

*This is an electronic reprint of the original article. This reprint may differ from the original in pagination and typographic detail.*

**Please cite the original version:** Ojasalo, K. & Ojasalo, J. (2015) Adapting Business Model Thinking to Service Logic: An Empirical Study on Developing a Service Design Tool. In Johanna Gummerus & Catharina von Koskull (Eds.) *The Nordic School - Service Marketing and Management for the Future*. Helsinki: Hanken School of Economics, 309-333.

## ADAPTING BUSINESS MODEL THINKING TO SERVICE LOGIC: AN EMPIRICAL STUDY ON DEVELOPING A SERVICE DESIGN TOOL

Katri Ojasalo and Jukka Ojasalo

*This study develops further one of the most popular business model frameworks, the business model canvas, into a Service Logic Business Model Canvas to better take into account service logic principles. Here, the term “service logic” covers the basic principles of the contemporary business logics: service-dominant logic (SDL), service logic, and customer-dominant logic (CDL). The knowledge gap that the present study aims to fulfil is twofold. Firstly, the literature on service logic includes little knowledge on how to apply this thinking on the practical business level. Secondly, the business model literature offers very little knowledge on how to make business models to follow the service logic. By using the interactive research and constructive approach, this study develops a tool for designing service that takes into account multiple stakeholder perspectives. This tool, the Service Logic Business Model Canvas, includes both the provider’s viewpoint (value capture) and the customer’s viewpoint (value creation). Based on an empirical study, this tool seems to be relevant and simple to use, and when integrated into a service design process, it may help companies to implement the service logic.*

### INTRODUCTION

A business logic is a strategic mindset, or a mental model, of a company and its business activities (e.g. Heinonen et al., 2010), and thus it guides conscious and unconscious decisions made in companies. Contemporary academic discussions on business logics that focus on the identification and creation of customer value (e.g. Vargo and Lusch, 2008; Heinonen et al., 2010; Grönroos and Ravald, 2011) and the actual business logics that companies apply in practice seem to differ significantly (e.g. Allen et al., 2005, 2006). Traditional thinking about value creation in business sees every company as occupying a position in the value chain, adding value to inputs and then passing the output to the next actor in the chain (see Porter, 1985). In a value chain, value creation takes place inside a company through its own activities, and companies act autonomously with little or no interference from customers (Prahalad and Ramaswamy, 2004). Consequently, the value-added is equalized with the cost incurred by the supplier company (Gummesson, 2008). This traditional business logic based on goods-dominant logic (GDL) suggests that value is embedded in the units of output (value-in-exchange), and the outputs present the fundamental units of exchange (e.g. Vargo and Lusch, 2008). Interaction takes place mostly at the end of the value chain, and the value chain stops when the end-customer has bought a product or service (Prahalad and Ramaswamy, 2004). GDL highlights the supplier company’s process as primary, and the role of a customer is to fulfil scripts defined by the supplier (Heinonen et al., 2010).

During the past decade, the academic discussion has strongly shifted away from GDL and the traditional thinking about the sequential value creation process to new business logics that

emphasize customers' active role in value creation (e.g. Vargo and Lusch, 2004; Grönroos, 2006; Heinonen et al., 2010). The service-dominant logic (Vargo and Lusch, 2004, 2008), service logic (Grönroos, 2006, 2008), and customer-dominant logic (Heinonen et al., 2010; Voima, Heinonen and Strandvik, 2010) have dramatically changed the understanding of business thinking and value creation (Schlager and Maas, 2012). However, most businesses continue to operate in terms of GDL, and the reason for this may not always be ignorance of the new thinking. Most importantly, popular business tools that direct companies' planning and decisions are still based on GDL (e.g. Viljakainen, Toivonen and Aikala, 2013; Lüftenegger, 2014). Thus, practitioners do not have tools and simply may not know how to implement contemporary business logics that focus on customer value (SDL, service logic, CDL) in their business.

This chapter aims to increase understanding of how to adapt a business model to accommodate service logic. Here the term "service logic" covers the basic principles of the three customer value focused business logics (SDL, service logic, CDL). Based on an empirical study, this chapter further develops one of the most popular business model frameworks, i.e. the business model canvas, to better take into account service logic principles. The methods suggested are developed in the context of service design, which is an emerging research field that offers practical approaches for developing service businesses based on genuine customer insight (e.g. Ojasalo, Koskelo and Nousiainen, 2015).

The empirical method of this study is based on interactive research and the constructive approach. The research process took 14 months and consisted of 11 steps. More than 100 persons and 70 companies were involved in the process. The interaction in which data were generated and understanding was increased consisted of nine interactive workshops in which data from pre-understanding, interaction, interpretation, increased understanding, and existing theories were woven together. The business model framework was modified and developed gradually during this process.

The rest of this chapter is organized in the following way. First, it briefly discusses the contemporary business logics and the service design approach. Then it views the business model development and the Business Model Canvas framework. After that, it explains the empirical method of this study. Then, as a result, it introduces the modified business model framework developed during the empirical study. Lastly, it discusses the theoretical and managerial implications of this study and draws final conclusions.

## **CONTEMPORARY BUSINESS LOGICS FOCUSING ON CUSTOMER VALUE**

Contemporary customer value focused business logics open up new opportunities for any company in any industry to develop their business strategies in ways that previously were unique to companies representing pure service industries only (e.g. Grönroos and Ravald, 2011; Grönroos, 2011; Lüftenegger, 2014). The service-dominant logic (SDL), which stresses the co-creation of value, value-in-use and value-in-context, has been proposed as an alternative view to the traditional notion of value-in-exchange (Vargo and Lusch, 2004,

2008). The central idea of the SDL is that there is no value until the offering is used and experienced by the customer (Vargo and Lusch, 2008). The SDL argues that a company can offer value propositions and value is always co-created (Vargo, Maglio and Akaka, 2008). Grönroos (2006, 2008) has provided an alternative view, service logic, which suggests that customers are value creators during value-generating processes and in value-supporting interactions. Companies are facilitators and co-creators that engage themselves in the customers' processes. In other words, customers not only determine the value, but also control the value creation in their processes (Grönroos and Ravald, 2011; Heinonen et al., 2010; Voima et al., 2010). Gummesson (2008) suggests that when focusing on value-in-use, the supplier offers a value proposition that can support customer's value creation processes, but it is the customer who actualizes the value. In other words, the role of a company has shifted from being a producer of value to a supporter of value, since customers are in charge of their value creation (Grönroos, 2011). Thus, adopting the service logic means that the supplier company searches for possibilities to understand and support the customers' value creation processes (e.g. Grönroos and Ravald, 2011; Grönroos and Voima, 2013). Value emerges rather than being delivered (Grönroos, 2006; Gummesson, 2007), and service providers can only create resources and means to facilitate customers to create value for themselves (Grönroos, 2006).

The latest Nordic School concept "Customer-dominant logic" (CDL) goes still further and emphasizes a deeper understanding of the customer's everyday life and the service experience as a long-term, context-bound process (Heinonen et al., 2010). Understanding the customer experience also before and after an interaction and knowing how value is experienced in the customer's own context gives companies opportunities to help their customers to better fulfil their daily tasks (Heinonen et al., 2010; Voima et al., 2010). Heinonen et al. (2010) argue that SDL and service logic are still production and interaction-focused, and in these logics, service is viewed from the perspective of a service provider (see also Schlager and Maas, 2012). According to their view, SDL represents a more advanced company-based view where the customer is seen as a partner in co-creation, but which offers an incomplete understanding of what the customer does with the service. Also Strandvik, Holmlund and Edvardsson (2012) suggest that even though the SDL highlights the customer's service experience and value co-creation, the common terminology (e.g. a solution, service offering, and value proposition) still implies the seller company's dominant position for value creation. Strandvik et al. (2012) found in their study that seller companies are too preoccupied with their own products and tend not to make a sufficient effort to learn about individual customers and how they think. They conclude that the sellers' mental models differ from the customers' and developed the "customer needing" concept to draw attention to mental models in a setting where, typically, only resources and activities have been recognized. What makes the concept of needing even more significant is that it goes beyond studying customer needs and wants as such and instead aims to reveal the customer's logic (Strandvik et al., 2012).

