ABSTRACT

Purpose: Recent developments in service-dominant logic and service science emphasize the role of systems thinking and recognition of complexity in understanding how value can be proposed and co-created (Lusch & Spohrer, 2012; Vargo & Lusch, 2016a, 2016b). Consequently, it is growing increasingly important to explore common ground for joint goal-setting and resource integration. In this endeavor, the notion of shared value can be an important conceptual integrator. Porter and Kramer (2011: 66) define shared value as “policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates.” This notion points to shared value creation as inherently building on value propositions that go beyond dyads, enable new means of resource integration within a given value chain or cluster, and shift the locus of value creation toward ecosystems (Dembek et al., 2015; Kramer & Pfitzer, 2016; see also Akaka & Vargo, 2015; Wieland et al., 2012). Although service-dominant logic and shared value seem to resonate well with complex and networked value creation contexts, there appears to be little research combining these two perspectives. Hence, the paper presents development of an integrative framework for proposing and co-creating shared value.

Methodology/approach: Applying a conceptual approach, the paper synthesizes literature on service-dominant logic and shared value for creation of an integrative framework for proposing and co-creating shared value. To illustrate the framework, three case vignettes are presented and discussed.

Findings: An integrative framework focusing on value propositions, value co-creation, and integration of service-dominant logic with shared value is presented and discussed. This
contributes to understanding how the interests of companies and the public at large may be balanced through value propositions and value co-creation.

**Research implications:** The paper opens new avenues for conceptualizing value in the service-dominant logic domain and is aimed at strengthening the theoretical underpinnings for the concept of shared value (see, for example, Crane et al., 2014; Dembek et al., 2015). Based on the framework, an agenda for future research on shared value is presented.

**Practical implications:** The paper contributes to the understanding of networked business models and of ecosystems composed of companies and public entities, along with their market behaviors directed toward creation of shared value.

**Originality/value:** The paper forms a bridge between literature on service-dominant logic and on shared value, and it outlines an integrative framework for proposing and co-creating shared value.

**Keywords:** Value proposition, value co-creation, service-dominant logic, shared value

**Paper type:** Conceptual paper

## Introduction

Establishing a link between solid business performance and positive social impact has become a key issue for many companies. The traditional approach has been to employ corporate social responsibility (CSR) initiatives and various corporate-governance policies for self-regulation and documentation. However, this method often leads to change that is only incremental, and it remains tied to the current paradigm and economic cycle, in which societal impact is seen as being funded from the profits made and there are often tradeoffs between the two. An approach with more recent origins involves creation of shared value. With this framing, suggested by Porter and Kramer (2011; see also Porter & Kramer, 2006), the aim is to break away from this zero-sum game by crystallizing the societal role of companies in terms of their core business – how they improve the functioning of societies and enrich the lives of citizens in ways that at the same time strengthen the company’s competitive advantage. In simple terms, the shared-value approach is argued to achieve a stronger social impact through actors finding ways to align economic and social progress strategically. These connections to contributions to addressing social issues may be associated with themes intimately tied to the core of many business operations. Among these themes are water and energy use, environmental impact, supplier access and viability, employee skills, worker safety, and employee health (Porter & Kramer, 2011).
However promising it may seem, the shared-value approach has attracted substantial criticism. Its academic relevance has been challenged with regard to two main issues: its original contribution in relation to the CSR domain (see, for example, Crane et al., 2014: Lassch & Yang, 2011) and the level of theoretical and conceptual rigor (Dembek et al., 2015). Whereas the first of these has more to do with scholarly disputes surrounding the contributions of CSR and shared-value work and the premises behind the two, the issue of rigor is of special interest for the purposes of this paper – we see service-dominant (S-D) logic as a potential lens for conceptually strengthening the understanding of how shared value emerges. The aim for the paper is to develop an integrative framework for proposing and co-creating shared value. To illustrate the framework, three case vignettes are presented, and a research agenda for proposing and creating shared value is discussed.

**Theoretical background**

Development of an integrative framework calls for considering the conceptual foundations of both S-D logic and shared value. Rather than present thorough analysis of the characteristics of the respective theoretical perspectives, we direct our attention to what we consider the key concepts that aid in integrating these views, since the intention is to reveal their synergies.

