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Platform Economics and Regulatory Change : a multiple-case study on Airbnb and Uber

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## SUMMARY

The significant growth of platform companies has disrupted, altered and threatened our existing way of living and traditional industries. These platforms have fostered many debates about their business model which are questioning the prevailing set of institutions and regulatory frameworks. This thesis explores how platform economics change regulations over time. More specifically, how through their work and interactions with different actors, these platforms can change the existing regulatory framework. The objective is to understand which activities are undertaken by these companies to change regulations, their roles as well as the conditions enabling these regulatory changes.

In this thesis, a framework is developed to explain and highlight the contributions and work of platform companies to influence and change regulations over time. The platforms' impact is examined in a multiple-case study which focuses on two platform companies, Airbnb and Uber, in three European cities; Berlin, London, and Paris.

From this study, a four-stages model has been derived. The first stage refers to the disruption brought by this new type of company in the economy. During this phase, the platforms' objective is to grow and harness a significant user base on which they could rely on for the next phases. Moreover, this first phase is characterized by a lack of understanding from the regulators who are not able to define this form of new economy. The second stage is a phase of crisis during which platforms are facing important regulatory issues and see their models jeopardized. This phase is defined by a high level of institutional work in the case of a "political campaign" undertaken by the platforms to lobby their interests. The third stage is a moment of pacification in which platform companies are more inclined to self-regulate themselves and to listen more carefully to both regulators and traditional providers. This stage marks a shift in the strategy undertaken by the platforms where the focus is now put on the regulators and traditional providers. The last phase is the cooperation one since platforms are willing to partner with local authorities and help them enforce the regulations. These four stages display a change in the platforms' strategy to change and influence regulations as well as a shift in their roles towards regulators. The generalizability of this model is tested in a further analysis on e-scooter sharing platforms which confirms the findings of this thesis.

## 1.0 Introduction

For the past ten years, a new type of economy has emerged, introducing new challenges in the market. This newly digital economy relies on platform companies which act as intermediary networks to connect customers and suppliers by usually putting idle capacity at work (Lobel, 2016). These platform companies have altered or threatened the existing markets as they open the ways for significant changes in the way we live, work and consume (Kenney & Zisman, 2016). For instance, Uber has disrupted and altered the taxi industry while Airbnb is disrupting the housing market by introducing home sharing as an economic way to travel. Consequently, these companies have fostered debates about their economic, social and institutional impacts because the presence of such platforms in our daily lives have resulted in intended as well as unintended consequences (Mair & Reischauer, 2017).

These debates have, in turn, led to question the prevailing set of regulations applied to the traditional actors such as the taxi and housing industries. Indeed, the unintended consequences generated by this new type of economy have come to interest the policy makers (Mair & Reischauer, 2017). These policy makers tend to respond differently to the regulatory challenges brought by the platforms, depending on the existing institutional context.

Furthermore, as these platforms keep growing, increasing their user bases and the resources shared, the question of whether to regulate and control this new type of economy arisen as well as whether these companies would agree to this regulatory control (Hartl, Hoffman & Kirchler, 2016). For instance, platforms such as Airbnb and Uber have received a lot of attention due to their regulatory struggles with the authorities but also with the traditional actors (Einav et al., 2016).

The underpinning of these regulatory struggles is that platform companies are considered to benefit from regulatory advantages due to their newness. Indeed, one difficulty in regulating growing and ever evolving businesses such as these companies is that, first, regulators need to understand the way they operate and second, that regulations take time to establish while existing regulations applied to traditional actors can't easily be withdrawn or changed (Einav et al., 2016).

This thesis focuses on the regulatory changes associated with the emergence and growth of the platform companies. Most of the studies on institutional change have

focused on traditional businesses. Therefore, there is a lack of examination of the relationship between institutional change and platform companies. This master thesis aims to fill this gap by examining the regulatory changes through the lens of the platform economy.

Furthermore, most studies on regulatory changes associated with platform economy have paid attention to how cities and regulators are coping with the intended and unintended consequences brought by these companies. Few have examined this topic through the lens of the platforms and how they were influencing and handling these regulatory changes. This perspective would enable to understand how platforms are coping with institutional change and regulators over time and would lead to the identification of reasons and patterns associated with these changes.

This thesis aims to fill these two gaps by examining the link between platform companies and regulatory changes using institutional theory. The objective is to provide a better understanding of how platforms influence and are influenced by regulatory changes, what kind of activities they undertake to deal with these changes and what are the enablers of such activities.

Hence, the research question of this thesis is: *“How do platform companies change regulations over time?”*.

This question is addressed through a multiple case study of two platform companies, Airbnb and Uber, in three European cities, namely Berlin, London and Paris. Airbnb and Uber have been chosen as they are the major platforms in their industries, respectively the housing market and the taxi industry and have been the subjects of numerous debates concerning their legality. Thus, they constitute interesting subjects to examine the link between platforms and regulatory changes. Berlin, London and Paris have been selected because they embody three different institutional contexts with different institutional outcomes and have handled the intended and unintended consequences brought by the platforms differently.

Answering this question leads to several theoretical and practical implications. First, it helps addressing a gap in the existing literature by developing a four-stages model which explains how platforms are changing the existing regulatory frameworks. Then, it can help platform companies to understand which activities can be undertaken to influence regulation-making depending on the institutional

context as well as the current enabling conditions. It can also help regulators understand how to handle platforms' influence which could lead to the design of appropriate regulations and eventually some regulatory partnerships to create a market in which platforms and traditional actors can co-exist.

This master thesis is organized as follows: firstly, the theoretical framework and the research model are discussed. Then, chapter three describes the research methods used to undertake the case studies on Airbnb and Uber. Chapter four presents the findings of the case studies. Chapter five discusses the findings while in chapter six, a further analysis is conducted on e-scooter sharing platforms to test the generalizability of the four-stages model. Finally, chapter seven concludes this thesis, shows some limitations as well as implications and suggestions for future research.

## **2.0. Theoretical Framework**

Platform economics became important players quickly in many industries and most of the regulators didn't understand them at first. The platforms benefited from this newness to grow but their growth made appear some regulatory issues and concerns associated with their business models. By blurring traditional boundaries in the industry, the platform economics are questioning the prevailing set of institutions. Some commentators have argued that platforms have risen by avoiding regulatory compliance and that they have benefited from institutional voids to grow. This section aims to examine how institutions and regulations can be modified as well as the regulatory issues and concerns associated with the emergence of the platform companies. It relies on an extensive literature review and will help answer the research question.

### **2.1. Institutional Change.**

Institutional theory focuses on explaining the behaviour of actors and organizations looking for legitimacy through their actions. Institutions refer to rules, laws and norms that individuals are expected to follow. They consist of people and their interactions from which rules and norms arise (Scott, 1995). Institutions shape the behaviour of actors by defining legal, moral and cultural boundaries which impose restrictions on them as they differentiate which behaviour is acceptable and which



is not. Institutions are made up of three pillars; the regulative pillar, the normative pillar and the cultural-cognitive pillar (Scott, 1995).

The regulative pillar is about setting rules, monitoring and sanctioning activities to influence others' behaviour through laws, regulations and norms for instance. The normative pillar refers to social obligation and imposes constraints on actors' behaviours while at the same time granting them rights, duties and responsibilities. Examples of normative institutions are certification and accreditation. Finally, the cultural-cognitive pillar concerns shared conceptions among actors such as common beliefs or shared logics of action that actors tend to follow to achieve legitimacy.

However, institutions are not fixed and can be altered, disrupted or weakened by actors and organizations through their behaviours (Scott, 1995). To do so, actors engage in institutional work (Lawrence & Suddaby, 2006).

In this thesis, I will focus on the regulative institutions, meaning the laws and regulations, and how the platform companies are changing, creating or even disrupting them over time by engaging in institutional work for instance. By undertaking institutional work, platform companies become "institutional entrepreneurs" (Battilana et al., 2009).

### *2.1.1. Institutional Work.*

The institutional work refers to the efforts undertaken by actors and organizations to change or create the institutional structures in which they are embedded and "*which give them their roles, relationships, resources and routines*" (Lawrence et al., 2011, p.53). The main questions asked in institutional work studies usually focus on the actor ("*who*") of the institutional work, the way ("*how*") it occurs, and *what* it is constituted of (Lawrence et al., 2013). In this master thesis, the emphasis is put on the "*how*" to see the way platforms are changing the existing institutional structures.

Institutional disruption is a form of institutional work and actors engage in it when the current institutional environment is not sufficient for them to perform their activities and want a change to happen (Zvolska et al., 2019). Even though actors are constrained by the existing institutions and regulations, they are still able to

work and influence this set of institutions. Zietsma and Lawrence (2010) identified two types of work that can be undertaken to modify institutions; namely, boundary work and practice work.

Boundaries establish categories of organizations, people and activities and they are considered as strategic objects since they are a way to acquire a status and have access to particular resources because they define membership to a certain group (Zietsma & Lawrence, 2010). Thus, boundaries are strategic for any organization which wants to acquire resources or maintain, create or even alter privileges. Boundary work is defined as the efforts of actor to disrupt, shape or draw boundaries. Zietsma and Lawrence (2010) have identified three types of boundary work which are presented in Table 1.

Forms of Boundary Work	Definition
<b>Boundary Closure</b>	"Establishing boundaries to protect autonomy, prestige and control of resources" (Zietsma and Lawrence, 2010; 194)
<b>Boundary Connecting</b>	Using boundaries to create a shared meaning or context among actors.
<b>Boundary Breaching</b>	Framing and mobilizing resources to influence institutions and disrupting existing boundaries

*Table 1. Forms of Boundary Work (Zietsma and Lawrence, 2010)*

Practices are defined as “shared routines of behaviour” (Whittington, 2006; p. 619). They guide actors’ behaviour depending on the situation and represent the institutionalized and “taken-for-granted” way of undertaking activities. Consequently, practices have a strategic importance for actors since they are guiding the way people are thinking and doing their activities. Practice work represents actors’ attempts to influence “the recognition and acceptance of sets of routines, rather than their simply engaging in those routines” (Zietsma & Lawrence, 2010; 190). Thus, practice work is about the creation, disruption or alteration of practices.

Boundary and practice work are independent and reinforce each other. They can lead to important institutional change since they have a strategic impact on the allocation of power and resources (Zietsma & Lawrence, 2010).

*2.1.2. Institutional Entrepreneurship.*

Institutional entrepreneurs are actors that initiate changes by undertaking institutional work in order to break the status quo with the aim to transform the prevailing set of institutions or to create new ones (Battilana et al., 2009). They

undertake such processes and strategies to alter the current situation and create new institutions which will fit best their interests.

Battilana et al. (2009) identified two enabling conditions for institutional entrepreneurship to be realized; which are the field characteristics and the actors' social position.

Field characteristics refer to the characteristics of the environment in which the actors are. Three types of field characteristics are identified. The first one is composed of jolts and crises which include "*social upheaval, technological disruption, competitive discontinuity, and regulatory changes*" (Battilana et al. 2009; p.74) which might disrupt the existing set of institutions and thus introduce new ideas and concepts.

The second field-level condition is the degree of heterogeneity which refers to the various characteristics of institutions in a given field. This variety might lead to some contradictions between institutions, pushing actors to question the prevailing set of regulations and sometimes even deviating from them.

The last field characteristics is the degree of institutionalization and the idea is that "*lower degrees of institutionalization are associated with higher levels of uncertainty*" (Battilana et al., 2009; p.75) which might give rise to strategic action.

The second enabling condition for institutional entrepreneurship is the actors' social position. The social position of an actor is important since it affects his point of view of the institutional environment he is engaged in as well as his access to the required resources to undertake institutional entrepreneurship. Institutional entrepreneurship is likely to be influenced by the status of the organization within a given field as well as by its "*hierarchical position and informal network position*" (Battilana et al., 2009; p.77). The social position of individual actors, meaning the users, is also found to be an enabling condition. Consequently, both an organization and a user can engage in institutional entrepreneurship individually, but they can also undertake it jointly through interaction (Battilana et al., 2009).

However, in engaging in institutional entrepreneurship, these entrepreneurs can encounter resistance from the incumbent actors who tend to act as "*institutional defenders*" of the existing institutions and try to prevent the divergence from the status quo. Traditional actors often act in a way that protect the status quo and this is especially prevalent when the changes proposed by the entrepreneurs jeopardize

their established privileges and social position (Battilana et al., 2009). As Rauch and Schleicher (2015) noticed, each policy conflict concerning the platform companies has a common ground which is that they are all pushed by incumbent actors who usually seek to protect their status or balance the situation that they claim as “unfair” since platforms are not subject to the same regulations as they are.

