

Handbook of Research on Customer Engagement

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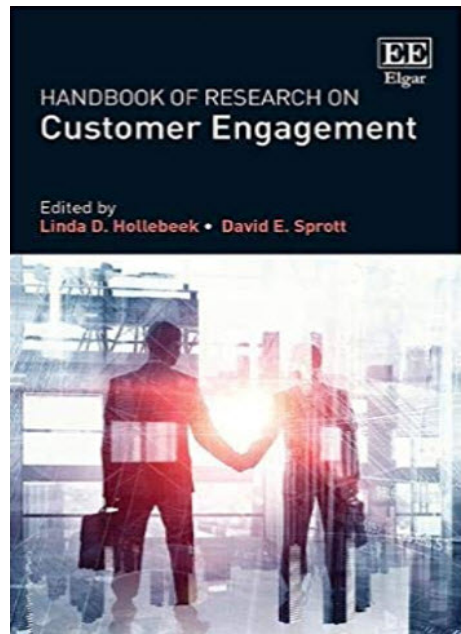
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'This is an excellent compilation of perspectives and empirical insight on customer engagement from a global list of scholars. The chapters provide insight into the psychological and sociological theories underlying consumer engagement. They are relevant to both practicing managers as they design effect customer engagement marketing initiatives and academic researchers as they work to understand this new and emerging phenomenon. It is an interesting read on a topic that continues to gain importance in marketing strategy.'

Colleen M. Harmeling, Florida State University, USA

'In the Handbook of Research on Customer Engagement, researchers from around the globe come together to examine a variety of emerging and innovative topics on customer engagement. Cutting across issues related to marketing practice, theory development, firm performance, and networked environments, the set of collated papers will be useful not only to academics who study engagement, but also to business practitioners who aim to better engage their customers.'

Robert W. Palmatier, University of Washington, USA

'The Handbook of Research on Customer Engagement addresses cutting-edge customer engagement (CE) issues and offers insight into its applications across different contexts. It includes contributions from globally renowned academics in the field and as such, should not be missed by any scholar or manager wishing to better understand or leverage CE.'

This title comes highly recommended.'

Moira Clark, Henley Business School, University of Reading, UK

'With contributions from leading marketing scholars, this title offers an insightful resource for researchers in the area of customer engagement (CE) and practitioners seeking to effectively apply customer engagement metrics in their organization. The title addresses key engagement issues structured along the four main sections of marketing practice, CE conceptualization and frameworks, CE and marketing performance, and CE in networked environments. A must-have for scholars in this area.'

Rajendra Srivastava, Indian School of Business, India

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19. Sharing uncertainty across organizations: service capital and customer engagement for realizing nonownership value

Michael Ehret and Jochen Wirtz

INTRODUCTION

Nonownership value marks a genuine value proposition offered by service businesses. In this chapter, we investigate the contribution of customer engagement to empower providers and clients to create and capture nonownership value, defined as the transfer of benefits without the transfer of ownership titles (Wittkowski, Moeller, and Wirtz 2013). While resource owners enjoy exclusive access to resource benefits, ownership comes with burdens and downsides (Ehret and Wirtz 2017, 2018; Wirtz and Ehret 2018, 2019). For example, calling a taxi, order a ride-hail, or renting a car can be attractive service-alternatives to owning a car for self-production of comparable services. Internet-infrastructures facilitate efficient offerings of nonownership services and have been stimulating novel industries like the sharing economy (Rifkin 2014), novel types of industrial services (Chakravarty, Kumar, and Grewal 2014), and driven the rise of entrepreneurship infrastructures like those offered by business incubators (Audretsch, Heger, and Veith 2015). Service researchers claim that nonownership provides value by offering clients the option to reduce the costs and burdens of ownership. Economic theories offer the rationale for nonownership value, arguing that owners are responsible for uncertainties which come with transaction costs. For example, when you hire a taxi or hail a ride, you do not need to bother about uncertainties affecting the resale value, the maintenance or repair costs related to the technical uncertainty of the vehicle. Industrial firms enjoy similar benefits when they refrain from owning equipment and hire business service providers instead. Thus, it is tempting to view services as a smart substitute that offers comparable benefits to those of asset ownership while offering relief from its burdens and downsides.