![Figure 1: Exploring the integrative potential of S-D logic and shared value](image)
Most importantly, as is articulated in Figure 1, we shift attention toward discussing what and how the key concepts and/or levels of analysis can take part in co-creative acts together. In this endeavor, there are three fundamental concepts we examine in relation to each perspective.

**Shared value: Identifying social value as a source for competitive advantage**

Shared value can be defined as “policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates” (Porter & Kramer 2011: 66). The rationale for emphasizing shared value as a strategic issue is simple: a focus on shared creating amplifies the synergies between the company and its customers, its value chain partners, and local authorities. Simultaneously, translating the idea of creating shared value into action calls also for a transformation in the way the business is managed: true change in the company’s vision, strategy, delivery, and performance (Bockstette & Stamp, 2015). For shared value to serve as a compass in navigation of all things strategic, a focus on it has to be adopted throughout the management system. As Porter et al. (2012) have shown, unlocking new value for both the enterprise and society demands identifying a social issue to target, establishing a business case, tracking the process, and measuring the results. In other words, creating shared value calls for a measurement-based management system wherein the links between social value and competitive advantage can be established and communicated within the company and for stakeholders.

Creation of shared value can be achieved through efforts on three levels: “reconceiving products and markets, redefining productivity in the value chain, and building supportive industry clusters at the company’s locations” (Porter & Kramer, 2011: 7). At the first of these levels, shared value results from reconfiguring market needs by introducing products and services with societal impact. Often, these products and services tackle issues such as aging of the population, nutrition and health concerns, finance, and energy use. Consequently, products and services are vehicles for enhanced value creation for not only individual customers but society at large, as the behavior change delivers the intended social impact.

The second level involves emphasis on the value chain, seeking new ways to improve its productivity and social value creation concurrently. Among typical key areas for improvement for value chains are energy use and logistics, resource use, procurement, distribution, and employee productivity (Porter & Kramer, 2011). From this angle, the value chain, with all its
actors, resources, and processes, is the locus and potential source of enhanced and shared value creation.

Thinking in terms of developing clusters instead of doing business in silos represents the third level to creating shared value. A local cluster’s development may feature collaboration with other companies, non-profit organizations, municipalities, and universities. Through new forms of resource integration among these institutions and other actors, shared value can be created that benefits the local communities also.

More recently, Kramer and Pfitzer (2016) have emphasized the importance of understanding ecosystems, especially when one aims for cluster-level creation of shared value. They suggest five elements to stress in efforts toward “collective impact”: a common agenda, a shared measurement system, mutually reinforcing activities, constant communication, and dedicated “backbone” support (i.e., one or more independent organizations taking a greater role and more responsibility in the creation of shared value within the ecosystem). The intended collective impact encompasses changing the functioning of the system for the better.

**Service-dominant logic: Defining concepts for proposing and creating value**

Over the past 15 years, the locus of value creation has increasingly shifted from companies’ contexts toward customers’ contexts. In this change of paradigm, S-D logic has been the key initiator and integrator, though other, complementary impactful perspectives, with their own scholarly identities, have emerged also (see, for example, Grönroos, 2008, 2011; Gummesson, 2008; Heinonen & Strandvik, 2015; Heinonen et al., 2010; Maglio & Spohrer, 2008; Vargo et al., 2008). From the perspective of our paper, S-D logic in general and its fundamental concepts in particular offer potential as a lens through which shared value can be further explored and analyzed. In light of this, we briefly discuss three key elements: institutions and institutional arrangements, value propositions, and value co-creation.

Firstly, as depicted in its axioms or foundational premises, S-D logic takes value co-creation to be coordinated through actor-generated institutions and institutional arrangements. As Vargo and Lusch (2016a: 11) summarize,

In S-D logic, these institutions — humanly devised rules, norms, and beliefs that enable and constrain action and make social life predictable and meaningful (Scott 2001; see also North 1990) — and higher-order, institutional arrangements — sets of interrelated institutions
Importantly, service-dominant logic have extended the perspective on value from approaching it as a dyadic phenomenon toward a more macro-level approach and, consequently, toward building a systemic approach to what value is and how it eventually is constructed (Akaka & Vargo, 2015; Wieland et al., 2012). As Vargo and Lusch conclude, in this process the focus has evolved, moving from dyadic relationships toward actor-to-actor orientation, because “all actors fundamentally do the same things: integrate resources and engage in service exchange” (2016a: 7). In this integration of resources, understanding the role of institutions – rules, norms, meanings, symbols, and practices (Vargo & Lusch, 2016a) – and institutional arrangements becomes critically important. That importance is echoed in a recent update characterizing the axioms of S-D logic.

