

The Service Dominant Logic:
The Elusive Strategy for the Underserved in the Emerging Economies

Prof. Jaqueline Pels
Espacio Negocios Inclusivos (ENI-DiTella)
Universidad Torcuato Di Tella
ARGENTINA
Telephone: +54 11 5169 7319
Email: jpels@utdt.edu

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Conceptual paper with 3 case studies

Jaqueline Pels is a Marketing Professor in the Business School of the University Torcuato Di Tella, Buenos Aires, Argentina. Her research experience is in the areas of inclusive business, emerging economies, business-to-business marketing, relationship marketing, networking marketing, professional services and marketing theory. She has been chair of the Relationship Marketing Summit , Argentina, 2007 and of the AMA International Marketing Educators Conference, Argentina, 2000 as well as regional chair to the Emerging Markets in the New World Order –The Paradigm Shift, India, 2010. She is Vice President of the Administrative Council and Founding Member of the Asociación Latinoamericana de Académicos de Marketing (ALAM). Her publications have appeared in leading international journals including *European Journal of Marketing*, *Journal of Business and Industrial Markets*, *Journal of Relationship Marketing*, *Journal of Marketing Theory and Practice*, and *Journal of Global Marketing* amongst others. She is Latin America editor for *Marketing Theory*, *Journal of Business and Industrial Markets* and for the *Academy of Marketing Science-Review* and has served on the Editorial Boards of the *Journal of Marketing*, *Journal of International Marketing*, *Emerald Emerging Markets Case Studies*, *Journal of Relationship Marketing*, and *Journal of Business in Developing Nations*, amongst others.

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Introduction

The World Bank defines an economy as emerging (EE) [1] if its level of wealth creation, measured as gross national income (GNI) per capita, is below that of developed economies [2]. In 2009, the cut-off point was \$ 12.196 per capita. This positions 76% of the countries as emerging economies. This information is known and discussed openly (e.g. Maktoba and Williams 2009). What is usually not taken into account is that, in the upper-middle income countries, 70%-80% of the population has an income and living conditions similar to those of a lower middle or low income country (AC Nielsen: An Integrated Vision of the Latin-American Consumer 2005; National Sample Survey Organization: Household Consumer Expenditure in India 2004). As a result the number of underserved people is even higher than regular estimates.

Business models (as discussed by mainstream business literature) have been developed having in mind the needs of customers in developed countries or the upper tiers within the EE countries. Current business ‘solutions’ to the needs of the lower tiers of the developed countries and the middle tiers of the EE countries follow a *less-for-less* rationale (e.g. B-brands or economic packaging). Alternatively, the Grameen Bank [3] (India), Casa Bahia [4] (Brazil), Cemex [5] (Mexico), and ProVivienda-GasBan [6] (Argentina) are published examples of new business approaches that have as their goal to provide high class products and services at accessible prices to the lower tiers (i.e. following a *more-for-less* rationale). All these cases show that in order to provide higher value solutions innovation is required. Though many use new technologies (e.g. internet) this is not a prerequisite. Two elements are common in most case studies. First, the maturing of the new business solution resembles more the process described by the muddling through (Lindblom 1959), logical incrementalism of strategic choice (Quinn 1978) or the garbage can approach (Etzioni 1989) literature [7]; than that of the formal strategic planning schools. Second, successful cases challenge a core pillar of the traditional approach to business in the industry they operate (for example, Grameen

Bank provides credit without requiring individual guarantees). However, there is no common pattern in these successful cases. In each case the ‘formula’ for success is different.

A search in Proquest [8] revealed that as from 1990 only 138 articles were published with combinations of the following key words: developing markets or emerging economies *and* marketing (the number increases to 529 articles if the key word business is used). Though, in the last years, the number of publications is increasing this is still an understudied area in the mainstream business literature. However, as in previous situations when a new topic or area of research has started, special issue are being published (e.g. *Journal of Consumer Marketing, Special issue on Marketing Issues serving the Bottom of the Pyramid*), new journal focusing on the topic launched (e.g. ‘*Organizations and Markets in Emerging Economies*’), and special session and conferences organized. Most studies have taken an inductive approach (e.g. Prahalad, 2005). That is, they have studied the cases and tried to find communalities between them; however, the overall pattern is still elusive.

In short, the topic is relevant, requires re-thinking current business approaches and is understudied. To fill all the gaps highlighted in the previous paragraphs would be unrealistic; however, it is possible to start walking the trail. The impact of not having a clear business model to follow is evidenced in the high failure rate of the new projects addressed at the underserved (e.g. Olsen and Boxenbaum 2009). Moreover, not having business models explains the adoption muddling through type of approaches. It is the intent of this paper to try to identify an alternative rationale that is theory grounded and can help guide new EE businesses.

Within the marketing literature a new approach, the Service Dominant Logic (S-D logic), has been introduced. This view suggests a radical change with regards to current business practices. This paper will see if three successful Argentine case studies are aligned with the core premises of the emerging S-D logic. The S-D logic analysis is done ex-post; this means that the managers conducting these projects were unaware of this literature. The aim is to see if the S-D logic can provide an overall rationale, a doorway, to rethinking strategies for the underserved in the emerging economies.

