Acquisition as a mode for servitisation: servitisation integration and consequences

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Abstract

Purpose – While existing literature extensively explores manufacturing firms expanding into services, little is known about the modes of servitisation, the means by which they carry it out. This paper concentrates on acquisitions as a mode of servitisation. Post-acquisition integration is when the potential of an acquisition is realised. The paper therefore aims to categorise types of integrations following the acquisition of servitised firms and discusses their consequences for servitisation.

Design/methodology/approach – The empirical part of the paper is based on two case studies, each involving the acquisition of servitised firms. Both acquirers changed their integration approach over time.

Findings – The paper conceptualises three types of integrations: rhetorical, insulated and transformative integrations, indicating whether and how the acquirer becomes servitised following the integration. These highlight the analysis of integration based on business models and customer orientation in relation to servitisation.

Originality/value – This paper contributes to research on servitisation by emphasising acquisitions as a mode of servitisation and conceptualising three integration types related to business models and customer orientations. Furthermore, the paper highlights how an acquirer's servitisation leads to new offerings targeting new customers, as opposed to strengthening existing relationships.

Keywords Acquisition, Business model, Customer orientation, Integration, Servitisation, Stakeholder

Paper type Research paper

1. Introduction

Servitisation, the transformation of firms from a product to a customer orientation and service business model, continues to be a popular strategy for firms aiming to enhance the value of their offerings and strengthen relationships with customers (Kowalkowski *et al.*, 2022; Khanra *et al.*, 2021). As companies develop an interest in servitisation, they are immediately confronted with the question of how to do so the mode of servitisation. While organic transformation has been the assumed mode in the literature (e.g. Kowalkowski *et al.*, 2017b), the rise of digitalisation has kindled interest in acquisitions, the transfer of ownership control of firms (Hagedoorn and Duysters, 2002). Scholars like Huikkola *et al.* (2020) suggest that acquisitions play a role in servitisation, particularly when firms seek to reposition downstream. Coupled with scholars like Öberg (2021) and Wirtz and Kowalkowski (2022),

who highlight a research gap concerning acquisitions as a servitisation mode, this sparks interest in understanding more about servitisation modes in general and acquisition as a specific mode.

Presently, there are sporadic empirical inclusions of acquisitions in the servitisation literature (Durugbo and Erkoyuncu, 2016; Kang and Kang, 2014; Raja *et al.*, 2018) lacking the ambition to theorise the servitisation mode. As a result, several aspects have not yet been explored related to acquisition as a servitisation mode. While acquisitions have traditionally been a popular mode for gaining access to production capacities, capabilities, market reach and growth (Haleblian *et al.*, 2009), their positive and negative consequences become evident during integration (Haspeslagh and Jemison, 1991; Teerikangas and Thanos, 2018). Therefore, it is crucial to shift the focus from discussing acquisitions in the context of servitisation motives to exploring the integration process (post-acquisition combinations of acquirer and target, Bauer and Matzler, 2014). This shift is essential as the integration determines whether and how the acquirer becomes a servitised organisation. Consequently, the purpose of this paper is to categorise types of integration following acquisitions of servitised firms and discuss their consequences for servitisation.

Integration is characterised by combinations of company functions, degrees, directions and timing. Functions refer to the integration of specific departments or operations (Wei and Clegg, 2020), degree indicates the extent of integration, ranging from full combination to firms being kept separate (Angwin and Meadows, 2015; Haspeslagh and Jemison, 1991), directions describe whether the acquirer's or target's way of working prevails (Brueller and Capron, 2021) and timing indicates when integrations occur relative to the initial ownership transaction (Kroon *et al.*, 2022; Rouzies *et al.*, 2019). To capture integration related to servitisation, this paper adopts the servitisation literature's dimensions of business model and customer orientation (often described as service logic [1]). Business models involve the organisation of operations for value creation purposes (Zott and Amit, 2010), while customer orientation focuses on how the entire firm orients to creating value for customers (Grönroos and Voima, 2013), specifically emphasising customers' value in using the firm's products or services (Vargo and Lusch, 2004).

Through an empirical investigation into how firms integrate servitised entities, this paper contributes to the understanding of acquisitions as a servitisation mode. Despite the abundance of research on servitisation (Kowalkowski *et al.*, 2022; Khanra *et al.*, 2021), the exploration of servitisation modes remains limited (Baines *et al.*, 2017). The paper responds to research gaps identified by Kowalkowski *et al.* (2017b) and Wirtz and Kowalkowski (2022), going beyond research summaries on servitisation modes (Öberg, 2021). By theorising the integration of service business models and customer orientation, it provides theoretical insights that complement the sporadic empirical inclusions of service firms in acquisition studies (Baines *et al.*, 2017; Durugbo and Erkoyuncu, 2016; Kang and Kang, 2014; Raja *et al.*, 2018). The paper distinguishes itself from Xing *et al.* (2017), who discussed strategies related to servitised acquirers and targets in a Chinese-acquiring-advanced-economy-firm setting. Instead, it focuses on non-servitised acquirers acquiring servitised firms to achieve servitisation, delving into the consequences of different integration types for the acquirer's and acquired party's servitisation. The paper introduces three integration types: rhetorical, insulated and transformative. Rhetorical integration involves keeping the acquired firm separate while marketing the acquirer as servitised through the acquisition. Insulated integration primarily focuses on the business model, carefully analysing functions linked to customers and resisting integration to preserve their essence. Transformative integration describes the acquirer's adoption of servitised business models and customer orientations. Contrary to assumptions, this involves repositioning to provide new offerings to new customers. From a practical standpoint, the paper provides insights into the consequences of acquisition as a servitisation mode.

2. Theoretical background and framing

2.1 Modes of servitisation

With the rise of the service economy (Sundbo, 2002), attention has shifted towards manufacturing firms expanding their offerings to include services (Lightfoot *et al.*, 2013; Khanra *et al.*, 2021). The concept of servitisation has emerged to capture this transformation, encompassing not only the addition of services to product portfolios but also the fundamental restructuring of business models and the development of customer orientations (Vandermerwe and Rada, 1988). Servitisation offers new avenues for manufacturing firms to enhance competitiveness, create value for customers and build stronger relationships with them (Ulaga and Kowalkowski, 2022). By prioritising value for customers (Vargo and Lusch, 2004), firms can better understand their customers, engage in more meaningful interactions, diversify their offerings, implement value-based pricing and optimise resource utilisation.