Indeed, we find many examples for the virtuous use of nonownership business models. Companies like IBM (Spohrer 2017), Rolls-Royce airplane engines (Ehret and Wirtz 2017) or Qualcomm (Mock 2005), offer their clients outstanding and world-class performance of technological

assets like supercomputers, airplane engines or digital transmission technologies, without the need to bother about complexities of ownership.

At the same time, researchers have identified nonownership as a potential cost trap for suppliers and potential disruptor for clients who have become reliable on nonownership services (Plötner 2016; Worm et al. 2017). In the case of public services, the UK provider Carillion caused a severe crisis by defaulting on a billion-pound credit, causing disruption in service delivery in critical health and education services, while putting a vast number of employees out of jobs and subcontractors out of business (*The Economist* 2018). On a macro scale, positive effects of nonownership are balanced by businesses who under-estimate the conditions and cost implications of nonownership value.

Economic theory offers a rationale that explains if and how nonownership services provide value. Institutional and Austrian schools of economics argue that ownership provides value under fundamental forms of uncertainty as identified by Frank Knight who stimulated the distinction between uncertain “unknown unknowns” as opposed to risky “known unknowns” (Barzel 1987, 1997; Grossman and Hart 1986; Knight 1921; Feduzi and Runde 2014). While risk can be contracted as part of insurance business models, uncertainty remains – regardless of what clients and providers write in their contracts. Thus, service contracts cannot eradicate uncertainty. Simply writing a contract will not make uncertainty disappear. Nonownership contracts offer value propositions, but these need to be reaped in the future, by clients making the best use of increased flexibility from delegating ownership, and providers who meet their contractual promises in a cost-efficient manner (Ehret and Wirtz 2018; Wirtz and Ehret 2019). Thus, to be able to reap the benefits of nonownership, both clients and providers need to look beyond the contract and establish processes for effective sharing of uncertainty.

Such a move beyond the isolated transaction is one of the main aims of customer engagement research (van Doorn et al. 2010; Hollebeek, Conduit, and Brodie 2016; Pansari and Kumar 2017). CE which denotes “a psychological state that occurs by virtue of interactive customer experiences with a focal object (e.g. a brand) in service relationships” (Brodie et al. 2011, p.260) works as a driving force in any service business. Due to the interactive character of CE, CE aims to move beyond the mere market transaction and gain an understanding of contexts shaping customer-company interaction. One main aim of CE research is to support businesses by identifying, designing and cultivating systematic approaches for stimulating CE and enhance its effectiveness. Hollebeek, Srivastava, and Chen (2019) define CE as the investment of customer resources into service systems. By attracting customers to frequent and deep engage-

ment activities, firms will be able to constitute services for designing and cocreating services that deliver benefits for both, customers and the firm.

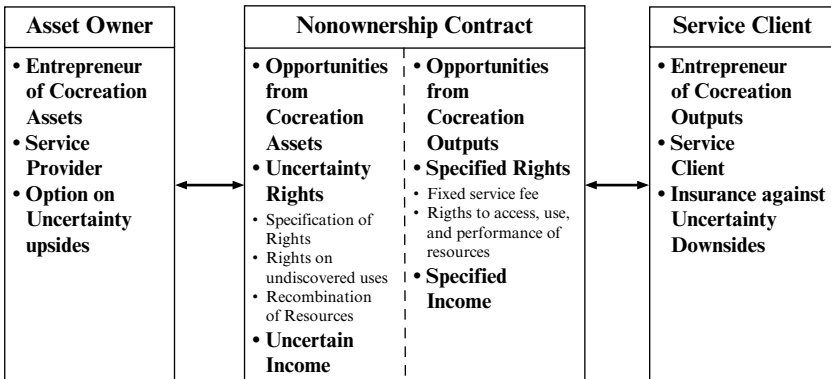
In this chapter, we propose that CE provides the crucial key to make nonownership contracts work, and we discuss how engagement helps to unlock the full potential offered by nonownership contracts. The starting point of engagement research directly targets the key challenge facing any nonownership business: Market transactions may hold promises for providers and clients, but they become effective through provider and client processes and show effects in the value chains governed by service partners (Breidbach, Brodie, and Hollebeek 2014; Jaakkola and Alexander 2014; van Doorn et al. 2010; Pansari and Kumar 2017; Verleye, Gemmel, and Rangarajan 2014; Vivek et al. 2014). In the following section, we offer a conceptual foundation of nonownership value with the aim to unveil value propositions for both providers and their clients. Next, we discuss the contribution of engagement research for identifying and designing processes for effective sharing of uncertainties. We follow with an elaboration of strategic service capital. We conclude our chapter with a discussion of research opportunities and managerial implications.

