**Contextualizing PSI-performance relationship**

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Abstract

The purpose of this paper is to unpack the complexities existing on the relationship between product-service innovation (servitization) and performance. Literature is unconcise about the positive effects of this type of innovation on general performance and we clarify the importance of contextualization. By reviewing the principal papers that have analysed PSI-performance relationship, the main methodological approaches taken, the novel constructs validated, and the role of mediators/moderators found in the servitization literature, we unpack the different PSI-performance relationship according to the context. This review opens interesting avenues of research as it helps to choose between different methods and variables to evaluate PSI-performance relationship, and discover unexplored fields to better ground this relationship. Finally, a call to include solid configurational theories, appropriate fit between theory and measurement techniques, and new sampling strategies for performing longitudinal studies gives a final look to the future in the PSI-performance relationship.

*Keywords:*product-service innovation, servitization, performance

**First Section**

Product-Service Innovation (PSI) –or *servitization*– has become a critical innovation strategy that is forcing firms to readjust their competitive edges and reconfigure their organizational boundaries. Since late 1980s, companies realized the importance of including services to their goods offerings in order to capture additional revenue streams at the end of the value chain (Wise & Baumgartner, 1999). Furthermore, some manufacturers as IBM escaped to cost strategies by shifting from a pure product firm to practically a pure service firm, while other as Roll-Royce changed from selling goods to selling solutions. These firms were looking after the value generated during the entire life cycle of the product through developing technology-enabled services business models to achieve a superior competitive advantage (Bustinza et al., 2017a; Vendrell-Herrero et al, 2018). Even when PSI has been mainly analysed on manufacturing contexts, industrial marketing, and operations management lens, other industries as creatives and retailers have been affected by this innovation (Vendrell-Herrero et al., 2017).

PSI is a specific kind of innovation and, from this point of view, “is conceived as a means of changing an organization, either as a response to changes in the external environment or as a pre-emptive action to influence the environment” (Damapour, 1996, pp. 694). Hence, as any innovation, it is aimed at creating market driven products or services, either acting as a response to external environmental pressures or to facility new market strategies (Rabetino et al., 2017). Therefore, PSI affects, in general terms, to producers, not only manufacturing firms, but also other industries that offers fuller market packages of customer-oriented goods and services with the objective to recover or achieve superior performance than competitors (Bustinza et al., 2017b). Bearing in mind the different research fields and industry contexts covered by PSI, this paper addresses the need of contextualizing and unpacking the complexities of the relationship between PSI and performance, shedding light about the lack of consensus about the positive effect of this relationship. Methodologically, the paper follows Cardinal et al. (2011) approach. It is based on a comparative and critical literature review and provides a series of graphical illustrations on the different types of PSI-performance relationships as well as a number of examples on how this relationship varies depending on the industrial and strategic contextual setting.

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