The paper will have the following structure. First, it will discuss the characteristics of the EE countries and suggest why adopting traditional business approaches lead to *less-for-less* strategies. Then, a brief review of the S-D logic fundamental premises will be introduced. Next, three successful case studies will be

briefly described and, then, reviewed adopting the S-D logic lenses. The paper will conclude with managerial implications and suggestions for future research.

Limitations of the Traditional Business Approaches in an Emerging Economies Context

Developed countries provided important markets in which to sell goods and services at interesting margins. As a result, business models were outlined taking into account the characteristics of the developed markets. Until recently, EE markets were not of interest to the leading MNC [9], EEs were served by local firms. So what changed in the last 15 years? Much and nothing.

Much, the sudden interest in these countries was the result of two trends. On the one hand, as from the mid 1990s changes in many of these EE markets made them more attractive. In Europe, the Berlin Wall fell; in Latin American several countries opened their economies and privatized their public services; and in Asia, China abandoned the strict communist model. Also, new regional trading blocs were developing and exchange rates made these countries convenient production location (activating local economies). On the other hand, the economies in the developed countries were slowly starting to cool down. The almost simultaneous occurrence of these two trends made the EE countries particularly appealing.

Nothing, given that the underlying structural characteristics of these countries has not changed. These countries are still characterized as: 1) politically fragile, though some had become new democracies the political structures are still weak; 2) economically unstable, due to fiscal imbalances, risks of devaluations, and other unsolved macro-economic dynamics; 3) having unreliable judicial systems, the state is still deficient in the control of the implementation of the law; 4) lacking infrastructure; and 5) as having high levels of informal work and social inequity that lead to periodical social unrest. Business models need to contemplate all of these structural characteristics in order to work.

The desire for new markets lead to underestimate these structural differences and business models were exported with minimum adaptive changes under the slogan: *think global act local*. As Prahalad (2005) states, “making minor changes to the products created to serve the top of the pyramid” (p.9). Not surprisingly, reality showed that only *less-for-less* solutions could be achieved.

Service Dominant Logic

The Service Dominant Logic has not been developed having the EE realities in mind. However, their Fundamental Premises (Vargo and Lusch 2004, 2008a) show a radical shift on how to approach businesses. This paper contends that this new view might provide the much elusive new business approach to address the EE markets.

Much has been written since Vargo and Lusch's (V&L) 2004 milestone article in *Journal of Marketing*, "Evolving to a New Dominant Logic for Marketing". It is beyond the scope of this section to discuss the whole conceptualization of this new logic [10]. This section will succinctly introduce three of their landmarks: the distinction between service and services (Vargo and Lusch 2008b), the comparison between the Good Dominant logic (G-D logic) vis-à-vis the Service Dominant logic (S-D logic) (Vargo and Lusch 2004), and the S-D logic's ten fundamental premises (Vargo and Lusch 2008a).

Service versus Services

In their 2008(b) paper *Why "Service"?* V&L explain that *services* have been defined as 'intangible outputs' of a firm, usually coupled with the notion of 'immaterial products'. Most definitions and characterizations have frequently been centered on the identification of their distinguishing (from goods) attributes -intangibility, heterogeneity, inseparability, perishability ("IHIP," as designated by Lovelock and Gummesson 2004). Alternatively, the S-D logic uses the singular term, *service*. *Service* is defined as the application of specialized competences (operant resources -knowledge and skills), through deeds, processes, and performances for the benefit of another entity or the entity itself (V&L 2008b). This definition reflects the process of doing something beneficial for and in conjunction with some entity, rather than units of output - immaterial goods- as implied by the plural *services*. Thus, in S-D logic, goods and *service* are not alternative forms of products.

Service, then, represents the general case, the common denominator, of the exchange process; *service* is what is always exchanged. Goods, when employed, are appliances (tools, distribution mechanisms) which serve as alternatives to direct service provision or as aids to the service-provision process. Moreover, *service* is the proper, accurate, term as it captures the commonalities of various alternative logics and represents their intersection. V&L (2008b) believe it can serve as an organizing concept for extending, elaborating, and synthesizing these logics.

The case studies will reveal that the focus is very much on the *process* rather than the *outcome*, showing the adoption of a S-D logic.

G-D logic versus S-D logic

Under the G-D logic V&L synthesize what others have referred to it as the “neoclassical economics research tradition” (e.g., Hunt 2000), “manufacturing logic” (e.g., Normann 2001), “old enterprise logic” (Zuboff and Maxmin 2002) or, more specific to marketing, “product orientation” (Keith 1960), “marketing myopia” (Levitt 1960), “product marketing” (Shostack 1977), and more recently, “marketing management” (Webster 1992).