THE ECONOMICS OF NONOWNERSHIP VALUE PROPOSITIONS

Services enable a generic type of value proposition, by offering benefits to clients and at the same time relieving clients from the ownership of assets used for their delivery (Lovelock and Gummesson 2004, Wittkowski, Möller, and Wirtz 2013). While ownership comes with many benefits including power and the claim on profits, it comes with burdens and downsides like transaction costs and the exposure to potential loss. Nonownership contracts promise to offer performance generated with economic assets while relieving clients from costs and downsides associated with asset ownership. Thus, nonownership contracts empower clients to navigate their investment into assets offering the highest promises and delegating ownership of complementing assets to service providers.

Providers of nonownership gain profit opportunities simply by their willingness to take-on uncertainties of service assets. While providers are not able to eradicate downsides of ownership, they can and frequently do find ways to mitigate the downsides of ownership and transform uncertainty downsides for the benefit of both, providers and clients.

In summary, the key value proposition offered by a nonownership contract is its capacity to empower the capabilities of both, clients and providers, to navigate their investments into the most promising



Source: Adapted from Ehret and Wirtz (2018, p. 48).

Figure 19.1 *Nonownership contracts and uncertainty sharing in a service*

asset-combinations (see Figure 19.1). Relieved from asset ownership, clients gain the flexibility to focus their investment on the most promising assets. They become entrepreneurs of service outputs, which they use as part of their business ventures. In doing so, they delegate downsides of assets to their providers while getting contractual rights on service performance. As a result, companies have now the option to order almost any business activity from specialized service providers and focus their management attention and investments in those assets and activities that offer unique opportunities.

Historically, nonownership value has always played a role in business. Economic thinkers like Adam Smith and Frederic Bastiat have been claiming that economic actors are rather interested in the services rendered from resources than some sort of intrinsic value (Bastiat and Wells 1880; Smith 1801). As early as in the pioneering days of the industrial revolution, James Watts sold performance measured in “horse power” while maintaining ownership in his steam engines he used for power generation (Ehret and Wirtz 2017). Technologies constituting the Internet of Things (IoT), enable companies to connect a growing range of devices to the Internet, and bridge physical barriers of monitoring and control of industrial assets. IoT technologies enable clients to define and control services produced with the help of assets, reducing the costs of contracting and driving up the attractiveness of nonownership services. At the same time, ICT empowers providers to scale-up their investments and position themselves as asset-champions, justify investments into capabilities leading into asset-championship, and control the costs and uncertainty with the aim to assure

client performance and provider profitability. As a result, companies can buy almost any business activity as a service and focus their investments on assets they deem most promising (Ehret and Wirtz 2018; Quinn 1992; Wirtz, Tuzovic, and Ehret 2015). IoT and related technologies have been stimulating the rise of novel service markets, such as industrial services, where industrial providers grow service businesses by connecting industrial equipment to the internet and commercialize it through service contracts. A growing range of consumer businesses aims to benefit from nonownership value by connecting investment goods such as accommodation space or vehicles to the Internet and develop platforms for commercializing a growing range of services (Ehret and Wirtz 2017).

ENGAGEMENT PROCESSES FOR TRANSFORMING UNCERTAINTY INTO SERVICE OPPORTUNITIES

Engagement: Fulfilling the Promise of Nonownership

Nonownership looks virtuous, as it transforms client downsides into opportunities for providers and vice versa. However, managers who believe that they can eradicate uncertainty simply by writing contracts should think twice. The impact of nonownership contracts will show on future balance sheets and will be decided by clients and providers performance in delivering positive outcomes under uncertainty.

