

The Self-Adjusting Nature of Service Ecosystems: Exploring the Expansion of a Small-Business Community

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Service ecosystems are defined as “relatively self-contained, self-adjusting system of resource-integrating actors connected by shared institutional arrangements and mutual value creation through service exchange” (Vargo & Lusch, 2016a, p. 161). Aligning with the call for more research to build mid-range theories on service ecosystems (Vargo & Lusch, 2017), this study investigates the formation and growth of a small-business community as a means to explore how service ecosystems evolve to adjust to the needs of the various actors that cocreate value within it. More specifically, the main objective is to identify the different types of adjustments that take place within this service ecosystem, the specific factors that drive then need for change, as well as the implications of such changes.

We utilize the growing theorization in institutional work, defined as “the purposive action of individuals and organizations aimed at creating, maintaining and disrupting institutions” (Lawrence & Suddaby, 2006, p. 215) as the underlying mechanism to explain the process of change within this particular ecosystem. This study employs abductive reasoning (Tavory & Timmermans, 2014), “which is nonlinear, non-sequential, iterative process of systematic and constant movement between literature and empirical data, through which literature-based results can be reoriented, as directed by the empirical findings,” (Mele et al., 2018). In addition to literature review on change in service ecosystems as well as institutional work, insights are built on participant observation data collected within ORG (pseudonym), a growing community of practice to support green, healthy, and organic living in Indonesia. While ORG primarily comprises of micropreneurs that produce and market various organic and natural products, it has grown to encompass a self-contained service ecosystem that sustains an organic lifestyle. Products sanctioned by ORG span across distinct industries, including food, skincare, and textile. Meanwhile organizations linked to the community include among others a curating body, a financial cooperative, a consumer group, as well as an informal distribution network. The community hosts approximately 700 members in 8 chapters throughout the country. However, this study focuses on the operations of the Jakarta main chapter (+/- 240 members), from which observation and interview data was collected. Interviews with core members representing various institutions within this small business community are also performed, resulting in 97-pages of transcribed data.

Early findings suggest membership growth and expanding motivation to facilitate value cocreation practices within the community, as main triggers of change. As members increase, new communication technologies are adopted, shifting the ways information is exchanged among members. Norms become solidified, for example, through the institutionalization of a ‘forbidden list’ outlining various ingredients banned from use in ORG member-products, as well as the formation of a curating body determining eligibility for an “ORG-certified” product label, that is needed to participate in ORG-facilitated marketspaces (e.g., expos, bazaars). Interestingly, such restrictions increase rather than decrease knowledge trade and market exchanges between members. This is due to the fact that banned ingredients can often be replaced by products offered by existing ORG members. Other new bodies are founded, such as a member cooperative that facilitate members’ financial activity, as well as a ‘consumer’ WhatsApp group interested in healthy organic living; creating a captive market for ORG members. These examples briefly depict various adjustments that change the institutional arrangements within the ecosystem, thus restructuring the roles of involved actors as well as the flows of various operand and operant resources.

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