Under the S-D logic they build on the literature on market orientation (Kohli and Jaworski 1990, Narver and Slater 1990); services marketing (Gronroos 1984, Zeithaml, Parasuraman, and Berry 1985); relationship marketing (Berry 1983, Duncan and Moriarty 1998, Gummesson 1994, 2002, Sheth and Parvatiyar 2000); quality management (Hauser and Clausing 1988, Parasuraman, Zeithaml, and Berry 1988); value and supply chain management (Normann and Ramirez 1993; Srivastava, Shervani, and Fahey 1999); resource management (Constantin and Lusch 1994, Day 1994, Dickson 1992, Hunt 2000, Hunt and Morgan 1995); and network analysis (Achrol 1991, Achrol and Kotler 1999, Webster 1992, and the IMP works -e.g. Håkansson and Snehota 1995).

To facilitate the discussion Table 1 reproduces V&L’s (2004) comparative table (G-D logic and the S-D logic). Before discussing Table 1, it is necessary to introduce two terms adopted by V&L (2004): operand resources/operant resources. *Operand resources* are defined as resources on which an operation or act is performed to produce an effect. *Operant resources* are defined as resources (knowledge and skills) which are employed to act on operand resources (and other operant resources).

Table 1 shows that between the two approaches there is a fundamental shift in logics in a set of dimensions: the unit of exchange, the role of goods and of customers, the determination and meaning of value, the type of interaction, and the source of economic growth. In a nutshell, the G-D logics, goods (be these tangible or intangible) hold all the value and are the source of wealth (through transactional exchanges with customers). In the S-D logic, value is co-created through the joint application of knowledge and skills by a set of actors.

Table 1: Operand and Operant Resources Help Distinguish the Logic of the Goods- and Service-Centered Views

	Traditional Goods-Centered Dominant Logic	Emerging Service-Centered Dominant Logic
Primary unit of Exchange	People exchange for goods. These goods serve primarily as <i>operand resources</i> .	People exchange to acquire the benefits of specialized competences (knowledge and skills), or services. Knowledge and skills are <i>operant resources</i> .
Role of goods	Goods are <i>operand resources</i> and end products. Marketers take matter and change its form, place, time, and possession.	Goods are transmitters of <i>operant resources</i> (embedded knowledge); they are intermediate “products” that are used by other operant resources (customers) as appliances in value creation processes.
Role of customer	The customer is the recipient of goods. Marketers do things to customers; they segment them, penetrate them, distribute to them, and promote to them. The customer is an <i>operand resource</i> .	The customer is a co-producer of service. Marketing is a process of doing things in interaction with the customer. The customer is primarily an <i>operant resource</i> , only functioning occasionally as an operand resource.
Determination and meaning of value	Value is determined by the producer. It is embedded in the <i>operand resource (goods) and is defined in terms of “exchange-value.”</i>	Value is perceived and determined by the consumer on the basis of “value in use.” Value results from the beneficial application of <i>operant resources</i> sometimes transmitted through <i>operand resources</i> . Firms can only make value propositions.
Firm–customer interaction	The customer is an <i>operand resource</i> . Customers are acted on to create transactions with resources.	The customer is primarily an <i>operant resource</i> . Customers are active participants in relational exchanges and co-production.
Source of economic growth	Wealth is obtained from surplus tangible resources and goods. Wealth consists of owning, controlling, and producing <i>operand resources</i> .	Wealth is obtained through the application and exchange of specialized knowledge and skills. It represents the right to the future use of <i>operant resources</i> .

Source: Vargo and Lusch 2004

The case studies will highlight the fundamental role of co-creation, and the exchange of knowledge and skills (operant resources) by a set of actors, showing further alignment with the S-D logic.

The ten fundamental premises

Table 2 lists the latest version of the S-D logic Fundamental Premises (V&L 2008a) and will be adopted as a guideline to their description.

Table 2: Service Dominant Logic Fundamental Premises

Premise		Explanation/Justification
FP1	Service is the fundamental basis of exchange.	The application of operant resources (knowledge and skills), “service,” is the basis for all exchange. Service is exchanged for service.
FP2	Indirect exchange masks the fundamental basis of exchange.	Goods, money, and institutions mask the service-for-service nature of exchange.
FP3	Goods are distribution mechanisms for service provision.	Goods (both durable and non-durable) derive their value through use – the service they provide.
FP4	Operant resources are the fundamental source of competitive advantage	The comparative ability to cause desired change drives competition.
FP5	All economies are service economies.	Service (singular) is only now becoming more apparent with increased specialization and outsourcing.
FP6	The customer is always a co-creator of value	Implies value creation is interactional.
FP7	The enterprise cannot deliver value, but only offer value propositions	The firm can offer its applied resources and collaboratively (interactively) create value following acceptance, but cannot create/deliver value alone.
FP8	A service-centered view is inherently customer oriented and relational.	Service is customer-determined and co-created; thus, it is <i>inherently</i> customer oriented and relational.
FP9	All economic and social actors are resource integrators	Implies the context of value creation is networks of networks (resource-integrators).
FP10	Value is always uniquely and phenomenological determined by the beneficiary	Value is idiosyncratic, experiential, contextual, and meaning laden.