## **2.2. Platform Economics and Regulatory Change.**

Platform companies have introduced a new business model that disrupted the traditional way of doing business. By shaking up the traditional actors, they have raised many regulatory issues and concerns. One cause of this new regulatory debate is that traditional actors have claimed that these new companies enjoy regulatory advantages (Einav et al., 2016). This disruption has led institutions and regulators to cope with these challenges brought by these new companies.

A significant distinction when analysing platform regulation has to be made between the “internal activities” of the platform companies which encompass data and consumer protection, and the “external consequences” of these companies, which include, for instance, the effect of home-sharing on the renting prices in a given city (Finck, 2017). This thesis is more focused on the “external consequences” and the regulatory changes associated with them.

### *2.2.1. Regulatory issues and concerns associated with Platform Economics.*

Platform economics have emerged really quickly and institutions as well as regulators didn't anticipate such a disruption of established markets. For instance, Stone (2017) identified that in spring 2012, most legislators hadn't heard of Airbnb or just didn't understand it. Furthermore, this new type of company represents a new “business code” that has forced local governments to question the appropriability of the regulatory regimes of the past (Stone, 2017). The platform economics were aware of this situation, where existing regulations were not applicable or appropriate to their business model. As Brian Chesky, co-founder of Airbnb, said “*There were laws created for businesses, and there were laws for people. What the sharing economy did was create a third category : people as businesses*” (Kessler, 2014). This reflects how singular is this new type of company and how it challenges the prevailing institutions as well as the need to create new regulations.

Regulatory issues associated with platform economics come from the disruption they created and the fact that they are playing on “definitional defiance” (Lobel, 2016). Indeed, these companies usually try to be defined by what they are not so that they could avoid existing regulations or claim that these regulations do not fit their business model. Thus, with this definitional defiance arises regulatory issues since traditional actors and regulators define these companies otherwise and for them most regulations of the traditional industries could be applied to the platforms.

With the emergence of platform economics also came the important rise of non-professional and non-regulated service and providers (Rauch and Schleicher, 2015). This often leads incumbent actors, which are regulated, to complain of unfair competition. This develops concerns from regulators as to know how to regulate this type of business and especially about the definition of these new kind of workers who are not directly employed by the platform and don’t have a clear legal status.

The distinctiveness of the regulatory questions raised by platforms lies in the fact that these companies have the potential to disrupt the accepted legal categories and regulatory frameworks (Lobel; 2016). Indeed, the interplay of interrelated new models, practices, and technology introduced by the platforms requires to rethink settled legal categories as well as prevailing regulatory solutions, and to create regulations for these new environments. Thus, a fundamental challenge for regulators in this situation is the “Goldilocks Regulatory Challenge” which consists of getting law correctly with no definitional over-inclusiveness and under-inclusiveness. There are often loopholes around definitions meant to apply to new situation, especially for platform economics, which results in a lower coverage.

### *2.2.2. Platform Economics’ motives to engage in institutional work.*

As seen in 2.1.1. institutional work refers to the efforts undertaken by actors and organizations to change or create the institutional structures (Lawrence & Suddaby, 2006). The question is to know why platforms would be motivated to engage in this form of work. One significant reason is that the existing regulatory framework can be an obstacle to their future growth (Cannon & Summer, 2014). Another risk for these platforms is that a local government or a city rules that their business model is not admissible and consequently bans their use. Thus, to avoid this uncomfortable

situation and to be able to grow, these companies need to engage in institutional work to influence future rule-making which would be favourable for their growth.

Platform companies can also be motivated to engage in institutional work to change regulations since even though regulatory uncertainty is a way for them to make their power and influence grow, it can also be harmful for them by slowing down their development (Finck, 2017). Yet, these platforms need to grow to gain power and be able to influence institutions. Consequently, to a certain extent, they will engage in institutional work to define regulations that will fit their interests and enable them to get larger.

Finally, platforms can decide to engage in institutional work since they are often in tension with the existing regulatory frameworks (Edelman & Geradin, 2015). Indeed, on the one hand, some regulations tend to be protectionists or outdated, often benefiting more to the incumbent actors while on the other hand, some commentators claim that these platforms are breaching important laws. As a consequence, to resolve this tension, platforms will engage in institutional work to create, or at least influence, a new regulatory framework that suits them better than the current situation which puts a risk on them. As Edelman and Geradin (2015) notice, companies subject to regulations are more motivated to seek to influence rule-making to increase their profits.

The need to engage in institutional work to change regulations seems necessary for platform companies since they are disrupting industries and incumbents often try to keep or expand the regulations that protect them. Thus, to continue to grow or at least protect their business model, platforms need to participate in the process of rule-making.

### *2.2.3. Platform Economics and Regulatory Change : a role between “self-regulating entities” and “intermediary regulators”?*

Lobel (2016) argues that new economic models lead to establish new legal frameworks. As platform economy introduces a new way of doing business, it should also push for new regulations. The goals of regulations are multiple; they can involve correction of market failures and incentivization of competition and/or they can be designed to address concerns such as public safety or quality control. But, some regulations are also outdated and based on incorrect assumptions and

thus, need to be updated. As platform economics have altered many aspects of our lives as consumers, workers, traditional firms, the lines drawn through existing regulations need now to be redrawn.

Since the beginning of the 21<sup>st</sup> Century, regulation making has shifted away from command-and-control to more participatory and collaborative models of rule-making and regulation (Lobel, 2016). This means that new regulations are now the result of interaction and influence patterns from different actors of the society. Consequently, platform economics can be direct actors in regulation-making and shape new regulatory frameworks favourable to them by influencing politics and regulators. Besides from the command-and-control situation in which the platforms have no power in regulatory change, there are two cases where they can have a more active role. These companies can be more direct actors in regulation-making when they are considered as self-regulators (Finck, 2017) or intermediary regulators (Buchak, 2018).

Platform companies can be seen as self-regulators since they define the conditions of their function as well as the standards of online and offline behaviours (Finck, 2017). Julia Black (2001) has identified four types of self-regulation.

<b>Forms of self-regulation</b>	<b>Definition</b>
<b>Voluntarily self-regulation</b>	No direct governmental involvement. Companies act on a voluntarily basis
<b>Coerced self-regulation</b>	Occurs when an industry creates rules due to a threat of governmental regulation
<b>Sanctioned self-regulation</b>	Occurs when an industry creates rules that have to be approved by the government
<b>Mandated self-regulation</b>	Occurs when the government asks an industry to build a self-regulatory framework

*Table 2. Forms of self-regulation (Black, 2001)*

Platforms can also act as intermediary actors (Buchak, 2018) since regulatory functions can be spread among governmental actors and economic actors. Platform companies have two characteristics which give them a powerful advantage over traditional regulators. The first characteristic concerns their large user base which enables them to reach a broad scope of users, both in terms of service providers and customers, and to have a significant influence on them. The second characteristic refers to their ability to collect a large amount of data which allows them to better understand their services and to improve them.

The combination of these two characteristics makes platform companies potential powerful intermediary regulators since their large user base will enable them to

reach a broader scope of individuals when implementing new regulations and the detailed data collection will allow them to introduce and enforce regulations concerning the users' participation in the platform at a lower cost than it would be for the traditional regulators to implement these new regulations by themselves.

Thus, by being either self-regulated entities or intermediary actors, platform companies can be considered by traditional regulators as partners for regulation making and see potential gains from this regulatory cooperation.

### **2.3. Platform companies' means of influence.**

Many factors are motivating platforms to engage in institutional work to redefine the existing regulatory frameworks and create new regulations. However, to do so, they need tools and strategies to be able to influence regulators and institutions. Rauch and Schleicher (2015) identify that platforms have developed a "playbook" to influence local politics to their advantage. This playbook is composed of three steps. The first one is to create a customer base and to develop it before any regulatory approval. Once these platforms are subject to regulators' inquiry, the second step for them is to claim that they are not service providers but merely platforms that connect people together, thus the existing regulations can not be applied to them. The last step of this playbook consists of leveraging the customer base to make these users advocate for the platform's case to regulators.

The last step involves three different activities (Battilana et al., 2009) which are developing a vision, mobilizing people, and motivating others to achieve and sustain the vision. Developing a vision include activities to share a common view with the user base which is needed to implement change. Mobilizing people refers to the activities done to leverage the user base's support so that it will advocate your case. Finally, motivating others to achieve and sustain the vision characterizes activities done by the platforms to make the change accepted by other actors.

The main idea of this playbook is for the platforms to get large enough so that they become "too big to ban" (Rauch & Schleicher, 2015) as well as "too big to regulate" (Stone, 2017). Their strategy is to grow, not taking into account the existing regulations to then harness the power of their large customer base. Platforms will use their "platform power" (Belli et al., 2017) to influence regulators when they are



making rules concerning them. Some regulators have started to worried about this platform power since these companies are able to leverage this power to grow and go beyond the existing regulatory frameworks.

Some companies go even further by their will to create a “regulatory brand” (Stone, 2017; p.215) to influence regulatory decision-making as well as being involved in this process. They have started to hire influential persons and lobbyists to advocate their case and exerce their power on regulators (Rauch & Schleicher, 2015).

#### **2.4.Theoretical Model.**

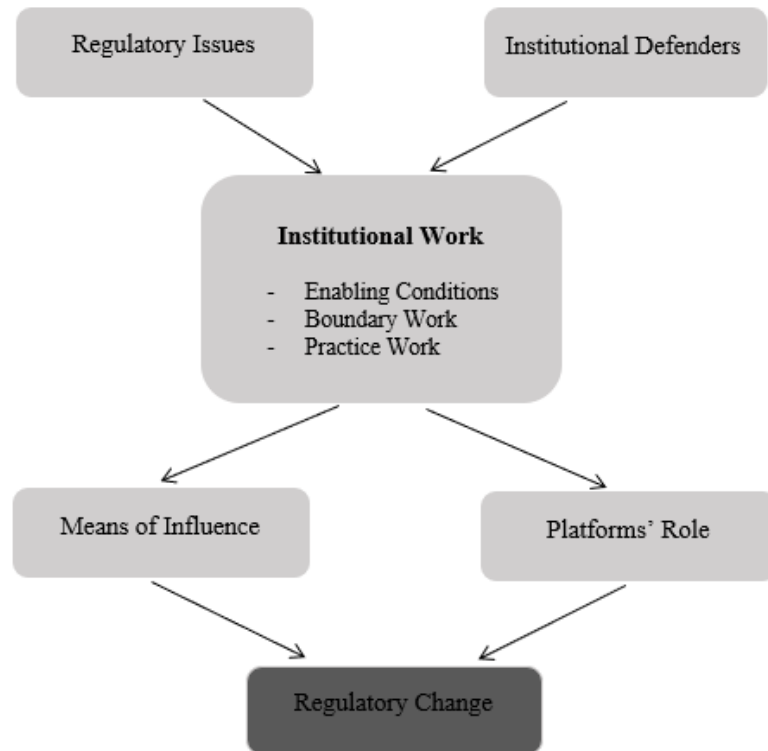
Figure1 presents the theoretical model of this master thesis. It shows the concepts used to answer the research question and their relationship.This framework is made up of four levels.

The first level represents the factors pushing and influencing platforms to engage in institutional entrepreneurship to change regulations; they represent the context leading platforms to undertake institutional activities. It is composed of the regulatory issues and concerns associated with the emergence of the platform companies as well as the institutional defenders who try to protect their status and to influence regulators to impose the existing regulations on these platforms.

The second level is characterized by the institutional entrepreneurship which is the work undertaken by the platforms to change the existing regulatory frameworks. It is made up of the enabling conditions of institutional entrepreneurship (Battilana et al., 2009) as well as the different forms of institutional work and institutional disruption (Lawrence & Suddaby, 2006).

The third level represents the tools with which platforms are influencing regulators and acting upon the making of regulations. It is composed of the platforms’ means of influence such as their playbook and their “platform power”, as well as the roles they can have, either self-regulators or intermediary regulators, which give them influence on the creation and definition of regulatory frameworks.

Finally, the last level refers to the change of regulations which is the end result of the process undertaken by the platform companies.



*Figure 1. Theoretical Model*

### **3.0 Research Methodology.**

This section presents the methodology used to gather the data for analysing how platform economics change institutions over time. The empirical foundation is a multiple case study of two platform economics. To explain the thesis methodology, the research design will be described as well as how the sample was chosen. Finally, I will clarify on how the data were collected, and which measures were taken to ensure research quality and display how the data analysis was conducted.

#### **3.1. Research Design.**

This thesis explores the effect of platform economics on institutions and regulations throughout time. I would like to develop a model from this thesis and to do so, I will be using qualitative data in an explorative study. Case studies are better suited to answer questions starting by “how” (Yin; 2003). As, I want to examine *how* platforms change regulations over time, a case study fits for this master thesis. Moreover, the case study research is particularly suitable for the

examination of platform economics since this phenomenon is quite new and still researched; as Eisenhardt (1989) noticed, using a case study is appropriate when the research topic is still in its early stages.

