THE NORDIC SCHOOL – SERVICE MARKETING AND MANAGEMENT FOR THE FUTURE

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BUSINESS MARKETING – A NORDIC SCHOOL PERSPECTIVE

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Too much research in marketing focuses on narrow methodological issues and esoteric phenomena detached from the reality of the business world. The critique is frequently advanced by both scholars and practitioners that the marketing discipline has developed in an incremental manner without challenging or de-constructing its established, underlying concepts and assumptions. As MacInnis (2011) observes, “empirical advances (in methods, statistics) and empirically focused PhD coursework have outpaced conceptual advances and courses. Empirical methods are essential, but unless they are accompanied by good and interesting ideas, their value diminishes” (p. 151). As discussed by other authors throughout this book, the Nordic School of marketing thought has, in the spirit of free enquiry, offered research characterised by theory generation, inductive reasoning and case-study method. While conceptually novel and innovative, it has been firmly anchored in the reality of the business world. For example, managerially relevant phenomena have been addressed through in-depth case studies and action research, helping to generate managerial insight and clarify the complexity and ambiguity of the world around us. From my point of view as business marketing researcher, the Nordic School’s perspective on marketing is intellectually interesting, rhetorically appealing, and managerially applicable. In this short piece, I hope to share my thoughts about its relevance to business marketing, its methodological and philosophical position, and how it might help to increase marketing impact.

NORDIC SCHOOL CONTRIBUTIONS TO BUSINESS MARKETING

Even if most research from a Nordic School perspective has taken place in consumer service contexts, such as finance and travel, its intrinsic ideas are applicable to any setting (Holmlund, 2008). Actually, marketing scholars find the business-to-business versus business-to-consumer dichotomy increasingly blurred or even flawed (Dant and Brown, 2008; Fern and Brown, 1984; Wind, 2006). The emerging ‘service logic’ thinking abandons the B2B/B2C, goods/services, and supplier/customer dichotomies and focuses instead on the interdependencies between those traditionally divided categories and the commonalities, rather than the differences, in what we know:

“In addition to what are normally treated as services, consumer durables and industrial products in business-to-business contexts can be treated as services. In these situations the customer interfaces fulfil the characteristics of services more than they fulfil characteristics for goods. A service logic describes better than a goods logic these types of situations… When enough additional elements are included, a service logic provides better guidelines for how to market a physical product than a goods logic does.” (Grönroos, 2006a:330)

Such thinking shares major attributes with ‘service-dominant logic’ (SDL) which, according to Vargo and Lusch (2011), also seeks commonalities rather than differences, emphasises interaction, resource integration, relationships, and networks/systems, and considers all social and economic actors as service-providing, value-creating enterprises. As Lusch and Vargo (2006:284) had already pointed out, the idea of ‘density’ propounded by Normann (2001) aligns very well with the SDL concept of value creation through resource integration and both mesh well with the ideas of interactivity and networks in the writings of Grönroos (2006b) and Gummesson (2006). Michel, Vargo and Lusch (2008) confirmed the major similarities between Richard Normann’s original work and the later SDL. Normann had used such novel concepts as ‘dematerialization’, ‘liquidity’, and ‘density’ to explore the shaping and fluidity of markets through reconfiguration of value-creating systems. A prerequisite for that rearrangement is ‘reframing’ of the overall system, by means of which ‘prime movers’ redefine their own and other actors’ roles. These actors organise the creation of value beyond their own boundaries, not only through new offerings but also by way of novel value constellations and value-creating systems (that is, business ecosystems) in which they would normally not be found. Normann suggested the word ‘ecogenesis’ for such system-level reconfiguration, which lead to permanent changes in the daily lives of consumers or organisations. All economic actors should strive to become prime movers in relation to their own position in the system. A general principle is that resources and offerings do not have intrinsic value, but rather positional value, which is contingent upon the particular system of which they and the firm are parts.

