

Master Thesis

Servitization in Manufacturing: A case of Pakistani  
Firms

**Kashif Bashir**

**Supervisor**

Dr. Tor Helge Aas

**Co-Supervisor**

Mr. Irfan Irfan

*This master's thesis is carried out as a part of the education at the University of Agder and is therefore approved as a part of this education. However, this does not imply that the University answers for the methods that are used or the conclusions that are drawn.*

University of Agder, [2016]

Faculty of Economics and Social Sciences

Department of Economics and Business Administration

## **ACKNOWLEDGMENT**

This dissertation would not have been possible without the encouragement and generosity of number of people. I am very thankful to my respectable parents who provided me the opportunity to conduct this project and especially for my supervisors Mr. Tor Helge Aas and Mr. Irfan Irfan whose kind help was always with me throughout the duration of project. In the end I am really grateful to helpful staff and all faculty members of University of Agder for providing me such a fantastic learning experience at their institution.

## **ABSTRACT**

This study revolves around manufacturing firms which opted to go for servitization while how successful they were in understanding the meaning of servitization in order to make their customers more satisfied. The study also examined the other important side as how important role a customer play in servitization process. Firms had some difficulties in becoming service oriented so this aspect was also covered. Qualitative research method is applied and data was collected through skype interviews which was later analysed to get results.

Result depicts more customers are gained by incorporating service with products. It showed that the greater the customer involvement leads to ultimate more profits. Customer's involvement played vital role in successful servitization on the other hand firms which tried to restrict the customers involvement ended up in difficult servitization process. Social media can also be an important bridge now between customers and product designers to boost product design process and adding valuable value to product.

The result reveals that this study will provide an insight for firms which wants to servitize, way to do it efficiently and some common misunderstanding while moving from manufacturing to servitization.

## Contents

Acknowledgment	2
Abstract	3
<b>Chapter 1: Introduction:</b>	<b>6</b>
1.1 Research purpose	7
1.2 Significance of the Study	7
1.3 Objectives of the Research Thesis	7
1.4 Structure of the thesis:	7
<b>Chapter 2: Literature Review</b>	<b>9</b>
2.1 What is service?	<b>9</b>
2.1.1 Services as interaction:	9
2.1.2 Servitization of Manufacturing	10
2.1.3 Service as capability	10
2.2 Product Service System (PSS):	10
2.2.1 Strategies for PSS implementation:	11
2.3 Provider benefits associated with servitization:	11
2.3.1 The strategic reasoning for servitization:	12
2.4 Environment and sustainability impact on servitization:	12
2.5 Success factors for servitization:	13
2. 6 Managerial and business practice:	13
2. 7 Features of Servitization:	13
2. 8 Challenges in the adoption of servitization:	14
2.9 Organizations and Environment:	14
2.10 Theories explaining the organization–environment relationship	15
2.11 Inference:	15
<b>Chapter 3: Research Methodology</b>	<b>16</b>
3.1 Research Design	16
3.2 Sampling	17
3.2.1 Population and sample:	18

3.2.2 Units and Methods of Analysis	18
3.2.3 Sampling Frame	18
3.2.4 Selection Companies for study:	18
3.3 Data Collection:	<b>22</b>
3.3.1 Instrument/Tool of Data Collection	22
<b>Chapter 4: case presentation</b>	<b>22</b>
4.1. Servitization Knowledge:	<b>23</b>
<b>Chapter 5. Discussion</b>	29
5.1 Main Findings:	29
5.2 Contribution of the study:	30
5.3 Recommendation:	30
5.4 Limitations:	31
5.5 Conclusion:	31
References:	32
Reflection Paper	33
Appendix	34

## **CHAPTER 1: INTRODUCTION:**

The vital key challenge for manufacturing firms which operates in industrial economies is servitization. In order to secure existence of firms in this competitive market, especially in high-tech trades, they need to move up and downward in value chain to gain certain competitive advantages, so that they don't compete on prices of the product alone but they can add extra value from design and services (Porter and Ketels, 2003). Most of the leading companies around the globe like GE, IBM, Siemens and Fujitsu have previously started to maintain them on the base of worth driven by changing their focus from selling to services such new ways are linked to the efforts made in 1980's by Vandermerwe and Rada. By accepting new ways of doing business has brought servitization concept into reality by adding value in the shape of services attached to the products.

Servitization is not an easy step and needs a comprehensive strategic decision making process especially for manufacturing firms which needs to define its services process carefully. No doubt manufacturers needs to come up with some innovative and substitute managerial ideology, arrangements, and procedures for successful implementation of servitization. The most important part is to execute a servitization approach effectively, associations are requisite to modify their strategies, functions, technologies, personnel for sustaining educational moves in the organizational proposal, and scheme mixing competences (Wise and Baumgartner (1999), Oliva and Kallenberg (2003), and Weeks (2009). However, observers have pinpointed that companies are required to have a continuous and steady flow of improvement with the passage of time, by not only keeping their focus on customers but also how products are intended, shaped, transferred and promoted (Bititci and Martinez, 2003; Martinez and Bastl, 2010). Hence, in the process of product planning, engineers try to design services simultaneously and try to resolve potential problems which may cause deficiency in organizational processes.

Still it is not clearly understood as how product centric approach is different from customer-centric approaches. Through this dissertation, I have explored the universal concept of servitization and discussed process change management that can influence newly servitized companies in achieving product-service processes effectively. Number of studies and literatures are available which highlights such shifting from product-centric

to service-centric, but no comprehensive model found by me to define servitization issue as a change process. So the main aim of this dissertation is to expand theoretical model for organization process change from product-centric to customer-service orientation in each part from research to service and after sale services,

### **1.1 RESEARCH PURPOSE**

In order to make servitization concept more easy and understood for companies, it's required to do more research and exploration. Still so many experienced producers cannot grasp the servitization concept despite of its payoffs to both suppliers and buyers. Therefore, it is necessary to enhance the knowledge and understanding of vital concept 'service'. The main reason to opt this study is to examine and reveal as to how producers has been dealing with servitization with the help of interviews and incorporating literature already existing so that we can come up a model on servitization.

