The Implications of Relaxing Input Control for Software Platform Ecosystems — Evidence from a Natural Experiment on Kickstarter

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Abstract:
Managing platform ecosystems requires providers to govern the permeability of platform boundaries in order to strike a balance between maintaining quality and encouraging innovation. But is it more worthwhile for providers and the platform ecosystem to conduct stringent screening and review processes of third-party complements or rather apply a laissez-faire approach in which complementors are urged to ensure quality by themselves? In this exploratory study, we exploit a policy change that relaxed the previously stringent screening process for new projects on Kickstarter, one of the largest crowdfunding platforms worldwide. Analyzing almost 130,000 crowdfunding projects with a combined funding of over $900 million that cover the period from June 2013 to June 2015 under conditions of a natural experiment, we find that increasing platform openness for project creators was a double-edged sword for the ecosystem. While average revenues from platform fees increased after the policy change, they became more volatile, and while project diversity increased, average project quality dropped sharply. Project creators are confronted with an even higher level of competition over funding after the policy change, while backers of projects face greater uncertainties about project quality, which shifts their focus to alternative quality signals. Our exploratory evidence suggests that increasing platform openness for complementors can set in motion profound shifts in critical criterion variables for all platform stakeholders that can change the nature and evolutionary dynamics of an entire platform ecosystem.