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Cocreation of Value in a Platform Ecosystem: The Case of Enterprise Software

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Abstract

It has been argued that platform technology owners cocreate business value with other firms in their platform ecosystems by encouraging complementary invention and exploiting indirect network effects. In this study, we examine whether participation in an ecosystem partnership improves the business performance of small, independent software vendors (SVs) in the enterprise software industry and how appropriability mechanisms influence the benefits of partnership. By analyzing the partnering activities and performance indicators of a sample of 1,210 small ISVs over the period 1996–2004, we find that a major platform owner's platform ecosystem is associated with an increase in sales and a greater likelihood of issuing an initial public offering (IPO). In addition, we show how these impacts are greater when ISVs have greater intellectual property rights or stronger downstream capabilities. This research highlights the value of interoperability between software products and stresses that value cocreation and appropriation are not mutually exclusive strategies in interfirm collaboration.

Keywords: Platform ecosystem, partnership, business value, sales, IPO, intellectual property rights, downstream capabilities