectives of the firm. SDL 1.0/1.1 offers compelling arguments for moving the VOC to center stage of service discourse and debate, but it does so at the sacrifice of business realities pertaining to the VOP. For example, Vargo and Lusch (2004a, p. 5) talk about a need to “cultivate relationships that involve the customers in developing customized, competitively compelling value propositions to meet specific needs.” We argue that such a “service” approach is valuable in some contexts (e.g. healthcare) but inappropriate in others (e.g. drug development). Our proposed SDL 2.0 retains the useful customer focus underlying SDL 1.0/1.1 and also accounts for the practical provider-based realities facing the service entrepreneur. Incorporating both the VOC and VOP also allows us to integrate the views of marketing and operations, the two key value-adding areas of the firm (Piercy

2007). As such, SDL 2.0's balanced view addresses a fundamental SDL 1.0/1.1 concerns noted by others interested in the advancement of a legitimate service logic (e.g., Gronroos 2008).

In the next section we will review strategic and tactical decision-making implications of the UST for entrepreneurship.

UST Implications for Entrepreneurship

The UST suggests that all entrepreneurial activities are not service processes, but that there are two distinct yet related paths to entrepreneurship. The non-service option focuses on innovation in processes and/or products that are produced for subsequent use in providing service. Non-service entrepreneurship involves three phases: (1) designing the offering, (2) producing the offering, and (3) selling/distributing the offering (Moeller 2008). These three phases can be distinct in time, location, and even responsibility. An entrepreneur may design an innovative offering, and completely outsource production and sales. Other entrepreneurs may focus exclusively on a new and perhaps innovative sales and distribution model, with the design and production being offered by others.

The service entrepreneurship option has limits on the separability of the three phases. As a service, production depends on customer input components, which components typically are not available until after the customer has made a purchase decision. Therefore, phases (2) and (3) are inherently linked, both temporally as well as in execution. The sales and production functions are integrated to some degree, making it difficult to outsource one and not the other. The design phase might be outsourced, which happens with franchising. Nevertheless, customer participation in the production

process may actually change the process according to customer preferences, meaning that the design of the offering can be influenced by the customer. That is why franchising tends to occur in *structured* offerings, such as fast food or carpet cleaning.

Thus, at a fundamental level an entrepreneur needs to decide on a service or non-service approach. The non-service approach allows entrepreneurship in specific phases of the venture, outsourcing the others. The service approach is more constrained, requiring more direct management of production and sales processes. Indeed, service entrepreneurs face a spate of ongoing issues and concerns when it comes to managing the value realization (i.e., provision) effort. To illustrate these two alternative approaches, and the utility of the SDL 2.0 perspective in guiding managerial decisions and action, we now consider an entrepreneurial case study.

Case Study—Italian Soup

An entrepreneur in one of the authors' community opened an Italian restaurant that was relatively successful. The entrepreneur designed his restaurant venture to offer patrons an authentic Italian dining experience. The value proposition was based not only on quality food products but also on pleasant interactions between customers and employees (Smith and Colgate 2007). Subsequently, he developed a prepackaged Italian soup that was marketed through a national retail chain. That soup offering also proved to be relatively successful. The entrepreneur designed the soup offering and even did his own production, but outsourced the product's sales and distribution. Recently, the entrepreneur decided to close the restaurant and focus his attention on the soup offering (Leong 2009). Why? What are bases for such a decision?

The restaurant venture was structured so that soup and food production were contingent upon customer specifications. Even though portions of food items were prepared in advance, the final production and assembly of food items were contingent on customer orders. This type of mass customization, while increasing service provision complexity, reflected a potential source of advantage achieved through value co-production. Further, the offering included a facility, or “servicescape” (Bitner 1992), with an authentic Italian decor, which offering can be delivered only if the customers provide themselves as process inputs. Customers were at times either an operand resource (e.g., being served food) or an operant resource (e.g., eating the food). Since the restaurant production process is contingent upon customer input components (orders and selves) the restaurant is, according to the UST, a service venture.

The second venture involves standardized offerings of soups. The entrepreneur believed he had superior recipes, which, when branded, were his primary source of competitive advantage. He produced his own soup in a facility near where he lives, which worked fine during the startup phase. However, as the popularity of his soup products increases, he is likely to outsource the soup production or move it to a location with lower labor costs and easier access to key ingredients such as tomatoes. He already had outsourced the sales and distribution, and it would be costly for him to attempt to develop his own proprietary distribution channel.

