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What is Airbnb going to do next?

An inductive study of the responses of digital platform multinational enterprises to regulatory institutions in foreign markets

Master Thesis Business Administration - International Business

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Abstract

In the last decade the digital platform multinationals have shown an impressive growth in popularity. However, they did not only grow in popularity, the digital platform multinationals themselves expanded rapidly as well. Every new host country they expand to is accompanied by new regulatory institutions the multinational is affected by. While the neo-institutional theory suggests that it can be beneficial for organizations to respond to external institutional pressures such as regulatory institutions, it is not yet studied how digital platform institutions do this. This thesis reports how digital platform multinationals respond to regulatory institutions in foreign markets. An inductive study with eight host countries of Airbnb as units of analysis was conducted, formulating eight responses to regulatory institutions, which are: compliance, governance, negotiation, expansion of the multinational enterprise, partnering, avoidance, non-compliance and signaling. These responses will be discussed in light of extant literature, followed by the final section of this thesis, including contributions, limitations, implications and recommendations for future research.

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Chapter 1 – Introduction

The founding of Airbnb in 2008 was iconic for the start of the sharing economy as we know it today (Schor & Attwood-Charles, 2017). Now, only 12 years later Airbnb evolved into a corporation that is active in more than 220 countries and regions, with an average of 2,000,000 users every night (Airbnb, 2020). This shows that it is a fast-growing multinational enterprise (MNE). Airbnb operates as a digital platform, which can be seen as digital infrastructures, processes and rules that enable resource exchange by matching users based on a set of attributes, that monetize idle capacity (Mäntymäki, Baiyere & Islam, 2019; Schor & Attwood-Charles, 2017; Sutherland & Jarrahi, 2018).

That ‘institutions matter’ is well-known, but the question that has to be answered now is: *how* do they matter (Aguilera & Grøgaard, 2019; Jackson & Deeg, 2008; Peng & Chen, 2011)? New digital platform MNEs are organizations that can be seen as online marketplaces. On the one hand the presence of such organizations yield a multitude of global growth opportunities, but on the other hand they received skeptical responses from local governments and associations in the host countries that they operate in (Marano et al., 2020). The latter resulted in legal actions from these local associations. According to the institutional theory, organizations can conform to these institutions. And following the neo-classical form of this theory, the extent to which MNEs respond to institutions will affect their success or chances of survival (Kostova et al., 2008). However, the strategic responses of digital platform MNEs, including the compliance response, received little emphasize in the academic literature (Peng & Chen, 2011; Regnér & Edman, 2014). Studies have investigated how firms respond to the home country institutions (D’Aunno et al., 2000). And, although to a lesser extent, the responses of MNEs to host country institutions are also researched (Chung & Beamish, 2005; Regnér & Edman, 2014). However, there seems to be a gap in the literature when it comes to digital platform MNEs responding to host country institutions.

Regulatory institutions, which are the formal aspect of the institutions, are a big influence on the local context the digital platform MNEs are active in. While these platforms are rapidly expanding from developed economies to emerging economies, there is a knowledge gap when it comes to understanding the role of the local context they are embedded in (Dreyer et al., 2017). Meaning, more in depth research is needed about the host country regulatory institutions themselves as their role keeps increasing, making them important actors for the digital platform MNEs (Cheng, 2016; Marano et al., 2020). The research question that will be used to address this topic is: How do sharing platform MNEs respond to regulatory institutions in host countries?

To answer this question, an inductive study will be performed. The units of analysis for this study are host countries of Airbnb. A combination of developing and developed countries is chosen in order to ensure the maximum variation in units of analysis, in pursuance of the broadest data collection as possible. For the developing countries, Singapore, South Africa, India and Kenya are chosen. The

Netherlands, England, Germany and Australia are the units of analysis for the developed countries. The data that will be used are secondary, consisting of news articles, press releases, social media etcetera.

This paper contributes to three streams of literature. The first stream is the digital platform literature. Digital platforms are rapidly expanding their market shares (Ojala et al., 2018). However, the literature does not acknowledge them to the same extent. This thesis studies how these digital platforms respond to host country institutions, contributing to the digital platform literature by gaining insights in the strategic responses of digital platform MNEs. Consequently, this thesis also contributes to the institutional theory literature. In order to study how organizations respond to regulatory institutions, the first step is to define these institutions. The last stream this paper contributes to is the literature of the sharing economy. The emergence of digital platforms played a big role in the rise of this model and that is why it is important to research how those MNEs try to ensure their position in the sharing economy by responding to the local institutions (Schor & Attwood-Charles, 2017). As for the practical implications, this thesis can be of use for policymakers as well as for organizations. When it is clear how digital platform MNEs respond to certain regulatory institutions this can be of use for policymakers from (local) governments. When they aim to influence the behavior of MNEs, they can adjust the institutional pressures accordingly. For MNEs, especially the digital platform MNEs, the findings of this thesis can also be of use because it offers an overview of the possible strategic responses to regulatory institutions. This can help them in choosing what kind of route they want to take when influenced by regulatory institutions.

First a literature review will be performed which will provide an outline of the key concepts of this research such as the sharing economy, business models and the sharing platform business model in particular. It will then look at regulatory institutions. After this, the literature review will end with the theoretical framework. Section three, the methodology, will elaborate on the choice of the inductive research method as the qualitative research method used in this thesis. It furthermore indicates which data and units of analysis were used, what the criteria for the selection of these were and how the data analysis took place. In section four, the findings of this research will be evaluated. The paper will end with section five and six, which are a conclusion and discussion including some recommendations.

Chapter 2 - Literature Review

This chapter provides an outline of the theoretical background regarding digital platform MNEs and regulatory institutions. The key concepts of this topic are explored, starting with the sharing economy. Secondly an overview of the concept of business model is given, including a comparison between the classic model and the sharing platform business model. After this, a comprehensive explanation of regulatory institutions will be given as well as a look into how MNEs respond to these regulatory institutions in host countries. This chapter ends with the theoretical framework and formulation of the research question.

2.1 Sharing economy

2.1.1 Definition of the sharing economy

The sharing economy is “*an economic model where people are creating and sharing goods, services, space and money with each other*” (Miller, 2016, p. 2). However, this is a general definition and the academic literature formulated a multitude of variations (Puschmann & Alt, 2016). In this thesis the focus is placed on MNEs that match providers of abundant resources with consumers of these resources, so that the consumers can have temporary access to those resources. That is why the following variation of the definition, that highlights the scarcity aspects of resources, is apprehended: “*the sharing economy is a model that is based on products that are accessed and reused in such a way that the capacity is utilized to the fullest*” (Kathan, Atlzer & Veider, 2016).

In the beginning the sharing economy offered mostly non-profit platforms, but now it also includes multibillion-dollar digital platform MNEs (Gerwe & Silva, 2020). With terms like ‘collaborative consumption’ or ‘product-service systems’, it can be challenging to make a distinction between sharing activities without any compensation, and sharing activities in which the acquisition and distribution of resources coordinate for a form of compensation (Belk 2014; Botsman & Rogers, 2010; Mont, 2002). As a consensus, most researchers now include both forms of sharing activities in their definitions of the sharing economy (Gerwe & Silva, 2020).

Although the conceptualizations of the sharing economy differ among researchers, Gerwe and Silva (2020) found overlapping, key aspects of the sharing economy. The first aspect is the access-based service. Schaefer, Lawson and Kukar-Kinney (2016, p. 571) define this as “*the market-mediated transactions that provide customers with temporally limited access to goods in return for an access fee, while the legal ownership remains with the service provider*”. No longer the ownership of resources is key, but the access to these resources. In addition, this access is mostly temporary (Frenken & Schor, 2017). The assets that the sharing economy focusses on are underused capacity in resources, human

skills, time or physical assets (Botsman, 2013; Gerwe & Silva, 2020). Typical organizations of the sharing economies that offer this temporary access are digital platforms: multisided digital frameworks, shaping the terms of interactions between participants (Kenney & Zysman, 2016). However, it is important to note that not the aforementioned aspects themselves form the sharing economy, but the combination of these features (Gerwe & Silva, 2020).

2.1.2 Advantages and disadvantages of the sharing economy

Kathan, Atlzer and Veider (2016) list the four main reasons why the sharing economy is a strong, here to stay, model, that should not be underestimated. The innovation in internet and technology makes the sharing and accessing of products convenient and transparent, and possible on a bigger scale (Cohen & Kietzmann, 2014). There is also a shift in what people value as important. It is not about ownership of physical products anymore, but about the ownership of ‘virtual’ traits, such as knowledge (Garcia, 2013). Furthermore, the shift from individual ownership to collective access will lower the demand of goods, and potentially reduce the burden on the environment as a consequence. And not the least important, it can be financially positive. Accessing asks for a smaller investment than owning, and there will be little to none maintenance costs for consumers. In addition, consumers can economize in this model as well, by renting out their own underused assets and thus monetizing them (Kathan, et al., 2016).

The sharing economy brings multiple advantages as well as disadvantages for the environment, the society and the economy. Such an economic advantage of the sharing economy is the lack of the so called ‘burden of ownership’ for consumers (Schaefer, Lawson & Kukar-Kinney, 2016). This burden consists of the risks and responsibilities that belong to an owner of a certain good or asset. Consumers do not longer have to become owners of a product or good to have access to it. The burden stays with the organization, lowering the threshold for consumers to access the product, hereby increasing the potential of making revenue for the organizations. However, as will be explained further on in this thesis, this is not true for all organizations in the sharing economy; with digital platforms MNEs the burden is not with the digital platform, but with the user on the supply side. Digital technologies, who play an important role in the sharing economy, reduce transactions cost and open up new possibilities to overcome distance between MNEs, but also between markets (Nachum & Zaheer, 2005). These reductions in costs and increase of market opportunities is a positive economic impact of the sharing economy. The sharing economy can also bring environmental advantages, one of these is the fact that it employs a more sustainable form of consumption, due to the shift in trends from owning assets to accessing assets (Martin, 2016). With sustainability gaining importance when consuming, the lifecycle of products is extended, lowering the pressure on the environment. Additionally, Botsman and Rogers (2010) expect the sharing economy to disrupt the hyper-consumption trend, lowering the stimulus to

buy products, which will also have a positive impact on the environment. Even though some researchers suggest that these trend do not stem from ecological awareness, but are mainly self-oriented, the beneficiary effects for the environment are still present (Matzler et al., 2015). The focus of the sharing economy on efficiency will furthermore benefit both the economy as the environment (Chuen, 2015). When processes are more efficient, the productivity is maximized, and waste minimized. The first consequence benefitting the economy, the latter the environment. Advantages for the society derive from peer-to-peer, or consumer -to-consumer platforms that are part of the sharing economy model, give society a new form of interacting (Krishnan et al., 2004; Parente et al., 2018). Lastly the platforms, as a part of the sharing economy, leverage the monitoring abilities of digital platforms, by peer-reviews and digital tracking, thus lowering the risk of moral hazards (Acquier et al., 2017). Lastly, the sharing economy has the potential to transform employment and working conditions (Muntaner, 2018); it acts as a stimulus to become micro-entrepreneurs, by ‘monetizing their underutilized assets, time and skills’ (Dreyer et al., 2017; Martin, 2016).

However, this also brings disadvantages for society. Oftentimes with micro-entrepreneurship, pensions, health insurance or other social benefits are not included, exposing the more vulnerable stakeholders to significant risks (Dreyer et al., 2017). Dryer, Lüdeke-Freund, Hamann and Faccar (2017) add to this that in these contexts, state capacity is often limited, resulting in ineffective or non-existing state regulation, preserving the negative effects of the sharing economy. Connected to this is the lack of balance when it comes to the stakeholders involved, the community as a whole is not taken into consideration (Acquier et al., 2017). As with every model, the sharing economy can have both positive as negative impacts on stakeholders, however, with this particular model, the negative impacts will be more severe for stakeholders with little resources and power, making them extra vulnerable (Dreyer et al., 2017). Furthermore, there is the ‘rebound effect’, when resources are cheap and easily accessible, there is an extra stimulus for indulgent consumption, meaning that reduced prices can lead to higher demand (Phipps et al., 2013). The positive environmental impacts the sharing economy triggers are expected to be little due to these rebound effects (Frenken & Schor, 2017). Lastly there is a more ethical dilemma that comes to mind: when everyday favors or actions become monetized, will society still perform these tasks without a monetized form of compensation (Schor & Attwood-Charles, 2017)? Monroy- Hernandez (2014) found that for some cases this is true, and that their altruistic sharing is reduced. This would indicate a negative effect on the society.

When it comes to the sharing economy, one of the few points researchers agree on is that it is difficult to give one, clear definition and empirical boundaries of the model (Acquier et al., 2017). This makes it harder to demarcate the concept. Furthermore it is a relatively new model that expands quickly, resulting in a lack of clarity in the emerging academic research (Cheng, 2016). Since the boundaries of the sharing economy are ambiguous, findings about the sharing economy cannot be easily generalized, because different concepts and boundaries are used. Meaning that one needs to apply the same definition for sharing economies as this thesis does, in order to use the findings of this thesis for possible further

research. Lastly the model keeps evolving, meaning that findings about sharing economy can be outdated (Schor & Attwood-Charles, 2017). Thus, it is recommended to act cautious with incorporating findings of others in one's own research.

2.2 Sharing Business models

2.2.1 Business models

In 1957, the academic literature was introduced to the concept of the business model (Bellman et al., 1957; DaSilva & Trkman, 2014). It is a complex concept and since then various definitions have been suggested (Zott et al., 2011). Casadesus- Masanell (2010, p. 195) views the business model “*as a reflection of the realized strategy of the firm*”. Another conceptualization of the business model is the following: a business model “*articulates the logic, the data and other evidence that support a value proposition for the customer and a viable structure of revenues and costs for the enterprise delivering that value*” (Teece, 2010, p.179). It is used to describe what an organization actually is at a specific moment of time (DaSilva & Trkman, 2014). This thesis uses the definition of a business model as described by Teece (2010), because this is a very broad and thorough definition which can be applied not only to the classic business model, but also to the new sharing models.