### **1.2 SIGNIFICANCE OF THE STUDY**

This paper will contribute a framework for manufacturing organizations whose focus is on servitization their products. In addition, its findings will serve as guidelines in developing business model that leads organization towards change management and changes in their operations. For Pakistan's scenario, it will highlight the areas which needs improvement and focus while existing or emerging businesses wants to servitize.

### **1.3 OBJECTIVES OF THE RESEARCH THESIS**

The focus of the project is to investigate that how conventional manufacturing organizations organize their production and support operations towards products and intimately related services.

1. What values are designed or created for successful servitization?
2. Is customer involvement important for successful servitization?

### **1.4 STRUCTURE OF THE THESIS:**

This thesis is chronologically structured, to get a clear view of the research. According to Chandrasekhar (2002) research must "tell a story evidently and persuasively". Furthermore he believed that a "structure of the theory is planned to implement scientific and logical

[Type here]

---

severity and should be easy to understand”. Base on the recommendations of Chandrasekhar (2002), this thesis is structured as:

#### Chapter 1:

This chapter introduces the study and presents the rationale, research objectives, research questions and the overall structure of the thesis. In the beginning of the first chapter the subject of this thesis is introduced. E.g. a short introduction what servitization actually is, what drives companies to servitize etc.

#### Chapter 2:

This chapter presents a literature review and proposed structure is presented by clearing up the selected theories for this research that will help to develop a conceptual lens for empirical inquiry.

#### Chapter 3:

This chapter presents the methodology, the methods, data collection and analysis procedures used in the study. It includes a thorough discussion on research procedure including, research design, procedure, and the method which we choose for this research and explanation of why we choose such procedure and methods.

#### Chapter 4:

This chapter consists the analysis of the results of the conducted interviews and will also present the findings of the research.

#### Chapter 5:

This chapter will present and discuss the main findings of the study, theoretical and practical implications. Moreover, the limitations, recommendations for further study are suggested and further research is highlighted in this chapter.



---

## **CHAPTER 2: LITERATURE REVIEW**

This chapter will discuss the existing work and research on servitization in general and servitization of manufacturing in specific that will make a fertile ground for the current study. Furthermore, the literature will specifically followed on change processes and transformational tools for servitizing companies. The current chapter will discussed the significance of managerial structure in servitization. Moreover, the study will also focused on role of customer in process of change from manufacturing to servitization.

### **2.1 WHAT IS SERVICE?**

The term ‘service’ can be defined from various viewpoints and industries such as technology, marketing, business and manufacturing. Manufacturing defines service as a, “source of product separation in homogenous market” (Raddats 2011: 332).

#### **2.1.1 Services as interaction:**

According to this viewpoint service is an economic or commercial activity that does not come from ownership. Transfer of information about products from supplier to buyer which represents no ownership of the physical products yet they are part of chain which adds value in influencing customers image of the product (Quartel et al., (2006). This progression influences customers’ observation, requirements, and constancy of manufactured goods.

---

### **2.1.2 Servitization of Manufacturing**

The servitization in manufacturing is quite observable fact which is circulating in academic debates from the last 2 decades. The concept ‘Servitization’ was introduced in 1988, by Vandermerwe and Rada, which is adopted by multiple firms from manufacturing background. Servitization is considered to be a relationship between manufacturer and customer; it is a change process when services are offered with the goods. Chase and Garvin (1989) found that firm’s competitiveness can be increased by adding complementary services. However, traditional thinking about servitizing revolves around firms selling packages of services and goods together to increase value and sale (vandermerwe and Rada, 1988).

Traditionally, services was more associated with marketing and used as a tool to get useful feedback from buyers (Lele and Karmarkar, 1983; DeBruicker and Summe, 1985; Hull and Cox, 1994). Commonly theories discussed the transformational nature of services. According to Wise and Baumgartner (1999a) it’s a step towards downstream movement in the chain. Similarly, Martin and Horne (1992) argued that it is a direction towards service, while Oliva and Kallenberg (2003) mentioned it as a change from production to services

### **2.1.3 Service as capability**

It’s a general approach for delivering service by businesses. According to Quartel et al., (2006), it’s the organization ability which sets the limit of services. Services are considered now as essential part of products, if we take the example of IT company that can sell the services for broad band device, so it’s their capability to satisfy customers with their ability to provide those services. However, services provides various benefits in shape of competence and value addition to the firm.

## **2.2 PRODUCT SERVICE SYSTEM (PSS):**

PSS is a stepwise model for manufacturing firms in order to enhance competitive positioning of the firm. Industrialization or conventional manufacturing firms was mainly focusing on products and associated services such as maintenance, renovation, distribution, installation were considered to be buyers job. Cost of services in product life cycle was also hidden cost to the buyer which was more than the actual cost of the product.

---

Manufacturing firms adopted PSS business and process in order to compete with low economies using advanced technology. Manufacturing firms enhanced their competence by offering complementary services as it added to their financial benefits throughout the life cycle of product, ultimately adding value (Baines and Lightfoot 2013: 78.)

### **2.2.1 Strategies for PSS implementation:**

PSS can be implemented in three different ways as follows:

First method is for those manufacturing which has the ability to integrate the services closely with the products, so that product life cycle can be enhanced by adding value to the product. Second method is for those kind of manufacturing firms who are interested to address a complex and technical issue for customers, manufacturers can enhance capabilities and facilities to provide superior services. Lastly, shifting focus from manufacturing totally to services, IBM is an example of such pure consulting service firm (Baines and Lightfoot 2013: 5; Johnstone et al. 2009: 523.)

