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When and Who Do Platform Companies Acquire? Understanding the Role of Acquisitions in the Growth of Platform Companies

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Abstract

The success of platform companies often depends on their ability to “scale” their customer and supplier base. Existing studies have focused on a variety of approaches that platforms may use to scale but have not systematically considered that platforms might acquire other companies as part of this growth strategy. In this paper, we study the acquisition patterns of digital platform companies and contrast these with the acquisition patterns of digital non-platform companies. We find that platform companies acquire earlier (shortly after founding) when compared with non-platform companies, and they often first acquire competing platform companies from the same market niche. As platform companies mature, they begin to acquire non-platform companies from other market niches. This contrasts with how acquisitions are made by non-platform companies, as shown in our analysis.

Keywords: Acquisitions, scaling digital platform companies, double-helix framework, digital platform ecosystem