Strategy and business models go hand in hand. Strategy is the long term perspective binding the possibilities of business models, by setting up dynamic capabilities that will be used to tackle upcoming contingencies (DaSilva & Trkman, 2014). A business model can either be transaction based or activity based (Zott & Amit, 2010). When it is conceptualized as a set of transactions, it is a model consisting of components, linkages between components, and dynamics (Afuah et al., 2000). On the other hand, the activity based model can be described as the set of activities performed by the firms, combined with the *when and how* the firm performs them (Afuah et al., 2000). These activities are human, psychical or capital resources that serve a specific purpose of the overall objective of a firm (Zott & Amit, 2010). Business models can facilitate innovation, however, they can also become the subject of the innovation themselves (Schneider & Spieth, 2013). .

Three main components form a business models: the value proposition, the value network and the revenue or cost model (Bohnsack et al., 2014). The value proposition is the most important according to Johnson, Christensen and Kagermann (2008). It is about creating value for customers, by offering them solutions for the problems they have. Thus, it is important to know what the problems of your target group are. The more important the problem is to the consumer, the higher the value proposition can be. Another possibility to reach a high value proposition, is by aiming to offer the solution for problems that are not yet solved by other companies. The value network component is also known as the value creation system and consists of four subcomponents (Guo et al., 2013). It includes the actors that are related to the value creation, the resource structure based on resources, capabilities and activities,

the transactive structure that define the key transactions and the governance mechanism consisting of institutional arrangements that govern resource arrangements and transactions, rules, expectations and norms (Guo et al., 2013). The revenue model, also known as the costs model, reflects the financial aspects of the business model, including the cost structure, the revenue formula and the profit model (Guo et al., 2013). In other words: this model shows the means that capture value for an organization and shows the modes in which revenue is generated (DaSilva & Trkman, 2014; Zott & Amit, 2008).

2.2.2 Digital platform business models

Business models have changed over the years and one of the models that emerged is the digital platform model (Cohen & Kietzmann, 2014). These new models “*operate in sharing economies of collaborative consumption, where people offer and share underutilized resources in creative, new ways*” (Cohen & Kietzmann, 2014, p. 279). The success of these new business models is believed to be derived from the aftermaths of the economic recession, the growing environmental consciousness and the ubiquity of internet and technologies for sharing at scale. These factors combined challenge the traditional perception of resources.

Digital platform businesses can be seen as online marketplaces. There are four conditions for being classified as such a business (Täuscher & Laudien, 2018). The digital platform businesses connect independent actors from the demand as well as the supply side via a digital platform (Bakos, 1998). However, one of these independent actors can represent both groups: they can both be active on the demand side as well as the supply side. These actors interact directly with one another to realize the commercial transaction. Moreover, the platform offers a regulatory and institutional framework for the transactions to take place in. And perhaps most characteristic, the digital platform businesses generally do not produce goods or services themselves (Täuscher & Laudien, 2018). The digital platform business model has in the basis the same three components as the traditional business model, however, there are some differences between the traditional and the platform business model. Firstly, the value network is more environmental focused, as the society demands them to be closed- looped and more sustainability-minded (Kortmann & Piller, 2016). Furthermore, was the resource-based view for a long time used to explain the value proposition-aspect of business models, however the resource-based view is not able to capture all of its complexity, especially not the digital platform models (DaSilva & Trkman, 2014). Not the resources themselves bring value to a consumer, but the transactions made with those resources. The transaction cost theory is more in line with the digital platform models; this sees the efficiency of a transaction and boundary decisions as a source of value (Morris et al., 2005). This is another difference between the classic model and the digital platform model: their views on the value proposition and how to access it. The digital platform business models are more open; stakeholders are increasingly willing to participate in the firms activities and the emerging technologies amplify this effect even more

(Kortmann & Piller, 2016). This openness is also reflected in the value capturing of the digital platform business models. Kortmann and Piller (2016) moreover found that they are more centralized in the new models. An example of this are the so-called 'sharing-platform operators' who coordinate the peer-to-peer market, where the consumers are primarily the ones who supply other consumers. These provide access to resources or services by redistribution markets (Kortmann & Piller, 2016). Thus, the value proposition between the models differs. It is no longer about the resources the MNE has, but the resources the users have and how the MNE manages this supply and demand. This also enacts a shift when it comes to the consumers: the digital platform model does not have classic customers anymore: the resources are shared between the customers instead of sold to them (Cohen & Kietzmann, 2014).

The use of digital technologies in the new platform business models brought various ways of organizing a business model at comparable costs, making the overall possibilities for sharing models broader than the classic business model (DaSilva & Trkman, 2014). Because of this, transaction costs are reduced, highlighting new opportunities for these business models (Nachum & Zaheer, 2005). Additionally, the resource-based view assumes resources and capabilities to be organized internally, however for new digital models this is not the case (Haaker et al., 2004). In digital platform business models, the digital platform is a core resource. An important aspect of these platforms are the consumers, which makes it impossible to organize the resources and capabilities inside a business (Acquier et al., 2017).

The models also differ when it comes to the revenue cost model, this defines how revenue is appropriated by an organization. According to DaSilva and Trkman (2014) this did not change substantially in the new models (DaSilva & Trkman, 2014). However, in addition to being paid per transaction, often used in the classic model, it is also possible to earn revenue with subscriptions, the sale of services and the advertisement model (Schlie et al., 2011; Täuscher & Laudien, 2018). Lastly an important development of digital platform business models is that given their digital character, they can easily scale and rapidly adapt to different, local, contexts, given their digital character. This makes it easier to expand, even to host countries where the circumstances differ from the home country (Dreyer et al., 2017). There are also new points to focus on in this business model. Digital platform business models have to focus on creating trust and honest pricing on the platform, which is something the traditional models did not have to focus on (Täuscher & Laudien, 2018).

Although the differences between the classic business model and the digital platform model mentioned are almost all positive, there are some disadvantages connected to the digital platform business models. A social disadvantage is the fact that the activities of an organization in the sharing economy mostly take place on online platforms, making it harder to gain trust from your consumers, and for them to feel safe and secure (Houston, 2001). Organizations have to work harder to gain legitimacy and keep in, than companies in other economic models. Another threat of the sharing economy for businesses is formulated by Houston (2001): it is harder for firms to establish new and productive work partnerships.

Just as for the consumers, the trust is lower for possible partners, making it harder for sharing companies to find sustainable partnerships.

2.2.3 The internationalization of sharing platform business models

The emergence of new digital technologies brought many opportunities and is one of the key drivers of globalization (Palmisano, 2016). With these new technologies, digital platform MNEs arose as well. They experienced opportunities that made it possible to reach a rapid global growth (Ghemawat, 2016; Marano et al., 2020). However, they are facing skeptical responses from the host countries, making it a challenge to reach and keep legitimacy. Naturally, the differences in how local governments and associations respond to digital platform MNEs have to be acknowledged. However, the global market generally prefers the local digital platforms startups as oppose to the international startups (Marano et al., 2020).

Legitimacy is a social construct. It is the generalized perception that within a socially constructed systems of norms, definitions and beliefs, the actions of an entity are proper, desirable or appropriate (Suchman, 1995). The challenges that arise when trying to reach and keep this legitimacy, can be labelled as the liability of disruption (Marano et al., 2020). Digital platforms often involve both internal (employees) as external stakeholders (suppliers, regulators and customers). These stakeholders might be hesitant towards the new model at the beginning (Snihur & Zott, 2013). This skepticism will make it harder to internationalize. Another hurdle for legitimacy that influences internationalization negatively for digital platforms, is their disruptive character. They reach outside industry boundaries with their innovative view and aspirations, breaking the rules and changing the way of doing business (Snihur & Zott, 2013). Furthermore, internationalization challenges for digital platforms derive from the newcomer status they have in host markets, institutional differences between host and home countries, the inexperience with the host country institutions and business environment and challenges that are connected to managing globally diffused organizations (Bruton et al., 2010; Marano et al., 2020; Stinchcombe & March, 1965; Turcan, 2011; Zaheer, 1995; Zaheer & Mosakowski, 1997). The last problem mentioned by the literature is that digital platform business models develop faster than the corresponding legislation, encountering problems with the legality of their practices (Guttentag, 2015).

When it comes the internationalization of digital platform business, the biggest limitation is the neglect of the variation between local institutions (Marano et al., 2020). There is not one clear course that every local institution follows. When this variation between local institutions is not recognized, it will not be possible to give a complete picture of all of the (legitimacy) issues a digital platform has to deal with when internationalizing. Additionally, little research is done about the unique (legitimacy) challenges a digital platform business faces when internationalizing (Marano et al., 2020). There are

studies done about legitimacy challenges in general, however, the challenges that arise for sharing platform businesses specifically, are not yet researched thoroughly enough.

2.3 Regulatory institutions

2.3.1 Institutional pressure

The current view in literature is that organizational change takes place to become more isomorphic with their environment. Isomorphism is “*the constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions*” (DiMaggio & Powell, 1983, p. 149). According to the institutional theory normative pressures influence organizations. When organizations conform to these pressures, they change their organizational structure to become isomorphic with the arbitrary institutional pressures (Slack & Hinings, 1994).

DiMaggio and Powell (1983) distinct three forms of isomorphism. Coercive, Mimetic and normative isomorphism. For this research and the digital platform MNEs coercive isomorphism will be most applicable: formal and informal pressures utilized by organizations on other, sometimes dependent, organizations. The same authors (1983) also distinct two forms of isomorphic change; competitive and institutional isomorphic change. The first is relevant for an open and relatively free competitive market, the latter for organizations that aim to gain political power, institutional legitimacy and social and economic fitness.

Two decennia’s later Scott (2001) formulates three pillars for the isomorphic pressures; The regulative, the normative and the cognitive. Scott’s regulative pillar is concerned with actors or actions that establish rules oversee conformity to those rules and, if necessary, impose sanctions. Governments or governmental bodies are the most likely to be actors in the regulative pillar. This pillar has similarities with DiMaggio and Powell’s (1983) coercive isomorphism. The normative pillar concerns normative rules that open up the path for prescriptive, evaluative and obligatory dimensions to interact in social life. Both values and norms are included, the first to describe desired situations, the latter to prescribe how things should be done. The cognitive pillar refers to socially constructed and taken for granted rules. These rules determine, unconsciously, how things are done.

2.3.2 Regulatory institutions

In the 1950s Selznick formulated his interpretation of the institutional theory, that later proved to be one of the most influential ones (Scott, 1987). According to Sutton and Selznick (1958) organizational structures are adaptive instruments that are shaped as a response to the characteristics and obligations of participants and as a response to the effects and restrictions from the external

environment. Adaptation is necessary for institutionalization, which refers to the value that is infused apart from value that derives from the technical requirements of one specific task (Scott, 1987). Selznick's view of institutionalization was a way of infusing intrinsic value or worth to a structure or process that initially only had instrumental utility. Now, the institutional theory is more a theoretical orientation because of its concepts and arguments than a parsimonious theory (Scott, 1995). An important version of the institutional theory developed in the 1970s is the neo-institutional theory. Most international scholars have adopted the more narrow view of the institutional theory, focusing on this neo-institutionalism (Kostova et al., 2008; Powell & DiMaggio, 1991). This argues that the extent of alignment with the institutional environment determines the survival of the organization, stating that an organization needs to comply with external institutional pressures (Kostova et al., 2008).

Institutions are “*sets of common habits, norms, routines, established practices, rules, or laws that regulate the relations and interactions between individuals, groups, and organizations*” (Fagerberg & Mowery, 2009, p. 182). They could be seen as the ‘rules of the game’, consisting of formal and informal institutions (Hotho & Pedersen, 2012; North, 1990).

The formal institutions focus on rules and government structures, while the informal institutions comprehend ideology and culture (Kaufmann et al., 2018). With a narrow focus, these formal institutions often consist of government institutions, institutions of higher learning, medical institutions and legal institutions (Fulkerson & Briggs, 2011). Informal institutions entail traditions, moral values, customs, religious beliefs and all behavior that endure for a long time (Pejovich, 2006). Institutions can constrain behavior, as well as enable it; rules imply constraints, however they can also create opportunities by enabling actions that otherwise were not possible (Hodgson, 2007). Institutionalists such as Scott (1995) make furthermore another distinction between cognitive, normative and regulative institutions.

This research focusses on the regulatory institutions. These are the aforementioned formal institutions concerning regulation. One description of regulation is the game between multiple players whose knowledge and information about the choice that has to be made differs, which contributes to an efficient and fair allocation of resources (Estache & Martimort, 1998). The effectiveness of regulation is determined by the individuals that engage with powerful agencies and other decisionmakers that otherwise would be dominated by concentrated economic interests (Woolcock et al., 2001). However, the idealized view of the origin of regulatory institutions is that these are created by the ignorance of social planners, who delegated the social choices that had to be made to agents, labeled as ‘public decisionmakers’ (Laffont & Tirole, 1991). According to Laffont and Tirole (1991) a limitation of this public decisionmakers paradigm is that the agents have limited authority.

Different distinctions can be made within the concept of regulatory institutions. Social regulation for example focusses on matters such as health, safety and the protection of the environment and consumers. Economic regulation on the other hand deals with legislative and administrative controls

over rates, the entry of the markets, cases where there is not enough competition, taxes and other subsidies and other aspects of economic activity (Ogus, 2002; Posner, 1974).

In spite of the variation in regulatory institutions, the tasks they are concerned with overlap (Ogus, 2002). Ogus (2002) finds policymaking to be one of them, comprehending the establishing of goals of the regime concerning the policy, converting them to rules and codes that regulate behavior and create means to enforce these rules and codes when they are discorded. Allocating of the policy-making tasks is another burden of regulatory institutions. Two dimensions are of importance, one being the horizontal allocation, the other being vertical allocation. The first dimension evolves around the inquiry to what extent authorities need to be consulted on institutions that not include legislation or execution, the latter refers to the degree of control that is exert over the institutions. When performing these tasks, regulatory institutions have to keep transparency and accountability as key process values (Ogus, 2002).

The definition of institutions is a term of dispute in the literature. Not only the term itself shows to cause problems, the distinction between formal and informal institutions is also troubling (Hodgson, 2007). This is a limitation because not all findings about institutions can be used for new research. Caution is needed when wanting to use this literature for new concepts or ideas. Furthermore, little research is done concerning the different actors in the sharing economy (Cohen & Kietzmann, 2014). This is a shortcoming because these different actors can influence each other. Local institutions for instance can have a positive effect on digital platform business models, but also a negative. Before this influence can be used in a positive or negative manner, more should be known about the influence the local institutions have (Cohen & Kietzmann, 2014). Furthermore, digital platform businesses develop faster than the corresponding legislation (Guttentag, 2015). It is thus a possibility that for the digital platform business models that are currently studied, the related institutional pressures and legislation are not yet developed or came into force.

