Strategic Management of the sales force in the transition to servitize

Master's Thesis in the Master's Programme Design and Construction Project Management

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CHALMERS UNIVERSITY OF TECHNOLOGY
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ABSTRACT

The purpose of this study is to identify what challenges, success factors and internal frictions a sales organisation within the ICT sector encounter due to a strategy towards becoming solution providers and increasing the importance of services, in other words to servitize.

As a result of competition from low cost economies and a growing installed base, manufacturing firms have begun to increase the importance of services and adopted a strategy towards going downstream. The trend is by researchers and in this thesis titled as servitization. Among firms within the information and communication technology (ICT) sector, there is a vast business opportunity for firms to servitize due to a rapid development of software. However, servitization implies to adopt solution selling that is "demand driven" instead of "supply driven" and as a result, the sales force encounter vast challenges due to fundamental changes in their way of working. At the same time they constitute a pivot role in the transformation and despite the importance to adopt a sales organisation the literature is rather sparse upon the topic, especially on how it can be accomplished. This study aims to contribute to this gap.

The analysis of conducted interviews at one ICT firm currently in the transition to servitize identifies several challenges for the firm´s sales regions. The main theme is that the transition implies a new way of working. However, two major issues are identified as obstacles currently preventing the process towards servitization and the new way of working; collaboration between the global and local organisation as well as dissimilar perception between the HQ and the sales organisations. Respondents from the HQ consider the sale department to be the bottleneck, while the sale organisation claims the opposite. Thus, in order to manage the internal frictions and identified issues three key areas are identified to be of great importance; competence development, global and local collaboration and organisational support. For an example, in order to become solution providers the firm must be able to quickly adapt to customers need at the local market and thereby more internal communication and quicker feedback loops with the R&D department is required. This is also a way to bridge the internal frictions. By doing so, the current challenges could be transformed to tomorrow's success factors rather than today's obstacles.

Thus, the study recommends the ICT firm to hire and train sales staff in order to get the required competence, manage global and local collaboration and finally to increase the organisational support.

Key words: *Servitization of manufacturing, Product-Service Systems, Servitization within ICT, Solution Selling, Consultative selling, Sales management.*

Strategisk ledning av säljorganisationen i transformationen mot att tjänstifiera

Examensarbete inom asterprogrammet Design and Construction Project Management

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SAMMANFATTNING

Syftet med denna studie är att identifiera de utmaningar, framgångsfaktorer och interna friktioner som kan uppstå då en säljorganisation inom ICT sektorn genomgår transformationen mot försäljning av helhetslösningar samt ökar den strategiska vikten av service och tjänster.

På grund utav ökad konkurrens från lågkostnadsländer samt en ökad kundbas har många tillverkande företag infört en strategi vilken innebär att öka betydelsen av service samt att gå nedströms i värdekedjan. Trenden är av forskare och i denna studie benämnd som tjänstefiera. För företag inom sektorn av information och kommunikationsteknologi (ICT) finns stora affärsmöjligheter med att tjänstefiera då det under senare tid skett en snabb utveckling och tillgång på mjukvaruapplikationer. Ur ett organisationsperspektiv utgör säljorganisationen en avgörande roll i en framgångsrik transformation. Samtidigt innebär att tjänstefiera en ny säljmetodik och för säljorganisationen ett nytt sätt att arbeta på. Den tillgängliga basen av litteratur och forskning som behandlar detta ämne är knapp, detta trots den stora betydelsen av att anpassa säljorganisationen i en transformation mot att tjänstefiera. Denna studie syftar till att överbrygga denna brist och önskar bidraga till rådande litteratur och forskning.

Analysen av genomförda intervjuer på ett företag inom ICT sektorn visar på att det finns flertalet utmaningar för företagets säljorganisation i processen att tjänstefiera. Huvudtemat som identifierats med hänsyn till transformationen är att det för säljorganisationen kommer att innebära ett nytt arbetssätt. I relation till detta har två problem som hindrar den nuvarande transformationens framfart identifierats; samarbetet mellan den lokala och globala organisationen samt interna friktioner som härrör ur skillnaden i uppfattning om vem som utgör flaskhalsen, säljorganisationen eller ledningen på huvudkontoret. För att hantera dessa två hinder har tre fokusområden identifierats vara av stor vikt att beakta; kompetensutveckling, globalt och lokalt samarbete samt organisatoriskt stöd. Exempelvis måste företaget kunna svara mot snabba lokala marknadskrav och volatilitet och för att hantera detta behövs snabb återkoppling samt ett bättre internt samarbete mellan säljorganisationen och FoU-avdelningen. De tre fokusområden är således viktiga att hantera i processen mot att tjänstefiera, för att kunna bli lösningsorienterade samt för att överbrygga nuvarande interna friktioner.

Nyckelord: *Servitization of manufacturing, Product-Service Systems, Servitization within ICT, Solution Selling, Consultative selling, Sales management.*

Contents

Preface and acknowledgements

Due to our passion and interest in management and innovation we felt fortunate when we this spring got the opportunity to conduct a study at a firm currently in a phase of transition towards becoming solution providers increasing the importance of services. The firm will be treated with confidentiality throughout the report but we want to highlight that we find the firm to be innovative and particularly interesting due to the target business segment of healthcare. This served as the starting point of this thesis and strengthened our commitment to contribute to both the firms' challenges in the transition but also to the area of research.

This master thesis has been highly dependent on the cooperation from several different participants from both the focal firm of the case study as well as supervision from Chalmers University of Technology. First, we would like to express gratitude to the focal firm of this study for all the support, access to information and supervision. We are sincerely thankful for the time and engagement in the study and for the opportunity to conduct interviews with several participants, even though we cannot mention you by name due to confidentiality, you know who you are.

Secondly, we want to send our special gratitude to Petra Bosch, Associate professor and Head of Division, and Siri Jagstedt, Doctoral student, at Chalmers University of Technology for all the appreciated time, valuable feedback, enthusiasm and for sharing your knowledge with us.

Lastly we want to send a collective thank you to all who have supported us by any other means during spring 2015.

We hope that the findings of our master thesis will be further developed and pave the way for future research on sales management within the transition to servitize.

Hope you will enjoy your reading and find the study interesting!

Victoria Berggren **Ellen Hagstrand**

Gothenburg, June 2015

1 Introduction

This chapter provides a basic introduction of the research. Background information regarding sales organisation's role in the transition to servitize and a presentation of the focal firm for the case study is presented. Furthermore, the purpose and research questions of the study is identified and followed by scope, delimitations and disposition of the report.

1.1 Servitization in manufacturing firms

During the last 25 years, researches have highlighted how companies may creatively integrate services with their product offerings to deliver added value for customers to enhance advantage compared to competitors (Wise & Baumgarter, 1999; Neely, 2007; Spring & Araujo, 2009; Baines et al., 2009). Combined product-service offerings may be a robust defence in the manufacturing sector, towards firms in low cost economies due to the high installed product base (Wise & Baumgartner, 1999). Many manufactures have therefore begun to shift strategy towards going downstream and increase the importance of services (Davies et al. 2006; Wise & Baumgartner, 1999).

Today, major global firms such as IBM, GE, HP and Ericsson among some are providing integrated solutions rather than, as earlier, stand-alone commodities. The transition from products to more advanced services and finally solutions is defined as Servitization and was introduced in the late 1980s by Vandermerwe and Rada (1988).

Firms that do not acknowledge the trend to become more service-driven and adopt the transition to servitization risk failing and are left behind in the competition (Kralingen, 2010). Additionally, there is a vast business opportunity for firms to increase their revenue by co-creating their value, especially for firms within information and communication technology (ICT) due to a revolution of software applications (Andreessen, 2011; Elfving & Urquhart, 2013; Ahamed, Inohara & Kamoshida, 2014; Cusumano, 2004). Thus, the ICT market is becoming more software-centric and device manufactures with an obsolete attitude of considering only physical commodities being valuable are rapidly becoming a threat to future business success (techrepublic, 2012).

However, there are major challenges to overcome in a transition to servitize, especially for firms in the ICT industry due to strong product focused culture and in which services generally integrates with the product in a late stage in the delivery process (Oliva & Kallenberg, 2003; Aurich et al. 2006; Mont, 2002).

1.1.1 Sales organisation and servitization

When focusing on the different parts of an organisation the sales department is considered to have a pivot role in order to accomplish a successful transition towards servitization (Brown et al, 2013; Sheth & Sharma, 2008; Reinartz & Ulaga, 2008).

The new business model that the transition requires implies to adopt solution selling which is “demand driven” instead of “supply driven” which furthermore is more appropriate for high-technology products and services (Evanschitzky, 2008). This in turn implies a fundamental shift for the salesperson that now need to become a problem solver building better relationships with the customer. In a survey of 134 sales managers the majority, 69 per cent, considered the movement to solution type sell as the most difficult transitional challenge ("Shift to consultative selling", 2006). Additionally, Brownes et al. (2013) discuss sales forces disability to effectively respond to the rapid and increased expectations of today's customers. To conclude, sales forces encounter vast challenges due to fundamental changes in their way of working and at the same time they constitute a pivot role in the transformation.

Despite the importance to adopt the sales organisation in such fundamental transition to servitize, the literature is rather sparse upon this topic, especially on how it can be accomplished (Evanschitzky, 2008). Brownes et al (2013) further claim that methods addressing internal sales force change dynamics are urgently needed. This study aims to contribute to this gap, by identify challenges and success factors within this transformation.

1.2 Purpose and research questions

Purpose of the study is to investigate what challenges, success factors and internal frictions that arise for a firm within the ICT industry when transforming to become solution providers with focus on the sales department. Moreover, by doing so this study aims to contribute to the topic that is rather spare when discussing strategic management for the sales department in the transition to servitize. In order to do so following research questions have been constructed:

- What are the major challenges inherent in the transition to servitize for a sales organisation?
    - What internal frictions can arise with the sales office and the rest of the organisation in such transition?
- What are the major success factors inherent in the transition to servitize for a sales organisation?

Hence, the research will be based upon two theoretical main frameworks targeting the topics of servitization within manufacturing and ICT firms and research on the topic of sales and marketing with a main focus on solution selling.

1.3 Case study firm

This master thesis will be based on a case study at a worldwide telecommunication firm providing technological know-how in market segments where communication is critical. Customers are found in areas ranging from hospitals, elderly care, industry, retail sector, secure establishments and hotels. Today, the firm has a developed product portfolio of hardware, which they successfully sell to new customers but also develop or upgrade to the existing installed product base. In recent time, vast investments have been made in software development within the firm.

The strategy of the company implies high margin businesses in niche markets, primarily in the healthcare ICT and telecom sector, where the firm can acquire first or second leadership positions, supported by global demographic and technological trends. Differentiation is gained through providing communication solutions, integration with existing systems and with the firm's´ purpose-built commodities. The strategy further implies to create customer value through customized systems and tailor-made applications and solutions. In simple words, the firm seeks to be driven by customers' needs rather than technology standards and the aim is to find the "best fit" technology to improve the communication and as a result, increase customers workflow efficiency and return on investment.

Due to the fact that the firm´s products are becoming more complex and integrated with software, the business is currently in a phase of transition to servitize, in other words the aim is to sell integrated service solutions rather than as earlier hardware commodities. This transition is further a mean for diversification and vertical integration in order to stay competitive.

1.4 Scope and delimitations

The scope of this master thesis is to study the implications of the transition, from hardware- to software-centric and product to solutions provider, in the perspective of five different sales regions of the case study firm. Major challenges as well as internal frictions will be investigated and further explored. Thus, the empirical findings are based on interviews conducted at one firm within the ICT industry. Moreover, the firm has adopted a strategy implying targeting high margin businesses in niche markets, primarily in the healthcare ICT sector. Thus, it should be taken into account that the final conclusions relate to challenges, success factors and internal frictions from this one firm operating in a specific market and thereby no general conclusions about servitization for any manufacturing firm´s sales organisations can be drawn. However, it should be mentioned that discussion around challenges and success factors have been kept at a fairly general level avoiding industry specific topics and recommendations.

Moreover, the report is delimited to mainly highlight an inside-out perspective on the transition and thereby no external customers have been participating in the interviews. Thereby, the conclusions will be related to general theory in comparison to empirical findings derived from inside the focal form of the study.

Furthermore, this report has been delimited to present empirical findings from five out of seven sales regions. These are the main sales regions and covers different perspectives in the transition due to different customers, distribution channels, and developed solution selling capabilities. Rather than comparing differences among the sales regions of the firm the ambition has been to highlight different challenges and success factors that occur in different stages in the transition. Thereby, all perspectives are taken into account for the analysis without any great concern regarding the sales regions current position in the progress to servitize. Moreover, since the interviewed respondents from the sales regions operate in different countries and with different customers the discussion around challenges and success factors have been kept at a fairly general level avoiding industry specific topics and recommendations.

1.5 Disposition

In order to give a brief overview of the content within the report this disposition includes a short summary of the different chapters.

The thesis is structured accordingly;

Chapter 1: Introduction
This chapter provides a basic introduction of the research. Background information regarding sales organisation's role in the transition to servitize and a presentation of the focal firm for the case study is presented. Furthermore, the purpose and research questions of the study are identified followed by scope, delimitations and disposition of the report.

Chapter 2: Theoretical framework
The chapter constitutes the theoretical framework, including an introduction to servitization within manufacturing firms, servitization in the ICT industry, business of software and hardware and in order to give a more comprehensive theoretical framework, two secondary case studies are discussed. This is followed by a section of sales and marketing with a main focus on solution selling.

Chapter 3: Methodology
This chapter describes the method chosen to answer the research questions. The research strategy and design will be presented and followed by the thesis process and data collection. Furthermore, the quality of the research will be discussed based on the chosen methodology.

Chapter 4: Presentation of the case firm
In this chapter a description of the focal firm and the sales regions of the case study is presented.

Chapter 5: Analysis
The chapter present the empirical findings derived from conducted interviews from two groups, respondents from headquarter (HQ) and from five sales regions. The findings are furthermore divided into challenges and success factors. Thus, the empirical data will constitute two sections followed by two charts summarizing the findings.

Chapter 6: Discussion
The outline of the chapter is structured to firstly discuss the overall transition for the sales organisation in regards to the ICT industry and servitization. Secondly, a new way of working is discussed to be the main challenge. Finally, three focus areas highlighting and discussing how to manage the main challenge is presented.

Chapter 7: Conclusions
This chapter provides answers to the three research questions and presents the major conclusions made in this thesis. At the end, future research is discussed.

2 Theoretical Framework

The following section will present the background for servitization, highlighting incentives for firm to adopt this as well as important factors to consider in order to succeed with the transformation. Furthermore, the transition within the ICT industry and the sale department role will be presented which will be the main focus of this report.

2.1 Servitization in manufacturing firms

During the last 25 years, researches have highlighted how companies may creatively integrate services with their product offerings to deliver added value for the customers to enhance advantage compared to competitors (Wise & Baumgarter, 1999; Neely, 2007; Spring & Araujo, 2009; Baines et al., 2009). Combined product-service offerings may be a robust defence in the manufacturing sector, towards firms in low cost economies due to the high installed product base (Wise and Baumgartner, 1999). Many manufactures have therefore begun to shift strategy towards going downstream and increase the importance of services (Davies et al. 2006; Wise & Baumgartner, 1999).

Today, global firms such as IBM, GE, HP and Ericsson among some are providing integrated solutions rather than, as earlier, stand-alone commodities. The transition from products to more advanced services and finally solutions is defined as Servitization and was introduced in the late 1980s by Vandermerwe and Rada (1988).

The shift towards process oriented offerings require the firm to add services components and reformulate earning logic to continuous cash flow rather than discrete and thereby move towards more complex offerings (Raddats & Easingwood, 2010; Storbacka et al., 2013). Moreover, the transition in the relationship between customer-supplier towards relational nature requires the firm to increase flexibility, proactivity, customized and long-standing relations with both partners and customers (Brax & Jonsson, 2009; Matthyssens & Vandenbempt, 2010). If a firm can manage a transition in all dimensions, they can according to Kowalkowski et al, (2015) be seen as providing solutions rather than delivering services.

In line with Martinez et al. (2009) servitization is seen as the journey towards changing the organisation's product-service offering. In figure 1 the servitization continuum which focuses on the customer-supplier interface is presented.

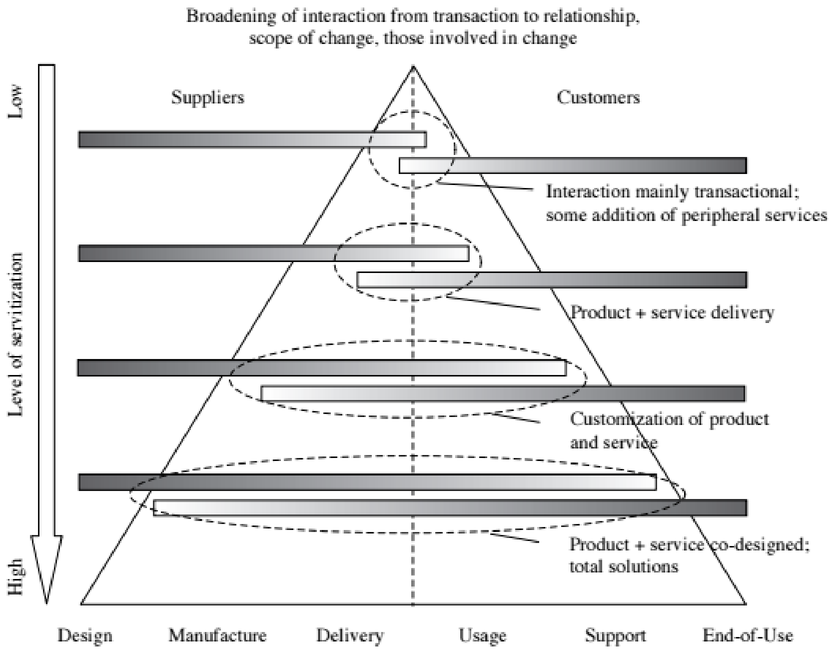

Figure 1 - Servitization continuum (Martinez et al., 2010, p.451)

To summarize, the transition implies a change process in which the importance of the firm’s services increases and constitute a movement towards becoming a solution provider satisfying customer needs (Oliva & Kallenberg, 2003). Management literature and consultants argue that this is a necessary movement for manufacturing firms to stay competitive (Lightfoot, 2012; Lay, 2014). In addition, marketing scholars argues that service should be the basis of economic rather than goods and therefore stress the importance for all firms to take this service perspective (Grönroos, 2011; Vargo & Lusch, 2004).

