A Focal Firm’s Orchestration of a Platform-Based Ecosystem and the Role of Complementor Exclusivity

Vidya Oruganti
Grenoble Ecole de Management
Management, Technology and Strategy
vidya.oruganti@grenoble-em.com

Vincent Mangematin
Kedge Business School
Strategic Management & Innovation
vincent.mangematin@kedgebs.com

Abstract
To build an ecosystem around it, a central platform firm needs to bring both sides on board—the end users and the complementors. Price subsidisation and complementor exclusivity have been traditional ways to trigger indirect network effects and gain volumes. However, exclusivity comes with its share of risks as it can lead to complementor monopoly and high costs to the platform. Additionally, a central platform also needs to balance the quantity vs the quality of complementors because crowding of complementors can drive down quality of the platform. Despite this conundrum, the role of exclusivity in platform strategizing has received limited attention. We address this issue in our study, through a single in-depth case study. We uncover the degree and directions of exclusivity beyond the initial phases of a platform, and underscore the persistent role of exclusivity in a platform’s evolution.
A Focal Firm’s Orchestration of a Platform-Based Ecosystem and the Role of Complementor Exclusivity

ABSTRACT

To build an ecosystem around it, a central platform firm needs to bring both sides on board—the end users and the complementors. Price subsidisation and complementor exclusivity have been traditional ways to trigger indirect network effects and gain volumes. However, exclusivity comes with its share of risks as it can lead to complementor monopoly and high costs to the platform. Additionally, a central platform also needs to balance the quantity vs the quality of complementors because crowding of complementors can drive down quality of the platform. Despite this conundrum, the role of exclusivity in platform strategizing has received limited attention. We address this issue in our study, through a single in-depth case study. We uncover the degree and directions of exclusivity beyond the initial phases of a platform, and underscore the persistent role of exclusivity in a platform’s evolution.

Keywords: Platform, ecosystems, exclusivity, orchestrating, complementor
A focal firm’s orchestration of a platform-based ecosystem and the role of complementor exclusivity

INTRODUCTION

In this study, we explore how a focal firm orchestrates a platform-based ecosystem, and what role does exclusivity of complementors play within this. A platform ecosystem has a central platform firm to which various complementor firms are connected, in such a way that the platform is more valuable to the end users. In doing so, the complementor can gain access to the platform’s users, whether directly or indirectly, without hierarchical relationship with the platform (Jacobides, Cennamo, & Gawer, 2018). A platform is double-sided in that it needs to bring on board simultaneously two groups – the end users and the complementor firms (Rochet & Tirole, 2006). Exhibiting indirect network effects, i.e. more volumes of complementor firms would attract more users and vice-versa, is one of the characteristics feature of double-sided platforms (Rochet & Tirole, 2003).

However, in order to grow and gain volumes, a platform faces the chicken and egg or the penguin problem (Eisenmann, 2008), i.e. the challenge of getting both the end users and complementor firms to adopt and participate. Subsidised pricing strategies (Rochet & Tirole, 2006), where usually end user benefits from concessional pricing as incentive to participate, has been the predominant platform strategies to trigger indirect network effects. Other solutions include obtaining the exclusive participation of marquee complementors, who are established and dominant in the market, so that they can attract more participation from other complementor firms as well as end users (Eisenmann, Parker, & Alstyne, 2006) – through direct and indirect network effects (Gawer, 2014).

In the initial phases of a platform, exclusivity is known to accelerate platform’s growth by lending quick volumes of users and complementor firms (Eisenmann et al., 2006). Having an exclusive complementor also reduces competition within that product segment on the
platform (Eisenmann, Parker, & Van Alstyne, 2009). On the contrary, a platform can surge its performance by fuelling competition within its complementor firms (Cennamo & Santalo, 2015), and it needs to strike a balance between the variety (number of complementor firms) vs the quality of products on its platform (Cennamo, 2016). This is because too much crowding of complementor firms can drive down the overall quality of the platform (Boudreau, 2011), and too few fails to address the varied needs of users. This then implies that a platform firm needs to strategize how it chooses exclusivity, thereby extremely reducing the variety, and non-exclusivity, thus making room for more complementors.