While most customer practices, activities and experiences are often more or less subconscious, value creation may be described as value emergence or formation (e.g.

Heinonen et al., 2010; Grönroos and Voima, 2013). In the CDL, value emerges when a service becomes embedded in the customer's context, activities, practices and experiences together with the service company's activities. Heinonen et al. (2010) argue that it is important to understand how value emerges also from the customers' mental and emotional experiences and what the customers are doing to accomplish their goals. In other words, a more holistic understanding of the customer's life, practices and experiences (in which service is embedded) is needed. This requires that companies build their businesses on an in-depth insight into customers' activities, practices, experiences, and context, and analyze what implications these have for the service (Heinonen et al., 2010). To implement CDL, companies should learn what processes customers are involved in, in their own context, and what different types of inputs (both physical and mental) customers need to support these (Heinonen et al., 2010).

In this study, the term "service logic" is used to cover the basic principles of all three logics (SDL, service logic, CDL) that acknowledge the importance of customer value. The service logic has profound theoretical and managerial implications for businesses (e.g. Edvardsson et al., 2010; Lüftenegger, 2014). However, even though the business logics and the thinking of value creation have changed over the past ten years, very little knowledge exists on the implementation of service logic (e.g. Heinonen et al., 2010; Karpen, Bove and Lukas, 2012). Especially the principles of CDL, which entail facilitating customers' activities, have not been given sufficient attention in the current service thinking and business practice (Heinonen et al., 2010).

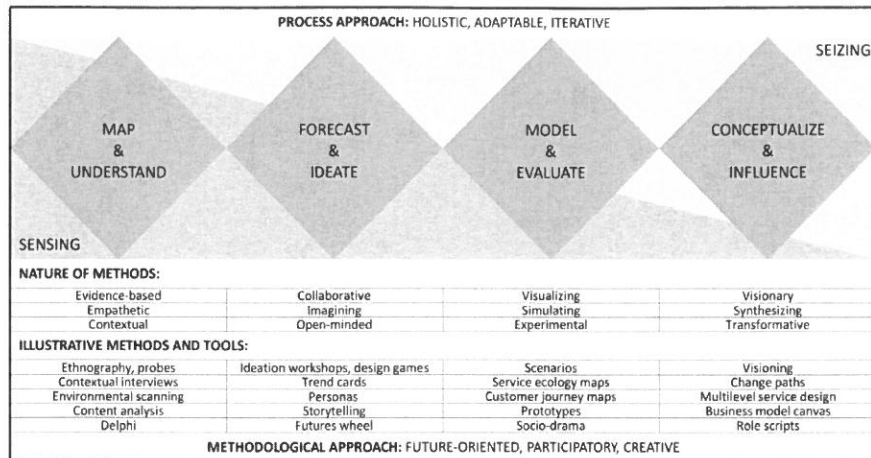
The traditional models and tools used in new service development and service innovation tend to be based on provider-dominant logic focusing on processes controlled by the focal company (e.g. blueprinting). The typical provider-dominant way of developing offerings have been to start from the offering and then identify the customers' activities where the company can fit in. The recent trend of integrating design thinking into service business development turns the process over by starting from deeply understanding customers' activities, and then based on deep customer insight, ideating and designing new ways to support customers' activities and embed the service in customers' existing and future contexts, activities, and experiences (e.g. Ojasalo et al., 2015). In other words, design thinking and the approach and methods of service design bring new kinds of means for implementing service logic. The principles of service design support the service logic since the process and outcomes of service design are not based on what an offering can do, but on what customers want to achieve and what they do with the service (e.g. Wetter-Edman, 2011). When applying the service design approach, companies might do in-depth ethnographical research and use various methods to involve customers and other stakeholders as active partners in the design process. In other words, a service is designed with the customers, not just for them (e.g. Segelström, 2013). This kind of approach helps in diagnosing and revealing the customers' mental models and in forming a picture of their needs and translating these needs into an offering that truly matches their needing (cf. Strandvik et al., 2012).

## **SERVICE DESIGN SUPPORTING THE IMPLEMENTATION OF SERVICE LOGIC IN SERVICE INNOVATION**

Service design methods are relevant in the present study since these provide a practical set of tools for companies to explore their customers' world, develop service experience and, ultimately, facilitate customer value creation. This is further supported by Wetter-Edman (2011), who studied the relationship between SDL and service design and found that service design practices have the potential to realize SDL in business.

The service design approach is both a set of methods for practitioners developing a service as well as an emerging scientific field. The general awareness of service design has increased rapidly among practitioners because the methods of this approach have proven to be very powerful in bringing customers and the service experience into the centre of service development (Ojasalo et al., 2015). On the other hand, academic research on service design is still in its infancy, but it is growing (e.g. Erlhoff, Mager and Manzini, 1997; Pacenti, 1998; Sangiorni, 2004; Han, 2010; Wetter-Edman, 2011, 2014; Gloppen, 2012; Vaajakallio, 2012; Clatworthy, 2013; Segelström, 2013; Blomkvist, 2014).

Based on over twenty different processes for service innovation, new service development, and service design described in the literature, Ojasalo et al. (2015) have developed a framework for service innovation based on service design and foresight. This framework gives an overview of the service innovation process and methods often used in service design (Figure 1). The framework presents four phases of the service innovation process: 1) Map and understand, 2) Forecast and ideate, 3) Model and evaluate, and 4) Conceptualize and influence. It should be noted that the process is rarely linear. It may be highly iterative and the phases might overlap. Related to each and every phase in the process are five typical examples of foresight and/or service design methods. In each of the phases, the methods have a different role. The application of methods is situational, highly context-driven and dependent on the resources available (Saco and Goncalves, 2010). An insightful combination of different methods and tools can create visionary foresight and unique new ideas for service innovation.



**Figure 1.** Service innovation process grounded on service design and foresight (Ojasalo et al., 2015)

Anticipating future changes in business environments and understanding customers' needs and desires in their contexts are extremely essential in service design (Ojasalo et al., 2015). The methods of service design bring empathy to allow deep understanding of customers' and other stakeholders' perspectives (Polaine, Lovlie and Reason, 2013). The findings from the mapping and understanding phase inspire ideation and forecasting alternative futures. Open-minded collaboration and co-designing with different stakeholders through forming heterogeneous teams is essential in providing divergent thinking for innovation (Brown, 2009). Modelling a new service shifts the service design process from sensing to seizing new opportunities. The intangible nature of customer experience and uncertain nature of the future require narrative and visual means to communicate and test the new service and to concretize the customer experience. Service design and foresight create, for example, highly visual and anticipatory stories by means of scenarios, prototypes and preliminary concepts. Modelling new service offerings early helps in assessing their true value for the customer and for the company before a lot of resources are used for actual implementation. One popular and useful tool for conceptualizing a new service and communicating it with stakeholders is Osterwalder and Pigneur's (2010) business model canvas (BMC). Next, the business model literature and the BMC are briefly discussed.