Servitisation modes delineate how, or through which means, firms implement a servitisation strategy, encompassing options such as organic transformation, collaboration or acquisition. Servitisation researchers, such as Huikkola *et al.* (2020), emphasise the significance of firms developing or obtaining new, distinct and dynamic capabilities. Key capabilities in customer orientation include relational and partnership skills, along with design-for-service competencies. Additionally, technological prowess to deliver complex and integrated solutions plays a pivotal role (Kimita *et al.*, 2022).

Servitisation research has expanded its scope across various disciplines (Rabetino *et al.*, 2018; Khanra *et al.*, 2021), exploring aspects such as firm motivations, customer value, transformation processes, performance implications, barriers and opportunities. Recent literature advancements have incorporated sustainability orientations, communities, platforms, ecosystems and digitalisation (Kamal *et al.*, 2020). These evolving foci bring us closer to scrutinising servitisation modes, describing the actual modes of communities, platforms and ecosystems, or shedding light on the evolving business challenges that necessitate external sourcing of capabilities. In particular, digitalisation and sustainability have been linked to novel modes of organising (Sklyar *et al.*, 2019; Baron *et al.*, 2018; Wagstaff *et al.*, 2021).

Despite these recent developments, the exploration of servitisation modes has received limited attention in past research. A literature review by Öberg (2021) underscores an unaddressed research gap concerning servitisation modes, specifically noting the absence of research on acquisitions as a mode of servitisation. Similarly, scholars like Wirtz and Kowalkowski (2022) have expressed the need for more research on acquisitions in the context of servitisation.

2.2 Research on acquisitions

In the broader literature on strategy, acquisitions are recognised as a swift but expensive method for gaining control over critical resources compared to other modes such as collaboration or organic growth (Kiessling *et al.*, 2021; Moeen and Mitchell, 2020). Acquisitions also play a crucial role in expanding a firm's market presence and achieving production synergies (Angwin, 2007; Rabier, 2017). Existing research on acquisitions mainly focuses on (1) motives, (2) post-acquisition integration to leverage the benefits of the acquisition and (3) the performance and consequences of acquisitions, assessed through share value, bottom-line or reactions (Devers *et al.*, 2020; King *et al.*, 2021; Haleblian *et al.*, 2009).

To understand the role of acquisitions in servitisation efforts, it is crucial to examine post-acquisition integration and how customer orientation has been addressed in previous acquisition studies. The widely recognised typology of preservation, symbiosis, holding and absorption proposed by Haspeslagh and Jemison (1991) helps understand the degree of

integration, ranging from maintaining the acquirer and target as separate entities to creating an amalgamated firm, described as soft and hard integration by Kroon *et al.* (2022). Research suggests that the degree of integration is influenced by the similarities and complementarities between the acquirer and target, while differences may pose challenges to integration efforts (Zaheer *et al.*, 2013). Moreover, studies focus on the direction of integration, from the acquirer to the target or reverse (Brueller and Capron, 2021; Bodner and Capron, 2018); timing, including changes in integration approaches over time (Kroon *et al.*, 2022; Rouzies *et al.*, 2019) and what corporate functions are integrated (Wei and Clegg, 2020).

Birkinshaw *et al.* (2000) introduced the division between task and human integration, while others make the partly overlapping distinction between operational and cultural integration. Cultural integration involves establishing shared firm values, leadership styles and addressing differences in business practices (Dao and Bauer, 2021). Operational integration entails combining production, tasks from various departments, administrative routines, knowledge and capabilities. Research has mainly focused on company-internal aspects along both operational and cultural integrations (Bettinazzi and Zollo, 2017).

Scholars generally advocate for extensive integration of procurement and production to achieve efficiency gains, but they advise caution when integrating customer-related functions (Öberg, 2018). Parallel arguments suggest that the benefits of acquisitions primarily accrue to customers (Homburg and Bucerius, 2005; Zollo and Meier, 2008), prompting the preservation of marketing functions. This preservation implies that combining marketing functions could damage brands, result in customer attrition and lead to revenue losses. However, research on the integration of marketing functions (Bauer *et al.*, 2020) has often taken a one-sided approach, narrowly focussing on brands and sales organisations from a supplier-oriented perspective (Capron and Hulland, 1999; Christofi *et al.*, 2017). This overlooks essential aspects relevant to servitisation, such as a more comprehensive customer orientation throughout the entire organisation. Even research on acquisitions among service firms (Dranove and Shanley, 1995; Urban and Pratt, 2000) has centred on brands and productised offerings, and when exploring beyond the pure marketing function and into offerings produced, research has implicitly emphasised a product orientation (e.g. Capron and Hulland, 1999; Weber and Dholakia, 2000).

However, research on customer reactions to acquisitions reveals that both value-enhancing and value-destructive consequences of acquisitions extend well beyond the marketing interface. Specifically, Öberg (2008) demonstrates how product replacements and staff departures from the acquired party can negatively impact customer retention, while Kato and Schoenberg (2014) indicate that customer orientation, service performance, flexibility, compliant handling, account management quality, employee satisfaction, turnover, breadth of offerings and the acquirer's investment and careful handling of the acquired firm may positively influence customer relationships.

2.3 Post-acquisition integration of servitised firms

Based on how divisions like task and human or operational and cultural integration align with a product and production orientation, and how marketing integration focuses on a function separate from the rest of the firm and indeed from the cultural integration, this paper suggests that the servitisation literature's division into business models and customer orientation provides valuable dimensions for categorising integration types following acquisitions of servitised firms and discussing their consequences for servitisation. Business models encompass what activities are pursued, who performs them, and how they are interlinked (Zott and Amit, 2010). Business model integration emphasises organising for value propositions and involves upstream stakeholders, focussing on creating offerings (Osterwalder *et al.*, 2005). When an acquirer buys a servitised firm to become servitised, this

expectedly involves adjusting operations to reflect the value-creating activities of the acquired firm or integrating both firms with the acquired party's business model as the role model.

