

## **How does service-dominant logic affect firm performance?**

Both S-D logic and the dynamic capability views of firm performance stress the importance of value creation through resource combinations and reconfigurations; one emphasizing the role of customers in co-creating value and the other the deployment of dynamic capabilities in creating a suitable resource base that influence firm performance. The purpose of this paper is to examine the role of S-D logic within a dynamic capability conceptualization of firm performance.

Building on a synthesis of the S-D logic and dynamic capabilities view a set of hypothesis is developed. Those are tested using 231 usable responses form an online survey of senior managers. The method employed for testing the hypothesized effects is PLS.

The results suggest that S-D logic does not have a direct effect on firm performance. The effect is mediated through the organizational resource base on the one hand and the deployment of dynamic capabilities on the other hand. According to our findings the organizational resource base drives firm performance with S-D logic not having a significant effect on firm performance. The organizational resource base is affected by the technical quality of the organization's dynamic capabilities and their deployment as well as S-D logic; all being statistically significant effects. Furthermore, S-D logic has significant and positive effects on the deployment of dynamic capabilities; namely, on each of the frequency, timing and speed of deployment. Consequently, we conclude that understanding the role of S-D logic within organizations and its impact on firm performance requires depicting an organization's deployment and technical quality of its dynamic capabilities as well as its resource base.

These findings have implications to theory as they suggest that studying S-D logic independently may result in imprecise explanations of organizational performance. Practitioners can benefit from these findings as they provide a basis for some initial guidelines to strategically manage S-D logic in environments that are characterized by significant levels of change.