## DESIGNING BUSINESS MODELS

A large number of studies dealing with business models can be found in the literature (e.g. Betz, 2002; Chesbrough and Rosenbloom, 2002; Magretta, 2002; Hedman and Kalling, 2003; Osterwalder, 2004; Shafer, Smith and Linder, 2005; Tikkanen et al., 2005; Voelpel et al., 2005; Giesen et al., 2007; Zott and Amit, 2007, 2008; Johnson, Christensen and Kagermann, 2008; Al-Debei and Avison, 2010; Nenonen and Storbacka, 2010; Smedlund, 2012; Maglio and Spohrer, 2013; Lüftenegger, 2014; Kindström and Kowalkowski, 2014). The role of a business model is to capture, visualize, understand and communicate the business logic (Osterwalder, 2004). The interest in researching business models started to grow in the latter

half of the 1990s. In addition to the transaction cost economics, Amit and Zott (2001) anchor the theoretical foundations of business model research in Porter's value chain framework, in Schumpeter's theory of innovation and in the resource-based view of the firm. Osterwalder, Pigneur and Tucci (2005) identify the roots of academic discussions on the business model concept as being mainly in transaction cost economics. According to Chesbrough (2007), a business model has the following functions. It articulates the value proposition and explains the value created for customers by the offering. It identifies the market segments and puts forward to whom the offering is useful and for what purpose. It defines the structure of the value chain required by the company to create and distribute the offering, and it determines the complementary assets needed to support the company's position in this chain. Moreover, it specifies the revenue generation mechanism for the company, and it estimates the cost structure and profit potential in producing the offering, given the value proposition and value chain structure chosen.

The business model concept has enormous practical power (Magretta, 2002), and it offers managers a coherent way to consider their options in uncertain, fast-moving and unpredictable environments (McGrath, 2010). To be useful, a business model framework must be reasonably simple, logical, measurable, comprehensive, and operationally meaningful (see Osterwalder, 2005).

Next, Osterwalder and Pigneur's (2010) business model canvas (BMC) is described in more detail, as it functioned as the starting point for the empirical work conducted in our study. The BMC consists of nine building blocks that are presented on a one-page canvas template. The three blocks on the left side of the canvas are associated to internal processes and efficiency: key resources, key activities, and key partnerships. The three blocks on the right side of the canvas are associated with customers and value: customer segments, channels, and customer relationships. The value proposition is at the centre, and the cost and revenue structures are presented at the bottom of the canvas template.

### *Business Model Canvas*

In the business model canvas, *Customer segments* refer to those different groups of people or organizations the company aims to reach and serve. *Channels* describe how the company communicates with and reaches its customer segments. *Customer relationships* define the types of relationships the company establishes with the targeted customer segments. *Value proposition* describes the bundle of products and services that creates value for a specific customer segment. A value proposition may include characteristics such as newness, performance, customization, "getting the job done", design, brand/status, price, cost reduction, risk reduction, accessibility, and convenience/usability. *Revenue stream* represents the cash the company generates from each segment. *Key resources* are the most important assets required to make the business model work. *Key activities* describe what the company must do to make the business model work, such as production, problem solving, platform and networking activities. *Key partnerships* constitute the network of suppliers and partners that makes the business model work. Partnerships may be strategic alliances between non-



competitors as well as competitors (coopetition), joint ventures to develop new business, or buyer-supplier relationships. *Cost structure* describes all costs incurred to operate the business model (Osterwalder and Pigneur, 2010). To sum up, the business logic behind this business model framework is seemingly close to GDL (see also Viljakainen et al., 2013). Thus, there seems to be a clear need to modify the framework to be more evidently based on the service logic.

## **METHODOLOGY OF DEVELOPING THE SERVICE LOGIC BUSINESS MODEL CANVAS**

The research methodology of this empirical study is based on interactive research (Gummesson, 2001) and the constructive method (Kasanen, Lukka and Siitonen, 1993). According to Gummesson (2001:38-41), *interactive research* is based on interaction and communication with chosen relevant audiences. It ties together the process of knowing, the knower, and the known. This approach is based on various kind of interactions, such as interaction between the researcher and the object of study and its actors; between one's consciousness and qualities of one's inner self; between substantive data and general concepts; between the parts and the whole; between words, numbers, body language and tacit language; and concurrent, non-linear and dynamic interaction between data collection, analysis, interpretation and conclusions. In interactive research, theory generation and theory testing are inseparable twins, not isolated consecutive stages. The researcher goes from pre-understanding to understanding, to a new level of understanding, and so on, and from substantive, specific data to concepts that serve as vehicles for reaching more general theory levels. This approach is governed by a humanist, hermeneutic and phenomenological paradigm, although elements from a quantitative and positivistic paradigm may be included (Gummesson, 2001).

*The constructive method* refers to a research procedure that aims at solving managerial problems in business organizations through the construction of models, diagrams and plans (Kasanen et al., 1993). An important characteristic of a construction is that its usability can be demonstrated through the implementation of the solution. Thus, not all problem-solving and model-building exercises are constructive research. For example, analytic model building can produce elegant solutions to problems, which work in principle, but whose actual practical adequacy remains unclear (Oyegoke, 2001). Kasanen et al. (1993) argue that a construction which works is relevant, simple and easy to use. An essential part of the constructive approach is to tie the problem and its solution with accumulated theoretical knowledge. In addition, the novelty and the actual working of the solution have to be demonstrated. The construction should include new knowledge both to business and to academia. The construction of a solution to a problem should be practical relevance, theory connection, practical functioning, and theoretical contribution. According to Oyegoke (2001), the constructive approach encourages co-production of knowledge between the industry practitioner and the researcher. According to Kasanen et al. (1993), the research process using the constructive approach includes the following phases, which may vary in order from

case to case: (1) finding a practically relevant problem that also has research potential, (2) obtaining a general and comprehensive understanding of the topic, (3) innovating, i.e. constructing a solution idea, (4) demonstrating that the solution works, (5) showing theoretical connections and the theoretical contribution of the solution concept, and (6) examining the scope and applicability of the solution.

The phases of the research process employed to develop the new are shown in detail in Table 1. The study is based on the interactive research approach (Gummesson, 2001) where the empirical data is generated in interaction with researchers and practitioners. The research is affected by the researchers' pre-understanding. The process is a continuous interplay between data from interaction, existing theories from the literature, and researchers' interpretation. A new theory is developed as a result of these interwoven elements.

The initiation of the research process took place in an invitation-based expert panel (Step 1), where twelve service researchers concluded that one of the most widely-spread business model frameworks, i.e. Osterwalder and Pigneur's (2010) business model canvas (BMC), requires further development, particularly towards the principles of service logic. Most importantly, the researchers realized that the BMC is based on traditional provider-centred value-chain thinking, where value is created inside a company through its activities and resources and then delivered to customers. Also the terminology of BMC reflects goods-dominant logic, for example the Channels block of the BMC describes how "value propositions are delivered to customers through communication, distribution, and sales channels" (Osterwalder and Pigneur, 2010:16). The BMC does not see customers as value creators, and it does not suggest how service could be embedded in customer's contexts, activities and experiences (cf. Heinonen et al., 2010).

The research process took 14 months and consisted of 11 steps (see Table 1). The interaction in which data were generated and understanding increased consisted of nine interactive workshops in which data from pre-understanding, interaction, interpretation, increased understanding, and existing theories were interwoven together.

**Table 1.** The research process

Step	Interaction of the research process	Outcome	Actors	Phase of the constructive research method
1	Discovering the knowledge gap and need for research (11 Oct 2012, 2 hours)	Appointed ideation workshop	12 researchers	(1) Finding a practically relevant problem that also has research potential.
2	Interactive ideation, brainstorming and development workshop (16 Jan 2013, 4 hrs)	Initial ideas, Canvas version 0.1	15 researchers	(2) Obtaining a general and comprehensive understanding of the topic.
3	Interactive ideation, brainstorming and development workshop (5 Mar 2013, 4 hrs)	Canvas version 0.2	15 researchers	(3) Innovating, i.e. constructing a solution idea.
4	Interactive ideation, brainstorming and development workshop (29 Apr 2013, 3 hrs)	Canvas version 0.3	13 researchers	
5	Interactive ideation, brainstorming	Canvas	9 researchers	