In order to be fully benefited by PSS and for successful implementation of PSS, there is a need to raise the value through customers' awareness; therefore, the main goal and customers' requirement must be clearly known to everyone in the process (Wise and Baumgartner 1999: 133; Brady, Davies and Gann 2005.).

PSS model is based on customer's perceptions so the need for customer's interaction and contribution is high as compared to usual manufacturing. Firms which are getting the feedback from suppliers, customers, and partners in setting values increases the success for strategic advantage (Pawar et al. 2009: 470).

Organizational culture and vision plays an important role in successful implementation of PSS. Both Product and services can be improved if firms effectively implement the PSS business model ultimately resulting in high profits (Baines, Lightfoot, Benedettini & Kay 2008:548.).

### **2.3 PROVIDER BENEFITS ASSOCIATED WITH SERVICITIZATION:**

Since the start of 20th century many studies discussed the importance of services in economic development (Heineke and Davis, 2007). In this regards the United States of America (USA) is considered to be the biggest market of the world and it has been observed that services contribution has raised from 31% to 78 % in the economy in the year 1999

---

(U.S. Bureau of the Census, 2000). Similarly, in European market such as in Sweden services contribution raised from 44.6% to 75.6% in year 2005 (Heineke and Davis, 2007). Similar trend is also noticed in rest of the world. Benefits from services can be observed in four main areas such as economic, competitive, strategic and sustainability (Grosse-Dunker and Hansen, 2011). Therefore, the benefits associated with services attract manufacturing firms to shift their energy and preference towards services.

### **2.3.1 The strategic reasoning for servitization:**

The involvement of firms in services can enhance their capability to explore new markets segments and business opportunities (Gebauer et al., 2011). Vandermerwe and Rada (1988) argued that it is the customers who demanded servitization, so opting servitization is fulfilling customers' needs and wants asking for long term relationships as an essential part of servitization (Gebauer and Fleisch, 2007; Penttinen and Palmer, 2007). Products lifecycle and strategic gains have been enhanced by offering portfolio of services (Mathieu, 2001a). The customer set certain requirements and standards in order to fulfil their expected level and quality of services with the product. Moreover, Mathieu (2001a) mentioned that an efficient service plan can lead to greater strategic gains for service provider.

The involvement in services provision in addition to production can lock in the customer in relation with the provider. It enhance the customer convenience of resolving issues and problem associated with products, as in the past such issues was resolved by the customer himself and now taking care by the provider. Furthermore, the provision of service by the providers can also increase the lifecycle of product.

## **2.4 ENVIRONMENT AND SUSTAINABILITY IMPACT ON SERVITIZATION:**

Servitization has also been affected by the environment and sustainability trends. PSS literature is the most popular source of research receptiveness on this argumentation (Grosse-Dunker and Hansen, 2011). If the manufacturer owns the product and tends to provide required services then quality and lifecycle of the product can be prolonged, it will

---

lead to cost efficiency for both producers and customers. Such argument is only valid if firm covers complete care packages for customers through servitization.

## **2.5 SUCCESS FACTORS FOR SERVITIZATION:**

For successful servitization following tools are important:

- ❖ innovative guiding ideology
- ❖ Arrangement and procedures for their production

Successful servitization can be ensured by focusing on vision, procedures and structure of the firm (Oliva and Kallenberg, 2003). It is quite normal to see new ways of doing business since opted for servitization. According to Voss (1992) and Chase and Garvin (1989) there are various styles of organization and procedures which fits best to servitized manufacturer and it depends on the goals from servitization.

## **2. 6 MANAGERIAL AND BUSINESS PRACTICE:**

Most academic papers in this regards are from USA followed by UK and Western Europe. According to Chase and Garvin (1989) role of services in manufacturing is vital. Quinn (1999) mentioned that with the addition of services, product gains more value addition. In similar vein Wise and Baumgartner (1999, p. 133) proposed that manufacturers should to “go downstream towards the customer”. Income generation is the most common reason for companies having big installed product bases (Windahl et al., 2004; Ward and Graves, 2005; Slack, 2005). Raising expectation from a product and adding value through services provide a competitive edge, making it new entrant difficult to enter the market and succeed (Oliva and Kallenberg, 2003; Sawhney et al., 2004; Gebauer et al., 2004; Brax, 2005).

## **2. 7 FEATURES OF SERVITIZATION:**

There is a long history for selling services by the companies. Traditionally Services were seen as advertising strategy by the managers (Wise and Baumgartner, 1999; Gebauer and Friedli, 2005; Gebauer et al., 2006). Products were mainly focused and thought to be more important and services were just an add-on. (Gebauer and Friedli, 2005). Now it is a

---

different world where services oriented strategies are adopted in order to differentiate products and offerings from others. Products are now half picture (Oliva and Kallenberg, 2003; Gebauer et al., 2006) and services have gained important value adding contributions (Quinn et al., 1990; Gebauer et al., 2006). According to Wise and Baumgartner (1999) it is an efficient and effective way to expand their market. Services has in-built customer focus in its objective to serve, customized products requires high level of customer satisfaction which can be achieved through quality service.

## **2. 8 HURDLES IN IMPLEMENTATION OF SERVITIZATION:**

There have been some significant hurdles when incorporating servitization into a manufacturing firm (Vandermerwe and Rada, 1988; Wise and Baumgartner, 1999; Oliva and Kallenberg, 2003; Brax, 2005; Slack, 2005). These hurdles mainly come across in organizational structural changes and integration of product and service processes. Services are different in nature from physical product so manufacturing oriented management might have problem in defining services which is more technical and relatively difficult task (Slack, 2005). There are certain level of risk associated in the design process and this should be kept in mind before delivering to customers (Slack, 2005).