Overall, business marketing has benefited tremendously from both the Nordic School research perspective and SDL, which is made evident by a review of the business marketing publications citing the two research streams: for instance Araujo and Spring (2006), Jayawardhena et al. (2007), Lemke, Clark and Wilson (2011) and Rod, Lindsay and Ellis (2014). According to Baron, Warnaby and Hunter-Jones (2014), the Nordic School of service management and SDL supplement each other very well and have similar perspectives on marketing overall, an assertion that is well supported by an examination of the large volume of research in marketing (and other disciplines) amalgamating and building on both. However, there are also differences. From my point of view, the key one of those concerns managerial relevance. Whereas the focus in SDL is on conceptual advances, increasingly beyond the marketing discourse, the Nordic School has a rich tradition of qualitative research and a focus on managerial implications. For example, the assertion in SDL that the customer is always a co-creator of value (Lusch and Vargo, 2006) obscures some significant real world differences, as Stauss (2005) observes. In his opinion, the consequences of expanding the terms ‘service’, ‘co-production/co-creation’, and ‘relationship’ in such a way are a loss of significance through a broadening of meaning, which he calls “a pyrrhic victory”. This could be particularly problematic for marketing management, which greatly benefits from specific lines of enquiry, such as distinguishing ‘transactional’ from ‘relational’ customers.

Regardless of one’s own ontological views, the distinction between value creation and co-creation is beneficial for analytical purposes, to understand the roles and scope of actors in
value-creation processes. Grönroos and Voima (2013) elaborate on this issue, arguing that co-creation is a function of interaction. Consequently, direct and indirect interaction lead to different forms of value creation and co-creation; co-creation can occur only when two or more parties influence one another. If value creation were to be regarded as an all-encompassing process, co-creation would become a metaphor that would not allow for further analytical development.

Focusing on the reality of the business world and the challenges companies and individual decision makers are facing is a typical characteristic of the Nordic School, which in my opinion is well aligned with what makes business marketing research interesting to carry out. From the outset, Nordic School researchers have emphasised the long-term relational nature of service management (Grönroos, 1994), but that should not be interpreted as a normative recommendation to invest in all relationships. In this respect, the research by Storbacka, Strandvik and Grönroos (1994) into customer relationship profitability and the link between perception measures and action measures has been influential. If offerings and relationships are not profitable enough and have limited prospects of improvement or none at all, there is no foundation for long-term development:

“Since customer relationships do not all have the same value-creation potential, they can at worst tie up customer and provider resources that could have been used to create value in more efficient ways. From the provider’s perspective, it is therefore vital to review them, and identify how to allocate resources in such a way as to enhance the interactions and consequent value creation. From the customer’s perspective, it makes no sense to allocate resources to collaboration with a provider whose offerings focus mainly on value-in-exchange if it is possible to derive more value-in-use from a similar collaboration with a more competitive provider.” (Kowalkowski, 2011:287).

As Grönroos (1997) points out, not all customers want to engage in relationships with their suppliers. Hence, even if the Nordic School emphasises mutual value creation, it does not assume that relationship investments and interactions will per se increase customer value, or that relationship marketing is a panacea for competitive advantage. Overall, however, I would argue that the main challenge for companies is not the lack of arm’s-length relationships. Quite the contrary: the excessive and endemic short-term orientation of the actors (including customers and shareholders) inhibits value creation and competitive advantage at both company and value-constellation level.

In this regard, researchers should acknowledge that companies’ financial policies and other institutional structures and mechanisms might govern the behaviour of actors and thus set limits to the feasibility of a given marketing initiative, at least in the short term. Therefore, it becomes vital to understand the business logics of actors (Normann, 2001). One way forward is to make sense of the position of marketing in companies, as reflected in the mental models of boardroom members and top management. That status may in fact be declining. Strandvik, Holmlund and Grönroos (2014) regard mental models as cognitive belief structures that “influences how different issues are understood and acted upon”. They also make the point
that marketing is in practice based on mental models, whether or not they are recognized or studied as such (see also Strandvik and Holmlund’s chapter on the topic in this volume).

Another interrelated key feature of Nordic School thinking is a focus on interactions in relationships and networks. For example, relationship dynamics have been explored through the concept of ‘negative critical waves’, which is consistent with but distinct from the established notion of critical incidents, and defined as “a disturbance in a relationship that emerges and develops within or beyond individual working relationships” (Edvardsson et al., 2014). Relationship dynamics has frequently been studied at the intersection between the Nordic School’s service management research and the network approach to industrial marketing to be found in the work of authors associated with the Industrial Marketing and Purchasing Group (Holmlund, 2004). In fact, research in service management and industrial marketing and purchasing (IMP) share many similar perspectives on marketing, their conceptual frameworks supplement each other, and they often arrive at similar results (Grönroos and Gummesson, 1985; Holmlund, 2008). In fact, Vargo and Lusch (2011) argue that the contributions made with respect to concepts such as interactivity, relationships, value and networks by IMP research and B2B marketing (including Nordic School contributions by Normann, Gummesson, Grönroos and others) are applicable to ‘mainstream’ marketing. Few IMP researchers, however, have investigated profitability, pricing strategy and competition, all of which are issues of major managerial relevance. While they are not a focus of Nordic School research either, these issues have nonetheless been investigated (Grönroos and Helle, 2012; Normann and Ramírez, 1989; Storbacka, 1997).