Kowalkowski et al, (2015) have identified three established dimensions within this transition. Firstly, the shift from product to process oriented services (Antioco et al., 2008; Eggert et al., 2014; Ulaga & Reinartz, 2011). Secondly, the move from standardized to customized services (Lightfood & Gebauer, 2011; Matthyssens & Vandenbempt, 2010) and lastly the move towards relational services rather than transactional (Olivia & Kallenberg, 2003; Penttinen & Palmer, 2007). The implementation of these transitions is described as gradual (Ulaga & Reinartz, 2011) and sequential, since parallel changes are associated with complexity (Olivia & Kallenberg, 2003).

Furthermore, Helander and Möller (2007) present three system-suppliers roles; equipment supplier, availability supplier and performance supplier. These are linked to the firm’s strategic positions as well as their customers’ strategic position.

An equipment supplier provides standardized products-oriented services that are linked to the product (Kowalkowski et al., 2015). The supplier attention is on product sales and the additional services support and maintain the product business. The role as an equipment provider replies to customers wanting to remain quite independent of suppliers (Helander & Möller, 2007). The ownership of the product will belong to the customer by a traditional selling process. Additionally, services such as consulting and training to help customer with repair, maintenance, optimizing the application are included (Baines et al., 2007).

The availability provider use services to differentiate and offer these activities during the whole lifecycle, which corresponds to customers wanting to share capability progress together with their suppliers (Helander & Möller, 2007). The services are use-oriented, out-put based, customized and relational. Furthermore, the provider integrates internally and externally components, knowledge and services (Davies et al., 2007; Helander & Möller, 2008). On the other hand, the availability provider focus on selling an availability of a product through leasing for example (Baines et al., 2007).

Lastly, if customers mostly depend on their provider's capability and knowledge the suppliers can extend the offerings towards system co-development, optimization, process management and the role as a performance provider (Kowalkowski et al., 2015). The services manage and operate the customer's processes (Helander & Möller, 2007) and hence need to have knowledge about the customer's current and future needs.

According to Kowalkowski et al, (2015) suppliers have several roles and strategies for services, which indicates for pursuing a parallel business model. They further highlight that many suppliers extend their business instead of change into a new role. The transition to become an availability provider by offering more advanced services is where a lot of services take place. Lack of coordination and overview, internal resistance and a product-centric sales force are some of the barriers to succeed with this transformation. The sales aspect is discussed in section 2.3, hence this is the focus of the focal firm´s servitization process.

2.1.1 Steps in the servitization journey

Nudurupati et al, (2013) present eight steps that need to be considered in the servitization journey. First of all, the company have to understand the customers' perspective in order to identify value in use in contrast to the customers' requirements. Some authors present tools to identify and understand value in use (Ulaga & Reinartz, 2011; Morelli, 2009) but according to Nudurupati et al, (2013) it is not clear how to develop capabilities in order to explore the related variety of their needs. Due to that, companies have to recognise various ways of addressing these by redesigning the interface together with their customers. This by deciding whether or not to transfer the ownership of the product to the customer and which contracting method is most beneficial for both parties (Nudurupati et al, 2013). Moreover, a challenge within this step is to determine the performance, availability and use of the product, how to measure them and distribute required resources. This is related to the third theme, selling and pricing. Since it is difficult to establish the needed resources to provide service due to the uncertainty of consumed service the pricing is complex (Nudurupati et al, 2013). Therefore, organisations need to distinguish how their offerings should be priced to generate expected revenues as well as identify if they need additional capabilities.

Eight steps to consider in the servitization journey
1. Identify customer value
2. Design interface together with the customer
3. Decide pricing
4. Develop product-service system approach
5. Understand the supplying network
6. Identify and study organisational architecture
7. Decide how to measure value-in-use
8. Identify cultural change

Figure 2 - Steps in the servitization journey (Nudurupati et al., 2013)

Furthermore, the focus should be on develop an approach for designing the product-service system and identify what tools and techniques are available to support this (Nudurupati et al, 2013). Moreover, decide what activities could possibly be outsourced which leads to the next important step, understand the supplying network. This is due to explore how the relationship with the suppliers can be renewed in order to succeed with the servitization.

The following step described by Nudurupati et al, (2013) implies to study the organisational architecture. According to Baines et al, (2009) there are two outlines of investigation; structural and infrastructural change. Knowledge management is the main element in order to explore how the firm can capture and manage knowledge throughout the servitization journey (Nudurupati et al, 2013). Furthermore, Ostrom et al (2010) highlight the importance of performance management in order to deliver value-in-use by transforming the service design and business strategy. The most customer-facing measures are today focusing on value-in-exchange rather than value-in-use (Bititci et al, 2011). This is the foundation of the next theme, to identify how to measure value-in-use through performance management (Nudurupati et al, 2013).

Lastly, the organisation needs to emphasise the cultural change that comes by service oriented thinking instead of product thinking (Nudurupati et al, 2013). This transition includes both technical and people skills. Nudurupati et al, (2013) highlight the importance of explore what people skills are required in the servitization transition for organisations to understand necessary behaviour and develop as well as transform them. In addition, suitable management styles need to be explored.

2.1.2 Challenges

Martinez et al. (2009) identified five categories of internal and external challenges that emerged when an organisation transform from a product oriented towards a more product-service organisation. See figure 3 for the different categories with related key issues.

Category	Key issues
Embedded Product-Service culture	• A service oriented culture can be hindered due to strong technology orientation
Delivery of the offerings	• The organisation need to become service-centric rather than product-centric • Delivery of integrated offerings can be prevented due to lack of organisational responsiveness • Customer and provider needs to work more closely
Internal capabilities and processes	• Product and service design process needs to be arranged in order to effectively respond to customer needs and develop the integrated offerings • Performance metrics should measure the whole organisations ability to deliver the integrated offering • Product-service provision should not be measured by manufacturing based metrics
Strategic alignment	• Lack of internal cooperation, orientation of mind-set and mutual language slows down transformation
Relationship with the supplier	• Transactional relationship may prevent the external network of the provider to support the offerings • The relationships with the suppliers are not reflected by the changes in relation with the customers

Figure 3 - Challenges within the journey towards servitization (Martinez et al., 2009)

The authors points out that rooted manufacturing culture with strong product, technological and engineering orientation prevent the transformation to become a servitization organisation (Martinez et al., 2009). They identified the importance for the entire organisation to recognise the customer orientation and not just the management, in order to change culture. Slow response to customer needs and lack of understanding are some result of the absence of a common service culture. The gap between customer's expectations and the organisations ability to train the employees can be filled with help of culture. According to Bowen and Ford (2002) employees within service industries should be given a degree of decision in the creation and delivery experience to fulfil end customers needs and expectations.

When moving towards relationship-based interaction rather than transactional, increases the number and type of customer meetings (Gundlach and Murphy, 1993; Lambert et al., 1996; Cannon and Perreault, 1999). Hence, this facilitates the design due to understanding of the customer and experience of the product (Browning et al., 2002). To improve the customer interaction process Martinez et al. (2009) highlights that members from all parts of the organisation should be exposed to the customers, which could be seen as an informal training process.

Martinez et al. (2009) study implied that one particularly challenge rising when transforming towards servitization is that firms often focus on the product aspects of the offering instead of the service part. Hence, this is the comfort zone of the organisation (Mathieu, 2001; Gebauer et al., 2006).

New capabilities making it possible for the firm to compete in new service spaces is necessary when adapting to a product-service strategy (Reinartz & Ulaga, 2008). A challenge highlighted is the internal alignment of performance metrics in order to show the collective ability to deliver the solution. In addition, a revision of what is actually measured is also important. Metrics designed for product-oriented outputs are not suitable when measuring solution offerings.

Furthermore a key challenge is the mind-set and understanding between internal departments and other organisations (Martinez et al., 2009). Common language is described to facilitate strategic alignment between customer and organisations. Furthermore, the journey towards servitization also involves external challenges where the relationship with the external network plays an important role (Windahl & Lakemond, 2006).

Martinez et al. (2009) point out that the degree of challenge will be depending on where on the servitization continuum, described in figure 1, the firm aim to reach. Higher level of servitization requires a stronger interaction between customer and supplier where the challenges will become more severe and needs to be supported.

Servitization among manufacturing firms is a complex and diverse field that arise across different interdependent communities. According to Baines et al. (2009a) the field can be divided into five research communities; services marketing, service management, operations management, product-service systems (PSS) and service science. Improved awareness and utility across these is of importance to improve knowledge and quality of the production (Lightfoot, Baines & Smart, 2013). This study will first and foremost highlight and investigate the service marketing and service management research communities.

2.2 Servitization for ICT firms

In order to better answer the research questions and to develop a more comprehensive theoretical framework specific factors and insights from the ICT industry in the transition to servitize will be presented. Additionally, due to a rather sparse literature on the topic this section will consist of insights derived from two case studies, presented in Appendix 2, of two firms with experience from servitization within the ICT industry, IBM and Ericsson. Finally, a part of servitization for ICT firms constitute to increase the importance of software, thus some specific insights of the software business will be presented.

2.2.1 Servitization within the ICT industry

Increasing the strategic importance of services is crucial in high-technology industries such as information and communication technology (ICT) companies (Elfving & Urquhart, 2013; Ahamed, Inohara & Kamoshida, 2014). Moreover, integrating ICT into established manufactured products provides an opportunity to diversification and provides a new dimension of the products characteristics (Björkdahl, 2007). ICT integration can consist of sensors, software and computers increasing the control of operations and processes. Thus, integrating ICT, and thereby have a more developed product portfolio of intelligent offers, result in new business opportunities. In the case of IBM, the new CEO of that time, Louis V. Gerstner, believed that the market was about to shift and that the application of the technology would be the key drivers of IBM's success, not the invention. Thus, IBM started to phase out their hardware, storage and personal computers business to further invest in services and they also developed a separate software business (Ahamed, Inohara & Kamoshida, 2014).

However, due to lower margins and decreased differentiators among ICT actors, price is the only remaining factor to compete on (Elfving & Urquhart, 2013). Thus, new strategies and disruptive business models are needed for the firms within the ICT industry for them to stay competitive. In order to have a sustainable strategy going forward a transition from competing on price to delivered value is recommended, in other words, to servitize.

However, there are major challenges to overcome in such a transition, especially for firms in the ICT industry due to strong product focused culture and in which services generally integrates with the product in a late stage in the delivery process (Oliva and Kallenberg, 2003, Aurich et al. 2006, Mont, 2002). Firms within the ICT industry cannot reject the fact that they are technologically driven with a long history and culture of being so (Elfving & Urquhart, 2013). Making Change Work, a study of 1500 practitioners from 21 different industries, conducted by IBM (2008) rank significant challenges when implementing organisational changes. The three major challenges; (1) Changing mind-set and attitudes, (2) corporate culture and (3) underestimation of the complexity, are classified to be ”soft” challenges. Additional factors such as create a service vision, leadership and teaming and anchoring a new service culture is considered to be critical for success (Ahamed, Inohara & Kamoshida, 2014). However, transform the organisation´s culture and change the mind-set of the employees is complex since the natural behaviour implies to hold on to whatever feels familiar even when provided with better alternatives. To manage this challenge Gestner tried to simplify the changes for the employees to include them in their every-day assignments.

Another success factor due to the challenging of the historical strong product focused culture is that a complete transition to services is not recommended for ICT companies (Elfving & Urquhart, 2013). Instead an approach for a balance between products and services is to strive for. Additionally, to avoid the service development becoming ad hoc, a separated product and service development is recommended initially. In the case of Ericsson their organisation was separated into products and services with separate profit and loss responsibilities. Despite the separation, integrated ways of solutions have been created and is offered to the customers. The integrations have been created from a sales perspective and consist of services and products bundled together into different offerings. This has also given the advantage to facilitate the sales process. On the other hand, the organisational separation contributes with challenges in collaboration and the balance between services and products is not considered to be equal, the product side has a more prioritized business position.

Despite the skewed division, firms such as Ericsson with a considerable history in telecommunications and with developed in-house production, design and services will likely not profit from a complete transition to services (Elfving & Urquhart, 2013).

2.2.2 The business of hardware and software

The ICT market is becoming more software-centric and device manufactures with an obsolete attitude of considering only physical commodities being valuable are rapidly becoming a threat to future business success (techrepublic, 2012). Other industries such as media and entertainment, retailer, automotive, finance, energy, among some are all increasingly investing in software and firms today need to assume that a revolution of software is about to occur (Andreessen, 2011). Additionally, during the last 20 years, the top 100 product and service companies that are software dependent has doubled (Andén et al. 2015). Software is key to market differentiation and value creation for a vast number of products and services. Due to digital technologies that continue reshaping markets there is not much of an alternative for not considering the competitiveness of today's software-talent marketplace.

However, according to Cusumano (2004) software is not like other business and some of the distinctive differences are:

- Producing one copy have the same cost as producing one million copies
- Software is intangible which influence the business model, product strategy and management
- Software business have infinite possible products and services and thereby the software becomes whatever application it addresses for a customer
- There can be up to 99 percent gross margin of the sales
- 75 to 80 percent of the product-development projects routinely runs late and over budget
- Customers are often locked-in to a specific vendor due to decisions made a decade or more ago
- The majority of the product firms become service or hybrid companies whether they strive for it or not

With an appropriate business model, suitable strategy and management, the software business can be like having a license to print money (Cusumano, 2004). On the other hand, a poor business model can lead a firm within the software business to the opposite resulting in bankruptcy. In the year 2000 to 2002 firms such as SAP and Oracle lost 80 to 90 per cent of their value and Microsoft two-thirds during the same period. Thus, the industry can be volatile implying unique challenges and opportunities.

Software firms must often encounter the transition from selling high-margin products to selling low-margin services as their installed base ages or due to poor economic times. Software-centric firms must also combine structure and flexibility due to rapid changes in the marketplace.

In the shift towards more software and services managers need to identify the best mix of product revenues with software and hardware for the target business segment along with service and maintenance revenues and further determine how to impact this distribution (Cusumano, 2008). Not to be underestimated is the fact that for some product companies it is the products that are the driving factor for service and maintenance revenues. Thus, a majority of the product firms need to maintain a strong product offering that keep customers paying for the additional services and maintenance.

Figure 4 aims to summarize the first theoretical framework attending servitization in manufacturing firms and within the ICT industry followed by industry specific insights of the business of software and hardware.

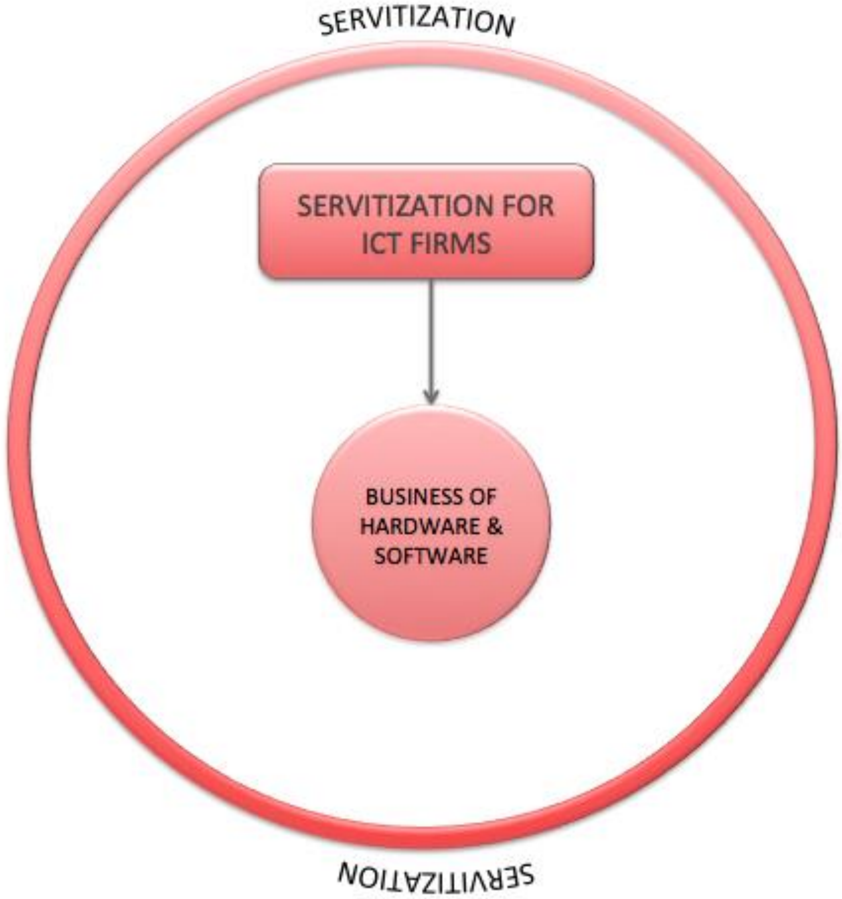

Figure 4 - Summarize of the first part of the theoretical framework

2.3 Sales

In the following section the sales and marketing aspect of servitization will be discussed, which is the core of this study. This master thesis is a contribution to this topic and wishes to contribute with insights focusing on challenges and success factors for the sales force in a transition to become solution providers. In this part a short background will firstly be given followed by relevant topics in order to answer the research question such as service selling, solution selling and consultative selling.

2.3.1 Sales & marketing

In the first Journal of Marketing research first and foremost focused on the exchange and supply of commodities (Taylor, 1936). The importance of marketing during the intervening years moved from economic exchange towards marketing management where satisfying the customer was central (Drucker, 1954; Levitt, 1960). In the next decade, Kotler (1967) introduced the marketing mix, which further highlighted how firms' offerings could adjust independent of market to satisfy the customers. This, by focusing on the 4P's; product, price, place and promotion.

Shostack (1977) identified, in the late 1970s, that marketing of service and products were different. Service and products are however often related to each other and indicate that the sale of a product may lead to a relationship where selling services under a period of time could be possible (Levitt, 1983). Shostack (1977) and Levitt (1983) could be seen as pioneers of service marketing and relationship marketing.

Service marketing has grown into an own field of study since the 1970s (Lightfoot, Baines & Smart, 2013). Researchers within service marketing have claimed that products and services should be market differently due to the characteristics of service. According to them services are IHIP; intangible, heterogeneous, inseparable and perishable (Fisk et al., 1993).