2.4 The responses of MNEs to regulatory institutions

2.4.1 The responses of MNEs to regulatory institutions

Organizations often require legitimacy in the environment in order to survive. To gain this legitimacy, they have to deal with the formal and informal institutions from both home as host countries they are active in (Peng & Chen, 2011). The academic literature already formulated some of these strategic responses, which are strategic behaviors employed by organizations as a response to institutional processes they are affected by (Oliver, 1991; Regnér & Edman, 2014). In this thesis the responses to regulatory institutions from digital platforms will be formulated. It is therefore wise to discuss what kind of responses to institutions in general are already developed.

Depending on the institutional pressures that are exercised on organizations, organizational responses will diverge from passive to active, from conforming to resistant, from controlling to preconscious, from opportunistic to habitual and from influential to impotent. According to Oliver (1991) it is essential to recognize the potential for variation in the behavior of an organization when identifying response strategies to the institutional environment.

She (1991) distinguishes five forms of strategic responses, that vary from passive to active resistance from the agencies. The first response is acquiescence, which differs from acceding to institutional pressures. It can occur in three different forms. Habit is the unconscious adherence to preconscious values or rules. Imitation is the mimicry of institutional models, this can be conscious as well as unconscious and is consistent with mimetic isomorphism (DiMaggio & Powell, 1983). More active is compliance, at which values, norms or institutional requirements are conscious incorporated or obeyed. When organizations attempt to balance, bargain or pacify with external constituents, this response is labeled compromising (Oliver, 1991). According to various theorists, avoidance is an important response to institutional pressure (Pfeffer & Salancik, 1978; Rowan & Meyer, 1977; Thompson, 1967). Avoidance is the organizational attempt to preclude the necessity of conformity and can be reached by buffering from institutional pressures, concealing the nonconformity or by escaping from the institutional expectations or rules (Oliver, 1991). The most rigorous form being, exiting the domain in which the institutional pressure is exercised (Hirschman, 1980). A more active form of resistance to institutional processes can be found in the defiance response. This is the ignoring or dismissing of institutional rules. With dismissal there is only little resistance, with challenging the resistance increases and attacking is the strongest form of defiance (Oliver, 1991). Oliver (1991) found this strategic option is more likely to be chosen when the chances of external enforcement to the rules are low or when the internal objectives unquestionably do not see eye with the institutional requirement or values. For this thesis this is expected to translate in different levels of defiance in units of analysis, depending on the authorities behind the institutional pressures. The most active form of responding is manipulation, it actively tries to change the institutional pressures or the force that it has. When organizations purposeful try to influence, co-opt or control institutional pressures, this is labeled as a manipulative response (Oliver, 1991).

As mentioned before, formulated Oliver (1991) general, widely accepted, strategic responses. However, this thesis is about the responses of MNEs. And when applying the aforementioned neo-institutionalism, studies suggest that MNEs have a specific institutional advantage: their social position, that, in combination with being exposed to ambiguous field conditions, can strengthen the MNE its ability to undertake particular strategic responses to institutions, which are not available for likewise domestic firms. (Kostova et al., 2008; Regnér & Edman, 2014). It is thus important to accept the strategic responses that are formulated for organizations in general, however they have to be supplemented by MNE specific responses such as formulated by Regnér and Edman (2014). They formulated four types of strategic responses: innovation, arbitrage, circumvention and adaptation. With innovation an MNE is

purposely seeking to work with and create new institutions, or change prevailing institutions (Regnér & Edman, 2014). For this response the host country institutions need to be clearly demarcated and relatively fixed, providing the MNE a stable ground to build on. When there are ambiguities in the local field conditions and the MNE has a boundary-spanning position, the arbitrage response strategy can be adopted. With this strategy, differences in home and host countries are leveraged. In line with Oliver's (1991) avoidance strategy, Regnér and Edman (2014) formulated the circumvention strategy. In this response MNEs avoid the institutional pressures. The technology that is applied in digital platform MNEs, makes it possible for these organizations to do business at a distance (Nachum & Zaheer, 2005).

The adaptation response is another strategy that is in line with Oliver (1991), namely the acquiescence strategy. With this strategy MNEs 'actively conform to host country institutions' (Regnér & Edman, 2014). Another strategic response that is formulated in the academic literature is signaling. Signaling is a term that mostly occurs when there are institutional voids in a market (Doh et al., 2017). It is used to legitimize, convince stakeholders that the company is 'doing good', to strengthen their partnerships and to improve their visibility and reputation. Oftentimes Corporate Social Responsibility (CSR) is used in this strategy, to satisfy stakeholders or because they expect favorable actions or policies in return (Yin & Zhang, 2012).

A framework for strategic responses that still has a pertinent influence is that of Oliver, which was published in 1991. The responses can be applicable on digital platform MNEs, but they are not developed *for* these organizations. Digital platform MNEs were not yet existing, meaning that they were not taken into consideration when forming this framework. The responses are formulated in 1991 and can thus be outdated to some extent. That is why it is important to also process 'updated versions' of this framework (e.g. Regnér and Edman (2014)). Now the digital platforms are increasingly gaining popularity, it is important to analyze their responses to institutions (Ojala et al., 2018). A limitation concerning this is that most research focusses on institutions as a whole, not just at the pressures from the regulatory institutions. Hence, it is possible that not all of these responses apply to the research questions discussed in this thesis.

2.5 Theoretical Framework

As stated before, the sharing economy is a rapidly growing model. Not solely the sharing model itself experiences a fast growth; the corresponding new business models are expanding rapidly as well. However, studies about these models stayed relatively on the surface (Cohen & Kietzmann, 2014). Thus, it can be concluded that, in general, more research about the digital platform and its organizations is needed. Considering the global presence and the size of the market shares of digital platform MNEs, these businesses deserve an equal amount of attention in the academic literature (Ojala et al., 2018). However, there are still some limitations when it comes to the academic literature regarding digital

platform MNEs. For instance, the business models that are active in the sharing economy are developing rapidly, making up -to-date research limited (Schiavi & Behr, 2018).

That “institutions matter” is well-known, but the question that has to be answered now is, *how* do they matter (Aguilera & Grøgaard, 2019; Jackson & Deeg, 2008; Peng & Chen, 2011)? According to the neo-classical form of the institutional theory, the extent to which MNEs respond to institutions will affect their success or chances of survival (Kostova et al., 2008). However, how they respond to these institutions is not yet researched (Peng & Chen, 2011; Regnér & Edman, 2014). Studies have investigated how firms respond to the home country institutions (D’Aunno et al., 2000). And, although to a lesser extent, the responses of multinational enterprises to host country institutions are also researched (Chung & Beamish, 2005). However, there seems to be a gap in the literature when it comes to how subunits of MNEs respond to host country institutions and even more when it comes to, more specifically, digital platform multinationals responding to host country institutions (Regnér & Edman, 2014).

Some studies investigated the responses of MNEs to institutions (e.g. Regnér & Edman, 2014), although oftentimes is focused on the institutions as a whole, not specifically the regulatory institutions. This suggests that more in depth research is needed about the host country regulatory institutions, as their roles for digital platform MNEs in those particular host countries keep increasing (Cheng, 2016; Marano et al., 2020). Furthermore, a lot of research is done about the sharing economy (Acquier et al., 2017; Cheng, 2016; Dreyer et al., 2017; Frenken & Schor, 2017; Gerwe & Silva, 2020; Parente et al., 2018; Sutherland & Jarrahi, 2018). And even digital platforms are an upcoming topic in the international business literature (e.g. Mäntymäki et al., 2019; Muntaner, 2018; Ojala et al., 2018; Sutherland & Jarrahi, 2018). However, there seems to be a gap in the literature when these topics are combined. When it comes to how MNEs engage or strategize regarding the institutional environment, there is a lack of research (Regnér & Edman, 2014). Thus more research should be done about the responses of digital platforms MNEs to regulatory institutions. Are they the same as the classic responses to institutions, as formulated by Oliver (1991), or do they have their own variation on these? Take the avoidance strategy for example: it is stated that due to the technology they incorporate, digital platform MNEs do not have to go abroad to do business, it can be done from a distance (Nachum & Zaheer, 2005). One could therefore expect that the avoidance strategy is extensively used as a response by digital platform MNEs.

The aim of this research is to find and study the different responses to regulatory institutions digital platform MNEs adopt. That is why the research question of this research is formulated as follows: *How do sharing platform MNEs respond to regulatory institutions in host countries?*

Chapter 3 – Methodology

Chapter three explains the methodology of this thesis. The outline of the research design and the selection process of the units of analysis are clarified. In addition, the data collection methods are specified, as well as the techniques used to analyze the collected data. Finally, key remarks are listed about the validity, trustworthiness and reliability of the data and used methods.

3.1 Research design

This thesis uses the inductive research method, in which data are used to develop grounded theory (Gioia et al., 2013; Saunders et al., 2019). With this method, one ‘revelatory’ case is selected that has the potential to offer some new insights in a phenomenon that has not yet been studied extensively (Langley & Abdallah, 2011). Furthermore, an inductive method is particularly useful to gain new theoretical insights, strongly based on practice (Ciulli et al., 2019; Langley & Abdallah, 2011). The study subject is relatively novel and as such has not been researched extensively. Hence, a qualitative deductive method is not the best fit, since it tests theories instead of developing them (Saunders et al., 2019). As mentioned before, a significant literature gap can be identified regarding responses of digital platform MNEs towards (regulatory) institutions. Consequently, there are no theories available yet that can be tested. This lack of theories justifies the use of an inductive research method in this thesis. In order to limit the influence of other factors, multiple host countries for the same company are used as units of analysis. That company is, as mentioned earlier, Airbnb. The common design of the inductive method is followed: the research scope evolves from a relatively broad focus to a zoomed in one (Ciulli et al., 2019).

3.2 Selection of units of analysis

The selected research context are digital platform MNEs. Airbnb is identified as a suitable case for researching the responses of these MNEs for multiple reasons. The overall concept of the platform is similar in every country it is active in, however, there are a lot of inter country differences (Adamiak, 2019). This variation is important to avoid a limitation of the scope of the theory development and is part of the maximum variation logic (Ciulli et al., 2019). The objective of the variation logic is to capture important patterns that are significant because they “emerged out of heterogeneity” to capture the maximum variation between the units of analysis (Palinkas et al., 2015). In order to incorporate this logic in the sample, a variation of host countries is chosen as units of analysis, capturing the variety of regulatory institutions. Given Airbnb its presence in over 220 host countries, it can offer this desired maximum variation. Furthermore is Airbnb valued at \$26 billion, making one believe that its responses

to regulatory institutions will not be limited by a lack of capital resources (Iyer & Moynihan, 2019). Moreover, Airbnb is a very visible company; it has more than 750,000,000 users, 266.000.000 hits on Google and a strong social media presence (for instance Airbnb has 43,400 posts on Twitter) as of August 2020 (Airbnb 2020). This maximizes the chance for sufficient data. Table 1 presents a number of facts and figures about Airbnb. Multiple databases and articles have been checked to collect these figures (e.g. Airbnb, 2020; Wealth, 2020). However, Airbnb does not share information easily; it does not publicize annual reports and only little corporate documentation is released.

Table 1: Facts and Figures Airbnb (Airbnb, 2020; Wealth, 2020)

| Facts and Figures Airbnb (2020) | |
|--|--|
| Origination | United States, San Francisco |
| Founded | August 2008 |
| Founders | Brian Chesky, CEO |
| | Joe Gebbia, Head of Samara |
| | Nathan Blecharczyk, Chairman of Airbnb China |
| Legal form | Incorporated company |
| Ownership | Private |
| Category of the company | Lodging and Hospitality |
| Number of employees | 6,300 |
| Estimated value | \$26,000,000,000 |
| Host countries | + 220 |
| Users | 750,000,000 |

The first step in selecting the units of analysis was looking for countries where Airbnb is represented; not surprisingly this resulted in numerous host countries (Airbnb, 2020). Subsequently, a broad internet search was executed to identify host countries with notable regulatory institutions regarding Airbnb and its activities. Examples of such regulatory institutions are tax laws, quotas, or the ban of Airbnb's activities as a whole. This step was taken in order to ensure that Airbnb had some sort of interaction with, or response to the regulatory institutions in that particular host country; i.e. unit of analysis. Whenever Airbnb is not affected by the regulatory institutions, there will be little to respond to, and consequently little can be learnt from that specific unit. From host countries that complied to this criterion, eight were chosen to form the sample (Table 2). In this sample, The Netherlands, England, Germany and Australia are according to the United Nations (2019) developed countries. According to the same dataset Singapore, South Africa, India and Kenya are developing countries (United Nations, 2019). The choice for four developed and four developing countries, is a conscious one to try and keep the balance in the data set and ensure a sufficient amount of (maximum) variation. The regulatory

institutions of developed countries differ from the developing countries, so both should be represented in the analyses in order to capture all the important patterns in the responses (Palinkas et al., 2015). Table 3 presents background information of each of these units of analysis.