Source: Vargo and Lusch 2008a

The first five fundamental premises have been indirectly introduced in the previous paragraphs when discussing service versus services. These fundamental premises sustain that all economies are service economies (FP5), that service is the source of competitive advantage (FP4), what is being exchanged between parties (FP1), and that it can be tangible or intangible (FP3). Furthermore it warns us that the difficulty in noticing this service-for-service process maybe due to its, sometimes, masked format (FP2). In short, focus in the S-D logic is set in the processes.

The next three fundamental premises focus on the co-creative (FP6), relational (FP8) nature of value (FP7). In short, the process, described in the first set of FPs, cannot occur independently from all parties involved.

FP9 introduces the concept of ‘resource integration’ and with it the network-of-networks perspective. In short, all parties in the service exchange process are active parties.

Finally, FP10 highlights that there is no ‘objective’ value imbedded in tangible/intangible outcomes, that all are ‘only’ value propositions and that value proposition *become* valuable as they are integrated with other actor’s operant resources.

The case studies will reveal the importance of understanding (and often redefining) the network of resource integrators (for service provision) in order to co-create value, showing further association with the S-D logic.

Case Studies

Case studies are suggested as the preferred mode when a holistic view is desired (Gummesson 2000), when the investigator has little control over events and when the focus is on a contemporary phenomenon within a real-life context (Yin 2003) where existing knowledge is limited (Bonoma 1985).

Overall multiple case studies are regarded as more robust (Herriott and Firestone 1983) however, Easton (1995) argues that an excessive number of cases results in more breadth but less depth. This paper will be discussing three cases. The aim of the discussion is to exemplify the fit between the S-D logic and the new business models developing in the EEs. The cases were selected because they represent typical EE situations. The BIMBO Bakery case shows a multinational’s (market leader) reconfiguration of their business approach to attend the needs of the Bottom of the Pyramid (BOP). The Family Centered Model for Maternal and Newborn Care (FCM) shows how a public institution (a hospital) re-structured their neonatal facility to reduce neonatal deaths. Finally the redACTIVOS case shows how a group of non-profit Protected Workshops run by people with disabilities are turned into sustainable business model.

BIMBO Bakery Case History

The main sources of information for this case study were interviews with high ranking managers involved in the relevant decision-making processes and a range of secondary information provided by them (often confidential files and documents). Additionally BIMBO’s webpage was checked for information about the company’s history and organisational structure.

Brief Background

In 1945, Lorenzo Servitje inaugurated the first plant of Panificación BIMBO S.A. in Mexico City. Today, BIMBO is structured into six business units coordinated by a corporate headquarters in Mexico. Through its business units, BIMBO produces, distributes and markets over 4,500 products and has more than 100 prestigious brands such as BIMBO, Marinela, Mrs. Baird's, Oroweat and Lunetas. BIMBO owns 73 production plants, and reaches 1,325,250 points of sale daily, located throughout Latin America, Europe and the United States. Specifically, Latin America Organization (OLA) is responsible for operations in 12 Latin American countries.

The Bottom of the Pyramid Project (BOP)

In OLA countries, BIMBO was positioned as a high class sophisticated bakery product. For example, in Argentina it had a 76.5% market share in the top 10% of the population and less than 14.7% in the other social economic tiers (Latin Panel: Low Income Consumers 2005). The Argentine situation was typical of BIMBO's position in Latin America. Trying to reach the BOP has been an historical concern for the company. During the previous few years, several projects had been designed but achieved limited success. For example, in Chile an economic muffin called "Rayita" was launched and in Brazil there was a very similar product called "Mini Bolo" that was sold in 12 unit boxes to wholesalers but was distributed in individual packs to retailers.

Description of the Argentine Pilot Program

While the BOP project involved all of Latin America, OLA decided that they should carry out the pilot program in Argentina. There were several factors that the group considered in making this decision. First, poverty in Argentina was not uniform (especially after 2001 crisis), so the knowledge from this experience could be applied to both structurally poor countries as well as countries that had undergone some crisis. Second, the Argentine reality was complex, consequently, they had to be very creative in order to increase sales, and their lessons would be more substantial. Finally, Argentina is relatively small with regards to other countries (e.g. Brazil), where it could be difficult to identify the real causes of an increase of sales volumes. By March 2005, the budget was approved and the decision made to adopt the Innovation Methodology.

The process required conducting market research (stage 1) and two multi-team workshops: the Innovation Workshop (stage 2) and the Ideation Workshop (stage 3).