The fact that the exchange between different actors has an increasingly sequential and relational aspect is one of the reasons for the relationship marketing literature (Morgan & Hunt, 1994). Furthermore, the underlying principle is that loyalty is based on customer satisfaction, which will affect the profitability of the firm (Sharma, Iyer & Evanschitzky, 2008). The relationship selling highlights the importance of long-term relationship for the buyer and seller (Frankwick, Porter, & Crosby, 2001; Gonzalez, Hoffman, & Ingram, 2005; Ingram, 1996; Jolson, 1997). This kind of sales force sells complex large-scale systems with emphasis on the relationship. However, these kinds of sales forces are supply driven due to the importance of the own organisation´s marketing needs.

The validity of the 4Ps was question in the early twenty-first century due to the non-existing acknowledgment of marketing as an adaptive and innovating force (Day & Montgomery, 1999). The IHIP model was further challenged since the idea that service difference from products on just four characteristics (Lovelock & Gummesson, 2004). Lovelock and Gummesson (2004) present an alternative perception, highlighting that exchanges between seller and buyer that do not result in the transfer of ownership is very different than the opposite. They further argue that this is the case of service, where it benefits through access or temporary control and not ownership. In parallel, Vargo and Lusch (2004) presented their service-dominant logic (SDL) where value is defined and created together with the customer by exchange of intangibles, knowledge, skills and processes. They further argue that marketing research needs to adapt and break free from the output centred manufacturing-based model.

According to Lassk et al. (2012) the changing role of the salespeople in business to business is one challenge in the future success of sales training and it’s the key challenge according to the result of a study with over 100 sales executives (Tanner et al., 2008). Cron et al. (2005) recognize that the relationship between the employer and their salespeople are essential within the sales training. Based on this, Lassk et al. (2012) argues that salespeople should have more influence into the planning, delivery and evaluation of their training program.

Sales organisations need to take a more considerate and aggressive method to sales training to be effective in the marketplace (Lassk et al., 2012). The focus should be on the salesperson's competence and learning throughout the whole career rather than task-related knowledge, skills and abilities (Cron et al. 2005). ASTD, which is the world’s largest training organisation, have developed a model to this (Salopek, 2009). The approach highlights that in order to maximize the customer value sales managers together with the salespeople must work effectively with other people in the organisation (Lassk et al., 2012). The salesperson's´ role is becoming more collaborative hence the turbulent marketplace (Jacob & Ulaga 2008; Moncrief & Marshall 2005). The ASTD model is therefore based on competencies such as building relationships and partnering (Lassk et al., 2012).

The change of the role due to collaboration can be seen in two main areas; increased customer-oriented selling approaches and service role for the salesperson (Lassk et al., 2012). Due to the increased customer retention priority, collaboration both externally and internally are critical for the success. This study focuses on the changing role of the sales department in the transition towards more service and solution related processes. Success factors and challenges both externally and internally are highlighted.

2.3.2 Service selling

Reinartz and Ulaga (2008) have investigated how manufacturing firms can develop service more profitable. According to them, a firm trying to transform themselves to a service business to quickly often fail. To be successful, firms should begin slowly to identify and alleging services that companies already accomplish to later on add more complex ones. Further, the firm should standardize the service processes similar to their manufacturing ones to make them more efficient. When the services become more complex, they have to make sure that the sales force capabilities keep pace. Finally, management should shift their focus to the customers' problem and what services and capabilities needed rather than the internal processes and structures. Reinartz and Ulaga (2008) have divided this process into four steps.

Initially, firms need to recognize what services their company already contribute and where they can change structure from free to fee. The next step is to industrialize the back office. According to Reinartz and Ulaga (2008) manufactures are familiar to organised and constant production processes. When moving into value-added services they might get caught in a delivery-cost problem due to the customization of the front office.

There are three ways to prevent the cost of delivery to overcome the offering margins. Firstly, to shape flexible service platforms depending on mutual delivery processes that are able to meet varying customer needs. This can be related to how great manufactures develop distinct product models on product platforms. Secondly, Reinartz and Ulaga (2008) identified that successful firms frequently supervised the costs to recognise profit drains in their processes. Air Liquide created specific responsibilities for decision making in order to standardize their services. The executive managers and employees where supported by top management and an internal task force to systematically reduce cost from service and delivery process while remaining to meet the customer needs. Hence, they succeed to reduce work that some customer did not make use of. Lastly, successful companies are those who manage to quickly exploit new process innovations.

The next step is to create a service-savvy sales force (Reinartz & Ulaga, 2008). If the firm reflect the service to be an add-on to their products, the sales force will most likely be able to handle the product and service sales with some training. However, if they want to offer more complex solutions the sales management strategy needs to be studied. Decision will be made higher up in the customers' organisation due to longer sales cycles and complex strategic sales processes. All the successful companies that Reinartz and Ulaga (2008) study retain their sales force. Companies train their salespeople to be able to change focus from cost-plus pricing to value-based pricing etc. They highlight that all firm needed to hire some new persons in order to succeed with the transition no matter how much they educated the existing ones.

Furthermore, Reinartz and Ulaga (2008) identified that the most successful firms made some kind of difference between their service and product salespeople. However, they point out that this is not always a perfect solution. The transition towards service will fail unless the salespeople will be motivated financially to encourage services rather than just selling products. In addition, the firm need to develop tools to be able to document and communicate value for the customers with the services.

The last step involves the focus on the customers' processes. When a manufacturing firm moves towards complex offerings rather than product related services, they need to reconsider their pricing and how to measure success (Reinartz & Ulaga, 2008). Higher risk is associated with companies that focus on solving customers' problem. Reinartz and Ulaga (2008) points out that for all successful companies they study, the objective is to accomplish a certain output where the degree of success is the basis for the compensation. In these cases, pricing becomes highly more complex. Reinartz and Ulaga (2008) mention Hilti as an example where they offer their customers' service package for their tools they leases out to construction companies. The customers pay for the hole and not the drill, which they are guaranteed for their operation.

Today, integrating service in the salesperson's role is central for many and research is confirming this (Lassk et al., 2012). The salespersons service behaviour was for example interconnected with customer trust and customer satisfaction (Ahearne, Jelinek & Jones, 2007). In addition, Gonzalez et al. (2010) point out that the management of recovering service failure and processes in the sales department is linked to financial and customer outcomes and therefore profitability. However, there are little insights in which type of service sales behaviour should be incorporated in the training (Lassk et al., 2012).

According to Lassk et al. (2012) a proactive conflict resolution approach should be incorporated in the training due to the importance of predictability of service disappointments and customer maintenance. Recently graduated students and less-experiences salespeople are unlikely to have a proper training in conflict resolution (Lang, 2009). There is little knowledge about the best practice in this training topic compared to sales strategies and tactics (Lassk et al., 2012).

2.3.3 Personal selling in high technology industries

High-technology products are the source of growth and innovation in the economy, but it was not until recently that researchers realized that these kind of products require another type of marketing than traditional products and services (Mohr, Sengupta, & Slater, 2005). Teece (1986) argued that patent and legal frameworks had to be complemented by assets in order to ensure the success of innovations. According to Sharma, Iyer and Evanschitzky (2008) personal selling is one complementary asset critical for new product success and performance in high-technology industries. Hence, high-technology market has a high degree of complexity and therefore requires in-depth communication about the products and services offering. They further highlights that some of the marketing failures within the high-tech industry may be due to the type of sales force structure.

Traditional and some relational sales force where according to Sharma, Iyer and Evanschitzky (2008) supply driven. This means that high-technology products were firstly developed by the manufacturing firm and subsequently marketed to the customers. This perspective gave the salespeople incentives and motivation to accomplish the selling firms need rather than the customers. Kotler, Rackham and Krishnaswamy (2006) points out that the conservative way among firms is to first develop the product and marketing plans and then bring in the salespeople rather than integrate sales and marketing throughout the process. In high-technology firms it is however of great importance that sales are integrated with not only marketing but also other parts of the firm (Sharma, Iyer & Evanschitzky, 2008). This should include the department of engineering and research and development (R&D).

Sharma, Iyer and Evanschitzky (2008) recommend that firms should start with focusing on identify and satisfy the customer needs through existing and developing products and services. The process of going from selling stand-alone products towards more multifaceted solutions requires another type of selling which is called solution selling. This type of selling is better suitable for high-technology products and services as well as demand driven instead rather than supply driven. Solution selling can inform both the customer and the firm since a great share of the failure of high-technology services and products can be related to the divergence between service and product and the environment (Sharma, Iyer & Evanschitzky, 2008). Hence, customer needs should come as first priority and a sales force that is of great importance as an information channel on future R&D product development and investments. With solution selling firms can reach success by creating competitive barriers.

2.3.4 Solution selling

Marketing is experiencing a transition from focusing on exchanging goods to provide services (Vargo & Lusch, 2004), as more firms undergo the journey of servitization. According to Sheth and Sharma (2008) research within the sales topics is mostly focusing on motivation, selection, compensation etc. and little consideration about changes in sales organisation and environment and its impact on the sales management. Business-to-Business marketing has grown in importance during the last decades where sales management and personal selling are highlighted.

When focusing on the different parts of an organisation the sales department is considered to have a pivot role in order to accomplish a successful transition towards servitization (Brownes et al, 2013; Sheth & Sharma, 2008; Reinartz & Ulaga, 2008). The new business model that the transition requires implies to adopt solution selling which is "demand driven" instead of "supply driven" which furthermore is more appropriate for high-technology products and services (Evanschitzky, 2008). This in turn implies a fundamental shift for the salesperson that now need to become a problem solver building better relationships with the customer.

In a survey with 134 sales managers, 69 per cent considered the movement to solution type sell as the most difficult transitional challenge (“Shift to consultative selling”, 2006). Additionally, Brownes et al. (2013) discuss sales forces disability to effectively respond to the rapid and increased expectations of today's customers. To conclude, sales forces encounter vast challenges due to fundamental changes in their way of working and at the same time they constitute a pivot role in the transformation.

Despite the importance to adopt the sales organisation in such fundamental transition to servitize, the literature is rather sparse upon this topic, especially on how it can be accomplished (Evanschitzky, 2008). Brownes et al (2013) further claim that methods addressing internal sales force change dynamics are urgently needed.

A service-centred viewpoint indicates that the supplier need to identify the firm’s internal and external resources and offer customized solutions to satisfy the customer wants and needs (Sheth & Sharma, 2008). Further, the exchange of intangible factors such as knowledge, skills and processes is increasingly important rather than exchange of tangible goods. Firms that are service-centred develop networks in order to offer solutions from both in and outsourcing to their customers. Achrol and Kotler (1999) argue that with a service perspective the marketing function may move towards a customer-consulting department instead. Hence, marketers would be able to evaluate the services that customers require and deliver that service (Sheth & Sharma, 2008).

Vargo and Lusch (2006) recommend that service should be a process and output where firm use resource in order to benefit their customers. Therefore, the most successful organisations within this transition are those whose main capabilities are marketing and market recognizing processes (Day, 1999; Haeckel, 1999). Vargo and Lusch (2004) argue that the communication between the sales departments and their customers should be characterized by dialogue through questions within the service-centred organisation. Furthermore, they state some fundamental grounds that are relevant to sales management and personal sales (Vargo & Lusch, 2006);

- Specific skills and knowledge is the essential component of exchange.
- Products are distribution instruments for the service delivery.
- The most important source of competitive advantage is knowledge.
- The customer is central in order to create value together.
- The service-centred viewpoint is both relational and customer oriented.

Due to the changing environment, the salesperson has to change behaviour (Sheth & Sharma, 2008). The salesperson’s will become education agents for the customers, hence the growing importance of specialized knowledge and skills. Further, the knowledge of the solutions and their customers will be essential for competitive advantage. Moreover, Sheth and Sharma (2008) highlights that the relational strategies will be costly. Therefore, firms will have to select what firms they want to work with, as smaller customers may not justify the required investment.

The sales processes are depending on both effectiveness and efficiency (Sheth & Sisodia, 1995). Effectiveness involves the development of customer loyalty (Sheth, Sisodia & Sharma, 2000). While efficiency contain factors such as cost-benefit analysis and processes for maximize output to input relation. According to Sheth and Sharma (2008) the sales cost have increased as well as costs for training, selection and retention.

Furthermore, the customer loyalty is decreasing (Sheth & Sharma, 2008) and large firm are cutting their number of suppliers with 40-90 per cent (Ernshwiller, 1991; Ulaga & Eggert, 2006). The reason for this change is to increase the buying power and cost reduction through fewer suppliers for the firm (Ulaga & Eggert, 2006).

2.3.5 Consultative selling

Business and sales organisations are moving towards solution-based service models with a service focused salespeople (Sawhney, 2006). Arnett & Badrinarayanan (2005) points out that there has been an increase in consultative or customer-focused selling. Hence, the shift to solutions rather than products. Furthermore, the transition for customers to pay for usage instead of the ownership of a product is an additional reason for the consultative selling (Sheth & Sharma, 2008).

Consultative selling focus on the strategic long-term priorities for the customer rather than the traditional short-term approach (Corcoran et al. 1995; Hanan 2004; Ingram et al. 2011). Apart from focusing on meeting customer needs, solve problem and provide opportunities for the customers consultative selling also focus on the strategically priorities. Coordination with people is therefore a key element for the salespeople to maximize the customer's value.

The transition towards solution selling has transformed the salesperson's role from a spokesperson to a consultant. Traditionally, salespeople were selected on their capability to find new customers. The transition towards consulting selling will require people that are great at problem solving. Characteristic improving great customer service will be essential rather than push and charisma (Grewal & Sharma, 1991; Sharma, 2000). Solution offerings further require the sales organisations to have higher level of support for their customers. This is essential in order for firms to become a trusted partner.

Furthermore, Sheth and Sharma (2008) argue that the sales organisation will own the relationship with their client when transforming to a consultative model. The sales department will go from cost centre to a profit centre. Hence, they are pointing out that the sales organisations will become customer experts in the future and sell solutions that can include outsourcing of service and products. This model is developed by IBM global service, which is capable to install and permit functioning of other products together with their own (Sheth & Sharma, 2008). They further highlight that sales organisations normally leave fulfilment to other functions, but with a customer focused view the department have to become expert in this as well.

When moving towards consultative selling, the conventionally compensation model may not be suitable (Sheth & Sharma, 2008). According to Sheth and Sharma (2008), components like profit and customer satisfaction will be needed but this area require more research. Some researchers suggest that they should be rewarded due to client satisfaction, and firms like IBM have implemented this (Sharma, 1997).

Moreover, Sheth and Sharma (2008) points out the importance of internal marketing in the transformation towards personal selling. The expression was introduced in the early 1980 by Berry (1981) and are today used in the setting that companies need to market to employees. According to Ahmed and Rafiq (2003) a firm can deliver better quality to satisfy external customers by fulfilling the internal customers. They further highlight that internal marketing will help to satisfy employee’s needs, increase motivation and therefore be able to deliver a greater external loyalty and satisfaction.

Figure 5 aims to summarize the different parts of the theoretical framework treating the chosen literature upon sales and marketing.

Figure 5 - Summarize of the topics in the second part of the theoretical framework

3 Methodology

This chapter describes the method chosen to answer the research questions. Firstly, the research strategy and design will be presented and followed by the thesis process and data collection. Furthermore, the quality of the research will be discussed based on the chosen methodology.

The research process is illustrated in Figure 6 down below. The research process started with focusing on the literature study to gain knowledge about the chosen subject; transition towards solution selling as well as servitization and how these effect the sales department. This gave a general and broad understanding about previous research within the field. The knowledge gained was necessary in order to shape the interview guide as well as being able to ask following-up questions during the interviews (Kvale & Brinkmann, 2011).

In parallel with the literature gathering some initial unstructured interviews were conducted with people working at the case firm. This to get a better understanding about the chosen case company and their current transition towards becoming a solution provider. Based on the collected literature and initial interviews certain key factors were formed that seems to be of importance with the more complex product and solution offers. This worked as a source for the in-depth interview guide.

Furthermore, the in-depth interviews were performed with both people within the sales department as well as people working with the transition at the head quarter. The aim for the interviews was to get a deeper understanding about the main challenges the firm face in order to successfully manage their value proposition transformation.

In addition, literature and the empirical findings was combined and analysed. An analysis of the cause and effect was made based on the findings in order to explain the effect it has on the organisation. Literature was used along the whole process; before, during and after the interviews. The aim was to develop an analytical generalization of the result by using both data and theory described by Esaiasson, Gilljam, Oscarsson, & Wängnerud (2012) and Bryman & Bell (2011). Conclusion and future recommendation was then developed based on the analysis.

The research framework was gradually developed, hence the insights from the literature and the empirical findings that was gathered during the process. This in line with Dubois and Gadde (2002), which point out that theory may influence how the empirical data are found as well as additional theory may be needed due to the empirical findings. Therefore, the framework in this study was a combination of the impact of both.

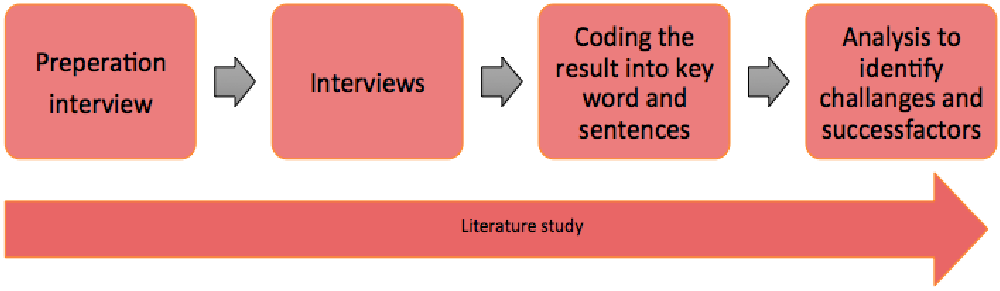

Figure 6 - The research process

3.1 Research design and methodology

Servitization are becoming increasingly important for manufacturing firms in order to improve their competitive advantage. The change of working within the sales department is pointed out as an important part of the servitization transformation. However, existing literature offers little knowledge about how companies can adapt their sales organisations in this kind of transformation and what challenges and success factors that arise. The research question thereby ascend:

- What are the major challenges inherent in the transition to servitize for a sales organisation?
  - What internal frictions can arise with the sales office and the rest of the organisation?

- What are the major success factors inherent in the transition to servitize for a sales organisation?

According to Bryman and Bell (2011) there are two different types of research strategies, qualitative and quantitative. The first aims to develop an in-depth understanding about behaviours within the study area through collection of data. Quantitative, on the other hand focuses on collecting a large amount of data to analyse in order to find patterns and correlations of the numerical aspects.

