

NEW PATHS FOR SUSTAINABLE MANAGEMENT: CASES OF SERVITIZATION IN JAPAN

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Description: This study presents a conceptual framework that companies can use to create new paths for sustainable management that consider the environment and society rather than just their profits by integrating organizational research and marketing research knowledge.

EXTENDED ABSTRACT

RESEARCH QUESTION –Owing to depleting resources and pollution, our society expects firms to be sustainable and environmentally conscious (McAfee, 2019). Even though sustainable consumption behavior became more detailed and specific in providing solutions (e.g., White *et al.*, 2019), most companies encourage their customers to spend more. In recent years, servitization is emerging, which means moving from a product-centric business model to a service-centric approach (Kowalkowski *et al.*, 2017). This is a very beneficial trend in terms of dematerialization, however, firms still adapt to customers' needs to enhance their competitiveness (Baines *et al.*, 2020). Even if managers feel the need for change, their behavior is reinforced by the mechanisms that maintain the existing practices (Arthur, 1989, 1994); hence, they cannot deviate from them. Such dilemmas have been discussed in the context of path dependency (Sydow *et al.*,

2009) and path creation (Garud and Karnøe, 2001). The path studies mainly focused on the key actors (boundary spanner), not key success connections (boundary spanning), it is not enough to understand how to make win-win status (Chandy *et al.*, 2021). Therefore, we ask “why and how can companies break out of their existing structure and achieve new servitization developments and management structure that is sustainable?”

METHOD – To answer the research question, two firms were used as representative cases. In this study, “requires control of behavioral events” is unnecessary, but “focuses on contemporary events” is required. The research question asks *why* and *how* the research problem takes the form it does; subsequently, a case study method is appropriate (Yin, 2002: p. 5), and it also allows researchers to closely examine data within a specific context (Ebneyamini and Sadeghi Moghadam, 2018). Based on the theoretical background and the research method mentioned above, the grounded theory approach (GTA) is used to explore, analyze, and discuss the cases in detail. For the GTA, all interviews were transcribed and applied open, axial coding, which converged into theory as follows (Corbin and Strauss, 2014): breaking down data into manageable analytic pieces; brainstorming with data to arrive at possible meanings, and delineating the concepts (open coding); elaborating concepts to form categories; integrating categories into a core category and other categories; and analyzing data for context. The results of the GTA analysis were confirmed by two researchers and interviewees. All interviewees were informed of the aim of the interview in advance and consented. All contents were recorded under their permissions and checked as well.

SUMMARY OF FINDINGS – The GTA analysis identified three key concepts and seven root components. The three key concepts are “Organizational changes reflect company principles and activities,” “Internal customer orientation and changing of target customer base,” and “Results of long-term thinking and continuous innovations.” The first concept is rooted in management integrity: “Organizational changes reflect company principles and activities,” eliciting employee

engagement and changing the status quo of the company. This influences the other two core categories and is accelerated by servitization and path creation, resulting in sustainable management. The second key concept is “Internal customer orientation and changing of target customer base.” This means that an internal customer orientation can lead to early internal sharing of signs that customer targets are not a good match as perceived by front-line employees, allowing for a shift in strategy, such as setting new customer targets. The foundation for risk-taking and servitization is based on this internal customer orientation, and the cycle of internal customer orientation also creates an environment in which employees take ownership and adapt to change, which is the key to a successful transition to servitization. The third key concept is “Results of long-term thinking and continuous innovations.” This affected presidents’ continuous searching actions.

STATEMENT OF KEY CONTRIBUTIONS – This study contributes by presenting a conceptual framework that companies can use to create new paths for sustainable management that are considerate of the environment and society rather than just their own profits. This is achieved by integrating organizational research and marketing research knowledge. Existing research on path creation has focused on entities where entrepreneurs are key players in creating new paths as boundary linkers, (that is, boundary spanners). Building on this, this study focuses on the process and key events that create new paths, that is, boundary spanning. Consequently, this study adds to Garud & Karnøe's (2001) findings of boundary spanning with the specific objective of setting a path to sustainable management. It is also a contribution that provides additional insight into the path to the win-win situation described by Chandy et al. (2021). Furthermore, this study demonstrates that integrating the approaches of servitization, organizational transformation, and internal customer orientation—through adopting new digital technologies and managerial integrity—is effective in path creation. This research elaborated on the effectiveness of merging organizational research and marketing concepts for path creation, which requires a deviation from

company profits, toward sustainable management.

References are available upon request.