Customer orientation, emerging from the soft aspects in servitisation literature (Kowalkowski *et al.*, 2017a), emphasises a mindset focused on value-in-use for customers (Vargo and Lusch, 2004), manifested in leadership styles and organisational practices. This orientation pertains to an entire firm to ensure all parts work to safeguard value offerings. Homburg *et al.* (2003), in their discussion of soft factors, describe them as culture and human resource management, suggesting that these factors may include a service orientation. Drawing on the acquisition literature's product logic of marketing integration, the absence of servitisation's customer orientation is though apparent in the culture concept. Culture is often considered an unexplained reason for acquisition failures (Teerikangas and Thanos, 2018; Stahl and Voigt, 2008), with little examination of the specific characteristics or differences in cultures (Teerikangas and Very, 2006). Sarala *et al.* (2016) and Sarala and Vaara (2010) provide insights into how culture influences knowledge transfer an essential aspect for servitisation due to its connections with relational, partnership, design-for-service and technological capabilities (Huikkola *et al.*, 2020; Kimita *et al.*, 2022). While establishing a link to servitisation, servitisation's customer-orientation encompassing the entire firm, surpasses the role of culture merely enabling knowledge transfer. Customer orientation aims to reorient a firm towards a specific direction: customers.

Within the dimensions of business model and customer orientation integration, we can consider the degree, direction and functions integrated, along with changes over time as discussed by Rouzies *et al.* (2019). The business model and customer orientation dictate that the integration focuses on a specific goal: the acquirer becoming a servitised entity. When discussing integration, it is essential not only to capture what is integrated, when and how but also to highlight the active decision to keep the firms separate. Holding, in this context, involves maintaining the target's separation from its acquirer (Haspeslagh and Jemison, 1991) to prevent the disruption of a well-functioning operation. However, it is important to note that non-integration may still affect acquirers and targets.

Recognising the research gap in servitisation literature (Wirtz and Kowalkowski, 2022; Öberg, 2021) and acknowledging that acquisition research primarily focuses on internal organising and culture, while marketing integration considers the direct customer interface, several questions remain unanswered concerning post-acquisition integration for servitisation. The suggested division into integration of business model and customer orientation is addressed through the following questions:

Q1. How does the business model of the acquired servitised firm influence the acquirer's business model in post-acquisition integration?

Q2. How does the customer orientation of the acquired servitised firm influence the customer orientation of the acquirer in post-acquisition integration?

Q3. How does the integration of business model and customer orientation impact the servitisation of the parties?

3. Methodology
While some researchers have included acquisitions in their data or described acquisitions involving servitised parties (Xing *et al.*, 2017), servitisation research has not explored post-acquisition integration. Since integration consequences are also a focus of this paper, a research method was needed to connect and contextualise servitisation integration (Halinen and Törnroos, 2005), deal with complex and underexplored phenomena, and offer theoretical

insights based on observed interplays and described explanations (Eisenhardt and Graebner, 2007). Therefore, a case study approach was considered suitable.

3.1 Case selection

The paper employs a multiple case study approach, taking into consideration the following criteria for case selection: Acquirers needed to clearly express servitisation as their main acquisition motive, the acquisitions needed to be recent enough to be remembered by interviewees, while also having some time passed to capture subsequent developments and cases had to showcase diverse integration approaches. While the focus was transferability of findings rather than generalisability (Guba and Lincoln, 1989), the chosen cases collectively contribute to understanding servitised firms' integration by presenting complementary approaches and their associated consequences (cf. Eisenhardt and Graebner, 2007).

The two selected cases, the acquisition of TeachingCorp by PublishingHouse Inc. and TailoredIT by StandardWeb (all firms anonymised), were chosen based on recommendations from national and international research colleagues and access to the firms. Both acquirers experimented with various integration approaches for servitisation, enabling each case to encompass multiple integration scenarios (with variations between the cases). Furthermore, they differed in terms of industries, sizes, geographical locations and international scope, enhancing the potential applicability of the findings beyond these specific cases (Guba and Lincoln, 1989).

In the first case, PublishingHouse Inc., a large US publishing house, acquired TeachingCorp, a smaller British training firm. This strategic move responded to the publishing sector's shift from printed materials to online publishing and open access. PublishingHouse aimed to create new revenue streams, strengthen customer relationships, adapt to technological changes and shift from a book manufacturer to an educational service provider. TeachingCorp specialised in educational training for school dropouts, covering skills like construction, logistics and information and communication technology (ICT). TeachingCorp's operations relied on established relationships with large organisations that provided work placements for students. The acquisition aimed to combine TeachingCorp's training expertise with PublishingHouse's educational publishing knowledge and resources to enable the servitisation of the latter's offerings.

In the second acquisition, StandardWeb acquired TailoredIT to enhance its customer orientation and better align itself with customers in a competitive niche. StandardWeb, dealing with standardised software products, sought expertise in developing integrated solutions. Both companies were relatively small, located in the same city, and StandardWeb operated in the Nordic and Baltic countries. TailoredIT distinguished itself through its strong customer orientation, intensive customer interactions and customised offerings. The entire organisation at TailoredIT was dedicated to delivering high-quality services. The acquisition aimed to infuse StandardWeb with a customer-centric approach and servitise its operations.