Stage 1- Market Research. The information from secondary data and the ad-hoc research was summarized as follows (Latin Panel: Socioeconomic Levels by Regions, 2004, AC Nielsen: An Integrated Vision of the Latin-American Consumer 2005):

BOP Families

- The BOP in Latin America represents between 60%-70% of the population.
- Low income and subsistence level families' needs are not simple. These families are highly conscious of the value for money relationship and thus buy premium-priced branded products when the differential benefit is clear.
- Low income families spend a high proportion of their income on food and basic consumption goods. In these households, given the eating habits, bakery products are a central part of their diet.
- Low income families are sensible shoppers who take into account many factors besides price when calculating their shopping costs. These are sophisticated shoppers.
- In these complex realities, many meaningful segments can be identified. Their differences, based on lifestyle and attitudes, have a significant impact on their shopping behavior.

Retailers

- Since the 2001 financial crisis, there had been an important growth of the indirect channel (small mom & pop stores).
- Product variety could attract BOP to supermarkets, but it would not necessarily make them buyers.
- Low income families are satisfied with traditional retailers, and don't necessarily aspire to shop in modern supermarkets.

Stage 2- The Innovation Workshop. In DA's words:

"We invited about twenty people to the workshop. Some from BIMBO (from the sales department, from marketing, from R&D, from manufacturing) while others were externals (from market research agencies, opinion leaders, from NGOs). In short, all those we believed could help develop a better understanding on the topic."

The objective of the workshop is to arrive at ten insights. Insights were described as a concept that synthesizes a situation or an idea and that can be translated into a product or service concept. The insights on the BOP were:

1. A family with an income higher than \$800 [11] has concerns that go beyond buying food for today's meal.
2. Mothers want to feed their children properly to prevent them from getting sick. "Illness is a member of the family".
3. In some product categories, they buy premium brands as insurance. They do not want to take risks. They feel that if they buy branded products they are taking better care of their children.
4. They try to get as much information as they can in order to know how to feed their children properly. They ask teachers and doctors for advice and they pay attention to the information on the product's package.
5. Women don't have high expectations for their future, so they are devoted to their children.
6. Bread helps feed the family. The industrial loaf bread is a luxury product.
7. They have time but they don't have enough money: mothers are proud of what they do at home with the limited resources they have.
8. They choose the package size according to the money they can spend to satisfy daily needs. As a result, they tend to buy products in smaller package sizes, even though the per-unit cost is higher.
9. They prefer small retailers in the neighborhood rather than supermarkets. In the supermarket, they might be tempted to buy more than what they need. They feel observed. There is a sense of inferiority when they see too many items they can't afford.
10. The school has a central role. There, children have meals and, sometimes, they receive extra food to take home. It is a place where mothers exchange information and advice about products, retailers, prices, etc.

Stage 3- The Ideation Workshop. The Ideation Workshop aims to reach a set of testable product concepts. In the workshop, the group divided itself into smaller work-teams and each team studied, more in-depth, a specific insight. Based on the insights, they analyzed what BIMBO might offer the BOP families. They concluded that it was important that BOP identify BIMBO as a nutritional brand that provides high quality and tasty products. These products would help mothers to delight the family with

nutritious and tasty meals. The packages had to provide information on the nutritional factors of the products. The group defined three potential product lines:

“Super kid”: delicious and very nutritive products (e.g. chips, muffins, pasta, etc) that would provide the children all the nutrients they need to grow up healthily.

“Polentosa” (“Super Strong”): fortified bread and buns based on barley, corn and potato to complement main dishes providing extra energy.

“Delicias de Mamá” (“Mummy’s Delicious Meals”): pre mixes to prepare pizza, bread and cakes.

Family Centered Model for Maternal and Newborn Care (FCM): The Sarda Maternity Hospital Case History

The case is based on the published case study (Uriburu et al 2008). The findings presented come from interviews with key personnel in the hospital and from their observations. The authors of the study also reviewed secondary sources of epidemiological information, as well as FCM-project and hospital records. They compared these results to findings from national and international literature. Additional information was obtained through focus groups and interviews with mothers of newborn babies during their hospitalization.

Brief Background

The Ramón Sarda Maternal Infant Hospital (HMIRS) is a public facility founded in 1936 and located in the Southern zone of the City of Buenos Aires, Argentina. In contrast to similar tertiary level maternal infant hospitals, HMIRS does not serve a specific programmatic area and is not linked into a hospital coordinated referral system. The majority of HMIRS users arrive on their own according or through referrals from other hospitals in Buenos Aires Metropolitan Area or from other parts of the country on account of its excellent reputation as a critical care maternity hospital. Consequently, a large proportion of the HMIRS births are from women who experience complications during pregnancy and delivery, and premature births of their babies. They are also by large from poor and lower middle social class of the city (Larguía et al 2003). In the 1990’s the Family Centered Model that introduced.

The *Organización Panamericana de la Salud* study (Uriburu et al 2008) documents the development of a Family Centered Model for Maternal and Newborn Care (FCM). It provides a description of how the HMIRS staff created and incorporated a number of essential elements over time to achieve a service that is welcoming and responsive to the needs of the family without affecting the quality of normal and critical neonatal care. The study places the experience of the HMIRS within the socioeconomic context of the largely poor and lower-middle class population it serves.