The second element, value propositions, has been a focal concept in S-D logic ever since publication of the seminal article on S-D logic (see FP 7, in Vargo & Lusch, 2004). In a recent update, it is formulated thus: “[A]ctors cannot deliver value but can participate in the creation and offering of value propositions” (2016a, 10). Considerable effort has been put toward making the point that value propositions cannot be “delivered,” indicating that the provider is not defining what value is. On the contrary, the customer not only determines what value is but also co-produces the value proposition, by means of a reciprocal process (Ballantyne et al., 2011; Vargo & Lusch, 2016a). However, this notion should not lead to the idea that value propositions are in constant turmoil. As Webster (1994) pointed out more than 20 years ago, value propositions hold a key strategic role in positioning a company in a market (enabling marketing communication) and in company steering that is centered on creation of customer value (i.e., managing the organization in line with what creates value for the customer, which inherently represents “outside-in” thinking). In our understanding, if they are to have strategic relevance, value propositions need to be constant enough to invite customers and other actors to co-create value: in a strategic sense; negotiating the value propositions takes place over longer stretches of time through gaining of customer-related insight, while the participating actors’ fine-tuning of a value proposition’s fit is a more continuous and iterative process. The more networked the business model is, the greater the number of actors probably needed to fulfill that proposition.
However, even in the latter case, in order to be strategic, the value propositions must stand the test of time, without losing their value-in-context nature (Chandler & Vargo, 2011).

Value propositions conceptually bridge the institutional level and value co-creation level for the purposes of this paper by connecting the fairly macro-level external environment with more micro-level customer needs and desires. In addition, this concept captures the organization’s raison d’être: what kind of value it proposes to deliver to customers. Interestingly, when tracing work to develop the concept further, Payne and colleagues (2017) have emphasized the themes that link shared value and service-dominant logic: the social, environmental, and ethics issues along with orchestration of responses to them via wider stakeholder engagement, reciprocity, and co-creation. For instance, Emerson (2003) has suggested a “blended value proposition” wherein economic and social dimensions can be balanced in various ways.

Thirdly, value co-creation, as a widely accepted (albeit debated) perspective on how value is ultimately created, captures central characteristics of S-D logic (Grönroos, 2008; Vargo & Lusch, 2008). Even though value is always uniquely and phenomenologically determined by the “beneficiary,” it is still co-created by multiple social and economic actors as output from integration of various resources. Consequently, the view of value creation is broadened from narrow and limited attention to dyadic transactions toward actor networks that provide resources for joint value co-creation. Furthermore, when describing the narrative and process of S-D logic, Vargo and Lusch (2016a: 7) conclude that “the narrative of value co-creation is developing into one of resource-integrating, reciprocal-service-providing actors cocreating value through holistic, meaning-laden experiences in nested and overlapping service ecosystems, governed and evaluated through their institutional arrangements.”

**A framework for proposing and co-creating shared value**

Proceeding from our conceptual review and synthesis of scholarship in shared value and service-dominant logic, we propose the framework depicted in Table 1. For each of the aforementioned three levels of creating shared value – reconceptualizing products and markets, redefining productivity in the value chain, and building supportive industry clusters at company locations – it points to how that level can be characterized in terms of the key concepts of institutions and institutional arrangements, value propositions, and value co-creation as advanced within service-dominant logic.
Table 1: The suggested framework

