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Better together—How Confrontative and Cooperative Institutional Practices Shape the Success of International Platforms

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ABSTRACT

Platforms, as a highly popular form of doing business, strongly rely on international scale and growth. Yet, the international growth strategies that platforms use encounter challenges arising from (1) the liability of foreignness to markets and (2) locally diverse institutions that create fragmented markets. This raises the question of how platforms can successfully enter foreign markets characterized by institutions that strongly differ from the ones in their home market. We investigate our research question through an embedded multiple case study analysis set in the mobility services sector in Germany. Our findings show that mobility firms used confrontative and cooperative institutional practices to overcome the aforementioned challenges. Interestingly, platform firms tended to use confrontative strategies, which resulted in poor relationships with local institutions and, in many cases, undesirable consequences. By contrast, cooperative strategies that took local institutions into account led to better relationships with authorities and greater success. Our study contributes to the literature on platforms, international business, and institutional entrepreneurship and offers important implications for practitioners.

INTRODUCTION

Platform strategies have grown in popularity among firms in recent decades (Bhargava et al., 2013; Volberda et al., 2021; Zhao et al., 2020). Companies such as Facebook (Meta) and Google (Alphabet) have based their success on platforms (Kapoor and Agarwal, 2017). Overall, these strategies thrive due to minimal initial investment and reliance on digital technology (Cusumano et al., 2019; Gawer, 2021). They offer scalability, enabling rapid market entry and digital operation (Gawer, 2022; McIntyre et al., 2021). Moreover, platforms often aim for dominance by sacrificing immediate profits to secure a market monopoly (Kretschmer et al., 2020), which they have been known to achieve by using controversial tactics (Karhu and Ritala, 2021).

In pursuing winner-takes-all strategies, platform companies face a challenge: to achieve dominance, they must conquer multiple markets quickly (Gawer, 2022). As a result, they often adopt an international approach, for which they rely on their home market as a blueprint and implement in other markets without major efforts to adapt this approach (Nambisan et al., 2019). However, while much of the platform literature attaches little importance to local factors (Eisenmann et al., 2011; Sun and Tse, 2007), considering differences between domestic and foreign institutions in the context of platforms is important for two reasons.

First, platforms may struggle upon market entry because they encounter the liability of foreignness caused by institutional distance. The international business literature has defined the concept as the additional costs companies face for doing business abroad, which can arise from the spatial distance to their headquarters, unfamiliarity with the local environment, a lack of legitimacy in the foreign market, and restrictions imposed by their home country on doing business abroad (Zaheer, 1995). Overall, the concept implies that local firms achieve higher profitability than foreign firms and are therefore more likely to survive (Angeli and Jaiswal, 2015). As a consequence, foreign platforms may fail, since this liability stands against the fast-paced growth strategy that platforms usually pursue, whereby they need to compensate early losses with late but high profits from a dominant market position (Eisenmann et al., 2006).

Second, platforms may face institutional diversity (i.e., a great variety of local institutions), which represents a factor that can cause local network effects. These arise when companies seek to adapt to local institutional requirements (Sundararajan, 2016). If network effects only evolve locally, this means that the market is separated into different segments, which requires firms to enter each market segment individually. As a consequence, platform companies need more time to achieve a critical size, and winner-takes-all dynamics may unfold more slowly or not at all (Gawer, 2021; McIntyre et al., 2021).

To respond to the challenges of institutional distance and diversity, platforms have the choice between conforming to existing institutions or attempting to change them (Uzunca et al., 2018). The literature on institutional entrepreneurship has described various strategies through which firms can alter institutions, namely linguistic, network, and institutional mobilization. However, pursuing institutional entrepreneurship may not always yield intended outcomes (Distelmans and Scheerlinck, 2021). Specifically, existing evidence shows that companies need some degree of power, influence, or legitimacy in the market (DiMaggio, 1988; Garud et al., 2007). However, little evidence exists on the success or failure of the strategies that companies such as platforms can adopt (Kahl et al., 2012; McGaughey, 2013; Pelzer et al., 2019). Thus, we explore *how platforms can successfully enter foreign markets characterized by institutional distance and diversity*.

We answer our research questions with an embedded multiple case study analysis that we set in the mobility service sector in Germany, where we analyze the market-entry strategies of platforms and other companies. We utilize archival and interview data as the basis of our analysis. Our findings show that firms' entry strategies in relation to institutions can be roughly categorized into cooperative and confrontative strategies. Domestic firms tend to use cooperative strategies, which are associated with greater market success. In contrast, foreign firms, primarily platforms, have predominantly utilized confrontative strategies. However, these confrontative strategies frequently encounter significant institutional barriers, prompting companies, in the end, to reconsider their strategies and transition to more cooperative market strategies. However, for some companies, these strategic changes come too late, forcing them to exit the market.

Our study makes two main contributions to the academic literature. First, we contribute to the literature on platforms and international business (e.g., Saka-Helmhout et al., 2016) by outlining the two market-entry strategies that platforms may use to enter markets that are institutionally distant from their home markets. We show that the local context is important for platforms (e.g., Nambisan et al., 2019) as well, although the previous literature on platforms has largely taken an internationally applicable stance (Eisenmann et al., 2006; Sun and Tse, 2007). Our paper highlights how important it is for platforms to consider local factors in their market-entry strategy if they wish to overcome obstacles, such as the liability of foreignness (Zaheer, 1995).

Second, we contribute to the literature on institutional entrepreneurship (e.g., Aldrich, 2012) by identifying the mechanisms through which the market-entry strategies of platforms can lead to failure or success. Our findings contribute to filling the gap in the existing literature regarding the failure of institutional entrepreneurship attempts (e.g., Micelotta et al., 2017) and respond to previous calls for papers that investigate the impact of strategies that utilize coercive power or try to destroy institutions (Hinings et al., 2018; Leca et al., 2006). We show that although confrontative practices can have some success in the short term (e.g., by growing market share quickly), they come with severe negative consequences in the long term (e.g., by incurring legitimacy loss) that are hard to overcome once they have manifested, outweighing any short-term advantages accrued. Thus, they are detrimental to business success.

THEORY

The international approach of platforms

In the last few decades, platforms have gained significantly in popularity in practice and academic research alike (Gawer, 2022; Zhao et al., 2020). The literature on platforms distinguishes between innovation and transaction platforms. While the former represent a basis upon which further innovation can be designed through complements (e.g., in the case of iOS or Android), the latter are digital interfaces that connect demand-side users with supply-side users in the market (e.g., in the case of eBay) (Cusumano et al., 2019). In this study, we focus on transaction platforms.

Platforms have surged in popularity for several reasons (Bhargava et al., 2013). First, they require very little up-front investment since they rely on digital technologies (Davis, 2016; Gawer, 2021). Companies that use a platform approach can therefore largely forgo the purchase of physical assets and reduce their initial business start-up risks (Grabher and van Tuijl, 2020). Second, platforms are easy to scale since they rely upon digital technologies and can therefore spread easily across different markets or geographic regions (McIntyre et al., 2021; Nambisan et al., 2019). Third, platforms hold the promise of high profits through a winner-takes-all dynamic, which materializes when a platform has managed to tip the market in its favor by growing to a critical size (Eisenmann et al., 2006). In order to seize these benefits, platforms adopt a fast-paced growth strategy that is connected with internationalization to gain as much global market share as possible (Sun and Tse, 2007).

Institutional distance and diversity limit platform growth

Despite the promise and success that this strategy has shown, platforms that utilize it increasingly encounter difficulties in the various markets that they enter (Chen et al., 2019; Stallkamp and Schotter, 2021). Two of these challenges are (1) institutional distance and (2) institutional diversity. The first, institutional distance, arises from the so-called liability of foreignness. The literature on international business has referred to this as the additional costs that international companies incur when they enter foreign markets. For instance, such costs can arise from coordinating and executing control from afar, a lack of familiarity and embeddedness in the local setting, and additional costs imposed by the home market on the firm for doing business abroad (Zaheer, 1995). Furthermore, subunits in the market may also struggle to achieve legitimacy within the international company because they often must navigate the trade-offs of conforming to local requirements, which may at the same time conflict with the internal demands of the company (Hamprecht and Schwarzkopf, 2014).

