

Change of Culture or Culture of Change? Introducing a Path-Agency-Culture (PAC) Framework to Servitization Research

by

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Change of Culture or Culture of Change?



The Motivation: Practice driven

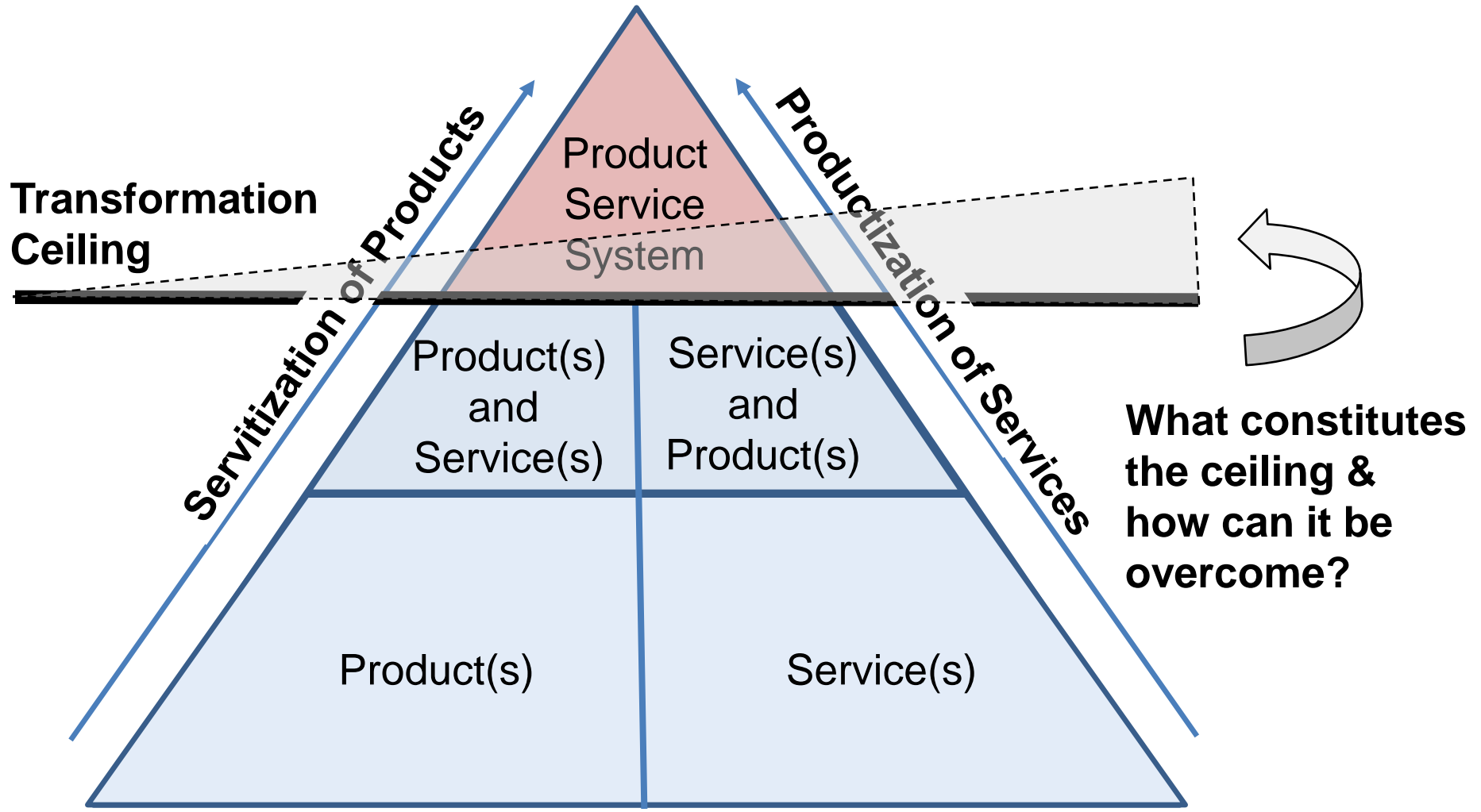


Fig. 1 Evolution of the Product Service System concept
Based Baines et al (2007)

The Motivation: Practice Driven



Elfving, S.W., & Urquhart, N. (2013)