<table>
<thead>
<tr>
<th>Institutions and institutional arrangements</th>
<th>Reconceptualizing products and markets</th>
<th>Redefining productivity in the value chain</th>
<th>Building supportive industry clusters at company locations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understanding how a given business can legitimize itself by demonstrating enhanced social impact</td>
<td>Understanding how networked actors in the value chain can proactively challenge industry norms and procedures, for greater social impact</td>
<td>Understanding how industries can come together around a common agenda for enhanced social impact</td>
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</tbody>
</table>

| Value propositions | Transforming behaviors at the level of the individual: more healthful lifestyles, greater safety and well-being, more sustainable consumption, etc. | Transforming the use and integration of resources, in a shift towards sustainability, and eliminating zero-sum-game modes of operation | Transforming the resource integration via shared goal-setting and reinforcing innovative activities and offerings in line with the aim of shared value |

| Value co-creation | Identifying value propositions that integrate customer value with societally important themes | Identifying value propositions that redefine actor roles and resources in pursuit of a more sustainable value chain | Identifying value propositions that tie in the competitive advantages of the cluster’s companies with local societally important themes |

At the level of institutions and institutional arrangements, the focus is on understanding how the need for shared value creation can be identified and argued for from the core-business perspective, along with what kinds of systemic ideological, and behavioral rules can be applied to meet that need. In reconceptualizing products and markets, legitimization is sought through understanding how the products and services of the relevant company could enhance the social impact – how innovative market offerings may be able to provide solutions for the “wicked problems” that societies face. When one moves to value-chain level (redefining productivity in the value chain), the focus typically (although not always) moves from innovation of the outcome (i.e., the offering) to innovation of the process (i.e., the networked way of making the offerings available). Shared value creation takes place here when the externalities of the value chain have been identified and new ways of minimizing them introduced. Our claim is that, to redefine productivity in the value chain systematically and significantly, companies must have an in-depth understanding of the institutional arrangements that enable and maintain these externalities, then develop a new logic, one that enhances social value in a way that provides incentives along the whole value chain. In the ideal case, a cycle of proactiveness is established in which pioneering value chains benefit by showing better performance than regulations require, and thereby challenge both their rivals and the authorities to rethink the assumptions.
and parameters underlying the institutions and institutional arrangements. Thirdly, we conclude that building supportive industry clusters at company locations incorporates elements from both of the other levels: new social value arises in re-orchestrating the system. This requires not only translating the socially legitimate goal for value creation and managing the change in the value chain but also foreseeing synergies between industries in a manner that can facilitate enhancing or revitalizing the established institutions and institutional arrangements.

At the value-proposition level, the value creation entails connecting the socially legitimate goals to the customers’, citizens’, partner companies’, and other organizations’ incentives for participating in the co-creation of value. Let us again begin by looking at reconceptualizing products and markets. Here, the key task is to identify value propositions that bring together customer value with societally important themes. This is a vital element in the strategic choice of shared value, in a contrast to CSR and other such initiatives: the shared value must both contribute to resolving a societal issue and propel company success in the form of competitive advantage. As for redefining productivity in the value chain and building supportive industry clusters in company locations, the role of value propositions is even more complex. At the former level, the value propositions need to redefine actor roles and design incentives for them to deliver on the company’s customer value proposition. In the case of cluster development, the case entails not one focal company creating incentives for the value chain but several value chains, from various industries, that must find a common angle aligned with shared value. This approach emphasizes the common goal-setting and impact-measurement by multiple actors, actions that often cross industry boundaries and also cut across common business roles, hence bringing in government agencies and third-sector parties.

At the value co-creation level, the endeavor involves aiming at transformative behaviors and outcomes. We find relevance in earlier definitions of co-creation of value that emphasize resource integration and active participation (Grönroos, 2008; Vargo & Lusch, 2008). However, transformation too is of fundamental relevance, because shared value is about contributing to social value creation in a way that simultaneously yields competitive advantage for the company. Hence, the value that is (co-)created has to result in change, for customers, value-chain partners, and actors collaborating within the cluster, at a level that truly reflects the recoded institutional arrangements. That change can be concretized in how the combined impact of relevant customer behaviors, reconstructed value chains, and synergies gained from local cluster developments results in social value being created in a way that offsets the cost inputs and
delivers a decent profit. Next, the framework is illustrated via the cases of Discovery S.A., Walmart, and Panasonic’s Fujisawa Sustainable Smart City project.