3.2 Data collection

Data collection involved a combination of interviews and secondary sources to ensure triangulation (Denzin and Lincoln, 2000). Interviewees were chosen to represent diverse perspectives, including individuals in strategic corporate positions, members of acquired firms' management teams and external stakeholders. Titles of interviewees included chief executive officers (CEOs), chief financial officers (CFOs), customer and sales managers, consultants and production and procurement managers (see Table 1 for a complete list). In total, 26 retrospective interviews were conducted over two years, each lasting approximately one hour. The retrospective nature of the interviews was necessary due to the confidential nature of acquisitions until finalisation. Open-ended questions (McCracken, 1988) were used to explore various topics related to the acquisition, integrations, strategic objectives and post-acquisition

	Case I: PublishingHouse's acquisition of TeachingCorp	Case II: StandardWeb's acquisition of TailoredIT
Characteristics of firms	Publishing firm/book manufacturer acquiring firm specialised in workplace training/education Acquirer a dominating worldwide player in its field of operations; Acquired party big actor on country level	Manufacturer of software for websites acquiring local IT consultancy firm Acquirer operating on an extended Nordic level, acquired party local player in the city of the acquirer's head office
Data collection	Interviews with managing director, country manager (UK), marketing manager, CFO, sales and customer manager, product manager, procurement manager, division manager, PublishingHouse; marketing manager, former CEO, and former CFO, TeachingCorp; procurement managers, Customer firms 1–3 Documents: approx. 500 newspaper items, annual reports, press releases, websites	Interviews with CEO, CFO, marketing manager, production manager, design manager, StandardWeb; marketing manager, CEO, CFO, 2 consultants, TailoredIT. CEOs, Customer firms 1–2 Documents: approx. 100 newspaper items, annual reports, press releases, websites
Initial integration, business model	*Functions:* Acquirer regards servitisation as only being about the customer interface and resists integrating this, while integrating administrative routines *Degree:* Non-integration of customer interface, complete integration of internal organising *Direction:* From acquirer to acquired party	*Functions:* Only board integrated through putting acquirer representatives on the acquired party's board *Degree:* Non-integration with a focus on not changing value-carrying functions for customers *Direction:* Acquired party's operations in focus and how to preserve them
Initial integration, customer orientation	Customer orientation not acknowledged by acquirer. Product orientation prevailed affecting offerings and integrations	Acquirer focuses on acquired firm's business model when deciding not to integrate, but with the consequence that customer orientation prevails
Initial integration, consequences	Acquirer remains non-servitised Acquired party experiences how acquirer's routines affect activities of business model and through stakeholder losses, external activities Upstream, collaboration stakeholders leaving due to acquisition. Customers perceive change to value-orientation	Acquirer remains non-servitised Acquired party remains unaffected by the acquisition due to non-integration Customers and other stakeholders remain due to no changes in either customer orientation or business model
Initial integration, servitisation, type labelled as	*Rhetorical integration*	*Insulated integration*
Subsequent integration, business model	*Functions:* Acquired firm business model including sourcing alternatives adopted to new division *Degrees:* Separate division. Integration through adopting *Direction:* From acquired to new division *Timing:* Following acquirer obtaining capabilities through TeachingCorp acquisition	*Functions:* Operations and capabilities linked to customer value, relationships and partnerships integrated among targets. These pertain across functions. Technological skills kept separate. Acquirer kept separate *Degree:* Complete integration across mentioned functions of targets *Direction:* Combining across targets *Timing:* Following subsequent acquisitions

Table 1.
Case summaries

	Case I: PublishingHouse's acquisition of TeachingCorp	Case II: StandardWeb's acquisition of TailoredIT
Subsequent integration, customer orientation	Customer orientation taught from past acquisitions led to the development of a new niche of operations focussing on the value in learning	Customer orientation guiding selection of targets in subsequent acquisitions, driven by how various targets' offerings combined build value for customers
Subsequent integration, consequences	Acquirer separated into corporate firm with customer orientation but not business model and division with business model and customer orientation New offerings directed at new customers Collaboration with new stakeholders in division	Acquirer adopts customer orientation but not business model Acquired firms with business model and customer orientation New offerings to new and present customers
Subsequent integration, servitisation, type labelled as	*Transformative integration*	*Transformative integration* in terms of acquiring firms to create value for customers (building a portfolio for customers). *Insulated integration* in terms of integrations of individual targets

Table 1. **Source(s):** Table by author

servitisation. Interviews with external stakeholders, including customers, validated value creation and offerings, covering pre-acquisition connections, changes in interactions and offerings post-acquisition, and reflections on the acquisitions and integrations.
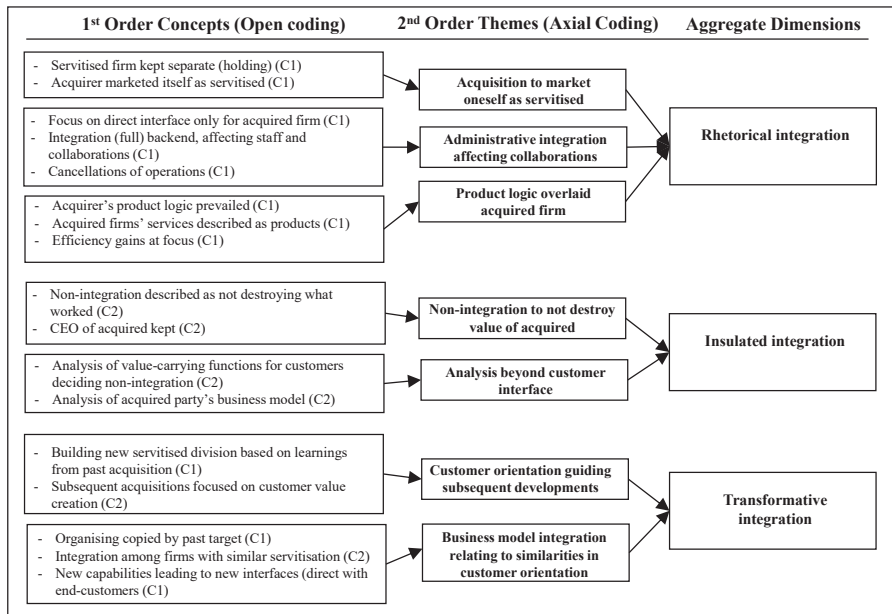
Secondary data sources included annual reports, press releases, company websites and officially reported information related to acquirers, acquired parties and stakeholders. The use of secondary data aimed to corroborate statements from interviewees and mitigate potential post-rationalisation effects from retrospective interviews (Huber and Power, 1985). Table 1 provides an overview of the two cases and the employed data collection methods.