"Legitimacy" refers to an overall understanding that certain actions are considered acceptable in a specific system of shared norms and ideas (Suchman, 1995). It is important for platforms to attain a standing in the market that allows them to gain new users and interact with important stakeholders (Laïfi and Josserand, 2016; Tornikoski and Newbert, 2007). Losing or failing to acquire a legitimate standing may thus be harmful to the business (Dobrev and Gotsopoulos, 2010).

The aforementioned trade-offs can further complicate the challenges that international companies face as they seek to enter foreign markets (Beddewela, 2019). According to prior research, the disadvantage that the liability of foreignness creates can decrease over time (Zaheer and Mosakowski, 1997), although domestic companies may nevertheless continue to hold a competitive advantage over them (Angeli and Jaiswal, 2015).

The second challenge, institutional diversity, arises because institutions impose demands on the actors in their space (Lawrence et al., 2011). Since platforms tend to work with an international approach that is introduced into several markets, they encounter challenges from divergent institutions (Stallkamp and Schotter, 2021). "Institutions" refers to the regulative, normative, and cultural-cognitive aspects that guide societies and provide continuity for them (Scott, 2013). Within the system of these institutions, actors who do not adhere to them unavoidably face some manner of sanction, while those who conform are rewarded with a legitimate position in the market and a good relationship with institutional actors (Lawrence et al., 2011). Since every market has its own institutions and may be divided into further segments depending on who has the authority to create institutions, this creates a high degree of fragmentation, and network effects only emerge at a local rather than a higher level (Sundararajan, 2016; Zhu and Iansiti, 2019). In consequence, platforms must respond to various and potentially conflicting requirements, different regulatory settings, and pressures that demand institutional conformity from them (Kostova and Zaheer, 1999; Pache and Santos, 2010). This conformity may cost platforms time in adapting their business models, which, together with local network effects, impedes the fast-paced growth strategy that they target to achieve a dominant market position.

To address institutional distance and institutional diversity, international platforms have two options: they can conform to or try to change institutions. On the one hand, conforming to the status quo offers the benefit of gaining legitimacy with local stakeholders and allows them to conduct their business in the market without experiencing pushback from local authorities. On the other hand, they can try to shape institutions in their favor to alter the current setting to their advantage. Potential strategies for the second approach are summarized in the following section.

Measures to shape and reshape institutions

In shaping their relationships with institutions, platforms can draw upon institutional entrepreneurship, which has been defined as joint actions by individuals, groups, or organizations that seek to transform institutions by cooperating or competing with them (Aldrich, 2012; Misangyi et al., 2008). Institutional entrepreneurs have been referred to as actors who can conceptualize alternative practices to the current institutional setting and pursue strategic actions (Beckert, 1999; Garud et al., 2007; Greenwood and Suddaby, 2006). Although modifying institutions requires some kind of legitimacy, institutional change can be initiated by incumbent and new actors alike (Leblebici et al., 1991; Sauder, 2008). Thus far, the literature has elaborated various ways in which institutional actors can negotiate or even alter institutions, which are summarized in three broad categories in the following.

Linguistic Mobilization

Platforms can use two linguistic mobilization strategies to influence institutions and stakeholders. First, they can utilize rhetorical tactics, such as narratives to shape discourse, to engage in institutional entrepreneurship. Narratives are compelling stories that convey the need for change and establish legitimacy around the cause they communicate (Battilana et al., 2009). The rhetorical tactics strategy enables platforms to foster mutual understanding, build a shared identity, and garner support (Zilber, 2007), aiding in shaping discourse favorably (Munir and Phillips, 2005; Suddaby and Greenwood, 2005).

Second, institutional entrepreneurs employ framing to shape institutions by presenting a particular perspective on reality (Benford and Snow, 2000). The extensive literature on framing has defined various types of frames that fulfill different functions. For instance, collective action frames identify issues, offer explanations, and initiate change (Creed et al., 2002; Misangyi et al., 2008). In institutional entrepreneurship, frames can either be used to maintain conformity or to advocate for change. Conforming frames bolster legitimacy, increasing mobilization potential (Levy and Scully, 2007; Wade-Benzoni et al., 2002). By contrast, institutional entrepreneurs can use frames to challenge the status quo, connect with like-minded groups, assign blame, and propose alternatives (Khan et al., 2007; Snow and Benford, 1992). Such frames reinterpret history and can challenge existing norms (Perkmann and Spicer, 2007). Consequently, actors may use frames more radically to justify their measures to change the status quo as necessary, thereby rallying others to support them in their cause (Rao, 1998; Wijen and Ansari, 2007).

Network Mobilization

To influence institutions, mobilizing a network is crucial for institutional entrepreneurs. We have distilled this into the following four key aspects based on the relevant literature. First, institutional entrepreneurs must gather diverse essential and potentially scarce resources. These may be tangible or intangible assets (Levy and Scully, 2007) and take the form of financial assets, knowledge and awareness of historical events, political influence, means to avoid institutional sanctions, or expertise to affect change (Fligstein, 1997; Seo and Creed, 2002). These resources enable institutional entrepreneurs to operate more effectively, recognize hindrances and resistance to change, and facilitate the change they want to impose (Leca and Naccache, 2006).

Second, legitimacy is essential for institutional entrepreneurship to be successful (Durand and McGuire, 2005; Thompson, 2018). Different types of legitimacy exist and can involve pragmatic, moral, and cognitive dimensions (Greenwood et al., 2002). Gaining support from influential allies (e.g., governmental institutions, reputable organizations) enhances this legitimacy (Rao, 1998) since it allows institutional entrepreneurs to appear trustworthy and sincere among stakeholders, which can in turn contribute to the efforts of these entrepreneurs (Durand and McGuire, 2005).

Third, building a strong network position is crucial (Garud et al., 2002; Wijen and Ansari, 2007) and involves developing a position in the field with strong partnerships, political support, and the ability to bring various stakeholders together and mobilize them to the cause (Maguire et al., 2004). This position allows institutional entrepreneurs to leverage interdependencies and power to change the behavior of other relevant actors in their favor (Nasra and Dacin, 2010), providing them with access to resources and knowledge to further facilitate the shaping of institutions (Levy and Scully, 2007).

Fourth, rallying support and fostering cooperation are vital. Institutional entrepreneurs require coalition partners offering financial, political, or influential support to strengthen their network position (Leca et al., 2006; Maguire et al., 2004). Collaboration with like-minded actors helps institutional entrepreneurs to reshape networks and potentially undermine the influence of currently powerful actors (Lawrence and Phillips, 2004; Leblebici et al., 1991). Prior research has supported this by showing that collaboration, interorganizational ties, and other cooperation with actors who share similar goals or ideas help increase influence in advancing the cause and building or rebuilding institutions (Leca et al., 2006; Perkmann and Spicer, 2007).

Institutional Mobilization

Institutional entrepreneurs employ various practices beyond linguistic and network mobilization to shape institutions, encompassing four key aspects. First, they may conform to current institutional rules through isomorphism or bricolage. Isomorphism involves mimicking existing structures, practices, and processes (Saka-Helmhout et al., 2016), while bricolage entails creatively recombining resources and practices available in the current normative and legal system to overcome constraints (Leca and Naccache, 2006). Both approaches aim to establish legitimacy, benefit from the network position achieved, and potentially induce institutional change over time.

Second, entrepreneurs can take more active measures while remaining compliant with existing norms and laws. One is to import practices, ideas, or discourses from other institutional settings, adapting them to maintain conformity or initiate institutional change (Lawrence and Suddaby, 2011). This can involve adapting practices, blending or recombining different rationales, creating new organizational forms, or responding to potentially conflicting demands (Greenwood et al., 2010). These actions can signal conformity but can also start a process of institutional change (Leca and Naccache, 2006). Institutional entrepreneurs can also take a more active stance by lobbying for institutional change through formal (e.g., policy-making processes; Greenwood et al., 2002) and informal (e.g., advocacy and negotiations for institutional reforms) efforts (Battilana et al., 2009) while still showing compliance to maintain legitimacy (Distelmans and Scheerlinck, 2021).