Description of the FCM Model

The Family Centered Model for Maternal and Newborn Care (FCM) was developed by Dr Largaia (Ashoka Fellow [12]) and his team. A core characteristic of the FCM is that maximizes the interactions among the family, the newborn, and the hospital staff. The model followed by the HMIRS evolved overtime with new components integrated into practice in response to observations and innovations made by the staff, feedback from the families, and new international quality standards of neonatal practices. The key components of the model are:

- Unrestricted access of the parents to neonatal services. Parents have 24 hour access to the Neonatal Intensive Care Unit (NICU). The staffs that work with them recognize the irrefutable value of integrating the babies' families into all dimensions of the treatment and care process.
- Periodic removal of the baby from the incubator for skin to skin contact with the parents.
- In addition to involving the parents in care and promoting skin to skin contact, the staff encourages visits from other family members, such as siblings and grandparents. They try to minimize the impact of the preemie's hospitalization on the stability of the family by helping siblings and grandparents to feel part of the treatment process.
- An important dimension of emotional support for the parents also comes from allowing them to be heard. The FCM staff tries to listen and then respond to the needs and opinions expressed by the parents. Without this the model becomes stale and doctrinaire. For example, the NICU adjusted their somewhat overzealous promotion of skin to skin contact when members of a focus group expressed their concerns about discomfort and privacy during the morning hours when many of the medical specialists come through on rounds. The staff obtained more comfortable furniture for the mothers to sit in while they held their babies and allowed them to opt for their skin to skin sessions in the quieter afternoons and evenings when the lights could be dimmed and there was less

activity. The nurses also gave the mothers and fathers control over the length of the sessions.

- Provision of residence space near the neonatal unit for mothers while their newborns are hospitalized.
- Support for parents in crisis. Communication and support for parents whose newborns are at risk of dying
- Development of a program of volunteers who support the parents of high risk newborns with material and logistical support.
- The nurses guard and transmit the model to new professionals who join the team. All new pediatric and neonatal residents must spend their first month of training with the nurses in the NICU.
- One of the most critical elements of the FCM model is the transfer of knowledge from the medical staff to the parents so that they become an extension of the staff in monitoring the progress of their infant through a series of developmental benchmarks. Mothers are trained in attaching feeding tubes, changing diapers, hygiene, and maintaining skin to skin contact. They learn to identify danger signs and unexpected changes in their newborns, thereby actively contributing to their babies' care and treatment.
- Out-patient services, it involves the preparation of the parents on how to monitor their high risk newborn after being released from the hospital. Out-patient care at HMIRS includes:
 - Regular visits for healthy newborns (for the first month of life)
 - Consultations for low birth weight babies
 - Follow up programs for high risk newborns
 - The role of the parents as partners in care becomes even more important as they move closer to being released. Some key elements are knowledge of cardiopulmonary resuscitation and prevention of respiratory infections, as these are the primary causes of rehospitalization.
 - Consultations in specialized areas of pediatrics such as cardiology, genetics, neurology, infectious diseases, speech and hearing, psychopathology, early intervention and treatment of neuromotor development, and help with breast feeding.
- Finally, a major part of the process of preparing the parents and baby for leaving is the care of the mother. During the hospitalization of the baby, the staff helps the mother to set up appointments for her at the HMIRS or other hospitals for any medical problems she may have and to facilitate her access to family planning.

The FCM contributed to the reduction of neonatal mortality rate to 4.5 per 1000 live births (excluding babies with lethal malformations) and to 2/1000 live births (excluding babies weighing less than 750 g. and lethal malformations).

RedACTIVOS Case History

The case is based on internal documentation of redACTIVOS and its support institution La Usina as well as discussions with the General Director of La Usina and Executive Director of redACTIVOS, Bea Pellizzari (Ashoka Fellow).

Brief Background

La Usina is a non-profit organization founded in 2002. Its mission is to promote a change in attitude towards people with disabilities by creating awareness and promoting an active citizenship. In 2007 La Usina supported the development of redACTIVOS, a non-profit organization that commercializes goods and services produced by people with disabilities. RedACTIVOS aims to produce incomes in order to be economically independent from public support and charity.

Description of the redACTIVOS Model

RedACTIVOS identified a group of government Protected Workshops (PW) for people with disabilities. RedACTIVOS signed agreements with 8 PW (out of 147 PW in the Province of Buenos Aires, Argentina) in order to help them improve: processes skills (e.g. production, technology, training); commercial skills (e.g. find new customers, achieve sales stability, improve contracts with customers); and purchase skills (e.g. develop joint buying teams, increase negotiations power). RedACTIVOS also supports the PW with a full-time occupational therapist and a marketing consultant. The extended network of redACTIVOS also includes universities, consultancy firms and CSR areas of multinational corporations.

Currently, the redACTIVOS PW produce boxes and plastic bags for gastronomic delivery (pizzas), drugstores, laundries, amongst other customers. They also produce crafts such as candles, leather and wooden products. In terms of services they operate as outsourcees for small and medium firms (e.g. in fashion design).