The purpose of this report is to provide a better understanding on key success factors and issues regarding the sales department within a transformation towards solution selling within the ICT industry. In order to do so, a solid prepared methodology is needed. To understand and get in-depth knowledge about the research company's business model innovation and its impact on the sales department the choice of research strategy was qualitative with semi-structured interviews. According to Bryman and Bell (2011) this method gives an understanding about the respondent's own experience.

3.1.1 Case research

The research design gives context on how to collect and analyse data and should be designed based on the priorities of the study (Bryman and Bell, 2003). Furthermore, Bryman and Bell (2011) highlights five different research designs, where case study is seen to be most applicable for the chosen research questions. A case study can be both single and multiple where a single case could be an organisation, person or location (Bryman & Bell, 2011).

According to Martinez et al. (2009) change literature in the context of servitization can be seen as nascent. Nascent theories have "*received little research of formal theorizing to date or else that represent new phenomena in the world*" (Edmondson & McManus, 2007, p. 1161). This study adopts an exploratory single case study (Stake, 1995) to achieve a methodological fit (Yin, 2003; Edmondson & McManus, 2007) between previous works. A single case study is suitable given the theoretical immaturity of the research area as it permits for an in-depth study of the phenomena possible (Dyer & Wilkins, 1991).

Moreover, the case study approach emphasis a specific real-life situations and qualitative data is often used to analyse the current situation. The case study aims at investigating the situation in its natural setting to gain knowledge about the actual cultural, social and structural setting of the organisation. According to Yin (2009) a qualitative case study is suitable for descriptive research questions and answering questions such as 'how' and 'why'. Therefore, a qualitative case approach is chosen in order to answer this study's research questions. The case study provided the change to develop a broad and deep understanding about the specific area since the research involved both human and physical features (Voss, Tsikriktsis, & Frohlich, 2002; Slack, Chambers, & Johnston, 2010).

The selection of the case company was critical for this study, since we search for a former manufacturing firm in the journey towards servitization within the ICT industry. In order to identify challenges and success factors in this kind of transformation the study was limited to companies operating globally that produce physical product. Hence, the study will focus on the interaction between local and global level within the sales organisation a requirement was that the focal company should have sales organisations around the world. Furthermore, due to reasons such as cost and time limitations the headquarters of the focal company was limited to Sweden.

In order to answer the research questions interviews were chosen as the method of collection within the case study. Hence, to get the respondents the opportunity to discuss and reflect upon the different topics. In line with Bryman and Bell (2011) this simplified the researches to focus on the specific area and gather the information needed.

The scope of the research can be seen in figure 7. In order to gain insight in the transition towards servitization and solution selling in the sales organisation two lenses of investigation are used. The first one to investigate the process from respondents at the headquarters at the case company. The second focus on the sales organisations. The first lens was adopted to get a better understanding about the transformation as whole and get insight in how they looked upon the sales organisation's role in the process.

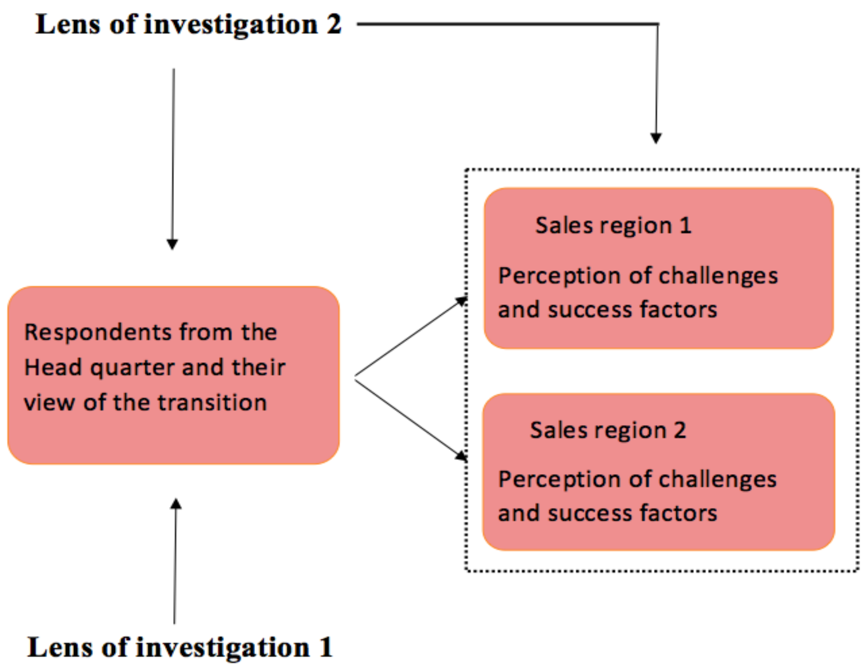

Figure 7 - Scope of the research

In this research, respondents from different sales regions at the focal company were chosen in order to compare the findings. Hence, the regions work very independent this was of importance in order to gather knowledge about their way of working to identify mutual patterns and certain stand-alone factors specific to one or few sales regions. By comparing and identify different outlines between the regions, an extensive understanding of the specific problem that various companies face was assembled.

3.2 Data collection

This thesis will collect and combine both primary and secondary data in order to answer the research questions. According to Sahu (2013) the difference between primary and secondary data depends on how it is collected. Data collected by a researcher in order to solve an actual problem is defined as primary while data collected for another study and purpose is called secondary (Chrisensen et al., 2011). Primary data will be gathered through interviews with different person at the focal firm, which is an accurate primary data collection method. In addition, a literature review of similar case studies and academic references will be conducted as a secondary data source. The secondary data is a matter of gathering data that can be beneficial when framing primary data, which in this case was used to understand the research topics and develop the interview guide (Sahu, 2013). The different methods will be described below.

3.2.1 Literature study

The aim of the literature review was to form a knowledge base and gain deeper understanding about how companies can manage a transition towards solution selling and servitize within ITC companies, and its effect on the sales organisation. Two companies, IBM and Ericsson were benchmarked trough two minor case studies in order to get a better understanding about what challenges a company face when transforming towards a solution provider, presented in appendix 9.3. Moreover, the theoretical framework and the secondary data collection from the case of IBM and Ericsson provided materials in order to create relevant interview questions and form the framework for further analysis and discussion.

The literature study was performed consciously throughout the empirical study as an iterative process, which Varvasovszky and Brugha (2000) highlight as important.

Multiple sources were used in order to find relevant literature. Reliable databases such as Chalmers University of Technology's library search engine Summon as well as Google Scholar, Science Direct, Pro Quest was used to identify the applicable literature.

3.2.2 Interviews

In order to gather knowledge and underlying factors affecting the case company's currently transition towards solution selling and the issues within the sales organisation interviews was performed. Interview is the most commonly qualitative research method and entails information about the behaviour, beliefs, values and attitudes of the interviewee's (Bryman & Bell, 2011). This is further useful to apply when the interviewee has historical knowledge that is difficult to obtain from another source (Creswell, 2003), which is the case when investigating a certain company.

Interviews can either be structured or unstructured. By using predetermined questions and identical techniques the interview is identified as structured (Sahu, 2013). In contrast, unstructured interviews approach implies open-ended questions where the interviewer adapts depending on the answers.

Initially, unstructured interviews conducted with people at the firm were done to gain knowledge and understanding about the company and research topic. Bryman and Bell (2011) point out that unexpected and valuable aspects might occur when using this approach since the respondent answers freely. In addition, this was used since it is preferable when the investigator has limited previous knowledge about the research area. The result from the unstructured interviews was further used in order to create interview guides for the semi-structured interview guide, see Appendix 1.

Semi-structured interviews are a combination of unstructured and structured (Newton, 2010), which was the main part of the data collection. This to ensure that predetermined questions regarding main issues and topics will work as guidance and to get the respondent talk freely about these subjects. The desired outcome was further to allow the interviewee to highlight potentially valuable knowledge that the framework did not touch upon which semi-structure interviews allows (Bryman & Bell, 2011; Kvale & Brinkmann, 2011). According to Creswell (2003) this creates flexibility to be able to generate rich and deeper information about the chosen topics.

The number of respondents from headquarters was six and this contributed to get insights and a broad understanding about their perception of the transition. Furthermore, this worked as guidance for upcoming interviews with the sales organisation. Specific topics and key issues lifted was the base for the interview guide with the salespeople. Five sales regions were selected for further investigation. Since the different sales regions work independent this was important in order to get a better overview. For three of the regions, two or more interviews were conducted to reduce the risk of biased answers, and misunderstandings (Bryman & Bell, 2011). However, at two regions there was only one participant that was taken into account when analysing the empirical findings. This problem occurred due to late cancellations from the supposed participants. In total, 15 interviews were conducted with participants from both headquarters and sales regions.

The participants were chosen based on their position in the company and expertise in the subject. At headquarters, respondents highly involved in the transition were first and foremost chosen such as the general manager, Vice president for a product line as well as global service etc. The respondents from the sales regions were people highly involved in the transformation of the organisations, like Sales directors etc. The interviews were around one hour each. The official roles of the participants from headquarters and the sales organisation will not be stated below due to ethical concerns. However, the respondents from the sales region will be presented along with their specific region.

Participants for the conducted interviews;
H1 - Respondent from Headquarters
H2 - Respondent from Headquarters
H3 - Respondent from Headquarters
H4 - Respondent from Headquarters
H5 - Respondent from Headquarters
H6 - Respondent from Headquarters

The participants for the conducted interviews at the sales regions possess their roles at the following regions;
S1 - Respondent from the France region
S2 - Respondent from the France region
S3 - Respondent from the DACH region
S4 - Respondent from the DACH region
S5 - Respondent from the Nordic region
S6 - Respondent from the Nordic region
S7 -Respondent from the Nordic region
S8 - Respondent from the US region
S9 - Respondent from the UK region

Furthermore, face-to-face meetings were preferable when possible since it is an appropriate method when needing to get deep insights and understanding (Newton, 2010). It is easier to build trust when conducting face-to-face meetings, which may be crucial to get good answers from the respondents. However, since the research investigated five different sales regions those interviews were conducted during Lync due to time and cost aspects.

According to Chrisensen et al (2011) systematic errors is a risk when collecting data from interviews that primarily occur due to the respondent and interviewers interaction. Factors such as body language, tone of voice that affects the way the interviewer ask the question can arise these errors. Furthermore, errors may arise depending on how the collected data is interpreted. In order to avoid these errors the interviews was well prepared and structured.

The citations used in the empirical findings were sent to each participant to read through and approve before the analysis. Hence, to decrease the possibility of misinterpretations and misunderstanding described by Bryman and Bell (2011). Furthermore, this was done both to ensure that the collected data was right and ethical reasons.

Each participant asked for permission to record the interview before it started, and all approved. The recordings were used in order to transcribe and analyse the data afterwards. The method further enhanced the possibility to focus on other factors that further improved the verification and validation (Kvale & Brinkmann, 2011).

Kvale and Brinkmann (2011) highlight that interviews is a method to gather data where decisions is made during the process. Decisions to determine whether or not to stick to the earlier guide or following up on new experience mentioned. In addition, ethical issues such as the privacy of the participant's answers are factors that need to take in consideration during the interview process. The interview guide was developed to enhance the option to adapt and explore new areas lifted by the respondents. Moreover, much time was spent to learn the questions and the guide, which was designed to be easy to follow. This to improve the chance to stay focused upon the subject and the participant's answers instead of the questions. Furthermore, the guide was built upon three different broad areas of investigations. Questions linked to the areas were then developed to ensure the opportunity to ask great following up questions. The interview worked well as a basis for the semi-structured interviews as well as the analysis since the answers were already connected to a certain area of interest. The literature study worked as a basis for the creation of the literature guide and topics investigated. The identified broad areas of interest are; overall transition included product portfolio and offer, competence and skills, and culture.

3.3 Analysis

In line with Bryman and Bell (2011), the interviews provided a lot of data that qualitative research commonly does. All interviews were recorded as mentioned earlier and thereafter transcribed before analysis. The transcription was carried out manually. The analysis started out with breaking down the transcripts into different components, also called coding described by Kvale and Brinkmann (2011). Furthermore, the analysis was built upon the method of sentence concentrator (Kvale & Brinkmann, 2011) where various answers and sentences were connected to keywords or key sentences. The main objective was to capture the core of the answer and combine similar context to each other.

Keywords or key sentences occurring in many of the interviews were further the basis for the future analysis. According to Kvale and Brinkmann (2011), this can be seen as data steered coding. The aim was to identify comparable words referred to the same meaning. Furthermore, respondents did not always use the same vocabulary as the earlier theoretical works meaning that the answers had to be coding in order to analyse them. The analysis was separated in two groups, the participants from headquarters and the sales regions. The keywords and sentences were further collected in tables in which all participants were included. This helps too easily identify which one and how many mentioned a certain challenge or success factor within the transformation.

The interviews aimed to get a deeper knowledge and understand the participants' view of what challenges and success factors they identified from their point of view. Therefore, the coding was not built on an either-or thinking. The answers often fell into a certain topic but each question could have open answers.

3.4 Quality of research

According to Kvale and Brinkmann (2011) different perspectives upon the definition and evaluation methods can be taken depending on what perspective the research has. In order to explain the quality of this study, trustworthiness is chosen as evaluation criteria. Traditional definitions of reliability, validity and objectivity are often based upon quantitative research (Bryman & Bell, 2011; Kvale & Brinkmann, 2011), which strengthens the choice of the more alternative method. Trustworthiness is further appropriate since the aim was to recognise the subjective experience of the participants and not the reality of the full company's objective view.

Depending on what is desirable, the lack of objective could be seen as an advantage. Problem such as replication and generalization could to some extent be reduced be using trustworthiness as an alternative criterion. This goes against the models arguing that social research and qualitative should be measured the same way as quantitative and natural science. However, the absence of transparency remains. The result of this study is not as transparent as wanted, since ethical issues were seen as more important. The respondents' privacy and information that possibly could hurt the participant or the company was considerate more central than the transparency.

According to Bryman and Bell (2011) trustworthiness is based on four principles, which could be related to the traditional validity, reliability and objectivity. The validation has been done throughout the whole process in line with Kvale and Brinkmann (2009).

3.4.1 Credibility

Bryman and Bell (2011) points out that credibility relates to the perception of internal validity. This highlight the reality match between the researches description and the participants' reality (Halldórsson & Aastrup, 2003). It is further linked to three principles of truth; correspondence, coherence and pragmatic advantage. An important area of trustworthiness is the correspondence criteria, which is the degree of correspondence between the researcher's creation and the participant's reality (Kvale & Brinkmann, 2011).

Bryman and Bell (2011) highlight that other important aspects in the credibility criteria are; the research should be done in good practice and making sure that the findings are validated and shared with the respondents. Validations from the participants are necessary for the credibility, since they can give feedback whether or not the researcher view is correctly (Halldórsson & Aastrup, 2003; Bryman & Bell, 2011; Kvale & Brinkmann, 2011). This was ensured by letting the participants read through all citations used in the study and return with comments and feedback. The recording was further used in order to go back and listen to what the respondents said where there were any question marks.

3.4.2 Transferability

Transferability refers to the extent to what degree the research can draw general conclusions, which is linked to the external validity (Halldórsson & Aastrup, 2003). Since qualitative research normally do not cover large sample during a long time, it can be problematic to generalization in a traditional quantitative way (Halldórsson & Aastrup, 2003; Bryman & Bell, 2011). Transferability that raises the context of the study was used since real generalization was not feasible. No generalization of the empirical findings was made, hence this study is built on the methodology that knowledge depends on applied setting. An analytical generalization based on the data and context description was therefore applied instead (Kvale & Brinkmann, 2011). According to Kvale and Brinkmann (2011), an analytical generalization point out that an analytical consideration could be done by comparing differences and similarities between different contexts where the findings should be applied. Description of the firm and the context could be found in the empirical section. The context was important when analysing the findings in relation with the theoretical framework. This by combining the findings with other firms that have done the transition towards solution selling already as well as theoretical findings from earlier research that could be linked to our study.

3.4.3 Dependability

Reliability in the quantitative researches is parallel with the expression dependability (Bryman & Bell, 2011). This further points out the importance to be able to track the work of the study, which could be attained if the documentation is well described and traceable (Halldórsson & Aastrup, 2003). The issue related with qualitative research is that documenting the whole process can lead to information overload where it is hard to find the valuable information (Bryman & Bell, 2011).

In addition, the ethical issue was considerate more important than the dependability. Hence, information that could be sensitive and possibly hurt the firm or the participant was left outside the study. All information during the interview was therefore not included in the transcript of the interviews, only details related to the topic. As a result, the research findings could be hard to fully understand and follow. However, this is not seen to be a major issue since the flow of the process should be easily understood anyway.

3.4.4 Confirmability

Confirmability is equivalent with the conservative view of objectivity (Bryman & Bell, 2011). According to Kvale and Brinkmann (2011) there is very hard to stay fully objective within qualitative studies with interviews. Confirmability rather refers to that the researcher's personal values should not affect the result of the study (Bryman & Bell, 2011). However, the findings could not be totally separated from the researchers in this study since we are the one conducting the analysis. Bryman and Bell (2011) and Halldórsson and Aastrup (2003) point out that it should be possible to track the source of analysis in order to recognise how the researcher's values have affected the result. The findings in this study are therefore collected in tables to easily picture the view of the participants. Hopefully, this makes it easier to track the analysis to the source.

Furthermore, in order to avoid subjective interpretation the interview has been held by both the two researchers when possible. Both of the researchers have further been conducting the analysis in order to stay as objective as possible.

3.4.5 Ethical considerations

This phenomenon has been lifted throughout the whole process, since ethics applies to everyone included in the study (Sekaran, 2000). According to Kvale and Brinkmann (2011), ethical issues should be considered from the start, hence it occurs during the full process. Therefore, an ethical part where issues related to this where added along the way. This could be sensitive information about the participants or the company that should be treated anonymous.

From the beginning, ethical issues have been raised especially when contacting the case firm. The selected company that fulfilled the criteria was in the middle of the transformation with some internal frictions. Due to the importance of this transformation to succeed, the sensitive information could potentially harm the process and create even more frictions. The case company is therefore anonymous in this study.