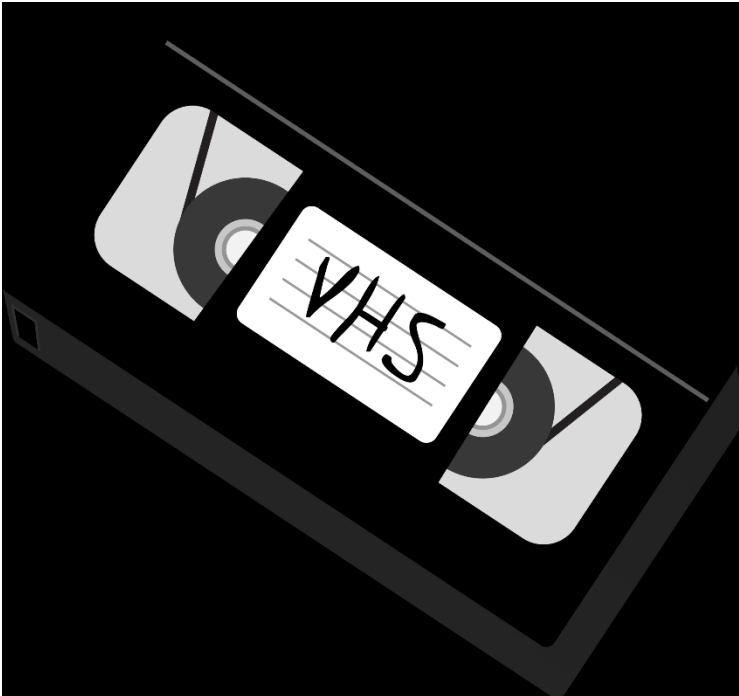
The Motivation: Theory Driven

Research Gap:

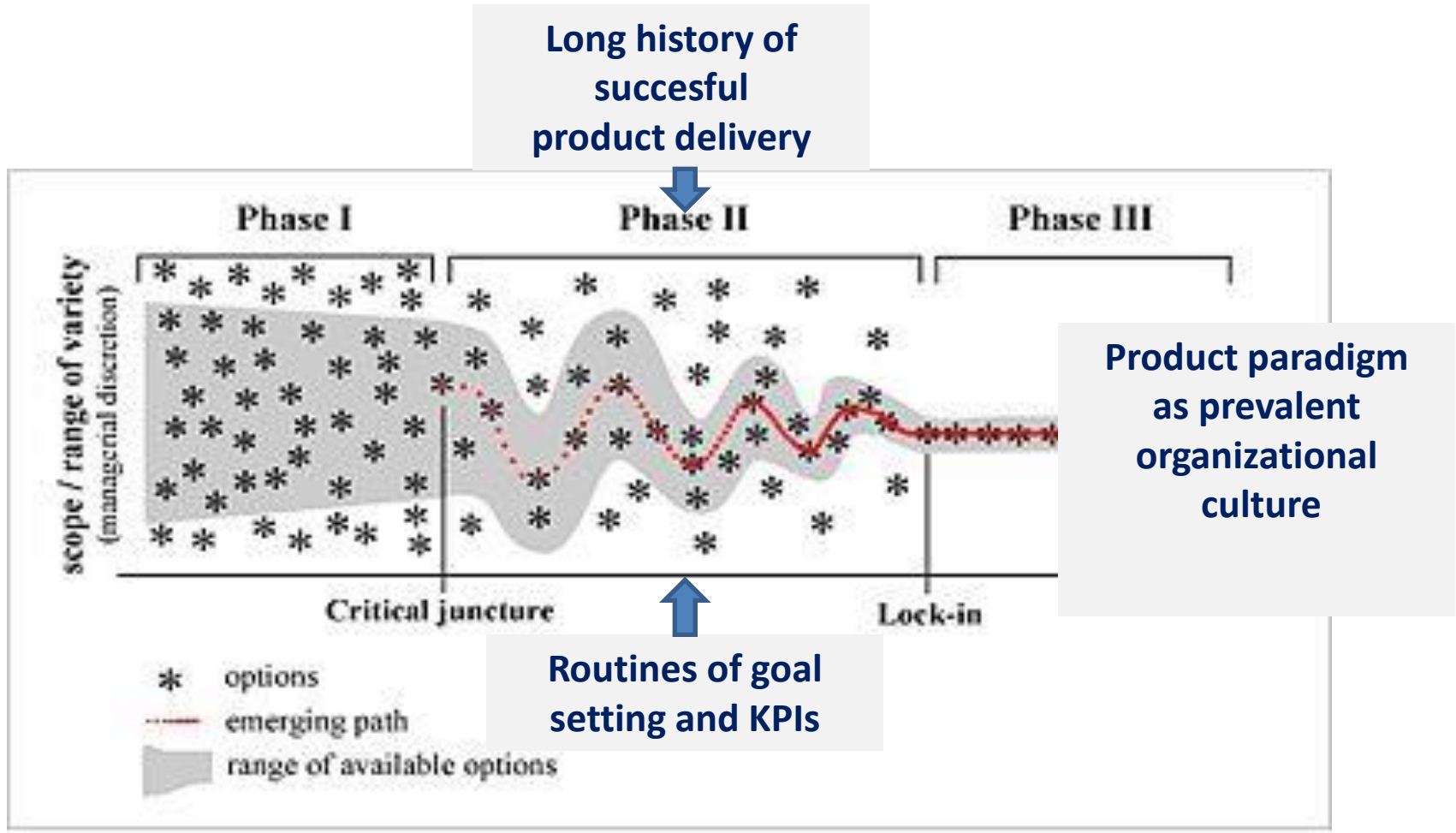
- Strong agreement about the important role of organizational culture within the servitization process.
- Lack of theory foundation and approaches that proceed the usage as umbrella term.