Third, some may adopt disruptive practices, such as decoupling (Saka-Helmhout et al., 2016), tactical maneuvers (Levy and Scully, 2007), or the subversive use of power, to challenge existing arrangements and initiate change (Dorado, 2005). Using disruptive practices can create the impression that the organization questions the existing institutional setting but may not necessarily represent a breach with the system itself. Some institutional actors navigate the boundaries of the institutional setting through experimentation and innovation and, through such practices, initiate institutional change (Garud et al., 2022; Hinings et al., 2018). However, institutional entrepreneurs may also decide to actively disrupt current institutional arrangements through acts of resistance and nonconformity to create spaces for alternate practices (Lawrence and Suddaby, 2011; Levy and Egan, 2003), seizing windows of opportunity (Levy and Scully, 2007), or imposing change forcefully through their power (Dorado, 2005; Lawrence et al., 2005). These actions require resources and a network position, risking legitimacy but potentially creating spaces for alternate practices or seizing opportunities for change (Demil and Bensédrine, 2005; Lawrence and Suddaby, 2011).

Research gap

While literature exists on measures employed by institutional entrepreneurs to reshape institutions (e.g., Saka-Helmhout et al., 2016), little is known about the effectiveness of these measures when they are used by companies that are institutionally distant from the market, and how these measures link to the strategies common among platforms. The existing platform literature tends to adopt an international and universal approach, overlooking the role of local specifics, such as institutions (Eisenmann et al., 2011; Sun and Tse, 2007). Despite evidence suggesting that certain platform strategies may not be universally applicable (Chen et al., 2019; Nambisan et al., 2019; Uzunca et al., 2018), only scant research has examined the crucial role of institutions in platform proliferation upon market entry.

While we have outlined that institutional entrepreneurs may engage in disruptive practices and encounter tensions and trade-offs (Hinings et al., 2018), the literature on institutional entrepreneurship has only rarely investigated how entrepreneurs can attempt to destroy institutions and whether such disruptive attempts are successful (Maguire and Hardy, 2009). Additionally, research on institutional entrepreneurship often focuses on successful strategies, neglecting failed attempts, particularly in stable yet locally fragmented contexts (Leca et al., 2006; Micelotta et al., 2017). The authors also stress that strategies that impose power forcefully should receive further attention (Leca et al., 2006). To address this gap, we pose the following research question: *How can platforms successfully enter foreign markets characterized by institutional distance*?

METHOD

To investigate how platforms can successfully enter foreign markets characterized by institutional distance, we use an embedded multiple case study (Scholz, 2002; Yin, 2018). Prior research has shown that case studies are helpful for investigating empirical phenomena for which little theory exists (Eisenhardt, 1989).

Research setting

We chose mobility service providers for urban transportation in Germany as our research setting. Following a theoretical sampling, this setting was determined to be ideal for three reasons. First, various German and international companies have started to introduce mobility services in urban contexts. Among them are companies using a platform approach and companies using a traditional vertically integrated business model. We chose to use companies with traditional business models as contrast cases to platforms. Second, Germany (and, by extension, the European Union) is a market with strong institutions, and it is of interest to us what occurs when companies with a global market-entry approach enter a market environment that is institutionally stable and diverse. We do not distinguish further between German and European companies since they act in a supranational market largely characterized by similar legislation and governed by the EU. Third, in order to decarbonize the transportation sector, Germany has ambitious political objectives and supports transportation modes that represent an alternative to individual motorized transportation (i.e., privately owned passenger vehicles). This creates an attractive market for mobility service providers that offer vehicle sharing and ride services and allows us to observe various market entries.

To understand how platforms successfully entered markets characterized by institutional distance, we sampled mobility service firms according to whether they were (a) domestic or (b) foreign to the German or EU markets. We chose firms with both a high (foreign) and low (domestic) distance from the institutional setting to study whether this factor influenced their choice of strategy and their success (i.e., their strategy outcome). Furthermore, we sampled mobility service firms that are platforms because of the special strategic approaches described in the theory section of this paper. However, we also drew on companies that are not platforms but are active in the mobility service segment. We used them as contrast cases since (1) these companies may not experience the same pressures to grow as fast as platforms and (2) may nonetheless benefit from winner-takes-all markets if they achieve a significant size. Following an embedded case study design (Scholz, 2002), we looked at our sample from an overarching level by examining how the different groups (foreign vs. domestic) handled their relationships with institutions and, on an underlying level, considered the distinct strategies that the companies adopted to elucidate different elements of strategy. The companies in our sample were part of the mobility service segment and offered different urban mobility services, such as (a) ride hailing, (b) on-demand ride pooling, (c) bike sharing, and (d) scooter sharing. We used a variety of mobility services to include many different strategies and corresponding outcomes.

Data collection and analysis

To pursue our research question, we drew on two sources of data: (1) archival data and (2) interviews with industry experts, company representatives from firms in urban mobility services, and institutional agents working for public transportation firms or institutions. Table 1 illustrates the types of data that we used.

INSERT TABLE 1 ABOUT HERE

Our data collection process consisted of different phases. First, we analyzed archival data covering the 2000–2023 time period to comprehend what the market-entry strategies with respect to firms' relationships with local institutions consisted of and whether the firms in our sample were successful with their market-entry strategy. We define success (or failure) by a company's continued existence in the market (or its exit). In addition to this information, we gathered data on the factors that influenced the success stemming from the firms' market-entry strategies. To retrieve the data, we used the WISO database to gather a large corpus of press articles from newspapers, magazines, and journals (a total of 296 relevant articles). With this data, we designed archival data dossiers for the different strategies to shape firms' relationships with local institutions. The dossiers hold information about the initial market-entry approach of the distinct firm groups (foreign vs. domestic), their success, the challenges they faced, how the institutions responded to the firms, the factors that shaped the success of the firms as a result of their strategy, and potential adjustments to the strategy. Building on these dossiers, we also drew on the platform and institutional entrepreneurship literature to develop initial propositions regarding the strategies employed by firms in our sample to shape their relationships with local institutions, as well as what mechanisms contributed to these businesses' success as a result of their strategies and relationships with local institutions. From an overarching perspective, we looked at how the groups differed regarding their origin, while at underlying analysis levels, we considered the strategy elements and mechanisms for success. For instance, we deduced that questionable business practices negatively shape a company's relationship with local institutions and thus hamper its ability to shape regulations in its favor (e.g., to avoid additional service requirements or benefit from lower tax rates) and conduct its business successfully.

Second, we conducted 40 semi-structured interviews with industry experts (n = 19), firm representatives (n = 11), and institutional agents (n = 10) between 2020 and 2022 to extend our knowledge about market-entry strategies, their effect on firms' relationships with local institutions, and the outcomes of these strategies. Among the industry experts in our sample were strategy and mobility consultants, as well as research associates who worked in the field of urban mobility services. We used archival data, company websites, institutional websites, public transportation websites, and social media networks to identify and contact company representatives and institutional agents. To recruit further interview partners, we also used snowball sampling after successfully completed interviews. The firm representatives in our sample were tasked with corporate strategy and business development; some also engaged with local institutions. Our institutional agents were usually responsible for new mobility or intermodal mobility services in their cities. They either worked for public transportation organizations or were part of institutional organizations. Overall, our interviews lasted between 26 and 84 minutes, with an average duration of 54 minutes. We audio-recorded and transcribed the interviews afterward.

We used telephone calls or video conference tools to conduct the interviews. Throughout the interviews, we asked the interviewees about the market-entry strategies of urban mobility service companies and how these strategies were linked to their relationships with local institutions. To understand the companies better, we asked about the reasons they had for pursuing their strategy, the exact measures or components of their strategy, and whether they thought considering local institutions played a role for their business. We also asked what outcomes their strategic choice produced and why they thought this was the case. Furthermore, we inquired whether they had changed their strategy over time or were planning to do so and their reasons for doing so. Industry experts and institutional agents received similar questions. However, with industry experts, we spoke more about the overall market, companies for which they had conducted projects, and how they perceived conflicts between mobility companies and local institutions. Similarly, institutional agents were asked how they perceived the market-entry strategies of mobility service companies, how they solved potential issues with them, what factors shaped their relationships with such companies, and what led them to cooperate with them. These questions allowed us to study market-entry strategies in detail and to understand what mechanisms shaped the success of these strategies. At a later point in our project, we specifically asked about certain components of market-entry strategies and mechanisms that shaped the success of the companies in our sample in relation to the local institutions in the market.