A case study is the preferred tool to examine contemporary events in their contexts, particularly when there are no clear boundaries between the phenomenon studied and its context (Yin; 2003). The strength of the case study is also its capacity to handle diverse sources of evidence such as documents, interviews or observations, which gives deep insights on the phenomenon studied (Eisenhardt & Graebner; 2007). I chose to use a multiple case design since it enables to explore a research question more widely (Eisenhardt; 1989). Furthermore, the findings coming from multiple cases are often more powerful than a single case study and the study is thus considered more robust (Yin; 2003). This will allow me to have a more generalizable theory.

### **3.2. Cases Selection.**

The purpose of this case study is to develop a model, not to test a theory, thus a theoretical sampling is appropriate since its role is to select cases which are expected to replicate or expand the emergent theory (Wildemuth; 2016). In a multiple-cases study design, cases are chosen to either display similar results, this is literal replication, or to yield contradictory results, which consists of theoretical replication (Yin; 2003).

#### *3.2.1. Cases Selection Criteria.*

This thesis examines how the platform economics alter institutions over time. The selected cases needed to be transparent and known enough to be able to develop a model and to have access to enough data. To choose the platform companies that will be studied in this thesis, different criteria have been used.

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#### **Criteria for the selected cases**

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1. It is a platform company operating in more than 2 European cities
  2. It is a platform which is more than 5 years old
  3. It is well-known enough to be discussed
  4. It has encountered different regulatory outcomes
- 

*Table 3. Selection criteria for the cases.*

The first criterion was chosen because to be able to compare the findings, we need to have a company operating in different countries so that it might give different results and the data will be more diversified. The second criterion regarding the age of the company was used as the goal of this thesis is to examine how this type of company is changing the regulations over time; thus, a long time horizon is needed to be able to analyse and observe this phenomenon through historical data. The third criterion relates to the “popularity” of the platform chosen. Indeed, the company needs to be popular enough to access data easily but also, as the platform economy is still a quite recent phenomenon, I relied on Pettigrew (1990) for this criterion as he noticed that when there is a limited amount of cases available, it is rational to choose cases that are extreme so that the subject examined will be “transparently observable”. The last criterion concerns the regulatory outcomes. Companies are selected that have experienced different regulatory outcomes in the different cities in order to be able to compare these different outcomes and to find a relationship between the activities undertaken by the platform companies and the regulatory debates and outcomes.

These criteria helped narrow down the scope of research for the platform companies selected.

### *3.2.2. Final Cases Selection.*

Based on the criteria from the previous section, I was able to identify two platform companies which fit them; namely Airbnb and Uber. These two companies have been chosen since they are old enough to be studied and also because they are operating in different cities in Europe. Moreover, these platforms have been subject to many heated regulatory debates and outcomes. Airbnb and Uber can also be considered as some of the oldest platform companies which make the availability and access of historical data easier. These two companies have been selected because they operate in two different industries; thus, making it interesting to see if a replication logic could be applied on their respective findings.

Three European cities have been selected for this case study; these are Paris, London and Berlin. These cities have been chosen for different reasons. Firstly, they are cities in which Airbnb and Uber are significantly present and the data available are in a language that is either my mother tongue or mastered by me. Then,

the two companies have faced different regulatory outcomes in these cities over time and had different regulatory debates with the municipalities' governments. They also have been introduced in these cities at different times and thus faced different patterns of regulatory changes.

### **3.3. Data.**

#### *3.3.1. Data Collection.*

This thesis relies on secondary data. The data is collected from three different sources; newspaper articles, municipality reports and press releases coming from the chosen platforms. Using different sources for the data collection guarantees that the topic is not examined through only one lens (Baxter & Jack, 2008). The main body of data for this case study consists of newspaper articles.

During the media search, newspaper articles about Airbnb and Uber in London, Paris and Berlin were searched. The data were collected from two selected newspapers for each city. Articles from the introduction of Airbnb and Uber in the different cities until the end of December 2019 are searched for. To find the articles, a query using the terms "Name of the company" and "Name of the city" has been used. For this search, the newspapers' websites have been used as well as the database "Europresse" to ensure consistency and also because since this research covers a past period of time, some of the newspapers' websites could lack some of the archived articles. A minimum of 50 articles per city and per company was taken to ensure consistency and avoid replication.

For London, the following newspapers have been selected: The Guardian and The Daily Telegraph. For Paris, the newspapers used to collect data were Les Echos and Le Figaro. Finally, for Berlin, Die Süddeutsche Zeitung and Der TagesSpiegel have been chosen for collecting the articles. In total, more than 3000 articles were read from which 501 were selected and used for the analysis. The articles that were not selected were articles that did not cover the subject of analysis of this master thesis or articles that were in double. A code has been given to the selected articles to ease the references in the findings section. Table 4 gives an overview of the number of articles selected for each company in each city for each newspaper.

City	Newspaper	Code	Airbnb	Uber
			Number of articles	Number of articles
<b>Paris</b>	Les Echos	LEdd/mm/yyyy	31	22
	Le Figaro	LFdd/mm/yyyy	55	51
	<i>Total amount of articles</i>		<b>86</b>	<b>73</b>
<b>London</b>	The Guardian	TGdd/mm/yyyy	26	72
	The Daily Telegraph	DTdd/mm/yyyy	25	41
	<i>Total amount of articles</i>		<b>51</b>	<b>113</b>
<b>Berlin</b>	Die Süddeutsche Zeitung	SZdd/mm/yyyy	36	58
	Der Taggespiegel	TSdd/mm/yyyy	53	31
	<i>Total amount of articles</i>		<b>89</b>	<b>89</b>

Table 4. Number of articles per newspaper

Municipality reports have also been used for this case study in order to have a clear overview of the legal situation faced by the two companies in each city. These reports enable to have the perception of the municipalities on the activities of the platforms.

Finally, press releases from the chosen platforms have also been collected mainly on the platforms' websites which enable to have the companies' opinions on the regulations passed and their reactions as well as actions with regard to the municipalities' decisions. For Airbnb, the website "AirbnbCitizen.com" will also be used to find press releases, posts and policy documents as well as advices to the hosts from the company.

### 3.3.2. Research Quality.

The quality of cases studies can be assessed through four tests; construct validity, internal validity, external validity, and reliability (Yin, 2003). Construct validity concerns the establishment of proper operational measures for the subject examined. To ensure this validity, multiple sources of evidence must be used, a chain of evidence should be established and the draft of the case study must be reviewed by key informants (Yin, 2003). In this study, I have used multiple sources of secondary data as I collected data from various newspaper but also from the companies' websites and reports as well as policy reports. Then, internal validity refers to the establishment of a causal relationship, "*whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships*" (Yin, 2003; p.34). But, this test only applies to explanatory or causal studies and as this thesis relies on an exploratory case study, this does not apply to it.

External validity concerns the generalisability of the findings from the case study. For a multiple-case study, Yin advises to use a replication logic. As this thesis draws on a multiple-case study of two platform companies in different European cities, it is possible to compare and contrast the findings, thus using a replication logic and enabling the generalizability for at least Airbnb and Uber in Europe, and maybe some other platform companies with similar structures.

Finally, reliability refers to repeating the operations of the case study while obtaining the same results. It can be achieved by using a case study protocol and developing a case study database (Yin, 2003). Access to the newspaper articles used for this study and the coding of these articles would enable another research to repeat the operations undertaken for this study.

### *3.3.3. Data Analysis.*

To be able to use the collected data, they have to be organized. The concepts of Figure 1 (regulatory change, regulatory issues, institutional defenders, types of institutional work, institutional entrepreneurship, platforms' roles and means of influence) are used to code the data. There was also some room for open coding in order to ensure the overall covering of all the data collected. The data analysis of this thesis relies on grounded theory since the aim is to develop theory from their analysis (Bryman & Burgess, 2002).

Then, using one of Miles and Huberman's (1994) analytical manipulation for qualitative data, a matrix has been built in Excel in which the articles have been coded according to the categories of Figure 1. The use of a matrix enables to arrange the data for a better visualization and permits to prepare the data for a "later cross-case analysis with comparable cases" (Miles & Huberman, 1994; p.111). Moreover, the use of a matrix increases the reliability of the study because it "enables the researcher to track and organize data sources" (Baxter & Jack, 2008; p. 554). Coding is defined as "the process of categorizing and sorting data" (Charmaz, 1983; p.111) and codes are used to "summarize, synthesize, and sort many observations made out of the data" (Charmaz, 2013; p.112). It enables to structure the collected data and to identify relationships between them and the various concepts used in this thesis.

Once the newspaper articles have been coded, the data are prepared and thus, cases can be analysed. To have an overview of the cases, the events concerning regulatory changes have been mapped in a chronological manner (Miles & Huberman, 1994) and allocated to the different concepts. It allowed to establish connections between the different actors, the regulatory changes and the types of institutional work undertaken. The next phase of this data analysis has been to compare the data across the different cases, to investigate the findings and ensure their consistency. A journal has also been used to visualize the connections between the codes and link them to the findings. From this analysis, a model with four stages has been developed.

## **4.0 Findings**

In the following section, the findings coming from the data analysis are presented. A four-stages model (Figure 2) has been developed using the concepts presented in the theoretical framework (Figure 1) of the second part of this master thesis.

### *4.1. A Four-phases model.*

#### **Phase 1: Disruption Phase.**

##### 1. Enabling Conditions.

This first phase is characterized by different enabling conditions. The first ones are jolts and crises through technological disruption brought by the presence of outsiders who come to challenge incumbent actors. This is linked to Airbnb and Uber's model which are multi-sided platforms, using Internet and smartphones to match the supply and the demand; they act as intermediaries and consequently, have lower transaction costs than the traditional providers. Indeed, platforms don't have to hire a lot of employees to make their businesses work and they don't need to possess many offices as well compared to the incumbent actors. This is highlighted by this quotation coming from The Daily Telegraph : *“Disrupting the status quo is never pretty – many in traditional industries have lost their jobs, or have had to re-train – but one thing is obvious: the oncoming wave of digital adoption cannot be slowed by government intervention. It is the engine of modern life”* (DT30/09/2015).



Another enabling condition is the low degree of institutionalization which enables the emergence and the growth of these platforms. Indeed, by defining themselves as service providers and not as a taxi company or a professional rental company, Uber and Airbnb thought that the existing regulations could not apply to them and local authorities were struggling to understand this new type of economy. This quote shows how Airbnb was able to grow in Paris while not being subject to the regulations applied to the traditional actors: *“Recognize that the booking platforms that have conquered the vacation rental market would be exempt from a whole series of obligations imposed by the law on traditional professionals exercising the same profession. Intermediaries such as real estate agents who also manage seasonal rentals (...) must have a professional card. Not Airbnb”* (LE16/01/2017).

A last enabling condition is the economic crisis faced by the cities. One key characteristic of platforms is to use idle capacity and makes it working to earn money. Thus, Airbnb and Uber represent a way for individuals to make extra-money or to earn a living by sharing/renting their residences or by riding passengers using their personal cars. These platforms are a source of revenues for many people who can easily become entrepreneurs by offering their services on these apps. This is emphasized by the British Treasury which noticed that *“the rapid growth of the digital and sharing economy means it is becoming easier for more and more people to become ‘micro-entrepreneurs’”* (TG16/03/2016). Airbnb also indicated that: *“one in five Parisians uses its platform to improve their income and meet the cost of living”* (LF10/02/2019).

Moreover, due to the crisis, many individuals couldn't afford the services of the traditional industries where the prices are usually higher. Consequently, an alternative for traditional services was needed. Because of their lower transaction costs, platform companies are able to propose services such as rides or short-rentals at a lower costs than the traditional taxi drivers and hoteliers, and thus, represent an attractive opportunity for people with lower incomes. As Pierre Liscia noticed about short-rental platform companies: *“These rental platforms are complementary to a saturated and unaffordable hotel offer for certain tourists such as families or young people for whom hotel prices remain inaccessible”* (LF11/02/2019).

## 2. Boundary and Practice Work.

Platform companies are breaching the traditional boundaries by challenging their legitimacy and questioning the current way of doing business. They are especially relying on the fact that there is no law suitable or adapted to their current business models. This was one argument of Airbnb in Paris which said that: “*The regulation of tourist furnished rentals in Paris is complex, confusing and more suited to professionals than individuals*” (LF11/06/2018). Therefore, because the existing regulations are not really applicable to this new type of economy, platforms play on this to grow.

Furthermore, to breach barriers and establish themselves as key players, platforms are building their growth on the gray area of the law. Because there are loopholes in the laws that were created before smartphones and app companies emerged, platforms can grow without heavy regulatory obligations. These platforms are widening the current set of services proposed by the traditional providers but no regulations have been designed for them which represents a significant opportunity to grow quite freely. For instance, Transport for London (TfL) which is the institution regulating private-hire vehicles stated about the transport law that it is “unclear” (TG29/05/2014). Therefore, because laws are unclear or not designed for this new type of economy, platforms can more easily breach boundaries, challenge the traditional actors and grow.