	and development workshop (30 Aug 2013, 4 hrs)	version 0.4	and 1 practitioner	
6	Interactive ideation, brainstorming and development workshop (15 Sep 2013, 3 hrs)	Canvas version 0.5	6 researchers	
7	Rapid test (“lean launch”) and further development of the service logic based business model canvas in 5 company cases (8 Nov 2013, 5 hrs)	Canvas version 0.6	1 researcher and 22 practitioners B	(4) Demonstrating that the solution works. (6) Examining the scope and applicability of the solution. (3) Innovating a solution idea.
8	Assignment given to 24 practitioners to test the SL-based business model canvas in their organizations (9 Nov 2013, 2 hrs)		1 researcher and 24 practitioners B	(4) Demonstrating that the solution works. (6) Examining the scope and applicability of the solution.
9	Interactive ideation, brainstorming, and development workshop (20 Nov, 2013, 3 hrs)	Ideas for further development	6 researchers and 40 practitioners A	(3) Innovating a solution idea. (6) Examining the scope and applicability of the solution.
10	Results and reflections from the 24 test cases of SL-based business model canvas (14 Dec 2013, 4 hrs)	Ideas for further development	1 researcher and 24 practitioners B	(4) Demonstrating that solution works. (6) Examining the scope and applicability of the solution.
11	Further development of the canvas in interaction between 2 researchers, based on analysis of the data and understanding accumulated in the research process. Writing of research report (30 Sep 2013 – 28 Feb 2014)	Service Logic Business Model Canvas	2 researchers	(3) Innovating a solution idea. (2) Obtaining a general and comprehensive understanding of the topic. (5) Showing theoretical connections and the research contribution of the solution concept.

The research process was conducted in Finland within the Finnish Service Alliance association<sup>1</sup>. The first author of this chapter planned the workshops, worked as a workshop facilitator and documented the insights generated from them. The insights were documented by writing notes during and after each workshop, by collecting all the raw material produced by the participants during the workshops (notes, writings, and drawings made by the participants), by taking photographs, and by recording the most important parts of the workshops. After each workshop, the BMC was further developed based on the data and the increased understanding generated in the interactive workshops. The workshop participants were researchers and practitioners. In this case, the researchers included academic researchers from seven universities and other research-related organizations. They were professors, senior researchers, doctoral students and coordinators of large national research programs. “Practitioners” refers to representatives of companies and other organizations (group A). Included in the group “practitioners” were also master-level adult students who conducted their studies alongside their full-time job in companies and other organizations (group B). Altogether 18 researchers were involved in this process, and 86 practitioners participated in the process (40 from group A and 46 from group B). Thus, altogether 104 persons were involved in the research process. The data were qualitative in nature, and its subjective interpretation took place during and after the interactive workshops, both individually and

<sup>1</sup> The authors want to thank the following persons for their valuable contribution during the research process: Mari Ainasoja, Leena Alakoski, Jaana Auramo, Taru Hakala, Anu Helkkula, Henri Hietanen, Marko Kohtamäki, Heidi Korhonen, Lasse Mitronen, Marko Mäkipää, Iiro Salkari, Tiina Tanninen-Ahonen, Marja Toivonen, Ismo Turunen, Stephen L. Vargo, Anna Viljakainen.

collectively. In general, the emphasis shifted from the theoretical thinking and model development towards the practical model development and testing. The participants of the first workshops were mostly researchers (Steps 1-6), while the participants of the later workshops were mostly practitioners (Steps 7-10). The research process is still going on while this chapter is being written: the later phases that are not shown in Table 1 focus on the application of the developed Service Logic Business Model Canvas.

The aim, in line with the constructive research method (Kasanen et al., 1993), was to develop a construction that solves problems that emerge in running business organizations. The construction in the current research is a revised version of Osterwalder and Pigneur's (2010) business model canvas. The modifications aim at increasing the service logic orientation of the original BMC tool. The present study included all six phases of the constructive research process suggested by Kasanen et al. (1993). During the process, the problem and its solution were tied to accumulated theoretical knowledge. In addition, the novelty and the actual working of the solution were demonstrated.

## RESULTS

This section describes the business model framework that resulted from the empirical interactive research process. The result is a modified version of Osterwalder and Pigneur's (2010) BMC, which takes into account the principles of service logic. Here, the service logic orientation covers the basic principles of the SDL, service logic and CDL. Since a business model describes how an organization creates and captures value (Osterwalder and Pigneur, 2010), and its purpose is to depict the managerial opportunities for the focal company to influence value creation (cf. Nenonen and Storbacka, 2010; Zott and Amit, 2010), we argue that the framework cannot be solely based on the customer perspective and CDL. Consequently, our redesigned business model framework takes into account both the service provider's and the customer's perspective.

The modified business model framework is called *Service Logic Business Model Canvas* (Figure 2). In the interactive research process, each building block of the canvas was addressed separately as well as the canvas as a whole. The canvas was developed step-by-step, and the Service Logic BMC presented here (Figure 2) is the 7<sup>th</sup> revised version developed during the research process (see Table 1). In the beginning of the process, the most evident development needs of the BMC were ideated: how to highlight the customer's active role and add the notion of the customer as a value creator and the company supporting that value creation (cf. Grönroos, 2008; Heinonen et al., 2010). Gradually, the new framework progressed to its current form. In the first phases of the research process, the terminology used in the revised versions was very academic and expressed on a highly abstract level, but after the company representatives got involved, the terminology was refined into being more of a "business language".

*Service Logic Business Model Canvas*

The present framework, the Service Logic Business Model Canvas, is composed of nine building blocks, like the original BMC. During the research process, a need to break the structure of the original BMC by placing the blocks in a contrary order (moving original “customer blocks” to the left side of the canvas), or even by designing a totally new kind of circular template, was discussed in several workshops. However, since the original BMC is widely used, we decided to stick to the original structure and redesign each block to be more service logic oriented, instead of redesigning the whole structure of the canvas. In this way, it is also easier for companies to compare the two canvases, i.e. the original and the modified one, and easier to understand the difference between traditional business thinking and service logic based thinking.

<p><b>Key Partners</b></p> <p><b>From our point of view:</b></p> <ul style="list-style-type: none"> <li>• Who are our key partners?</li> <li>• What are the roles of our partners?</li> <li>• What resources do we need from our partners?</li> <li>• How do the partners benefit from the cooperation?</li> </ul> <p><b>From customer point of view:</b></p> <ul style="list-style-type: none"> <li>• How does the customer experience our partners?</li> <li>• What kind of partnerships does the customer have and how should they be taken into account?</li> </ul> <p style="text-align: right;">⑦</p>	<p><b>Key Resources</b></p> <p><b>From our point of view:</b></p> <ul style="list-style-type: none"> <li>• What skills and knowledge do we need?</li> <li>• What other material and immaterial resources and tools are required?</li> </ul> <p><b>From customer point of view:</b></p> <ul style="list-style-type: none"> <li>• What skills and knowledge is required from the customer's side?</li> <li>• What other customer's material and immaterial resources and tools are required?</li> </ul> <p style="text-align: right;">⑥</p>	<p><b>Value Proposition</b></p> <p><b>From our point of view:</b></p> <ul style="list-style-type: none"> <li>• What value are we selling?</li> <li>• What are the elements of our offering?</li> <li>• What is unique in our offering?</li> </ul> <p><b>From customer point of view:</b></p> <ul style="list-style-type: none"> <li>• What value is the customer buying?</li> <li>• What are the elements of the customer needing?</li> <li>• Which of the customer's challenges and problems need to be solved?</li> </ul> <p style="text-align: right;">②</p>	<p><b>Value Creation</b></p> <p><b>From our point of view:</b></p> <ul style="list-style-type: none"> <li>• How is our offering embedded in the customer's world?</li> <li>• How can we facilitate the customer to reach their goals?</li> </ul> <p><b>From customer point of view:</b></p> <ul style="list-style-type: none"> <li>• How does the value emerge in customer's practices (also from mental and emotional experiences)?</li> <li>• How are customer's long-term benefits accomplished?</li> </ul> <p style="text-align: right;">③</p>	<p><b>Customer's World and Desire for Ideal Value</b></p> <p><b>From our point of view:</b></p> <ul style="list-style-type: none"> <li>• How do we get a deep insight and holistic understanding of the customer's world (context, activities, practices, experiences), their future strategies, and their own customers' world?</li> </ul> <p><b>From customer point of view:</b></p> <ul style="list-style-type: none"> <li>• Why does the customer buy?</li> <li>• What kind of benefits does the customer desire?             <ul style="list-style-type: none"> <li>• Functional</li> <li>• Economic</li> <li>• Emotional</li> <li>• Social</li> <li>• Ethical</li> <li>• Symbolic</li> </ul> </li> <li>• If there were no limits, what would be the customer's desire for the ideal situation and world?</li> </ul> <p style="text-align: right;">①</p>
<p><b>Cost Structure</b></p> <p><b>From our point of view:</b></p> <ul style="list-style-type: none"> <li>• What are the costs inherent in our business model?</li> <li>• What are our other sacrifices?</li> </ul> <p><b>From customer point of view:</b></p> <ul style="list-style-type: none"> <li>• What costs and other sacrifices are required from the customer?</li> </ul> <p style="text-align: right;">⑨</p>		<p><b>Revenue Streams and Metrics</b></p> <p><b>From our point of view:</b></p> <ul style="list-style-type: none"> <li>• What is our earnings logic and how is our financial feedback generated?</li> <li>• How can we apply customer value-based pricing?</li> <li>• What else valuable do we get other than money?</li> <li>• What are the key performance metrics of our business success?</li> </ul> <p><b>From customer point of view:</b></p> <ul style="list-style-type: none"> <li>• For which benefits is the customer actually willing to pay and how?</li> <li>• What is the financial value to the customer?</li> <li>• What are the key performance indicators of the customer's business and how are we following them?</li> </ul> <p style="text-align: right;">⑤</p>		