Table 2: List of units of analysis

| | Country |
|---|-----------------|
| A | The Netherlands |
| B | England |
| D | Germany |
| E | Australia |
| F | Singapore |
| G | South Africa |
| H | India |
| I | Kenya |

Table 3: Background information

| Country | Year of entering | Number of listings per country (x 1,000) | Number of listings per capital (x 1,000) | Established an official Airbnb office |
|-----------------|-------------------------|---|---|--|
| The Netherlands | 2012 | 55,0 | 6,0 | No |
| England | 2009 | 257 | 3,2 | Yes |
| Germany | 2010 | 90 | 9,2 | Yes |
| Australia | 2012 | 141 | 0,1 | Yes |
| Singapore | 2012 | 8,7 | 4,2 | Yes |
| South Africa | 2010 | 43,4 | 13,9 | No |
| India | 2012 | 45 | 1,9 | No |
| Kenya | 2012 | 6,5 | 4,3 | No |

Sources: Adamiak, 2019; Airbnb, 2017, 2018a, 2018c, 2019; Bouma et al., 2014; Craft.co, 2020; Deloitte, 2017; Ghosh, 2014; Kommenda et al., 2020; Marketminder, 2020g, 2020e, 2020h, 2020d, 2020c, 2020a, 2020b, 2020f; Murathe, 2019; Schlesinger, 2018; Sen, 2017 and Zachariah, 2016

3.3 Data collection

For this thesis, secondary data are used. This is a good fit because this thesis aims to gain insight in how digital MNEs respond to regulatory institutions. Primary data collection would not be viable, considering that not every chosen host country has an official Airbnb office (see table 3) limiting the selection of managers for interviews and risking the findings to be strongly influenced by other factors. Furthermore, Airbnb is known for keeping information internal, complicating the collection of strategic information even more. Secondary data will provide more information about Airbnb and its activities. Multiple forms of secondary data are used, each of them developed for public consumption. According to Yin (2014) newspapers articles are stable and exact data sources. Additionally, Saunders, Lewis and Thornhill (2009) state that newspapers are good sources of developments within businesses. In general these data are publicly available, making it relatively easy to obtain. However, as presented in table 4, for some units of analysis the amount of data was still limited. Additionally, Airbnb is a privately held company and as such not obliged to publicize annual reports or other profound data (Airbnb, 2020). Adding to that that Airbnb does not share internal information lightly, newspapers seem the most fitting sources for this thesis.

In line with this, for every country two newspapers are selected, one financial and one regular newspaper. All of these are nationwide papers and thus applicable to the whole unit of analysis. Table 4 provides an overview of the specific newspapers used. There are two selection criteria. First, to uphold the reliability of the sources the newspapers with the highest circulation number were selected. From these papers, the ones published in English were preferred, avoiding translation discrepancies as much as possible. A global database was used to collect every article of the specified newspaper published before the first of June 2020 and included the term 'Airbnb'. Table 4 provides an overview of the number of articles collected and screened and the amount that was actually eligible to code. Next to that, communication of Airbnb through their publicly available websites and social media is used to collect data from, including, but not limited to: webpages, updates and general reports publicized by Airbnb. In particular when specific information was not given by the news articles, or when a statement from a news article needed more information for clarification, social media posts of Airbnb were used. The latter sources were also used to collect background information about Airbnb and their host countries.

Regulatory institutions themselves as well as responses to regulatory institutions, develop over time. To maximize the chance of capturing the responses as valid as possible, data had to be analyzed over a longer time period. Hence, a longitudinal approach is chosen. Although Airbnb is founded in 2008, it entered the host countries used as units of analysis not until later (Table 3). It is worthwhile to note that the starting date of data analyzed differs per country and newspaper investigated, however the end date of the analysis is the same for all publications. As timeframe for collecting the data the year of entering is chosen, meaning the start date of the timeframe may differ per host country, but the end date

is the same for each of them. The actual data collection took place in 2020, however the timeframe covered by the secondary data stretched from 2010 to 2020.

Table 4: Data sources: newspapers

| Country | Newspaper | Documents Collected | Documents coded |
|-----------------|-----------------------------|---------------------|-----------------|
| The Netherlands | De Volkskrant | 218 | 55 |
| | Het Financieele Dagblad | 259 | 89 |
| England | The Guardian | 406 | 72 |
| | The Financial Times | 515 | 77 |
| Germany | Die Allgemeine Zeitung | 56 | 11 |
| | Handelsblatt | 216 | 66 |
| Australia | The Australian | 218 | 52 |
| | Australian Financial Review | 273 | 77 |
| Singapore | The Straits Times | 147 | 43 |
| | Business Times | 73 | 25 |
| South Africa | Daily news | 10 | 9 |
| | Business Day | 10 | 9 |
| India | The Times of India | 49 | 16 |
| | The Economic Times | 132 | 52 |
| Kenya | The Daily Nation | 8 | 7 |
| | Business Daily | 9 | 7 |

3.4 Data analysis

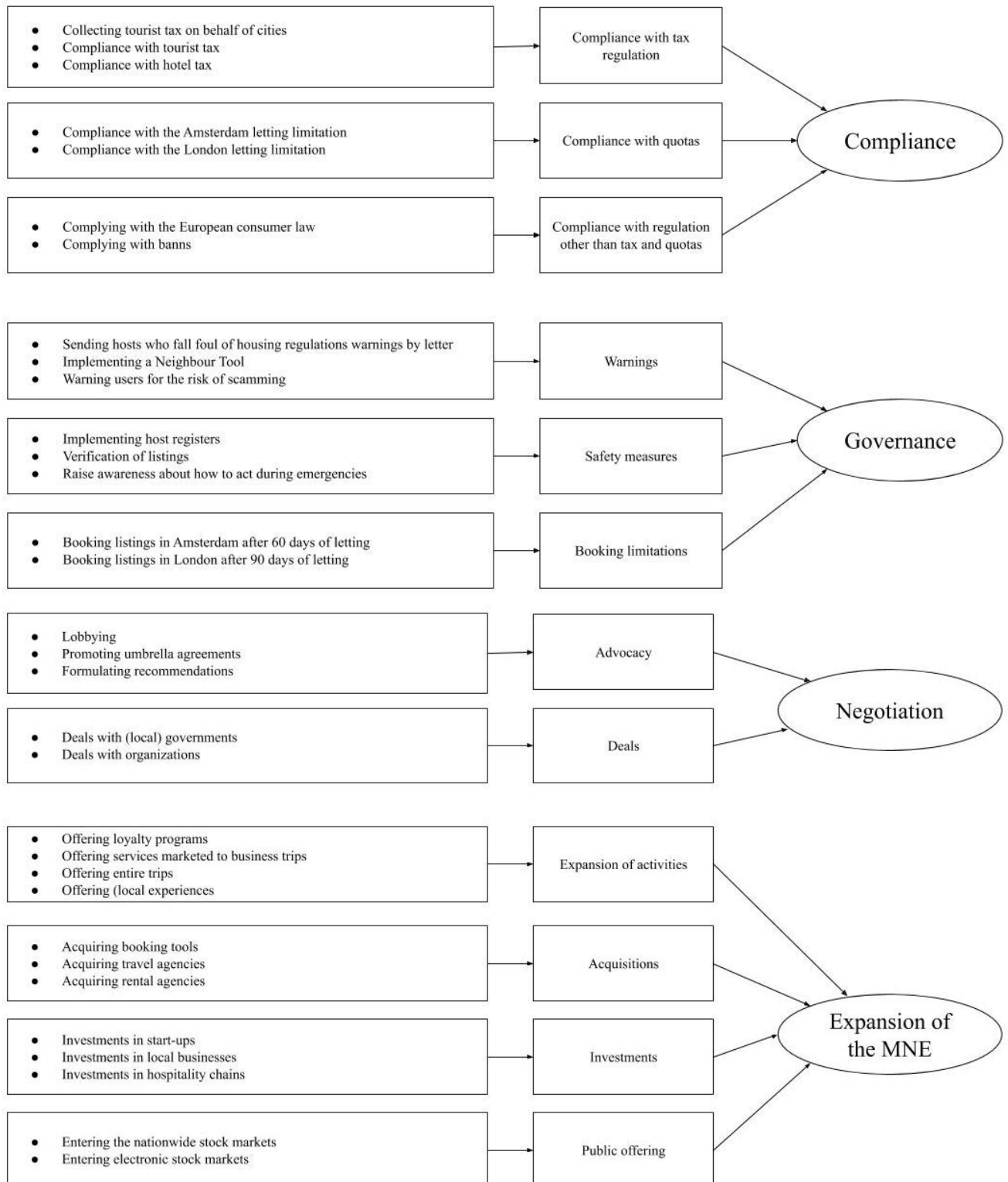
For the data analysis, the inductive method as described by Gioia et al. (2013) is applied. The data, that are all secondary, is analyzed through open coding combined with the grounded theory building to form themes (Fendt & Sachs, 2008; Glaser & Strauss, 1967). Themes, the fundamental concepts that are attempted to be described, are built from the ground up in inductive research (Ryan & Bernard, 2003). First, it was attempted to find and understand regulatory institutions in host countries of Airbnb that influenced or affected the MNE. After this, secondary data was used to find, understand and record the reactions of Airbnb to these regulatory institutions in host countries. As the analysis matured, the confrontation of the theory and the insights increased (Ciulli et al., 2019). However, the literature was only used to support the research process, for example to find labels for the themes, not to interpret the empirical data (Risi & Wickert, 2017). After the data was collected following the steps described in paragraph 3.3, the residual data was screened. During this screening a broad range of observations were registered and the data was sorted, following the first order of Gioia's (2013) framework. All of the responses that each of the units of analysis had to regulatory institutions were sorted and coded. When additional information or a more in dept understanding was needed, other sources e.g. reports, social media posts and webpages publicized by Airbnb were used to provide this information. Similarities and differences were sought to combine these codes into themes that reflect

key elements of the data (Ciulli et al., 2019; Gioia et al., 2013). As a third step of the Gioia framework, the themes were, again by identifying differences and similarities, combined to form aggregate dimensions. Some theme labels formulations were, when pertinent, taken from current literature, however, for other theme labels own wording was used. Figure 1 illustrates this process, each column representing one of the three aforementioned steps, starting with raw data and formulating these into theoretical concepts.

3.5 Data trustworthiness, validity and reliability

When it comes to qualitative research, the quality is often questioned (Shaw & Holland, 2017). Validity is reached through integrity, not through indifference (Bickman & Rog, 2009). According to Golafshani (2003) examination of trustworthiness is crucial to ensure the reliability in qualitative research. However, Stenbacka (2001) argues that the matter of reliability is not relevant in qualitative research, because it concerns measurements.

The grounded theory method uses qualitative research to inductively generate theory (Fendt & Sachs, 2008; Glaser & Strauss, 1967). With this method, the intrinsic qualities and the pragmatism of the researcher are a significant factor for the overall research quality (Fendt & Sachs, 2008). Although this research is a qualitative inductive research, it does not fully meet all criteria of the grounded theory method: triangulation should be included (Fendt & Sachs, 2008). Since only secondary data is collected it is impossible to triangulate. However, other steps were taken to ensure the trustworthiness, validity and reliability as much as possible. Lincoln and Guba (1985) offered criteria to ensure the trustworthiness and quality of research concerning the credibility, transferability, dependability and confirmability. ATLAS.ti is used to ensure the credible storage and management of data, pursuing the credibility of the research. For the transferability criterion, the ‘thick description’ from Korstjens and Moser (2018) is met by describing not just the behavior and findings, but also the context that they are in, in order to make this information meaningful for an outsider as well. For the dependability and confirmability of the research the codes that are closely representing the data and higher-order themes are separated to enable continuous verification of interpretations. Additionally, there is some form of an audit concerning the data collection, management and analysis: when data or statements were unclear or ambiguous, additional information publicized by Airbnb was used to accomplish a correct understanding of the data (Ciulli et al., 2019; Lincoln & Guba, 1985). Furthermore, the data that are used are mainly collected in English, to avoid discrepancies caused by translation issues. Finally, all data are analyzed by the same person, minimizing the risk of interpretation deviations.



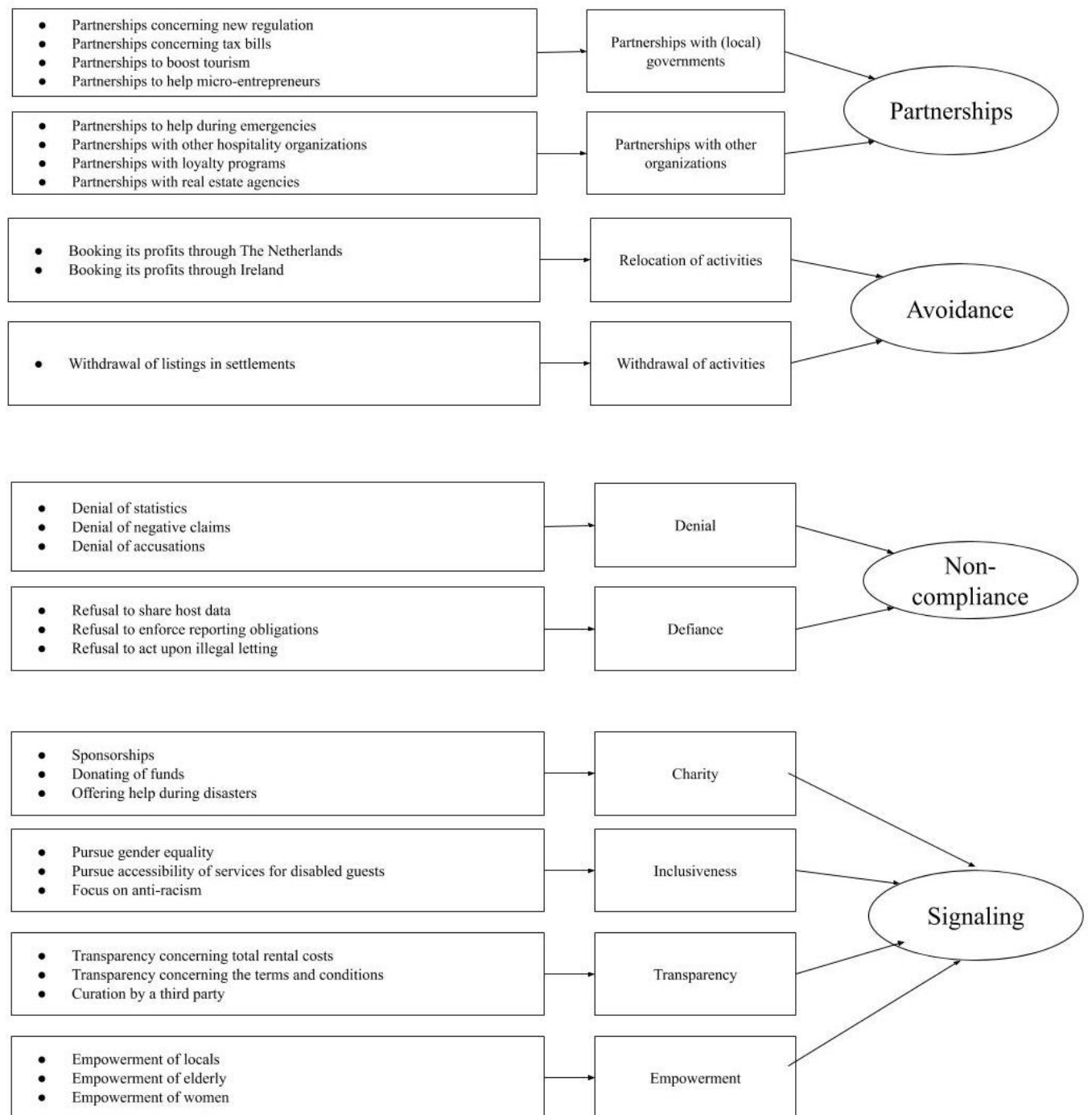


Figure :1 Data structure

Chapter 4 - Results

Chapter four focusses on the findings of this thesis. The findings are based on the data analysis mentioned in chapter three and are shown in figure 1. Eight different responses to regulatory institutions were found: compliance, governance, negotiating, expansion of the MNE, partnerships, avoidance, non-compliance and signaling. The responses and their subcomponents will be explained individually, substantiated with representative quotes.