The entrepreneur decided to focus on the non-service venture largely due to the particular challenges of the service venture manifested during a slow economy (Leong 2009). The service venture required ramping up capacity during weekends, when more

customers presented their inputs. The non-service venture allowed planning level production across a defined forecasting horizon. Employees in the service venture found that every day presented different challenges and requirements due to varying customer resource inputs, whereas employees in the non-service venture had very stable job requirements. Quality in the service venture was influenced by customers, who could use their co-production role to intentionally or unintentionally disrupt the process. Quality in the non-service venture was not influenced by direct customer interaction, and thus could be more easily controlled by the quality manager and the health department. This illustrates just a few of the many day-to-day challenges that are specific to service management (see Sampson 2001).

The customer-input constraint of service entrepreneurship also leads to constraint in scope and capital requirements. The service offering was a restaurant that served primarily a local customer base. For each location, the entrepreneur was not encumbered with decisions about whether to market the restaurant services outside of the adjacent community, although they did have people who traveled great distances for the excellent food. He did have strategic decisions about opening other restaurants to serve other communities, and opened a similar restaurant in a nearby community and one in another state (which remains open). The target market of each location is geographically constrained, due to the customer-input requirement. Operating a venture in such a limited location had relatively low capital requirements, thus making it quite easy to secure financing.

The non-service offering did not have the distribution-scope constraint, and the entrepreneur quite easily provided the soups to a geographically dispersed customer base through the partner retail chain. The retail chain expected fulfillment of demand across the store locations, which requires the entrepreneur to be prepared to ramp up to higher-volume production. Although his initial capital requirements were quite low, expanding the scope of production will lead to higher capital requirements, which is one of the traditional barriers to entry (Porter 1980).

This brief case study illustrates some of the major strategic and tactical implications associated with managing customer resource inputs in service processes. Indeed, apt service management of value realization for and from customers is not so prescriptively straightforward as implied by SDL 1.0/1.1. The UST contributes to a theory of strategy by identifying differing success factors for service and non-service ventures. The corresponding SDL 2.0 suggests that the primary responsibility of the service provider is not, per se, simply to satisfy customers. Rather the task at hand is to design and deliver apt encounters, experiences, and outcomes that hold the potential to satisfy customers (Cho and Menor 2009) in a way that is economically viable. What is apt is largely a function of how the UST-based considerations noted in (Sampson 2001), (Sampson and Froehle 2006), and elsewhere are specifically addressed. Table 2 summarizes some of the factors and limitations for decision-making inherent in our proposed SDL 2.0. Note that a complete list of SDL 2.0 Foundational Premises will be presented in one or more subsequent publications.

--- Insert Table 2: UST Perspective on Service Logic ---

Table 2: UST Perspective on Service Logic

FPs	SDL 1.1	UST (SDL 2.0) Perspective
FP1	Service is the fundamental basis of exchange.	Service is a basis for exchange that is subject to customer-input requirements.
FP2	Indirect exchange masks the fundamental basis of exchange.	Indirect exchange provides strategic advantage of focusing on design or production.
FP3	Goods are distribution mechanisms for service provision.	Goods produced prior to demand (non-service) are different from goods produced based on demand (service).
FP4	Operant resources are the fundamental source of competitive advantage.	Operand resources (assets and supplier networks) are more of a sustainable advantage for non-services than for services.
FP5	All economies are service economies.	Service is prevalent, but non-service is also important.
FP6	The customer is always a co-creator of value.	The customer ultimately determines the value provided in an (entrepreneurial) offering.
FP7	The enterprise cannot deliver value, but only offer value propositions.	Entrepreneurship is largely about identifying new value propositions.
FP8	A service-centered view is inherently customer oriented and relational.	Relationships with customers come with a cost of efficiency and scope, and thus might limit strategic efficiencies.
FP9	All social and economic actors are resource integrators.	All actors are resource integrators, but at different ways and phases in the processes.
FP10	Value is always uniquely and phenomenologically determined by the beneficiary.	A key goal of entrepreneurship is predicting and providing what customers will value.

Summary

Ireland (2007, p. 7) notes that “challenging dominant thinking is a vital path to advancing knowledge about a phenomenon that interests scholars.” In this paper we reviewed two alternative service theories that can potentially contribute to advancing scholarly understanding and insights on entrepreneurship. The first theory, SDL, views all economic activity from a service perspective and represents—at least in current scholarly discourse—a “marketing dominant logic of service”. The SDL view provides a prescriptively provocative “theory of firm” that emphasizes the pervasiveness and primacy of customer contribution in all value creation efforts. An alternate (and challenging) view on service provision is the UST perspective, which holds that service ventures are different from non-service ventures and therefore operate under different strategic and tactical implications resulting from this distinction. The UST perspective provides the requisite foundation for us to begin positing a balanced SDL 2.0 “theory of strategy” for service provision that can aide entrepreneurs and managers in making contextually appropriate managerial decisions.

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