Figure 2. The Service Logic Business Model Canvas

In each block of the canvas, both the provider viewpoint (“From our point of view”) and the customer viewpoint (“From a customer point of view”) must be considered. The customer viewpoint was added to make companies analyse their business from the perspective of customers’ activities, practices and experiences. In the original business model canvas, the guiding questions in each block made companies consider their business only from their own point of view. Thus, the present framework is more in line with Heinonen et al. (2010:535), who argue that “customer’s understanding of service use is different from the service provider’s understanding of it”. Also the study by Strandvik et al. (2012) clearly shows that customers’ and suppliers’ views are likely to differ significantly (see also Allen et al., 2005). One of the obvious reasons for the conflicting viewpoints might be that many issues related to value-in-use are often invisible to the company, whereas value emerges in the customers’ everyday (business) processes (see Heinonen et al., 2010). Thus, all the elements of a business model should be carefully analyzed from both the company’s and the customer’s viewpoints and be based on genuine customer insight.

The first block (1) to be considered is called “*Customer’s World and Desire for Ideal Value*” (see Figure 2). This is the block where the customer-dominant thinking becomes most evident. This block goes beyond the actual business that the business model is describing, and here the customer’s life is analyzed in depth. Before moving to the value proposition and other blocks of a business model, it is very important to get a deep insight and holistic understanding of the customer’s world: context, activities, practices and experiences (cf. Heinonen et al., 2010). In this block, the customer’s explicit and latent reasons for buying and the benefits that the customer desires are analyzed. Latent customer needs are those that generate fuzzy and implicit expectations, which may be an opportunity or a pitfall for customer experience, depending on how they are managed (Ojasalo, 2001). In addition to functional and economic benefits, customers may also value emotional, social, ethical, environmental and symbolic aspects (cf. Nordin and Kowalkowski, 2010). Additionally, it is also essential to analyze the customer’s own customers’ worlds.

The second block (2) of the canvas is “*Value proposition*”. According to Grönroos and Ravald (2011:14), “Value propositions are suggestions and projections of what impact on their practices customers can expect” from the proposition. This block should be based on the customer insight described in Block 1. The “Value proposition” highlights the importance of capturing what the customer really buys when the supplier sells their offering. The company’s offering should correspond with customer needing, i.e. with the customer’s mental model of what the customer intends to get and achieve with the offering (cf. Strandvik et al., 2012).

The third block (3) is renamed “*Value creation*”. This was one of the most difficult blocks to redesign because of its abstract nature. Based on all the workshop discussions and tests in companies, this block focuses on what customers are doing with the value proposition to reach their goals. This block reflects how the company’s world is related to the customer’s world, and how the service becomes embedded in the customer’s context, activities, practices, and experiences (cf. Heinonen et al., 2010). Here, the company analyzes the possibilities to facilitate customers’ value creation and how they can help customers reach

their goals. From the customer's point of view, it is important to analyze how value emerges in customer's practices (also from mental and emotional experiences) and how the customer gets the long-term benefits (Ojasalo, 2000) through their own activities.

The fourth block (4), "*Interaction and co-production*", focuses on the customer's participation in the company's activities and utilization of its resources. Here, the key questions relate to how to facilitate the interaction between the company and the customer (cf. Grönroos, 2006) and what the customer's mental models of interacting with the company are. In addition, customers' activities and their different use contexts are analyzed here (cf. Heinonen et al., 2010).

In the fifth block (5), "*Revenue Streams and Metrics*", the company's earnings logic, financial feedback (profits, market share, cash flow, etc.) and other benefits (customer, brand, network equity, etc.) are described. This block also focuses on analyzing for which benefit(s) the customer is willing to pay. The price is here linked to customer value rather than costs involved in providing the service (cf. Storbacka and Pennanen, 2014). This block also shows the key performance indicators that verify the provider and customer value created.

The sixth block (6), "*Key Resources*", focuses on operant resources, i.e. the dynamic, often intangible resources that act upon other resources (cf. Vargo and Lusch, 2004). Thus, the core competences as key resources are highlighted. In service logic, the customer is an important operant resource, and consequently the customer's knowledge and skills should be analyzed.

The seventh block (7) represents the "*Key Partners*". Although a business model cannot be developed without taking into account the holistic environment and all the systems a company is involved in, the aim of this study is to redesign a construct that is simple and easy to use in practice. For this reason, this block analyzes only those partners beyond a company-customer relationship that are directly required in value creation, typically suppliers and other network partners. Here, roles related to value creation, the resources needed and the benefits generated are analyzed.

The eighth block (8) is renamed "*Mobilizing Resources and Partners*". This block focuses on the utilization and development aspects of resources and partners and indicates how knowledge and skills are generated by all the participants. This block highlights the integration of resources, which is a central activity of all stakeholders involved in service relationships (cf. Vargo and Lusch, 2008).

In the ninth block (9), the focus shifts to the "*Cost Structure*". In addition to analyzing the company's costs and other sacrifices inherent in the business model, the costs and other sacrifices induced for the customer are analyzed. It is important for companies to carefully analyze their cost structure since cutting certain costs may have a direct negative impact on customer value (cf. Grönroos and Ojasalo, 2004).

Even though the new canvas recommends the order in which the elements of the canvas could be developed, it is clear that the order may well be different, depending on the case. Also, it should be noted that the process is never straightforward, but rather iterative. This



means that the development of each block cannot happen in isolation from the development of others. The interconnections and cross-effects of different elements should be taken into account. In addition, and as the business environment changes, the dynamics of the business model should be managed, meaning that it requires continuous updating and renewal.

The present framework is meant to be applied individually to each customer profile, which represents a customer group with similar logics. This makes it possible to focus on each customer profile's specific contexts at a time. As mentioned earlier, the development and/or analysis of a business model is not a linear and straightforward process, but instead it is iterative, and new ideas are likely to emerge. Indeed, a separate business model (or sub-model) with all its elements should be designed to fit each customer profile. However, the present framework is not applied in isolation from the models for other profiles. There may be strong interconnections between the profiles' specific business models. Such links between the business models (or sub-models) may be numerous and very different in nature. Consequently, the development of one model affects the development of another.