Customers choose to work with the redACTIVOS PW because of traditional business reasons such as the quality of the products and competitive pricing, but also because of the social aspects associated to working with PW (CSR) as well as the adaptive and flexibility of the PW to their specific requirements.

One of the big challenges faced by redACTIVOS is the distrust that working with PW as suppliers generates. This is overcome by the cross-referencing of existing customers to new prospects. The cross-referencing network which includes redACTIVOS, the PW, customers and La Usina is fundamental to reach new potential customers. The high professional standards achieved by the PW, not only in terms of the quality of the specific products but also in terms of meeting deadlines help sustain and increase the virtuous circle.

After the first two years of 'learning' redACTIVOS is planning to escalate the model from 8 to 40 PW integrating 1.320 people with disability into the formal workforce and impacting the lives 13.000 people when taking into account the families involved. Figure 1 shows the 4 year development plan in terms of product portfolio, number of people with disabilities, number of PW and industry target.

---Please insert Figure 1 here---

Successful Cases under the S-D Logic Lenses

The BIMBO Bakery Case.

Before discussing the links between the S-D logic and the BIMBO case study, it is important to highlight that all the characteristics of the EE markets were taken into account, for example, the informal work of the head of household (thus random income) and the lack of infrastructure (thus possible lack of water, gas or electricity).

The first aspect the BIMBO Bakery case study reveals is a re-definition of the service provision: *from* selling bakery product *to* helping in the nutrition of the family (FP1, FP5). At the workshops BIMBO integrated resources from a set of social actors (FP9). The application of BIMBO's operant resources (skill and knowledge on nutritional factors and nutritional needs) were the source of their competitive advantage (FP4) and embedded in the three suggested 'goods' (FP2, FP3): "Super kid", "Polentosa", and "Delicias de Mamá". BIMBO also sees the BOP families as resource-integrators (FP9) and understands that their 3 value propositions (FP7) may *become* valuable [in different degrees to different potential consumers (FP10)] and may involve diverse degrees of co-creation (FP6, FP8). The customer's operant resource: time and knowledge of their nutritional needs (FP6, FP8, FP9) was imbedded in BIMBO's value proposition (FP7).

Though BIMBO did not formally adopt the S-D logic, the case study reveals that all the S-D logic fundamental premises are present. Alternatively, from a G-D logic perspective, the case study is harder to ‘explain’. Following Table 1:

Primary unit of exchange: BIMBO understood that developing a product (operand resource) is different from helping solve a nutritional problem (knowledge -operand resource-).

Role of goods: BIMBO understood that the previous experiences (the Mini Bolo in Brazil and the Rayita in Chile) based on their traditional approach of developing ‘goods’ [which were *less-for-less* ‘solutions’] did not generate results. Please remember that BIMBO sells successfully more than 4,500 products internationally to the upper-tiers.

Role of customer: BIMBO understood that ‘traditional’ knowledge of the BOP market (conventional market research -stage 1-) was not enough, that a shift in logic (the multi-actor workshops) was required. The workshops allowed them to act as resource integrators and suggest a set of value propositions that had the potential to *become* valuable.

Determination and meaning of value and firm-customer interaction: BIMBO understood that they did not determine the value. BIMBO understood only the customers could turn their value proposition into valuable (value-in-use).

Source of economic growth: BIMBO also understood that their value propositions had to effectively help solve nutritional needs which customers could ‘measure’ through reduced illness, better concentration at school, growth, ...

The Sarda Maternity Hospital Case.

Before discussing the link between the S-D logic and the case study, it is important to highlight that there is no economic exchange in this case. The service is free. Thus the *more-for-less* equation is measured on survival rates, decrease of infections and re-hospitalizations, higher nutritional status and decrease of neuromotor and sensory problems obtained with the same disposable budget.

The first aspect that the Family Centered Model for Maternal and Newborn Care reveals is an important shift in focus: *from* ‘delivering’ babies (services -‘outcome’-) *to*

recognizing that their focus was on reducing causes of neonatal death. To achieve this, the newborn families were actively involved in the caring process of the newborn (service -‘overall process’-) (FP1, FP5). The Model integrates resources from the nurses, the doctors, the mothers, the families, and the volunteers (FP9). The Model stresses that the mother and the newborn need to be in skin-to-skin contact (even when breast feeding is not possible) and that the presence of other family members in the intensive care unit are important (FP6, FP8). One of the main aspects of the FCM is the permanent exchange of information between nurses, family, mothers, doctors and volunteers (FP4, FP8) and the deep understanding that the hospital personal cannot, on their own, provide value (FP7). Another distinctive characteristic of the FCM is that each case is considered as unique and thus teams are trained to listen and adapt to each case (FP10, FP6, FP8).

As in the BIMBO Bakery case, the success of the Sarda Maternity Hospital Case is challenging to explain adopting a G-D logic. Following Table 1:

Primary unit of exchange: Dr Largaia and his team understood that delivering babies (services) is different from helping reduce neonatal mortality and other neonatal problems (service).