Exclusivity invokes attention as it bears high risks for the focal platform firm. Being exclusive, a complementor likely gains sole access within a certain category on the platform (Eisenmann et al., 2006), which can lead to a monopoly situation (Eisenmann et al., 2009). Moreover, in the initial phases, a platform needs to shed high concessions in order to retain such an exclusive complementor, thereby increasing the costs of the platform (Eisenmann, 2008). Sometimes, extremely popular complementors can refuse to be exclusive to a platform (Rietveld, Schilling, & Bellavitis, 2016). On the other hand, unrestrained access to platform drives down quality and lends more noise (Van Alstyne, Parker, & Choudary, 2016).

Probing a bit deeper into how a platform grows into an ecosystem –modularity and investment fungibility –seem to guide its collaboration strategies (Jacobides et al., 2018). More fungibility would enable complementors to participate in several platforms, however lesser fungibility, which is favourable for a platform, can mean a lock-in situation for the complementors (Jacobides et al., 2018). In such a conundrum, how does a platform firm strategize exclusive vs non-exclusive participation from complementor firms? It raises some key questions like, for similar investments, does an exclusive complementor find it more/highly fungible to move, than non-exclusive complementors, due to access to resources? Does this pose higher risk of losing an exclusive complementor, and thereby creating the need for more
non-exclusive complementors? What does exclusivity mean beyond gaining volumes for a platform firm? It is in this context that we explore how does a focal firm orchestrate a platform-based ecosystem and what is the role of complementor exclusivity in it?

We contextualise our study within a healthcare insurance platform that is in an ongoing process of building an ecosystem of complementors and users. Our key findings indicate that a platform operationalises orchestration through three key phases – designing, building and maintaining phase. The nature of exclusivity, i.e., the degree of exclusivity and direction of exclusivity varies through these phases. The rest of the paper is organised as follows. In the following section we discuss the relevant literature, then explain our research context, case description, data collection and data analysis. This is followed by our findings and discussion. We end the paper with theoretical implications.

LITERATURE REVIEW

Building a platform-based Ecosystem

In an ecosystem firms are interdependent, but are not necessarily related in a hierarchical relationship and are able to operate independently, yet they are able to cooperate to create value together (Jacobides et al., 2018). Platform ecosystems follow a hub-and-spoke model (Iansiti & Levien, 2004), where a central focal firm functions as the platform, which orchestrates complementor firm connections around it (Baldwin & Woodard, 2009). These complementor firms can gain access to the platform’s users (Eisenmann et al., 2009). A platform firm plays the role of integrating the offerings of all the complementor firm into one product/service solution to the end user, thereby increasing the value derived for the user (Van Alstyne et al., 2016).

But to grow and increase participation from both the end users and the complementors, the platform needs to make appealing deals with complementors, and at the same time keep the integrated product appealing to the end user – double-sidedness (Rochet & Tirole, 2003). This situation has been classically called as the ‘chicken and egg’ problem (Caillaud et al., 2003) or
the penguin problem (Eisenmann, 2008). Price subsidisation, where usually the user group benefits from lower rates, and complementor firms shell out fees, has been one of the traditional approaches to address this double-sided volumes problem (Eisenmann et al., 2006; Rochet & Tirole, 2006). Other strategies include ‘opening’ up the platform from regulated access to an unregulated access to any complementor that wants to join (Eisenmann et al., 2009). In the initial phases of building an ecosystem of complementor firms around it, gaining the participation of established marquee complementors, is seen as a quick way to gain volumes of participation through both direct as indirect network effects, as it attracts participation from both other complementor firms as well as the end users (Eisenmann et al., 2006).

**Platform-based ecosystem and exclusivity**

While marquee complementors can potentially bring in volumes, they also lend high risk to the platform. Some of the known risks include monopoly situation of exclusive complementor (Eisenmann et al., 2009) and bearing high concessional costs by platform in order to seek participation of highly popular exclusive complementors (Eisenmann, 2008). However having an exclusive complementor also reduces the competition of complementor firms in that segment (Eisenmann et al., 2009). The other challenge with seeking exclusivity from popular complementor brands is that such complementors may refuse exclusivity (Rietveld et al., 2016).