Based on the testing phase of this study, the Service Logic Business Model Canvas functions best if it is integrated in a service design process. To fill in the various blocks of the canvas requires first a deep customer insight. The holistic insight can be generated by using user-centred, emphatic and participatory methods of service design. Based on in-depth customer knowledge, customer profiles (personas) and customer journeys (customer's activities) can be designed and drawn, and these profiles and journeys can be very useful when developing the business model. The testing phase also showed that using design games can be a productive way to integrate various stakeholders to generate helpful ideas for filling in the Service Logic Business Model Canvas. Next, the process of using the modified canvas tool is discussed.

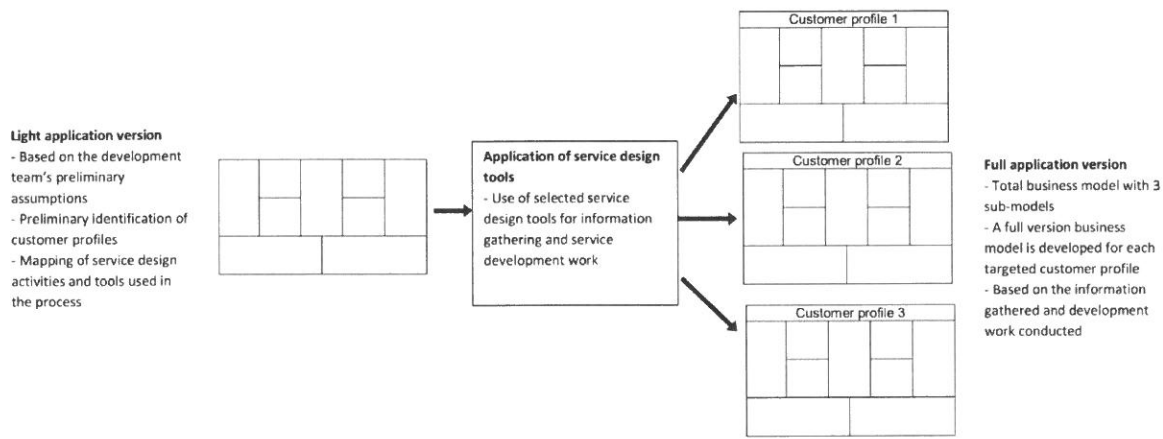
#### *The process of using the Service Logic Business Model Canvas*

Preliminary findings related to the application of the Service Logic Business Model Canvas show that not only the canvas as an outcome has to be modified, but the process of how to design a business model also needs to be changed. It needs to be more customer-centred, and various service design (and foresight) methods should be used for information gathering, ideation, and development work required for designing a business model. The model of the service innovation process grounded on service design and foresight (Figure 1) includes a selection of essential tools. In brief, the process of applying the Service Logic Business Model Canvas to a business can include three main phases (see Figure 3):

1. A light application version of the Service Logic Business Model Canvas.
2. Applying service design tools.
3. The full application version of the Service Logic Business Model Canvas for targeted customer profiles.

The light application version of the Service Logic Business Model Canvas follows the idea of "rapid prototyping" or "lean business development" (cf. Blank, 2013; Maurya, 2012). The canvas is used quickly (for example in a half-day workshop with the development team) for

tentative idea development and testing. This also helps in mapping the service design tools required in the next phase. Doing the light version exercise also helps in planning the service innovation process. It helps in mapping and deciding on what service design tools should be used in the process and how much time and other resources are needed. In general, the light version helps in planning the whole innovation project and also makes the development team aware of what kind of outcomes are expected at the end of the process. In brief, the light application can be used in the early stage of the innovation process, or when there is no time or resources to apply the full version. SMEs and start-up companies that do not have much resources or developed networks may find it particularly useful to apply the light Service Logic Business Model Canvas version.



**Figure 3.** The process of using the Service Logic Business Model Canvas

The application of service design tools includes the selection and use of relevant service design methods. This phase includes acquiring a deep customer insight. The main purpose is to understand the customer's world and what represents value to the customer, and how the provider company can most effectively facilitate the customer's value creation. Several selected co-creative and customer-involving service design tools can be used in this phase (see Table 2). The full application version of Service Logic Business Model Canvas for each of the targeted customer profiles consolidate all the relevant customer information and results of the development work throughout the process and offer a solid business model description. Service logic thinking, a deep understanding of customer needs, value, and experience, and facilitation of customer's value creation are rooted in each of the profile-specific sub-models.

Table 2 gives a tentative suggestion on which service design tools may be useful for information gathering and development work related to each block of the Service Logic Business Model Canvas. It should be noted that in addition to the commonly used tools referred to in Table 2, there are many other tools available (e.g. Curedale, 2013).

**Table 2.** Service Design Methods for the Service Logic Business Model Canvas

Blocks of Service Logic Business Model Canvas  Examples of Service Design and Foresight Tools	① Customer's World and Desire for Ideal Value	② Value Proposition	③ Value Creation	④ Interaction and co-production	⑤ Revenue Streams and Metrics	⑥ Key Resources	⑦ Key Partners	⑧ Mobilizing Resources	⑨ Cost Structure
Ethnography, probes	●	●	●	●	●	●	●	●	●
Contextual interviews	●	●	●	●	●	●	●	●	●
Environmental scanning	●	●					●		
Content analysis	●	●							
Delphi	●	●							
Ideation workshops, design games	●	●	●	●	●	●	●	●	●
Trend cards	●	●	●						
Personas	●	●	●	●					
Storytelling	●	●	●	●					
Futures wheel	●	●						●	
Scenarios	●	●	●	●	●	●	●	●	●
Service ecology maps							●	●	
Customer journey maps			●	●	●	●	●		●
Prototypes		●	●	●					
Socio-drama				●		●	●	●	
Visioning		●	●		●			●	
Change paths								●	
Multilevel service design (incl. service blueprint)				●	●	●	●	●	●
Role scripts				●		●	●	●	

The effective application of the Service Logic Business Model Canvas requires plenty of information and development work. The information gathering and development work is done with various case-specific service design methods. A separate business model (or sub-model) with all its elements is designed to each customer profile. The Service Logic Business Model Canvas functions as a guiding framework and finally consolidates all the information generated and development work done during the innovation process (Figure 3).

## CONCLUSIONS AND CONTRIBUTIONS

The theoretical contribution of this study stems from adapting business model thinking to service logic. Most importantly, this study increases knowledge on how to implement service logic in practice. This study has developed and tested a tool that seems fruitful for both academic research and for companies interested in enhancing their business with the service logic. The modified business model framework considers both the provider's and the customer's viewpoints. Indeed, it is difficult to find any study or business model framework that explicitly addresses both the provider and the customer viewpoints in each element of the business model. This study is in line with Edvardsson and Tronvoll (2013), who have introduced a new conceptualization of service innovation grounded in SDL and service

systems. They propose that service innovation is always actor-centric and practice-related in a specific system context, and that service innovation must be studied in practice because value is always co-created and assessed in context and over time. This supports the present findings and attempt to develop a framework that guides the development of business models in the direction of context-specific and customer-involving co-creative methods. Edvardsson and Tronvoll (2013; see also Edvardsson, Tronvoll and Gruber, 2011) point out the importance of understanding the social context in which innovation takes place, the service system, social structures, resources, and the actors' abilities to acquire, integrate and use the available structures in the social context. The various service design methods as well as the proposed Service Logic Business Model Canvas offer practical tools for this purpose.

This study also provides a managerial contribution. The developed canvas functions both as a rapid prototype of a new business model and as a communication tool that quickly illustrates the company's current business model. If used in workshops with various manager and employee groups of the company, the new canvas can also function as a tool for creating a more customer-centred business culture. It makes people put the customer in the centre of all the elements of a business model. The modified canvas tool highlights the importance of deep customer insight, and it is designed to be applied to each customer profile separately. By using the framework individually to each relevant customer profile, it is possible to have a deeper understanding of the customer logic of each profile.