Moreover, all participants were sent a description of the research before the interview to get as much information as possible. Issues or question occurred during the process was answered and dealt with after the interview. All participants were further informed about the aim of the study when the interview took place. In addition, the anonymity of the participants was an important ethical part in this study. This was highlighted before the interview started, where an introduction took part to explain the confidentiality and that all interviews were fully anonymous. This was of important, to get the participants feel comfortable with telling their true view of the process and issues related to it. Before the analysis, all participants were asked whether or not the researchers could use the citations in the report. Since all participants were informed about the study, both written and verbal the possibility to harm the respondents decreased.

4 Description of the case firm and the strategy

This section provides information regarding the focal firm of the case study. The chapter further present the firm´s strategy in the transition towards becoming service and solution providers within the target healthcare business. Due to confidentiality of the firm in this report, neither name nor other facts that can indicate at the firm will be presented.

4.1 The focal firm

The company is a global telecommunication firm providing technological know-how in market segments where communication is critical. Customers are found in areas ranging from hospitals, elderly care, industry, retail sector, secure establishments and hotels. In total, the firm has subsidiaries in 20 countries with a total of 1,700 employs. The firm is specialized in two divisions, WS and NT. In 2014 the division of WS accounted for 71 per cent of the total net sales.

By industry, healthcare constitute with 41 per cent of total revenue and about 60 per cent of WS´s revenue. The market is penetrated through three different channels, sales units, international sales partners and by OEM partners. The biggest market by revenue is Europe, Middle East and Africa, which represent 75 per cent of the total revenue, see figure 8.

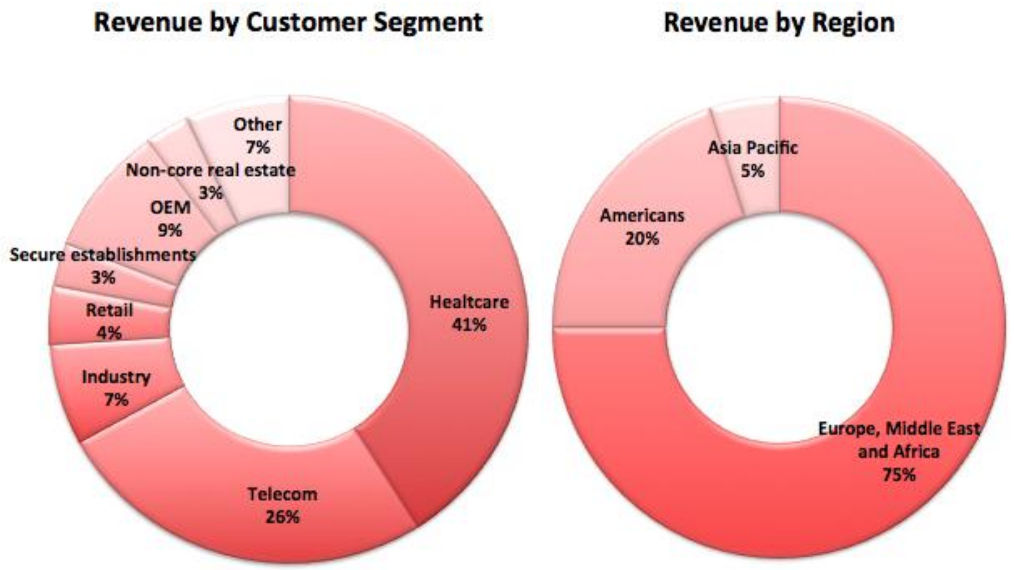

Figure 8 - Revenue by customer segment and region

The strategy of the company implies high margin businesses in niche markets, primarily in the healthcare ICT and telecom sector, where the firm can acquire first or second leadership positions, supported by global demographic and technological trends.

Differentiation is gained through providing communication solutions, integration with existing systems and with the firm's´ purpose-built commodities. The strategy further implies to create customer value through customized systems and tailor-made applications. In simple words, the firm seeks to be driven by customers’ needs rather than technology standards and the aim is to find the “best fit” technology to improve the communication and as a result, increase customer workflow efficiency and return on investment.

The vision of the company is to establish the division WS as the world leader in enterprise mobility for critical communication missions and to be present in the largest hospitals worldwide by 2020.

4.2 The strategy of the focal firm

The firm´s strategy implies a transformation into a workflow intelligence solutions provider within the healthcare sector. In order to accelerate the strategy implementation, an investment plan, titled 2020 program, was launched in 2015. In detail, the plan consists of additional investments for year 2015. The aim is to accelerate the investment into solutions, software and professional services in order to target the vision. The distribution of the aiming portfolio is generated revenue with 50 per cent from services and solutions, 25 per cent from software and the remaining 25 per cent from hardware.

The ambition of the 2020 program, as well as implications and strategic directions are summarized in figure 9. Focus for this case study is the strategic directions moving from product to solutions (2) and from hardware-centric to software-centric business (3).

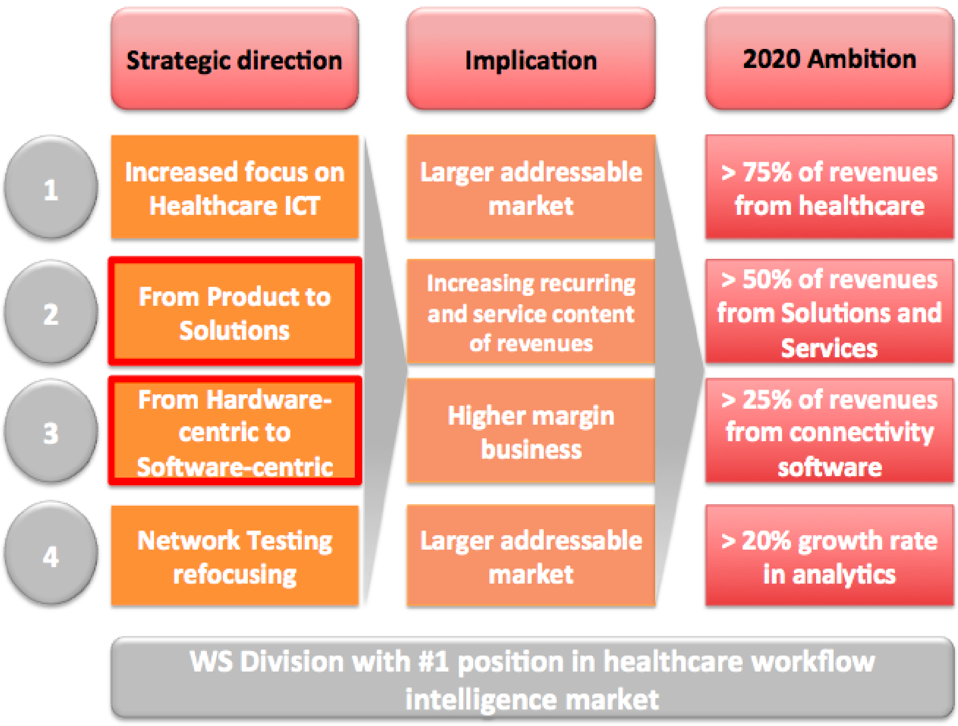

Figure 9 - The case firm’s strategy

As part of this program, a new division named GSC is about to be founded. The purpose of the division is to target more focus on the healthcare and ICT markets, where the firm has experienced continuing strong development. The plan further implies to expand the software, solutions and hardware propositions and the division WS will transform into a provider for integrated workflow solutions in healthcare in order to generate long-term, sustainable shareholder returns.

4.3 The sales regions of the focal firm

The company's regional sales units are geographically distributed in the areas of;

- DACH (Germany, Switzerland and Austria)
- BeNeLux (Netherlands and Belgium)
- North Western (UK and Ireland)
- France
- North America (USA and Canada)
- Nordic (Sweden, Norway and Denmark)
- Finland

There are several differences among the sales units in terms of distribution channels, target marketing segments, combinations of the company's product portfolio, developed capabilities and sales approaches. Regarding distribution channels, the regional sales units of France and the US have indirect sales to value adding resellers and distributors whereas the others mainly have direct sales. Moreover, the US sales region have primarily target the healthcare industry whereas UK is mainly focusing on retail business. Thus, the sales regions offers different product and services with the portfolio in order to satisfy the customers of the target market segment. Furthermore, this has resulted in different developed competencies and approaches among the sales regions. For an example, the Nordic sales region has a rather independent organisation and has developed a capability in terms of selling and delivering solutions with local adjustments in order to customize for customers in the target segment of industry and healthcare. This can be compared to the sales region of France where the indirect sales are more hardware-centric and a solution capability is not yet developed. Additionally, the sales regions have developed differently due to their time of existence.

Sales regions selected for this particular case study are Nordic, DACH, France, US and UK. A short summary of strategic important factors of the four sales regions is presented in figure 10.

Region	Nordic	DACH	France	US	UK
Distribution Channel	Mainly direct sales	Mainly direct sales	Mainly indirect sales	Mainly indirect sales	Mainly direct sales
Target market segment	Healthcare, Security Industry	Healthcare, Industry	Healthcare, Retail Industry	Healthcare Retail	Retail Healthcare Industry
Degree of solution delivery capability	**Developed** solution delivery capability	**Limited** solution delivery capability	**Very limited** solution delivery capability	**Very limited** solution delivery capability	**Limited** solution delivery capability

Figure 10 - Characteristic factors of the investigated sales regions

4.3.1 Sales process

The sales process differs between the regions of the firm due to the different customers, target market and progression in the current transition. The general sales process before and after the transition are described in this section.

Sales process before transition/today: Before the transition the salesperson started with a pre-research to later meet with the customer to discuss a business opportunity and the quote for a possible deal. With the margin of a closed deal the pre-sales effort were paid.

Sales process 2020/tomorrow: When moving into solution type of selling, the solution will be developed with the client itself and the process becomes more of a consulting project. This in turn implies that the pre-sales cannot be provided for free anymore. When selling more services a confirmed order from the client is needed. The process begins with collecting information about the market and the customer, a decision is then made whether or not the firm can offer the required system or solution. When a solution will be offered, an appointment with the customer is decided where the salesperson interact with the customer. This is called buying centre since it involves several persons in the purchase decision of a solution.

In the sales meeting the salesperson applies the SPIN methodology to get the correct information from the right person in order to understand the customer's needs. This method is based on asking open ended questions to the customers in order to identify their problems and how they can solve it. Through this process the salesperson will be able to offer solution instead of just a commodity/hardware. The salesperson also brings the information to pre-sale, which construct an offer and send it out to the customer.

The scope of this master thesis is to study the implications of the transition, from hardware- to software-centric and product to solutions provider, in the perspective of the five different sales regions.

4.4 Results from conducted interviews

This section aims to present an analysis of the empirical findings from the conducted interviews. In order to introduce and guide the reader through the analysis the first section will clarify and motivate the chosen structure. This is followed by four sections where challenges and success factors are presented.

The empirical findings from the conducted interviews are derived from interviews by two groups, sales regions and headquarters (HQ). Moreover, the findings are divided into challenges and success factors. Thus, the empirical data will constitute two major sections followed by summarized charts.

The reason for conducting the interviews with two groups is that the first ambition was to get overall insights of the transition, challenges and success factors for both the firm and the sales regions and thereby respondents from the HQ were firstly interviewed. Secondly, in order to get more specific insights about the sales region´s challenges and success factors respondents from five different sales regions were interviewed.

From the empirical findings, different areas such as e.g. competence, communication, culture and the sales process are for the sales organisation identified to be of importance within the transition towards becoming a solution provider. Thus, In order to structure the empirical findings, eight areas of challenges and success factors for the sales force in the transition are defined and constitute a framework for an empirical summary presented after the two first sections.

4.5 Challenges discussed by the sales organisation

Servitization in the ICT industry for the sales organisation
Today the business is profitable and the aim is to remain so during the transition period. Thus, a challenge is to stay profitable by having a balance of the current revenue from the existing product portfolio and at the same time invest in new offerings and explore new opportunities. The current profitable status is furthermore considered to be beneficial since it gives opportunity to take more risks and capacity to heavily invest. Additionally, an internal challenge mentioned by respondents from the sales regions is R&D's ability to quickly develop and deliver the applications and solutions the customers' request. To resolve this issue and meet with the demand of the customers the sales regions construct their own applications themselves or purchase it from an external 3rd party. This is also discussed as an internal friction in the last section of this chapter.

- **Obtain profitability through the organisation**

"We need the balance of having revenue from the existing products but also moving into the new paradigm. Profit comes first, secondly we want to grow in software and services." (S7)

- **More sense of urgency in the development phase**

"The speed of development is like night and day between us and the R&D. For an example, a case one and a half year ago where R&D could not deliver what the customer requested we had to do it ourselves, even though this implied sub-optimization. We did it and as a result we got the order. We got hunting customers,

more frequent follow-ups towards goals and thereby I wish R&D had more sense of urgency in the development phase." (S6)

"If the customers place an order and are then told that it cannot be installed before ten weeks, it is ridiculous. Instead of saying so, we should say; when do you want it to be installed?" (S8)

Internal communication and collaboration
In consideration to communication and collaboration, long feedback loops within the organisation are mention to be a challenge. Respondents from the different sales regions also argue for more internal support in terms of collaboration with R&D, increased communication and knowledge about how to sell the developed solutions. Some demand more support by demos when selling the developed solutions by the firm's product portfolio.

- **Too long feedback loops**

"Due to rapidly changing demands on the market, we need quick response internally, it cannot take a month to get the required feedback in order to solve a customer's problem." (S5)

- **Lack of support from HQ and R&D department in the transition**

"We have little exchange with R&D, they do not have a view on what is a customer and what solution needed in the market." (S1)

"The one that implementing something new need to support how to sell it. Else, sales will move back to what they can and what they already do. The organisation must establish confidence; else sales will not move, no matter what incentives" (S4)

"Very little communication with R&D and software developers. I don't know how they know what our customers require and needs. They don't come out to the customer site or ask the salespeople. This would be important to change to know the customer voice. They might develop something the customers don't think is important." (S8)

Flexible offer, Global/Local
A challenge in the transition towards solutions and more software is the current product portfolio that to a large extent consists of hardware. Thus, the current business and revenue heavily relies on sales of hardware and thereby, as a result, the present sales effort and capabilities. Another challenge with the current product portfolio is that the provided products and solutions from the R&D department are reported not to be configured with each other before delivery, making it difficult to fully integrate on the customer site for the sales persons. Respondents claim that it does not operate end-to-end and the developed software occasionally lacks in functionality. Besides own developed applications to resolve this issue, 3rd parties are involved in the sales process resulting in a challenge when the firm is moving towards developing solutions consisting of in-house developed software and services.

- **Too vertical focused on products and hardware**

"Today we are focusing on products and we are vertical. It is all about developing products and how they run together, but not on solutions." (S1)

"My sales guys have been at the firm for a long time so they are really great at selling products." (S2)

"The portfolio of the company is too much hardware, we need more software. When we sell software we also sell more services. "(S7)

- **Issues with product integration with the company's product portfolio**

"Today we receive separate parts from the three product lines. With the parts we build solutions. The integration with the separate parts is difficult to accomplish since they often are not configured with each other. It doesn't work end-to-end" (S6)

"R&D are too focused on producing and developing boxes, for an example, Alfa, the box is too small for its capability, so you need a lot of them in order to meet the requirement, whereas the customer says that we should reduce and not increase the amount of boxes. R&D is very linked to the production and we measure on the volume." (S4)

"What really motivate the sales force is to truly believe in the products and this is probably one of the biggest challenges. Our software products fall short, got way too many problems. Difficult to sell, configure and the competitors does it better than we do." (S8)

"We use software applications from a 3rd party to complement our product. We manage and discuss directly with the external software company and we experience that they understand our customers." (S1)

Customer relationship

In order to become solution providers and deliver value to the customers, a discussed challenge is to increase the salespeople's knowledge about the customers and about the target segment of healthcare. Another external challenge is the overall relationship with the customer that will evolve in terms of becoming more of a partnership. This in turn might require making sales decisions at a higher level in the customers´ organisation. Thereby a challenge for the salespeople is that they now need to be able to manage the relationship at the required level of authority.

- **Lack of knowledge about target segment and customers business**

"What is missing right now is segment training about health care and this needs to be locally." (S3)

"In the future, we must get more input from clinics and nurses into the sales regions. This people have the experience from the target customers and thereby they can really can understand the need and business in the phase of implementation" (S5)

- **Customer relationship should evolve**

"The relationship with the customer will change in that sense that we will have to talk to more people." (S12)

- **Confidence to sell on a higher level in the customer´s organisation**

"The sales effort will be on a higher level in the customers organisation, more partners will be involved and you need to fit in an ecosystem." (S7)

Competence development

The sales regions have a mix of skills and competencies due to different customers, target market segment and time of existence. Moreover, the company has a history of hardware and telecommunication business resulting in another challenge since the transition require additional competence in IT, software and solutions.

- **Lack of competence in software/solutions**

"I need the competence of being able to adjust, implement and develop software that is customer specific in the sales team. To a limited scale we have the solution capability to sell." (S4)

"More general IT competence will be needed, primarily in software since we are transforming to become an IT supplier." (S5)

- **Lack of skills in consultative sale**

"We are now looking for people who can argue for the benefits with the solutions and experience within the software business" (S3).

"In order to be a successful salesperson you need to do a more consultative sales approach - like an adviser - understand the customers challenges and needs." (S7)

Incentive model

The current business is profitable and this is regarded to be a challenge since it has a negative impact on the motivation to change. Moreover, with experience and developed skills from a specific business, moving into something new implies to step out of the comfort zone and according to sales managers this is discussed as a major challenge. However, a new commission plan that incentivise selling more software has been implemented in some of the sales regions but it is not fully utilized yet and therefore a current challenge is to incentivise the salespersons to sell more software without any additional commissions. Thus, in order for the sales people to get the biggest yield and commission, they sell what is easily and quickly sold and do not consider what they sell in terms of hardware, software and services.

- **Lack of motivation due to high profitability**

"Should you be more aggressive and taking more risk or move slow and still be quite profitable, that is the question. I think we should be more aggressive, but that is not our company culture." (S7)

- **Step out of the comfort zone**

"Training occur to the current staff but not everyone feel comfort doing the transition due to personal interest and background." (S4)

- **Commission based on order intake and not on the content of the order**

"Today the salespeople get measured on total order intake and not exactly on what they sell." (S6)

“The salespeople are lazy and they sell what it is easy and get measured by total order intake.“ (S6)

Culture of hardware

The current culture is due to the firm’s history and business product and hardware centric. This further implies a challenge in the transition since the aim is to develop, produce and sell more software, service and solutions.