Platform companies are also disrupting the taken-for-granted practices and challenging the status quo by creating new practices that they try to anchor into users’ mind. To ensure their growth, they create a common and shared context that every user, no matter his location or country, could use. They are establishing a “universal language” which can be easily understood by each user of their apps and they are doing this in order to create a community of users. For instance, in 2015, Airbnb launched its website “AirbnbCitizen” with the idea to gather its worldwide community into one place. By doing so, the platforms are creating a feeling of belonging which leads to the user’s attachment to the app and thus this user could later become an advocate for the platform, both in terms of publicity but also concerning the regulatory issues it could face.

The main strategy behind this boundary and practice work is for the platforms to become “too big to ban” and “too big to regulate”. Thus, they are growing both their power by breaching boundaries and exploiting gray area of the law as well as their user base by establishing a feeling of community and belonging.

### 3. Regulatory Issues.

Platforms are still quite free to grow in this stage as regulators don’t really know how to regulate this kind of company. The business model of this new type of company is still unclear for the local authorities. Local authorities are usually facing for the first time this platform economy. During this phase, there is a sort of a “regulatory fog” as regulators don’t really know what to look at to create or apply regulations. As Hendy, head of Transport of London management team said about the regulation of Uber: *“It’s pretty obscure because the legislation was written before mobile phones were invented”* (TG01/10/2014).

Furthermore, local authorities are still deciding if the prevailing set of regulations should be applied to these platforms given that their business model is different from those of the traditional providers. This is due to the essence of the platforms’ business which is that they propose the same services as traditional actors but acting only as intermediaries which leads authorities to struggle to clearly define them. This is highlighted by this quote from Le Figaro: *“Behind this case hides another equally crucial question: Is Airbnb a service provider or a real estate agent?”* (LF27/09/2019).

Thus, the nature of the platforms’ business is a real question for the regulators as they need to define this new kind of economy correctly in order to be able to apply or design regulations. This was particularly evident in the case of Uber: *“For Uber, it is a battle over the nature of its business – ride-sharing app or, as TfL says, a minicab firm subject to the same rules as other minicab operators. But in the bigger picture, this is a potentially defining confrontation between the demand for cheap services and the power of the regulator”* (TG22/09/2017). This quote highlights the dilemma faced by the local authorities which is a dilemma between correctly defining these platforms to regulate them or even ban them and the enabling condition of the platforms’ emergence, the economic crisis, which leads to a need of a cheaper alternative to traditional services.

4. Institutional Defenders.

Institutional defenders in this stage start to monitor these outsiders that are breaching their boundaries and challenging their status and resources. They start to worry about this new type of competition which have lower costs than they have and thus, are more attractive and competitive. Because of the platforms’ business model, traditional actors are afraid of losing their customers in favour of these new cheaper services which do not have to abide by the existing regulations yet. This is highlighted by this thought coming from the French Union of Hotel Trades and Industry which believe that “*the non-compliance with regulations by Airbnb has the effect of illicit appropriation of customers*” (LF06/11/2018).

Traditional actors are also afraid that these platforms would be preferred by the customers because of their attractive propositions but also that they would be favoured by the local authorities since it seems that they do not face much regulatory hurdles during this phase. For instance, the German taxi drivers were worried that Uber could be preferred over them (SZ10/04/2019).

The incumbent actors consider that Uber and Airbnb are players in the traditional industries and consequently, the existing set of regulations should be applied to them. They consider these platforms are direct competitors which means that they include them in their existing boundaries which are already heavily regulated and as a consequence, Uber and Airbnb, should be regulated like them. For instance, when French traditional taxi drivers learned the launch of a new ride service accessible via smartphone, they denounced it as an opportunity for underground taxis to emerge (LE22/09/2015).

<b>DISRUPTION</b>	
<b>Enablers</b>	Technological disruption Economic crisis Low degree of institutionalization
<b>Work</b>	Boundary breaching Gray area of law
<b>Stakeholders</b>	Platforms' users
<b>Regulatory Change</b>	No/Few regulatory issues

Table 5. Characteristics of Phase 1.

## Phase 2: Institutional Crisis.

### 1. Enabling Conditions.

In this phase, there are two main enabling conditions. The first one is the platforms' position in the market. Indeed, through the first phase, platforms have been able to expand in the markets and grow significantly. Thus, they are able to rely on their position to undertake institutional work to confront local authorities and change regulations. This is emphasized by this quote coming from an Uber's driver: "*TfL [Transport for London] should have revoked Uber's licence a long time ago before it monopolised London. So many of the other minicab firms have gone bust now*" (TG22/09/2017). This shows how important Uber and Airbnb have become for its users, including both customers and service providers. Therefore, by having changed the way people consume, these platforms have taken a significant position in the users' daily lives which enable them to rely on their platform power to influence regulatory decision-making. Their popularity among the population is one key enabling condition during this phase as they will be able to harness their popularity among users to advocate for change.

The second condition is the regulatory crisis faced by these two platforms. They are facing numerous regulatory challenges and legal battles as questions are raised about their status and as authorities better understand their business model and are therefore more able to regulate them. In this phase, Uber and Airbnb are subject to regulatory issues coming from both traditional providers and local authorities as this is said that they have led to a certain deregulation of the existing industries. For instance, Pascal Cherki, a French politician, noticed about Airbnb and the hotelier industry that "*It is important that the City [Paris] can oversee a market which, with the arrival of Airbnb, has tended to deregulate*" (LF31/01/2017).

However, this regulatory crisis is also an enabling condition for the platform companies as it shows that there is a gap between the prevailing law and the new technology. This was highlighted by the German Uber Manager, Nestmann, who said about the German transport laws that "*these are pretty old laws from the 1960s that no longer fit into today's age with smartphones and satellite navigation*" (SZ24/11/2014). This shows the magnitude of this regulatory crisis and it is also an opportunity for the platform companies on which they can rely to change the

regulations and design new ones which would be more adapted to the 21<sup>st</sup> Century and its technology.

## 2. Boundary and Practice Work.

During this phase, platforms are undertaking “boundary creation” as they start to design their own boundaries by especially using definitional defiance. They define themselves as “intermediaries” or “networks connecting users and providers” and consequently, consider that the existing regulations are not adapted to them. For instance, an Airbnb spokesperson stated that “*Airbnb is a platform that connects people. It is not intended to proactively monitor its users*” (LF06/03/2019) and Uber, to avoid the regulation applied to the traditional taxi companies described its service UberPop as a carpooling service in Paris (LF07/12/2015) and in Berlin as well.

This phase is described by an active and even, in some extent, aggressive practice work. This is emphasized by Travis Kalanick, previous CEO of Uber, who said during a conference that “*We are in a political campaign*” (SZ03/09/2014). The term “political campaign” shows that the platforms have engaged themselves in a battle against the local authorities and traditional providers and that they aim to win it by imposing their presence and ideas to the market.

During this “political campaign”, platform companies are directly confronting local authorities and their decisions about the regulatory frameworks that should be applied to them. They are openly criticizing the regulatory decisions by relying on the enabling conditions such as the economic crisis. For instance, in a statement against a regulatory change in Paris, Uber said that: “*In a country with 11% unemployment and not so good purchasing power, I don’t think the reaction of the public authorities is adequate*” (LF13/06/215). The platforms are also delegitimizing the decisions made by the local authorities against them. In Paris, to show his opposition against a regulatory proposition which would ban Airbnb from the city, the French director of Airbnb, M. Lehane, delegitimized the local politician who introduced this proposition by openly saying: “*I am not his political consultant but I point out to him (...) that to engage a battle where 20% of the opinion is favourable to you but 80% opposed is not gaining politically*” (LF12/09/2018). During this phase, platform companies are directly challenging the local authorities

and delegitimizing their propositions with the hope to avoid new regulations and in some cities, being banned.

Moreover, in this political campaign, in which platforms like Uber and Airbnb are the main candidate and the local authorities and traditional actors represent the opponents, platforms are challenging the regulators and the regulatory issues associated with them. To do so, they will not hesitate to engage in judiciary actions. For instance, in Paris, Uber has raised a priority question of constitutionality concerning a new law that was passed to regulate its business and for the company, this new law couldn't be applied to its model since this regulation didn't describe well enough the concept of "activity for consideration" (LF21/11/2014). But, to challenge and even delegitimize further the regulatory decisions made by the local authorities, the platforms do not hesitate to reach out to higher institutions such as the European Union. Indeed, to challenge a judiciary action coming from the Paris town hall because the platform didn't delete advertisements over 120 days of renting, the French director of Airbnb, Emmanuel Marill, noticed to the city council that: "*The European regulations in force indicate that no Member State can force a platform to exercise general surveillance of its users*" (LF01/02/2018).

To win this political campaign and make the local authorities cave in, the platforms also rely on their increasing popularity, both among users and service providers. They are playing on the magnitude of their user base, both customers and providers, that rely on them on a daily basis, and thus, they are implying that more regulations or even a ban coming from the local authorities would mean penalizing these users and not only them as a platform. This is exemplified by Uber when it openly criticized a regulatory decision made in London: "*By trying to ban the app from the capital, the Mayor and Transport for London have caved in to a small number of people who want to restrict consumer choice. Not only will this decision deprive you of the choice of a convenient way of getting about town, it will also put more than 40,000 licensed drivers who rely on our app out of work*" (DT22/09/2017).

Finally, platform companies are also harnessing the influence of their user base so that their users can also become advocate of changes and defenders of the platforms' cause. They are also trying to gain the public opinion to their cause by undertaking some public events. For instance, in London, Uber launched and sent to its customers a petition after Transport of London decided to not renew its licence

and an individual signing the petition said about the taxi industry in London that: *“I don’t believe black cabs should run London like a cartel. If Uber has problems let’s resolve them not just ban them...”* (DT23/09/2017) which shows the influence these platforms have on their users.

### 3. Regulatory Issues and Change.

Regulatory issues and changes become numerous as local authorities better understand this new way of doing business. The “regulatory fog” typical of the first phase is gone. Authorities are now aware that some changes need to be made, both to protect the customers and incumbent actors, but also to update the regulations that were designed at a time when such an economy wasn’t even there yet. For instance, Eric Pickles, the secretary of state for communities and local government, said about Airbnb that *“he will change the “outdated” rules in London”* (TG11/06/2014).

Furthermore, local authorities realize that these platforms are here to stay which lead them to adapt and design regulations. As Boris Johnson, mayor of London, said about these platforms: *“You can’t disinvent this thing, you can’t put the toothpaste back in the tube. You have to be on the side of the consumer and the punter, who have a wonderful thing. What I can do is minimise the negative externalities of this fantastic development”* (DT21/10/2015). This shows the local authorities’ awareness about the growing importance of regulating these challengers but also the magnitude these platforms have acquired. However, because authorities understand better these platforms, this means that they are also able to assess them and to ban them in some extent.

But, during this phase, regulatory changes are also pushed by incumbent actors who put pressure on regulators to protect their status and resources as they think that these platforms are jeopardizing their businesses and thus, need to be regulated. They are advocating in favour of regulatory changes or even for the banning of these platforms.

### 4. Institutional Defenders.

Traditional actors, because they are feeling that their businesses are being jeopardized by these challengers, are undertaking institutional work as well. This is



emphasized by this quote from a French taxi driver who says that : *“Our profession is in danger. We are starving and angry. The State lets us down”* (LE25/06/2015). Institutional defenders are performing “boundary closure” to protect their privileges and keep the control over the industry’s resources. This is especially important when the entry barriers in the industry are high such as in the taxi industry. For instance, in 2014 in Paris, taxi companies filed a complaint against Uber accusing it of unfair competition (LF31/03/2015). The German taxi industry went even further as highlighted by this quote: *“Some taxi drivers already speak of the fight ‘David against Goliath’: the taxi industry sees itself threatened by the multi-million dollar company Uber”* (SZ25/04/2014). This shows how traditional actors are antagonizing the platform companies and that they are not willing to cooperate with them but only seek to regulate or ban them.

Furthermore, by striking and undertaking judiciary actions, the traditional actors’ aim is to put pressure on the local authorities to regulate and even ban these challengers. For instance, in Germany, the association “Taxi Deutschland” asked the government to make sure that Uber is respecting the law just as every taxi company (SZ01/10/2014). In Paris, a taxi association gave a 15-day ultimatum to the government to find a solution to the “Uber problem” (LF09/04/2015).

Traditional actors are also performing practice work and more precisely, they are trying to delegitimize the practices used by the platforms by showing that they are putting in danger the consumers because they do not have to abide by the conditions of the traditional industries such as for the drivers to have a license or for the hosts to ensure fire safety and also that they are illegal actors.