The most significant managerial implication of the present research responds to what Allen et al. (2005, 2006) call the "delivery gap". In a survey of 362 companies, they found that 80% believed they delivered "superior experience" to their customers, and more than 95% of management teams claimed to be customer-focused. But when asked the same from their customers, the answer was that only 8% of the companies were really delivering a superior experience. This 8% of the companies were called "achievers", while the rest were labelled "believers". The survey covered a cross-section of industries weighted to represent the FT Global 500. The survey further revealed that only 50% of management teams tailor their products and services to the needs of customers, only 30% organize the functions of their company to deliver superior customer experiences, and only 30% maintain effective customer feedback loops. Furthermore, the survey found that most large companies were capable of using traditional market research, segmentation and product design tools, but still fail to connect between what they learn about customers and what they offer them. Companies lack the processes to ensure that market research includes real customer interaction, which would lead to insight on the essential question: "What do our most important customers really want?" Additionally, companies fail to make sure their organization understands for whom each proposition is offered (Allen et al., 2005, 2006). Clearly, while most companies say they are customer-oriented, few of them truly are.

Thus, there is a clear need for managerial approaches that actually help companies develop business models and offerings based on a deep understanding of customers' needs and their worlds. The Service Logic Business Model Canvas responds to this need. The present framework makes its users systematically consider the customer viewpoint and the customer's world in each element of the business model and throughout the development

process towards service logic. Most business model frameworks address customer needs and value as one of the elements addressed. In comparison, the present framework shifts customers' needs, value and worlds into the centre of the business. In addition, it relates the customer viewpoint to the provider's viewpoint, thus enabling the development of a realistic business model that can be implemented. The testing of the developed tool in real company settings shows that the Service Logic Business Model Canvas is a relevant, easy and simple tool that can help companies implement the contemporary business logics focusing on customer value-creation.

## REFERENCES

- Al-Debei, M.M. and Avison, D. (2010). Developing a Unified Framework of the Business Model Concept. *European Journal of Information Systems*, 19, 359-376.
- Allen, J., Reicheld, F.F., Hamilton, B. and Markey, R. (2005), *Closing the Delivery Gap. How to Achieve True Customer-led Growth*. Bain and Company. <http://bain.com/bainweb/pdfs/cms/hotTopics/closingdeliverygap.pdf>\_Viewed 25 Feb 2014.
- Allen, J., Reicheld, F.F., Hamilton, B. and Markey, R. (2006). Capitalizing on the Customer. *European Business Forum*, Autumn 2006, 24-29.
- Amit, R. and Zott, C. (2001). Value Creation in E-business. *Strategic Management Journal*, 22(6/7), 493-520.
- Betz, F. (2002). Strategic Business Models. *Engineering Management Journal*, 14(1), 21-27.
- Blank, S. (2013). Why the Lean Start-Up Changes Everything? *Harvard Business Review*, 91(5) (May), 63-72.
- Blomkvist, J. (2014). *Representing Future Situations of Service-Prototyping in Service Design*. Doctoral dissertation. Linköping, Sweden: Linköping University Studies in Arts and Science, No.618.
- Brown, T. (2009). *Change by design - How design thinking transforms organizations and inspires innovation*. New York: HarperCollins.
- Chesbrough, H. (2007). Business model innovation: it's not just about technology anymore. *Strategy and Leadership*, 35(6), 12-17.
- Chesbrough, H. and Rosenbloom, R.S. (2002). The role of the business model in capturing value from innovation: evidence from Xerox Corporation's technology spin-off companies. *Industrial and Corporate Change*, 11(3), 529-55.
- Clatworthy, S. (2013). *Design Support at the Front End of the New Service Development (NSD) Process*. Doctoral dissertation. Oslo, Norway: Arkitektur- og Designhøskolen i Oslo.
- Curedale, R.A. (2013). *Service Design: 250 Essential Methods*. Topanga, California: Design Community College.

Edvardsson, B., Gustafsson, A., Kristensson, P. and Witell, L. (2010). Customer integration in service innovation. In Gallouj, F. and Djellal, F. (Eds.), *The Handbook of Innovation and Services*, (pp. 301-317), Cheltenham, UK: Edward Elgar.

Edvardsson, B., Tronvoll, B. and Gruber, T. (2011). Expanding Understanding of Service Exchange and Value Co-Creation. *Journal of the Academy of Marketing Science*, 39, 327-339.

Edvardsson, B. and Tronvoll, B. (2013). A New Conceptualization of Service Innovation Grounded in S-D Logic and Service Systems. *International Journal of Quality and Service Science*, 5(1), 19-31.

Erlhoff, H., Mager, B. and Manzini, E. (1997). *Dienstleistung Braucht Design – Professioneller Produkt- und Markenauftritt für Serviceanbieter*. Berlin, Germany: Hermann Luchterhand Verlag.

Giesen, E., Berman, S.J., Bell, R. and Blitz, A. (2007). Three Ways to Successfully Innovate Your Business Model. *Strategy and Leadership*, 35(6), 27-33.

Gloppen, J. (2012). *Service Design Leadership: Shaping Service Innovations at the Intersection of Design and Strategic Management*. Doctoral dissertation. Oslo, Norway: Arkitektur- og Designhøgskolen i Oslo.

Grönroos, C. (2006). Adopting a Service Logic for Marketing. *Marketing Theory*, 6(3), 317-333.

Grönroos, C. (2008). Service logic revisited: Who creates value? And who co-creates? *European Business Review*, 20(4), 298-314.

Grönroos, C. (2011). Value co-creation in service logic: A critical analysis. *Marketing Theory*, 11(3), 279-301.

Grönroos, C. and Ojasalo, K. (2004). Service productivity – Towards a conceptualization of the transformation of inputs into economic results in services. *Journal of Business Research*, 57, 414-423.

Grönroos, C. and Ravald, A. (2011). Service as business logic: implications for value creation and marketing. *Journal of Service Management*, 22(1), 5-22.

Grönroos, C. and Voima, P. (2013). Critical service logic: making sense of value creations and co-creation. *Journal of the Academy of Marketing Science*, 41, 133-150.

Gummesson, E. (2001). Are Current Research Approaches in Marketing Leading Us Astray? *Marketing Theory*, 1(1), 27-48.

Gummesson, E. (2007). Exit services marketing – enter service marketing. *Journal of Customer Behavior*, 6(2), 113-141.

Gummesson, E. (2008). Extending the service-dominant logic: From customer centricity to balanced centricity. *Journal of the Academy of Marketing Science*, 36(1), 15.

Han, Q. (2010). *Practices and Principles in Service Design: Stakeholders, Knowledge and Community of Service*. Doctoral dissertation, Dundee, Scotland: University of Dundee.