- **Hardware/product centric culture**

“The culture affect the transformation since software is different from hardware. An example is that in the overall solutions, it is tradition by firms within the telecom business to discount the software. We should do the opposite!” (S6)

“There is also a challenge to move the culture from hardware to software. The software culture is more creative with shorter time to market. Creativity and innovation go hand in hand” (S7)

4.6 Challenges discussed by HQ

Servitization in the ICT industry for the sale organisation

There are several differences among the sales units and this results in a challenge in the transition since each sale region has different challenges, prerequisites and needs in terms of support. Some of the representatives from headquarters further consider the transformation to evolve too slow missing sense of urgency. Finally, how to manage “when to do what” in the transition is discussed to be a major challenge.

- **Differences between the sales regions**

“There are a lot of differences between the sales regions. They sell to different customers, have different products and services but also different capabilities and sales approaches. Thereby the biggest challenge with the solution transformation is to become united and get a common vision“ (H3).

- **Lack sense of urgency in the transition**

“My opinion is that it is going to slow, but we are on the right track. We have a good plan and strategy but it would be nice if we would get there quicker“(H1)

- **Steps of when to do what in the organisation**

“The biggest challenge is to take the right steps at the right time. When to do what is the big question. If we hire new staff, but we do not develop our portfolio in the right rate and therefore we risk to spoil relationships and get a bad reputation.” (H2)

Internal communication and collaboration

Internal challenges in consideration to communication and collaboration are to create a common vision within the firm.

- **Coordinate internal prioritization, create a common vision**

“Thereby the biggest challenge with the solution transformation is to become united and get a common vision“ (H3)

Sales process
The sales process will be longer and more complex since it implies to create and deliver full solutions to the customers. Additionally, since the transformation implies to evolve the relationship with the customer and become more of a partner, the indirect distribution channels is considered to be a challenge as it do not target the customer directly making it more difficult to interact and build trust.

- **Longer and more complex sales process**

"The sales cycles will be longer but the revenue bigger, we must show a lot of perseverance." (H3)

- **Indirect distribution channels**

"You have to be the expert and I do not think you can sell that very well through a retailer. I believe the only way you are going to sell software is direct. The more complex the sale the more important you do it directly." (H1)

Flexible offer, Local/Global
A challenge in the transition towards solutions and more software is the current product portfolio that to a large extent consists of hardware. Thus, the total revenue and current business heavily relies on hardware and thereby also the sales effort and the current sale capabilities. Another internal challenge discussed is independent sales regions, such as the Nordic, that develop applications that should be the task of the firm´s R&D department.

- **Too focused on selling products/hardware**

"Sales continue to sell what they are used to sell." (H1)

"We have an organisation that is very focused on products. We are not as good at selling solutions and unfamiliar with presenting complex solutions with several of integrations." (H6)

- **Independent sales regions developing their own software applications**

"The Nordic region is developing their own products, which in large part have very similar functionality as the standard products. This is an unfortunate and inefficient way to do it. They should not be forced to start from zero, instead we should find a way to allow the regions to modify the standard products and add the customer/regional specific features needed. Due to many priorities, the product lines have problems to deliver regional specific functionality in standard products within the needed time frame. Since the standard products has not been open for modification by the region themselves, the Nordic region started to build their own applications" (H5)

Customer relationship
When selling solutions the work task of the salesperson will include taking responsibility for the local adoptions at the customer. Moreover, the future sales process includes another payment model that is discussed to be a challenge both for the salesperson and the customer.

- **Understand the extended degree of responsibility the new sale role implies**

"When you do solution selling and create value locally you must have understand that it is you yourself who is responsible for it." (H4)

- **Get the customer to accept a different payment model**

"Our customers primarily see us as a "box mover" just selling products, which puts us in a very challenging position. We must enter the phase where they also see the value and pay us to do the pre-study and don't consider the work we do as "pre-sales" to sell our products only. There is a need for change of behaviour and in culture and challenge for within our sales force. If the sales force don't see and understand the value then our customers will obviously don't see the value and accept paying for this work." (H6)

Competence development

Managers from the HQ have identified lack of competencies in software and solutions to occur in the sales regions.

- **Lack of competence in software and solutions**

"Inappropriate competence and experience, the "telephony people" can not see and articulate the value." (H1)

"In the transition, the major challenge is the sales organisation. The R&D has done a great job, simplified the portfolio, stabilize, come out with enhancement to the stand-alone-product but the sales people continue to selling what they're used to selling, and they don't take the time to learn something new." (H1)

"We will need software engineers who makes the local integrations. Today, we have a shortage of software engineers and are overbalanced with telephony competence and electricians." (H3)

Incentives model

The firm is currently profitable and this is discussed as a challenge as it is considered to have a negative impact on the motivation for the sales regions to transform and change into something new. Another challenge related to incentives and motivation is to have the courage to transform into something new and sell with a different manner. According to respondents from headquarters, some salespeople lack this confidence and thereby it is a challenge to manage it.

- **Lack of motivation due to high profitability**

"The biggest drawback is that the business is profitable" (H2)

- **Lack of confidence in selling solutions**

"Must have the courage to sell and take risks, go with sales capabilities before development capabilities." (H2)

"We need to find people who are comfortable in value based selling at a C-level" (H2)

Culture of hardware

An internal challenge is the current hardware centric culture of the firm.

Hardware centric culture

"The difficulty is that we have a product centric business since the 50s, we are profitable, why change something that is going well?" (H3)

The charts 1 summarize the empirical findings of the internal and external challenges discussed by the two groups.

CHALLENGES	SALES	HQ
Servitization in the ICT industry	• Obtain profitability • More sense of urgency in the development phase	• Differences between the sales regions • Steps of when to do what in the organisation
Internal Communication/ Collaboration	• To long feedback loops • Lack of support from HQ and R&D department in the transition	• Coordinate internal prioritization, create a common vision
Sales process	• Pricing model	• Longer and more complex sales process • Indirect distribution channels • Get the customer to accept a different payment model
Flexible Offer Global/Local	• To vertical focused on hardware • Issues with product integration with the company´s product portfolio • Defective integration with the firm´s product portfolio	• To focused on selling products/ hardware • Independent sales regions developing their own software applications
Customer relationship	• Lack of knowledge about target segment and customer business • Customer relationship should evolve • Confidence to sell on a higher level in the customer´s organisation	• Understand the extended degree of responsibility the new sales role implies
Competence Development	• Lack of competence in software /solutions • Lack of skills in consultative sale	• Lack of competence in software /solutions
Incentive models	• Lack of motivation due to high profitability • Step out of the comfort zone • Commission based on order and not content	• Lack of motivation due to high profitability • Lack of confidence in selling solutions
Culture of HW	• Hardware/product centric culture	• Hardware/product centric culture

Chart 1 – Summary of empirical findings of the challenges discussed by respondents from the sales regions and headquarters.

4.7 Success factors discussed by the sales organisation

Servitization in the ICT industry for the sale organisation

Internal success factors in terms of organisation and overall transition discussed by the representatives from the sales regions are a new business model and that the headquarter must transform first.

- **HQ must transform first and push software, solutions and communication**

"It very important that the HQ makes the transformation first. Because if they do not push this no sales organisation will change."(S1)

"The organisation must establish confidence; else sales will not move, no matter what incentives." (S4)

- **New business model of renting or other suitable business and payment model**

"In my opinion, to sell applications we need to transform our sales model to a rent model where the customers pay a monthly cost." (S2)

"We need to find a suitable business and payment model. When we started to sell software it was a one-time cost but today with the software maintenance it is licenced" (S5)

Internal communication and collaboration
In terms of communication and collaboration quick feedback and support is desired to better manage the transition. Additionally, more collaboration with the R&D department is expressed to be a success factor since it is believed to result in better solutions.

- **More internal communication, support and quick feedback**

"*The support will be of great importance for the sales regions that are not capable of developing their own solutions. And since the terms at the market change rapidly, quick feedback of the "how" is important in order to solve the customers´ problem." (S5)*

"*The one that implemented something new need to support how to sell it. Else sales will move back to what they can and what they already do today." (S4)*

- **More collaboration with R&D in order to develop more customized products**

"It would be beneficial if the collaboration with R&D increased since it is extremely important for the salespeople to have the right tools in their toolbox. This is no one man´s show. We must work as a team to create the right solutions for the customers." (S5)

"We would like to have more collaboration with R&D, and we would like that in order for them to develop more suited products for our customers. Sometimes they develop things that clearly are for a specific segment and they do not think outside of the box." (S9)

Sales process
Regarding the sales process, demos and examples are by managers at the sales regions desired in order to more easily demonstrate the software and possible solutions.

- **Demos and packages to sell more software and solutions**

"It is desirable to have more demos to sell more software. We must create and provide packages." (S1)

"They need training and support like demos to show at different levels. It is very hard to show general managers how they can benefit economical on the investment and how long the payback period will be. We need to have more examples to show" (S2)

"Typical is that the salesperson are experienced with demonstrating the hardware for the clients, now we are going to sell software, how do we demonstrating that?" (S4)

"It is more complex to do a demo of a system in a sales situation but that is what we really want!" (S7)

Flexible offer, Local/Global

Internal success factors related to the offering are to have a central developed foundation that locally can be adopted to satisfy specific customer and needs.

- **A central well developed foundation that locally can be customized**

"As we deliver more complex solutions it is getting more important with a central core. Every sale region cannot develop their own software because then we risk to develop the same thing on different places." (S5)

"What we need is a framework or foundation like the ones Google and Android have developed. I need this foundation to further develop and adopt to meet with the customers´ needs. Today we receive separate parts from the product lines, some will argue against this." (S6)

Customer relationship

The overall relationship with the customer needs to be strengthened and more intense. Moreover trust from the customers´ is considered to be a success factor in the transition.

- **Build better relationship and trust with the customer**

"The relationship with the customer must improve to be more of a daily contact." (S1)

Competence development

In order to succeed with the transition and servitize new competencies and skills in software, IT and digital communications are required. Moreover, the new sale role will change to become more consultative and thereby the staff need training in other sales approaches, such as the SPIN methodology increased knowledge about the customer and the target segment.

- **More competence in software, IT and digital communications**

"A major challenge is that all the sales guys must push solutions – today most of them are 65 years and older and new competence is needed within healthcare, software, IT and digital communications." (S1)

"The new competence we need is a person who has a solid software based solution capability but also understand the existing hardware platform. We cannot leave the existing customers behind." (S9)

- **Change the sales role to become more consultative and problem solver**

"We are now looking for people who can argue for the benefits with the solutions and experience within the software business." (S3)

"The roll now is more of a key account manager, a team of people interacting with the customer. Someone profession that understanding the customer business environment." (S4)

- **Sales training (SPIN)**

"We are now looking for people who can argue for the benefits with the solutions and experience within the software business." (S3)

- **More knowledge about customer and target segment**

"Someone profession that understanding the customer business environment." (S4)

"In the future, we must get more input from clinics and nurses into the sales regions. This because this people have the experience from the target customers and thereby they can really can understand the need and business in the phase of implementation." (S5)

Incentive model

A mean to push the transition is a new commission plan rewarding sales of software and services over hardware.

- **Changed commission plan to incentivise**

"Commission can definitely increase focus on the target." (S5)

Culture of hardware

In order for the transition to be successful the culture and leadership are discussed to be of great importance.

- **Establish a service and software centric culture**

"People often think of what they have to give up and not what they gain. We must create a service culture. We need leadership to do the right thing. Are we communicating the right info to the right people at the right time? Direction, support, listening will be important." (S7)

4.8 Success factors discussed by HQ

Servitization in the ICT industry for the sale organisation

A potential success factor mentioned by respondents from HQ is to have a separate sales organisation for hardware and software. This could result into more easily managing the balance between the existing revenue stream from the hardware business and the new revenue streams from solutions and software.

- **Separate sales, some selling hardware and other solutions**

"...maybe we need to separate, some selling hardware and the others solutions. Maybe we do not need to go totally solutions because we have a bunch of hardware to sell to." (H1)

Internal Communication and collaboration

Discussing communication and collaboration, internal success factors by managers at HQ are considered to be a good balance between central and local units but also to support to the sales regions.

- **Internal collaboration between central and local units**

"First we did it in one region, now we are implementing it in all regions but also in the central functions, it will be a push-and-pull, interaction between the central and local units which will make a huge difference in the transformation. We must find best practises and make sure we work as one company and not as several separated units. This is the basis for our strategy." (H3)

- **Support to the sales regions**

"There has to be frameworks, rules and support systems so that you can focus on the right things and get time to focus on what is important. So far, we have worked in an independent manner. Some have succeeded and others have not. If the company is about to expand we must succeed together." (H6)

Flexible offer, Local/Global

Internal success factors regarding the offer are by managers considered to be to assure easy integration of the software with the hardware and also to develop good packages in order to ensure a good reputation at the market. Moreover, the balance between a central fixed foundation and local adjustable functionality is discussed as an important success factor.

- **Software should be in bundle with the hardware in an easy way**

"Sales people will also go the path with least resistance, they are like water, if they feel like they can sell a commodity easier than the software they will do that. Thereby we must make the software in bundle with the hardware in an easy way. We will have to make it easy for them. So we will drive them with behaviour, easy products but also good products with good software" (H1)

- **Make sure of good developed solutions and beneficial reputation at the market**

"Another thing is that if they can not make it work good for the customer, the salesperson will feel bad and maybe won't be able to sell it to another customer due to "word-of-mouth". So we also has to make sure that we develop good software that works well, people have to say good stuff about it" (H1)

- **Suitable balance between a central developed foundation and local adjustments**

"We must understand the balance between how much we can build centrally and push out and how much we adapt for the specific customer" (H4)

"Customization of software must be done locally, else it will not be efficient" (H6)

Customer relationship

To become solution providers and partner the customer relationship should evolve. Moreover, managers from HQ argue for the sales people to have the courage to sell solutions and for the firm to go with sales capabilities before development capabilities.

- **Build better relationship and trust with the customer, partnership**

"We want to become a solution provider and a business partner, where we take a bigger responsibility towards our customers." (H6)

- **Courage to sell solutions and take risks, go with sales capabilities before development capabilities**

"For a firm of this size, I consider it appropriate to go with go with sales capabilities before development capabilities. We cannot afford to carry the body of first hire developers and then salespeople that can sell what has been developed. Then we take a risk to develop something that the customer do not desire." (H2)

Competence development

According to respondents from HQ, competence and current skills of the sales staff must be adjusted to successfully make the transition. In order to do so training like the SPIN methodology is used. Moreover, since the company strive for selling solutions, the sales decision generally takes place higher up in the customers´ organisation resulting in the need for skills to sell at the required level of authority. In addition, managers from HQ argue for salespeople to be able to do consultative sell.

- **New competence for the sales persons**

"When you start to sell solutions you also start to create local value and that is something you must have local skills for. Additionally, you must realize that it is the local organisation that is the one responsible for the local customisation. A lot of actions will be implemented for the sales organisation in the transformation, the competence will be adjusted, we will train the current staff but we will also hire new salespeople as well as acquire competence of system architects and software developers." (H4)

- **Sales training (SPIN)**

"All of our sales people have done spin training - going into a customer meeting asking questions. You listen and let them tell you everything. Then you know what to stress and you can convince." (H1)

- **Hire new sales persons with competence of software, IT, solution architects**

"We need new competence, someone who knows IT, Software and SPIN." (H4)

"Skills of project management and solution architects that can create, and realise, a unique solution for the customer will be acquired." (H4)

- **Value-based selling on a C-level**

"The requirements will be much higher for the recruited then for the current sale staff. We want to find people that are comfortable to sell value based solutions on a c-level in the organisation." (H2)

- **Sales people need to do consultative sell**

"We must step up the game, the sales people need to do that consultative sell, and that is where they need more training, or they need more confidence and experience and I do not think we have that in our sales force today." (H1)

Incentive model

A mean to increase the motivation for the salespeople to make the transition is a new commission plan that reward sales of software.

- **Change commission plan to incentivise more sales of software**

"Sales people are unique. Sales people are greedy, they are driven by dollars, and that's good, I do not say that greedy is bad, if you say to a salesperson that you can earn a million if you sell certain solutions, then they will drive like crazy to get there. So if you change the behaviour with the incentive, you will drive it with desire." (H1)

The chart 2 summarizes the empirical findings of the internal and external success factors discussed by the two groups.

SUCCESS FACTORS	SALES	HQ
Servitization in the ICT industry	• HQ must transform first and push software, solutions and communication • New business and payment model	• Separate sales, some sell hardware and others solutions
Internal Communication/ collaboration	• More internal communication, support and quick feedback • More collaboration with R&D in order to develop more customized products	• Internal collaboration between central and local units • Support the sales regions
Sales process	• Demos and packages to sell more software/ solutions	-
Flexible Offer Global/Local	• A well developed foundation that locally can be customized	• Software should be bundled with the hardware in an easy way • Make sure of good developed solutions and beneficial reputation on the market • Suitable balance between a central developed foundation and local adjustments
Customer relationship	• Build better relationship with the customer	• Build better relationship and trust with the customer, partnership • Courage to sell solutions and take risks, go with sales capabilities before development capabilities
Competence Development	• More competence in software, IT and digital communications • Change the sales role to consultative problem solver • Sales training (SPIN) • More knowledge about customer and target segment • Hire new competence of IT, software and system architects	• New competence for the sales persons • Sales training (SPIN) • Hire new sales persons with competence of software, IT and solution architects • Value based selling on a C-level • Sales people need to do consultative sell
Incentives models	• Changes commission plan to incentivise • Measure service performance	• Changed commission plan to incentivise software sales
Culture of HW	• Establish a service and software centric culture	

Chart 2 - Summary of empirical findings of the success factors discussed by respondents from the sales regions and headquarters.

5 Discussion

In order to answer the stated research questions, what are the major challenges and success factors inherent in the transition to servitize for a sales organisation and what internal frictions can arise with the sales office and the rest of the organisation, a discussion of the empirical findings and the analysis together with the theoretical framework is presented in the following chapter. The analysis is discussed from a theoretical point of view as well as a practical perspective.

The outline of the chapter is structured to firstly discuss the overall transition for the sales organisation in regards to the ICT industry and servitization. Secondly, a new way of working is discussed to be the main challenge for the sales organisation. Finally, this is followed by three focus areas that are highlighted and discussed based on the main challenge.

5.1 Servitization in the ICT industry for the sales organisation

In this section different challenges for the sales organisation due to the strategy of servitization within the ICT sector will be discussed.