3.3 Data analysis
In the data analysis, the interview transcripts and secondary data were initially subjected to content coding. This coding facilitated an understanding of the parties involved, their acquisition motives and the integration of the firms. The data revealed two distinct integration approaches in both cases. PublishingHouse's approaches were influenced by the TeachingCorp acquisition, while StandardWeb pursued additional acquisitions driven by servitisation motives. Focusing on integration, first-order concepts (Gioia *et al.*, 2013) were developed through within-case comparisons created by subsequent reduction of codes where descriptions on integration were extracted from the initial coding and structured for the scenarios illustrated in Figure 1. For instance, PublishingHouse kept TeachingCorp at arm's length post-acquisition, integrating only administrative routines and report structures. Despite the intent to servitise, no servitisation-related elements were integrated, denoted as "Servitised firm kept separate (holding)" in Figure 1. Notably, the acquirer, despite not integrating servitisation aspects, began marketing itself as a servitised firm.

Axial coding was then applied by comparing case materials with integration dimensions from previous acquisition research (functions, degrees, directions and timing) and business model/customer orientation integration, as proposed in this paper. This led to second-order themes (Gioia *et al.*, 2013). While working with case materials, additional factors may emerge as crucial from the data. Capabilities arose as one such factor, aligning with the research conducted by Huikkola *et al*. (2020) on servitisation, business models and the acquisition

1st Order Concepts (Open coding)	2nd Order Themes (Axial Coding)	Aggregate Dimensions
- Servitised firm kept separate (holding) (C1) - Acquirer marketed itself as servitised (C1)	Acquisition to market oneself as servitised	
- Focus on direct interface only for acquired firm (C1) - Integration (full) backend, affecting staff and collaborations (C1) - Cancellations of operations (C1)	Administrative integration affecting collaborations	Rhetorical integration
- Acquirer's product logic prevailed (C1) - Acquired firms' services described as products (C1) - Efficiency gains at focus (C1)	Product logic overlaid acquired firm	
- Non-integration described as not destroying what worked (C2) - CEO of acquired kept (C2)	Non-integration to not destroy value of acquired	Insulated integration
- Analysis of value-carrying functions for customers deciding non-integration (C2) - Analysis of acquired party's business model (C2)	Analysis beyond customer interface	
- Building new servitised division based on learnings from past acquisition (C1) - Subsequent acquisitions focused on customer value creation (C2)	Customer orientation guiding subsequent developments	Transformative integration
- Organising copied by past target (C1) - Integration among firms with similar servitisation (C2) - New capabilities leading to new interfaces (direct with end-customers) (C1)	Business model integration relating to similarities in customer orientation	

Source(s): Figure by author, inspired by Gioia *et al.* (2013)

Figure 1.
Coding tree. C1 and C2
refer to Case 1:
PublishingHouse's
acquisition of
TeachingCorp, and
Case 2: StandardWeb's
acquisition of
TailoredIT,
respectively

literature, where capabilities are frequently linked to the acquisition of innovative firms. As an example of axial coding in the StandardWeb case, the coding revealed how the acquirer developed a customer orientation guiding new acquisitions and integrations, categorised as "Customer orientation guiding subsequent developments."

Developing integration types as aggregate dimensions (Gioia *et al.*, 2013) involved comparing codes within and between cases for each integration. This led to the identification of three integration types linked to business model and customer orientation. These integration types were subsequently connected to the integration of the business model and customer orientation. This connection facilitated an assessment of the extent to which servitisation objectives were achieved through various integration approaches and permitted an examination of the perceived value and consequences for customers and other stakeholders associated with each integration type. Following coding, findings were compared to existing research, enabling the formulation of theoretical contributions.

4. Findings
The three types of integration, as depicted in Figure 1, are summarised in Table 2, and further explained below.

4.1 Rhetorical integration
Rhetorical integration involves an acquirer strategically using an acquisition to present itself as servitised without genuinely integrating business models or adopting a customer orientation. This integration type aligns with Haspeslagh and Jemison's (1991) holding approach. In this type, the acquirer purchases a firm primarily to position itself as servitised, even though it maintains a product orientation. The acquired firm's offerings are viewed as

Type	Rhetorical integration	Insulated integration	Transformative integration
Meaning	Servitised firm acquired to be able to say that the acquirer is servitised	The business model in focus with non-integration of functions that would negatively impact customer connections	The acquirer adopts a customer orientation through learnings from past acquisitions
Servitisation at focus in integration	–	Business model	Customer orientation and business model
Servitisation consequences	The acquirer is not servitised. Through integrating product orientation, the acquired party's servitisation, customers and other stakeholders may be affected in a circle affecting the business model of the acquired firm negatively (lost capabilities)	The acquirer is not servitised. The acquired party continues as before with limited/no changes in customers and collaborations	Acquirer adopting a customer orientation affecting future acquisition and collaboration choices
Possible customer and stakeholder consequences	Stakeholder losses following from staff losses. Customers reacting to decreased capabilities	Present customers of the acquired firm in focus	Focus on new offerings directed at new customers

Source(s): Table by author

products and servitisation is seen as a marketing tactic primarily employed by the marketing and sales departments. Rhetorical integration serves as a signal (cf. Steigenberger and Wilhelm, 2018 on rhetorical signals) to stakeholders, particularly shareholders and financial providers, with customers likely discerning the gap between rhetoric and reality.

This integration was observed in PublishingHouse's acquisition of TeachingCorp. In this case, PublishingHouse began labelling itself as an educational training company, but it continued to describe training as products, referring to training modules and teaching instructions as books, and not embracing a value-in-use orientation (Vargo and Lusch, 2004) or altering its business model. The acquirer focused on customer interfaces in terms of brands and marketing departments, lacking a comprehensive customer orientation (cf. Homburg and Bucerius, 2005; Capron and Hulland, 1999).

> We now have several training packages in our product portfolio, in addition to our textbooks. (Marketing Manager, PublishingHouse)

While the acquirer abstained from integrating business models or customer orientations, despite servitisation being the acquisition motive, other integrations may take place. For instance, administrative routines were integrated post-acquisition (Steigenberger, 2017), driven by the acquirer's product orientation and efficiency goals. Upstream operations may also be contemplated, as they are perceived as disconnected from customers. The case involved several of TeachingCorp's upstream collaboration partners severing ties, including a significant collaboration with Publish Ltd. However, the acquirer's product orientation restricted its ability to think beyond direct customer interfaces (Homburg and Bucerius, 2005).