Change in organizational structures and processes are required for firms shifting to “service-orientation” (Mathieu, 2001b; Gebauer and Friedli, 2005; Oliva and Kallenberg, 2003; Gebauer and Fleisch, 2007). Wise and Baumgartner (1999) suggests two important points which adopted before changing the business strategy; 1) Product and service combination should be customer centric- where the main objective is to meet their customized demand. 2) People and processes should be service Orientated, by fitting right person at the right job is a key to success. Competent firms meet their customer needs in better manner than competitors (Miller et al., 2002).

## **2.9 ORGANIZATIONS AND ENVIRONMENT:**

According to organizational theories, organization environment has no effects on operational environment for those companies who work under the closed systems. Instead,

---

businesses are always dominated by the industry operations. An open approach is recommended while incorporating servitization because it requires efforts from top to bottom in order to make customer satisfy from the services they are offering.

## **2.10 THEORIES EXPLAINING THE ORGANIZATION–ENVIRONMENT RELATIONSHIP**

There are two main factors for increasing practice of servitization,

- management
- the organization environment.

However, management involvement is considered to be more important than environment especially for structural changes (Gebauer and Fleisch, 2007; Gebauer, 2008; Raja et al., 2010).

Several organizational studies discussed on organizational and industry forms with environmental conditions. On the other hand, behavioural studies believes that it is the firm internal and external conditions which will determine their action or reaction (Drazin and Ven, 1985; Gresov, 1989; Burns and Stalker, 1994; Donaldson, 2001). Obviously strong leadership and firms with high value complementary resources will have a strong action and position as compared to firms with weak financial resourirces. However, many studies consider it as unpredictable, evolving and achieving goals. These studies do not fit completely with the topic under investigation but it will add to our understanding of organizational behaviours (Neu and Brown, 2005).

## **2.11 INFERENCE:**

- Globally businesses are trying to find new ways to add value in their existing products and offerings.
- Offering services in combination of products helped firms to make their customers more satisfied and have increased their turnover as well.
- The servitization may enhance differentiation and consequently leads to high profit

- 
- Manufacturers have found services, a channel, to approach their customers through their franchised outlets. For example service centres for automotive industry all over the world where they are offering services for new and old cars through partner distributors.
  - Combination of products and services according to customer needs is a Customized product which have higher rate of satisfaction thus firms are managing marketing mix on a new level.
  - Relationship with the customer has been extended as traditionally selling of product was the ultimate goal. Now selling after sale services has increased the revenues by selling services over the long period of product s life cycle.
  - Change in traditional vision, organizational forms and processes are essential to incorporate servitization of a manufacturer.

## **CHAPTER 3: RESEARCH METHODOLOGY**

In this chapter, the research approaches will be discussed on the basis of research perspective. It will include the research strategy, design and data collection methods. The research strategy focuses on how the knowledge about the problem or issue is going to be gained. The research design will be concern about the selection of what, where and how data will be collected and analyze through appropriate techniques. The data collection methods include different sources of data (i.e. primary and secondary). The analysis will show particular process along with the analysis method.

In short, this chapter revolves around research design, sampling and data collection. There is a brief explanation of variables selected on which statistical methods will be used later.

### **3.1 RESEARCH DESIGN**

Ghauri & Grønhaug (2005) explained that planning for suitable and conclusive empirical research which can guide the problem statement is the main purpose of research design. The purpose of the research design is the overall decision to get the most relevant



---

information despite the various hurdles. On same note Yin ([2009e](#)) relate research design with the logical plan of getting the initial set of research questions to some conclusion.

Miles and Huberman ([1994](#)) described tight and loose qualitative designs. The tight design explain that the complex and elusive research question may be addressed with a pre-structured manner, the questions are pre-specified and initial frame work can be drawn. The loose design suggests that social processes are too complex and elusive to deal with the standard instruments or explicit conceptual framework. To formulate the effective design the researchers should avoid the extremes and make a balance between the two.

Various design errors erodes when one neglect the design problem ([Ghauri & Grønhaug, 2005](#)). The research may follow exploratory or explanatory forms, where the choice of each is related to the research questions and problem statements in hands ([Ghauri & Grønhaug, 2005](#)). The structured problems are best addressed through explanatory designs while exploratory design supports the unstructured problems.

The research design of this study is qualitative because the research involves emerging questions and data will be collected in a participants' setting, inductively structuring from particular to general themes and there will be interpretations of the meaning of the data. At the end, the product of this thesis will be a research model which can address manufacturing oriented focus and wants to move to service. The transformational process from being a manufacturer to product-service provider, dealing with designs, manufacturing and offering combination of product service, will be the unit of analysis for my project.

### **3.2 SAMPLING**

According to Ghauri & Gronhaug, (2010) after identifying research problem and data techniques, source of data collection is identified. Thus sampling is the important part for any research which should be designed carefully so that it can fetch the required data.

Eisenhardt ([1989](#)) emphasized the value of theoretical sampling as opposed to statistical sampling when the aim is to achieve the greatest possible amount of information on a given problem or phenomenon. Therefore, qualitative case sampling tends to be purposive rather than random ([Miles & Huberman, 1994](#); [Silverman, 2010](#)).

---

According to Strauss & Corbin (1990) and Patton (2002), the logic of employing and choosing purposeful sampling is selecting information-rich cases or respondents for an in-depth study and investigation. Information-rich cases enable researchers to learn about the important issues that are relevant to the purpose of the research.

### **3.2.1 Population and sample:**

Categorizing on the basis of selected elements will define the population for any research. I have selected 3 servitization organizations as case studies in Pakistan. In total 10 interviews were conducted, 10 interviews with the management from different levels, 3-4 interviews from each organization.

### **3.2.2 Units and Methods of Analysis**

The unit of analysis was the servitization organizations of Pakistan; hence, based on this, the method of analysis chosen were descriptive. The research design was exploratory, therefore it made easier to identify the methods of analysis. Hence, the chosen method of analysis is descriptive.