The focal firm of this study is currently in a phase of servitization. The ambition with the transition to servitize is not to completely move into services but rather to increase the generated revenue streams and the share of the product portfolio to consist of more software and services. In other words, the aim is not to quit selling the existing hardware but to increase the share of the total revenue to be derived from software and services. This is further supported by Elfving and Urquhart (2013) who consider a complete transition to services not to be recommended for companies within the ICT industry. Instead, an approach for a balance between products and services is to strive for.

According to the theoretical framework several challenges are discussed with consideration to the overall organisation in the transition to servitize. When focusing on the sales department the main finding is that the sales department is by Brownes et al. (2013) considered to have a pivot role and at the same time the sales forces encounter vast challenges due to fundamental changes in their way of working. The changing process that solution selling implicates is described by both the literature and discussed by respondents at the case firm. In line with Reinartz and Ulaga (2008), the respondents point out that the sales processes will be longer and more complex. In addition, it will require a closer relationship with the customers in order to understand their problem and offer a solution in order to solve this. The two interview groups both discuss that in order to become solution providers, the relationship with the customer must evolve. In addition, their strategy with the transition implies to become solution providers and business partners where a bigger responsibility is taken.

According to Grewal and Sharma (1991) solution offerings further require the sales organisations to have a higher level of support for the customers and this is further essential for firms to become a trusted partner. Furthermore, Sheth and Sharma (2008) argue that the sales organisation will own the relationship with their client when transforming to a consultative model. This can be compared with the challenge raised by several respondents discussing an extended degree of responsibility for the new sales role. Due to the transition, local value will be created and that is something that requires certain skills and that the salesperson must understand the new role of responsibility it implies. To conclude, in order to succeed with the transition to become a solution provider a closer relationship with the customer is required despite longer and more complex sales cycles.

Another overall challenge regarding servitization within ICT sector is the hardware centric culture. Respondents from the sales regions as well as from HQ stress this discussing different challenges regarding the current focus and revenue deriving from hardware. First, respondents from the sales regions consider the culture to obstruct the transition due to absence of incentives to change and managers from HQ support this by arguing that the current culture is a vast challenge due to a history of profitable product-centric business. This is further supported by the theoretical framework where firms in the ICT industry are reported to struggle with challenges due to a strong product focused culture and in which services generally integrate with the product in a late stage in the delivery process (Oliva and Kallenberg, 2003, Aurich et al. 2006, Mont, 2002). Elfving and Urquhart (2013) further claim that firms within the ICT industry cannot reject the fact that they are technologically driven with a long history and culture of being so. Martinez et al. (2009) claims that rooted manufacturing culture with strong product, technological and engineering orientation prevent the transformation to servitize. Slow responses to customer needs, lack of understanding are some result of the absence of a common service culture. In order to change culture the authors consider the whole organisation to recognise the customer orientation, not just the management. Moreover, the gap between customer’s expectations and the organisations ability to train the employees can be filled with help of culture.

Secondly, another issue regarding the culture is discussed by respondents from the sales region that demand a more aggressive approach in the transition implying to take more risks but consider the current profitable hardware business and culture to be the obstacle. Additionally, empirical findings indicate that it is tradition by firms within the telecom business to discount the software and that this is a challenge since the new strategy should be to do the opposite. Respondents from HQ additionally stress a need for change in behaviour and culture within the sales force and claim that if the sales force is not capable of understanding the value, then nor will the customers. This in turn is considered to be an issue since the transition require the customer to pay for the pre-sale and if they cannot understand the value this will result in reluctance. Finally, empirical findings from the sales region highlight that the desired software-centric culture is more creative and also result in shorter time to market.

According to Martinez et al. (2009) a challenge within the delivery of the offering is to create an organisation that become service-centric rather than product-centric. The sales capabilities are therefore described to be of importance due to the chosen strategy. This to be able to understand the customer's’ needs and communicate the value that more complex solution offering gives the customers’. This can be related to Olivia and Kallenberg (2003) arguing that this kind of transition requires the ability to satisfy the customers’ needs.

To summarise, since the core of servitization is to integrate services with the product offerings to deliver added value for the customers (Wise & Baumgarter, 1999; Neely, 2007; Spring & Araujo, 2009; Baines et al., 2009), a major identified challenge is to change the sales process and thereby the way of working in order to understand and being able to satisfy customer's needs. The firms must therefore find ways in order to overcome the embedded ways of doing things and manage the hardware centric culture in order to add services and become customer oriented and finally a solution provider. However, the hardware centric focus is still necessary to some extent since literature and case studies indicate that a full transition to service for ICT companies is not recommended. Therefore, it can be concluded that the main challenge for the sales organisation within the transformation towards servitization is to change the way of working and the underlying ways of doing things. This is further considered to be essential for all firms that undergo the process of servitization.

Main Challenge: Change the sales process and the way of working

Literature points out the importance of changing capabilities, expertise and methods of working (Reinartz and Ulaga, 2008); Brownes et al., 2013) when shifting strategy towards servitization. However, earlier research is sparse upon how it should be accomplished, especially for the sales organisation (Evanschitzky, 2008). The organisation needs to emphasise the cultural change that comes with service oriented thinking instead of product thinking, which include both technical and people skills (Nudurupati et al., 2013). The authors further argue that people skills are required in the servitization transition for organisations to understand necessary behaviour and develop as well as transform them. In addition, suitable management styles need to be explored. This study aims to bridge this gap, what people and technical aspects are needed in the transformation for the sales organisation in the transition to servitize.

The empirical and theoretical findings highlight various aspects to consider when transforming to servitization. However, based on the main challenge inherent in the process, the new way of working, this study has identified three major areas that need to be considered. The three acknowledged focus areas are; competence development, global and local collaboration and development and finally, organisational support. These aspects are discussed separately down below, in order to answer why they are important to consider in the process to overcome the internal frictions and issues identified. By doing so, current challenges could be transformed to tomorrow's success factors rather than obstacles.

Figure 11 aims to give an overview of the discussion so far and the topics that will follow.

Figure 11 - Overview of the main challenge and three success factors

5.2 Competence development

From the empirical and literature findings it is identified that the salespeople will need new competences in order to adapt to the strategy. Various respondents lift the problem that the sales continue on selling what they are used to, e.g. hardware, and that the transition is hindered by this. Managers at the head office argue that the sales people will go the path with least resistance that is the products they are used to selling, hardware. Participants from both HQ and the sales further point out that this is related to competence and incentives that will be explained in the upcoming part.

When moving into servitization and solution selling, Vargo and Lusch (2004) argue that the communication between the sales departments and their customers should be characterized by dialogue through questions within the service-centred organisation. Compared to the empirical findings, the sale staffs are trained according to the SPIN methodology that includes asking questions to get the correct information from the right person in order to understand the customer's needs. Furthermore, some fundamental grounds that are relevant to sales management and personal sales stated by Vargo and Lusch (2006) are that specific skills and knowledge is the essential component of exchange and that the most important source of competitive advantage is knowledge. Sheth and Sharma (2008) further claim that the sales organisations will become customer experts in the future and sell solutions that can include outsourcing of service and products. The salesperson's will become education agents for the customers, hence the growing importance of specialized knowledge and skills. According to the empirical findings, managers from the sales regions report absence of segment training and knowledge about the target segment of healthcare. They also mention that they need more input from clinics and nurses into the sales regions since this people have the experience from the target customers and thereby understand their needs. Other factors related to the customer relationship are by managers from the sales regions considered to be increased communication, sales effort on a higher level in the customer's organisation, more involved partners and that the firm need to fit in an ecosystem.

In order to change the way salespeople work towards becoming more service-oriented, be comfortable discussing business with clients at all levels while understanding their true needs for the firm, the sales organisation needs to undergo a process of competence change. In order to do so, training and hiring will be necessary to gain the new required competence.

5.2.1 Train & Hire

In order to cope with the new requirements, both interviewed groups agreed upon that the firm need to train the existing sales force and additionally hire new people with desired competences and skills. As described earlier, the firm is training their salespeople according to the SPIN method so that they become more consultative and understanding the customer's needs. However, managers from the sales organisations require for more training in the strategically chosen customer segment that is currently lacking.

Furthermore, managers from the sale organisation are expressing the need of inputs from clinics and nurses, who already have the desired knowledge and experience within the target segment. Additionally, they point out the need to hire people with project leader experience. Both groups consider that all salespeople will not be able to sell solutions, regardless training and that it is a must to hire new salespeople. This can be related to Reinartz and Ulaga (2008) study, which indicated that all of the successful companies invested in training of their sales force. However, if they were aiming at delivering complex solutions instead of add-on services to their products they had to hire new people with a different competence profiles. To conclude, in order for the firm to get the required competence and skills, training and recruitment must occur.

As mentioned earlier in the report, there is still a problem that the organisation is too product-oriented. Both the sales and HQ argue that their sales force have to be better at service and consultative approaches to understand and meet the customer's' needs. Previous research highlights this area as well, in which firms have to create a service-savvy sales force and where services are a natural part in the sales role (Reinartz & Ulaga, 2008; Lassk et al., 2012).

Both groups indicated that the sales force need to become better at discussing with customers in all kinds of levels and expertise, understanding their needs and arguing for the solutions. They argue that the sales force lack confidence and knowledge in software and solution selling. The need for competence especially within the software area is seen as crucial in order to articulate the intangible value with the solutions. The ability to make local software integrations in the sales organisation is mentioned by a participant at the HQ to be important. Some sales respondents further point out that they need new competence in order to adjust, implement and develop customer specific software. This can be related to the salespersons service behaviour, which is interconnected with customer satisfaction and trust (Ahearne, Jelinek & Jones, 2007). Furthermore, the theoretical framework highlights the importance for the salespeople to become a problem solver and consultant, which are described in the last section (Sheth & Sharma, 2008; Evanschitzky, 2008).

This study argues that a potential solution to facilitate the sales forces competence is to divide the people in service and product experts. Since the new way of working requires a range of characteristics and skills, it might be possible to train and hire people with the full competence profile. The service salespeople could than be better on the consultative way of working while the product people have a stronger technical understanding. By working as a team towards the customer, they might then be able to better understand the customer's problem and offer a solution to solve that.

The changing role of the salespeople and their relationship with the employer is argued to be a key challenge in the future success of sales training (Lassk et al., 2012; Cron et al., 2005). Hence, the salespeople should have more influence into the planning, delivery and evaluation of their training program (Lassk et al., 2012). The focus should be on the salesperson's competence and learning throughout the whole career rather than task-related knowledge, skills and abilities (Cron et al. 2005). The theoretical framework implies that the selection of new salespeople should be focusing on their customer service capabilities instead of finding new customers with push and charisma (Grewal & Sharma, 1991; Sharma, 2000). Hence, a key element is the ability to coordinate with other people to maximize the customer value.

To conclude, it will be necessary to train the current sales force in order to adapt the new way of working and handle their locally challenges. In order to do so, competence within consultative and service selling, software and the main segment are of importance in order to fully understand the customers' issue and thereby solving their problems. However, there will be essential to hire people with this competence since training everyone will be costly and time consuming and maybe not even possible. Furthermore, this might be preferable to get new people into the organisation that can lead the change due to their competence.

5.3 Global and local collaboration

Due to the globalisation, it is common that firms have sales organisations around the world with different customers' wants and needs. In this research, there are several differences among the sales units and this is by respondents from HQ discussed as an internal challenge in the transition since each sales region has different challenges, prerequisites and needs in terms of support from the organisation. The variations among the sales regions have according to the managers affected the progression in the transition towards selling more software, service and solutions. Within the servitization continuum by Martinez et al. (2009) the sales regions of the focal firm can be positioned differently due to their progression in the transition since, compared to the empirical findings, the sales region of Nordic have a developed capability to sell solutions whereas France on the other hand has a very limited solution selling capability.

Related to the differences among the sales regions, respondents from HQ argues that one of the biggest challenges is to become united and share a common vision internally.

This can further be related to the theoretical framework where Martinez et al. (2009) argues for absence of strategic alignment and common mind-sets to have a negative impact on the transformation efforts. Based on the discussion above, how to handle the different sale organisations locally challenges that occur seems to be of great importance. Thus, the sales regions need to understand their unique markets and customer problem in order to deliver value for them. Furthermore, this is essential in order to create a common vision amongst the whole firm and different sales regions.

Furthermore, an identified issue is the different perception of who is the bottleneck in the transition. Managers from HQ consider the overall transition to lack sense of urgency whereas employees from the sale regions refer to the speed in the development phase. To conclude, an internal friction prevails internally when discussing sense of urgency in the transition to servitize. Where respondents from HQ and sales consider the other part to be the bottleneck in the transition.

Respondents from the sales area highlight challenges related to the firm´s R&D department. They lack speed of development within this organisation to quickly adopt and deliver applications and solutions that the customers are asking for. The problem is argued to be central in the transition from the sales department's point of view since this is their main objective. Martinez et al. (2009) also describe the process of designing products and services effectively to create the offerings that can meet the customers need as a challenge within this kind of process. The theoretical framework further argues that software-centric firms needs to be flexible due to rapid changes in the marketplace (Cusumano, 2004). Reinartz and Ulaga (2008) also highlight that firms offering more complex services it is important to focus on what capabilities requires based on customers problem and not internal processes and structures and that the sales force should work as an information channel for future R&D investments (Sharma, Iyer & Evanschitzky, 2008).

Moreover, respondents from HQ highlight that the main challenge in the transition lies within the sales department. They further mean that the salespeople are unable to sell and communicate the value of the solutions to the customer. On the other hand, respondents from the sales department claim that they cannot sell and customize as desired with the current product portfolio. At the moment, respondents from the sales organisations highlight this as one of the main issues in the transition. Empirical findings points out that the salespeople have to believe in the products in order to be motivated, which currently is lacking. Hence, the problem with integration of the products from the three products lines is discussed as they rarely are configured before arrival to the sales department. Other respondents from sales argue that the software has too many problems and falls short which makes it difficult to sell and configure. Thus, another internal friction is defined due to the internal process and the current product portfolio. Martinez et al. (2009) consider alignment of product and service design processes to be required for design of integrated offering and effective response to customer needs.

To summarize, two obstacles are identified that currently are preventing the process towards servitization and way of working. Firstly, how to handle the sales regions various locally markets and customer preferences. Secondly, the different perception between the sales organisations and the HQ needs to be considered. This to raise the awareness of the differences and work in order to solve this problem. Hence, to decrease the possibility of internal friction which can damage the process towards solution providers.

→ Locally differences
→ Different perception of the bottleneck in the transition

According to Sheth & Sharma (2008) a core in solution selling is to be able to adapt to today's rapidly changing market. One sales director mention that they spend a lot of time and money finding customers but too often lose them due to lack of technical support and aspects such as long delivery time. This is considered as a vast challenge in order to become a trusted flexible solution provider. This can be related to Lassk et al. (2012) who highlight the importance for salespeople and manager to work more effectively with others in the organisation to maximize the value for the customers.

Moreover, the sales organisation that yet has not the capabilities to create their own solutions is stated to be in even more need of support from the global organisation. Otherwise, there is a common view that the sales people will probably end up selling what they are familiar with, i.e. products, which prevent the process of changing the way of working. Hence, respondents from the sales regions highlight the need for them to get more knowledge about how to sell the developed solutions. The sale organisations demand demos that can be used in the meeting with customers in order to resolve the problem to discuss and communicate the value-in-use for the clients with software and solutions.

On that basis, this study argues for the need of creating an increased collaboration and development process between the global and local organisation that in this case is referred to HQ and the different sales regions. It is identified as an important aspect to consider providing tools of the new way of working and reducing the internal friction to enable the possibility to deliver value for the customers and be able to quickly respond to the local markets. Within the topic, organisms such as the offer, internal communication, and distribution channels will be further discussed.

5.3.1 The offer

In order to adapt to the new way of working that servitization implies, a flexible offer is argued to be of great importance. Cusumano (2004) consider it necessary for software-centric firms to combine structure and flexibility due to rapid changes in the marketplace. As mentioned before, respondents from the sales organisation highlight the lack of speed in the development phase and of functionality of the current software. According to managers from HQ, the sales regions are too independent developing their own software that should be the task of R&D department. On the other hand, sales managers respond to this by arguing that it is necessary in order to be able to meet with their customer's needs. Hence, it can be concluded that there exist internal frictions and issues regarding the current developed software of the firm.

Both respondent groups point out the balance between the global and local units when developing the products and solutions is important. They express a need for a central foundation that can form the basis that in turn should be able to adopt due to the local markets need. According to Reinartz and Ulaga (2008) it is important to create flexible service platforms able to meet various customer needs in order to prevent cost of delivery to overcome the offering margins. Hence, the respondents argue that the more complex the solutions become the more important a central core will be. It will further reduce the risk of developing the same products and services in the different regions. A challenge within this is pointed out to be the understanding of what offerings can be re-used and therefore built centrally and what needs to be customized locally.

Respondents from the two group further point out the importance to create packages of offerings included both software and hardware to facilitate the change and sell of solution in order to facilitate the process of integration and the reputation on the market. Managers mean that they have to make it easy for the sales people by combining it in bundles in order to drive the change with easy and great products. They further highlight the importance of creating good products due to the word-of-mouth between customers, in order to simplify the sales organisation's role. Currently, this is however highlighted as one of the main challenges in the transition according to the sales organisation.

To summarize, packages with hardware and software that could be sold as a full solution and thereby re-used would facilitate the sales process. At the same time the products needs to be flexible in order for the sales region to integrate and adapt them to their different markets and customer needs. Hence, the balance of what could be done at a global level and adapted on the local markets must be put on emphasis.

5.3.2 Increased internal communication

To improve the customer interaction process, Martinez et al. (2009) highlights that members from all parts of the organisation should be exposed to the customers, which could be seen as an informal training process. This is further supported by Lassk et al. (2012) highlighting that sales managers together with the salespeople must work effectively with other employees in the organisation in order to maximize the customer value. Representatives from the sales argues for more collaboration with the R&D departments in order to be able to deliver what the customers want. They agree that there is not much knowledge sharing amongst them that they find necessary to create a quicker overall process and succeed with the change.

As mentioned earlier, flexible products are stated to be of great importance to be able to adapt to the changing requirements from the customers. According to the empirical findings the sales regions are rather independent and there is an absence of exchange and communication with the R&D department that seems to result in sub-optimization where occasionally, the sales regions develop their own software or buy it from an external 3rd party. This supports the statement that the internal communication needs to be increased. Hence, to create a channel of information to facilitate what needs to be done at a global and local level to satisfy the end-customers. Sharma, Iyer and Evanschitzky (2008) consider the sales force to be of great importance and constitute an information channel on future R&D product development and investments since the customer needs should come as first priority.