In the case of industrial services, empirical studies find evidence for both, high performance and struggling service business models. We find several impressive examples for the benefits of nonownership services, such as IBM's transformation from equipment vendor to service provider (Spohrer 2017) or Rolls-Royce's power-by-the hour services for airline operation (Ndubisi, Ehret, and Wirtz 2016; Smith 2013). However, we also find mixed evidence and downsides of nonownership services. In a series of case studies, Plötner (2016) identified cost traps of service business models. In the case of outsourced public services in the UK, Carillion has almost triggered a political crisis as its financial default put its 43,000 employees under risk of job-loss, put 30,000 subcontractors with outstanding payments of £2bn under financial strain and implied severe disruption to the delivery of critical public services in health, education and transport (*The Economist* 2018). In the case of outsourcing, it did not help BP that it outsourced the operation of the Deepwater Horizon drill to a network of companies led by Transocean. Transocean was the legally responsible operator of the drilling. When the platform exploded, 11 workers died and 4.9 million barrels of oil spilled into the Gulf of Mexico,

poisoning fishing and seafood waters, spoiling seashores, and halting the major share of seafront businesses. BP was held legally accountable for the damage (Borchardt 2010).

These and many more cases remind us that nonownership gains from fundamental uncertainty. Because fundamental uncertainty entails always genuinely unpredictable elements, contracts cannot rule out to avoid some sort of disappointment of the parties. But nonownership contracts can offer a framework that offers incentives for uncertainty sharing, responsibility taking and specialization on particular types of uncertainty. Clients and providers reap these benefits offered by uncertainty through their operations. Thus, nonownership contracts can only be the starting point and will only work, once clients and providers are prepared to address those domains of uncertainties as defined in nonownership contracts.

CE offers a roadmap for making nonownership services work. CE provides crucial complements to nonownership, enabling companies to deliver and capture the promises of nonownership value.

Foundational Engagement Processes and their Role in Uncertainty Sharing

In the following section, we elaborate how nonownership services and CE complement each other and empower service clients and their providers to face uncertainty and transform it into opportunities for mutual benefit.

Hollebeek, Srivastava, and Chen (2019) propose three key foundational processes of CE: (1) Customer resource integration, (2) Customer knowledge sharing, and (3) customer learning.

Once we take a closer look, we find that nonownership contracts and CE can work as virtuous complements. Nonownership offers a contractual blueprint for effective resource sharing, empowering clients and providers to share up- and downsides of a service cocreation for mutual benefit. Thus, nonownership contracts offer the institutional framework for benefits of specialization, rewarding providers for taking responsibility of assets and clients for putting services to higher valued uses (see Figure 19.2).

Customer knowledge sharing and customer learning empower both, providers and clients to transform uncertainties into opportunities through cocreation. We discuss the role of key engagement processes in relation to nonownership contracts in the following subsections.

Customer Resource Integration: Sharing Resources for Mutual Benefits

Customer resource integration denotes a customer's incorporation, assimilation, and application of resources into the processes of other actors in brand-related utility optimization processes. Nonownership offers a