Theory Foundation 1: Path Research

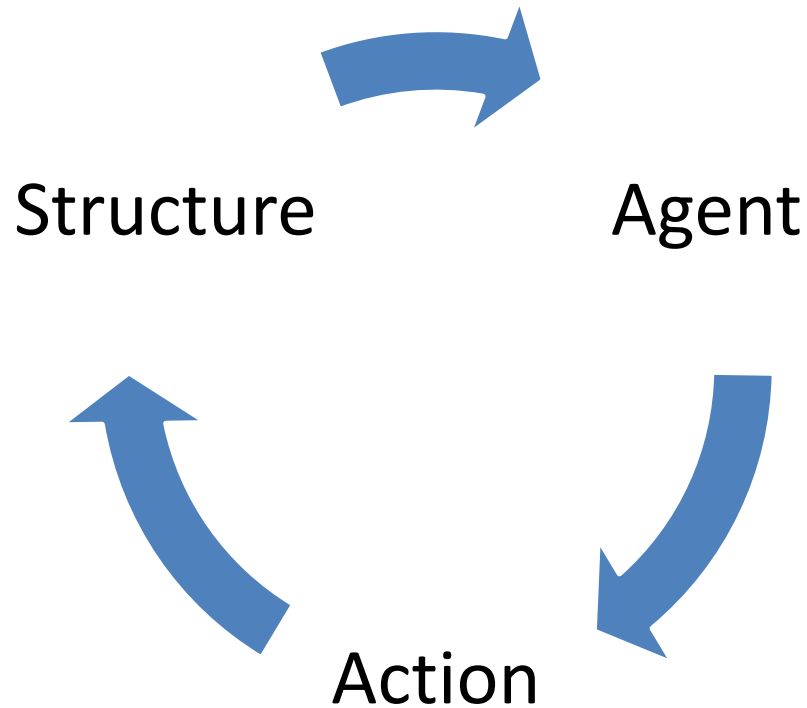


Theory Foundation 1: Path Research



Sydow et al. (2009) Elfving et al. (2014); Lienert et al. (2014)

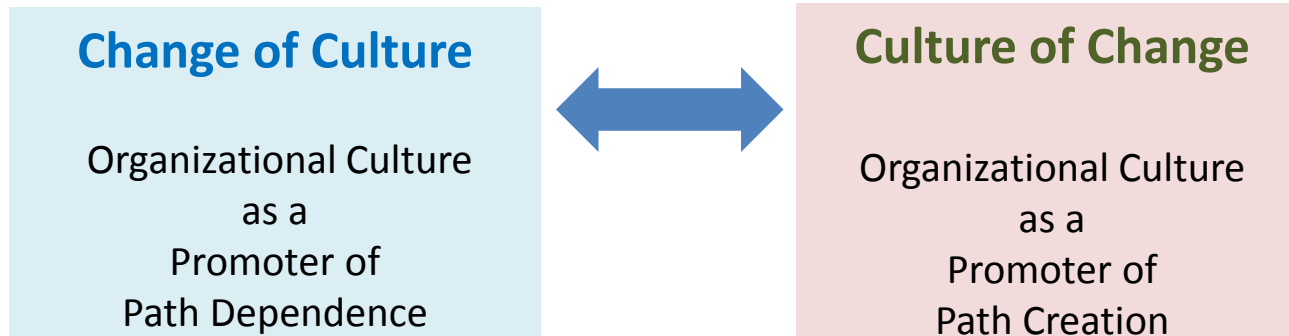
Theory Foundation 2: Structuration Theory