Despite successful long-term collaboration, joint innovation, and mutual value creation, a decades-long customer-supplier relationship might founder on such rocks as the financial woes of the customer, which will no longer be able in the short term to purchase from its premium key supplier. A senior colleague once told me that, in the high-inflation 1970s, when the research of the Nordic School and the IMP Group was emerging, many Swedish customers were willing, ceteris paribus, to pay 10% extra to buy from their Swedish suppliers, something that would be most unlikely in competitive markets today. Since then, not only has global competition intensified in most markets but characteristics of modern shareholder capitalism, such as shareholder short-termism (Aspen Institute, 2009) and corporate governance as a principal-agent problem, where shareholders are casted in the role of ‘principals’ and managers as self-centred ‘agents’ (Ghoshal, 2005), have also had major impact on managerial thinking and practice. The decreasing ‘mental footprint’ of marketing in many boardrooms (Strandvik et al., 2014) further accentuates this change. Opportunities for relationship development and mutual value creation might furthermore be substantially constrained by such practices as public procurement in the European Union, which accounts for 19% of GDP (European Commission, 2012) and thus constitutes a substantial customer segment for the B2B sector. Public procurement can cover anything from long-term service contracts to one-off purchases of goods and services, and from bulk purchasing by large government organisations to buying at the local level. It generally impedes long-term relationships and fails to take into account either the user’s desired value or its systemic and dynamic development. This will be equally valid in the case of multi-million rail maintenance
contracts, where the buyer might struggle to reformulate financial incentives and re-examine working practices, or of a small municipal entity being restricted to buying food for school meals direct from local farmers.

Relating to my own research, which has mainly been concerned with service-led growth in manufacturing firms – by means of service infusion or servitisation (Kowalkowski et al., 2012), solutions marketing (Nordin and Kowalkowski, 2010) and service innovation (Kindström and Kowalkowski, 2014; 2015) – another key concept is ‘internal marketing’ (Grönroos, 1978), which requires employees to deal with customers in a service-orientated way and to change the marketing model from reactive taking-of-orders to a proactive structuring of value creation through relational business engagements. It is an essential discipline if product manufacturers are to succeed with their service initiatives. Another highly relevant concept is the ‘part-time marketer’ (Gummesson, 1987; 1991), which is particularly relevant in business settings characterised by frequent interactions between customer and provider representatives, emphasising that marketing must not be the sole responsibility of the marketing department.

**IDIOPHIC AND ASSUMPTION-CHALLENGING PERSPECTIVES OF THE NORDIC SCHOOL**

Two distinct research methodologies in the social sciences are the *nomothetic*, which seeks general laws, and the *idiographic*, which deals with structured patterns (Allport, 1962). The mainstream marketing paradigm is built on a nomothetic epistemological base with positivistic underpinnings and a hypothetico-deductive method, focusing on efforts to verify *a priori* hypotheses (Easton, 2010). This is in stark contrast to the Nordic School’s research tradition, which takes an idiographic approach to research and is often based on qualitative or process-orientated research, such as inductive or abductive case studies. Comparing leading management journals in Europe and the USA, Collin et al. (1996) found significant differences in research orientations, which should remain equally valid today:

“European research frequently represents the idiographic paradigm in that it is based on a process oriented case study approach that emphasises qualitative, multi-aspect and in-depth studies, often covering a longer period of time. The aim of idiographic researchers is to provide rich descriptions and/or to make theoretical generalisations. This is in contrast with the nomothetic approach that emphasises quantitative analysis of a few aspects across large samples in order to test hypotheses and make statistical generalisations. Such a view, in turn, corresponds well to the approach that dominates North American management research” (Bengtsson, Elg and Lind, 1997:474).

The long-prevailing nomothetic marketing paradigm is embodied in the research studies published in the top American marketing journals, which academic marketing communities worldwide regard as the most prestigious sources. (That said, many idio graphically-inclined scholars regard the bulk of nomothetic work published as ‘uninteresting’ and thus seldom
read it, and vice-versa). When reviewing articles in those journals on topics of interest to Nordic School researchers, such as relationship dynamics (Bell, Auh and Smalley, 2005; Netzer, Lattin and Srinivasan, 2008), it becomes noticeable that the topics are generally approached from a nomothetic perspective.