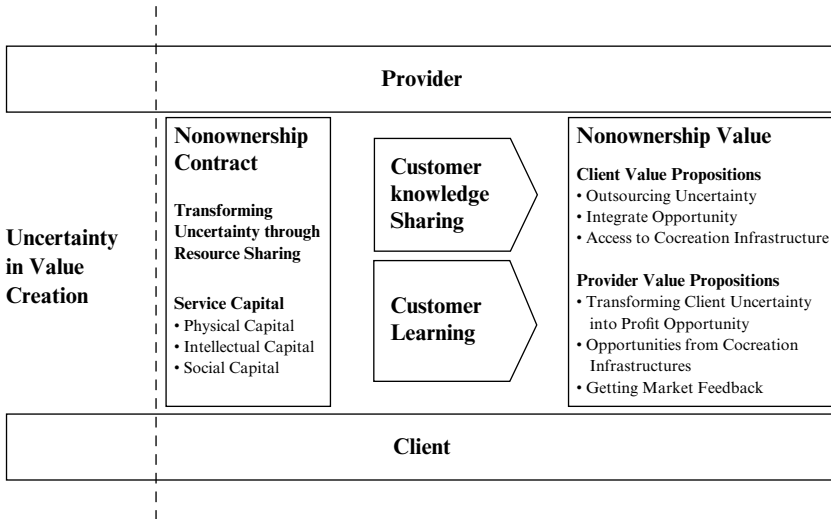


Figure 19.2 Foundational engagement processes for nonownership value

framework for the productive sharing of resources and transforming uncertainty for mutual benefits. Nonownership contracts allocate service assets to the domain of the provider, while outcomes need to fit into the customer value system. In nonownership businesses, clients delegate responsibilities to providers, thereby offer a profit opportunity to providers. Service providers profit, if they prove capable to bear the uncertainty downsides in an efficient manner. Thus, providers need an asset-base that empowers them to share uncertainties across organizational boundaries. The resource-based view names four key criteria for a tangible or intangible asset to be considered a source of economic value (Amit and Schoemaker 1993; Peteraf 1993; Srivastava, Shervani, and Fahey 1998): (1) It is convertible: The firm can use the asset to exploit an opportunity, or neutralize a threat, and thereby enhance value; (2) It is rare: To the extent that the firm enjoys control of a rare resource it gets hold on a differentiation advantage; (3) It is imperfectly imitable: If competitors find it difficult or even impossible to duplicate the resource, the owning firm enjoys a unique value proposition; and (4) It does not have perfect substitutes: If competitors do not have access to substituting assets, the firm maintains its unique position.

Market-driven economic theories point out that clients' value economic resources for the services they deliver, not any presumed intrinsic value (Bastiat and Wells 1880, Menger 1981; Vargo and Lush 2004). While this is consistent with the resource-based view, in particular, the condition of

resource convertibility, it calls for a strong emphasis on the interaction process and a services-centric perspective on resources. In the context of services businesses, firms need to figure out their particular domain in the process that unlocks services from resources and the role they aim for (see Figure 19.2 and Wirtz and Ehret 2018). Such a process can involve networks of firms who commit their own capital and direct particular operations as part of the process coordinated by an open business model (see Zott and Amit 2008). We propose the concept of service capital as a lens helping us to elucidate the role of assets in unlocking services from resources. We can identify three core types of service capital, which we elaborate in the following subsections: (1) physical service capital; (2) intellectual capital, and (3) social capital (see also Wirtz and Ehret 2018).

Physical Service Capital. In many markets, providers find a convenient entry gate to service business models by taking on ownership of physical assets, like machines, equipment, real-estate or transportation vehicles (Ehret and Wirtz 2017). But taking-on ownership rarely is sufficient for competitive advantage. As owners, providers have skin in the game and are exposed to all downsides related to service provision, such as missing agreed service-levels eventually cutting into revenues, cost overruns from operational challenges, or inefficiency in service delivery. Thus, providers need to develop and maintain unique capabilities for managing service assets that allow them to excel in the efficiency and the quality of a particular service (Quinn 1992).

Specialization opens a path for developing unique capabilities if providers manage to progress on the learning, curve, drive economies of scale and advance routines. Service providers can also consolidate assets into a novel stage of a value chain, unlocking efficiency gains for whole industries or economies (Ehret and Wirtz 2010; Quinn 1992; Wirtz 2017). For example, IT outsourcing or cloud computing consolidate computing power previously owned and operated by user firms under the roof of specialized IT companies, unlocking the potential for industry- if not economy-wide efficiency gains. Not least, physical interfaces and computing platforms enable service providers to increase efficiencies as well as to add intelligence to their services. For example, Rolls-Royce's power-by-the-hour airplane engine service resides on smart IT-infrastructure creating real-time information for its global control-centers (Ehret and Wirtz 2017; Smith 2013). The Internet-of-things provides the physical backbone for implementing smart services (Ehret and Wirtz 2017).

Intellectual Service Capital. To the extent that ideas can be legally protected, companies can reside on intellectual property (IP), such as patents, trademarks, brands and copyrights. In the context of markets for technology (Arora 2004; Arora, Fosfuri, and Rønde 2013; Pisano

2006) or open business models (Chesbrough 2011), such companies can use IP as a vehicle for revenue generation through licensing. Unlocking ideas from physical products was crucial in the development of the modularized IT industry where upstream technology companies relieve downstream product and service providers from some share of their R&D activities, unlocking resources and management attention for downstream marketing, distribution channels and service quality. In general, markets for technology enable a growing range of R&D-driven start-up firms to advance capabilities and extend the knowledge space, relieving downstream companies for focusing on the implementation of new technologies for their customers' benefits.