### **3.2.3 Sampling Frame**

The sampling frame is setting the limits to come up with selected targets. For this particular research, I have selected manufacturing sectors: servitized in manufacturing companies operating in Punjab region such as Lahore, Faisalabad, Sailkot, Gujrat, Rawapindi, Islamabad, and Gujararanwala.

### **3.2.4 Selection Companies for study:**

The selection of the companies was vital for this project, as we required investigating a manufacturing company who has a track evidence of successful stipulation of product linked to services. For this reason we have adopted a purposive sampling strategy and selected: Gourment, Shafi Reso and Crescent.

---

### 3.2.4.1 Gourmet:

Gourmet bakers are the most famous food brand in Punjab, Pakistan. It has the most outlets in Lahore as Lahore is the second largest city of Pakistan and specially known for eating habits in the world as well. Gourmet gained reasonable market share after coming into the market because of its quality and valuable services. Gourmet is ranked in top 3 brands in Pakistan for bakers and sweets. After getting the initial success Gourmet opt for horizontal and vertical integration and gained reasonable share in all kinds of products like sweets, milk, ice cream, cola and family restaurants around the city.

Products of gourmet:



Bon Vivant



CSD



Ice Cream



Juices



Magazine



Milk

Milk



Mithai



Nimko



---

Water

Jam & Ketchup

Bakery



#### 3.2.4.2 SHAFI RESO-Company:

SHAFI RESO-CHEM is now looking for diversification of products after a span of 11 years in which they focused especially in chemical industry. Recent development includes “Food Grade Anti Foaming Agent and state of the art Finishing Products for textile industry”. The anti-foaming agent works very well for sugar industry in Pakistan however they are contributing a lot on imports of such product and saving a million of dollars for their country. Finishing chemicals for textile industry is also an important product and is used as exporting product as well.

Products:

Specialty Chemicals, Leather, Textile, Adhesives, Dyestuffs

#### 3.2.4.3 Cresent

Crescent came into existence in 1910 and was mainly operated by 4 Sons of Shams din of Chiniot. In a short span of time they became country’s largest textile exporters. This group owns diversified products like chemical, sugar, steel, knitwear, software, modarba, leasing, power, food and banking and speculation units.

### 3.3 DATA COLLECTION:

The research design comprises of overall plan as to what is the research question, sampling and data collection techniques, choosing variables for research and analysis on

---

findings. The research design is a master plan of action that begins with the definition of research questions, the selection of appropriate variables for the study, the methods of collecting the desired data and to analyse the same for accurate results. According to Ghauri, selecting right data collection and analysis techniques are defined in this part (Ghauri & Gronhaug, 2010). I am focusing on qualitative research as per the requirement of research questions and nature of the study. Once the research plans are finalized with problem statement, then finding appropriate data which can address the problem in question. Two major kind of data is known: Primary data and secondary data. As per our qualitative research we have mainly relied on primary data techniques which can also be called first-hand data collection techniques (Lawrence, 2007). Primary data collection techniques rely on direct responses. However, secondary sources are gaining information from books, reports, articles, websites etc.

### **3.3.1 Instrument/Tool of Data Collection**

Face to Face interviews were conducted through skype for this research. In addition, the interview questions were also sent to concerned persons through email. This research is carried out by 10 interviews from three servitized companies, 3 of the interviews took from “crescent”, 3 from “gourmet” and the remaining 4 interviews came from “shafi”.

## **CHAPTER 4: CASE PRESENTATION**

The collected data is then analysed to see the results are in favour or against the problem statement. The analysis is discussed in detail in next section. I have tried to present the true picture of the situation through data collected in interviews. Results are to be presented in following manner that readers can easily understand the situation without going through all the recorded interviews (Irving Seidman 2006: 115).

I have discussed in detail over the collected data from interview questions. As only 3 companies were purposely selected for this study Gourment, Shafi Reso and Crescent in Pakistan. Gourmet and Shafi Reso are dealing in local market while Crescent in addition to local market also involved in international market.

---

I have tried to focus different aspects related to servitization, so the questionnaire captured different views and opinions of respondents. We got 10 individual respondents, 3-4 each from each sample unit.

1. What values are designed or created for successful servitization?
2. Is customer involvement important for successful servitization?

#### **4.1. SERVITIZATION KNOWLEDGE:**

1. How did this company develop? Where does the company stand now? Can you describe your organization's servitization journey?

##### **Respondents of gourmet:**

*“Gourmet was established or founded on 1987 as a small company offering basic utilities to bakery with bread and biscuits to local sellers in Lahore, Pakistan. Gourmet was quite unique with the taste so it came up with more products, adding valuable beverages as well. The company started to offer some services by opening restaurants and door to door delivery service. In 2013 it spread national to other cities as well. Gourmet entered service market in order to explore new markets to increase sales and profit. We were initially a manufacturer but we adopted different strategies to manage services and products altogether. We believe services have supported the product first but with the passage of time have gained more acceptance than products. We are quite satisfied with the future of service industry for us. We have a strong position in the market as customers are quite satisfied with our services” (General Manager, personnel communication, June 10, 2016)*

##### **Respondents of SHAFI RESO**

*“Shafi Reso-chem has been in chemicals business from 11 years and is not at a stage where we are looking for products diversification. We added anti foaming Agent and finishing products for textile industries. As we have other business units as well so these units' supports and functions together, for example product from one unit is bought by other units. We are also dealing in automotive and real estate development businesses. Our projects have worth of Rs. 36 billion in Pakistan so our entry to Middle East and*

---

*surroundings; we are expecting more turnover in coming years. It is the strong leadership skill that makes us so comfortable with changing environment and we give this credit to Mr. Manzoor Ahmed Rufi, the founder of the company. Shafi have seen several development stages of acquiring, partnering and sourcing of latest technology, processes, techniques, knowhow and machinery from various sources and parts of the world in order to maintain its leadership and quality among the competitors” (Manager Marketing, personnel communication, July 19,2016)*

Q. Can you please explain the difficulties in your servitization journey?

Q. How your firm managed to start shifting daily operations and processes to services beside just product? And how it change organizational structures?