<b>CRISIS</b>	
<b>Enablers</b>	Platforms' significant user bases Gap between law and technology
<b>Work</b>	"Political Campaign" Boundary creation
<b>Stakeholders</b>	Platforms' users
<b>Regulatory Change</b>	Numerous regulatory issues and changes

Table 6. Characteristics of Phase 2.

### **Phase 3: Institutional Pacification.**

#### 1. Enabling Conditions.

One important enabling condition during this phase is the platforms' power. Indeed, in the previous phase, platforms have been able to acquire a large influence through their growing user base. This significant user base gives them power and influence which leads to a higher hierarchical position in the industry. Their scale is their power which enables them to undertake a new type of institutional work. Their use has become universal and these platforms face an increasing economic growth while traditional actors are stagnating. For instance, in Berlin in 2016, Airbnb "*generated 1,735,000 overnight stays (...) an increase of 68% compared to the previous year. A tremendous growth, especially since the hotel industry is struggling with stagnating overnight stays (plus one percent)*" (TS09/03/2017). These numbers show the magnitude of the platforms' user base which is even more important when compared to the traditional actors' user base.

Another significant enabling condition is the platforms' economic impact on the local communities. Indeed, these companies are creating employments and generating revenues for both the municipalities and their users. Thus, the platforms can rely on their positive economic impact to influence local authorities in their regulatory decision-making. For instance, Airbnb hired an economist to analyse its impact on the Parisian economy and the study showed that "*the service contributes to the Parisian economy with 185 million euros over twelve months*" (LE13/06/2013).

#### 2. Boundary and Practice Work.

During this phase, the main objective of the platforms is to enforce and protect the boundaries they have created in the two previous stages. To protect their position and status against regulatory issues and attacks, platforms adopt a new form of practices that can be considered softer than those used during the "political campaign". Now that they have established themselves as major players in the concerned industries, the platforms can give up their aggressive implementation strategy that could become detrimental to them. As Professor Andre Spicer, from Cass Business School, noticed about Uber's previous institutional work: "*Uber in*

*the past operated at the edge of the law with new technology as an alibi. Now its rogue business is proving to be a big liability” (TG22/09/2017).*

To get rid of this liability that could become a potential threat to their very existence, platform companies are engaging in a new strategy. Their objective is to appear softer and more compliant to both the authorities and the traditional actors as the latter have proven to be effective in pushing local municipalities to regulate these outsiders. To fulfil this strategy, the platforms undertake two types of activities; respectively a “charm campaign” as well as an internal reorganization and change of practices.

The political campaign undertaken during the first phase was mostly intended to acquire as many users as possible in order to gain power to influence local authorities and to prove that they are major players in the market. Now that the “voters” (i.e the users) have been convinced and have chosen the main candidate (i.e the platforms), the platforms can engage themselves in another campaign which aim is to seduce the local authorities, and to a certain extent the traditional actors, to convince them that they are key players which participate to the wealthiness of the local communities; in sum, they want to show that they are necessary actors who have a good impact on the communities. One major aim of this strategy is to lower the regulatory pressure platforms are facing since the previous phase and to avoid a ban in the cities.

To do so, platforms reorganize themselves and change their sets of practices. For instance, in 2017, Uber decided to appoint a new CEO to replace Kalanick whose aggressive strategy was being highly criticized, especially by the authorities. By changing its CEO, Uber wanted to show that it took a step forward and was becoming a mature company, aware of its past mistakes. They do not hesitate to publicly acknowledge their previous wrongdoings. Indeed, the new CEO of Uber, Dara Khosrowshahi wrote in an open letter, one month after his appointment: *“While Uber has revolutionised the way people move in the cities around the world, it’s equally true that we’ve got things wrong along the way. On behalf of everyone at Uber globally, I apologise for the mistakes we’ve made” (TG25/09/2017).* Uber went even further in this internal restructuring by embarking on a “wholesale change” to its business as Thomas de la Mare, its lawyer said (DT25/06/2018). This

internal restructuring included “*the appointment of three non-executive directors to the company’s UK board*” (DT25/06/2018).

This “charm campaign” is also intended to convince traditional actors that there is enough room in the existing market for both of them. By attempting to seduce incumbents, platforms companies want to prevent them from undertaking further legal actions against them as well as stopping them from pushing authorities to regulate them. This was emphasized by Jo Bertram, Uber’s UK general manager, who said: “*We believe that black cabs and Uber can coexist.. As even the most avid Uber users know, there are many times when a black cab is the fastest and best option because it is literally right there on the street in front of you. There is zero waiting time and you can whizz along the bus lane*” (TG09/02/2016). There is a will from the platforms to show that they can coexist with incumbents as they are complementary to each other; therefore, showing that they are not unfair competitors and consequently that there is no need to ban them or heavily regulate them as well.

Furthermore, to make this campaign effective, platforms are changing their sets of practices. In the previous phase, they were directly and openly confronting local authorities through petitions and press statements for instance, criticizing and delegitimizing them by showing that they are hindering innovation and restraining consumers’ choice through their regulatory decisions. From delegitimization, platforms are going toward contact building and relationship creation during this phase. Indeed, they try to appear more compliant and to do so, have meetings with the local authorities and even ask these regulators to work with them. They are trying to build good relationships with governments and municipalities with the aim to maybe become partners later. They attempt to show their willingness to establish relationships with authorities such as Airbnb which said that: “*The UK continues to be a world leader for the sharing economy and we will continue to be good partners for the Government as it rolls out further guidance*” (DT07/07/2018). A change of tone can be observed between the “political campaign” and the “charm campaign” in which platforms appear to use a softer approach with the cities.

### 3. Regulatory Issues and Change.

Platforms are still facing regulatory issues but also start to receive some regulatory support as well from municipalities that are more open to this new type of economy. Now that platforms are being regulated, institutional defenders are still criticizing them and accuse them of respecting the regulations only the way they want to. For instance, Laurent Duc, president of “Umih Hôtellerie française” complained about Airbnb that it “*is dragging its feet and seizing every opportunity to interpret the law in its own want. (...) It’s scandalous. They do what they want with the laws*” (LF06/11/2018). Incumbent actors are still putting some pressure on the local municipalities to make them fully apply the regulations intended to the platforms.

Platforms are nevertheless facing some regulatory issues and changes. Indeed, their model is still subject to some criticism coming both from the incumbent actors and local authorities. Even though the “charm campaign” has started, local authorities are not totally convinced about the platforms’ actions and wonder what are their real intentions.

During this phase, platforms start to receive some regulatory support as well from the local authorities who have understood that given their magnitude and their positive economic impact, platforms could be provided with some support. In London, the government has decided to support Airbnb hosts by designing two tax allowances of £1,000 each (TG16/04/2016). The idea behind these tax allowances was to boost the sharing economy in the city as it helps many citizens to earn some extra-revenues. Regulatory support is an important step for the platforms since it shows that their model is being more and more accepted by the local authorities and it also lower the risk of ban for them.

### 4. Platforms’ Role.

Understanding that an aggressive strategy and too much regulatory changes could jeopardize their businesses, platform companies start to undertake the role of self-regulators for two main reasons. First, by self-regulating themselves, the platforms try to avoid further regulations from local authorities by showing that they are able to respect the law and regulate themselves without the intervention of the authorities. For instance, in London, Airbnb decided to limit the number of

overnight stays to 90 days per year as specified by the law. Airbnb displays itself as a self-regulator by showing it respects the law as said in the letter sent to its hosts when specifying that they “*are introducing a change to our platform that will create new and automated limits to help ensure that entire home listings in London are not shared for more than 90 days a year, unless hosts confirm that they have permission to share their space more frequently*” (TG01/12/2016).

The platforms’ intention is to appear as “good pupils”, respecting the regulations and the authorities’ wishes. This is especially significant with Airbnb which is working on building a good image for the authorities by, for instance, in Paris, collecting the tourist tax on behalf of the city since October 2015. The platform decided to install this new system as a way to stop the criticisms of “unfair competition” coming from the traditional actors (LF28/09/2016). Thus, being a self-regulator is also intended to stop incumbent actors to put further pressure on the local authorities to regulate these challengers.

Second, platforms want to show the authorities that they have grown and thus, can be trustworthy actors. Some regulators have started to spot the signs of such a change. For instance, in 2018, the chief magistrate Emma Arbuthnot, who was ruling on an Uber’s case, said that Uber’s attitude in the past had been “*grow the business, come what may*” (DT26/08/2018) but that lately it has shown signs of maturity, and thus ruled in its favour.

Because platforms have become grown up, their role has changed with the aim to protect their established status as key players and their resources represented by their huge user bases.

<b>PACIFICATION</b>	
<b>Enablers</b>	Platforms' power Platforms' economic impact
<b>Work</b>	"Charm campaign" Boundary protection
<b>Stakeholders</b>	Regulators and Traditional providers
<b>Regulatory Change</b>	Start of regulatory support Self-regulation

Table 7. Characteristics of Phase 3.

## **Phase 4: Institutional Cooperation.**

### 1. Enabling Conditions.

This phase is characterized by two main enabling conditions. The first one refers to the platforms' social position. Indeed, during the previous phases, platforms have been able to gather huge user bases as well as to have a positive economic impact on the municipalities. These large user bases are a real asset for the platforms since they enable them to collect a significant amount of data. These data have been coveted by the authorities because they give important clues about users' behaviours but also about how to regulate these platforms as well as how to effectively enforce the regulatory frameworks. This large amount of data gives the platforms a significant bargaining power to influence the regulators and establish partnerships with them. Indeed, during the previous phases, local authorities have often asked the platforms to hand them data about, for instance, hosts who do not respect the day-limits.

The second enabling condition is the regulatory support that platforms have started to receive from local authorities in the previous phase. This regulatory support shows that municipalities have begun to accept the presence of platforms and that the latter can impact positively the communities if they are regulated appropriately. For instance, the British government has launched a study to understand how platforms like Airbnb were impacting the local communities so that "*it could pave the way for regulation of such "sharing economy" websites*" (DT16/10/2017). Regulatory support is important for platform companies since it shows them that they begin to be trusted by the local authorities and could envision to build partnerships with them.

### 2. Boundary and Practice Work.

This phase is characterized by the institutionalization of platforms' boundaries and new set of practices. During this stage, platform companies undertake "boundary closure" to protect their status and resources. Indeed, as they have become major players in the market, with huge user bases, platforms have to protect themselves from further regulatory changes as well as new entrants which could jeopardize their model and existence. They want to appear legitimate to both authorities and

traditional actors and to do so, they are institutionalizing their position in the market and their practice with the objective to gain external acceptance.

Platform companies also promote their new practices that they have developed during the previous phase, in the “charm campaign”, and are trying to institutionalize them by continuing to work with the authorities to establish partnerships. For instance, to polish its “good pupil” image with the Parisian local authorities, Airbnb said that it shared “*the objective of promoting responsible tourist rentals and (...) want to continue working with the City Council in this direction, in order to protect housing in Paris*” (LF11/05/2016). The “charm campaign” is still functioning but the platforms want to do more than seduce the authorities, their aim is to convince them that they could be suitable regulatory partners for them. To do so, they keep having meeting with the municipalities and propose their help and cooperation such as Airbnb in Berlin which sent a letter to the urban development senator to offer its cooperation (TS12/12/2018).

### 3. Regulatory Issues and Change.

Platforms are facing some regulatory issues since their model is still quite new and thus, regulations need to be adapted to it. However, local authorities start to give more and more support to these platforms as they have understood that banning these platforms would be aimless. For instance, in Berlin, the local authorities decided to ban Airbnb from the city because the rental market was already overcrowded, the access to properties was difficult and they thought that the Airbnb phenomenon was amplifying this problem. However, after having banned the platform, the authorities realized that if regulated appropriately, the platform could become an asset to this market. Indeed, owners were banned to short-rent their residences even if they didn't spend the entire year in them which would prevent the access to a housing to other individuals. Consequently, in 2018, the authorities allowed owners to short-rent their primary residences when they are not here as long as they remain their main living centre and owners can also rent their secondary residences for 90-days per year. This decision made by the Berlin authorities should help decongest the housing market in the city. The gap between the law and the technology starts to be mended as authorities become aware that



these platforms are here to stay and thus, could become assets to the local communities.

Furthermore, traditional actors are still vocal but they start to be replaced by platforms' service providers, especially those for who the notion of "employment contract" is blurry. Indeed, platforms like Uber are facing a new type of regulatory issues coming from their drivers who claim that they are employed by the company while the platforms states that they are "auto-entrepreneur". This is a new regulatory challenge that platforms for which the link between "user" and "worker" is tiny and blurry.