Intangible capital in the form of brands is vital to convey trust in service markets (Wirtz and Ehret 2018). Valuable brands are a pawn a provider puts into the hand of prospective clients, as opportunistic behavior or broken promises cut into brand-value. Providers' investments into brands provide a self-enforcing mechanism for trust-building. Thus, it is no coincidence that business service firms like IBM or SAP put investments into brands that lead them regularly into the top of brand-league tables.

Social Service Capital. In contrast to asset classes discussed so far, social capital cannot be legally owned, as this would constitute slavery. But exactly this makes social capital so important: Only the contributions of customers, partners and employees drive agency into the service system and push resources to higher valued uses. Customer equity is the key condition for any service firm to engage in a service transaction, as all services are evaluated by their value-in-use in the domain of clients (Vargo and Lusch 2004; MacDonald, Kleinaltenkamp, and Wilson 2016). Not least, service employees play a serious role in enabling and stimulating the engagement of customers (Wang, Beatty, and Liu 2012; Wirtz and Jerger 2017). Partners and complementors drive capabilities and attractiveness of a service ecosystem. Thus, platforms are becoming almost paradigms for value-creation in services, as they enable companies to augment their core competencies with services of specialized complementors (Chesbrough 2011; Parker, Alstynne, and Choudary 2016). Not least, employees and the climate and culture of the service firm energize the service firm, and enable it to connect to its customers, understand their need through empathy and show creative solutions for challenges in service transactions (Wirtz and Ehret 2018).

Customer Knowledge Sharing: Stimulating the Formation of Nonownership Businesses

“Customer knowledge sharing denotes a customer's communication of specific perceived brand knowledge (including information- or

experience-based knowledge) to other(s) in their network for the purpose of creating value for themselves, the recipient(s), or both” (Hollebeek, Srivastava, and Chen 2019). Customer knowledge sharing is vital for nonownership value. This is obvious for those businesses that start with straightforward outsourcing project where assets or whole business units are transferred to the domain of novel service organization. With outsourcing projects, customers transfer vital operational knowledge that providers need to meet agreed service levels and service quality expectations. Having developed historical experience and routines in the operation of particular assets, customers hold vital knowledge relevant for handling uncertainty, residing from their usage process and value creation context (MacDonald, Kleinaltenkamp, and Wilson 2016).

Customer knowledge is vital for the formation of new service businesses. Take the example of Rolls-Royce that developed its “power-by-the-hour” business model through a sequence of pilot projects for the US Airforce. Having gained an understanding of the technical and operational requirements of such nonownership services Rolls-Royce became able to develop a service system that shows a substantial impact on the operations of the commercial airline businesses, including satellite communication systems, ground control centers and a network of maintenance and repair teams based on airports (Smith 2013).

At the same time, customer knowledge sharing is vital to spell the word of the opportunities from nonownership. In many industries, the key to the benefits of nonownership relies on synchronous moves of client companies replacing internal operations by external service providers. High-growth service markets attract investments by service providers. Reliable and capable service providers increase the feasibility of outsourcing and both quality and efficiency of service offerings. Customers who share their knowledge with others communicate the potential of outsourcing as well as experience and expertise vital for reaping the benefits of nonownership. Thus, providers should stimulate customer knowledge sharing, by offering small scale projects, customer forums and industry events as well as virtual customer communities.

Customer Learning: Realizing the Benefits of Nonownership

In a nonownership service, customers get services as contribution to their own value creation. Thus, nonownership is only effective to the extent that clients learn to put cocreation outputs to higher valued uses. Customers need to learn how to make the best use of service offerings. Hollebeek, Srivastava, and Chen (2019) define customer learning as an iterative process that involves the development of mental rules and guidelines for

processing interactions with providers. In extreme cases, as for example in technology licensing, the providers' knowledge and expertise are the major attraction for clients. For example, technology licensing agreements frequently contain training and consulting services supporting clients to get the best use of technology (Arora 2004).