Additionally, there are indirect concerns regarding exclusivity and non-exclusivity partnerships on platforms. The key concern of not having a regulated access is that too much crowd of complementors may create a market for lemons, that is drive down the quality of platform’s product (Cennamo & Santalo, 2013). To bring out value on a platform, it should be able to balance variety of complementors (that is number of differentiated offerings) and the quality of the complementors (less in number but higher quality offerings) (Cennamo, 2016). This situates the platform at crossroads where it needs to balance the number of complementors
as well as diversity of complementors at the same time. However, both these strategies run contrary to each other, as explained above.

The longitudinal aspect of exclusivity has been studied by Eisenmann et al., (2009), that as the platform matures and establishes itself, it can use its market power to demand exclusivity, and also be able to increase participation prices from other complementors. And recently, Rietveld et al., (2016) also indicate challenges of convincing complementors for exclusivity, in the initial phases of a platform. The role of complementor exclusivity in platform literature has received limited attention, and been restricted explaining volumes despite acknowledging associated risks (Eisenmann, 2008; Eisenmann et al., 2009). One possible reason for this is that there seems to be an underlying assumption that exclusive and non-exclusive complementors would fulfil similar functions on a platform, if not entirely the same, and therefore exclusive complementors are more likely to bring in volumes of aligned users, quickly.

We therefore explore the types of partnerships a platform forges, in order to better understand what role does exclusivity play in orchestration. In the following section, we detail our research context.

RESEARCH CONTEXT

This study is set within the healthcare industry. Several reasons make it a compelling choice. One, healthcare involves a situation where the end user’s journey is fragmented over several complementors, such as –healthcare providers (hospitals), pharmacies, laboratories, insurance, technology providers, care givers etc. Therefore, to improve an end user’s experience it is imperative for all complementors to cooperate and collaborate tightly. Two, there is greater sensitivity, scepticism and need for trust and data protection with regards to user’s personal healthcare data. This makes it challenging for the different complementors (as listed above) and hinders technological cooperation, i.e. while the need to cooperate is high, the challenges to do so are also higher. Three, while healthcare industry has been slower to accommodate digital
solutions as compared to other fast-moving technology driven industries, there is a palpable surge in platform-based solutions in the past few years, as an attempt to foster higher collaboration between various complementors. However the dynamics of such a surge are still emerging, not clearly understood yet and therefore call for attention (Van Alstyne et al., 2016).

While the above-mentioned features highlight the uniqueness of platform-based ecosystem solutions within the healthcare industry, there are observable features that make these relatable to any platform ecosystem elsewhere, beyond healthcare industry. A recent article in the World Economic Forum’s blog (2017) indicates that the platform solutions within healthcare can facilitate and enable group of complementors on the one hand and the end user on the other end to engage in a more collaborative way. This operational feature of the platform aligns with the key feature of a double-sided platform that needs to bring both sides on board (Rochet & Tirole, 2006) to function. Another report from Accenture, (2017) highlights how platform solutions within healthcare now include building an ecosystem by partnering with companies outside healthcare as well, to integrate them in such a way so that it improves the end users experience. In the following paragraphs, we give the case description.

**ABC –Case description**

ABC is a connected health technology solutions company that uses, primarily, connected activity tracking devices, such as Fitbit, Garmin etc. to collect and analyse data to then design aligned health insurance plans. Its key motive is to nudge active behavioural changes towards healthier lifestyle in its users by rewarding and incentivising them. It has partnered with a large incumbent firm in Germany for insurance part of its product. The strategic team includes about thirty employees. ABC operates as a platform firm because on the one hand, it collaborates with various complementor firms for rewards and incentives, as well as device complementors to accommodate activity tracking of its end users. On the other hand, it interacts with the end user and collates his/her fragmented data from all complementors and
integrates that with the insurance component of the product. ABC acts as the integrator or focal firm that integrates offerings from all complementor firms into a single coordinated product for the end user.