Since we sought to gain theoretical insights from archival and interview data alike, we decided on an iterative approach. On the basis of initial interviews, we continuously refined the propositions we had derived from our archival research and developed theoretical propositions. Throughout our project, we systematically compared insights from different company types (platform vs. non-platform) and their origin (domestic vs. foreign) (Yin, 2014). We carried on with our interviews until we reached a point of saturation, after which additional interviews would only lead to minimal advances in our propositions (Eisenhardt, 1989). Finally, we used data triangulation to ensure the validity of our findings by means of interview and archival data.

To analyze our data, we used inductive coding supported by the data analysis software MaxQDA. We started out with the initial results from our archival data analysis and developed six overall coding categories. First, we documented whether companies were foreign or domestic vis-à-vis the German urban mobility market. Second, we coded whether or not they were a platform. Third, we coded whether they chose a more cooperative or confrontative approach in handling local institutions. Fourth, we coded the components of their strategy that were designed for entering the urban mobility market and whether they had changed over time. Fifth, we coded whether they were successful. Sixth, we coded the mechanisms that had shaped their success in the market in relation to their connection to local institutions. If we identified evidence that was not yet part of our coding scheme, we extended the scheme accordingly. Once we had completed coding, we evaluated our coding scheme since it contained many subcodes and an abundance of information. In an attempt to render our findings more comprehensive, we combined codes that contained similar components or mechanisms and elucidated causal relationships between the firms' chosen market-entry strategies, their business success, and the mechanisms that shaped this success via their relationships with local institutions.

RESULTS

Our analysis showed that the firms in our sample pursued one of two strategies: they either selected a cooperative or a confrontative market-entry strategy to handle local institutions. In the following, we outline three elements that comprise these strategies for dealing with local institutions: (1) institutional acknowledgment, (2) institutional compliance, and (3) institutional exchange. We also describe which of the two strategies was more successful and the factors that shaped success. Our analysis showed that three major factors influenced whether the selected strategy was successful: (1) reputational stability, (2) operational stability, and (3) regulatory stability. We use the codes "IE", "FR", "IA", and "AD" in the following to refer to our data sources, representing industry experts, firm representatives, institutional agents, and archival data, respectively.

Market-entry strategies

Our analysis revealed that firms chose either a cooperative or a confrontative approach, and that the strategic choice was linked to the origin of the firm. In particular, our analysis revealed that domestic firms (i.e., firms domestic to the German or, more broadly, EU market) tended to choose a cooperative market-entry strategy, while foreign firms (i.e., companies from anywhere other than the European market) selected a confrontative approach. Domestic firms seemed to be more aware of local necessities and thus opted for a cooperative market-entry strategy, while foreign firms lacked this awareness and knowledge. Consequently, foreign firms utilized a confrontative approach upon market entry. We identify three elements that describe the strategies and provide further support for them in Table 2.

INSERT TABLE 2 ABOUT HERE

Institutional acknowledgment

The companies in our sample differed with respect to whether they acknowledged the importance of local institutions and their rules and laws. This means that companies that exhibited institutional acknowledgment possessed a general awareness of the importance of local institutions and their power. Companies that adopted a cooperative approach tended to possess this awareness regarding local institutions and their power, conceding that “the European players […] know the local requirements much better” (AD01). In adopting this approach, they were “in constant contact with local authorities to ensure that the e-scooters [did] not cause a nuisance on the roads” (AD02). More precisely, they understood that local institutions and the organizations associated with them (e.g., public transportation firms) aimed to foster public welfare rather than solely focus on organizational profit. This meant that they would have to act for the greater good, which, in the case of transportation, meant improving the mobility options in urban areas to facilitate the mobility transition targeted by the German government. Companies with a cooperative strategy tended to align their business with these overarching goals.

In line with this awareness, the companies that adopted a cooperative approach were familiar with the rules and laws in the German market. The EU, and Germany in particular, is a market characterized by strongly developed local institutions that hold significant power and influence. This poses the following challenge for firms expressed by an interviewee: “The providers have to fight for each region, city, and municipality individually, as the regulations and regional peculiarities differ everywhere" (AD03). The companies with a cooperative strategy in our sample seemed to understand this and the influence that the institutions have over companies gaining market share in such a fragmented market. Since the German market has historically relied on a strong public transportation system that is supported financially and intuitionally by the government, many rules and laws exist to protect these organizations, which are supposed to provide services to enhance the welfare of the entire society. Companies with a cooperative strategy knew about the high degree of regulation, as the example of Free Now shows: "We care about the laws and our drivers" (AD04). Accordingly, they demonstrated compliance with these institutional restrictions.

In contrast, companies that chose a confrontative approach neither acknowledged the role local institutions played nor understood their importance or the power they hold. The importance of local institutions in the German market differed quite markedly from the domestic settings of the foreign firms in our sample, where institutions are not as well developed or simply hold less legal power or local influence. In such settings, private companies enjoy more freedom to shape the institutional landscape in their favor rather than changing internally to adjust to a strict institutional setting where "the state naturally has an interest in protecting its investments in local public transport" (IA06). In our analysis, this was reflected in our finding that firms with a confrontative strategy lacked familiarity with the requisites of local institutions and therefore tried to implement a global business approach.

In line with this deficiency, such companies also lacked awareness of the rules and laws of local institutions and assumed that all markets are roughly the same globally. They came from institutional settings with market dynamics that differed strongly from the European market, where cooperative firms "score points with the cities for their social competence, among other things" (AD05). Firms with a confrontative strategy also transferred the expectations from their domestic market to the EU market: “What they have completely underestimated is how the European market and the European social system works” (IE15). Since their domestic institutions usually held less power, their markets were less strongly regulated, or simply not as densely occupied with organizations that have strong ties to local authorities. Thus, they underestimated the role that their relationships with local institutions played. One of the interviewees illustrated this when saying, “Uber has learned the hard way that what they do in the USA and simply ignore[ing] laws does not work here” (IA10). This was a strategy that they had chosen for several other markets, as our archival data showed: “If you want to be the first at all costs, you cannot spend too long dealing with bureaucratic approval processes” (AD06).

In addition, firms with a confrontative strategy solely focused on what was in the interest of their company, which meant that they would behave as though in a market in which nothing but the success of their business mattered. Therefore, they entered a market without first consulting the municipalities or the respective public transportation firms and surprised local authorities with their market entry. The common approach seemed to be to create realities quickly in order to gain market share at a rapid pace with the overarching goal of achieving a winner-takes-all position in the market, which meant “whoever is the first to attract attention and gain a critical mass of customers can no longer be denied the market in a region” (AD07). This position holds the promise of gaining large profits despite losses upon market entry.

Institutional compliance

The second strategic component identified in our analysis was institutional compliance, which includes adhering to binding laws but also committing to voluntary agreements with local institutions, which entails further action than institutional acknowledgment does. Among the firms in our sample, companies with a cooperative strategy tended “to operate […] in the most compatible way possible" with the goal of "the city administration and politicians not finding us super awful" (FR11).

Going beyond the binding regulatory baseline, companies with a cooperative approach would also agree to voluntary agreements, which local institutions increasingly required. They asked them to follow certain guidelines and portray due diligence: "More and more cities are reacting with special user fees and limiting the number of scooters or providers in the city area" (AD08). For instance, "certain things were guaranteed, such as not having more than four scooters set up in one place" (FR05). Our interview data showed that some firms went so far as to say, "We are willing to get the e-scooters from the Alster and Elbe [rivers] within two hours. If you call us, we will set the e-scooters back up" (IA01). The companies with a cooperative strategy knew that these agreements, although not binding, were important in shaping a positive relationship with local institutions: "Above all, however, providers are trying to gain the goodwill of the authorities" (AD09).