### **Gorment respondents**

*“Yes its not an easy job and we have faced several core issues, combination of product and services requires a lot of efforts. As we begin to sell more services we have to reconstruct our organization and create more service oriented models for operating. It’s a complete change when offering service because it affects aspects of corporate strategy and organizational structures as well as there are many resistances both from inside the company and re-education of customers. We went through major changes in organizational changes in order to servitize effectively. We brought in more attractive marketing by putting more resources.*

*We focused customers need in defining our service level, a thorough examination of application of product was examined and guidelines was suggested by all the departments’ cooperating in a positive way. Customer satisfactions are a key for success. We love and keep trying new and unusual things. We evaluate the order specifications with a team comprising personnel from product planning and control (PPC), design, P&D, R&D, production and procurement etc. The company does not promise for anything that is unable or does not meet the required standard. In such a case the company simply excuses for execution of such orders. The company so far has not come across such situation, with*



---

*some minor challenges and changes where we were unable to meet the orders and other related requirements.” (Manager Production, personnel communication, August 13, 2016)*

### **Respondents of SHAFI RESO**

*“Yes we have faced many challenges in this journey. Firstly, issue is related to change of company strategy and examination of culture that have the widest impact on company operations. Secondly there was difficulties in investigate the organizational structure and business unit configuration. So to overcome these challenges we have created mart oriented service development, managing the service offering and communication.*

*Furthermore, we have established a separate department to evaluate worthiness. De centralizing powers to each service sector has its own benefit to measure performance by each sector. To increase satisfaction, we made incentive system which is linked to employee’s performance, because it’s a good strategy to motivate personnel goals of employees contributing in organizational goals collectively. The quality performance of every employee is a “MUST” phenomena in quality service, happy employee is a happy customer indeed. Financial and acknowledgment rewards makes the employees more responsible and they are trying to define day to day problems in best way. Off course we learned this from some mistakes, as if a goal is of no interest to employees then their motivation is vanished. Before setting individual goals we tried to understand the psyche of employees and tries to eliminate the inappropriate goals which might lead to failure of collective organizational goal. “(Operations Manager, personnel communication, September 25, 2016)*

### **Crescent respondents**

*“Yes we have faced many difficulties during this journey. It proves more problematic than anticipated. I experienced it as a costly experience as per input it requires, getting into services lead to increased costs for the products. The adoption of servitization strategy entails significant cultural and corporate challenges. Moreover it was very difficult for us to shifting from manufacturing to introducing combination with additional services. Service is totally different from manufacturing and we changed our organizational structure and processes from time to time. It took us several years to understand customer centric approach and to get into the flow to servitize is just not best thing to do. We believe*

---

*now, it's the people who make the culture so, hiring new service minded people is the key to be successful in transition, where such people can change the traditional culture of the organization.*

*We faced difficulty in combining two processes and it took a while to adjust best between service and product process structures. Effective integrated offering can be achieved by managing the design and processes. We have had needed specific infrastructures in transitional phase otherwise perceived level by the customers was not possible to achieve. For a firm focusing "product centric" processes, it's not easy task to implement strategies for combination offerings. So, these were the true challenges, we have faced in this journey. In case we have some problem, we are trying our level best to resolve such issues through sincere efforts and possible means to keep the things on working track. We replaced the defective lots, share cost; offer special discount on agreed prices, ship the consignment through fast mode of transportation and other services. Such measures have pleasant effect on relations with our clients, business durability and future developments.*

*Our tracking system enables us to sort out the matter and find the root causes for future avoidance." (Sales Manager, personnel communication, August 23, 2016)*

1. What strategy is needed for successful servitization? What role "People and Culture" and "Processes" have on servitization process?

**Gourmet:**

*"In my point of view, because process and customer both are important for any organization success. It's a quite tactical task to come up with a service which will facilitate organizational goals and customers' needs as well. No doubt, it's hard to manage customer satisfaction with single type of offering so, customized offerings is required. Service offering is usually defined by the market situation, business environment, customer demands and firms standing in value addition process. As we go further into offerings we might face different reaction from our competitors which means it's a dynamic perfect competition market where fittest will survive. The ultimate goal for offering services is to*

---

*facilitate the product value not ruin it by selecting inappropriate strategies.” (General Manager, personnel communication, June 10, 2016)*

**Shafi:**

*“Yes we believe in “Processes” and “People & Culture” significance in building transformational goals. Without process and customer an organization cannot achieve its goals. Our company always focused on its customer needs and requirements. We set our strategy according to company environment and customer demands. Our main purpose is to provide good quality and increased customer satisfaction in service and manufacturing.” (Manager HR, personnel communication, September 04, 2016)*

**Crescent**

*“We have different goals from each strategical service we offered. We offer after sale service and customer help strategy in order to support our product. We moved to development or outsourcing partner strategies in order to gain competitive advantage over others. We always admire the contribution of employees as essential part for successful operational processes.” (Senior Operations Manager, personnel communication, August 15, 2016)*

Q. Is Servitization driven by external or internal drivers?

**Shafi Reso respondents:**

*“It is not easy to explain the two factors in a short way. It is a series of thousands tasks and activities which are interconnected with each other in one way or another and has impact on the success and failure. Both internal and external industry environment plays a vital role in shaping and carrying out our activities in time and space. Taking the enhancement perspective I will say that entrepreneurial thinking and company technological readiness, acquisition and absorption of knowledge and learning from various sources are vital for innovative products and services. We heavily invested and are investing in the acquisition and installation of latest machinery, equipment, processes over time. We are in close contacts with our partners, customers, suppliers,*