Qualcomm offers an impressive example. Qualcomm started as a pioneer of mobile digital communication, first for military navigation technologies, later for mobile communication systems that provided the foundation to our present day app-economy. As designer and the technology provider of the first mobile network of Los Angeles, Qualcomm was responsible for almost every aspect of the system, from design and manufacturing of servers and mobile antennas towards the handsets. Qualcomm made the decisive step to become the most valuable owner of Intellectual Property of mobile communication technology, by refraining from manufacturing hardware and handsets and offer its technologies to manufacturers and system vendors instead. Refraining from hardware was critical in catching up against European competitors like Nokia, who were able to gain quick market share with less advanced technology. By stimulating customer learning in the industry Qualcomm could land a double whammy on the competition, relieving its management capacity from hardware issues while winning industry customers as partners who stimulated the adoption of its technology (Mock 2005).

The Qualcomm case illustrates two general contributions of customer learning for reaping the value offered by nonownership: Nonownership businesses become only effective to the extent that customers are able to put the services towards higher valued uses, for example, implement mobile technology into components and equipment. By sharing this knowledge for their clients' benefits, providers create a market for their proprietary assets. In the case of mobile-communication, Qualcomm was able to establish its patent base as standard for global mobile communication by stimulating customer learning and subsequent use of its technology with a diverse set of partners through its engagement activities.

RESEARCH OPPORTUNITIES

Cocreation Assets: Offering Opportunities for CE

While engagement research has been opening up the perspective of the interactive dimension of service businesses, it has barely addressed the economic dimension of resource sharing. Nonownership perspectives help to fill this void, by offering a framework for analyzing,

studying and designing cocreative business relationships for mutual benefits. Nonownership offers the capacity to transform uncertainty into opportunity, by offering providers and clients the option of profit through cocreation. Service research has much to gain by elucidating this economic dimension of engagement. At the same time, research on nonownership remains largely focused on the promises of nonownership, by unlocking profits from service assets and service outputs and allocating these to providers and clients. The economic rational holds only true to the extent, that providers and clients employ the appropriate resource base and processes that empower them to address uncertainty in a profitable manner. Here, engagement research offers key insights into processes like knowledge sharing and learning that help to transform uncertainty and empower cocreating providers and clients to live up to the promises of nonownership.

Asset Management for Shaping the Conditions of Engagement and Uncertainty Sharing

Service research and most prominently service dominant logic (SDL) has been on a mission to elucidate the user and downstream dimension of value creation that had been forgotten in goods-dominant approaches (Ballantyne and Varey 2008; Hibbert, Winklhofer, and Temerak 2012; Vargo and Lusch 2004). SDL and related service approaches contributed to our understanding of value cocreation and the decisive role of the user context in economic value creation (Peters 2016; Peters et al. 2014). In cocreation, both, clients and providers integrate resources, aim to engage in service outcomes and may control physical, intellectual or social resources. It is tempting to conclude that there is no particular role for a supplier.

The nonownership perspective fills this void, by identifying uncertainty in cocreation as the criterion that defines the role of the provider as asset owner and the client as benefit-recipient. Thus, asset ownership helps us to unveil a meaningful and valid criterion to identify the role of the supplier in the context of value cocreation, without falling back into stereotypes cultivated by goods-dominant approaches. As we have pointed out in this chapter, asset ownership is unlikely to provide benefits in isolation and works in tune with processes. Engagement research offers foundational processes that render nonownership valuable. In the future, researchers can make substantial contributions by studying and analyzing how service parties orchestrate nonownership configurations with key engagement processes.

Trust as the Key to the Potential Market for Nonownership Services

In his pioneering contribution on the social context of economic reality, Granovetter (1985) showed the downsides of underestimating as well as overemphasizing the impact of social relationships on economic value. This holds especially true in the case of nonownership value. From an economic perspective, nonownership offers a virtuous framework transforming economic uncertainty into profit opportunities for contracting parties. To deliver on those promises, contracting parties need to interact and identify relationships that empower provider and client to deliver on the promises of nonownership. Engagement processes offer the critical processes of interaction that help to unlock the value promised by nonownership contracts.