ABC has previously implemented this business model successfully in South Africa, USA, UK and China. In Europe it is still in an emerging phase, and this enabled us to examine, how does ABC as a platform build its ecosystem of complementors and end users, orchestrating a double-sidedness. And in doing so, what role does exclusivity of complementors play?

![Figure 1. The ABC platform](image)

**DATA COLLECTION**

To explore and build a clear understanding of a phenomena, we chose to focus on a single case and study it in depth. This was also a suitable choice as a single case enabled us to retain our focus on the how of the phenomena in its natural setting (Yin, 2003). It also allowed to bring in a holistic view of one phenomena (Zaidah, 2007).
Data was collected in February-March 2018, in the form of semi-structured interviews, internal company documents and presentations, brochures from website and a web recording of a live annual performance review by the company’s global CEO.

**Semi-Structured interviews:** A total of 19 interviews were conducted, recorded, and later transcribed. This includes 3 interviews with ABC’s complementor organisations. Oral consent for recording was sought from all participants. All interviews were conducted in English. Twelve interviews were face-to-face, and the rest were either telephonic or through Skype. The interviews lasted on an average for about 50 minutes.

**Internal documents:** A timeline history of key strategic decisions by ABC since its inception in late 2014 until late 2017 was accessed. Other documents include presentations that enable to learn how ABC projects itself to its complementors, a complementor checklist that enables to identify relevant characteristics sought in potential complementors. A presentation from a key complementor firm allowed in understanding the technical integration required when implementing collaboration.

**Publicly accessible documents:** All the relevant and freely accessible brochures from ABC’s website that describe the product, partnerships and rewards were used.

**Videos:** The online, live video of ABC’s global CEO’s annual performance review presentation was recorded and transcribed. The slides of the presentation were accessed too. Other videos include one-minute commercials of ABC about its complementors and the rewards to end users; and a video from ABC’s scientific complementor, a behavioural psychologist, explaining the science behind the product and its benefits.
The above table summarises the data sources and how they contributed towards data analysis.

Table 1. details the various data sources and their contribution in data analysis

<table>
<thead>
<tr>
<th>Serial Number</th>
<th>Data Source</th>
<th>Quantity</th>
<th>Contribution to Data Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Semi-Structured interviews</td>
<td>19</td>
<td>To identify key mechanisms to “how” ABC builds double-sidedness and deals with exclusivity</td>
</tr>
<tr>
<td>2.</td>
<td>Internal documents</td>
<td>4 PowerPoint presentations, 3 PDF documents, 1 Word document (potential complementor checklist)</td>
<td>The PowerPoint presentations helped to understand how ABC communicated about various complementors internally. The PDFs include complementor proposals, which helped to understand how ABC positions and communicates about itself (product &amp; brand) to complementors. The word document enabled to get an idea of what are the key criteria that ABC uses to identify strategic potential complementors.</td>
</tr>
<tr>
<td>3.</td>
<td>Publicly accessible documents</td>
<td>5 PDF brochures</td>
<td>These PDFs enabled to understand how ABC communicates its product and rewards to the end user and the rest of the industry/market.</td>
</tr>
<tr>
<td>4.</td>
<td>Videos</td>
<td>5</td>
<td>The annual presentation helped to understand the strategic positioning of ABC, anticipated challenges and outlook. The commercials supplement the publicly accessible documents in how ABC communicates about complementor rewards to end users. The recorded interview lends the scientific driver of the product that is incorporated into most of ABC’s communications.</td>
</tr>
</tbody>
</table>

The above table summarises the data sources and how they contributed towards data analysis.

DATA ANALYSIS AND FINDINGS

All the interviews and the video were recorded and then transcribed. We used Atlas.ti 8 software to code the interviews. While we were guided by previous literature in our coding as we sought to uncover the orchestrating phases, we followed axial coding for our analysis. The coding enabled us to identify three key phases through which a focal firm orchestrates and exclusivity
of complementors varies across these phases. We mark the three identified phases as designing phase, building phase & maintaining phase (Figure 2).