In contrast, our findings show that companies with a confrontative approach did not adhere to the binding laws and rules. Instead, they would engage in questionable, sometimes illegal business practices, and neglect social standards. When they entered a market, they prioritized growth by selecting submarkets in which they could achieve the largest customer base and secure market shares quickly, as our archival data show as well: "The company [Mobike] hopes that this internet-based business model will also be based on the principle that the winner takes all" (AD10). Therefore, they focused on growing their business at all costs but did not consider the role local institutions played for their business and, in some cases, exceeded the legal boundaries, as the following example shows: "The Frankfurt police have just caught Uber drivers during a check without a passenger transport license" (AD11). Such a license is required by drivers who provide taxi-like services in Germany to ensure, among other things, the safety of the passengers.

Beyond the point of binding regulations and rules, these companies did not commit to any voluntary agreements to shape their relationships with local institutions positively. Although not all companies in our sample broke the law or ignored rules, some actively sought out gray areas or took advantage of loopholes, as in the case of Uber: "Uber faced criticism when it transpired that its app records users' locations even when they are not using the app at all" (AD12). Further examples of confrontative strategies include unclarified legal situations, taking advantage of loopholes, or simply ignoring existing regulations by gambling that local authorities would not enforce the law: "Uber is accused of ensuring that drivers are in the vicinity of large events. This is a violation of legal regulations and violates competition law" (AD13).

Social standards in general seem to be a challenge for companies that adopt a confrontative approach. Municipalities, as part of the system, are obliged to ensure that certain standards are upheld to act in the best interests of society. By contrast, firms with a confrontative strategy, such as Bird and Lime, "worked particularly with […] the so-called juicer model, where private individuals basically charge the scooters in their homes at night" (FR05). Other companies, such as the ride-hailing service Free Now, took such a high mediation fee from their drivers that "compared to a self-employed cab driver, he [the driver] earns around half as much per journey—after deducting commission" (AD14). By using such practices, the companies showed cities that "people are being exploited, and […] especially in Germany, where social standards are very, very important" (FR11); this was harmful to the companies' legitimacy and standing with local authorities. As a result, they were "seen as something evil" because they stood for the "idea[s] of Big Economy" (FR11), meaning that they did not uphold social standards and thus did not act in accordance with local authorities' responsibilities.

Institutional exchange

The third and last strategic component, institutional exchange, describes the degree to which companies seek the proximity of local institutions through communication and cooperation. We found that companies utilizing a cooperative strategy sought to cooperate with local institutions or their associates, such as public transportation organizations. This cooperation could exhibit varying degrees, from joint projects to the willingness to integrate their services into the public transportation scheme and become part of it. In the case of Voi and the local transportation provider in Berlin, the latter asked the scooter sharer to place its vehicles outside the inner city, which is usually unpopular due to an alleged low user frequency. As one representative explained, "We took the provider Voi with us, […] and this area is now the station with the most bookings of e-scooters of all the stations we have. […] Supply and demand are there immediately because it [the offer] wasn't there before" (IA09). Finally, the sharer admitted to the transportation provider that they "have a very high occupancy rate here. I [Voi] would never have gone there on my own" (IA09). A similar approach was transferred to Hamburg as well, where the scooters were positioned in the "suburbs to take commuters from there to the Hochbahn stations" (AD15).

Other companies went one step further. Instead of just working closely with local authorities, they would integrate their services into the public transportation system: "If we really want to contribute to making transport sustainable, then it simply makes sense to integrate ourselves into what already exists" (FR07). For instance, Nextbike "has been working with local authorities and transport companies on bike sharing [and] obtains its contracts through tendering procedures" (AD16). With this step, the company not only gained the financial support of local institutions but also blended in with local public transportation structures. Both the public transportation provider of the local municipality and the mobility company benefit from creating a joint service. While this represents an advantage for Nextbike, this partnership requires the company to fulfill certain conditions: “For this to work, a small fleet of bikes must always be available at the respective stations. Nextbike must ensure this—in Cologne as well as in Berlin” (AD17).

In addition, these firms actively engaged in open communication with local institutions and their public transportation organizations. In some cases, they even went so far as to share information about their operations with local institutions: “The Volkswagen subsidiary MOIA, for example, already shares extensive data with authorities for control and research purposes” (AD18). The goal behind this was to strengthen public transportation and help local authorities to improve their mobility offerings: “The data could show the city where new cycle paths are needed” (AD19). Over time, municipalities recognized the importance of gathering data and sometimes actively asked mobility providers to share their data, which also had a positive impact on the mobility providers’ relationship with local authorities: “Cologne […] has received monthly figures since then. A sign of the providers’ goodwill” (AD20).

The firms in our sample also recognized that they require a certain set of skills to initiate cooperation and communicate with local institutions. Therefore, they hired skilled personnel for this task: “The companies are looking online for ‘City Managers’ in various cities” (AD21). To successfully shape a positive relationship with local institutions, firms need relevant knowledge and skills. These skills differ from the knowledge required to build a platform business and business-to-consumer communication. They entail understanding the expectations and requirements of local institutions. Through these skills, they can achieve a positive relationship with municipalities more easily and build a competitive advantage.

In contrast, companies using a confrontative strategy failed to engage in cooperation but instead sought to influence local institutions one-sidedly. One of our interview partners explained her astonishment about a change in regulation, of which Uber tried to take advantage: "We were a little surprised because rental cars were less regulated [by the amendment] than we had actually expected" (FR07). Nevertheless, this did not mean that such initiatives would always succeed in favor of the firms using a confrontative strategy because local markets "really do have very strong players in the form of public transport and cab companies" (FR07). Nevertheless, firms with a confrontative strategy sometimes went so far as to dominate the market to force local institutions into acquiescence. In doing so, such firms entered multiple larger cities in Germany simultaneously as quickly as possible while paying no attention to the local specifics and instead seeking to create realities that could hardly be changed afterwards:

> The people behind Uber have simple principles for conquering markets: just do it. Ignore the laws for the time being. Acquire lots of new customers quickly via the internet. And once you're big enough, use the pressure from the street to get politicians to change the laws (AD22).

Unfortunately, this sometimes created service offers that did not contribute in a positive manner to the mobility offerings in the cities because the entering firms did not possess the experience that local authorities and their transportation firms had. For instance, they did not know how many shared vehicles were required, as the following example illustrates: "There were often more bikes than the market could cope with. In many places, they piled up in backyards" (AD23). Instead of contributing to a greater cause, this increased operating costs and created a public nuisance due to the increased number of poorly placed vehicles or services. In line with this type of business conduct, they also failed to communicate with local institutions and their public transportation companies, which prevented them from building relationships with them. Nor did they share data, thus displaying no intention to contribute to the overall improvement of the public transportation scheme, as the interviewees also confirmed: “It simply cannot be right that transport companies have to provide services of general interest and drive to the most impossible corners, while Uber and its ilk only do their cherry-picking in the big cities” (IE19).

Strategy outcomes

Now that we have described in detail the three components of the two market-entry strategies (cooperative vs. confrontative) that we observed, there remains the question of which approach was more successful and for what reasons. Our analysis showed that domestic companies tended to choose a cooperative approach and were more successful with it. In contrast, foreign firms chose a confrontative approach more often and had less success. We define success (or failure) by a company’s continued existence in the market (or its exit).

In light of the strategic outcomes, many of the confrontative companies with a foreign background recognized that they needed to adjust their strategy to recover their legitimate position in the market and improve their relationships with local authorities if they wanted to remain in business. To this end, some firms actively hired qualified staff to acquire the competency necessary to shape their relationships with local institutions. They modified their outward corporate communication to signify that their view of the importance of local authorities had changed and that they considered themselves partners of the municipalities, as the following example shows: “They still have a very bad reputation, and they are now trying to overcompensate for this by making common cause with the cities” (IE17).

Other firms that did not acknowledge the importance of institutions in the market or of changing their strategy either failed outright or continued to struggle. They were unable to resolve the conflicts between themselves and institutional actors, as the case of Uber shows: "Uber, for example, still suffers to this day from the fact that they have pursued a non-cooperative market-entry strategy vis-à-vis cities" (IE17). Others simply left the market or went bankrupt. Of course, in the latter case, this outcome was not solely tied to a poor relationship with institutional actors but may have been the result of a poorly thought-out business plan.

As the previously described strategy adaptations show, we found that firms' relationships with local institutions contributed tremendously to the strategic outcomes the companies experienced. They shaped their revenue streams, their standing with customers, and the margins they were capable of achieving. Our findings reveal three factors that explain why a cooperative approach was more successful: (1) reputational stability, (2) operational stability, and (3) regulatory stability. The three concepts and their influence are outlined below.