Although case-study research is also published in top journals that focus on substantive issues in marketing and marketing management, such as the *Journal of Marketing*, it generally adheres to the dominant paradigm, which relies on the hypothetico-deductive method and focuses on B2C research. Hence, it is unsurprising that qualitative research in such publications often has to be justified and evaluated by criteria originating in quantitative, nomothetic, positivist research, such as internal and external validity, reliability, and objectivity, rather than those that are appropriate to humanistic inquiry, such as credibility, transferability, dependability, and confirmability (Hirschman, 1986). Seminal contributions to the American management research literature concerning case studies, such as the frequently-cited Eisenhardt (1989), generally have positivistic connotations. Eisenhardt is of the opinion that “while there is no ideal number of cases, a number between 4 and 10 cases will usually work out well”. As Easton (2010) points out, her justification is based on her experience with case study research and “is implicitly about increasing the number of cases as a way of finding the same results in each case” (p. 118). This can be compared with Normann’s (1976) views on case study research, theory development, and generalisation:

“If you have a good descriptive or analytic language by means of which you can really grasp the interaction between various parts of the system and the important characteristics of the system, the possibilities to generalise from very few cases, or even one single case, may be reasonably good. Such a generalisation may be of a particular character; it might be possible to generalise a statement of the type “a system of type A and a system of type B together comprise a mechanism which tends to function in a particular way.” On the other hand one cannot make any generalisations about how common these types of systems and interaction patterns are. But the possibilities to generalise from one single case are founded in the comprehensiveness of the measurements which makes it possible to reach a fundamental understanding of the structure, process and driving forces rather than a superficial establishment of correlation or cause-effect relationships.” (pp. 73-74; translated from Swedish).

The differences pointed out here have been portrayed as a ‘transatlantic gap’ between North American nomothetic research and European idiographic research in a study by Bengtsson et al. (1997). Although it is a simplification of reality (in that many European research groups conform rather successfully to the dominant research paradigm), I believe that this gap is, and has been, even wider in marketing research specifically, where the dominant paradigm exerts major influence on the leading academic publications. The gap is especially unfortunate since idiographic and nomothetic research have complementary roles in the process of advancing theory and developing new knowledge (Bengtsson et al., 1997). While the latter has the advantage of providing rigorous and statistically generalisable analysis of patterns across large samples for the purposes of explanation and prediction, the former offers the benefit of
managerially relevant, in-depth analysis of complex and context-specific organisational processes (Blair and Hunt, 1986).

Another difference between the Nordic School tradition and the mainstream marketing paradigm concerns the way in which research questions are generated and theoretical advances made. Researchers taking the nomothetic approach within this paradigm are generally concerned with incremental advances and gap-spotting, which tends to reinforce rather than challenge already influential theories (Alvesson and Sandberg, 2011). On the other hand, service marketing and management research in the Nordic tradition, both B2B and B2C, often focuses on assumption-challenging investigations by asking the ‘What if?’ questions. After all, the main characteristic of the Nordic School has been its questioning of the established way of thinking, and asking how rethinking might change the way we see marketing-related issues. It also addresses itself to the need to enhance the “pragmatic set of assumptions regarding solutions to specific marketing problems, viable actions and task performances” (Cornelissen, 2002:140) deployed by marketing practitioners.

There are similarities to the ‘problematisation’ methodology (Alvesson and Sandberg, 2011), in which the aim is “to come up with novel research questions through a dialectical interrogation of one’s own familiar position, other stances, and the domain in literature targeted for assumption-challenging”. A case in point is my own most recent article (Kowalkowski et al., 2015), which reports how problematisation questioned the validity of the ‘service transition’ concept. Regardless of the academic (sub)discipline concerned, the literature on service-led growth strategies assumes that manufacturing firms undertake a unidirectional, strategic transition from less advanced to more advanced services along a product-service continuum. We developed and evaluated two alternative assumptions, showing that the various service activities and strategies are more multifaceted than previous research has suggested. Firms need to balance their business-expansion and standardisation activities, and perform a number of system supplier roles concurrently, rather than switching serially from one role to another.