**Desining phase:** A major act of the designing phase is incorporating modular changes into the focal firm’s product/solution design so that it creates room for interdependent roles for complementors through either product or utility complementarity. Another key step in this phase is that the focal firm identifies key strategic complementors that can contribute to the modular changes incorporated in focal firm’s product design. The focal firm seeks full exclusivity from established complementary partners. Full exclusivity is when for a certain sub-category of focal firm’s product or solution, there is only one complementor, as opposed to multiple complementors for same sub-category and each gains exclusivity within a smaller product component, known as partial exclusivity. This defines the nature of exclusivity. As the full exclusive complementor is relatively well established, and mostly from cross-sector market, the focal firm, sheds heavy costs in negotiating with these complementors. This phase also underscores the direction of exclusivity, i.e. that is who seeks exclusivity from who. In this phase, it is the focal firm that seeks full exclusivity from established and potentially new...
complementors. Example from the case, ABC included wearable devices as a core operational component of its smart insurance. Therefore, transitioning from a traditional insurance, for smart insurance ABC now needed complementors that could provide aligned wearable devices. This was creating modular interdependence both in product design and consumption (because smart insurance also differs in what the end user derives from it as a product in comparison to a traditional insurance). As the product design is altered, the platform could seek out suitable complementors, and design further the common interfaces. For example, ABC sought the various wearable devices available in the market and initiated contacts with a few. Based on technical requirements, ABC planned a common interface with each interacting complementor. ABC was able to loop in a market leading complementor in wearables, which further triggered other wearable device complementors to follow.

**Building phase:** In this phase, the focal firm ABC ‘recruits’, or starts negotiating with complementor (all other than full exclusive complementors identified in the previous phase) participation based on their potential contribution to the evolving platform-based ecosystem. ABC identifies and segregates potential complementors based on types of exchanges. We identified three types of exchanges between ABC and the complementors – product/utility complementarity plus data about such exchanges, only product/solution complementarity and only data inputs. The role of complementors varied across exclusive and non-exclusive complementors. The full exclusive complementors were involved in product/utility complementarity plus data inputs, whereas the non-exclusive complementors were either involved in only product/utility complementarity or data input. ABC designated types of exchanges and exclusivity hierarchically. Strategic complementors were fully exclusive with product/utility complementarity and data exchange, which was followed by product/utility complementarity and last being only data exchange. In doing this, the focal firm defines roles of exclusive vs non-exclusive complementors. This allows complementors to evaluate
fungibility of their commitment towards the platform, or to multihome with several platforms at the same time. This is because, full exclusive complementors are expected to make some focal firm-specific investments, as compared to other non-exclusive complementors. Another noteworthy observation is that full exclusive complementors were only limited in number (less than 10), as opposed to the numerous non-exclusive complementors (110+). In allowing various wearables as options, ABC was able to quickly reach out to end users who were already using those wearables with or without ABC contracts.

**Maintaining Phase:** In this phase, ABC channelizes its efforts in maintaining the already active participatory complementors. It does this by continuously reassessing the nature of exclusivity (full or partial), and the role these complementors play in its ecosystem. For example, depending on growing or decreasing contribution of a complementor to its ecosystem, ABC would either upgrade or degrade respectively the roles and types of exchanges with these complementors (where both product/utility and/or data exchange). An increasingly important complementor could be offered to contribute with both product/utility complementarity and data exchange -meaning, this complementor is now hierarchically placed above other non-exclusive complementors (as explained in building phase). Minor changes to ABC’s product/solution is needed to incorporate this complementor (iterating with design phase). We found that the direction of exclusivity in this phase is contrary to the one in design phase. In this phase, the already existing complementors who would like to upgrade their relationship with ABC, propose and seek partial exclusivity from it.

