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Platform governance and value creation

Coordinating trust, coopetition, and engagement in platform ecosystems

Fa, C.

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Chapter 4

Discussion and Conclusion

4.1 Summary

This thesis investigates how platform owners leverage governance mechanisms, such as trust-building, integration, and design changes, to create value in platform ecosystems. We explored the trade-offs in the coordination, focusing on three interrelated aspects: (1) the paradoxical role of trust in value creation and disintermediation risks, (2) the impact of platform integration on complementors' coopetitive behaviors, and (3) the effects of platform design changes on user engagement. These studies advance understanding of platform governance, complementor interactions, and user participation in platform ecosystems.

The first study explores the paradoxical role of trust in platform ecosystems, emphasizing that while trust facilitates transactions and value creation, excessive trust can undermine the platform's value capture by enabling disintermediation. Drawing on data from Alibaba's B2B platform, the study reveals that although platform certifications boost complementors' platform revenue, this effect diminishes when additional certifications are introduced. Moreover, it identifies an inverted U-shaped relationship between repeat purchases and complementors' platform revenue.

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The study further distinguishes between two types of trust, relational trust and calculative trust, and demonstrates how their effects vary across industries. Relational trust is more influential in sectors offering customized products, such as clothing and machinery, where mutual understanding is essential. In contrast, calculative trust plays a greater role in industries with standardized products, such as packaging or home goods.

The findings underscore the importance of balancing trust-building with governance mechanisms to mitigate disintermediation risks in platform ecosystems. By adopting a triadic perspective that accounts for the evolving interactions among platform owners, complementors, and customers, this study extends strategic management and organization theory beyond traditional dyadic views. It highlights that while trust is essential, it must be strategically managed within the dynamic context of platform governance.

The second study examines how platform integration alters competitive dynamics and affects complementor engagement within a platform ecosystem. While prior research has primarily focused on tensions between platform owners and complementors, this study highlights the competitive frictions among complementors. Drawing on data from a knowledge exchange forum on 1688, the domestic version of Alibaba, the study analyzes how sellers adapted their knowledge-sharing behaviors following the integration of 1688 with Taobao Deals, which allowed B2B sellers to engage directly in B2C transactions.

The findings reveal that integration intensifies competitive tensions, leading to reduced knowledge sharing, particularly among downstream (non-manufacturer) complementors and those who multihome across multiple platforms. Manufacturers and single-homing complementors maintain relatively higher levels of knowledge sharing, suggesting that upstream position and platform dependence mitigate competitive responses. Furthermore, complementors with higher-quality knowledge exhibit stronger protective tendencies post-integration.

This study uncovers a ‘backfire effect’ of platform integration. Although intended to expand digital reach and stimulate network effects, integration can inadvertently discourage complementor engagement. The findings underscore the importance of recognizing complementor heterogeneity and designing governance mechanisms that align their incentives with platform objectives. By shifting the focus from provider–complementor relationships to the dynamics among complementors, this study offers deeper insight into ecosystem governance and the strategic consequences of platform scaling.

The third study investigates how changes in platform design influence user engagement, using Twitter’s expansion of its character limit as a natural experiment. While traditional platform literature often emphasizes network size as the primary driver of success, this study underscores the importance of fostering user engagement to maximize platform value. By allowing longer posts, the policy change reduced content creation frictions and offered complementors greater flexibility in how they produced content. This reduction in friction enabled complementors to generate more engaging content, fostering richer conversations and deeper user engagement.

We find that reducing frictions in content creation, such as by easing design constraints, can encourage more contribution, particularly among complementors who would otherwise be deterred by high specialization costs. Our results show that complementors with large follower networks benefit disproportionately from these relaxed constraints, reinforcing a winner-take-all dynamic. In contrast, complementors focused on novel content creation attracted less user engagement.

Together, these studies advance the platform literature in several key ways. First, they reconcile the dual nature of trust, demonstrating its role as both an enabler of value creation and a potential threat to value capture. Second, they uncover the nuanced effects of platform integration, revealing how platform governance changes can inadvertently heighten

competitive tensions among complementors. Third, they challenge the primacy of network size by highlighting how content quality and complementor incentives shape engagement.

4.2 Theoretical Contribution

This dissertation offers various theoretical contributions. First, this dissertation contributes to the literature on trust in platform ecosystems by highlighting the strategic risks of excessive trust, particularly disintermediation, which can undermine platform owners' revenue capture. While trust fosters cooperation and value creation, we show that high levels of trust can reduce users' need for platform intermediation, leading to transactions shifting off-platform. We differentiate between calculative and relational trust, demonstrating their varying effects across industries and transaction types. By uncovering an inverted U-shaped relationship between repeat purchases and complementor revenue, the study emphasizes the importance of balancing trust-building with governance mechanisms that mitigate disintermediation risks. Our findings extend trust theory from dyadic to multilateral platform relationships and respond to recent calls to explore the downsides of trust. Strategically, we argue for ecosystem-specific governance approaches, such as dynamic certification programs, incentive-aligned strategies, and dispute resolution systems, to manage evolving triadic relationships and ensure long-term platform sustainability across transaction, technology, and content-based platforms.