Reconceptualizing products and markets: Discovery S.A.
Discovery Group, a global insurance company with its roots in South Africa, has 5.1 million clients. It has adopted shared value as a key element in the company strategy, transforming its approach from just assessing and pricing risk to increasing health and security. The group states,

Discovery is a shared value insurance company whose purpose and ambition are achieved through a pioneering business model that incentivises people to be healthier, and enhances and protects their lives. Our shared value insurance model delivers better health and value for clients, superior actuarial dynamics for the insurer, and a healthier society. Our unique approach has underpinned our success globally, with substantial new business growth and an impressive increase in normalised operating profit and headline earnings.

Institutions and institutional arrangements
Attending to the themes of health and security represents major sources of social value. For instance, more than 40% of South African adults are affected by obesity-related diseases. Another area of focus for Discovery is action to reduce injuries and deaths in road traffic. The company’s Vitality program tackles this objective by introducing the insurance company as an entity that actively takes responsibility for these societal problems. Furthermore, Discovery works with experts and representatives of the public sector to gain understanding of the issues in question and develop solutions for them.

Value propositions
Discovery has succeeded in bringing social value (driving health and safety) together with customer value for various sections of the population. Members of Vitality can access a network of health and wellness providers at lower cost. The program offers a wide range of incentives. In addition to insurance fees based on individual-level progress, the benefits include lower-cost health services, discounts on healthful food, services such as gym visits, and special treats and gifts (e.g., movie tickets). Making the progress toward good health or safe driving more transparent is another key incentive for many customers. In return, the company gains access to customer data, used to verify and measure health-related behaviors and engagement, and it expects results in the form of behavior change that benefits all parties.

Value co-creation
When joining Vitality, customers typically begin with health checks (250,000 are performed per year). They can customize the targets to match their personal preferences and risk profile, and they can choose from among the partnering service providers that best meet their needs: gyms (90 million workouts are tracked per year); grocery-store chains, for a healthier diet (R1 billion in HealthyFood cash back paid, where a rand is worth about 0.07 euros); and other health-related services. The services can be complemented with digital tools, such as an Apple Watch app or, in the case of VitalityDrive (in car insurance), sensors and an app that together provide data and tools for safer driving (these have generated 4.5 billion kilometers of driving data thus far). The Vitality concept is based on co-creation in the sense of resource integration for mutual benefit: the company provides plenty of tools for the
customer, who in return changes behavior, taking it in a safer / more healthful direction, and gives data verifying this improvement in exchange. Again, the company, with the partner-business network it manages, rewards the customer.

Illustration of the results
Those customers who have chosen to integrate Vitality into their policies generate 3.7 times more value in new business as those with non-integrated policies (e.g., 81% higher premium size for integrated policies and 60% higher sales of ancillary products). The Vitality customers at the same time have a 21% lower mortality rate, indicating an effect of their lifestyle changes and the positive selection effect achieved by the company. In addition, the mortality rate is 37% lower for clients who stick with the Vitality program. Improvements can be seen also in claims and risk management: since 2008, the number of highly engaged Vitality customers has grown eightfold, and the per-customer annual savings for those highly engaged in fitness activities come to R1,535.

Case references:
- [https://www.discovery.co.za/discovery_coza/web/investor_relations/results_and_reports/annual_reports/2016/Discovery_Downloads/Business_reviews/Discovery_IAR_2016_business_reviews_.pdf](https://www.discovery.co.za/discovery_coza/web/investor_relations/results_and_reports/annual_reports/2016/Discovery_Downloads/Business_reviews/Discovery_IAR_2016_business_reviews_.pdf)
- [https://www.discovery.co.za/discovery_coza/web/investor_relations/results_and_reports/annual_reports/2016/Discovery_Downloads/This_report/Discovery_IAR_2016_review_from_adrian_gore_discovery_chief_executive.pdf](https://www.discovery.co.za/discovery_coza/web/investor_relations/results_and_reports/annual_reports/2016/Discovery_Downloads/This_report/Discovery_IAR_2016_review_from_adrian_gore_discovery_chief_executive.pdf)

Redefining productivity in the value chain: Walmart
Sometimes it is the giants previously criticized for their effects on society that strive to make a substantial difference in creating shared value. Recently, Walmart, the world's biggest retailer, began a shared-value initiative, which focuses especially on redefining productivity in the value chain. This was characterized as follows by Walmart's Chief Sustainability Officer and President of the Walmart Foundation Kathleen McLaughlin:

“At Walmart, we aim to use our strengths and collaborate with others to transform the systems we all rely on,” said Kathleen McLaughlin, chief sustainability officer and president of the Walmart Foundation. “We believe that the value-maximizing strategy is the one that creates shared value for customers, business and society.”

