Introduction to the special issue “Service business innovation: implications on governance, management accounting and control”

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The relevance of service economy is well acknowledged if considering the share of the service sector in the world economy which has grown steadily from the ‘50 in a trend that is continuing (Schwab 2016). Such trend is furthermore pushed by the advent of digital technologies and, wider, by the fourth industrial revolution (Frank et al. 2019).

Within this process, the phenomenon of *servitization* in manufacturing firms has been recognized as the trend to “*the increased offering of fuller market packages or ‘bundles’ of customer focussed combinations of goods, services, support, selfservice and knowledge in order to add value to core corporate offerings*” (Vandermerwe and Rada 1988). It represents a business model innovation where the relationships between products and services change in the logic of value creation (Baines et al. 2009; Lay 2014). The recent COVID-19 pandemic has further highlighted the relevance of service business models underlying their potential for improving resilience and driving innovation, fostering an increasing number of firms to undertake processes of digital servitization (Rapaccini et al. 2020).

There are several critical aspects to be taken into consideration to support the service business innovation of the manufacturers. First, new governance is supposed to be flexible enough to deal with different levels of service innovation across the customer industries in different regions. This furthermore requires new management accounting practices (for instance financial indicators) for the manufacturers. Second, regarding the financial aspects of the new service operations, the value is increasingly generated along the entire life-cycle of the products and their relations/connections to use contexts. Third, the management accounting needs to be re-thought to fit with the organizational changes, to manage the product fleets, to increase customer value and to enhance service operations. In this respect, the choice of a servitization strategy naturally affects the division of tasks between the manufacturers, the customers and third-party service providers. It challenges the

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managerial systems of the company requiring a rethinking of management accounting in supporting the service business beyond the organizational boundaries. However, the majority of the companies are struggling in identifying and introducing the required governance and management accounting to support their service business innovation. New tools and concepts are crucial for releasing the service business potential and to manage the performance and profitability of the parties involved (Tenucci and Laine 2016).

Despite their practical relevance, these aspects are among the topics which have not been sufficiently addressed in the literature (Baines et al. 2009). The articles published in this special issue on “*Service business innovation: implications on governance, management accounting and control*” were presented in a workshop debating these themes held at the Scuola Superiore Sant’Anna in 2017. The submission and review process for the Special Issue led to the final selection of these three papers.

The first paper by Andrea Tenucci and Enrico Supino titled “Exploring the relationship between product-service system and profitability” focuses on product-service systems (PSS) examining the relationship between PSS categories and profitability. The paper is based on empirical analysis and uses a dataset of 10,051 companies on machinery manufacturing industry drawn from the ORBIS database. It shows that profitability could be represented by an ideal bell curve considering on the horizontal axis a spectrum of PSS with an increasing servitization level, meaning that higher profitability is expected for the central PSS categories (Product-Oriented, Service-Oriented and Use-Oriented PSS).

The second paper by Antonio Leotta, Carmela Rizza and Daniela Ruggeri titled “Servitization strategy as a roadmap for the accounting machine” focuses on how the awareness of the servitization strategy among managers facilitates the use of accounting techniques aimed to support and realize such strategy. The paper reinterprets the metaphor of the accounting machine from the perspective of pragmatic constructivism and investigates how the accounting machine is used to prevent the servitization paradox. Furthermore, using an interpretive case study, the authors highlight how the awareness of the servitization strategy helped managers in the use of accounting information throughout the new product development project’s maturity stages, characterized by different degrees of uncertainty.

The last paper by Kati Stormi, Anni Lindholm, Teemu Laine and Tuomas Korhonen titled “RFM customer analysis for product-oriented services and service business development: an interventionist case study of two machinery manufacturers” demonstrates the use of recency, frequency, and monetary value (RFM) analysis of service consumption to better segment product-oriented services customers and impacting the decision-making process. The paper applies an interventionist approach using two case studies of large original equipment manufacturers and contributes in the management accounting literature showing how the utilization of RFM tool requires rethinking of the elements of analyses traditionally used in decision-making.

These contributions feed the debate on the phenomenon of servitization in manufacturing, which is deeply intertwined with digitalization and deserves consideration in contemporary research in management and governance.

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