It is also important to note that these three phases are non-linear, iterative and continuously impact changes within each other (Figure 3).
DISCUSSION

Our findings highlight three core phases –designing phase, building phase and maintaining phase—that a central focal platform firm exercises to orchestrate an ecosystem of participants around it. One of the vital architectural features of an ecosystem is structural modularity that can enable exchanges between ‘independent yet interdependent’ firms (Jacobides et al., 2018). This modularity of both production and utility/consumption. Through ABC’s example we were able to show that ABC incorporates either product or consumption modularity by altering the design of its insurance product. At this point, the end user could independently utilise ABC and its complementor firms or has a choice to utilise them as a package put together through ABC. This underscores the independent yet interdependent part of structural modularity of an ecosystem, mentioned previously. The types of complementors may vary based on what they offer (Iansiti & Levien, 2004) and how their contribution can fit within the newly created modular structure, in being either unique or supermodular complementors (Jacobides et al., 2018). In the case of ABC, it identified unique complementors within the designing phase as it altered its design components to accommodate modularity. ABC sought full exclusivity from these unique complementors, as their inclusion and contribution to production and consumption was part of ABC platform’s vital functionality. In making room for other supermodular complementors, such as various smartwatch or trackers, ABC was able to widely reach out to many end users, triggering indirect network effects.

Figure 3. Depicting the non-linear dynamics between the three phases
This clearly indicates that exclusive complementors were instrumental in positioning the renewed platform-based product of ABC in the market, and non-exclusive complementors were specifically pursued to gain immediate wider access to end consumers. This displays the difference in roles of exclusive and non-exclusive complementors. Defining such roles was crucial to identify the degree of fungibility (Jacobides et al., 2018) as a proxy of commitment expected out of the complementors - this helped to delineate the types of complementors. Moreover, full exclusive complementors had low fungibility and had to make platform-specific investments such as complementary changes within its own product/solution design to accommodate ABC, and changes to support shared processes. On the other hand, non-exclusive complementors had high fungibility in the sense that they could participate simultaneously on various platform-based ecosystems.

Previous studies acknowledge that the user base, data and complementarity (of product/consumption) of a complementor serve as key assets to a platform (Van Alstyne et al., 2016). In line with this, we identified that ABC indulged in three types of exchanges with its various complementors – product and data exchange, only product or only data exchange. ABC used these exchanges as offerings to incentivise potential complementors to participate within its ecosystem. Previously, it was known that a platform could incentivise participation and trigger network effects by having on board relevant innovative complementors (Boudreau, 2011), however, our study adds to this in displaying that types of exchanges could also further incentivise complementor participation. One reason for this could be is that, as we found the types of exchanges had a hierarchy, which could imply that higher exchange type meant greater strategic partnership between platform and the complementor relative to the other participating complementors. This implies that the types of exchanges in combination with high or low fungibility could enable the complementors to self-evaluate their potential contributions to the platform and be able to self-select.
Previous studies acknowledge the exclusive participation by a dominant and established complementor to trigger both direct and indirect network effects and bring in volumes to the platform (Eisenmann et al., 2006). Exclusivity includes cost to the platform, as it may have to accept concessions and the terms of the dominant exclusive complementor (Eisenmann, 2008), and may place the exclusive complementor to get monopoly within a product feature/segment (Eisenmann et al., 2009). In line with previous studies (Cennamo & Santalo, 2015), we found that ABC used exclusivity as a tool to moderate access to the complementors, which helped in a way to retain the complementors competitive with each other. While previous studies on exclusivity focused on only full exclusivity situations (Eisenmann, 2008; Eisenmann et al., 2009), we find that ABC exercises, what we call degrees of exclusivity, creating room for wider types of exclusivity situations, like full exclusivity, partial exclusivity and no exclusivity. ABC strikes full exclusivity deals with those complementors that are a strategic fit and that can position or brand ABC within the market to a certain desired brand positioning. We found non-exclusivity with complementors that contributed to only product exchange that are generic (Jacobi et al., 2018) to ABC; however we found partial exclusivity with supermodular complementors (Jacobides et al., 2018) with only data exchange interactions with ABC. We found that full exclusive complementors we deliberated upon as a strategic move by ABC, and thus were included within the design phase of the platform. On the other hand, partial exclusivity was more progressive and usually assessed when the complementors had been part of the platform-based ecosystem for some time, and usually incorporated within the maintaining phase of the platform.