Response to regulatory institutions 1: Compliance

The first response of Airbnb to regulatory institutions is compliance, which represents the company adherence to laws and regulations. It is formed by three sub-responses, depicted in in table 5: compliance with tax regulation, compliance with quotas and compliance with other regulation. The latter response includes all regulations and laws besides tax and quota regulations. Although tax regulation and quotas can be seen as a form of laws as well, they are purposely separated into different sub-responses. Compliance with tax regulations as well as with quotas are dominant in the thesis results and are important aspects of the compliance response as a whole.

Compliance with tax regulation

Many countries and cities where Airbnb operates in enforce specific tax regulations, resulting in tourist- or hotel tax. In England, The Netherlands, Singapore, India and Kenya Airbnb already collects taxes on behalf of the cities they are active in. Furthermore, it is stated that Airbnb has been working to have around 700 tax-agreements, suggesting that the abovementioned countries are not the only host countries in which Airbnb complies with tax regulation.

Compliance with quotas

Some cities implemented a quota for the maximum amount of days an Airbnb-listing can be let. In London the local government restricted the maximum nights an Airbnb-listing can be let to 90 days a year. In Amsterdam this renting out is restricted to 60 days a year. Other countries such as Germany, South Africa and Australia also have quotas implemented. Airbnb complies with these quotas, sometimes even by actively blocking listings after these numbers are reached (e.g. London and Amsterdam).

Compliance with regulation other than tax and quotas

Next to the two streams of regulation mentioned above, also other laws and regulations can be in place in host countries that Airbnb has to comply with. In Singapore and Berlin for instance short term rentals are banned. Airbnb complies with these banns as well. Airbnb has also complied with the

European customer laws. Airbnb not only complies itself; it also pushes and encourages its users to comply with (local) laws. It ensures this by reminding its users regularly to check and comply to (local) laws and regulations and warns them when they are not complying (as will be seen in the second response).

Table 5: The “Compliance” response: representative quotes

| Sub – responses | Representative quotes |
|--------------------------------|---|
| Compliance with tax regulation | <p>“Last year Airbnb agreed to collect tourist taxes on behalf of Paris, as it has previously in other cities, including Amsterdam.” (<i>The Guardian</i>, 2016)</p> <p>“Airbnb itself has been proactive in working with the tax authorities to collect room taxes.” (<i>The straits Times</i>, 2016)</p> <p>“In cities that do have hotel taxes, Airbnb has been working to strike deals to collect such taxes, and aims to have 700 agreements in place by the end of this year.” (<i>Financial Times</i>, 2017)</p> <p>“We have started working with cities on collecting hotel tax for them,” Blecharczyk said, adding, “Airbnb had collected \$1 billion in hotel tax.” (<i>The Economic Times</i>, 2019)</p> |
| Compliance with quotas | <p>“Starting next year, the online service will automatically prevent hosts in London from letting their homes for more than 90 days a year, unless they have the required ‘change- of use’ planning permission from their local authority.” (<i>Financial Times</i>, 2016)</p> <p>“In Amsterdam Airbnb will enforce the city’s 60-night limit on short-term rentals and will start noting any neighbours’ complaints about Airbnb units” (<i>Financial Times</i>, 2016)</p> <p>“Airbnb has agreed to restrict the number of nights that hosts can rent out homes in London and Amsterdam – bowing to pressure from</p> |

| | |
|--|--|
| | regulators in two key European markets” (<i>Financial Times</i> , 2016) |
| Compliance with regulation other than tax and quotas | <p>“Airbnb’s Australian general manager Sam McDonagh said Airbnb tried to encourage hosts to comply with council regulations.” (<i>The Straits Times</i>, 2015)</p> <p>“Airbnb’s current policy tells hosts that they are required to comply with local laws.” (<i>The Guardian</i>, 2016)</p> <p>“European Commissioner Vera Jourova, who announced this yesterday, stated that Airbnb now meets all standards of European consumer law” (<i>Het Financieele Dagblad</i>, 2019)¹</p> |

Response to regulatory institutions 2: Governance

The first response shows that compliance by Airbnb with regulatory institutions is something that Airbnb implements. However, compliance is not solely important for Airbnb itself, its users should do the same. In order to meet these regulations, they invoked some policies that it implemented in its business, to help keep their users on the right path. Three sub-actions together form the response ‘governance’. These sub-actions are, as shown in table 6: warnings, safety policies and booking limitations. These are all based on policies Airbnb developed, to respond to the regulatory institutions.

Warnings

The first form of warnings that Airbnb invokes is to remind users to comply with their (local) regulation. When the Airbnb host still fall short in complying with the regulations, Airbnb sends them warning letters urging them to comply with the regulations. This is a response to increasing institutional pressure put on Airbnb, for instance by cities that want Airbnb to manage its increasing amount of illegal listings on its site. This form of warnings is started by European host countries. In Singapore other warnings to hosts are given to hosts as well, via a *Neighbor Tool*. This tool can be used when neighbors have issues with specific aspects of a host or listing. This comes as a response to a public consultation the government of Singapore hold, to see if the rules for short-term renting should be reconsidered. By

¹ This quote is translated from Dutch to English by the author.

giving the public the chance to actively handle when problems concerning Airbnb (hosts) arise, this might change the attitude of the public. Airbnb also warns users to be aware of potential scammers, as a response to (Australian) authorities that urged them to have a more direct approach when it comes to scammers and consumer protection, joined by a dozen complaints from the same authorities.

Safety measures

In England community leaders complained that they cannot take action when whole neighborhoods are flooded with short term rentals. As a response Airbnb made registers for first time host, to prevent illegal rentals. This is a form of safety measures, concerning the illegal rentals. After complaints from local councils and governments concerning, inter alia, illegal rentals, safety issues and the protection of data of the hosts, Airbnb took action by incorporating new safety measures. All of the host countries analyzed have taken measures in a certain manner. In India and England Airbnb properties are being verified. In Singapore Airbnb verifies the identification of users and ensures the authentication of reviews. As a response to the concerns regarding the physical safety of users, Airbnb raises awareness of what host can do when there are safety issues, an example of a host country that does this is England.

When a global pandemic struck, Airbnb claimed to be the first who followed the regulations of an official health organization by implementing an overarching standardized protocol in all of the countries it is active in. However, these are not the only safety measures that are taken, due to their extensive use, only a few are them are highlighted in the text above. In India for instance, the platform has taken more than 42 measures to ensure the safety as much as possible.

Booking limitations

As set out in the ‘quotas’ sub-response, countries such as Singapore, South Africa, Australia, England and The Netherlands have regulated the amount of days a listing can be let. Airbnb not only complies with these limitations; it actively ensures they are followed by automatically blocking listings on the site when they have reached this limit. In Amsterdam this happens after 60 days, in London after 90 days.

Table 6: The “Governance” response: representative quotes

| Sub – responses | Representative quotes |
|------------------------|--|
| Warnings | “Airbnb hosts in Paris who fall foul of housing regulations will be sent letters warning them to follow the city’s homesharing rules.” (<i>The Guardian</i> , 2016) |

| | |
|-----------------|---|
| | <p>“In June, it also rolled out a new Neighbour Tool which allows neighbors of hosts to flag any concerns they have about Airbnb listings.” (<i>The Straits Times</i>, 2016)</p> <p>“Airbnb, Stayz and other online accommodation providers need to make their warnings for new users clearer, the regulator said.” (<i>The Australian</i>, 2017)</p> |
| Safety measures | <p>“Airbnb, the peer-to-peer online room rental service, launched its \$50,000 guarantee to protect hosts against theft and vandalism, along with a suite of 42 new safety features.” (<i>Financial Times</i>, 2011)</p> <p>“Airbnb offers one big advantage – trust and safety because of technical features that verify ID’s “(<i>The Times of India</i>, 2014)</p> <p>“Addressing the issue of security, Airbnb said safety tools such as detailed profiles and authentic reviews allow guests and hosts to ‘get to know each other before a reservation’. (<i>The Straits Times</i>, 2016)</p> <p>“Airbnb has joined hands with SOTC & Thomas Cook so that these legacy travel companies can offer prescreened and trusted stay options” (<i>The Economic Times</i>, 2016)</p> <p>“Airbnb will verify all accommodation facilities to check for safety and cleanliness and only then list them on their website” (<i>The Times of India</i>, 2017)</p> <p>“The company is forming partnerships with local authorities and relief organizations to raise awareness of what Airbnb hosts can offer in an emergency, and to ensure hosts are themselves trained in safety and readiness for disaster” (<i>Financial Times</i>, 2017)</p> |

| | |
|--------------------|---|
| | <p>“Airbnb hosts could have their identities included on a register for the first time to prevent illegal short-term rents and the use of scarce council housing as holiday accommodation.” (<i>The Guardian</i>, 2019)</p> <p>“Airbnb claimed that they were first in the hospitality -tech industry to come up with an “overarching standardized protocol” informed by guidelines issued by the US Centres for Disease Control and Prevention (CDC). ”(<i>The Economic Times</i>, 2020)</p> |
| Booking limitation | <p>“The group reported Thursday that it is blocking advertisements from landlords in London as soon as they rent rooms for longer than the 90 days allowed there.” (<i>Het Financieele Dagblad</i>, 2016)²</p> <p>“Airbnb recently agreed with the municipality that an apartment will automatically disappear from the site if the 60-day limit is exceeded.” (<i>Het Financieele Dagblad</i>, 2017)³</p> |

Response to regulatory institutions 3: Negotiation

The third response that is found is ‘negotiation’. This response is formed by advocacy and deals (see table 7). It is a middle ground response, between the responses of compliance and non-compliance. With advocacy the aim is to let the regulatory institutions act in your favor. When that is not possible, deals can be used to make compromises.

Advocacy

The sub-response ‘advocacy’ seems to be chosen by Airbnb when local governments are developing new regulations, or when changes are potentially happening. This happened for example when the European Union wanted to make technology companies liable for all of the content on their platforms. This would impact 3 of the host countries analyzed (Germany, England and The

² This quote is translated from Dutch to English by the author.

³ This quote is translated from Dutch to English by the author.

Netherlands). As a response to these plans Airbnb started to lobby in Europe against these plans. However, Airbnb also lobbied in specific countries as a response to nationwide or local laws. An example of this is The Netherlands where Airbnb worked to negotiate an umbrella agreement with the Dutch government regarding, inter alia, tax regulations. India also responded to regulatory institutions by lobbying, it formulated recommendations regarding regulations before the government decided on these regulations itself.

Deals

The response of striking deals with governments is mostly visible related to tax regulations. Users of Airbnb have to pay taxes directly in most of the host countries; Airbnb responds with successful negotiations with local governments for clear tax arrangements. In the analysis The Netherlands and England were explicitly mentioned, however, Airbnb aimed to make around 700 of such tax deals, suggesting that most host countries will implement this sub-response to local tax regulations.

Table 7: The “Negotiation” response: representative quotes

| Sub – responses | Representative quotes |
|-----------------|--|
| Advocacy | <p>“Alternative accommodation major Airbnb is working with other online aggregators to put together recommendations for the government before India comes out with its own set of regulatory frameworks for the industry” (<i>The Economic Times</i>, 2017)</p> <p>“Airbnb would like to negotiate an umbrella agreement with Dutch municipalities. That became apparent yesterday during a round table discussion about the sharing economy that was held in the House of Representatives. The rental broker says he is in discussion with Rotterdam, The Hague, Utrecht and Eindhoven, among others, about matters such as the payment of tourism taxes and the exchange of information.” (<i>Het Financieele Dagblad</i>, 2018)⁴</p> <p>“Following a series of court cases and lobbying by Airbnb, Berlin’s senate and city parliament earlier this year relaxed their law: owner-</p> |

⁴ This quote is translated from Dutch to English by the author.

| | |
|-------|--|
| | <p>occupiers can now, under certain conditions, rent out their own home as much as they want, and rent out second homes for up to 90 days a year.” (<i>The Guardian</i>, 2018)</p> <p>“Tech companies privately concede that they will be subject to more stringent regulation around liability and tax in Europe, but have been actively lobbying to ensure that the legislation put in place comes from one centralized EU office rather than individual states.” (<i>Financial Times</i>, 2020)</p> |
| Deals | <p>“In cities that do have hotel taxes, Airbnb has been working to strike deals to collect such taxes, and aims to have 700 agreements in place by the end of this year.” (<i>Financial Times</i>, 2016)</p> <p>“Last month, it said it wanted to secure 500 more deals with cities to collect and remit taxes on rental income. It has 200 such deals at present.” (<i>Financial times</i>, 2016)</p> <p>“In a deal with London and Amsterdam announced this week, the company has agreed to take on the responsibility of policing limits on the number of days per year a full unit can be let through its system, making it the first short- term rental company to cut such a deal.” (<i>The Guardian</i>, 2016)</p> <p>“The increase in Amsterdam's revenues is largely explained by an agreement with Airbnb, the online marketplace for the rental and booking of private accommodation. The service failed to collect and pay tourist tax but revised that attitude last year under pressure from municipal measures”. (<i>De Volkskrant</i>, 2016)⁵</p> |

⁵ This quote is translated from Dutch to English by the author.