#### 4. Platforms' Role.

In the previous phase, platforms have shown that they are able to self-regulate themselves which was a part of their "charm campaign". In this phase, platforms tend toward the role of "intermediary regulators" which is enabled by their huge user bases and the significant amount of data they are collected. The amount of data collected by the platforms were coveted by the local authorities which tried to acquire them to better understand and regulate this new type of company. However, aware that these data are a main source of power, platforms are often reluctant to give them to the local authorities. Instead of handing them over to the authorities, platforms have chosen to use these data to take on the role of intermediary regulators. For instance, in London, Airbnb has started, in 2019, "*a consultation on proposals for a register of hosts. It will ultimately present a white paper to politicians and community leaders across the UK, who have complained they are powerless to act when whole blocks are sometimes overrun by short-term rentals*" (TG24/09/2019). This initiative shows how valuable platforms could be to local authorities as intermediary regulators.

Furthermore, their role of intermediary regulators starts to be considered by the local authorities as a potential asset since they realized how helpful the platforms could be as intermediary regulators to implement and enforce regulations, especially when it comes to the costs for enforcing them. For instance, in 2019, Ramona Reiser, a Berliner politician, criticized the fact that the local authorities do not have enough tools to control illegal short-term rentals (SZ14/07/2019). Because authorities are not able to enforce some of the regulations, they could rely on the

platforms since they have the data and the tools to apply them. Moreover, platforms have a significant influence over their users and a larger reach than the local authorities on them, meaning that they are more able to make their users respect the regulations. For instance, in London, Uber drivers “*will be banned from using vehicles that are not a hybrid or fully electric (...) from 2020, as part of a plan to help tackle illegal levels of air pollution in the capital*” (TG08/09/2017).

In other words, platforms are able to take on the role of intermediary regulators because they handle a large amount of data and possess huge user bases which give them a significant power which is not detained by the local authorities.

<b>COOPERATION</b>	
<b>Enablers</b>	Platforms' huge databases Prior regulatory support
<b>Work</b>	Boundary closure Practice institutionalization
<b>Stakeholders</b>	Regulators and Traditional providers
<b>Regulatory Change</b>	Stronger regulatory support Intermediary regulation

Table 8. Characteristics of Phase 4.

#### 4.2. Overall Analysis.

These four-phases can't be associated with a clear timeline. They depend on the institutional context, the platforms' strategy as well as the local authorities' willingness to cooperate with these companies.

The first phase is characterized by a disruption brought by the platforms which are introducing a new way of doing business. It is defined by no or few regulatory changes. During this phase, platforms will benefit from the lower degree of institutionalization and gray areas of the law to grow and acquire a dominant position in the market. Their goal is to breach the existing boundaries and to become prevalent actors. They do not work yet on the potential regulatory issues that could be associated with them. Growth is their main objective because their strategy is to be “too big to ban or regulate”. Traditional actors start to worry about these outsiders that come to challenge their practices and grab their customers and resources. This willingness to grow at all cost will trigger an institutional crisis.

The second phase is defined by this institutional crisis. During this phase, the primary objective of the platforms is still to grow while avoiding any regulatory issues that could hamper their growth. The platforms' strategy during this crisis could be described as "it is better to ask for forgiveness than permission". This is especially highlighted by Uber's strategy under its CEO, Travis Kalanick, which is named the "principled confrontation" and consists of starting operation in a city until being told that it has not the permission to operate and at that point, it would undertake a political campaign and mobilize support to change the local regulations.

The major underpinning of this phase is the political campaign in which platforms engage themselves in. Their opponents are the local regulators and the incumbent actors who are putting pressures on authorities to obtain more regulations on these outsiders. The platforms delegitimize and challenge the decisions taken by the authorities to regulate them. No cooperation seems to be considered at this point since the local authorities consider the platforms as "the disruptor to regulate" while the platforms want to avoid further regulation as it is an obstacle to their growth. This phase can be considered as quite dangerous for the platforms because this is during this stage that they can face bans and major regulatory changes which can jeopardize their very existence. This danger will trigger the pacification phase.

The third stage is a period of pacification. After having undertaken a quite aggressive political campaign, platforms have realized that to continue to exist, they needed another strategy. They are going from a "hard approach" to a "soft approach" which can be seen as a change of strategy from a "political campaign" to a "charm campaign". Indeed, in this phase, the political campaign is over, and with their significant huger bases and thus, influence over the local authorities, platforms can be considered as winners even though they are still facing a strong opposition. The "charm campaign" has taken over with the objective to convince authorities that no ban or strict regulations are needed for them to behave appropriately. The platforms are trying to build themselves an image of "good pupils" and to do so, they display themselves as self-regulators, respecting the regulations imposed to them; even if sometimes, they do interpret and respect these regulations the way they want. During this "charm campaign", platforms have realized that being partners with authorities could be very valuable to them and

could be a way to protect their existence; thus, it triggers their willingness to build a regulatory cooperation with the local authorities.

The final stage is the phase during which platforms are taking on the role of “intermediary regulators”, building cooperation with the local authorities. This phase is still a new phenomenon. It is characterized by a stronger regulatory support since authorities have understood the value that could come from platforms if they are correctly regulated and willing to cooperate with them. The significant amount of data handled by the platforms are at stake during this phase because they are key to properly enforce the regulations. Furthermore, authorities realized that platforms could be real assets for the application and enforcement of regulations due to their influence on their huge user base.

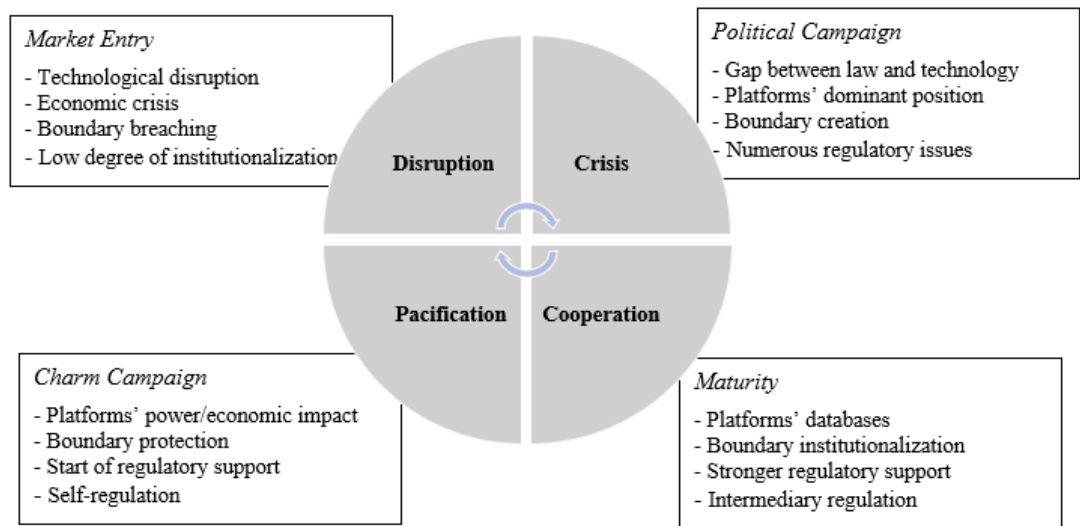


Figure 2. Practical Framework

## 5.0 Discussion

### 5.1. Regulatory Changes.

This thesis has shown that the three European cities studied did not react similarly to the introduction of platform companies. Indeed, London has proven to be the most open city both for Airbnb and Uber, trying to cope with the emergence of technologies that came to disrupt the traditional industries. The city has understood the necessity to design new regulations for this new type of company since most of the existing regulations applied to the traditional businesses can be considered outdated and not applicable to the “era of the smartphone”. London was one of the

earliest cities to accept the cooperation of platforms to design regulations and enforce them.

On the other hand of the spectrum, Berlin can be considered as one of the most extreme cities concerning the regulations of platforms. Almost right from the start, the city decided to ban or at least limit the activities of the platforms, despite some efforts made by these companies to be more compliant. However, as time went by, Berlin started to understand that it would be difficult to entirely ban this new type of economy and that it should try to adapt the existing regulatory framework to cope with these platforms that became popular among its population. Thus, starting from 2018, the city began to be more open and to design regulations that would be more aligned with these platforms' business model. However, the last ruling done by the Frankfurt court in December 2019 (TS19/12/2019), shows that the city is more inclined and ready to cooperate with a platform like Airbnb than with a company like Uber.

Paris can be considered as being in the middle of this regulatory spectrum. Indeed, it has not completely accepted the presence of these two platforms and try to further regulate them to mainly protect the traditional providers. However, these two platforms are still able to operate and the City Hall seems to be open for a discussion with them. Overall, the situation in Paris could be describe as a "period of détente" during which the authorities are still suspicious but allow the platforms to operate. Meanwhile, Airbnb and Uber are trying to improve their image and to display themselves as trustworthy actors.

In sum, despite a different timeline, each of these cities have understood the necessity to design new regulations to replace outdated ones that were created when the smartphone wasn't invented. These cities also start to consider these platforms as potential regulatory partners, especially in the case of Airbnb, and to consider the benefits of such a cooperation.

However, Uber seems to be widely less accepted in the three studied cities and this may be due to its previous aggressive expansion strategy which has been heavily criticized by many authorities as well as traditional providers while Airbnb has been able to cooperate more rapidly with the local regulators and create a feeling of acceptance even among the incumbent actors. If Uber is not able to create

acceptance among both the local authorities and traditional providers, its very existence in London and Berlin could be compromised.



Figure 3. Timeline of Airbnb's regulatory events

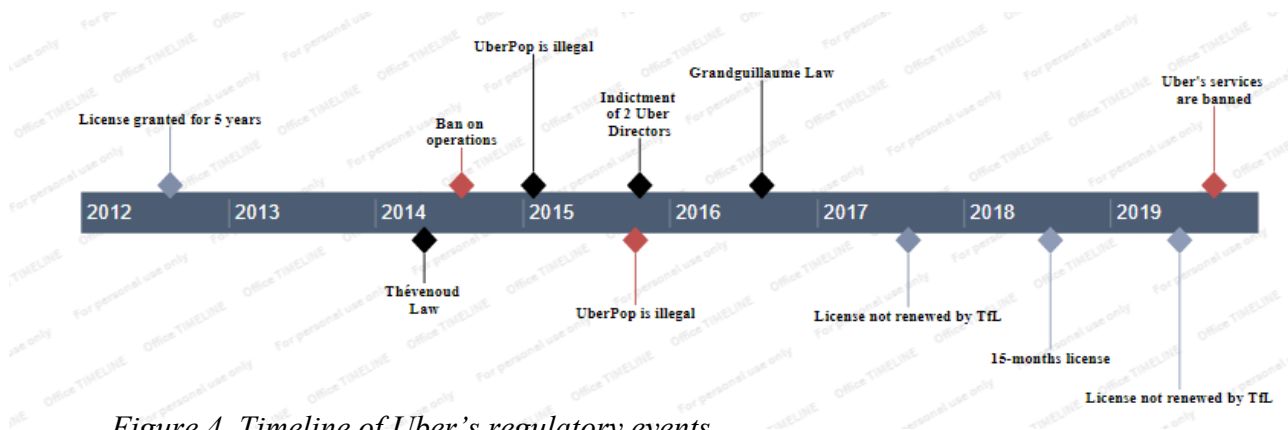


Figure 4. Timeline of Uber's regulatory events

- Timeline Legend:**
- ◆ Paris
  - ◆ London
  - ◆ Berlin

### 5.2. Stakeholder Analysis.

Many stakeholders are included in this framework, spanning from the customers, to the local authorities and traditional providers. This study has revealed a shift in the attention given to these different stakeholders. Indeed, during the first two phases, the platforms put much of their focus on their users, both customers and providers and prioritize them. The users were considered as the more important stakeholders as they are the basis of any platform's power; without users, a platform is unable to survive and grow. Therefore, during their growth, the platforms put a lot of efforts to satisfy their users. On the contrary, traditional providers and local

authorities were considered with less importance by the platforms. They tend to monitor these actors but do not worry about them as they would need to scale up to start considering these stakeholders as important.

However, this situation evolves during the third and four phases. Indeed, as platforms have grown and harnessed enough power, they have also put attention from both local authorities and traditional providers on themselves. Consequently, the formers are regulating the platforms more heavily while incumbents are pressuring the regulators to further restrict these challengers' activities. Therefore, platforms have to change their perception on these stakeholders. From a monitoring situation, they evolve to a situation in which they are prioritizing local authorities and traditional providers. The platforms' objective is now to keep these two stakeholders satisfy as they are the ones who could threaten their very existence by passing new regulations. On the other hand, the users are now considered as stakeholders who need to be managed closely.

### **5.3. Institutional Defenders.**

Institutional defenders play an important role when changing the regulations or making apply the existing regulatory framework to the platform companies. Indeed, by lobbying and putting pressure on the local authorities, they also participate in changing the set of prevailing institutions.