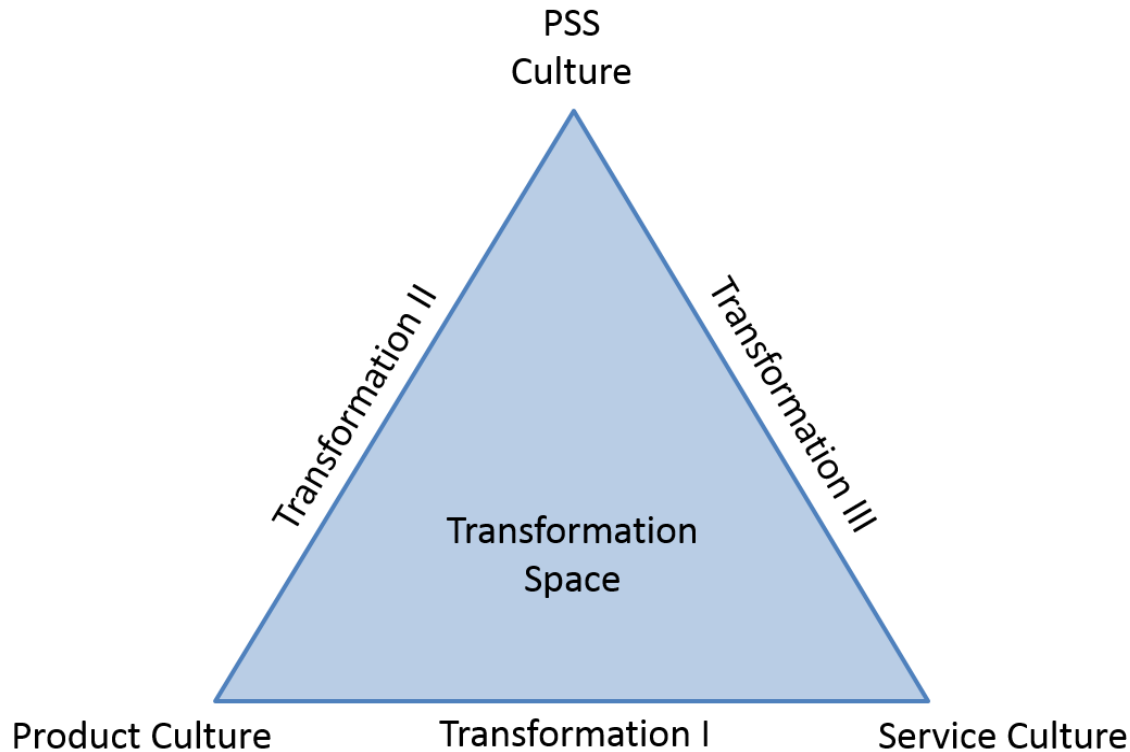
Duality of structure:
the structure is the
medium and the
outcome of the
actions of the
agents

Giddens, A. (1984). *The constitution of society: Outline of the theory of structuration*. Univ of California Press.

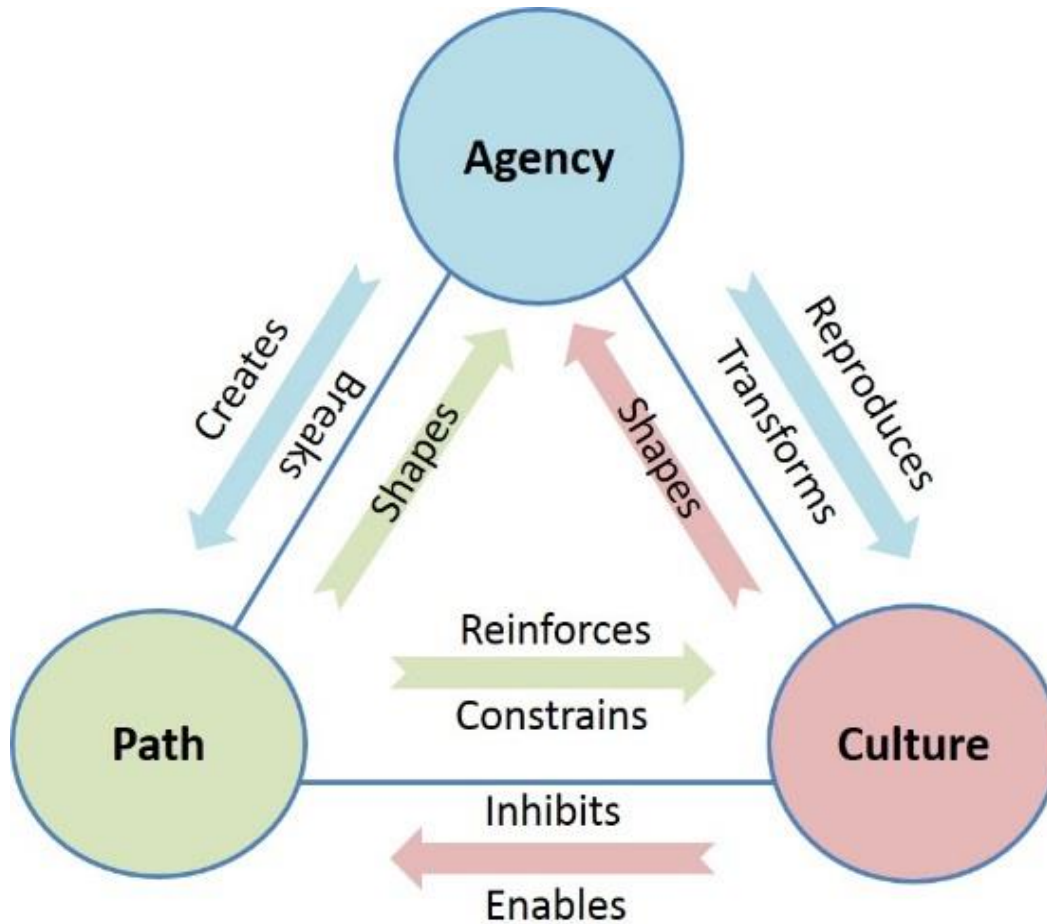
Theory Foundation 3: Organizational Culture



