

Rockwell Automation: choosing the next step in software and services

Internal ID: S&F-STR-480

Topic: Mergers & Acquisitions, Corporate Strategy, Growth Strategy

Industry: Electrical Components & Equipment

Source: Strategy & Finance

Publication date: 5 October 2026

License: Not specified

Information cutoff: October 2, 2026, 4:00 p.m. ET

Decision setting: Hypothetical portfolio decision for the next planning cycle; no pending deal or private meeting is implied.

The decision

Rockwell Automation sells industrial automation products and systems, alongside software and services that help manufacturers monitor, operate, and improve their plants. Management has identified recurring revenue growth and industrial artificial-intelligence applications as strategic priorities. The question is how to direct the next increment of organizational attention and investment when the public record does not show which software offers are converting most effectively into durable customer value.

At its November 2025 Investor Day, Rockwell described a through-cycle framework of 5-8% organic sales growth, with one percentage point attributed to ARR and one to acquisitions. It named industrial AI applications, market access in Europe and Asia, and product-portfolio expansion as acquisition priorities. Its FY2025 annual report says transactions should catalyze organic growth in core offerings. These are management's strategic framework and intent, not a forecast for a particular year or product. [S1, S2]

Recent results raise a portfolio question. FY2025 total and organic ARR growth were each 8%, compared with 16% total and 14% organic growth in FY2024. In Q3 FY2026, organic ARR increased 6%; software ARR grew at a high-single-digit rate. In the same quarter, Software & Control sales grew 18% organically to \$751 million. That segment also includes control products, hardware, and systems, so its sales growth is not a measure of software ARR growth. Rockwell adjusted organic comparisons after the dissolution of Sensia. [S3, S4]

The company has examples of software and service activity. In Q1 remarks, management described Plex wins, an OT-cybersecurity deployment across six Hindalco plants, and a Thermo Fisher selection of an AI-enabled troubleshooting agent. Those examples indicate activity, but public remarks do not provide comparable contract economics, conversion rates, or realized customer outcomes. [S5]

The strategic choice is not simply whether to “buy software.” Acquisitions could add capabilities or market access sooner, while creating integration, cybersecurity, employee-retention, and value-realization risks that Rockwell itself identifies. Organic integration could build on the installed base and existing portfolio, but may require time and organizational changes. A staged, core-first approach could preserve focus while customer evidence develops, but may slow learning as peers invest in digital businesses.

Three paths

The leadership team is considering three approaches. The alternatives are not mutually exclusive, but each implies a different primary use of scarce engineering, product, and commercial capacity.

1. **Targeted acquisitions.** Seek industrial-AI or software capabilities, geographic access, or portfolio additions that fit Rockwell's automation systems. Define integration ownership and customer-adoption milestones before scaling a transaction.
2. **Organic integration.** Focus on connecting the existing software, controls, and service portfolio around repeatable customer problems; use partners where they can provide non-differentiating capabilities.
3. **Staged, core-first investment.** Prioritize the automation portfolio and customer-critical execution, then expand software and services where pilots and deployments provide evidence of customer willingness to pay.

Any recommendation may combine these paths. It should specify what Rockwell needs to own, where partner participation is appropriate, how the company will establish customer value, and what evidence would trigger expansion, redesign, or a pause. The public disclosures do not provide product-level retention, margins, eligible installed-base counts, pilot-to-paid conversion, or transaction valuations. [S1, S4]

Exhibit 1. Rockwell's stated growth framework

Through-cycle component	Framework contribution
Organic sales growth	5-8%
ARR	1 percentage point
Acquisitions	1 percentage point

Source: Rockwell Automation, Investor Day 2025, slide 10. This is management's framework, not a forecast, realized result, or acquisition commitment. [S2]

Exhibit 2. Growth measures have different scopes

Period and measure	Reported result	What it measures-and does not measure
FY2024 total ARR growth	16%	Company-defined annual contract value growth; not period revenue or backlog
FY2024 organic ARR growth	14%	ARR growth excluding specified inorganic effects
FY2025 total ARR growth	8%	Same company-defined measure
FY2025 organic ARR growth	8%	Same organic measure
Q3 FY2026 organic ARR growth	6%	Year-over-year company measure; comparison adjusted following Sensia dissolution
Q3 FY2026 software ARR growth	High single digits	Management-described growth rate; no exact rate disclosed
Q3 FY2026 Software & Control organic sales growth	18%	Segment sales include hardware and control products as well as software