Response to regulatory institutions 4: Expansion of the MNE

Airbnb stated it wants to diversify its brand in order to protect itself against potential regulations or other government moves that restrict the letting of privately-owned residences (Robbins, 2019). This is covered in the fourth response: the expansion of the MNE. It is not a response to any of the regulatory institutions directly, but more a strategic response to protect itself against the presence of regulatory institutions and the possibility of regulatory institutions constraining Airbnb's activities. Table 8 lists all the sub-responses of the 'expansion of the MNE' response, which are: expansion of activities, acquisition, investments and public offering.

Expansion of activities

The first sub-response is the expansion of Airbnb's activities. Over the years Airbnb added a wide range of additional services to its brand. One of them is the Airbnb experiences, in which Airbnb offers activities fitted to that specific host country. It promotes these as a win-win: guests get the full local experience and locals are empowered to earn additional funds. An example of such experiences is the Buddhist experience in India. Other services Airbnb developed are Airbnb Plus and Beyond to attract high-earning guests, Airbnb for Work focused around all that comes to mind regarding business trips (e.g. offsite meeting services and relocation services). Important to note is that all of the analyzed host countries implement this sub-response, however the substance differs per country.

Acquisition

Another sub-response that is used to expand the Airbnb brand, and with that protecting its existence from limitation or bans, is acquisition. When the primary activity of Airbnb, letting accommodations, is not possible anymore, it has multiple other firms and activities to fall back on. By acquiring already successful established brands, it enlarges its group of consumers, strengthening its market position even more. In almost all of the analyzed host-countries, Airbnb acquired firms. In Singapore for instance, it bought a flight-booking tool. However, some acquisition does not belong to one distinct host country, the acquisition of Hoteltonight is something all host countries can make use of.

Investments

Investing is also done to protect the Airbnb brand. With an estimated value of \$26,000,000,000 in 2019, Airbnb is expected to have enough funds available to invest (Wealth, 2020). By investing in other firms, it protects its brand and assets in case its own activities get banned or limited. For investments, too, it is the case that investments are both made with the aim on a specific country, as well

as getting MNE-wide exposure. Examples of this are the investment in the Dutch start-up Tigets, and the investment in the Indian hospitality-chain Oyo.

Public offering

By becoming a public traded company, external capital will be attracted, e.g. to make more strategic investments as well as spreading risks between multiple stake- and stockholders. When regulators decide that the short-term letting is not legal anymore, Airbnb shares the economic loss of this setback with its shareholders. It is possible to choose specific host countries to go public in, however, Airbnb did not specify which stock exchange listing it aims for. Every host country analyzed has its own nationwide stock market, on which Airbnb can go public. However, due to the Covid-19 pandemic and its consequences, Airbnb did not continue with the public offering.

Table 8: The “Expansion of the MNE” response: representative quotes

| Sub – responses | Representative quotes |
|-------------------------|---|
| Expansion of activities | <p>“Airbnb is taking on the tourism industry by offering travellers excursions and experiences hosted by locals, an ambitious expansion which will allow people to plan entire trips through the home-sharing site.” (<i>The Guardian</i>, 2016)</p> <p>“Airbnb, where you can "book unique homes and experience a city like a local", markets itself as "the easiest way for people to monetize their extra space and showcase it to an audience of millions".(<i>Daily news</i>, 2017)</p> <p>“The company is also adding new luxury tiers, Airbnb Plus and Beyond by Airbnb in an effort to attract high net-worth customers who may have balked at the idea of staying in someone else’s house.” (<i>The Guardian</i>, 2018)</p> <p>“Under the Name’ Airbnb Plus” offers the intermediary Airbnb verified accommodations – it is not yet clear when it starts to offer this in Germany. Airbnb is at the moment active in 13 metropolises: London, Rome, Barcelona, Milan, Austin, Chicago, Los Angeles, San Francisco,</p> |

| | |
|-------------|---|
| | <p>Cape Town, Shanghai, Melbourne, Sydney and Toronto.” (<i>Allgemeine Zeitung</i>, 2018)⁶</p> <p>“Accommodation marketplace Airbnb is expanding its business travel offering, known as Airbnb for Work, to include experiences, relocation and offsite meeting services, as it hopes to access the 75 percent of workers who don't regularly travel for work.” (<i>Australian Financial Review</i>, 2018)</p> <p>“30% of #AirbnbExperiences booked in South Africa are social impact experiences – where 100% of what you pay goes to support local charities.” (<i>Airbnb</i>, 2018)</p> |
| Acquisition | <p>“Airbnb is in talks to buy China's second-largest home accommodation service, according to a person close to the discussions, as the Silicon Valley company deepens its push into China” (<i>Financial Times</i>, 2016)</p> <p>“In November, the company announced it had a flight-booking tool and an itinerary-planning feature in the works.” (<i>The Business Times Singapore</i>, 2017)</p> <p>“We’re excited to announce that we have signed an agreement to acquire HotelTonight, furthering our goal of building an end-to-end travelplatform.” (<i>Airbnb</i>, 2019)</p> <p>“A push upmarket has been expected since Airbnb acquired Luxury Retreats, a Canadian vacation rental company, in 2017.” (<i>Financial Times</i>, 2019)</p> <p>“Last April, it made its largest acquisition ever: HotelTonight, which offers last-minute hotel accommodations, was acquired for an estimated \$ 400 million. Shortly thereafter, Airbnb took a stake in OYO, an Indian budget hotels booking</p> |

⁶ This quote is translated from German to English by the author.

| | |
|-----------------|--|
| | <p>app. Urbandoors was also purchased last August, which rents furnished apartments to business people.” (<i>Het Financieele Dagblad</i>, 2019)⁷</p> |
| Investments | <p>“Airbnb has invested \$75 million (Rs 516 crore) in SoftBank-backed hospitality firm Oyo, regulatory filings sourced from business signals platform Paper vc showed.” (<i>The Economic Times</i>, 2019)</p> <p>“Airbnb is investing heavily in the fast-growing Amsterdam start-up Tiqets.” (<i>Het Financieele Dagblad</i>, 2019)⁸</p> <p>“Earlier this year, Airbnb invested \$150-200 million in hospitality chain Oyo Hotels & Homes.” (<i>The Economic Times</i>, 2019)</p> |
| Public offering | <p>““Airbnb, the home-sharing rental business, is to go public "during 2020", the company said in a brief statement on Thursday.”” (<i>The Guardian</i>, 2019)</p> <p>“Yesterday it said: "Airbnb Inc announced today that it expects to become a publicly traded company during 2020.” (<i>Financial Times</i>, 2019)</p> <p>“Airbnb acquired last-minute hotel-booking company Hotel Tonight for \$400 million, ahead of its much anticipated initial public offering (IPO).’ (<i>The Times of India</i>, 2019)</p> <p>“San Francisco-based Airbnb, which makes money from homeowners who rent residences to travellers, had been planning to go public some time this year, but the Covid- 19 pandemic has sent markets into a tailspin and made an IPO less likely.” (<i>Daily News</i>, 2020)</p> |

⁷ This quote is translated from Dutch to English by the author.

⁸ This quote is translated from Dutch to English by the author.

Response to regulatory institutions 5: Partnerships

Partnering is the fifth response enacted by Airbnb. This response has some similarities with the ‘deals’ sub-response. However, with partnerships, an active, long-term-relationship between two parties is meant, and deal-striking can be a one-time and short-term event. There are two forms of partnering, as can be seen in table 9, partnering with (local) governments and partnerships with other organizations.

Partnerships with (local) governments

In England, South Africa, Singapore and India Airbnb chose to form a partnership with local authorities. For India it was a response to the government that developed favorable regulations concerning Airbnb and likewise companies. As a response Airbnb India decided to form a partnership with the Indian government to boost tourism, penetrate the brand and to help generate livelihood opportunities for micro-entrepreneurs. In Singapore problems between the city and Airbnb due to the housing stock led Airbnb to collaborate with local regulators. When South Africa was still working on its Tourism bill, Airbnb tried to partner with the government, in hopes of South Africa embracing the new hospitality company. Their partnership concerned tax regulations, making sure that South Africa gets a share of the revenue Airbnb makes. Lastly, after allegations of Airbnb offering illegal listings, Airbnb responded by emphasizing their willingness to cooperate with city hall civil servants.

Partnerships with other organizations

This sub-response is issued to strengthen Airbnb’s position. This can be done by combining forces with other companies when lobbying for specific rules as it did when the European Union was still debating about liability and tax regulation. Airbnb and other technology organizations joint forces to urge the European Union to make one unionwide framework, instead of giving each country its freedom. Host countries that joint this specific partnership were England, Germany and The Netherlands. With other partnerships Airbnb’s market position was strengthen as well. By expanding their activities, Airbnb is less vulnerable to limitation or bans implemented by the government. Examples of this are the partnership with the Times Group in India or the partnership with a real estate builder in Singapore. Lastly partnerships with hotels are engaged as a response to the critique Airbnb got regarding unfair competition between the two and talks about adjusting regulation accordingly. One of the host countries Airbnb formed the latter partnerships in is South Africa.

Table 9: The “Partnering” response: representative quotes

| Sub- responses | Representative quotes |
|---------------------------------------|--|
| Partnerships with (local) governments | <p>“Mr Persaud said his company hopes to adopt a collaborative approach with regulators here on private housing. He said: “We know in Singapore, it's a unique situation (due to) the housing stock (where private housing makes up only 20 per cent of Singapore homes).”” (<i>The Straits Times</i>, 2016)</p> <p>“We are committed to being good partners to cities and have worked closely with officials in city hall” (<i>The Guardian</i>, 2017)</p> <p>“The company is forming partnerships with local authorities and relief organizations to raise awareness of what Airbnb hosts can offer in an emergency, and to ensure hosts are themselves trained in safety and readiness for disaster” (<i>Financial Times</i>, 2017)</p> <p>“Alternative accommodations company Airbnb has signed a memorandum of understanding with the tourism ministry of Maharashtra as the official alternative accommodation partner for the state as it looks to further penetrate the brand and expand its network of homestays in India.” (<i>The Economic Times</i>, 2017)</p> <p>“Airbnb has also partnered with the governments in Gujarat, Andhra Pradesh and Maharashtra to boost tourism in those states.” (<i>The Economic Times</i>, 2017)</p> <p>“According to a statement Airbnb is also pleased to announce MoUs for strategic partnerships with the NERLP and NERCRMS to generate technology-enabled livelihood opportunities in tourism and hospitality for micro-entrepreneurs in the North East of India, and to help low-income</p> |

| | |
|-----------------------------|---|
| | <p>families monetize their existing assets through home sharing.” (<i>The Economic Times</i>, 2018)</p> <p>“We do believe that we need to work in a responsible fashion with government.” (<i>Business Day</i>, 2019)</p> <p>“Tech companies privately concede that they will be subject to more stringent regulation around liability and tax in Europe, but have been actively lobbying to ensure that the legislation put in place comes from one centralized EU office rather than individual states.” (<i>Financial Times</i>, 2020)</p> |
| Partnerships with companies | <p>“The German Telekom allies itself with the private accommodation broker Airbnb.” (<i>Handelsblatt</i>, 2015)⁹</p> <p>“Airbnb, the world's leading community-driven hospitality company, has announced a strategic partnership with the Times Group. The tie-up is part of Airbnb's plans to focus on developing the Indian travel market.” (<i>The Times of India</i>, 2016).</p> <p>“Community-driven hospitality company Airbnb announced its first airline partnership in India with Jet Airways. Airbnb said the announcement adds momentum to the growth of Airbnb's footprint in the Indian market by focusing on establishing a deeper connect with the new age Indian travellers who seek unique travel experiences.” (<i>The Economic Times</i>, 2017)</p> <p>“Maharashtra Tourism Development Corporation (MTDC) will tie up with Airbnb, a global aggregator in the hospitality sector.” (<i>The Times of India</i>, 2017)</p> <p>“In Australia, it now partners with Qantas, allowing people to earn points on their stays.</p> |

⁹ This quote was translated from German to English by the author.

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| | <p>Other companies, like EY, Morgan Stanley, Goldman Sachs and Google, allow employees to use Airbnb accommodation.” (<i>Australian Financial Review</i>, 2018)</p> <p>“Boutique and apartment hotels are also seeking to fill their rooms using the platform.” (<i>Daily Nation</i>, 2019)</p> <p>“Meanwhile, Airbnb has partnered a real estate developer to build and run a hotel-like apartment concept called "Niido Powered by Airbnb"” (<i>The Business Times Singapore</i>, 2019)</p> |
|--|---|

Response to regulatory institutions 6: Avoidance

One of the responses expected to become significant with digital platform MNEs such as Airbnb is ‘avoidance’. Instead of responding to regulatory institutions in a host country, it avoids the influence of the regulatory institutions. Airbnb implements two forms of avoidance: relocation of its activities to another host country and the withdrawal of the activity that regarded the regulatory institutions as a whole. These sub-responses are also displayed in table 10.

Relocation of activities

When Airbnb does not want to deal with specific regulatory institutions, it can move the activity in question to another host country. A clear example of this are the tax regulations. After most countries implemented tax regulations regarding Airbnb (e.g. Australia and England.), Airbnb responded to these regulatory institutions by booking its profits through subsidiaries that have a low-tax jurisdiction, such as Ireland and The Netherlands.

Withdrawal of activities

Another sub-response that is a form of avoidance is the withdrawal of activities. This response can be chosen when two regulatory institutions do not match. An example of this was seen when Airbnb offered listings in the internationally politically very sensitive Israeli West Bank Settlement. The Israelian government thought that what Airbnb did was legal, however, others were of the opinion that it was illegal to have listings in Israeli settlements because of existing UN agreements between Israel and the Palestine. Although the host country Airbnb offered West Bank Settlement listings in did not

have regulations against Airbnb its activities, meaning that Airbnb did not have to change anything, Airbnb still withdrew these activities, responding to regulatory institutions from other host countries.