However, it seems that institutional defenders from different industries engage themselves differently in institutional work to protect their status and resources depending on the initial level of the industry's entry barriers. In industries where entry barriers are higher such as the taxi industry, in which taxi drivers have to purchase medallions or licenses at a high cost, boundary work and practice work are performed more intensely by the traditional actors. They do so to prevent new actors such as the platforms which have lower entry costs, because they position themselves as networks, to enter their industry and appropriate at a lower cost their existing resources. Thus, when entry barriers in an industry are higher, platforms companies can expect to face more intense institutional work coming from the traditional actors who advocate in favour to ban them or at least heavily regulate them.

#### **5.4. Differences between the cases.**

Airbnb and Uber encountered different regulatory challenges and adopted different strategies to respond to them. While Uber opted first for an aggressive strategy under Kalanick, Airbnb rapidly preferred to display itself as a compliant actor, more willing to cooperate with the authorities and giving up the candidate attitude in the political campaign. Even though both have faced criticism and hurdles from the local authorities, it appears that Airbnb is a more trusted actor for these cities than Uber does. This is shown by the numerous limitations and bans Uber is still encountering.

Due to their different strategies and business models, Uber and Airbnb are not in the same stages defined previously in the findings part. Airbnb is more advanced in the last stage as it is cooperating with the local authorities and the latter start to find it interesting to establish a partnership with this platform. Uber is still more in the pacification stage as it tries to be accepted by the cities through the change of its strategy and practices but it is at the edge of the cooperation phase. This might be linked to the timing of its change of strategy which occurred after the previous CEO, Travis Kalanick, resigned. After this resignation and the appointment of a new CEO, a shift happened in Uber's strategy and practice work in which it wanted to appear as a more trustworthy platform which respects the regulations imposed to it. Because this change occurred quite recently, the local authorities are still struggling to trust Uber's actions and this might be a reason why Uber is not completely entering the "institutional cooperation" phase yet, even though it is doing some efforts to cooperate and establish partnerships with the cities.

### **6.0 Further Analysis**

This part examines the generalisability of the model found in this thesis by studying the e-scooter sharing platform companies in Berlin, London and Paris. This type of company has been chosen since it has emerged quite recently. The objective of this part is to see if these platforms have followed the same pattern as Airbnb and Uber which can be considered as "older platforms". Contrary to the chapter 4 where the objective was to establish a model, this part is focused on testing the theory found in the previous chapter.



## **6.1. Data Collection.**

This analysis relies on secondary data. The data was collected from two different sources; newspaper articles and municipality reports. The main body of data for this analysis consists of newspaper articles.

During the media search, newspaper articles about electric scooter sharing platforms in Berlin, London and Paris were searched. Articles from the introduction of electric scooters in the different cities until mid-2020 were selected. To find the articles, a query using the term “Electric scooters” and “Name of the city” has been used. The newspapers consulted for this analysis are “Le Figaro” for Paris, “Der TagesSpiegel” for Berlin and “The Guardian” for London.

Municipality reports have also been used to have an overview of the legal situation and the regulatory changes made in each city. It enables to have a consistent view on the regulations undertaken by the local authorities.

## **6.2. Data Analysis.**

To use the data collected, they have to be organized beforehand. The concepts of Figure 1 are used to code the data in an Excel spreadsheet. The same coding used in chapter 3 has been utilised in this section. A matrix has been established to have a clearer view on the data collected and to enable a comparison with the cases on Uber and Airbnb (Miles & Huberman, 1994). Once the newspaper articles have been coded, the data are prepared to be analysed.

To have a clear overview on the situation, the events concerning the e-scooter platforms and the associated regulatory changes have been mapped in a chronological manner (Miles & Huberman, 1994). It allowed to establish connection between the different concepts of the theoretical framework. The next phase of this data analysis has been to compare the data collected on the e-scooter platforms with the findings of Chapter 4.

## **6.3. Findings.**

### *6.3.1. E-scooter platforms' characteristics.*

Before going deeper into the analysis of the generalizability of the model found in chapter 4, some characteristics need to be explained concerning the e-scooter

sharing platforms and their market. First, contrary to platforms like Airbnb and Uber, e-scooter sharing companies like Lime and Voi are not putting idle resources at work. In this sense, it is possible to say that they embody a different type of platform company. It also means that these companies have to create and invest in the assets they are offering; contrary to Airbnb, for instance, which is connecting two users, one wanting to rent a house and another looking to make money by short-renting his property. Due to this characteristic, this type of platform is often not profitable yet. Indeed, the sufficient margins which would allow an e-scooter platform to survive are gained through large user bases since the prices proposed by these companies are too low to cover the expenses incurred by the purchase, maintenance and disposal of the electric scooters.

Then, this market is quite specific since there is no natural market leader which often leads to an overcrowded market with too many players which are trying to win the largest market share to become profitable.

6.3.2. Model Generalizability.

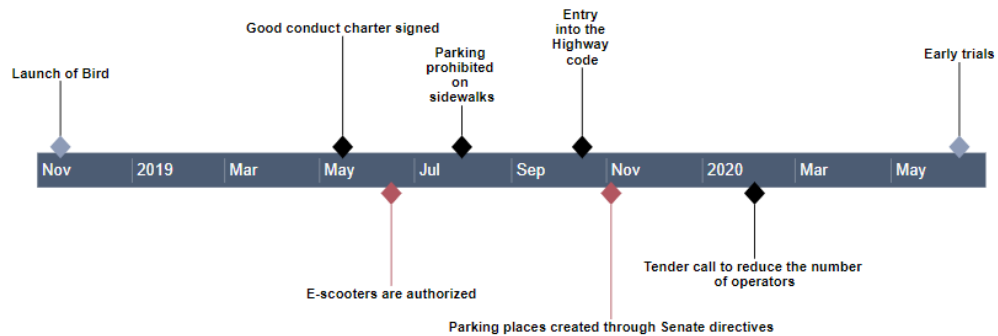


Figure 5. Timeline of regulatory events associated with e-scooters

Timeline Legend:

- ◆ Paris
- ◆ London
- ◆ Berlin

To test correctly the generalizability of the model, the analysis is performed once the e-scooter platforms have been authorized in the chosen cities. Paris is considered the “capital of the e-scooters” because at the end of 2019, 12 providers were operating in the cities and platforms are authorized since the beginning of 2018. On the contrary, in London, it was against the law to ride e-scooters on the road or the pavement. Indeed, electric scooters were not considered as roadworthy under the Road Traffic Act 1988 so they could not be registered as vehicles but they

could not be used on the pavement as well since it was an offense of the Highways Act 1835 (TG15/07/2019). But in June 2020, early trials of e-scooters sharing platforms are about to begin. Finally, before June 2019, e-scooters were prohibited in Berlin because they could not be included in any category of the Highway code nor could the law on Segway be applied to them (TS17/05/2019).

### 6.3.3 Phase 1: Disruption.

The first phase is similar to both cases. Indeed, the e-scooter platforms are disrupting the mobility industry by offering a new service. In doing so, they are redefining the boundaries of this industry by adding a new category of transport. They are also challenging the existing boundaries of the traditional transport modes by offering an alternative to public transports and private bicycles. Furthermore, these platforms, like Airbnb and Uber, are enabled by the fact that people living in cities but also tourists, are looking for an easy and cheap way to travel.

These platforms also benefited from gray area of the law. For instance, in London, the company “Bird” was able to launch its operations in November 2018 because it has found a loophole in the law (TG06/11/2018). This is also possible to notice during this phase a low degree of institutionalization concerning the regulation of these new platforms. In Paris, some local authorities talked about a “regulatory void” surrounding the use of e-scooters (LF06/06/2019). Aymeric Weyland, an expert in shared mobility, said about the Parisian situation: “*Providers could launch their service in an agglomeration without asking for anything*” (LF13/10/2019). Therefore, because the degree of institutionalization is low, the e-scooter sharing platforms are able to grow quite freely. This is highlighted by a recurring word used by authorities both in Paris and Berlin when they talked about the “chaos” introduced by these new platforms; for instance, in Paris, the situation was described as being the “anarchy” within the city (LF03/11/2019).

Similarly, one main objective of the e-scooter sharing platforms during this phase is to harness the largest user base to gain influence but most importantly to survive since the prices they offer are too low to cover their expenses. Thus, in both cases, the objective is to become “too big to ban” as well as “too big to be unprofitable” and thus be excluded from the market for the e-scooter platforms.

Then, when it comes to the regulatory issues during this phase, the model is still applicable. The newness of this service was an advantage for the platforms and it posed a definitional problem to the authorities. For instance, in Paris, in September 2018, only a few months after the emergence of the e-scooter sharing platforms, only 42% of the population knew their offer while one year later, 84% of the Parisians know what this is about (LF16/10/2019). Moreover, the “chaos” introduced by these platforms show that regulators are still in a “regulatory fog” concerning the regulatory framework that should be applied to the use of e-scooters. In Paris, this is highlighted by the fact that “*motorized EDP -electric scooters, Segways, hoverboards- do not belong to any category of the Highway Code*” which means that no law regulates their use (LF02/09/2019). Thus, the nature of the business poses a definitional problem to the local authorities who need to find in which category put this new means of transport. This definitional problem is similar to both cases.

In conclusion, the stage 1 of the model which is defined as a disruption phase is applicable to the case of e-scooter sharing platforms. The generalizability of the model is seen through the definitional problem posed by these new platforms as well as the technological disruption they have brought in the mobility industry.

	<b>DISRUPTION</b>	<b>E-scooter sharing platforms</b>
<b>Enablers</b>	Technological disruption	<b>Yes</b>
	Economic crisis	<b>No</b>
	Low degree of institutionalization	<b>Yes</b>
<b>Work</b>	Boundary breaching	<b>No</b>
	Gray area of law	<b>Yes</b>
<b>Stakeholders</b>	Platforms' users	<b>Yes</b>
<b>Regulatory Change</b>	No/Few regulatory issues	<b>Yes</b>

Table 9. Differences and Similarities Phase 1

#### 6.3.4. Phase 2: Institutional Crisis.

The second phase is to some extent also applicable to the case of the e-scooter sharing platforms. Indeed, this stage is characterized by a “regulatory crisis” which means that the main actors begin to be subject to regulations from the local authorities.

The “chaos” and “anarchy” brought by these new platforms in the public space have led the local authorities to rethink the way these providers needed to be regulated.

Thus, during this phase, e-scooter sharing platforms are facing numerous regulatory changes which restrict their use. For instance, in Paris, the City Hall starts to take further steps in regulating these platforms which could before propose their services with no specific authorization. Therefore, nearly one year after the emergence of the first e-scooter sharing platform, the City passed a law to prohibit the parking of e-scooters on the pavement but the most important regulatory change was introduced in October 2019 when a category was created for this means of transport in the Highway code which meant that the use of e-scooters was now more heavily regulated. This is emphasized by this quote about the e-scooter sharing platforms' situation before this regulatory change: *“Until the beginning of October [2019], there were no regulations governing the use of scooters (...) it was anarchy”* (LF03/11/2019).

Furthermore, just like found in the model, local authorities become aware of the need to regulate these new platforms since there is a gap between their offering and the prevailing set of laws. For instance, in London, the former transport minister, Jesse Norman, *“said he would look quite closely at finding a way of allowing e-scooters (...) on the road (...) something that has been illegal for at least 30 years”* (TG09/03/2019). The importance of regulating this new means of transport is also emphasized by mobility firms; Paul Hodgkin, CEO of UK mobility start-up Ginger, noticed about the e-scooter situation that: *“Innovation is happening elsewhere. Wait-and-see is not a neutral position. If we [the regulators] take too long, the industry will move on and we won't be able to help set the model and get it right”* (TG15/07/2019). These numerous regulatory changes faced by the e-scooter sharing platforms show that the model is applicable to their case.

However, one difference between the cases which is mostly due to the characteristics of the e-scooter market is that these platforms seem to not be willing to engage into a political campaign against the local authorities. This can be attributed to the fact that the majority of these platforms are not profitable and thus, do not have the financial means to engage in a “war” with the local authorities but this can also be associated with the fact that these new platforms have learned from the “mistakes” of the older platforms like Uber and know the risks of undertaking such an institutional work against the authorities. For instance, in London, the platform Bird has decided to *“be the “nice guy” of the sector”* with the hope that

“it will earn favour with would-be regulators” (TG06/11/2018). Similarly, in Paris, the platform Lime and its CEO, Joe Kraus, said that they envision themselves as “anti-Uber” (LF27/11/2019). This shows how Uber’s aggressive strategy is considered as an example to not follow if one’s wants to survive in the market by avoiding ban and heavy regulations.

Finally, just like in the model established in Chapter 4, these regulatory changes are pushed by institutional defenders. Indeed, the use of e-scooters has been subject to many criticisms by both local authorities but most importantly by association of victims and disabled people who complain about the misuse of these scooters. These associations are putting pressure on the local authorities to further regulate these platforms. For instance, in Berlin, Dominik Peter, chairman of the Berlin Disabled Association said: “We are strictly against e-scooters. Approval came too quickly and much too quickly” (TS03/08/2019). Therefore, regulatory changes are also pushed by external actors just like in the cases of Uber and Airbnb.