---

*designers and developers and sister company for further learning and developments. Such investments and contacts enhance our production, R&D and marketing capabilities to some extents, but still a lot to do in latest practices and value added activities and modernization of local related industry from the traditional and outdated practices.*

*On the external frontier the geo political, economic, local related industry infrastructures and market demands are the key factors that shape growth. Huge technological and knowledge gaps in skills, machinery, R&D and innovations between us and modernized countries are the main issue. In order to fill this gap one requires huge investments in latest technology, equipment and knowhow to maintain quality and latest touch in products. Huge investment in latest machinery and equipment is out of question from personal investment and need support on state levels which is almost hard here. We go for some collaborative ties, sourcing and acquisitions of professionals and machines to bridge this gap. On the top, imports duties, taxes, quotas and other regulations i.e. from the world buyers and markets demands compliance to certain standards make hurdles for us.”*  
(Manager HR, personnel communication, September 04, 2016)

Q. Are you agreed that servitization is a process of transformation?

*“Yes off course because, traditionally customers were responsible to bear the repair and maintenance of the product at his own, to private or outsourced units known for such specialized field, which is quite obvious to occur if a product is used over some period of time. So now it’s a very competitive world where you need to look forward or backward to gain extra order qualifying attributes which is a transformation in my opinion itself and it has moved the manufacturer a step further remarkably service provider.”* “(Operations Manager, personnel communication, September 25, 2016)

**Crescent:**

*“Yes highly agreed with you about the statement and in addition I believe, it’s sometimes we that come in the way of change and we have to opt it because there is no other way to stay in the market. Structural and processes are the vital part of this change process which works best for you if have them in order before. Change is required according to today’s changing world.”* (Sales Manager, personnel communication, August 23, 2016)

**Gourmet**

---

*“We believe changing world because of information technology changed the way of thinking and doing business and it allowed the transformation to expand at enormous speed. New names have emerged just because of service transformation in international market and information technology is playing an important role. Yes we have been through different experiences, sometimes we changed the design, reengineered and challenging the traditional ways of business because transformation requires a lot and you have to take everything together in a system. Servitization is a quicker way to grasp untapped opportunities in an effective way by improving product and service quality.”* (Managing Director, personnel communication, October 10, 2016)

## **CHAPTER 5. DISCUSSION**

After getting the response, results and analysis of data is drawn, i will discuss what I got from it, followed by the conclusions and recommendations. It provides a quick look on the topic and its analysis. All these findings are made by keeping in view the survey results, analysis and discussion after collecting data. The material of this chapter is categorized into three sections: section 5.1 presents the findings of study, the recommendations are presented in section 5.2 and 5.3 presents detail conclusion of the study.

### **5.1 MAIN FINDINGS:**

Manufacturers were traditionally focusing only on products and services were thought to be an add-on to products where products dominate e.g. installation and maintenance of machines where these services are offered only to sell the products and durability of product in terms of lifecycle was not focused by ignoring other quality services which could have created new dimensions for competitive services.

All of three organizations have faced some hurdles in servitization as it's not an easy process. Many products and services are failed because of failure in understanding and interpreting the customer's needs. As Alan (2006) said customer involvement can serve as a guideline for designing product/service and it's quite important in understanding the appropriate product to target market (Hautz et al., 2010.). Furthermore Alan (2006)

---

recommends customer interaction not only for clearly defined operational requirement but a platform to creating, screening and developing new ideas that can prove to be a competitive in nature for future business.

A weak aspect from gourmet was felt as they were not really getting the feedback from customers but imposing their ideas which is quite disappointing for a firm which is servitizing. They had bureaucratic designing process and timing and analyzing current market situation was quite poor in assessing. It is also noticed that they feel like not every customer is interested in providing feedback but is more interested in final product.

Lack of proper planning and management was clearly seen for crescent and they claim to learn it by doing which is obviously costing extra to organization. If they had planned properly about structures, roles, processes, and executions, they might have different opinion in servitization process

## **5.2 CONTRRIBUTION OF THE STUDY:**

The study has assessed 3 different Pakistani firm's transformation process from product centric to service centric. The study has gone through already existing literature to define variables for better understanding. It tried to analyse this transformational process that what internal and external factors were important in successful implementation of servitization for manufacturing firms. It provided the basis for further research more specifically for developing countries like Pakistan.

## **5.3 RECOMMENDATION:**

Customers are the ultimate users of the products. So interaction with current and potential customers enables firms to reduce their cost of new products by providing valuable feedback about required attributes of products and it can only be done by maintain long term relationships with customers. Lack of interest and positive response from customers are the indication to improve current offerings or requires new altogether (Jackson 2010.).

---

Further study can be carried out in order to seek knowledge about strategies, planning and implementation of plans for third world countries provided different economical, structural and environmental factors.

#### **5.4 LIMITATIONS:**

Increased focus on service for products can be witnessed in 1980's and many industries got their attention to servitization according to Professor Sandra Vandermerwe (Van Looy, Van Dierdonck and Gemmel, 33). Servitization is a wide topic so defining some boundaries is necessary to overcome complexity for research on such topic. We had geographical and resource lacking as our main limitations. As we understand it's a global concept and its presence is universal but we have restricted our focus on geographic basis, as we selected companies from Punjab, Pakistan. Only medium and large local corporations were considered for the project with focus on management as our wish is to discover the managerial management problems related to services.

#### **5.5 CONCLUSION:**

Service providers incorporate modern technology to create value from the services but servitization has combined product and services in order to achieve competitive advantage (Baines et al. 2013: 59). Considering service as a part of marketing and sales has no more significance in today's business world but they see it as a value creation and process enhancing attribute. Matthyssens & Vandenbempt (2008: 317) argued that customers from servitized companies are having more satisfaction in shape of value they are getting. Resulting in increased incomes (Geaur et al. 2010; Gebauer & Friedli 2005: 317).