Theory Foundation 3: Organizational Culture



The PAC Framework



Method

- Qualitative research design in order to retrieve the “real-life” manifestations of the cultural dimensions.
- Addresses interviewees representing both service and product related divisions a cognitive-evolutionary perspective was inherited to focus on changes over time.
- Convenience sampling of 14 volunteers to conduct semi-structured interviews (transcribed and coded supported by Maxqda, about 250 pages).

Method

- All interviews were conducted within a 10 days' time frame in January 2015.
- Validation and enrichment in a PSS World Café Conference 7th may 2015.
- Case company: Ericsson, telecommunication sector, long product tradition.

The Findings – Too efficient to servitize?



Common Ground & Discrepancies I

- Powerful brand, strong cultural identity, employees with commitment & drive
- Feeling of massive changes: „at a crossroads”
- Differences P/S:
 - currently happening vs. at the urge to happen,
 - urgency of change & nature of the transformation ceiling

Common Ground & Discrepancies II

- Enabler for the networked society as a strong vision
Differences: rolled out strategy vs. buzzword
- Customer as the key driver for change, traditional & new customers
- Differences: possibilities to actually meet the customer, perceived differences in competencies & attitudes
- To much exploitation and not enough exploration to move

PAC Quotes

In general the attitude with Ericsson is fairly open to change and if you talk to other industries and other areas. I would say that most areas in Ericsson is very open to change but of course when you communicate these changes, but the time you communicate it across several levels each level may interpret it slightly differently or you can still miss what you really want to get out..

Different perceptions of urgency

I think there's a big risk that Ericsson will be dead if we don't do anything about it, because we will continue what we are doing today, but we will not find new areas. That means that we have to be so much better than our competitors, because I mean, also will they do the next generation radio base station.

PAC Quotes

Dominant product culture

[...] and what has been a little bit of a problem in the past is that we are very, very radio focused. **That's our bread and butter, that's in our genes,** to bring in...to break into new areas is something that you need to create some change in mind thinking and maybe ways of working and so on. And that, I think, is **one of the biggest challenges** we have here.

For example, when I was at the market unit, for me as a sales person it's much easier, **it's much more beneficial for me to sell another radio base station than to sell something new.** That creates a behavior that I should do **the same thing I did yesterday.**

PAC Quotes

[...] your mind is probably set a bit what you do daily and the culture, again, defeats the strategy any time. It's not easy for everyone to think, you know, totally outside the box, including myself. So I think the resistance that we talk about sometimes is not only...it's not active resistance. I think it's actually that you don't have the view of everything else.

Emerging new culture

It's new kind of offerings, and it's new kind of customers, so we are...yeah, what shall I say, there's lots of new things and thinking. **In that, of course, we need to help the rest of the organisation, and share that with the rest of the organisation.** And I think we are moving in a good direction at the moment, absolutely. But as I said, everything of these kind of changes, they take some time.