Furthermore, local authorities are forced to regulate these platforms because they are themselves legally threatened by these associations. In Paris, for example, some victims associations are willing to sue the City Hall as they are accusing it of being responsible of the users’ dangerous behaviours because it hasn’t regulated them beforehand (LF06/06/2019). This constrains local authorities to further regulate this new type of platform. Still, in Paris, the confusion brought by the numerous e-scooter providers has led the City Hall to make a tender call to reduce the number of providers from 12 to only 3 (LF26/02/2020).

	<b>CRISIS</b>	<b>E-scooter sharing platforms</b>
<b>Enablers</b>	Platforms' significant user bases	<b>Yes</b>
	Gap between law and technology	<b>Yes</b>
<b>Work</b>	"Political Campaign"	<b>No</b>
	Boundary creation	<b>Yes</b>
<b>Stakeholders</b>	Platforms' users	<b>Yes</b>
<b>Regulatory Change</b>	Numerous regulatory issues and changes	<b>Yes</b>

Table 10. Differences and Similarities Phase 2

### 6.3.5. Phase 3: Institutional Pacification.

Interestingly, phase 2 and phase 3 are quite intertwined since the platforms are not undertaking a “political campaign” and prefer to use a “charm campaign” given the characteristics of their market.

These platforms have understood the necessity to be accepted by the local authorities to survive in the mobility industry. Thus, they are trying to appear as compliant and as actors who listen to the criticisms made against them. To do so, the e-scooter sharing platforms are heavily self-regulating themselves to avoid being ban in the cities. For instance, in Berlin, the platform Lime is self-regulating its users by asking them to prove that the e-scooters they have used are parked correctly by sending a photo through the app (TS23/11/2019). The self-regulation is an important part of the work undertaken by the platforms in this phase.

As found in the model, this phase is also characterized by the start of the regulatory support received by the platforms. In Berlin, for example, six months after the authorization of the e-scooters, the Senate has sent directives to the districts concerning the creation of parking places for these engines (TS08/11/2019). This means that each district of Berlin is going to invest money to facilitate the use and parking of e-scooters. This regulatory support is fostered by two main enabling conditions which are the significant presence of e-scooters in the cities (in Berlin, there are 16 000 electric scooters proposed by the platforms) and the positive impact these companies have on the “green mobility” in each city.

<b>PACIFICATION</b>		<b>E-scooter sharing platforms</b>
<b>Enablers</b>	Platforms' power	<b>Yes</b>
	Platforms' economic impact	<b>No</b>
<b>Work</b>	"Charm campaign"	<b>Yes</b>
	Boundary protection	<b>Yes</b>
<b>Stakeholders</b>	Regulators and Traditional providers	<b>Yes/No</b>
<b>Regulatory Change</b>	Start of regulatory support	<b>Yes</b>
	Self-regulation	<b>Yes</b>

Table 11. Differences and Similarities Phase 3

6.3.6. Phase 4: Institutional Cooperation.

The phase 4 of the model is characterized by a growing cooperation between the platforms and the local authorities. Interestingly, given the specifics of the e-scooter market, the platforms have been willing to cooperate sooner than Airbnb and Uber. For instance, in Berlin, less than a year after the authorization of the e-scooters, the platform “Lime” is sharing its data with the City to help it creating regulations according to the places where the users travel the most (TS06/02/20120). This is an important step in building a good relationship with the authorities since the data

collected by the platforms are usually the basis of their power along with their huge userbases.

Given their willingness to cooperate, the local authorities start to consider these platforms as useful intermediary regulators to enforce the regulations designed for them. In Paris, for example, the platform Lime is fining its users if the scooters are ill-parked, thus making them respect the law introduced in July 2019 (LF22/10/2019). Therefore, the phase 4 of this model is also applicable to the case of the e-scooter sharing platforms.

In this phase, the platforms are working on their “good pupil” image and to do so, they are able to give up some of their power to the local authorities. For instance, in Paris, less than a year after their emergence, the platforms have signed a “charter of good conduct” which enables the City Hall to have access to some of the platforms’ data which are used to design new mobility laws (LF09/07/2019). By doing that, the e-scooter sharing platforms show their willingness to cooperate and demonstrate their importance to the local authorities as well.

<b>COOPERATION</b>		<b>E-scooter sharing platforms</b>
<b>Enablers</b>	Platforms' huge databases	<b>Yes</b>
	Prior regulatory support	<b>Yes</b>
<b>Work</b>	Boundary closure	<b>Yes</b>
	Practice institutionalization	<b>Yes</b>
<b>Stakeholders</b>	Regulators and Traditional providers	<b>Yes/No</b>
<b>Regulatory Change</b>	Stronger regulatory support	<b>Yes</b>
	Intermediary regulation	<b>Yes</b>

Table 12. Differences and Similarities Phase 4

**6.4. Differences between the cases.**

Some differences can be identified in the analysis of the generalizability of this model. First, the institutional context is different between the cases since e-scooter sharing platforms are altering the landscape of each city by introducing a new means of transport. Thus, in some extent, they can be considered as a political instrument on which local authorities can rely to change the transport regulations and pursue their political agenda by making their cities “greener”. This also explain why local authorities are more willing to cooperate with these platforms (phase 4) as well as to invest time and money for them.



Another differences lies in the stakeholders who have an impact on these platforms. Indeed, in the cases of Airbnb and Uber, regulatory changes are pushed mainly by traditional providers such as taxi drivers and hoteliers while for the e-scooter sharing platforms, the main actors asking for regulations are the associations of victims and disabled people. Thus, new platforms need to be aware of the stakeholders who might be indirectly impacted by their services.

Then, even though e-scooter sharing platforms are facing a regulatory crisis, they are not willing to engage in a “political campaign” which is considered to be a too aggressive strategy. They are more inclined towards the “charm campaign” and attempt to appear as the “nice guys” to the local authorities to avoid being banned. This is mainly due to the characteristic of the electric scooter market. Indeed, there is no restriction yet concerning the number of electric scooter providers, anyone can become an actors and propose its services; this leads to an overcrowded market in which being the first mover is a considerable competitive advantage. But, as electric scooter providers become more numerous, the local authorities begin to think of a restriction on the number of providers in each city and thus, the objective of the platforms is to charm the authorities to remain among the few who will be authorized. This leads e-scooter sharing platforms to heavily regulate themselves as well as to cooperate with the local authorities by sharing their data for instance.

## **6.5. Conclusion**

To conclude, this analysis on the e-scooter sharing platforms has shown that the model developed in Chapter 4 is generalizable to other type of platforms, even though some differences have been identified. It has shown that this model is generalizable but is also dependent on the institutional context of the city and the characteristics of the market in which the platforms want to engage in.

Overall, this example proves that each city and platforms are confronted to the same pattern of regulatory changes. For the e-scooter sharing platforms, it means that it needs to monitor the legal situation in the cities where they are the most present. For instance, Paris is often called the “capital of the electric scooters” due to its high number of providers; this means that it is likely that other European cities are going to imitate Paris’ response to regulate this new type of company when facing a higher number of providers. This is the case with the city of Berlin which is already taking

Paris as a model to regulate these new platforms and more particularly about the licensing of providers that Paris is putting into place.

Therefore, relying on this model, e-scooter sharing platforms should be able to anticipate the regulatory changes they would have to face in the future. This is furthermore important that in London, given the coronavirus situation, the trials of e-scooters due to take place in 2021 are brought forward to June 2020 (TG09/05/2020) which means that these platforms will have to face regulatory changes sooner; thus, they can rely on this model to anticipate and adapt their strategy to the probable regulatory changes that they will face in the near future in this city.

## **7.0 Conclusion**

### **7.1. Conclusion**

This thesis has focused on institutional change and particularly, how platforms are changing and influencing regulations over time. The objective was to understand which activities were undertaken by the platforms to change regulations, their roles as well as the conditions enabling these regulatory changes.

The main findings of this thesis have led to the establishment of a four-stages model which is built on the growth of the platforms from “young teenagers” to “grown-ups”. It shows the evolution of the platforms’ behaviour and institutional activities towards regulators. As time goes by and platforms grow, they tend to be more willing to take on the role of intermediary regulators and build partnerships with local authorities rather than challenging the authorities to grow at all costs. Then, the findings have shown that local authorities are more inclined to accept and discuss with the platforms once they have understood the way they operate and the potential benefits a cooperation could yield. It has also been found that as platforms become more mature, they have the tendency to act like the traditional actors in the first phases to protect their boundaries and the status they have established in the industry.

Finally, this thesis has demonstrated the importance of the intended and unintended consequences brought by the platform companies on the existing regulatory frameworks. Indeed, the findings show that platform companies are not only changing the regulations by their mere institutional activities (i.e intended

consequences) but that regulations are also altered by the institutional work performed by traditional actors and more “conservative” local authorities (i.e. unintended consequences).

## **7.2. Limitations**

This thesis has some limitations. First, since this is a case study, it may suffer from a self-selection bias as well as a retrospective bias in the answers provided. Then, this master thesis has focused on Airbnb and Uber in three European cities, London, Paris and Berlin; thus, generalisability is limited. These three cities have handled differently the regulations of platforms and have generated different institutional changes, but, similarities have been identified which enabled the definition of a model. The study is therefore generalizable to Airbnb and Uber, and to a certain extent to home-sharing platform companies and ride-sharing peer-to-peer platforms. When generalizing these results to other platforms companies, one should be cautious since the institutional context in other cities might be different as well as the enabling conditions for platforms to undertake institutional work to change the existing regulatory frameworks as shown by the further analysis on e-scooter sharing platforms; some cities might be more open to platforms while others might be active defenders against them.

Then, Airbnb and Uber can be considered as being part of the first platforms to have started their operations in Europe, thus facing regulatory wandering from the local authorities and they saw an evolution of their relationships with them. Consequently, the model developed in this master thesis might not be totally applicable for “new platforms” which would benefit from the regulatory experiences undertaken by the oldest platforms but they would also benefit from the experience of local authorities with platforms now that they better understand this new type of economy.

## **7.3. Avenues for future research**

An interesting avenue for future research to expand the findings of this thesis would be to look at failure examples in which platform companies have not been able to change as well as adapt to the regulations. Looking at failure examples would help deepen the findings of this thesis since it has focused only on two successful platforms.

Furthermore, this thesis has shown how platform companies are changing the existing regulatory framework in three European cities. Future research could examine the reaction of higher-tier institutions such as the European Union to see if it would be more favourable in terms of regulations to these companies. Thus, it could be interesting to analyse the rulings coming from the European Court of Justice to identify any similarities or differences compared to local authorities and their way to handle platforms' regulations.

Finally, this thesis has been more focused on the "external consequences" of the platform companies when analysing institutional change. An avenue for future research could be the examination of the link between platforms' "internal operations" and the associated regulatory changes; especially in terms of data and consumer protection.

#### **7.4. Implications**

The findings of this thesis have several implications for the platform companies as well as for local authorities. First, platform companies which want to influence regulatory change may gain insights in strategies and types of activities to undertake to initiate change. They may also learn how to react and cope with the local authorities depending on which of the four stages they think they currently are. Then, local authorities which are still struggling to understand or handle platform companies can gain insights about the activities performed by platforms to influence them but also about how these companies operate and perceive themselves. These insights might help regulators better understand how to change regulations to adapt them to a new economy where smartphones and the use of Internet are the basis of many businesses.

Then, as proved by the multiple case study and the further analysis, the same pattern of regulatory change is seen in the different European cities which means that when considering the entry in a new market, a platform should be aware of the model found in chapter 4 to adapt its strategy. Indeed, this model could help any platform to anticipate the regulatory changes it will face after its introduction into a new market as well as the resistance it may encounter from different institutional defenders. It should help platforms design their strategy in advance to avoid heavy regulations and resistance from law makers. Thus, when new in a market or

considering the entry in another market, any platform should be aware of this model which could prevent them from being banned or jeopardized by too strict regulations.

Furthermore, the stakeholder analysis could be useful for the platforms because it enables them to understand which specific group they should target depending on the phase they are. It should help them design a strategy adapted to the key stakeholders in each phase and thus ease the resistance it might have encountered otherwise. Knowing to whom the strategy should be addressed would be useful for the platforms to define an appropriate communication strategy to please the concerned stakeholders.

Finally, and most importantly, this thesis shows the benefits that local authorities and platforms could have if they decided to consider themselves as regulatory partners. On the one hand, local authorities would have less troubles enforcing new regulations if the platforms cooperate with them because the latter have better tools and a greater influence over users. On the other hand, by displaying themselves as trustworthy partners, platforms could influence the regulation-making process and thus, benefit from it.

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