Furthermore, we also identified a difference between who sought exclusivity from whom -and we call it, direction of exclusivity. In the initial design phase of the platform, the focal firm sought full exclusive contracts with a select few complementors, while partial exclusivity, was sought by the pre-existing complementors, from the platform during the maintaining phase.
This extends the previous platform literature on exclusivity beyond the initial phases of growth of a platform-based ecosystem (Eisenmann et al., 2006), and underscores the persistent role of exclusivity throughout the evolution of a platform-based ecosystem. It is also known that endorsing and actively advertising for a complementors by a platform, seemingly improves the visibility of those complementors and they are more likely to perform better (Rietveld et al., 2016). To build on this, we found that endorsed complementors were also more accessible to the end consumers, as they were positioned on the front-end of ABC platform’s website, whereas non-endorsed complementors were bundled together and enumerated in a separate tab on ABC’s website.

THEORETICAL IMPLICATIONS

Recently literature on platform and ecosystems emphasises on structural modularity and fungibility as the two vital features necessary to construct an ecosystem, which is to create room for independent yet interdependent firms to coordinate (Jacobides et al., 2018). In studying the transition of a traditional insurance company into a platform-based ecosystem we identify that structural modularity is a key mechanism for the platform to architect a baseline of interdependent roles for various complementors. We find that the focal firm exercise exclusivity as a tool to moderate access and incentivise complementors towards participation and retention within its ecosystem. In examining this case, we specifically address the call to align a platform’s role in governing vs an ecosystem’s role in creating the structure of interdependence (Adner, 2016).

In examining a focal firm’s orchestration of a platform-based ecosystem, we highlight three key phases that a focal firm implements in orchestrating an ecosystem of complementor firms around it - designing, building and maintaining phase. Recently literature emphasises on structural modularity and fungibility (ability to participate across several platforms, or not) as the two vital features necessary to construct an ecosystem, which is to create room for independently
functioning, yet interdependent firms to coordinate (Jacobides et al., 2018). In studying the transition of a focal firm into a platform-based ecosystem we identify that incorporating structural modularity is indeed key and occurs mainly in the design phase of the ecosystem. In examining this case, we specifically address the call to align a platform’s role in governing vs an ecosystem’s role in creating the structure of interdependence (Adner, 2016). In doing so, we add to the growing platform and ecosystem literature in two ways. One, while previous studies have focused on becoming a platform leader (Cusumano & Gawer, 2002) and the strategies to become a successful platform (Adner, 2006; Eisenmann et al., 2006), in this study we focus on how a focal firm transitions into a platform-based ecosystem. This enables to address the strong assumption of focal firm being an already established firm in the market (Dhanaraj & Parkhe, 2006), and presents a case of a focal firm, that is yet to be established.

Two, we dig deeper into the role of complementor exclusivity and examine it across the three phases of the ecosystem. Previous research on exclusivity has predominately focused on role of fully exclusive complementors to bring in volumes to the platform, especially in the early phases (Eisenmann et al., 2009). The risks and benefits of such exclusive complementors was also acknowledged previously (Eisenmann, 2008; Eisenmann et al., 2006). Building on this, we identify degrees of exclusivity - full exclusivity, partial exclusivity and no exclusivity. While full exclusivity was handed to new complementors during design phase, partial exclusivity was traded with pre-existent complementors during maintaining phase. This study also enabled us to highlight direction of exclusivity (who sought exclusivity) -which varied across phases. Lastly, in understanding exclusivity, the role of exclusive complementors differed from that of non-exclusive complementors. This is an important addition to previous research on exclusivity because this study underscores the role of fully exclusive complementors is not limited to gaining volumes, but also facilitate brand positioning of the
focal firm’s product/solution. On the contrary, findings suggest that the non-exclusive complementors could be bringing in volumes, as they quickly extend access to wider end users.
KEY REFERENCES