In PublishingHouse's acquisition of TeachingCorp, the integration of administrative routines and the acquirer's product orientation had ripple effects on the acquired firm's

customers and other stakeholder connections. Efficiency-driven integration exacerbated cultural clashes (cf. Teerikangas and Thanos, 2018; Stahl and Voigt, 2008), leading to staff departures and severed partnerships, resulting in capability losses for the acquired firm's service practices and impacting customers.

> The transition from a financial to a strategic owner was a painful process for us. Previously, we were an independent entrepreneurial team, but after the strategic investor came in, they wanted to be involved in our day-to-day activities and integrate our business with theirs. (Financial Director, TeachingCorp)

Rhetorical integration, therefore, has consequences for both the servitisation of the acquired party and, through its product orientation and administrative integration, the broader stakeholder landscape. In the case, these consequences unfolded as a chain reaction, starting with staff departures, followed by the termination of upstream collaborations and capability losses, resulting in customers perceiving the value propositions as less attractive. In this context, upstream connections were severed and customer dissatisfaction was expressed verbally. The defining characteristics of rhetorical integration include: (1) The acquirer presenting itself as servitised without being so; (2) The acquirer's product orientation influencing the acquired party's servitisation and (3) The acquirer's lack of customer orientation impacting upstream and internal integrations and collaborations, as depicted in Figure 1.

4.2 Insulated integration

Insulated integration is a deliberate approach where the acquirer avoids integrating elements directly impacting customer connections, going beyond the immediate customer interface. Öberg (2008) defined these elements as value carriers, varying across customer connections and encompassing maintenance staff, products or services answering the question "What makes the customer stay with us?" Insulated integration acknowledges that customer connections create interdependencies and social bonds that deter customers from switching to other suppliers. Any alterations to these value carriers can potentially trigger customers' intentions to explore alternative options. Akin to rhetorical integration, insulated integration results in limited integration, as seen in StandardWeb's acquisition of TailoredIT.

> We carefully analysed what parts of the acquired firm were important for their customers. Being service firms, this extended well beyond the front desk and interfaces. (CFO, StandardWeb)

Unlike rhetorical integration, insulated integration focuses on understanding customer value creation, recognising that it extends beyond the direct interface, brands, marketing and sales departments (cf. Capron and Hulland, 1999; Homburg and Bucerius, 2005). Insulated integration embraces a comprehensive business model orientation to grasp the acquired firm and potential integration consequences. As a result, the integration may be even more limited than rhetorical integration. For instance, upstream collaboration partners may be essential as value carriers. Based on how value carriers differ among firms, there is though variations in what is integrated and what is not (Öberg, 2008). Although the focus is on business models rather than customer orientation, non-integration also maintains the acquired party's customer orientation without transferring business models or customer orientation to the acquirer.

In StandardWeb's acquisition of TailoredIT, a thorough due diligence process emphasised the significance of the acquired party's staff and CEO as crucial assets. StandardWeb refrained from extensive integration, only replacing board members to assert ownership. Administrative routines remained unchanged and the CEO of TailoredIT retained her position. The decision not to pursue further integration was motivated by StandardWeb's belief that staff played a pivotal role in maintaining TailoredIT's customer connections, and the perceived risk of losing essential staff through integration was considered substantial.

There is no need that both companies perform the same tasks or sell the same things, not for a consultancy firm. It does not become more expensive; it is cheaper not to centralise. Centralising means increased overhead costs. (CEO, StandardWeb)

While some leads were transferred between the parties, these transfers were prompted by customer requests for additional solutions. The absence of integration permitted the firms to continue operating differently. TailoredIT's customer connections experienced minor positive changes, primarily related to resolved concerns about the company's financial status. Consequently, insulated integration had limited and mostly positive consequences for customers and other stakeholders, enabling the target to maintain its servitised approach while the acquirer assumed more of a holding role than operating as a servitised entity.

Insulated integration emphasises a holistic business model approach and considers potential negative consequences before making integration decisions. Key characteristics include: (1) Preserving elements creating value for customers through non-integration and (2) Extending preservation beyond the direct customer interface.

4.3 Transformative integration

The third integration type, transformative integration, involves the gradual adoption of a customer orientation and a servitised business model by the acquirer. Interestingly, this transformation did not result directly from integrating acquired firms but unfolded over time (cf. Rouzies *et al.*, 2019), especially with multiple subsequent acquisitions and interactions in the cases. While these acquisitions, at best, led to business model considerations (insulated integrations), the customer orientation was largely overlooked. However, through repeated acquisitions and interactions, acquirers gradually transformed towards a customer orientation.

In the case of PublishingHouse, this transformation occurred since TeachingCorp's operations ceased due to legal changes. Over three years of ownership and cultural clashes, strengthened connections with public bodies prompted PublishingHouse to reconsider its offerings. As a result, it developed various services to complement its past operations and become more customer oriented. The acquisition of TeachingCorp inspired PublishingHouse to launch a Spotify-like servitised initiative focused on e-reading.

While the acquisition [of TeachingCorp] was anything but a success, our interaction with their contractors and learning their way of thinking, shook our past ways of thinking. (Product Manager, PublishingHouse)

TeachingCorp, having worked with collaboration partners, inspired PublishingHouse to join forces with five competitors to create the e-reading company. This initiative was placed as a division of PublishingHouse. Additionally, PublishingHouse increasingly ventured into education by collaborating with university campuses and offering student quizzes, again from a value-in-use perspective (cf. Vargo and Lusch, 2004).

We need to support students in their training and offer them reading access. They should be able to choose their readings, while we facilitate services to ease their studies. (Division Manager, PublishingHouse's For-use Division)

While remaining a publisher, PublishingHouse adopted co-created servitisation through new subsidiaries, turning its attention to new customers rather than existing ones as it pursued servitisation, despite the common ambition in servitisation to strengthen existing customer connections (Ulaga and Kowalkowski, 2022).