The challenges become apparent in current business models aiming at the widespread diffusion of nonownership services. For example, cloud-based services like AirBnB, Salesforce.com or Uber demonstrate the potential of smart IT-design to enhance the feasibility and reliability of resource sharing, engineer conditions that favor the realization of nonownership value propositions and reduce the costs of resource-sharing. However, by delegating substantial asset bases to dominant platform companies, clients and stakeholders become dependent and exposed to potential opportunism. Platform companies are experiencing an increasingly skeptical and critical environment. Trust is a key condition for adoption of nonownership platforms (Ndubisi, Ehret, and Wirtz 2016). Engagement research can contribute by taking a closer look at the role of trust as both, an antecedent as well as a consequence of engagement processes.

MANAGERIAL IMPLICATIONS

Coming to Terms with Uncertainty in Nonownership

Managers need to be aware that opportunities from nonownership come with particular downsides for both, clients and providers. Clients may find, that uncertainty cannot be fully outsourced. For example, companies with high-valued brands might be held accountable for damages caused by their collaborators, as BP had to learn in its Deepwater horizon oil spill and car manufacturers might learn in the Diesel emissions scandal. While nonownership contracts indeed offer smart ways to share uncertainties, clients should complement contracts with a web of activities and learning that empowers them to handle uncertainties for the benefit of both.

Providers tend to be tempted by relative secure and continuous revenue streams offered by nonownership businesses. However, service revenues do not come as a free lunch. In the case of nonownership, providers who make the transition from goods- to service business models take on additional costs.

Both clients and providers should conduct serious diligence when they consider employing nonownership services. While uncertainty is unpredictable, service parties can estimate their exposure to uncertainty and employ alternative scenarios for service configurations.

Engagement for Realizing the Nonownership Value

Nonownership value unfolds over time, as its key contribution is to empower companies to calibrate their investment for strategic positioning. Thus, managers need to orchestrate smart contractual configurations with engagement processes. CE processes provide the key to unlock the value offered by nonownership. Customer knowledge sharing empowers providers to develop effective solutions enabling to consolidate customer uncertainty through smart investments. By sharing their knowledge in the market-place, customers also stimulate the diffusion of nonownership business models eventually driving service growth. Such scalability on the supply side is vital for transforming uncertainty, as a growing market justifies suppliers to place aggressive investments and learning in order to become world-champions of a particular asset class or superior value integrators.

Customer learning is vital to make effective use of provider performance and develop smooth interfaces for orchestrating value cocreation across organizational boundaries.

Smart Specialization

In the service economy, almost any business activity can be ordered by the tap on a screen. Nonownership raises flexibility in a substantial way and empowers companies to calibrate investments in line with their perceptions of opportunities and downsides. At the same time, service competition forces companies to be selective. In hyper-competitive environments, companies need to restrict ownership on those assets where they make a difference. Two vital options are specialization as an asset champion (cf. Wirtz and Zeithaml 2018), provided that the company can develop best-in-world capabilities to unlock services from a particular asset class. One alternative is to become a value architect who has a superior understanding of the interplay of various assets for a service experience. For example, Nike has

a reputation as an aggressive outsourcing company, while owning critical assets on almost any stage of the value chain, from material production to sales channels.

CONCLUSION

Nonownership offers a key value proposition of service by empowering both provider and client to navigate closer to the positive opportunity domain of uncertainty while mitigating uncertainty downsides. While non-ownership contracts for resource sharing or business services offer useful legal devices for sharing uncertainties across organizational boundaries they cannot work in isolation. The key to the pathway of virtuously transforming uncertainty into opportunities for both, clients and providers, is the interactivity of resources and processes. Service capital resides on the interactivity of resources, like connected equipment, user-knowledge or social capital. CE is critical for the formation of service capital and driving the interactivity of business. CE paths the way to processes for fulfilling the promises of nonownership. Customer knowledge sharing enables providers to show an impact for clients and control costs and downsides in their own operations. Customer learning drives the “value-in-use” of service offerings and creates a market platform for nonownership offerings. At the same time, nonownership contracts empower managers to design inter-organizational interfaces where both, clients and providers can mutually gain from sharing uncertainty.

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