To conclude, in order to improve the customer value and relationship more internal communication between sales departments and HQ, more specific the R&D is discussed as a success factor. This to make sure that the local sales region can be utilized as an information channel to R&D. Hence, make sure that the company invest in product development that will be valuable for the end customer.

5.3.3 Distribution channels

Due to increasingly collaboration with the customer that solution selling requires, some members express a concern regarding the indirect selling channels where the sales do not target the customers directly. Challenges related to this are the interaction and trust with the client since it becomes more difficult when not working close to the end customer. Sheth, Sisodia and Sharma (2000) argue that the process is depending on customer loyalty to become effective. However, there are different opinions regarding the indirect channels. Some argue that this will be of importance in the future since they will continue selling hardware and this is then an effective distribution channel. However, when it comes to software and solution the respondents believe that it has to be direct selling.

Some participants from the sales organisation highlight that indirect selling is necessary since their customers wants to discuss with partners that are in the same size as themselves. Some mention that the firm is not large enough to take that role in their market yet. Furthermore, some sales region points out that they are engaged with the end-customers already even though they are selling through partners. Evanschitzky (2008) express the importance of a demand driven rather than supply driven process when to adapting to solution selling. The author further point out that this is more suitable for high-technology products and services. Thus, it can be questioned if the indirect sales channel will contribute with sufficient benefits to the firm despite the contradictory strategy implying to move closer to the customer. On the other hand, as discussed earlier, it is recommended to remain some hardware business in which close involvement with the customer is more of transactional nature and thereby indirect distribution channels might be an option. But in regards to the overall strategy, as the customer’s voice is becoming essential, indirect channels should be considered as inappropriate. However, due to the local differences amongst customers’ preferences and variations of the regions some might not be able to change.

This research argues that the firm should try to go direct when possible to move closer to end-customer but it needs to be further analysed. However, when it is not possible to change the distribution channel the firm have to look at alternative ways to engage with the clients in order to fully understand their needs. Thus, this will require a closer collaboration between the global and local organisation.

This study points out that an increased collaboration between the global and local organisation is necessary in order to handle the new way of working for the salespeople. Thus, to increase the internal communication in order to deliver flexible products that can be adapted to local markets and to reduce the friction between the sales organisation and HQ. Internal communication and collaboration is discussed to be of great importance when the firm should offer complex solution to customers. It require an in-depth knowledge about the customers’ problem, and in order to deliver solutions, sales and R&D will have to work closer. Sales should be seen as an important information channel for future investments and developments in order to create products and solutions requested by the customer. This is further necessary to decrease delivery time and increase the flexibility for the sales organisation which is needed to manage the locally challenges. In addition, the support of demos to the sales organisation can be of great importance in order to explain the complex and intangible value of the integration of software to the customers, which is currently problematic for the sales organisation. Finally, this is of importance to help the local regions to adapt their distribution channels to go as direct as possible.

5.4 Organisational support

The third key factor to consider in order to handle the main challenge is to create organisational support that support the entire organisation to more easily adopt in the journey towards servitization. Hence, to create tools that is suitable in the new business model and facilitates the new way of working. This theme involves aspect such a change of incentive models, payment models, and how to measure success.

5.4.1 Incentives

Managers at HQ and the sales organisation discuss the incentives and motivation for the salespeople as a main challenge in the current transition. Both groups agree upon the problematic aspect that it is much easier to sell traditionally hardware for the sales department compared to large complex solutions. Due to this, a new incentive plan where the salespeople will earn more on selling software and solution rather than hardware is implemented this year to focus on the strategically aspect. However, this is not fully implemented in all regions. The intention is to increase the motivation to sell solutions, hence the existing challenge to overcome the lack of incentive due to the high profitability in selling hardware. Otherwise, managers point out that salespeople will take the easiest path to earn money and they believe they can change behaviour by changing incentives. The salespeople at the case firm are normally measured on reaching a budget goal, and not on what the sell within this.

When a manufacturing firm moves towards complex offerings and consultative selling, firms need to reconfigure how to measure success (Reinartz & Ulaga, 2008). It is further stated that the conventionally compensation model may not be suitable in this kind of situation. Continually, Reinartz and Ulaga (2008) argue that the degree of success of the objective outcome should be the basis for the compensation. Components like profit and customer satisfaction will therefore be of importance, hence some researchers suggest a measure of customer satisfaction should work as a factor for compensation.

Since the core in servitization is to create value for the customers' by offering solutions with both products and services this study argues that the commission model has to change. Since the company have a strong product focus with competence within this area, there have to be incentives for the salespeople to change. Since the process is becoming longer and more complex, selling hardware could be seen as more profitable than selling solutions since the main objective for the salespeople is to reach their budget. The firm is however increasing the profit on software and solution but this might not be enough. The firm is recommended to introduce budgets including specific objectives in software and solutions. This will give the sales force incentives to learn and therefore sell this in order to get the full bonus. Additionally, the firm is recommended to establish new ways of measure success for the selling process. Hence, the customers' satisfaction is an essential measurement that could be included in the commission plan to stimulate the importance to reach success together with the customer.

5.4.2 Success measurement

To implement new incentives models and how to measure success of the salespeople is not enough. This study argues that it must apply for the whole organisation to make sure that the customer is in focus. Respondents from the sales organisations highlight the importance for HQ to lead and transform first. If HQ does not push this, they argue that there is a risk that the sales organisation will not move. Additionally, some point out that the service has to start from the top organisation and not just the sales organisations. This by making everyone accountable and measured due to the service delivered to the customers. Hence, to get the full organisation to focus on delivering value to the customer and creating structures to support it. If this change does not occur, and the organisation think it is the sales force responsibility the respondent argues that it will be problematic. The discussion raised goes in line with Martinez et al. (2009) who argues that performance metrics should be developed to measure the whole organisation's ability to deliver the solutions.

To implement success measurements for the whole organisation is seen as important to enable quicker support mechanism to help the salespeople deliver the customers are asking for. Hence, it is important that the whole organisation adapt after the new way of working.

5.4.3 Payment models

Regarding the intangible software, which according to Cusumano (2004) implies a totally different business, the focal firm of this study encounter challenges due to the current business model, product strategy and management. This is further confirmed by the empirical findings where managers from HQ and the sales department discuss a different business and payment model and argues for a challenge regarding a new mind-set for both the customer and the salesperson. Existing literature acknowledge this area, meaning that the pricing have to change and will become much more complex (Reinartz & Ulaga, 2008; Nudurupati et al, 2013). The respondents further mention that they have to become more like a consultancy firm, where they can charge the customer for the pre-study. This goes in line with Arnett & Badrinarayanan (2005) discussing that consultative-focused selling have increased in companies focusing on solutions selling due to the customer attention. Problem that is elevated by the firm is to get customers accepting this new initial cost that used to be free. Reinartz and Ulaga (2008) argue that this is the first step in going towards service selling, to identify what services the firm already contribute and where they can change structure from free to fee. Furthermore, the participants point out the importance of the maintenance contract when selling the solutions.

Some respondents from the sales organisation further argue that the firm has to change their sales model towards a rent model to be successful. Hence, the customers are interested in the output and not necessarily the product itself. Sheth & Sharma, 2008 point out that the exchange of intangible factors such as skills and process are becoming more important than exchange of tangible products. Kowalkowski et al. (2015) further describe three different supplier roles in the servitization process, depending on the firm's and customers strategic position. When a firm uses its service to differentiate and offer the activities during the whole lifecycle, the service should be output oriented and alternative pricing models such as leasing can be suitable as the firm sells an availability (Davies et al., 2007; Helander & Möller, 2008; Baines et al., 2007).

Nudurupati et al. (2013) also highlight that the ownership of the product have to be discussed in order to decide which contracting method is most beneficial for both parties.

To conclude, in order to manage the challenges of new ways of working and turning it into a success factor instead by creating possibilities for the different sales organisations to deliver value locally some organisational support tools are discussed as important. Since the process highlights a stronger customer focus with an increased service oriented organisation the measure of success should involve the whole organisation. Thus, the sales organisation is not the only one responsible for delivering the value. It requires the firm to change the overall perspective and measure everyone on how they deliver service to the customer. Hence, to highlight the importance to create support system throughout the organisation in order to create a faster process that delivers valuable solutions for the customer. Additionally, a measurement on the customer satisfaction might be important to include in the salesperson commission plan in order to lift the aspects of the customer. The objective is to become a trusted partner in solution selling which raise the need to satisfy the customers' needs. Furthermore, specific software and solution goals might be appropriate to include in the budget in order to reach full bonus. This is to stimulate the process of learning the new way of working and go out of the comfort zone to mainly sell hardware.

Furthermore, to enhance the service, different payment models may be suitable to facilitate and highlight the importance of the services. The ownership of the products may also be analysed depending on where the firm want to be on the servitization continuum. The literature framework points out that models such as leasing may be better suitable if the company wants to differentiate due to their offered services.

Figure 12 aims to summarize the discussion with the main findings.

Figure 12 - Summarize of the findings

6 Conclusions and future recommendations

This section aims to summarise the research and its contribution. Firstly, managerial implications of the study are presented followed by proposals for future research.

The aim of this study was to investigate and analyse the transition towards servitization for a sales organisation within the ICT industry. Since earlier research on the topic is rather sparse, inherent challenges and success factors are investigated to identify important aspects to consider in this kind of transformation. The study consists of interviews with employees at one chosen case company, currently going through the servitization journey. The analysis is based on the following two research questions;

- What are the major challenges inherent in the transition to servitize for a sales organisation?
    - What internal frictions can arise with the sales office and the rest of the organisation?

- What are the major success factors inherent in the transition to servitize for a sales organisation?

The findings of the study indicated various challenges. However, the main challenge inherent in the transformation for the sales organisation is the new required process and thereby the new way of working. This will be necessary for all firms transforming from a manufacturing, product-oriented company towards becoming a solution provider. Based on the literature study and analysis of the empirical findings two major issues and frictions are identified; how to collaborate between the global and local organisation as well as the dissimilar perception between HQ and the sales organisations. Respondents from HQ point out that the sale department is the bottleneck, while the sale organisation claims the opposite. More particular, respondents from the sales regions claim that the received products are difficult to configure and does not operate end-to-end. These obstacles are currently preventing the process towards servitization and new way of working at the case company.

Based on this, the study highlights three main areas that needs to be considered in order to become a successful solution provider; competence development, global and local collaboration and finally organisational support.

Firstly, the competence profile within the sales organisation need to become much more divers and adapt to the changing process. This by training the current staff but also hire new competence. The importance is to create a sales force that are able to understand the customers' complex problem and needs and deliver a solution to that. In order to do so, the salesperson needs to become a problem solver where consultative and service behaviour are central in their role. Furthermore, they need to be able to talk with clients at different levels and expertise. Hence, the salesperson needs to have an understanding of the technical aspects when talking to the clients IT expert. The need for segment expertise is further necessary to fully understand the customers' environment.

Due to the new competence areas, it might be preferable to divide the sales force in service and products experts. This implies that the service salesperson are more consultative while the product salespersons, have more expertise in the technical aspects. By dividing the sales force, it might be easier to train and hire needed competence since the new way of working requires a broad range of competence and skills. The two different groups could than work closely together, as a team, in order to understand the customers' situation and provide valuable solutions for them.

Secondly, the collaboration and development between the global organisation and the local sales regions will be of great importance as the customer value is becoming the central focus. The salespeople are today expressing the need to work closer with the R&D department, in order to receive products that are configurable and flexible. This study argues that flexible offers and a quick process are required as the sales regions are working in different markets with various customer needs. Since the salespeople will be experts in knowing the customer's needs due to the new way of working, a closer collaboration with the products developers will be preferable. The firm is recommended to review the existing communication channels, in order to facilitate the information feedback loops.

Finally, organisational support is discussed as a main factor to facilitate the new way of working for the local sales departments. This is done by implementing new ways of measure success amongst the whole organisation, and by pushing the importance of delivering value for the customer. This study firstly argues that the salespeople's incentives have to change by implementing new budget goals for selling software and solutions as well as new customer satisfaction measurements. Hence, to raise and stimulate the customer and new strategic focus. Secondly, to create a quick process the whole organisation should highlight the importance of creating customer value. Thus this is to facilitate the sales regions role by supporting them with necessary tools.

Additionally, the existing payment models should be reviewed. Previous literature highlight that alternative product ownership models such as leasing might be better suitable when a firm want to differentiate through providing solutions. Since the outcome of the solution is becoming the central part for the customers business in order to solve a problem the firm is recommended to examine other possible models that might be more strategically.

6.1 Future research

This research has focused on the sales department's role in the servitization process. However, respondents in the study argue that the collaboration between other departments needs to be considered which could be a potential area for future research.

The need of more technical understanding in the sales regions in order to understand the complex software and what they can contribute with highlight the fact that the sales organisation's competence will become more similar to the R&D's expertise. In comparison, the salespeople's knowledge about the customers needs will become of importance for the R&D to develop flexible short-term products required by the customer. Furthermore, the sale role is becoming much more service oriented. Hence, a future area to investigate how to balance sales, service and R&D as their competence profile are becoming much more similar. How should they be incorporated with each other in order to create an efficient organisation able to deliver flexible products and service amongst the local sales regions? In addition, how could valuable knowledge and skills be shared? How does exchange of people between departments in the organisation facilitate the transition?

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8 Appendix

8.1 Interview guide HQ

1. Please, start off by telling us a little about yourself and your role at the firm.
2. Can you tell us about the firm's strategy towards 2020?
3. What challenges and success factors do you see in the transition?
4. How will you work to develop solutions for the customers?
5. What role will the sales regions have?
6. What are their major challenges?
7. What do you think the sales regions need to succeed with the transition?

8.2 Interview guide Sales regions

1. Please, start off by telling us a little about yourself and your role at the firm.
2. How do you think the firm strategy towards 2020 will affect the sales regions and your position?
3. What relation do you have with the customers today and how do you think it will change?
4. How does today's sale process look like and how do you think it will look in order to sell solutions?
5. What competence do you have today and what do you think you will need in the future?
6. How does the commission and incentive models look like?
7. What is your personal perception about the transition?
8. What challenges do you see?
9. What do you need in order to succeed?
10. What motivates you in the transition?

8.3 The case study of IBM – International Business Machine Corporation

At the year 1993, IBM experienced decreased revenues and vast competition from competitors providing lower price products (Ahamed, Inohara & Kamoshida, 2014). A new CEO, Louis V. Gerstner, was at that time appointed and he introduced a new strategy to the firm. By better understanding of the customers´ needs and current industry trends Gerstner realized that the market was about to shift and that the application of the technology would be the key drivers of IBM's success, not the invention. Thus, IBM started to phase out their hardware, storage and personal computers business to further invest in services and they also developed a separate software business. Since then to late 1990s the service sector of IBM grew with a 20 per cent a quarter and in 2001 software and services average with 58 per cent the total revenue. More recent, in 2011, more profitable segments have been targeted with the new business mix and around 90 per cent of this segment's profit is generated by software, services and financing.

To conclude, IBM moved up in the value chain going from being manufacturers of hardware to provide business solutions. The solutions are generated from a portfolio of consulting, delivery and implementation services, enterprise software, systems and financing (Ahamed, Inohara & Kamoshida, 2014). In other words, from financial and strategic viewpoints, IBM is considered be a firm that has adopted the transition to servitization of its business.

Ahamed, Inohara and Kamoshida (2014) discuss the different steps in the organisation for IBM's transition to servitize. Implications for the R&D were a shift from technology invention to application of technology, which should respond to customers’ needs and expectations. Moreover, major investments were made in software and services. For the production, resources has shift to building capabilities and employee skills in order to provide services. According to Gestner, the transition to services implies selling capabilities and knowledge rather than stand alone commodities and that is furthermore something that not can be acquired. For the sales and marketing, before the new strategy there had not been any real marketing. Due to the transition a key customer strategy was implemented in order to reach out to the customer and being able to deliver value. For the after sale the transition implied to create a relationship with the customer during the product lifetime.

Making Change Work, a study of 1500 practitioners from 21 different industries, conducted by IBM (2008) rank significant challenges when implementing organisational changes. The three major challenges; (1) Changing mind-set and attitudes, (2) corporate culture and (3) underestimation of the complexity, are classified to be ”soft” challenges. Additional factors such as create a service vision, leadership and teaming and anchoring a new service culture is by Gestner mentioned to be critical for success. However, transform the organisation´s culture and change the mind-set of the employees is complex since the natural behaviour implies to hold on to whatever feels familiar even when provided with better alternatives. To manage this challenge Gestner tried to simplify the changes for the employees to include them in their every-day assignments. To define the new culture the three key components win, execute and team was emphasized at IBM. In the new culture at IBM successful employees would focus on getting things done fast and effectively and the actions and behaviour were driven by the marketplace as criterion.

To summarize, IBM managed to transform their business by putting emphasis on changing the culture, implement a service vision and focus on leadership and teaming.

8.4 The case study of Ericsson

This case provides insights regarding the specific telecommunication industry and contributes with a way of how a technology-driven firm strategically has servitized.

Ericsson is a global telecommunication company providing services, software and infrastructure in ICT for telecom operators and other industries (Ericsson, 2015). Historically, it is a technology-driven firm but since the 1990´s the service portfolio has increased vastly and in 2012 services constituted 43 per cent of the total business revenue (Elfving & Urquhart, 2013). Provided services are e.g. network rollout, customer services and consulting and system integration. The movement towards more services is mainly due to current trends and market forces such as growth markets and disruptive technologies such as cloud services.

Today, Ericsson has separated the organisation into products and services with separate profit and loss responsibilities (Elfving & Urquhart, 2013). Despite the separation, integrated ways of solutions have been created and is offered to the customers. The integrations have been created from a sales perspective and consist of services and products bundled together into different offerings. This has also given the advantage to facilitate the sales process. On the other hand, the organisational separation contributes with challenges in collaboration and the balance between services and products is not considered to be equal, the product side has a more prioritized business position.

Despite the skewed division, firms such as Ericsson with a considerable history in telecommunications and with developed in-house production, design and services will likely not profit from a complete transition to services (Elfving & Urquhart, 2013). Thereby, a recommended approach to strive for is to have a balance between product and services, an integrated PSS model, and a mutual dependent organisation.