Institutions and institutional arrangements
Walmart has recognized its role in creating and maintaining several industry-specific norms and practices that have an impact on matters such as how emission levels, energy-intensity, and waste operations contribute to sustainability. An actor of Walmart's breadth and sheer size has a considerable direct effect but also an indirect one (through its
extended value chain) on these at a macro level. Furthermore, voluntary measures taken by a leading player send a strong message to regulators as well, strengthening the impact.

**Value propositions**
In essence, Walmart's sustainability-related value proposition is designed to steer and transform modes of operation in the logistics and partner network in keeping with two, synergetic goals: driving cost savings and decreasing the environmental footprint. Walmart has also communicated its sustainability efforts to customers, complementing the economic customer value proposition focused on low prices.

**Value co-creation**
Walmart is working with suppliers and partners to develop better ways to reduce waste, lower emissions, and achieve higher energy-efficiency. At base, these efforts have to do with finding more effective means of resource exchange and integration, whether these involve new techniques (for production, logistics, etc.) or simply decreasing the amount of packaging materials used.

**Illustration of the results**
Its new goal-setting for CO₂ reduction makes Walmart one of the first retailers with an approved science-based, target-oriented plan for emission reduction. For instance, the goal for reducing upstream and downstream CO₂ in collaboration with suppliers in 2015–2030 is a billion tons (one gigaton). At the end of the fiscal year 2017, approximately 26% of electricity needs worldwide were met by renewable energy sources, and the goal for 2025 is 50%. There are currently 460 on- and off-site projects either under development or already under way to reach this goal. As for efforts to minimize waste, by the end of FY2017, Walmart U.S. was able to divert 82% of materials that would previously have been considered waste from being sent to landfills. The corresponding figure in Walmart’s operations worldwide was 77%.

Case references:
- [http://sharedvalue.org/partners/funding-partners/walmart](http://sharedvalue.org/partners/funding-partners/walmart)

**Building supportive industry clusters at company locations: Panasonic and the Fujisawa Sustainable Smart Town**
Founded in Japan in 1918, Panasonic is now a global company focusing on versatile products and services in the consumer electronics, housing, B2B solution, and automotive sectors. Since 1929, its fundamental management objective has been to contribute to the progress of society and people’s well-being through its business activities. Today, one of Panasonic’s key areas of focus is sustainability in energy solutions across all the company’s areas of business. For instance, it is the world’s largest manufacturer of the lithium-ion batteries used by Tesla and 11 other auto-makers, representing a projected $4 billion in revenue by 2019. Showcasing a strategy in which sustainability and smart lifestyles meet, Panasonic has been working with 17 other companies across industry boundaries to create the Fujisawa Sustainable Smart Town (Fujisawa SST).
Institutions and institutional arrangements

Understanding institutions and institutional arrangements, then finding ways to develop and revitalize them through that understanding, have become key competencies for inventing a way of living and designing a future town around this new concept. The Fujisawa project represents a case wherein an exceptionally wide spectrum of institutions and institutional arrangements is relevant, from legislation and regulations to complex collaboration networks between public and private actors, and to new practices and uses of technology from the perspective of the citizen.

Value propositions

A focus on socially relevant value creation (i.e., a sustainable smart lifestyle) provides a narrative that assists in the process of co-producing value propositions for the Fujisawa SST subprojects. The key actors have identified nine factors that enable proposing value for private companies and public organizations for local cluster development. In addition, the sustainable smart lifestyle value proposition made to citizens can be made concrete through the associated themes, labeled “work,” “learn,” “cultivate,” “play,” “health,” “gathering,” “link,” “eat,” and “live.”