Second, this dissertation advances the platform literature by uncovering the unintended, heterogeneous consequences of platform integration on complementor engagement. While prior research has largely focused on tensions between platform owners and complementors, we shift the focus to tensions among complementors, demonstrating how integration can heighten intra-complementor competition and reduce their willingness to contribute. We introduce the notion of a 'backfire' effect, showing that integration may disadvantage downstream or multihoming complementors by increasing competitive pressure and prompting

knowledge withholding. These findings challenge the assumption that integration uniformly enhances network effects and instead emphasize the importance of complementor heterogeneity, positionality in the value chain, and platform dependence. By highlighting how integration can misalign incentives within the ecosystem, our study calls for more nuanced governance strategies that sustain complementor engagement and platform value creation.

Finally, this dissertation advances platform theory by shifting the focus from traditional measures of platform success centered on network size to emphasizing the critical role of user engagement driven by complementor behavior and content quality. A key distinction of our study from prior work is its focus on relaxing constraints through platform design changes, rather than solely strengthening platform controls, to coordinate complementarities. Since frictions and costs can undermine complementors' contributions, alleviating these frictions via design changes, such as increasing Twitter's character limit, offers greater flexibility and encourages complementors to contribute more effort. Using Twitter's character limit increase as a natural experiment, we demonstrate how reducing content creation frictions enables a more diverse range of complementors to contribute, fostering richer platform-specific content that enhances user engagement and platform value. We highlight the dynamic tension between restricting and relaxing complementor participation, showing that strategic relaxation can attract broader, higher-quality contributions, especially from complementors with larger networks who benefit from self-reinforcing feedback effects. This nuanced understanding of complementor heterogeneity and the interplay between platform design and engagement broadens the literature on platform governance, complementor strategy, and ecosystem evolution.

4.3 Limitations and Future Research Directions

While this dissertation advances our understanding of the dualities in platform governance by

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examining how governance mechanisms can simultaneously enable and constrain value creation, it also highlights potential opportunities for future inquiry within this research stream.

A first possibility for future research is to investigate the extensive margin effects of platform governance. This would involve examining how changes in trust, integration, or platform design influence the attraction of new complementors or customers, thereby shaping the overall growth and success of the platform. This dissertation primarily focuses on the intensive margin effects, which concern how governance affects the behaviors of existing participants. Future studies are encouraged to explore how shifts in governance impact the composition and size of the platform's participant base. Such research could provide valuable insights into how platform governance drives expansion and sustainability over time.

Second, there remains limited understanding of the long-term effects of platform governance, which is critical because the dualities in platform governance may evolve over time. For example, as repeat purchases and ongoing interactions increase, customers' growing trust could paradoxically lead to more substantial negative effects on the platform owner's value capture by enabling disintermediation. Investigating the long-term impact of governance strategies can reveal their durability and adaptability in dynamic environments. We encourage future research to conduct longitudinal analyses of platform governance dualities that explicitly account for environmental changes and evolving participant behaviors.

Third, future research could benefit from exploring additional dimensions of participants' activities on platforms to capture the full complexity of value creation. This dissertation has examined the effects of platform governance on customer-complementor transactions, knowledge-sharing behaviors among complementors, and user engagement. To deepen this understanding, we encourage further research to focus on diverse value-creation activities, such as comparing the impacts of generic versus non-generic complementarities within platform ecosystems. Additionally, given that platforms often generate spillover effects across other

platforms, future studies could broaden their scope by investigating participants' engagement dynamics across multiple digital platforms, thereby capturing cross-platform interactions and their implications for both complementors and users.

This dissertation offers a significant contribution to understanding the complex dualities of platform governance, highlighting how governance mechanisms simultaneously enable and constrain value creation within digital ecosystems. By investigating trust, integration, and design changes, this research illuminates the nuanced tensions faced by platform owners as they orchestrate interactions among diverse participants. The findings underscore that platform governance is not a one-dimensional pursuit of growth but a delicate balancing act shaped by heterogeneous participant behaviors and evolving market conditions. As digital platforms continue to redefine economic and social interactions, advancing knowledge of these governance dualities is essential for both scholars and practitioners. It is my hope that this work serves as a foundation for future research exploring broader participant dynamics, long-term effects, and cross-platform spillovers, ultimately fostering more sustainable and effective platform ecosystems.