The Levers

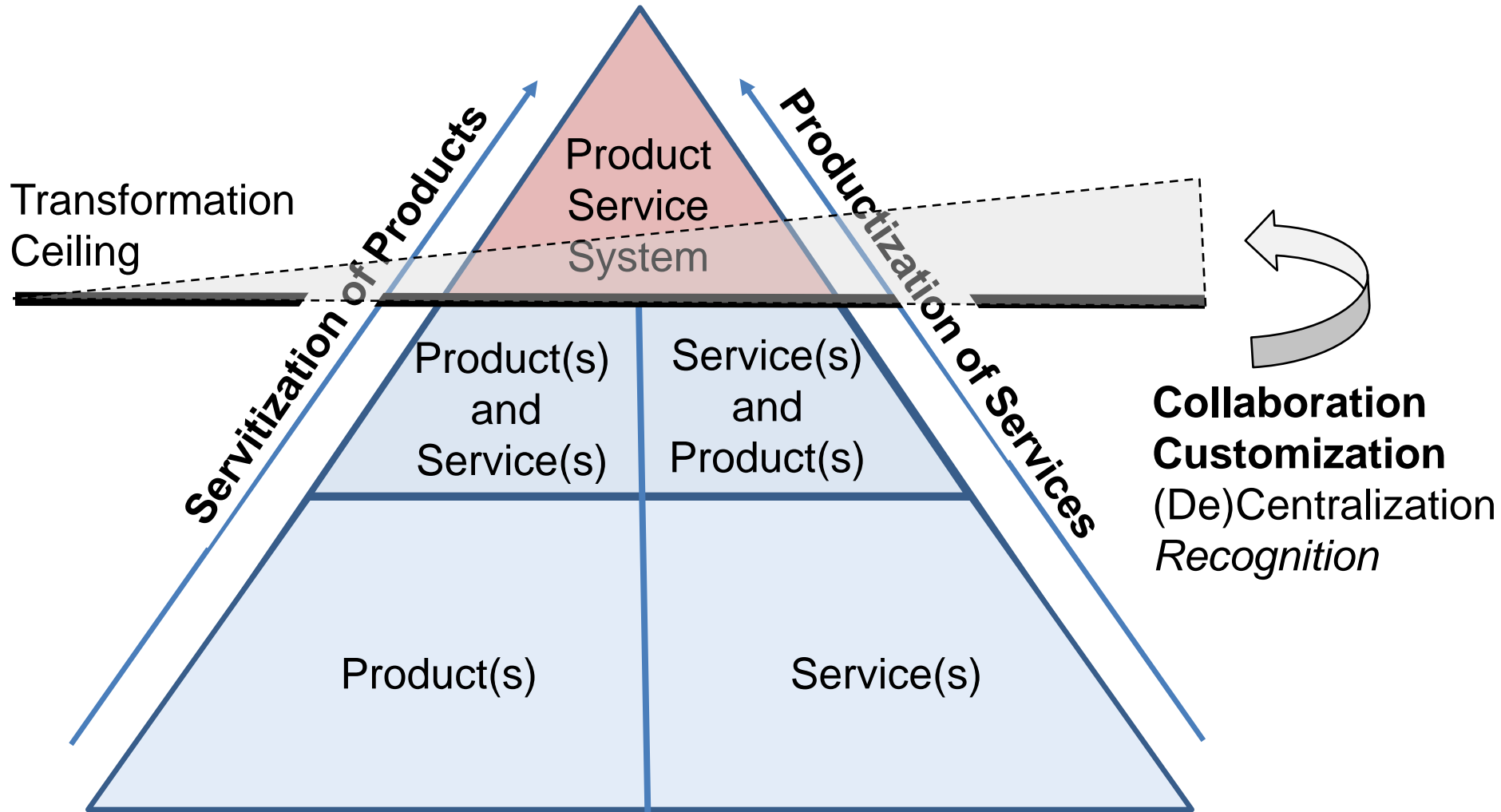
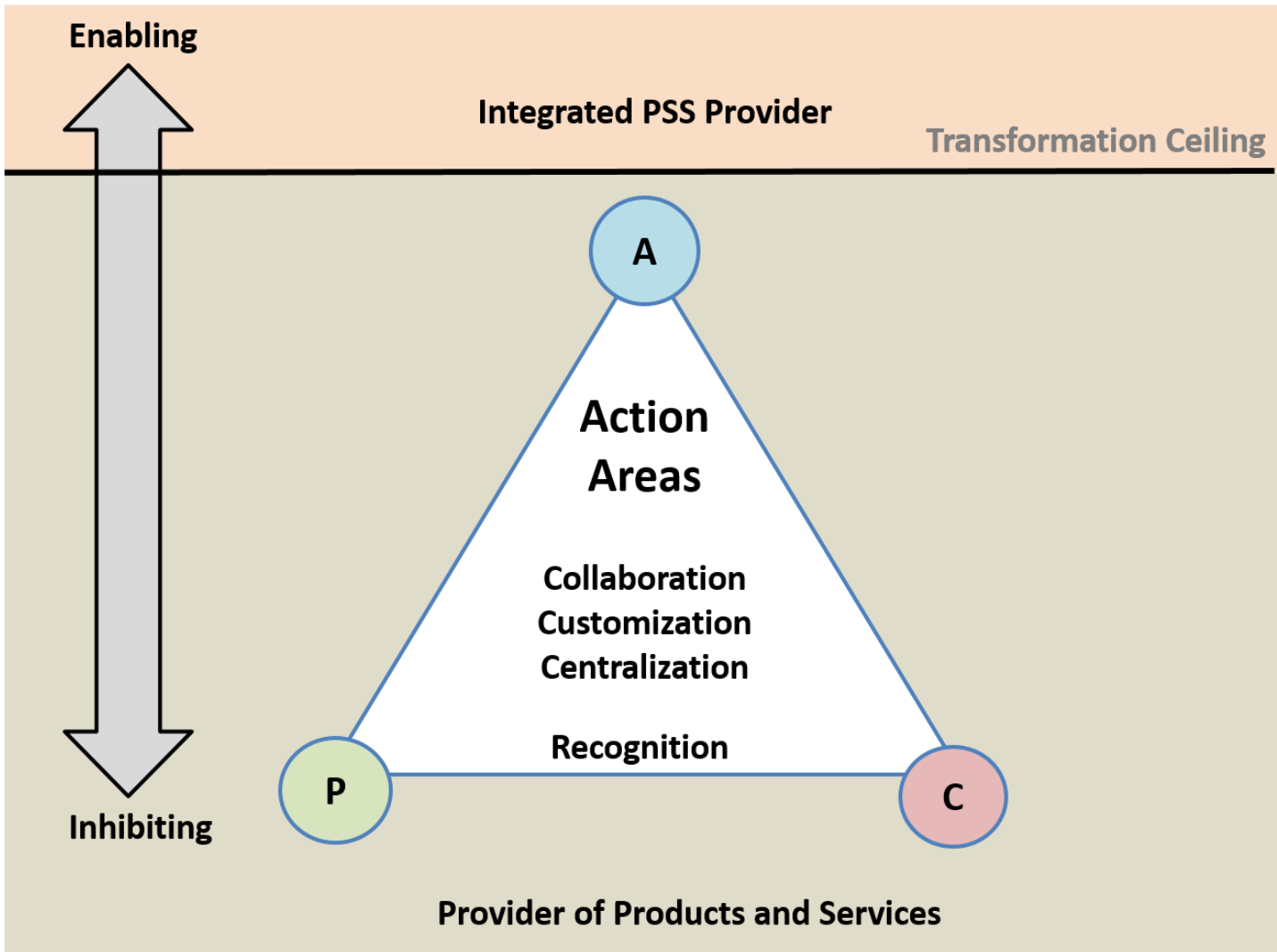