Value co-creation

The Fujisawa smart town is a collaborative effort by default and encourages a smart lifestyle in which value is co-created. For example, the city’s infrastructure includes electric cars and scooters for ride-sharing. In addition, the project team has designed four types of co-creation activities intended to promote collaboration among participating businesses and citizens alike. Among these are Wonder MOBILITY (for tests to verify the feasibility of next-generation mobility technologies such as driverless electric vehicles), Wonder COMMUNITY (an outdoor community space linking virtual and physical services), Next Delivery SQUARE (a last-mile home-delivery service), and Future Co-creation HOUSE (integrating the technologies and ideas of diverse companies).

Illustration of the expected results

Although the Fujisawa smart town is still a work in progress, the expected results in terms of creating social value have been quantified. Firstly, in case of a major earthquake, the town has a three-day electricity reserve and emergency food. As for encouraging sustainability, the town plan features monitoring systems to cut CO₂ emissions by 70% and water use by 30%. Solar panels are to cover 30% of the electricity needs.

Case references:

Building a research agenda for S-D logic and shared value

Proceeding from the above discussion and the illustrative case vignettes, we argue that S-D logic and shared value offer vast potential for development in both theoretical and empirical terms. Firstly, as depicted in Figure 1, S-D logic provides a sound theoretical basis for future discussion about shared value. Most importantly, it offers a conceptual ecosystem that serves as a natural point of departure in pursuit of shared value that extends traditional value (as handled between customers and businesses) toward society at large. When this is considered in combination with S-D logic’s foundational principles and key concepts, it can be concluded that these two theoretical approaches or perspectives have good mutual resonance. Secondly, shared value provides a new, modern, and relevant theoretical and empirical arena in which extension of the societal impact of S-D logic can continue. In this respect, shared value, including its increasingly relevant business potential, displays natural links to central tenets of S-D logic.

Accordingly, a synthesis of S-D logic and shared value offers interesting opportunities for the future, which can be identified by means of the proposed framework. The most important element in this endeavor is to remember that research at the individual levels of analysis is driven by the fundamental question of what shared value ultimately consists of at each respective level. To that end, in addition to traditional research themes and questions, focus must be placed on understanding the ontological and epistemological characteristics of shared value (see Dembek et al., 2015). Importantly, the ideas put forth in Table 2 do not constitute an exhaustive agenda; they offer guidance for addressing the issues and themes that are highlighted by means of these two.
Table 2: An integrative research agenda for proposing and co-creating shared value

<table>
<thead>
<tr>
<th>Institutions and institutional arrangements</th>
<th>Reconceptualizing products and markets</th>
<th>Redefining productivity in the value chain</th>
<th>Building supportive industry clusters at company locations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Examples of possible research themes and questions</td>
<td>Research themes related to the potential of shared value at institutional level through integration of system-level resources (e.g., new uses for customer-loyalty programs' data, national health data, and &quot;my data&quot; initiatives), reconfiguration of the roles of institutions and actors (e.g., public as private), industry integration (e.g., for retailing, finance, and health services), and addressing of possible sources of systemic friction (e.g., legislative and regulatory issues), where research questions may include these:</td>
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<tr>
<td>• What does shared value consist of at the institutional level of analysis?</td>
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<tr>
<td>• What kinds of institutions and institutional arrangements (public, private, non-governmental, and/or non-profit) hold the most potential for shared-value initiatives in the various industries?</td>
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<td>• What kinds of legislative and regulatory obstacles hinder the development of shared value at the institutional level?</td>
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<td>• What kind of institutional risk is there for lock-in situations wherein the shared value created is so powerful that it hinders competition?</td>
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<tr>
<td>Value propositions</td>
<td>Research themes to do with the building, communication, and delivering of value propositions based on shared value, where research questions may include these:</td>
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<tr>
<td></td>
<td>• What does shared value consist of at the value-propositions level of analysis?</td>
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<td></td>
<td>• How can the locus of shared value be communicated to customers?</td>
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<td>• How can unique competitive customer value propositions be built through shared value?</td>
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<td>• What are the types and categories of resources resulting in shared value?</td>
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<tr>
<td>Value co-creation</td>
<td>Research themes that one can follow to explore the resources and processes related to co-creating shared value, where these may be among the research questions:</td>
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<td>• What does shared value consist of at the level of analysis of value co-creation?</td>
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<td>• What is the role and potential of customer data as one form of resource for shared value creation in various industries?</td>
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<td>• What are the dimensions of shared value?</td>
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<td>• What kind of shared value is eventually created, for which actors, through what kinds of mechanisms?</td>
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<td>• How can a focus on social value motivate new forms of resource integration and value co-creation?</td>
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Institutions and institutional arrangements