In the case of StandardWeb, transformative integration happened through continuous acquisitions. StandardWeb began prioritising elements creating value for customers through its approach to acquisitions, increasingly becoming a holding owner of these companies by

separating itself from them while integrating among the targets. The company selectively targeted entities based on their potential to provide value for customers, with these customers differing from StandardWeb's previous customer base. Along with these acquisitions, StandardWeb bought firms that were servitised from the start, while developing its customer orientation in a way that signalled a customer orientation across the selection of targets. The acquisitions were made to adjust to current market trends and expand offerings to meet customer demands:

> In addition to customisation, we wanted to be at the forefront of offerings. We made small acquisitions to reach offerings asked for by customers. (CFO, StandardWeb)

Examples of such acquisitions included firms that helped customers with innovation, change management and sustainability, all of which offered customer-specific services. StandardWeb integrated operations and capabilities linked to customer values, relations and partnerships (Huikkola *et al.*, 2020) among the targets. Technological skills (Kimita *et al.*, 2022) remained separate and customer interfaces were untouched. The subsequent acquisitions in the StandardWeb case indicate how the acquirer used acquisitions to servitise among offerings, with acquisitions being highly customer-oriented in terms of the offerings added. StandardWeb more and more became a customer-solution firm (and less of a firm operating with standardised products), while acting as a holding company for the servitised operations.

Transformative integration highlights: (1) How acquirers learn to adopt a customer orientation through repeated acquisitions and integrations; (2) How the customer orientation becomes disconnected from business model adaptation and (3) An emphasis on new offerings directed at new customers rather than the acquirer's present customers. According to the cases, the acquirers eventually became servitised, with acquisitions based on customer orientation or new divisions arranged based on such orientation. The cases indicate process stages of capability earnings from past acquisitions and integrations, leading to the development of a customer orientation guiding the creation of new operations or additional acquisitions. It is noteworthy that the acquirers developed a servitised business model only once the customer orientation was in place.

4.4 Choice and dynamics of integration types

The three integration types illustrate how integrating servitised firms differs from traditional integration approaches like human and task or operational and cultural integrations (Weber and Tarba, 2013; Birkinshaw *et al.*, 2000). These traditional approaches are typically driven by opportunism arising from the similarities and complementarities between the acquirer and the acquired party, while being hindered by their differences (Zaheer *et al.*, 2013). They aim to combine functions, where the acquisition literature has highlighted the need for caution when it comes to interfacing with customers (Homburg and Bucerius, 2005). Integration with the intention to servitise the acquirer means adjusting the integration to the acquisition motive rather than focussing solely on synergies or efficiency gains. While this partly resembles acquisitions to obtain innovations or innovativeness from an acquired firm (Ranft and Lord, 2002) it importantly includes dealing with customers as external stakeholders and how value should be created for them.

Among the integration types, rhetorical integration best reflects how integration is typically handled in the acquisition literature: a narrow focus on customers, backend integration for efficiency gains (such as administrative routines in the case of PublishingHouse), and a product-oriented integration process.

However, by distinguishing between the integration of business models and customer orientation, other important issues come to the forefront, as observed in insulated and transformative integrations. Business model integration considers critical factors for value

propositions, involving activities, upstream stakeholders and collaborators. It shifts from traditional function-based integration to focus on interconnected activities for value offerings (cf. Zott and Amit, 2010). Meanwhile, customer orientation centres on a mindset devoted to understanding customers' value in use (Vargo and Lusch, 2004), innovating, and evaluating value propositions. In transformative integration, this orientation is learnt and developed over time, reshaping the integration process to be about: (1) Developing knowledge and capabilities from previous acquisitions, then; (2) Developing customer orientation and finally; (3) Designing business models based on such an orientation. As interestingly depicted in the cases, transformative integration is not aimed at existing customers but rather at new ones, despite servitisation's typical focus on strengthening connections with current customers.

There are some distinct features that differentiate the integration of servitised firms from past acquisition knowledge, and these become particularly important if the acquirer aims to be servitised: (1) A shift from focussing on integration of company functions upstream to a focus on activities and their interconnectivity for value offerings and resisting integrating elements crucial for customers; (2) A reverse stage process starting with knowledge and capabilities, rather than these being the outcome of the integration; (3) Customer orientation preceding business model integration, while acquisition research often sees task and operational integration as forming the latter cultural integration, and; (4) Servitisation aimed at strengthening connections with customers is challenged by how the integration becomes focused on new offerings directed at new customers. The knowledge from past acquisitions and the focus on new customers contextualise integration. Worth noting across these features is how the integration also affects the one being integrated if the business model is not followed. Figure 2 illustrates the various steps and foci across the three integration types.
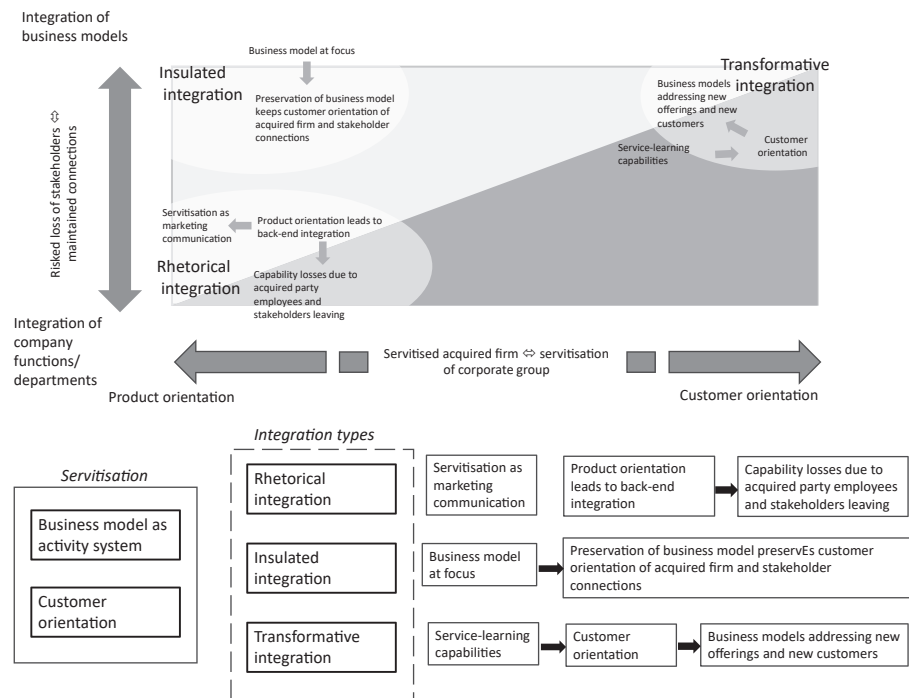
Figure 2.
Features of integration types and their stages from a business model and customer-orientation integration point of view