Table 10: The “Avoidance” response: representative quotes

| Sub- responses | Representative quotes |
|--------------------------|---|
| Relocation of activities | <p>“Airbnb has joined other multinational tech companies by booking its Australian profits offshore through an Irish subsidiary.” (<i>Australian Financial Review</i>, 2014)</p> <p>"The corporate structure of a company held by a parent in a low-tax jurisdiction such as the Netherlands or Ireland is cause for concern.</p> <p>‘Australia cannot be a spectator as profits are simply shifted overseas through clever accounting methods.’ (<i>Australian Financial Review</i>, 2015)</p> <p>“Airbnb generates the bulk of its income from commissions worth up to 15.5% of rents but these are accounted for by its company in Ireland, where it benefits from a favourable corporate tax regime. “(<i>The Guardian</i>, 2016)</p> |
| Withdrawal of activities | <p>“San Francisco-based Airbnb announced last week it would delist around 200 properties and cease operations in Israeli West Bank settlements, which most of the international community considers illegal. Airbnb said in a statement Thursday that it doesn't believe the suit filed in Delaware will succeed, but added: "We know that people will disagree with our decision and appreciate their perspective."” (<i>Daily News</i>, 2018)</p> <p>“Property rental company Airbnb is pulling listings of homes in Israeli settlements in the West Bank, yielding to three years of pressure from human rights groups. Yariv Levin, the</p> |

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| | Israeli tourism minister, described Airbnb's move as the "most wretched of wretched capitulation to the boycott efforts." (<i>Financial Times</i> , 2018) |
|--|--|

Response to regulatory institutions 7: Non - compliance

The first response mentioned was compliance, however, the opposite is also found as a response to regulatory institutions: non-compliance. Non-compliance is the most defensive response, because Airbnb makes the conscious decision to not comply with the regulatory institutions. This entails the following sub-responses: denial and non-compliance (see table 11).

Denial

When choosing for the sub-response denial, Airbnb does not handle against the regulatory institutions, it only denies claims that are made. One example is England, where city councils said the use of Airbnb was getting out of hand and that something should be done about the high number of short-term rentals while the number of homeless Londoners is similarly high. Airbnb responded by disputing these figures, claiming that these findings are based on inflated data. Another form of denial is used when associations claim that Airbnb does not cooperated with local cities and that something has to be done about this refusal. Airbnb responded by denying these claims. In other host countries Airbnb is also seen denying accusations, regarding topics such as the avoidance of paying taxes and its contribution to worsening housing crises.

Defiance

The second and most far-reaching sub-response of obstruction is defiance, in other words: simply refusing to act towards the regulatory institutions. Examples of this are seen in The Netherlands and Germany. The governments of these host countries want Airbnb to share data about each host and enforce reporting obligations. Airbnb refuses to comply with these demands. Airbnb Germany even wants to fight their demands in court. Airbnb is furthermore reluctant to act upon the requests of governments to combat the illegal letting via its platform. This last response was found using data from the selected host countries, however the article does not state which specific countries or cities it concerns.

Table 11: The “Non-compliance” response: representative quotes

| Sub – responses | Representative quotes |
|-----------------|--|
| Denial | <p>“Regarding Inside Airbnb's data, Airbnb said public scrapes of its site are inaccurate and that hosts who have multiple listings are not necessarily sharing multiple properties.” (<i>The Guardian</i>, 2016)</p> <p>“Airbnb denies worsening housing crises in LA or elsewhere, saying it pays taxes which fund low-income housing and provides cash – an average of \$7,500 per year – which helps middle class hosts pay their own rents and mortgages.” (<i>The Guardian</i>, 2016)</p> <p>“The San Francisco based business has been valued at £23bn and tax campaigners have questioned its financial arrangements, although Airbnb denies the set up allows it to avoid paying its fair share of UK tax.” (<i>The Guardian</i>, 2016)</p> <p>“Peter Huntingford, public affairs spokesman for Airbnb, categorically denied claims it had not cooperated with Barcelona.” (<i>The Guardian</i>, 2017)</p> <p>“Airbnb denies its activities have a significant impact on residential rents, and speculation and poor social housing provision certainly play a part.” (<i>The Guardian</i>, 2018) “</p> <p>“Airbnb disputes the figures, which it said are flawed and based on "inflated data" caused by counting the same properties multiple times. It also said the snapshot was taken in December, a peak period for bookings.” (<i>The Guardian</i>, 2020)</p> |
| Defiance | <p>“We're going to challenge this in the city's Supreme Court, "Airbnb added on Wednesday.” (<i>Handelsblatt</i>, 2013)¹⁰</p> |

¹⁰ This quote has been translated from German to English by the author.

| | |
|--|---|
| | <p>“But while it has tightened up its operations regarding taxes, it has so far proved reluctant to crack down on illegal rentals on its site.” (<i>The Guardian</i>, 2016)</p> <p>“The platform opposes a reporting obligation that the municipality of Amsterdam would like to introduce for those who are going to rent out their home. And in Brussels, the company does everything to prevent the introduction of the tourist tax for their site, although they do pay it in Amsterdam.” (<i>De Volkskrant</i>, 2017)¹¹</p> |
|--|---|

Response to regulatory institutions 8: Signaling

The last response to regulatory institutions is signaling. Oftentimes this response is used after government or organizations criticize Airbnb. Airbnb uses signaling to convince stakeholders that the company is ‘doing good’, to create goodwill and to improve its reputation overall. Signaling is formed by four sub-responses, as shown in table 12, namely: charity, inclusiveness, transparency and empowerment.

Charity

The sub-response charity has multiple forms, such as sponsorships or donating of funds and offering help during disasters. The first form is seen in all host countries. For instance, in India Airbnb supports the Give India, an association that helps underprivileged communities impacted by Covid-19. It furthermore set up an Airbnb disaster response and relief program, to help when disaster strikes. An example of this is when natural disasters caused people to lose their homes, Airbnb Australia helped to place these victims in its available listings. It furthermore helps during the Covid-19 pandemic to match first responders and relief workers with available listings. This Covid-19 program started as a pilot in France and Italy but is now also adopted by all of the host countries analyzed.

Inclusiveness

Inclusiveness for Airbnb means making an effort to include the people who otherwise might have been excluded. Three main forms are pursued by Airbnb: anti-racism, gender equality and the possibility for disabled people to use the platform as well. Airbnb thus strives for inclusiveness for its

¹¹ This quote has been translated from Dutch to English by the author.

users, as well as for its employees. Airbnb England made investments to make their services accessible for disabled guests. Government agencies and rights organizations accused Airbnb of enabling racism on their platform. As a response Airbnb took various actions, including the incorporation of non-discrimination guidelines and the hiring of a former attorney general to fight discrimination on the platform. All host countries seem to have incorporated some form of anti-racism efforts. Lastly, Airbnb was criticized about its (lack of) gender diversity, by both interest groups as well as government agencies. As a response Airbnb actively tried to improve these numbers. Additionally, some host countries of Airbnb, such as Kenya and India, encourage women or other minorities to become Airbnb hosts as well.

Transparency

The sub-response transparency is used by Airbnb to create trust. An Indian start-up curated the company, in efforts to show it is trustworthy. After demands of the European Union, Airbnb in host countries of the European Union (e.g. Germany, The Netherlands and England) applied the transparency sub-response and now reveals more information about each listings and the associated host, including the total costs of renting that specific listing. Additionally, to follow the ‘transparency’ sub-response Airbnb changed its general terms and conditions in these host countries as well. Lastly, after trust and transparency complaints Airbnb globally added a new verification tool, to increase the trust and transparency within the platform.

Empowerment

Airbnb helps people around the world to find new sources of additional income, providing them with new opportunities for independence and economic security. This on itself is already a sub-response, however, when disputes between cities and Airbnb flair up about the claim that Airbnb deprives locals from accommodation, Airbnb emphasizes this empowerment even more. An example of this is the dispute with Berlin, which was followed by the listing of numbers concerning the empowerment Airbnb helped to achieve. In all of the host countries analyzed, Airbnb used this sub-response by talks about empowerment in general, meaning that Airbnb gives people the chance to become micro-entrepreneurs and monetize the assets they already have. However, Airbnb also engages in two specific forms of empowerment. The first, the empowerment of women can be seen in Kenya and India. And in Singapore Airbnb focusses on the empowerment of the elderly, helping them prepare for retirement.

Table 12: The “Signaling” response: representative quotes

| Sub – responses | Representative quotes |
|-----------------|---|
| Charity | <p>“The Victorian government has struck a deal with accommodation website Airbnb to provide free shelter for people displaced by disasters such as fires and floods.” (<i>The Guardian</i>, 2014)</p> <p>“Airbnb has gone for gold in the sponsorship stakes, signing a \$500m deal to join an elite corporate list supporting the Olympic Games until 2028.” (<i>Financial Times</i>, 2016)</p> <p>“Airbnb's disaster response and relief program automatically contacts hosts in areas affected by a disaster to ask if they have space to share with displaced neighbors or relief workers. Hosts list their spaces free of charge and Airbnb waives all booking fees.” (<i>Financial Times</i>, 2017).</p> <p>“From today, employees of hospitals and nursing homes can use a special platform to check whether there are available apartments for them at Airbnb” (<i>Handelsblatt</i>, 2020)¹²</p> <p>“We are partnering with our hosts to provide healthcare providers, relief workers, and first responders on the front lines of the COVID-19 pandemic with places that are safe, clean and allow them to be close to their patients” (<i>Airbnb</i>, 2020)</p> <p>“We support @GiveIndia’s efforts to help the underprivileged communities seriously impacted by Covid-19” (<i>Airbnb India</i>, 2020)</p> |
| Inclusiveness | <p>“Airbnb has announced a raft of policies to fight discrimination at the home-sharing platform, after user complaints and academic studies found bias against non-white users.” (<i>Financial Times</i>, 2016)</p> |

¹² This quote is translated from German to English by the author.

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| | <p>“In September, in response to the #AirbnbWhileBlack backlash, the startup announced it had adopted new nondiscrimination policies and systems to address user complaints.” (<i>The Guardian</i>, 2016)</p> <p>“The company implemented a mandatory no-discrimination policy, which must be signed by all guests and all hosts.” (<i>Financial Times</i>, 2016)</p> <p>"Airbnb's investment in accessibility gives another option for disabled travelers, whose options are typically limited, and one I'm sure many will take up," she says." (<i>The Guardian</i>, 2017)</p> <p>“By digging into data and finding when and where female applicants were being excluded, the team doubled its proportion of women from 15 per cent to 30 per cent in a year, showing that progress can be made in tackling the tech industry's gender diversity problem” (<i>The Financial Times</i>, 2017)</p> <p>“Airbnb has acquired accessible-travel startup Accomable as part of plans to improve its offering for disabled travelers.” (<i>The Guardian</i>, 2017)</p> <p>“Jill Macri, director of global recruiting, said that at Airbnb, one decision was prioritizing diverse teams over hitting hiring targets.” (<i>Financial Times</i>, 2017)</p> <p>“Airbnb has hired former US attorney general Eric Holder to help address racism and other forms of discrimination on its short-term rental platform, the company announced Wednesday.” (<i>Financial Times</i>, 2017)</p> <p>“A review of the platform is being overseen by former ACLU official Laura Murphy, and the company said it will task Holder and civil rights</p> |
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|--------------|--|
| | <p>attorney John Relman with improving its anti-discrimination policy.” (<i>Financial Times</i>, 2017)</p> <p>“Today is #EqualPayDay, marking the additional 62 days that women have to work in order to earn the same pay as men. We are proud of the fact that more than two-thirds of Airbnb hosts in Australia are women, who are determining their own income.” (<i>Airbnb Australia</i>, 2018)</p> |
| Transparency | <p>“But Brian Chesky, Airbnb's chief executive, said verification would increase trust and transparency, as it seeks to persuade more people to try what some see as a less reliable way to travel.” (<i>Financial Times</i>, 2013)</p> <p>“Airbnb plans to verify the real-world identity of all its 4m members by asking them to upload passports or driving licenses, in an attempt to increase trust between strangers who rent each other's' homes online.” (<i>Financial Times</i>, 2013)</p> <p>“A startup – checkyourcommissions.com- from the stables of Y Combinator, which has curated Airbnb.” (<i>The Times of India</i>, 2017)</p> <p>“Customers now immediately see the complete price tag. It will also be immediately clear whether the space is rented out by a private individual or by a professional provider.” (<i>Het Financieele Dagblad</i>, 2019)¹³</p> <p>“Airbnb also adjusts the general terms and conditions and will also clearly tell customers that they can take a landlord to court if they have suffered damage.” (<i>Het Financieele Dagblad</i>, 2019)¹⁴</p> |

¹³ This quote is translated from Dutch to English by the author.

¹⁴ This quote is translated from Dutch to English by the author.

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| <p>Empowerment</p> | <p>“The company is also working with community-based organizations to encourage more minorities to act as Airbnb hosts.” (<i>Financial Times</i>, 2016)</p> <p>“He said that home-sharing can support local businesses away from the usual tourist spots, and help host afford rising living costs and prepare for retirement”. (<i>The Straits Times</i>, 2016)</p> <p>“Through platforms like Airbnb, women around the world are finding a new source of supplemental income and a new opportunity for economic security and independence.” Airbnb said in a statement.” (<i>Daily News</i>, 2017)</p> <p>“According to a statement Airbnb is also pleased to announce MoUs for strategic partnerships with the NERLP and NERCRMS to generate technology-enabled livelihood opportunities in tourism and hospitality for micro-entrepreneurs in the North East of India, and to help low-income families monetize their existing assets through home sharing.” (<i>The Economic Times</i>, 2018)</p> <p>“Airbnb generated nearly R10bn for SA in 2018, underlining its small but significant role in the ailing economy as the short-term rental company battles regulators seeking to limit its impact on private housing and the hotel industry.” (<i>Business Day</i>, 2019)</p> |
|--------------------|---|

Chapter 5 – Discussion

The aim of this thesis was to study how digital platform MNEs response to regulatory institutions. Eight different responses are formulated, each of them with their own sub-responses. Chapter five firstly discusses these findings. Hereafter it discusses what this thesis contributes to the literature and what the managerial implications are. Lastly limitations and avenues for future research are given.

5.1 Discussion of the findings

The first response formulated is *compliance*, in which the MNEs comply with the regulatory institutions. In 1990 Oliver already formulated a variation of this response for companies in general as the acquiescence strategy (Oliver, 1991). Regnér and Edman also formulated a similar response for MNEs to institutions (2014). The compliance response is thus not new for digital platform MNEs. However, the abovementioned variations of the response were more general. The compliance response as formulated in this thesis is specially tailored to regulatory institutions of digital platforms MNEs and it can be concluded that it is in line with the more general response discussed in the literature.