- Hedman, J. and Kalling, T. (2003). The Business Model Concept: Theoretical Underpinnings and Empirical Illustrations. *European Journal of Information Systems*, 12, 49-59.
- Heinonen, K., Strandvik, T., Mickelsson, K.-J., Edvardsson, B., Sundström, E. and Andersson P. (2010). A Customer Dominant Logic of Service. *Journal of Service Management*, 21(4), 531-548.
- Johnson, M.W., Christensen, C.M. and Kagermann, H. (2008). Reinventing your business model, *Harvard Business Review*, 86(12), 50-59.
- Karpen, I.O., Bove, L.L. and Lukas, B.A. (2012). Linking service-dominant logic and strategic business practice: A conceptual model of a service-dominant orientation. *Journal of Service Research*, 15(1), 21-38.
- Kasanen, E., Lukka, K. and Siitonen, A. (1993). The Constructive Approach in Management Accounting Research. *Journal of Management Accounting Research*, 5, 243-264.
- Kindström, D. and Kowalkowski, C. (2014). Service innovation in Product-Centric Firms: A Multidimensional Business Model perspective. *Journal of Business and Industrial Marketing*, 29(2), 96-111.
- Lüftenegger, E.R. (2014). *Service-Dominant Business Design*. Doctoral dissertation, Proefschriftmaken, The Netherlands: Eindhoven University of Technology.
- Maglio, P.O. and Spohrer, J. (2013). A Service Science Perspective on Business Model Innovation. *Industrial Marketing Management*, 42, 665-670.
- Magretta, J. (2002). Why business models matter. *Harvard Business Review*, 80(5), 86-92.
- Mauyra, A. (2012). *Running Lean, Iterate from Plan A to Plan that Works*. CA: O'Reilly Media.
- McGrath, R. G. (2010). Business Models: A Discovery Driven Approach. *Long Range Planning*, 43(2-3), 247-261.
- Nenonen, S. and Storbacka, K. (2010). Business Model Design: Conceptualizing Networked Value Co-Creation. *International Journal of Quality and Service Sciences*, 2(1), 43-59.
- Nordin, F. and Kowalkowski, C. (2010). Solutions offerings: a critical review and reconceptualization. *Journal of Service Management*, 24(4), 441-459.
- Ojasalo, J. (2000). Managing Short- and Long-Term Quality in Building Professional Business Relationships. In Edvardsson, B., Brown, S.W., Johnston, R. and Scheuing, E.E. (Eds.), *Service Quality in the New Economy: Interdisciplinary and International Dimensions*, (pp. 47-56), New York: ISQA International Service Quality Association,.
- Ojasalo, J. (2001). Managing Customer Expectations in Professional Services. *Managing Service Quality*, 11(3), 200-212.
- Ojasalo, K., Koskelo, M. and Nousiainen, A.K. (2015). Foresight and service design boosting dynamic capabilities in service innovation. In Agarwal, R., Selen, W., Roos, G. and Green, R. (Eds.), *The Handbook of Service Innovation*. London, UK: Springer-Verlag (in print).

- Osterwalder, A. (2004). *The Business Model Ontology. A Proposition in a Design Science Approach*. Doctoral dissertation. Lausanne, Switzerland: University of Lausanne.
- Osterwalder, A., Pigneur, Y. and Tucci, C.L. (2005). Clarifying business models: origins, present and future of the concept. *Association for Information Systems*, 15, 1-43.
- Osterwalder, A. and Pigneur, Y. (2010). *Business model generation: A handbook for visionaries, game changers, and challengers*. Hoboken, NJ: Wiley.
- Oyegoke, A. (2001). The Constructive Research Approach in Project Management Research. *International Journal of Managing Projects in Business*, 4(4), 573-595.
- Pacenti, E. (1998). *Il Progetto dell'interazione nei servizi. Un contributo al tema della progettazione dei servizi*, Doctoral dissertation. Milano, Italy: Politecnico di Milano.
- Polaine, A., Lovlie, L. and Reason, B. (2013). *Service design – From insight to implementation*. Brooklyn: Rosenfeld Media.
- Porter, M. (1985). *Competitive Advantage: Creating and Sustaining Superior Performance*. NY: Free Press.
- Prahalad, C.K. and Ramaswamy, V. (2004). *The Future of Competition – Co-creating Unique Value with Customers*. Boston: Harvard Business Press.
- Saco, R.M. and Goncalves, A.P. (2010). Service design: An appraisal. In Lockwood T. (ed.), *Design thinking: Integrating innovation, customer experience and brand value*. (pp. 159-172). New York: Design Management Institute.
- Sangiorgi, D. (2004). *Il Design dei servizi come Design dei Sistemi di Attività. La Teoria dell'Attività applicata allaprogettazione dei servizi*. Doctoral dissertation. Milano, Italy: Politecnico di Milano.
- Schlager, T. and Maas, P. (2012). Reframing customer value from the dominant logics perspective. *der markt, International Journal of Marketing*, 51, 101-113.
- Segelström, F. (2013). *Stakeholder Engagement for Service Design – How designers identify and communicate insights*. Doctoral Dissertation. Linköping Studies in Art and Sciences, No. 586. Linköping, Sweden: University of Linköping.
- Shafer, S.M., Smith, H.J. and Linder, J.C. (2005). The power of business models. *Business Horizons*, 48(3), 199-207.
- Smedlund, A. (2012). Value Cocreation in Service Platform Business Models. *Service Science*, 4(1), 79-88.
- Storbacka, K. and Pennanen, R. (2014). *Solution Business – Building a Platform for Organic Growth*. London, UK: Springer.
- Strandvik, T., Holmlund, M. and Edvardsson, B. (2012). Customer needing: a challenge for the seller offering. *Journal of Business and Industrial Marketing*, 27(2), 132-141.
- Tikkanen, H., Lamberg, J.-A., Parvinen, P. and Kallunki, J.-P. (2005). Managerial cognition, action and the business model of the firm. *Management Decision*, 43(5/6), 789-809.



Vaajakallio, K. (2012). *Design games as a tool, a mindset and a structure*. Doctoral Dissertations 87/2012. Helsinki, Finland: Aalto University School of Arts, Design and Architecture.

Vargo, S.L. and Lusch, R.F. (2004). Evolving to a New Dominant Logic of Marketing. *Journal of Marketing*, 68 (Jan.), 1-17.

Vargo, S.L. and Lusch, R.F. (2008). Service-dominant logic: continuing the evolution. *Journal of the Academy of Marketing Science*, 36, 1-10.

Vargo, S.L., Maglio, P.P. and Akaka, M.A. (2008). On value and value co-creation: a service systems and service logic perspective. *European Management Journal*, 26(3), 145-152.

Viljakainen, A., Toivonen, M. and Aikala M. (2013). *Industry transformation towards service logic – A business model approach*. Working papers, Cambridge Service Alliance, Cambridge, UK: University of Cambridge.

Voelpel, S., Leibold, M., Tekie, E. and von Krogh, G. (2005). Escaping the red queen effect in competitive strategy: sense-testing business models. *European Management Journal*, 23(1), 37-49.

Voima, P., Heinonen, K. and Strandvik, T. (2010). Exploring Customer Value Formation: A Customer Dominant Logic Perspective, Working Papers, 552, Helsinki, Finland: Hanken School of Economics.

Wetter-Edman, K. (2011). *Service Design – A Conceptualization of an Emerging Practice*. Licentiate thesis, Gothenburg, Sweden: University of Gothenburg.

Wetter-Edman, K. (2014). *Design for Service - A framework for articulating designers' contribution as interpreter of users' experience*. Doctoral dissertation, Gothenburg, Sweden: University of Gothenburg.

Zott, C. and Amit, R. (2007). Business model designs and the performance of entrepreneurial firms. *Organization Science*, 18(2), 181-199.

Zott, C. and Amit, R. (2008). The fit between product market strategy and business model: implications for firm performance. *Strategic Management Journal*, 29(1), 1-26.

**Katri Ojasalo**, Ph.D., is director of master-level education at Laurea University of Applied Sciences in Espoo, Finland. She is also chair of the Finnish Service Alliance. She completed her Ph.D. at Hanken in Helsinki, Finland in 1999. Her doctoral dissertation on service productivity was supervised by Professor Christian Grönroos. Service businesses have been her research field for over 20 years and she has published a number of journal articles and several text books and book chapters in this field. Her current research focuses on service innovation and design. Email: katri.ojasalo@laurea.fi

**Jukka Ojasalo**, Ph.D., Professor, completed his Ph.D. in professional service at Hanken in Helsinki, Finland in 1999, in the supervision of Professor Christian Grönroos. He is currently

head of the master of business administration degree programme at Laurea University of Applied Sciences. He is an adjunct professor at the Aalto University School of Business as well as the Helsinki University Faculty of Social Sciences. He has been a tenured professor of marketing at Lappeenranta University of Technology and the chair of the international marketing programme. He has also been acting professor of marketing at Turku School of Economics and Business Administration and the head of the marketing programme in the Pori Unit. He has published two textbooks and a large number of articles on service, customer relationships, networks, and innovation. Email: [jukka.ojasalo@laurea.fi](mailto:jukka.ojasalo@laurea.fi)