Reputational stability

Reputational stability is one of the factors explaining why a cooperative strategy was more successful than a confrontative one. It denotes the standing companies hold in society and with local institutions. More precisely, it describes the extent to which companies maintain the trust of local authorities and customers and a legitimate standing. We found that a cooperative strategy helped companies to grow and maintain the trust that local authorities placed in them. Through their cooperative business practices, such as good communication and adherence to rules and laws, they were able to maintain and enhance their legitimate standing with local institutions, which also helped them grow their businesses. Conversely, firms with a confrontative strategy failed to acknowledge the importance of local authorities, which was harmful to their legitimacy, as our interviews showed: "They [Uber] have clearly shown through their business practices that they do not necessarily work for the benefit of the cities and have received pushback accordingly" (IA06).

Furthermore, companies with a cooperative strategy benefited from their legitimate standing and their positive relationship in that they avoided a negative reputation being communicated to the public by the municipality. Instead, local authorities and public transportation organizations openly and proudly proclaimed the cooperation between themselves and the mobility service company. This helped these companies to remain competitive and successful in the market. Their good reputation allowed them to enter negotiations and engage in joint projects because they had "the advantage that [they] are not the bad Uber" (FR11). By contrast, confrontative business practices caused the opposite outcome. This influenced their (and other companies') relationships with local institutions negatively and caused conflicts, since "the city could publicly denounce the company, for example, by portraying it as a 'rule-breaker' and rely on citizens not wanting to use such a service" (AD24). The less legitimate standing and negative business conduct obstructed negotiations to resolve these conflicts and were bad for business. Additionally, many companies employing a confrontative strategy faced bad press over their questionable and inconsiderate business practices (e.g., using the juicer model to charge vehicles, high commission fees for drivers, and contractor-based work relationships). They learned the hard way "that it is not always the best approach to save as much as possible on personnel" since "this can also have a very negative impact […] if you then lose your reputation" (FR05).

Finally, through their cooperative business practices, companies were able to build or maintain good relationships with customers, which helped their businesses to succeed. They were able to grow their customer base because local transportation providers usually already possessed a large one, which our interview partners confirmed: "We have over half a million subscribers in

Berlin alone, and then there are the corporate ticket customers. That is, of course, a large number of customers" (IA09). Furthermore, an organization such as "the BVG is simply well known and trustworthy" (IA03), which is beneficial for mobility companies entering the market for the first time that had the opportunity to work with such well-established organizations. Their legitimacy and credibility can rub off on new companies, which helps them to grow their customer base. By comparison, companies with a confrontative approach struggled more due to their poor reputations and questionable business practices. Customers' opinions about them were subject to being affected by bad press, being called out by local authorities, and the loss of legitimacy, which negatively affected their business success.

Operational stability

The second factor that illustrates why a cooperative strategy, which helped companies form good relationships with local institutions, was superior to a confrontative strategy is operational stability. This describes how safely and thoughtfully the companies are able to conduct business. Through a cooperative approach and joint projects with municipalities, which helped them achieve good relationships with local authorities, companies benefited from the municipality's expert knowledge of the local mobility system, as our archival data showed: "Transportation companies know best how people move around the city" (AD25).

Beyond knowledge sharing, cooperative firms were sometimes integrated into the city's mobility concept. In particular, this sometimes meant that cooperative firms were integrated into the digital application of the local transportation provider, which gave the firms access to additional market opportunities that they could not have obtained on their own. Thus, seeking "proximity to municipal utilities" positioned them "further ahead: For example, the e-scooters from Circ and Voi […] can already be booked from some public transport apps" (AD26). This improved their earnings, increased their market share, and brought them additional learning opportunities for their businesses. Confrontative firms, on the other hand, after neglecting to shape their relationships with local institutions in a positive manner, could no longer count on this support, as one interviewee from a local transportation provider explained: “Uber, they are kind of evil and they exploit their employees, and […] it is a U.S. company, and all the customer data goes out there” (IA09). Therefore, local authorities and their transportation firms started to mistrust such firms and refrained from cooperating with or supporting them. This, in turn, had a negative impact on confrontative firms’ business success.

Going one step further, some companies with a cooperative approach became part of the local transportation system, which improved their financial planning and lowered their tax burden. In addition, public support offers several advantages because “local public transport simply has more planning security. This means that projects are […] designed to run for four or five years.” This further implies that these firms had “a strong partner” at their side instead of working on their own on “a project that ends after one year” (FR07).

Through their positive standing with local institutions, their compliance with legislation, and the various advantages for their operations, companies with a cooperative strategy had no need to revise their business model since they were successful with their approach already. One of our interview partners supported this as well: “This is the basis for all those who want to be successful in Europe—to think about this intermodal travel chain, […] and to blend in” (IA10). By contrast, since companies with a confrontative strategy encountered many issues and pushback from local authorities, they adjusted their strategy to some extent. Our data showed that “they [would] only succeed in cooperation with the cities” and that “the companies [knew] that their business also depend[ed] on the mood in the population” (AD27). Thus, once confrontative firms understood these drawbacks and that their global market-entry strategies would not work in the German market, they started to consider the importance of shaping relationships with local institutions, consequently adopting elements of a cooperative strategy. Consequently, many firms that previously adopted confrontative strategies started “a collective charm offensive aimed at pushing back increasing bureaucracy and finding a healthy balance between state and self-regulation with the municipalities” (AD28). The realization that municipalities were so important for their business encouraged companies with a confrontative approach to compete more strongly “to see who is the friendliest provider with the most exemplary partnerships” (AD29).

In many contexts, the adjusted strategy reduced conflicts but could not entirely make up for the firms’ initial conduct in the market and their loss of legitimacy. While they attempted to change their strategy and business model, internal changes were not so easily implemented and caused additional challenges for the firms. Sometimes, they simply lacked the skills to engage in relationships with local institutions and needed additional time to establish such competencies internally. In other cases, the companies were not ready to make an additional effort to engage in a favorable relationship with local institutions, or a change in strategy was not enough to reestablish their legitimacy. Some firms failed to acknowledge that reshaping institutions, especially when they were already very powerful and complex, was not easily accomplished. Consequently, these firms left the market, as our archival data show: “Of the many providers from Asia called Ofo, Obike, Yobike, Bluegogo, or Hellobike, […] many did not even make it to Germany or have since moved on” (AD30).

Regulatory stability

The third factor describing why a cooperative market-entry strategy was more successful is regulatory stability. This refers to the extent to which companies could rely on the regulatory setting to support their business and, at the same time, their potential to participate in shaping regulatory changes as a result of their strategy. This was the case because, among other factors, companies with a cooperative strategy could avoid costly and time-consuming lawsuits, which had the potential to harm their legitimacy. Companies utilizing a confrontative strategy, by comparison, were more often faced with lawsuits, as in the case of Uber's ban in Germany. After entering the German market, Uber was confronted with several bans on its services, as our data showed: "Uber is not allowed to resume its former limousine service Uber Black in Germany. The Federal Court of Justice (BGH) ruled on Thursday that Uber had violated German laws governing the car rental business" (AD31). Nevertheless, the company continued its services despite facing strong legal pushback in the form of criticism by authorities, fines, and continued lawsuits. For instance, one of the interviewees explained that Uber was "only being licensed in very, very few cities in Germany and there only under conditions that will never actually pay off" (IA06). After several conflicts, Uber adjusted its business model and withdrew from certain cities; it continues to exist in a modified form in Germany. The ongoing conflicts, the adjusted business model, and the loss of legitimacy have had a negative impact on the business and its profitability.

In contrast, good relationships with local authorities and their adherence to existing rules or laws allowed companies with a cooperative strategy to avoid regulatory adjustments, as our data showed: "The Hamburg transportation authority, for example, currently sees no need for further regulation. 'The level of complaints is low. The providers are adhering to the agreements,' said a spokesperson on request" (AD32). Consequently, these companies were able to avoid regulation that may have posed a challenge to their business success.