The *governance* response seems to be a new response to the academic literature. It entails summoning its users to comply with the regulations as well. In digital platform MNEs users are not just consumers, they are the ones that have the assets that are shared with other users (Cohen & Kietzmann, 2014). Thus, they are, to some extent, more important for the platform as they would be in other, more traditional companies. This is an important difference between the business model of the digital platform MNEs and the business model of the more traditional organization, on which the responses to (regulatory) institutions are based in the literature (Kortmann & Piller, 2016). Considering the vital role of its users, it is comprehensible that the digital platform also implements a response to the regulatory institutions, specifically tailored to these users.

The *negotiation* response discussed in this thesis entails both the striking of deals as well as lobbying or advocacy. It overlaps with the compromise strategy of Oliver (1991). This response is also similar to a combination of two responses Aaltonen and Sivonen (2009) formulated: the compromising strategy and the influencing strategy. This difference seems to be dependent on the optics of the researchers and how they compartmentalize this response: in one or two responses. Aaltonen and Sivonen (2009) did not specifically research the responses to institutions but to external stakeholders as a whole, which also includes regulatory institutions. This suggests that their findings could also be compared to the findings of this thesis.

The fourth response to regulatory institutions: *the expansion of the MNE* is also a newly formulated response. Expansion is not yet mentioned in the literature when discussing responses to institutions. An explanation for this can be that digital platform MNEs are, due to the technology aspect

of the organization, more flexible (Nachum & Zaheer, 2005). Following this reasoning, they may also be more flexible when it comes to expanding their business. Furthermore, this response is important for Airbnb to protect itself against the regulatory institutions. It is possible that Airbnb's main activities are at higher risk to become illegal due to regulatory institutions, which can be another explanation why the expansion of the MNE response was not yet formulated in the academic literature.

The *partnership* response is also not yet formulated in the literature as such. However, multiple researchers did mention the importance of forming partnerships with governments and other organizations (Bergh, 2010; Warner & Sullivan, 2004). The engagement in partnerships as such is thus not new to the literature, however, what is new is the acknowledgement of the tie between (regulatory) institutions and the engagement in partnerships.

The *avoidance* response was already formulated by Oliver in 1991. Although the label corresponds with the avoidance response of this thesis, the substance differs to some extent. The disguise of the non-compliance is not an aspect to the avoidance response of this thesis, however it is an important aspect of Oliver's definition (Oliver, 1991). A better fit is the circumvention strategy of Regnér and Edman (2014), in which the organization sidesteps to dodge the institutions. This matches with the definition this thesis applies, in which the influence of the regulatory institution is avoided. The avoidance response is thus not new to the academic literature. However, as mentioned by Nachum and Zaheer (2005), are digital companies (including digital platform MNEs) more flexible than the traditional organizations. Hence, it could be expected that the avoidance strategy would be elaborately applied by the digital platform MNEs, due to the fact that they are more flexible in choosing the host countries they expand to and thus in choosing by which regulatory institutions they are affected. However, the extent to which responses were chosen is not covered by this research, hence a conclusion about this aspect cannot be made.

The *non-compliance* response, the conscious decision to not comply with the regulatory institutions, is well known in the literature. The defiance strategy as formulated by Oliver (1991) shows many similarities. And the dismissal response of Aaltonen and Sivonen (2009), that is: ignoring the demands and pressures, covers the non-compliance response partially. The response itself is thus not new. However, following the line mentioned above, the non-compliance response can be easier for digital platform MNEs than for the more transitional companies, because they are more flexible in choosing host countries, making it, in principle, easier to relocate and find other host countries when they do not want to comply with the demands of host countries they are now active in. However, the extent to which responses were chosen is not covered by this research, hence a conclusion about this aspect cannot be made.

The last response found is *signaling*: showing that the organization 'is doing good'. Signaling is not new to the academic literature (e.g. Doh et al., 2017; Sliwka, 2007; Tashman et al., 2019; Yin & Zhang, 2012). Oftentimes signaling (or CSR) is used to enhance legitimacy (Doh et al., 2017; Tashman et al., 2019). However, it is not yet explicitly formulated as a response to regulatory institutions. The

signaling response as formulated in this thesis is indeed used to enhance the trustworthiness of the digital platform MNE, however, it was also used as a response to criticism. This aspect of the response is less discussed in the academic literature. Meaning that the action signaling is not new, but the utilization of this action by digital platform MNEs as a response to regulatory institutions is.

5.2 Contribution to the literature and managerial implications

This thesis provides three main contributions to the academic literature. First, it contributes to the digital platform literature. Digital platforms rapidly expand their market shares (Ojala et al., 2018). However, despite their impressive growth and disruptive impact, they are underexplored in the academic literature. By examining the responses from digital platform MNEs under the influence of regulatory institutions, possible responses of digital platforms in host countries are made visible. Because the digital platform MNEs are still relatively novel, the use of the inductive Gioia method proved to be useful to gain insights into its variance of responses. With the growing interest in digital platform MNEs this thesis can provide new understanding of these multinationals, useful for policy makers, managers and other stakeholders.

Secondly, this thesis contributes to the institutional theory literature. In order to study how digital platform MNEs respond to regulatory institutions, more knowledge about these institutions and their influence was needed. Institutions, ‘the rules of the game’, evoke responses of the digital platform MNEs (North, 1990). Before forming a clear view of how digital platform MNEs respond to regulatory institutions, an idea of regulatory institutions is needed. This thesis contributed to this by discussing and analyzing practical examples of how and what kind of regulatory institutions influence Airbnb. Furthermore, according to the neo-institutional theory the alignment of the digital platform MNEs with the institutional environment determines the survival of the MNEs. Hence, compliance with institutional pressures is needed (Kostova et al., 2008). This is why it is interesting to see if the digital platform MNEs mainly complied with the regulatory institutions, or if they also evoked other responses. This thesis shed light on the regularly use of the compliance strategy, however, other responses were frequently used as well. Suggesting that the line of the neo-institutionalism is only partly followed by the digital platform MNEs.

The third contribution is an addition to the literature of the sharing economy. Digital platform MNEs are a big part of the sharing economy which is why it is interesting to see how their business models differentiated from the more traditional business models and if this led to different responses to regulatory institutions. For example the difference in roles of consumers or users between the traditional business model and the sharing economy model could explain why one of the responses implemented by the digital platform MNEs partly focusses on the compliance of users.

Moreover, based on this thesis, implications for policymakers and practitioners can be made. It formulated the responses of digital platform MNEs to regulatory institutions in host countries. These can give guidance to managers from digital platform MNEs, who are active in host countries and have to respond to regulatory institutions. This is relevant because institutions are seen as ‘the rules of the game’ (North, 1990), making the regulatory institutions an important aspect for MNEs. It demonstrates that to comply or to not comply with regulatory institutions are not the only possibilities, there is a wide array of other responses possible.

For policymakers this thesis can be helpful anticipating the various types of responses from digital platform MNEs to regulatory institutions. When developing new regulatory institutions, it can be useful for the host country to have some insights of what the consequences of these institutions can be regarding MNEs. These possible responses can be taken into consideration when developing new regulatory institutions. When they aim to influence the behavior of MNEs, they can adjust the institutional pressures accordingly. For example, Airbnb reacted very cooperative (compliance) regarding tax regulations. However, when asked to share information about its hosts, it refused, choosing the non-compliance response. This does not give policymakers the guarantee that these specific responses will always be chosen in those situations, however it can be helpful to anticipate and prepare more adequately when taking measures towards digital platform MNEs.

5. 3 Limitations and avenues for future research

This thesis provides insights for relatively new organizations: the digital platform MNEs. During this research, some limitations hinted on avenues for future research. Although measures were taken to ensure the trustworthiness and validity of the research, not all criteria for the grounded theory could be met. Triangulation is a part of this theory and due to a lack of primary data, this was not possible. Thus, future research including primary data is needed to test the formed theories and to validate them. Subsequently it is not possible to generalize the findings of this research. The formed responses are solely based on Airbnb, thus cannot be generalized as such to other digital platform MNEs. Future research is therefore needed, to see whether the formulated responses can be generalized for all digital platform MNEs or not.

Another limitation of using only secondary data is that one is dependent on what the company publicizes. Oftentimes this is not the data that can give more in-depth insights. Primary data such as interviews are necessary to achieve more extensive knowledge. Furthermore, Airbnb is known to keep most information internal (Van Ammelrooy, 2017). Datasets about Airbnb are assembled by data scraping, making it harder to ensure trustworthiness (Sullivan, 2016). When gathering information of each host country, it was attempted to use one source of information per aspect only, however this was not always possible, resulting in the risk of giving a distorted picture of the company and its host

countries, due to the combining of multiple sources. Airbnb was planning to go public in 2020, meaning they had to disclose a lot of data that is now inaccessible for researchers (e.g. through annual reports). However, the company has postponed the initial public offering due to the Covid-19 outbreak. Meaning that most of the company data is still not accessible. Future research should include primary data, in order to get a better idea of the internal processes and considerations that come into place when dealing with regulatory institutions.

Although four developed and four developing host countries of Airbnb were chosen to ensure maximum variation in the data, the developing countries were under-represented. For Kenya and South Africa other sources of data, such as social media posts, were needed to include them as useful units of analysis in this research. Different local newspapers were examined, but this still resulted in a very low number of eligible newspaper articles, making it harder to ensure the equal distribution of developing countries in the research. If the responses differ between developed and developing host countries, it is possible that some responses to regulatory institutions are not yet acknowledged. This thesis looked at the responses of host countries as a whole, without making a separation between the host country based on their economic or developing status, leaving this as an interesting aspect for future research.

As mentioned previously, future research is advised to evaluate the extent to which responses are chosen. Digital platforms do not have to be physically present to do business in a specific country. This implies that they are more flexible in choosing host countries. Additionally, new responses to regulatory institutions were formulated in this thesis. The findings suggest that there are differences when it comes to digital platform MNEs, their responses to regulatory institutions, and the already formulated responses in the academic literature. However, future research is needed to gain a deeper understanding of the reasoning behind these differences. Hence, another topic for future research is an assessment of the reasoning behind different responses to regulatory institutions, researching whether or not the new business model including the digital aspect, has an influence on these (new) responses.

Chapter 6 – Conclusion

Digital platform MNEs, such as Airbnb, are an important aspect of the sharing economy as we know it today (Schor & Attwood-Charles, 2017). These digital platforms are digital infrastructures, processes and rules that enable resource exchange by matching users based on a set of attributes, that monetize idle capacity (Mäntymäki, Baiyere & Islam, 2019; Schor & Attwood-Charles, 2017; Sutherland & Jarrahi, 2018). In simpler terms, these platforms can be seen as online marketplaces. Digital platform MNEs have experienced a rapid international expansion. For every new host country the MNE expands to, new local regulatory institutions have to be taken into consideration. The academic literature has already found that these regulatory institutions, which are the formal ‘rules of the game’, affect MNEs such as digital platform MNEs (North, 1990). However, there is a gap in the literature when it comes to how these MNEs are influenced by the regulatory institutions (Peng & Chen, 2011; Regnér & Edman, 2014).

To fill this gap, this thesis answers the following research question: “How do sharing platform multinational enterprises respond to regulatory institutions in host countries”? An inductive study following the Gioia research method is conducted, with eight different subunits of Airbnb as the units of analysis. The aim of this thesis was to identify and formulate new responses, instead of testing them. Secondary data consisting of articles from 16 different newspapers, social media posts and Airbnb reports were used to analyze what responses to the regulatory institutions of each host country Airbnb implemented. Eight different responses were formulated, each with its own sub-responses. These responses are: compliance, governance, negotiation, expansion of the MNE, partnerships, avoidance, non-compliance and signaling. When comparing these responses of digital platform MNEs to more general responses formulated in the academic literature, three newly formulated responses stand out. The partnership response, the expansion of the MNE response and the governance response. Although partnerships are not new to the managerial literature, using these as a response to regulatory institutions is. The same goes for the expansion of the MNE, expansion of organizations is not a novelty, however the expansion of the MNE as a form of protection against these regulatory institutions was not yet discussed in the literature. An explanation could be that they are more flexible due to their digital aspect. The last new response formulated is the governance aspect. It is not only important for the digital platform MNE to comply with regulation, they stimulate and guide their users to do this as well. However, more research is needed to make well-founded statements about the reasoning behind the novel responses.

This thesis contributes to three different streams of literature. First, it contributes to the digital platform MNE literature, by providing new insight about their behavior and actions in host countries. Secondly it contributes to the institutional theory literature. The regulatory institutions in host countries affect the digital platform MNEs. The new-institutional theory suggests that the extent of compliance to

these institutions can have influence of the success of the organization. This research provides practical examples of what these regulatory institutions entail. It furthermore shows that digital platform MNEs do not always follow the line of the neo-institutional theory, by choosing other responses than compliance. Lastly it contributes to the sharing economy literature. The business models of digital platform MNEs, who are a big aspect of the sharing economy model, differ from the more traditional model. This thesis discusses these differences and connects these differences to the novel responses of digital platform MNEs to regulatory institutions found.

The findings of this thesis can benefit both practitioners and policymakers, by giving insights in how digital platform MNEs respond to regulatory institutions. For managers of digital platform MNEs in host countries it can give an overview of the responses that are possible for implementation. Policymakers can use these insights as a guideline for the responses that can be expected from digital platform MNEs. When knowing what kind of responses could be implemented, this can be taken into consideration when developing new regulatory institutions, adjusting the institutional pressure accordingly.

As for the limitations of this research, two main limitations can be appointed. Firstly, especially because Airbnb does not publicize information easily, using only secondary data limited the chance to gain deeper insights in the business operations. Furthermore, not all of the criteria of the grounded theory could be met. The maximum variation was difficult to ensure due to the developing countries that were under-represented in the newspaper articles. Triangulation of the data was not possible either since no primary data was available. Accordingly, it would be interesting for future research to obtain primary data, which can provide more insights in the reasoning behind the responses. Secondly, this thesis was an inductive research, focused on formulating new responses for digital platform MNEs. Hence, generalizability is not something that can be ensured. In order to do ensure the generalizability of the research, future research testing the formulated responses of the digital platform MNE to regulatory institutions is needed. This thesis is thus the first step, leaving it as an interesting avenue for future research.

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