Fig. 1 Evolution of the Product Service System concept
 Based Baines et al (2007)

The enriched PAC Framework



Collaboration Quotes

I think when we recruit a lot of people now from other industries, so our competitors and so on, I think a strength with Ericsson is that we have this combination of both technology, IT and, you know, telecoms as well as the people and the competence with that and the services side. **I think that's what we need to be, much more efficient to combine. But people sit in some just talking services and some just talking products** and then we have a lot of us, maybe in the region, who will see the mix of both. That's also, you know, when you have people that has worked for 25 years that probably come from products, but I think still that's the thing. So probably we need a bit newcomers from the service industry.

Collaboration Quotes

They should foster **a joint business performance** between products and services and then you leave it to their respective organizations to sort out how they actually can go about and then eventually the structure underneath will prove either to be okay or it needs to be modified.

I think the **go to market model and the way we have split up products and services within Ericsson are the most key** one because they're basically build for rolling out the radio networks which is hardware and logistics effort and you know the nature of what we build in support solutions for instance is quite different, that's IT.

Customization

Ericsson is organisational centric, and we form our customer out of that.

I think in the practice that brings it together in Ericsson typically the customer in the first place. Having concrete customer engagement that help us to bring things together.

Customization

First of all I think we have to work very close with the customer, and I think that we have the answer, because the people that are out there of course they're not stupid. People inside Ericsson know the answer. The problem is that we don't manage to get all the puzzle together.

[...] I think it's very much that we have to look at it from the customer side all the way. We have to go all the way from the customer, all the way into Ericsson. We have to go all the way from when you inherit something new all the way out to the market. And people have to work these streams all the way. It could also be that one stream is contradictory to another stream, and then either you have to choose or maybe we have to realise this is parallel activities. They should not be in the same structure because they are killing each other.