Considering the three key mechanisms of shared value (again, reconceptualizing products and markets, redefining productivity in the value chain, and building supportive industry clusters at company locations) from the standpoint of institutions and institutional arrangements offers intriguing research opportunities for the development of both S-D logic and shared value. These
involve operating more at the macro level of analysis, through research themes and questions that emphasize integration of system-level resources or new configurations of institutions and actors. This work may usefully uncover institutional friction that could arise if the legislation and regulations do not support the creation of shared value.

**Value propositions**

In the context of our proposed framework, an emphasis on value propositions shifts research attention toward better understanding of building, communication, and delivery of value propositions that are based on shared value. For example, if a public-sector actor opens access to any market (e.g., health care) for a private company, strategic potential is created for the company for creation of shared value, though that value still must be articulated in an effective and competitive value proposition. Hence, macro-level changes may enable creation of new value propositions that can benefit not only customers and enterprises but also society at large by enabling resources to be more cost-effectively allocated.

**Value co-creation**

The concept of value co-creation directs attention toward integrating resources such that value can be jointly created. Changes at the macro and meso levels result in new forms of resource integration and, thereby, value co-creation (see also Chandler and Vargo, 2011). From the perspective of shared value, new forms of value co-creation can take shape in products and markets, value-chain productivity, and industry clusters uncovering relevant new research themes and questions. This includes finding inspiration to address such resources and processes as eventually can result in co-creation of shared value. Here, useful focus can be placed on understanding the forms and types of resources (such as customer data) that can be utilized for co-creation of shared value.

**Conclusion**

Academic debate in the marketing and service research discipline has led to change in how value is approached by scholars and practitioners, with the last 15 years seeing a paradigm shift that has involved embracing S-D logic (Vargo & Lusch, 2016b). Recent initiatives and developments related to shared value form a natural – though still indistinct and non-systematic – extension of the discussion. Evidently, the characteristics of shared value resonate well with the basic tenets of S-D logic and, hence, exert pressure for systematically exploring common
ground for theoretical and real-world co-creation, alongside integration between these two lenses through which contemporary phenomena may be viewed. This paper was written in response to that organic push toward developing an integrative framework for proposing and co-creating shared value.

We argue that there is “value” in viewing shared value and service-dominant logic as mutually complementary perspectives for understanding complex, systemic value creation. In summary, we recognize shared value as a fruitful additional angle from which to approach understanding of the contents of value propositions in ecosystems, while service-dominant logic may be a useful foundation from which the mechanisms of shared value can be better compassed and thereby inform further development.

Shared value has potential to add explanatory power when the “fundamental basis of exchange” (i.e., service) has become dispersed and the beneficiary, who should “uniquely and phenomenologically determine” the value, has difficulties in seeing the link between customer value and social or societal value. It has potential also to complement the logic behind institutions and institutional arrangements, in that it represents a key to understanding why certain norms and values exist, and how they can be changed (in efforts to find better ways to contribute to social progress). Moreover, the concept of shared value constitutes an interesting link from value propositions to both macro- and micro-level activities wherein co-creation of value takes place.

At the same time, the “value” that shared value can bring to service-dominant logic is part of a bidirectional relationship. Looking in the other direction, we find that S-D logic provides a lens with conceptual tools applicable to facilitate more rigorous discussion of creating shared value. As we have attempted to argue and illustrate in this paper, institutions and institutional arrangements, customer value propositions, and value co-creation represent concepts that are a) honed and b) interlinked through the discussion developed around service-dominant logic. Therefore, we conclude that future work on shared value could benefit significantly from the key concepts and ideas expressed in the literature on service-dominant logic.
References