ARR is based on annual contract value. Rockwell says it is not recognized revenue and is not a substitute for revenue, contract liabilities, or backlog. [S3, S4]

Exhibit 3. Q3 FY2026 segment context

Segment	Q3 FY2026 sales	Organic sales change	Operating margin	Context
Software & Control	\$751 million	+18%	34.8%	Includes control/visualization software and hardware, digital twin and information software, and network/security infrastructure
Lifecycle Services	\$482 million	−2%	15.1%	Reported sales fell 12%; divestitures reduced reported sales growth by 11 percentage points

Rockwell reported total Q3 sales of \$2.313 billion, up 10% organically. Organic growth is company-defined and excludes specified effects. Lifecycle Services is not a pure recurring-revenue measure; project activity, divestitures, and the Sensia change affect its comparisons. Segment margin should not be read as standalone SaaS margin. [S4]

Exhibit 4. Selected competitor disclosures

Company and period	Company-reported result or announcement	Boundary for comparison
Siemens, Q3 FY2026	Digital Industries revenue +10% comparable; software revenue +15%; organic ARR +11%	Siemens segment and ARR definitions differ from Rockwell's
Schneider Electric, Q2/H1 2026	Industrial Automation +11% organic in Q2; AVEVA organic ARR +11% at June 30; proposed Cognite and AiDASH acquisitions described as adding AI-native capabilities	Business mix, period, metric definitions, and acquisition scope differ

These are peer disclosures, not harmonized measures. They do not establish Rockwell-specific customer losses, switching, share changes, or competitive wins and losses. [S6, S7]

Academic lenses

Three research streams suggest questions to test rather than a single answer. Warner and Wäger's seven-firm qualitative study describes digital renewal as changes in business models, collaboration, and culture; acquisition alone does not supply those organizational capabilities. Kohtamäki and coauthors distinguish five digital-servitization configurations according to customization, pricing logic, and digitalization, without ranking one as universally superior. Kapoor and coauthors' seven-manufacturer study links technical modularity and standardization to ecosystem roles and governance; overly tight governance can inhibit co-development, while unclear boundaries can fragment it. These studies are not Rockwell-specific and do not estimate acquisition returns or ARR growth. [S8-S10]

Discussion questions

1. What should Rockwell prioritize in the next planning cycle: targeted acquisitions, organic integration, or a staged core-first approach? What should be the primary path, and what should remain conditional?
2. Which customer problem and capability should guide the build, buy, or partner choice? Which assets, interfaces, data rights, or customer relationships should Rockwell control?
3. How should management test whether a software or AI initiative creates repeatable customer value? Identify useful measures, denominators, and decision gates. Which are unavailable in the case?
4. What organizational and ecosystem changes must accompany the chosen path? How would Rockwell balance standardization, customer-specific needs, cybersecurity, and partner participation?
5. How much weight should management give Siemens's and Schneider Electric's disclosures? What can-and cannot-be inferred from the reported figures?

Sources

- [S1] Rockwell Automation, FY2025 Form 10-K, “Long-Term Strategy,” “Acquisitions and Investments,” and risk factors, pp. 10-15; [SEC filing](#).
- [S2] Rockwell Automation, Investor Day 2025, slide 10, Nov. 19, 2025; [official PDF](#).
- [S3] Rockwell Automation, FY2026 Proxy Statement, p. 76; [SEC filing](#).
- [S4] Rockwell Automation, Q3 FY2026 results and Form 10-Q, Aug. 4, 2026; [earnings release](#), [Form 10-Q](#).
- [S5] Rockwell Automation, Q1 FY2026 prepared remarks, pp. 4-6, Feb. 3, 2026; [official PDF](#).
- [S6] Siemens, Q3 FY2026 earnings release, Aug. 6, 2026; [official release](#).
- [S7] Schneider Electric, H1 2026 financial results, July 30, 2026, pp. 1-2; [official PDF](#).
- [S8] Warner, K.S.R. & Wäger, M. (2019), “Building dynamic capabilities for digital transformation,” *Long Range Planning*, 52(3), 326-349; [DOI](#).
- [S9] Kohtamäki, M. et al. (2019), “Digital servitization business models in ecosystems: A theory of the firm,” *Journal of Business Research*, 104, 380-392; [DOI](#).
- [S10] Kapoor, K. et al. (2022), “A platform ecosystem view of servitization in manufacturing,” *Technovation*, 118, 102248; [DOI](#).