Servitization requires deep understanding for what creates the value for customers rather going with the market needs not enforcing their offerings to market. Servitization is a process which requires all the departments to cooperate and come up with a supportive culture, where required results can be achieved efficiently and effectively. Baines and Lightfoot (2013) focused on core benefits from servitization is competitive advantage rather than offering alternative for product or service. Service providers incorporate modern technology to create value from the services but servitization has combined product and services in order to achieve competitive advantage (Baines et al. 2013: 59).

---

## REFERENCES:

- Baines, T & Lightfoot, H (2013). *Made to Serve: how manufacturers can compete through servitization and product-service system*. 2nd Edition. United State of America: Wiley. 272 p. eISBN 9781118585276
- Baines, T., Lightfoot, H., Peppard, J., Tiwari, A., & Shehab, E., (2009). *Towards an operations strategy for product-centric servitization*. International journal of operation and production management, 29:5. Emerald
- Denzin. N & Lincoln, Y (2005). *The sage handbook of qualitative research*. 3rd Edition. United Kingdom: Sage. ISBN 0-7619-2757-3
- Finland Statistic (October 2014): *Preliminary population statistic* [Online]. [Cited 9<sup>th</sup> Dec.2014]. Edita Publishing Oy. Available from World Wide Web <URL: [http://www.stat.fi/til/vamuu/2014/10/vamuu\\_2014\\_10\\_2014-11\\_20\\_tie\\_001\\_en.html](http://www.stat.fi/til/vamuu/2014/10/vamuu_2014_10_2014-11_20_tie_001_en.html)>
- Gebaur, H., Friedli, T. & Fleisch, E. (2006). *Success factors for achieving high revenues in manufacturing companies*. International Journal 13:3, 374–386
- Gebaur, H & Friedli, T. (2005). *Overcoming the service paradox in manufacturing companies*. European Management Journal 23:3, 14-26
- Gruner, K. E & Hombury, C. (2000). *Does customer interaction enhance new product success?* Journal of Business Research 49:1, 1- 14
- Grönroos, C. (2007). *Service management and marketing: Customer management in service competition*. 3rd Edition. New York: John Wiley & Sons. ISBN 978-0-47002862-9
- Grönroos, C. (2008). “*Service logic revisited: who create values? And who co-create?*” European Business Review 5:1, 298-314
- Hartson, R. & Pyla, P. S. (2012). *The UX Book: process and guidelines for ensuring a quality user experience*. Massachusetts: Morgan Kaufmann. ISBN 978-0-12-385241-0
- Heineke, J., Davis, M.M., 2007. The emergence of service operations management as an academic discipline. Journal of Operations Management 25, 364–374.
- Homburg, C., Fassnacht, M., Guenther, C., 2003. The Role of Soft Fin Implementing a Service-Oriented Strategy in IndustriMarketing Companies. Journal of Business-to-Business M10, 23–51.



- 
- Homburg, C., Garbe, B., 1999. Towards an Improved Understanding of Industrial Services: Quality Dimensions and Their Impact on BuyerSeller Relationships.
- Jackson, Peter L. (2010). *Getting Design Right, A system Approach*. United State of America: Taylor & Francis Group. ISBN 978–4398–1115–3
- Hannan, M.T., Freeman, J., 1977. The Population Ecology of Organizations. *The American Journal of Sociology* 82, 929–964.
- Meritz, Stefan. (2005). *Service Design: Practical Access to an Evolving Field* [online]. [Cited 13th Aug. 2014]. Available from World Wide Web: <URL: [http://stefanmoritz.com/ files/Practical%20Access%20to%20Service%20Design.pdf](http://stefanmoritz.com/files/Practical%20Access%20to%20Service%20Design.pdf)>
- Martin, J. (2012). *Second Life: How IBM and Other companies conduct virtual meetings* [online] [cited 18th March 2015]. Nvate. Available from World Wide Web <URL:<http://nvate.com/5381/second-life-meetings/>>.
- Neely, A. (2009) “*Exploring the financial consequences of the servitization of manufacturing*” *Operation Management Research*, Vol. 1 No 2
- Raddats, Chris (2011). *Aligning industrial services with strategies and sources of market differentiation*. Emerald, United Kingdom. *International Journal of Business & Industrial Marketing* 26:5, 332-343
- Sampson, Scott (2012). *Essentials of Service Design*. 2nd Ed. United State of America: Sampson. ISBN 978–1481–87165–5

## **REFLECTION PAPER**

It was a marvellous experience to study international management at university of Agder. This program enabled me to explore and expand my knowledge by meeting international teachers and students which was a golden time to invest for enhancement of my professional career. The level of study was quite challenging and learning as well and master thesis was a platform where one can use all his knowledge. I hope this master thesis is the first practical implementation of what so ever i have learned in this program.

## **APPENDIX**

### **Interview questions:**

- 
1. Can you describe your organization's servitization journey?
  2. Where your company stand now
  3. Where are you heading?
  4. Can you please explain the difficulties in your servitization journey?
  5. In the process of transforming towards provision of an integrated offering it has become clear that without specific infrastructure an organization will not be able to deliver what has been promised to the end customer. Do you agree this?
  6. What structures, processes, procedures or methods have been used to ensure coherence in organizational response to the product-service system?
  7. What are the challenges confronted by your organization when transforming from being a "product-centered" to being a "servitized" organization?
  8. Is there lack of tools and techniques to use for the purpose of assessing the internal capabilities of organization to design and deliver product-service offerings?
  9. What agreements, risks and performance measures are being adopted by your organization?
  10. In your view what organizational restructuring is needed to deliver effective service strategies?
  11. What are the key drivers and inhibitors?
  12. Is Servitization driven by external internal drivers?
  13. Success does not come automatically at increasing service maturity levels. Are you agreeing this?
  14. Is "Managing & organizing" is the most leading organizational transformation dimension?
  15. "Processes" and "People & Culture" is also a leading organizational transformation dimension?