Such assumption challenging can be a key part of the process of developing new theory. As Alvesson and Sandberg (2011) argue, “the ultimate indicator of whether a problematisation [sic] is going to be successful is not so much rigour [sic] and empirical support as it is the experience of ‘this is interesting’.” (p. 259). Unfortunately, practising [sic] marketing managers ignore most of the research published in academic journals. The theories and concepts they contain are typically formulated “at such a high level of generality that they bear little resemblance to the everyday context in which managers operate and are not readily translated into operational form” (Cornelissen, 2002:136). For that reason, Nordic School researchers should not be tempted to abandon their concern about managerial relevance and their sometimes rather pragmatic approaches. Those sit well with the discovery-oriented, theories-in-use approach (Zaltman, LeMasters and Heffring, 1982), which blends the use of in-depth, qualitative research with the conventional knowledge contained in the literature. Encouragingly, it seems that the theories-in-use approach is being increasingly adopted by American strategic marketing researchers such as Challagalla, Murtha and Jaworski (2014).
By understanding a phenomenon from the perspective of the one who is experiencing it (both successful and unsuccessful marketing practices), theory development is fostered.

**LOOKING AHEAD**

Questioning the established way of thinking and investigating phenomena from new angles has facilitated novel conceptualisations and theory generation. While we need to continue to be inquisitive and take critical stances, if we are to make a wider-scale impact among marketing practitioners, the Nordic School research tradition should also embrace a diverse set of research methods, including new opportunities for innovative quantitative and mixed-method research to move theory forward. Researchers in Finland and Sweden, the home countries of the Nordic School, have traditionally been extremely fortunate in terms of information-gathering access to decision makers, from local managers to senior executives, in world-class companies across many industries. This has made in-depth case studies possible and delivered intriguing insights of both theoretical and managerial relevance. However, we must not take such access for granted; some of my senior colleagues perceive a shift, with the newer generation of executives being less accessible.

We should also take the opportunity to enrich the qualitative, idiographic research tradition with complementary approaches and methods, to develop new knowledge, test theory, and advance it further. In doing so, we may also be able to bridge the unfortunate (but inevitable?) gap between idiographic and nomothetic research, or at least narrow it. Anchored in an open-minded and inquisitive yet critical research tradition, studies conducted in the spirit of the Nordic School might be in a better position than mainstream marketing to take such steps, to benefit from complementary research approaches that use different methods and highlight different aspects of marketing research. Such pluralism could stimulate the research tradition without leading to the adoption of narrow versions of positivism, due to the hubris of ‘physics envy’ (Clegg and Ross-Smith, 2003; Tapp, 2007), or falling into the conventional pitfalls of narrow methodological issues and esoteric phenomena. In B2B marketing, studies would include: multi-level analysis, such as investigating individual buyers and sellers as well as purchasing and sales executives; different levels of aggregation of relationship interactions into actions, episodes and sequences (Holmlund, 2004); longitudinal performance data; and more empirical research on value-creating systems and system-level reconfiguration.

Furthermore, the digital landscape is changing our view of service management and relationship marketing. Interaction takes place to an ever-higher degree not only between human actors but also networked electronic hardware, as for example in the development of the world-wide web and the internet in the early 1990s and its proliferation thereafter. Today, B2B customers may never physically meet some of their service or product providers, but choose to engage with them digitally. At the industrial level, the internet has already had a disruptive effect on business markets, thanks to the sharply declining costs of sensors and data storage and processing, which permits the decoupling of machine software from hardware throughout the socio-technical industrial system, by means of ‘unbundling,
dematerialization, liquidity, and density’ (Normann, 2001). Self-aware, predictive and reactive machines, which communicate seamlessly with each other and with human actors, not only offer new opportunities for business marketing but will also have a major societal impact (Evans and Annunziata, 2012). Direct interaction increasingly takes place with and between non-human actors, something which has not previously been acknowledged by the Nordic School. Furthermore, advances in software capable of learning – what IBM calls ‘cognitive computing’ – could have a profound influence on future decision-making, including strategic and routine marketing decisions, and hence shape marketing practices. The role of technology in both marketing practice and research its impact on those operations will most likely open up new and exciting avenues for research in B2B marketing.

Despite general concerns that the marketing discipline has become less relevant in the business world, marketing theories taught at business schools influence the marketing practices of future managers (Ghoshal, 2005). Methodological pluralism would further increase potential marketing impact – that is, how theory influences the actual behaviour of managers – and enrich the dynamic and open research tradition of the Nordic School.

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