PSS World Café

Overarching question:

How can we overcome the transformation ceiling?

Focus 1: Customization

what are the hindering & enabling factors?

How can we successfully proceed?

Focus 2: Collaboration

what are the hindering & enabling factors?

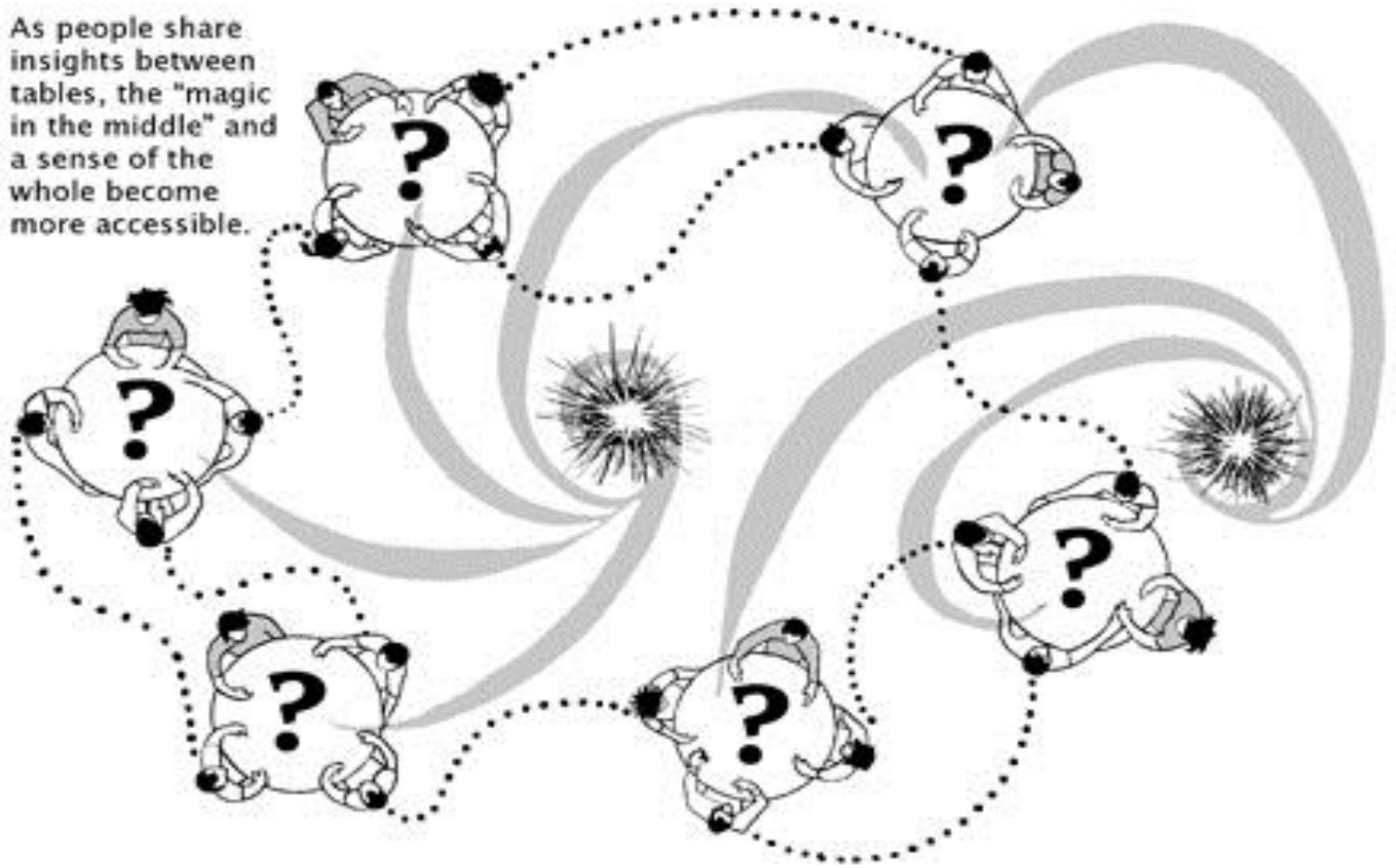
How can we successfully proceed?

Focus 3: „Free Ticket“

The Setting

Mixed P & S tables

As people share insights between tables, the "magic in the middle" and a sense of the whole become more accessible.



Change of Culture & Culture of Change



<https://www.youtube.com/watch?v=TK27aknWVI4>

Thank you for your attention!

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