Role of customer: the Sarda Hospital team understood that ‘traditional’ knowledge on how to attend neonatal was not enough, that a shift in logic (the multi-actor teams) was required. The inclusion of the mothers and the families allowed them to act as resource integrators and suggest a set of value propositions that had the potential to *become* valuable (reduce infections, increase nutritional status, ...).

Determination and meaning of value and firm-customer interaction: the different staff members understood that they did not determine the value. They understood only the mothers/families could turn their value proposition in valuable (value-in-use).

Source of ~~economic~~ growth: the fantastic statistics is not the result of the hospital’s work but of the integrated work between hospital team and families.

RedACTIVOS Case.

As in the previous two cases there is a shift in focus: *from* producing boxes & bags ('goods') *to* integrating people with a disability into the market economy by producing, selling and distributing goods (service) (FP1, FP5). The business model developed by redACTIVOS integrates resources from the Protected Workshops (PW), from La Usina, and from the customers (FP4, FP9). An analysis of the type of goods/services that people with a disability could offer at the required standards was conducted by La Usina (FP4) and training was provided to the personal at the PW (FP4, FP7, PW8). The close relationship with the customers allows customizing their offer propositions to adequately fulfill each customer's requirements (FP8, FP7, FP10). The goods offered by each Protected Workshop are just one dimension of the service provided (FP3). Doing business with the PW allows the customer organization to reduce costs and to integrate their CSR program to their core-business (FP2, FP3). From a broader perspective, the relationship between the PW, La Usina and the customer organization helps liberate charity resources to other initiatives (as the PW are self supporting) and increase the self-esteem of people with a disability (FP1, FP5).

RedACTIVOS' model is difficult to explain with a G-D logic approach. Following Table 1:

Primary unit of exchange and Role of goods: redACTIVOS understood that the boxes and bags (goods) were means to provide a self-sustained business model for people with a disability (service).

Role of customer: redACTIVOS understood that 'traditional' selling of boxes and bags was not enough, that a shift in logic (an integration of economical and social benefit) was required.

Determination and meaning of value and firm-customer interaction: the value proposition of redACTIVOS could only be achieved by understanding the customer's overall need and integrating redACTIVOS' proposition in the customer's processes.

Source of "economic" growth: economic growth (understood as economic sustainability of the PW) is but one the measurements of success. The inclusion of new goods/services offered, the increase of number of PW joining redACTIVOS (i.e.

shifting from charity/government supported to economically self-sustained) and the growth in the customer base are all indicators of the success.

Summing up, the BIMBO, Sarda Maternity Hospital FCM and redACTIVOS case studies show a high alignment with the S-D logic fundamental premises suggesting that the S-D logic might provide a general rationale with which to address new strategies in EEs.

Managerial Implications and Future Research

The case studies reveal that in order to achieve *more-for-less* solutions on addressing the socially excluded (from both an economic or social perspective), regardless of the profit/nonprofit nature of the initiative, managers need to focus on:

- modifying the *process* rather than the *outcome*,
- understanding the fundamental role of co-creation,
- realizing that the focus of the exchange is knowledge and skills (operant resources)
- understanding (and often redefining) the network of resource integrators (of value proposition for service provision) in order to co-create value.

In 2004, Vargo and Lusch synthesize a vast literature that suggested an important shift in business logics and labeled it the Service Dominant logic. This approach proposes a list of ten Fundamental Premises which seem aligned with the underlying rationale elicited from the case studies.

In the business models discussed in the three cases, the active role of ‘other’ actors was essential (these actors were not ‘active’ in the traditional way of conducting business in that industry), and identifying the overall reassignment of activities (or incorporation of new activities) required adaptability and willingness to operate with a trial and error rationale (this methodology is similar to the process described by the muddling through -or logical incrementalism or garbage can- approaches mentioned at the begging of this paper).

As stated the case were developed without knowledge of the S-D logic and the S-D logic was not developed having EEs in mind. However, the paper shows a relationship between the cases and the S-D logic. It is suggested that the cases provide

an invitation for further research supporting the initial overlapping highlighted in this paper. Additionally, it is suggested that the S-D logic might provide managers with the much needed strategy to address the underserved in the emerging economy countries.

Endnotes

- [1] The paper will be using the term emerging economy as encompassing of transition and developing economies.
- [2] The groups are: low income, \$995 or less; lower middle income, \$996 - \$3,945; upper middle income, \$3,946 - \$12,195; and high income, \$12,196 or more.
- [3] www.grameen-info.org
- [4] www.casasbahia.com.br
- [5] www.cemexmexico.com
- [6] www.fpbs.org
- [7] Mintzberg et al (1998) call these schools the Learning school.
- [8] www.proquest.umi.com
- [9] MNC Multinational Corporations
- [10] For full references to the S-D logic please refer to <http://www.sdlogic.net/publications.html>
- [11] \$800=USD260. Where USD 260/30= USD 8,66 day per family (average family 4 members).
- [12] www.ashoka.org.ar

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Figure 1: redACTIVOS development plan.