For companies with a confrontative strategy, the opposite was true. After experiencing the various measures that were part of confrontative strategies, local authorities reshaped legal requirements in their own favor, which placed an additional burden on the companies if they initially failed to display due diligence. Where no binding regulation was possible (as in the case of vehicle sharing), local authorities asked mobility providers to adhere to their guidelines. This was especially the case after many bike and e-scooter sharers had entered their market with confrontative approaches, as our data showed: “The reaction of the cities did not take long. Many administrations […] have now issued guidelines for bike rental companies” (AD33). Other examples include digital solutions to limit the parking zones of shared bicycles and scooters to avoid public annoyance: “In many cities, they have used geofencing (setting up exclusion zones) to reduce the number of e-scooters dumped in bodies of water” (AD34), or “the number of e-scooters is already being reduced” (AD35). If the providers refused to acknowledge these guidelines, they could expect to be called out by local authorities, with a possible negative impact on their business.

For ride-hailing and pooling services, local authorities could legally exercise more control. In response to confrontative strategies, local institutions “are given the opportunity to regulate new competitors such as Uber and Free Now” by means of “strict rules, such as an obligation to return to the depot or a pooling quota that each vehicle must achieve in order to prove its efficiency. The municipality can also set a tariff corridor, social standards, and quotas” (AD36). Using these measures allows institutions to directly influence the business and revenue of mobility providers. Of course, while this may have positive effects on local traffic systems, the institutional responses to confrontative strategies can hamper the business success of these firms, making their businesses unprofitable by means of high pooling quotas or other regulations. The overall effect was reported in the data: “providers are now at least making an effort to comply with local authority requirements so as not to provoke new bans” (AD37).

The cooperative strategy and the resulting positive relationships with local authorities helped the companies in our sample to shape regulatory changes in their favor. When firms maintained a legitimate standing, it enabled them to participate in and shape discussions about ongoing regulatory changes to their advantage. The example of potential upcoming award procedures illustrates how companies sought to benefit from a cooperative approach, as one interviewee related: “With fewer providers in a city, the companies can logically operate better. ‘There’s music in it. Many providers are offering themselves to the cities and have a great interest in cuddling up,’ says an insider” (AD38). In contrast, firms with a confrontative approach could not expect to reshape institutional circumstances in their favor. Changing internally was easier than trying to influence the institutional environment, as the example of Uber shows. One interviewee explained the company’s failed efforts to change a regulation relevant to their business as follows: “Uber started with a liberalization of the PBefG, an abolition of the obligation to return. The obligation to return remains, and there is an anti-dumping clause” (IA06). This outcome was not what Uber intended in changing the relevant law; instead, the ultimate result continues to pose a challenge to Uber’s original business model since it increases operating costs and reduces profitability.

Finally, as a result of their cooperative strategy, mobility companies benefited from local authorities’ willingness to support them in times of crisis through, for instance, institutional support. For example, the shuttle service MOIA received institutional support from the city, “which also defended the MOIA shuttle service in court. With success: The injunction obtained by a cab operator to prevent more than 200 MOIA buses from being launched was overturned” (AD39). This allowed MOIA to continue the service, which was a direct result of its positive relationship with local authorities. Otherwise, the company would have encountered the challenge of resolving the issue on its own, which might have taken longer and caused more harm to the business. Table 3 contains additional quotes from our archival and interview data regarding the three mechanisms that describe the strategy outcomes.

INSERT TABLE 3 ABOUT HERE

While our analysis showed that a legitimate position in the market and good relationships with local authorities were important, we also found some exceptions. Although Uber may not have entirely restored its legitimacy through a readjusted business model, its operations sparked extensive debate around existing regulations and was certainly a factor in the process of reshaping one of the laws around ride-hailing. In discussions about the amendment of the law, Uber managed to take advantage of its prominent position and entered into the negotiations as one interested party by sending lobbyists to the governmental hearings. Thus, entering the market with a cooperative strategy might not have allowed it the same influential role or resulted in the legislative changes that were discussed as a result of Uber's initial strategy. For now, Uber may not be as successful as in other markets since "they are getting smaller and smaller. Uber is trying to hold on to the market here in order to keep its foot in the door […] in the hope that in five or ten years the market will be deregulated" (IA10). They benefit from the fact that they have investors who "reach into their deep pockets" (IA10) to maintain their business. Nonetheless, they continue to struggle to make up for their initial market-entry strategy.

DISCUSSION AND CONCLUSION

The previous chapter described the strategies platforms used to enter foreign markets characterized by institutional distance and which factors shaped the success of these strategies. Prior international business and platform research has intensively focused on the universal strategies that platforms can adopt as they grow (e.g., Sun and Tse, 2007), while the institutional entrepreneurship literature has largely investigated the strategies that successful institutional entrepreneurs use to shape institutions to their advantage (e.g., Leca et al., 2006). In this article, we drew on a great variety of data to examine in detail which strategies platforms can use when entering markets with complex and stable institutions that differ from their home markets (see Table 4). We also elaborate on the factors that lead to success and failure, respectively (see Table 5), and explain the theoretical contributions of the present work in the following sections.

INSERT TABLE 4 AND 5 ABOUT HERE

Contributions to the literature

Overall, our paper makes two contributions to the literature on platforms, international business, and institutional entrepreneurship. First, our study contributes to the literature on platforms and international business (e.g., Saka-Helmhout et al., 2016) by concisely elaborating two market-entry strategies (cooperative and confrontative) and their strategic elements (institutional acknowledgment, institutional compliance, institutional exchange) that platforms use to shape their relationships with institutions, especially for those platforms that are accustomed to a different institutional setting in their domestic market. Our findings show that local context matters for platforms as well (Chen et al., 2019; Nambisan et al., 2019), although previous research in this domain has largely discounted the importance of local factors (Eisenmann et al., 2006; Sun and Tse, 2007). We contribute to both fields by showing that a cooperative approach that considers the importance of local institutions was more successful than a confrontative strategy that is internationally universal. Therefore, we illustrate that platforms need to adapt their market-entry strategies to local demands to build positive relationships with local institutions if they seek to be successful. By adopting this stance, platforms may be better positioned to overcome obstacles such as the liability of foreignness (Zaheer, 1995; Zaheer and Mosakowski,

1997) and, over time, gain enough legitimacy to reshape institutions through a cooperative strategy.

Second, our paper makes a contribution to the literature on institutional entrepreneurship (e.g., Aldrich, 2012; Gawer and Phillips, 2013) by elaborating which mechanisms (reputational, operational, and regulatory stability) led to the failure or success of a strategy. So far, most studies in this domain have only investigated the successful outcomes of institutional entrepreneurship, and the field has called for further investigations into failed attempts as well (Leca et al., 2006; Micelotta et al., 2017). Our findings show that a cooperative strategy was more successful because it fostered a harmonious relationship with institutions through reputational, operational, and regulatory stability, while a confrontative approach led to failure because the firms failed to establish a good relationship with local institutions. Although a confrontative approach may in some cases help to conquer market share or enter many markets quickly, our findings support prior studies that highlight the shortcomings of such a coercive approach (e.g., a bad reputation and legitimacy losses) (Garud et al., 2022; Pelzer et al., 2019).

Previous research has also called for studies investigating attempts in institutional entrepreneurship that aim to destroy institutions or utilize firms' power forcefully (Hinings et al., 2018; Leca et al., 2006). While neglecting the demands of local institutions can help platforms to conquer markets quickly in the short term, they may suffer from long-lasting negative impacts on the legitimacy of their firm and stakeholders' willingness to cooperate with them in the future. Our study supports this assumption and further addresses this research gap by elaborating the three mechanisms mentioned above and showing that through a confrontative approach, institutions are less likely to be changed as intended, although firms might initiate transformation processes. However, when platforms used coercive pressure in our case, it came at the cost of harming their legitimacy and business success in the long term. Furthermore, since the outcome of the institutional change in our findings was not what the companies with a confrontative strategy intended, it may not be worth the effort and long-lasting consequences. With this, we also extend existing single case studies on some of the cases in our sample (Garud et al., 2022; los Reyes and Scholz, 2023; Pelzer et al., 2019; Uzunca et al., 2018).

