

TRANSFORMING PRODUCT FIRMS INTO SUCCESSFUL SERVICE PROVIDERS

Stephen W. Brown, Arizona State University
Anders Gustafsson, Karlstad University
Lars Witell, Karlstad University

Many product dominant firms have started to emphasize the service side of their business in order to establish a relationship with their customers throughout the entire life-cycle of their installed product base. There are several reasons for doing this, from increased profits and an improved competitive position to making a radical change in the way they do business. A change from being a manufacturer or product company to being a service provider can be described as an evolutionary transition from pure goods into a more service-oriented mixture of market offerings. Despite the attractiveness and the pitfalls of moving into services, relatively little guidance is available to help firms make such a transition. This work addresses that gap by examining the factors that differentiate traditional manufacturers and product firms from those that are successfully transitioning into services. This research is based on over 20 case studies, a large survey of European-based companies and the authors' personal experiences

Research category: Service Infusion and Growth

* An article based on part of this research appears in the Wall Street Journal, June 22, 2009

MATCH OR MISMATCH: STRATEGY-STRUCTURE CONFIGURATIONS IN THE SERVICE BUSINESS OF MANUFACTURING COMPANIES

Heiko Gebauer, University of St Gallen
Bo Edvardsson, Karlstad University
Anders Gustafsson, Karlstad University
Lars Witell, Karlstad University

A new trend seems to be emerging for multinational manufacturing companies to make a strategic reorientation into becoming service providers. For some companies such as Kone and IBM, the revenues from services are 50% or more of their total sales. Despite the increasing interest in exploring various aspects of the service part of the business in manufacturing companies, existing research has not focused on the interdependencies between different service strategies and organizational designs. This paper studies different service strategies in manufacturing companies and highlights the organizational design necessary for implementing each service strategy. The service strategies explored are after-sales service providers, customer support service providers, outsourcing partners and development partners. Each service strategy is supported by organizational design factors related to the service orientation of corporate culture, the service orientation of human resource management and the service orientation of organizational structures. This research concludes that a specific strategy-structure configuration is needed in order to succeed with a chosen service strategy.

Research category: Service Infusion and Growth

Forthcoming in *Journal of Service Research*

SERVICE DIFFERENTIATION AS A MODERATOR IN RELATIONSHIPS AMONG MARKET TURBULENCE, CUSTOMER CENTRICITY, INNOVATIVENESS AND BUSINESS PERFORMANCE*

Heiko Gebauer, University of St Gallen
Anders Gustafsson, Karlstad University
Lars Witell, Karlstad University

This paper examines the relationship among the complexity of customer needs, customer centricity, innovativeness, service differentiation, and business performance within the context of companies' transitions from being product providers to being service providers. The basis for the empirical investigation is a survey of 332 manufacturing companies. One key finding of the study is that a strong emphasis on service differentiation can lead to a manufacturing firm's strategies for customer centricity being less sensitive to increasingly complex customer needs, and can increase a firm's payoff for customer centricity. In contrast, the payoff from innovativeness appears to be higher if the firm focuses its resources on either product or service innovations, that is, a dual focus does not work well. This finding illustrates the interrelation among customer centricity, innovativeness and service differentiation as a company transitions from being a product provider to a service provider, and therefore has important implications for both managers and researchers.

Research category: Service Infusion and Growth

In second round of review in *Journal of Business Research*

ADOPTING A SERVICE LOGIC IN MANUFACTURING: CONCEPTUAL FOUNDATION AND METRICS FOR MUTUAL VALUE CREATION *

Christian Grönroos, Hanken School of Economics Finland
Pekka Helle, Hanken School of Economics Finland

This article offers an answer to the call for understanding how product manufacturers can move onto a new level of competitive advantage by adopting a service perspective (logic), and for the development of metrics that enhances marketing accountability. The article takes the stance that developing industrial services into a separate business is not enough, but in order to take a *quantum leap* the whole business should be transformed into a service business. In order to make such a transformation process possible and the outcome of it measurable, the article develops a number of constructs:

- Practice matching (enabling the creation of a foundation of service-based business engagement)
- Mutual value creation and value sharing (enabling the understanding of how mutual gains in the engagement can be created and shared between the parties)
- Joint productivity and joint productivity gain (enabling measurement of incremental value reciprocally created between the parties)

Metrics are developed and tested in a longitudinal empirical study.

Research category: Service Infusion and Growth

* This research has been published in the *Journal of Service Management*, (21)5:564-590