

BRICKS WITHOUT STRAW: HOW RESOURCE-CONSTRAINED FIRMS TRANSFORM THEIR ROLES TO GAIN AN ADVANTAGE IN ECOSYSTEMS

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ABSTRACT

While superior supply-side resources can lead to a competitive advantage, we know less about how resource-poor organizations become competitive, in particular through leveraging the demand side. Although studies have explored how demand-side value is captured by focal firms through cultivating ecosystems, less attention is accorded to resource-constrained complementors that, unlike focal firms, lack architectural control to set the rules for extracting value. How do such complementors make up for the lack of both supply-side resources and architectural control to gain an advantage? We conducted a longitudinal study of Xiaomi, launched in 2010 as a smartphone software complementor in the Android ecosystem that created a derivative ecosystem to gain architectural control over its offerings, while remaining a complementor within Android. We show how a resource-disadvantaged firm deploys demand-driven strategies to garner supply-side resources by onboarding reputable firms. We extend a “demand-side” view to explain how firms with mundane resources leverage underserved users to co-create value and then use “demand pull” to mobilize key supply-side resources. This complements supply-side mechanisms of value creation through deploying firm-specific or inter-firm resources. Finally, we propose a distributed agency view of an evolving ecosystem structure – shaped not just by focal firms, but also by resource-disadvantaged complementors.