Implications for practitioners

This study yielded relevant practical implications, especially for platform companies entering various global markets, with the intention of using the same blueprint for every market. As our findings indicate, ignorance of local specifics can have consequences that are harmful in the long term, although many platforms choose to ignore them while focusing on achieving rapid growth and profits. Our results suggest that platforms may even benefit from learnings acquired in highly institutionalized markets, transferring them to other settings where similar circumstances exist to avoid conflicts with institutional authorities. Instead of considering learning the local specifics as a delay to growth, platforms might do better to actively seek out the benefits of such a relationship (e.g., funding, transfer of expertise, and joint projects) to reach market segments that they might not be able to open up as quickly on their own (e.g., the customer base of local transportation organizations). Overall, our findings show that local institutions may not solely pose a limitation to platforms but may instead represent an opportunity for them to blend into the market more effectively.

Limitations and future research

As with every case study, our paper has certain drawbacks and limitations. First, we chose to investigate mobility service platforms and companies in the German market, a setting that allowed us to study various market-entry strategies. Although this setting was highly insightful, the generalizability of the findings may be challenged. As explained before, the German mobility market has grown historically and is highly regulated and populated with strong public transportation organizations. While many studies in institutional entrepreneurship have investigated institutional dynamics in emerging economies (e.g., Hernández et al., 2022), the field has called for investigations in more established institutional settings (Leca et al., 2006). Future research could mirror our study in other markets and industries that encounter similar degrees of institutionalization.

Another limitation of this study is that it primarily investigated market-entry strategies and the direct impact they had on relationships with institutions and market success. However, the impact that the strategies have on customer perceptions was not a focus of our study, although it could be a relevant factor in shaping market success. Therefore, future research could also take this perspective into account when investigating the success and failure of market-entry strategies in institutional entrepreneurship.

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TABLES

TABLE 1 Data sources

Data source	Type	No. interviews
Interviews	Industry experts	19
	Firm representatives	11
	Institutional agents	10
	Sum	**40**
Archival data	Scooter sharing	76
	Bike sharing	28
	On-demand pooling	36
	Ride hailing	148
	Sum	**288**

Table 2 Supplementary quotes on cooperative and confrontative strategies

Strategy component	Cooperative strategy	Confrontative strategy
Institutional acknowledgment	"'We are in constant contact with the local contacts to ensure that the e-scooters are not a nuisance on the roads,' says Circ. Everyone knows that the scooter wave is also triggering massive criticism." (AD40)	"'The masses make the difference!' Today, the only way to win the battle for any new market (whether fashion retail, delivery service or e-scooter) […] is to quickly crush everyone else. The result: all the hip mobility providers are ultimately mobility blockers because they just keep filling up the streets." (AD41)
	"[T]his means that the transport company or the public transport authority […] has it in their hands and this means that they have an influence on which offer is made when and how strongly which means of transport is weighted." (FR09)	"Cabs and the like are used in all countries. But I think you always have to get to know the city a bit and know exactly what the needs are and not just tip something over from afar, that usually goes wrong." (FR06)
Institutional compliance	"'We work very positively and constructively with the cities and respond to their wishes and needs with individually agreed voluntary commitments,' assures a TIER spokesperson." (AD42)	"Uber is said to evaluate cell phone and credit card data that can be used to identify police officers. To prevent them from being able to prove that Uber drivers have committed violations, they are rejected as passengers." (AD43)
	"Lime started with this juicer program. I don't think anyone does that anymore, charging the scooters at home. But it's actually something that we still get asked about regularly, because a lot of people still believe that's the case." (FR11)	"Uber is, well, I would say, according to the various judgments, also permanently crossing the gray area." (IA06)
Institutional exchange	"There are already some examples of partnerships between transport companies and private companies: In Berlin, Leipzig-based Nextbike GmbH operates the BVG Bike." (AD44)	"No scattergun approach, so simply the way we know it now from the really big providers, whether it's America or China, that you say this is a model, this is how it works here, and we'll dump it all over Europe, I think that's always wrong. Basically, no matter what kind of platform you offer in Europe, you don't take these local peculiarities into account." (JW)
	"Ioki is a Deutsche Bahn player, and they are currently the most successful [one] in Europe because they think very clearly and stringently that 'we don't want to compete with public transport, but rather complement it', and that naturally gives them a different standing." (IA10)	"The method is to ignore laws, generate masses and say to the legislators: 'Your rules are totally outdated, change them, but in our interests.' In doing so, they are ultimately attacking the entire public infrastructure. Instead of buses, people in a poorer part of New York will use Uber in the future." (AD45)

Table 3 Supplementary quotes on strategy outcome

Mechanisms	Cooperative strategy outcome	Confrontative strategy outcome
Reputational stability	"'Particularly in view of the sometimes very critical public debate, providers currently seem very willing to cooperate, also with regard to the data issue,' says Horn." (AD46)	"Uber has ensured that there are precarious employment relationships and that there is more transportation than there was before." (IE19)
	"I think there are definitely advantages to being in the public transport sector. If I have a reliable name and can show that I can successfully get projects on the road, then I am naturally more likely to attract partners in the established sector, because they are naturally also looking for security." (FR07)	"The city council [Cologne] is also aware that its guidelines are non-binding and that it can do little if providers do not adhere to them. However, it can publicly distance itself from companies, and the new companies can hardly afford negative headlines." (AD47)
Operational stability	"It was more of an approach of, okay, let's make sure that we really integrate ourselves and that this accusation of cannibalization, which was so often in the air, by public transport, is simply eliminated." (FR07)	"The other mistake is that they made land grabbing because they were afraid that somehow they wouldn't get enough critical mass in the world, but this means that they will never get it profitable, as it is now." (IE17)
	"Transport researcher Andreas Knie has already told WirtschaftsWoche on several occasions: 'Without a local authority or a financially strong corporate sponsor, a sharing service is difficult to operate in the long term from a business perspective'. Local public transport providers or large corporations could take on this role." (AD48)	"Ofo, for a long time one of the two largest bike-sharing companies in the world, was on the road in Berlin for just three months with 3,000 bikes. The company then packed up its entire European fleet and shipped the bikes back to Asia. Obike from Singapore has since gone bankrupt." (AD49)
Regulatory stability	"Until then, cab companies only have to compete with MOIA's test service on a relatively small scale. The City of Hamburg, on the other hand, believes that a trial run with only 200 vehicles is pointless because it would not be possible to find out whether the concept works across the board. The Senate therefore intends to challenge the urgent decision." (AD50)	"According to a new court ruling, Uber may soon be banned throughout Germany. The company will no longer be allowed to offer rides where the drivers do not have a cab license." (AD51)
	"Then you are slowed down by corresponding supra-legal measures and that does not help you if you have previously saved on personnel." (FR05)	"Many German cities such as Jena and Bremen are now relying on tenders to regulate the market. Vienna is introducing new rules to avoid scooter chaos. A ban on e-scooters has not yet been discussed in any other major European city." (AD52)

Table 4 Market-entry strategy elements with definitions and examples

Strategic elements	Definition	Examples
Institutional acknowledgment	Acknowledge the importance, role, and power of local institutions as well as their rules and laws.	Showing awareness of the laws and rules of local authorities. Understanding the power and influence of local authorities.
Institutional compliance	Commitment and adherence to the rules, laws, and social standards of local institutions.	Complying with binding laws and non-binding agreements with local authorities. Agreeing to voluntary commitments. Maintaining the social standards of local institutions.
Institutional exchange	Proximity to local institutions through communication and cooperation.	Engaging in open and bidirectional communication with local authorities. Engaging in joint projects with local authorities. Integrating into the organizational scheme of local authorities.

Table 5 Mechanisms shaping market success and their exemplary function

Mechanisms	Definition	Exemplary function
Reputational stability	Legitimate standing and trust that companies hold with local institutions and other stakeholders.	Helped grow and maintain a good relationship with local authorities. Avoid bad press. Uphold a good relationship with customers.
Operational stability	Safety and benefit of conducting business without interference of local authorities.	Benefit from municipality's expert knowledge. Integrating into municipality's mobility concept. Safety of more stable financial planning. Maintain original business model and conduct.
Regulatory stability	Business conduct without regulatory interference.	Avoid costly and time-consuming lawsuits. Avoid regulatory intervention by local authorities. Shape regulatory changes in company's favor. Benefit from regulatory support in times of crises.