Source(s): Figure by author

5. Conclusions
This paper categorises types of integration following acquisitions of servitised firms and discusses their consequences for servitisation. Three integration types are theorised: (1) rhetorical, (2) insulated and (3) transformative. Only transformative integration entails the acquirer embracing servitisation in both business model and customer orientation. Integration consequences are as follows: Rhetorical integration may lead to potential losses in the acquired firm's customer orientation and the disengagement of upstream stakeholders. Insulated integration has limited effects, both positive and negative, without resulting in the acquirer's servitisation. Transformative integration focuses on new customers and stakeholders, with the acquirer adopting a customer orientation in its strategic management of firms.

5.1 Theoretical contributions
This paper makes three main contributions: firstly, exploring servitisation modes; secondly, identifying three observed integration types and thirdly, unveiling the stages of becoming a servitised acquirer.

While existing servitisation research extensively covers motives, benefits, pitfalls and processes (Sjödin *et al.*, 2019; Wang *et al.*, 2018), the exploration of servitisation modes, especially in the context of external parties' involvement, remains limited (Öberg, 2019), albeit a decision to servitise would instantly be followed by the question of how to do so. Recent literature on platforms, ecosystems and communities has moved servitisation in a direction where we can increasingly see the involvement of external parties in servitisation endeavours (Kamal *et al.*, 2020). Acquisition as a recurrent strategy of external sourcing connects not only to digitalisation but more broadly to the reach of resources and capabilities needed (cf. Huikkola *et al.*, 2020). Yet, acquisitions have largely been overseen in the servitisation literature. This paper becomes an early contribution that both necessitates and hopes to inspire future research on servitisation through acquisitions.

The three integration types rhetorical, insulated, and transformative offer a nuanced understanding of acquisitions of servitised firms in the implementation phase, going beyond empirical descriptions (Durugbo and Erkoyuncu, 2016; Kang and Kang, 2014; Raja *et al.*, 2018) and, based on the empirical setting as well as the focus on a non-servitised acquirer buying a servitised target, extends beyond scenarios of acquisitions that involve combinations of servitised acquirers and targets in Chinese acquisitions into advanced-economy markets (Xing *et al.*, 2017). The three types of integration along dimensions of business model and customer orientation become theorised combinations that highlight the rare soft aspect discussion in servitisation research (Kowalkowski *et al.*, 2017a) and underscore its relevance.

The dimensions of business models and customer orientation highlight stages of integration and changes over time among the integration types (cf. Kroon *et al.*, 2022; Rouzies *et al.*, 2019). Although firms may choose to integrate to different degrees, in different directions, at different times and integrate various functions, the customer orientation as a crucial dimension emphasises that servitisation evolves organically through learning rather than being acquired. This customer orientation becomes a key factor influencing strategic decisions. On the other hand, business models may be transferred in terms of activity systems, either fully or partially, to resist integrating elements that are crucial to customers. The focus on new offerings and customers resulting from transformative integration, rather than strengthening existing relationships and the impact of rhetorical non-integration on the acquired firm's servitisation, are particularly noteworthy for the servitisation literature. In summary, this paper serves as an early attempt to bridge the gap between acquisition and servitisation research, providing insights into the complexities of integration and its implications for acquisition as a servitisation mode.

5.2 Managerial implications

Transformative integration, the only integration type achieving servitisation for the acquirer, begins with learning and developing servitisation capabilities. This raises practical questions about whether trial-and-error through acquisitions is necessary or if acquirers embarking on their acquisition journey can attain these capabilities without undergoing other types of integration. One possible approach involves organically adopting a customer orientation through servitisation and using acquisitions to complement offerings, like the subsequent acquisitions in the StandardWeb case. Another avenue involves learning through collaborations with servitised firms or from research and other sources focussing on servitisation's soft aspects.

It is crucial to note that acquiring firms for servitisation challenges past knowledge on acquiring for efficiency gains. This paper emphasises the shift towards not integrating, learning to embrace a customer orientation, and developing business models targeting new customers rather than those cautiously approached through non-integration. An acquirer with the objective of servitising its operations through acquiring servitised firms should consider a series of questions: How can we shift our focus to customers' value in use? What are our customers' specific needs and preferences? Where do we lack capabilities and how can acquisitions bridge these gaps? How can acquisitions prioritise customer value over operational gains? What risks are associated with venturing into new offerings and customer segments?

Internal workshops can align orientations across the firm, fostering a non-hierarchical structure that encourages communication and collaboration among different departments and acquired units.

5.3 Limitations and future research

The distinction between business models and customer orientation, the identified reverse stage process, risks of reduced servitisation for an acquired firm, the integration types and the shift towards new customers and offerings are expected to be relevant beyond the cases presented here. With acquisitions of servitised firms being a recurring phenomenon, further research in this area is imperative. Comparative studies in developing countries, high-tech sectors and sustainability-oriented operations, along with more case studies, can help expand and challenge the findings of this paper.

Exploring acquisitions with service organisations as acquirers and comparing acquisitions of servitised firms with other modes of servitisation would be intriguing for future research. Moreover, investigating emerging developments in the acquisition literature, such as ecosystems, business models, internationalisation and the role of acquisitions for multinational firms and born globals, where services add a crucial dimension, would be valuable. In summary, the modes of servitisation warrant more research attention. Specifically regarding acquisitions, this paper hopes to inspire future studies on the mode of servitisation, transformative integration and value carriers in service research.

Note

1. Logic is used in the business model literature to portray ways of organising (Margetta, 2002), while logic in the service literature may include both the organising and soft aspects of customer orientation (Kowalkowski *et al.*, 2017a). To avoid the confusion of the different meanings of logic in the literature, this paper uses customer orientation to link the soft aspects directly to value-in-use (Vargo and Lusch, 2004).

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