

Chapter 5

Born Global Market Dominators and Implications for the Blockchain Avantgarde

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ABSTRACT

Issues of dominance in the market place, “standards wars,” and “battles for dominance” between large companies are frequently addressed by researchers and the business press alike. The existence of companies that could establish internationally dominant solutions to customers’ problems within a few years after their founding is quite unknown and the reasons for their success are hardly investigated so far. Therefore, they are not covered by traditional stage models for the establishment of dominant solutions. Presenting 22 cases and a new success factors model, this chapter shows how young companies can successfully establish their technologies as dominant solutions in the global market. Based on the studies’ result, the authors then have a look at the groundbreaking IT invention of blockchain that is expected to disrupt many industries. The most prevalent success factors of the study are discussed along with the current blockchain innovation system. Their degree of significance for the success of international blockchain innovators is hypothesised for further empirical analyses.

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INTRODUCTION

Dominance in the market place is frequently discussed by researchers and the business press alike (see Gallagher, 2007 as well as Suarez, 2004)¹. According to Gallagher (2007) dominance is an attribute of 'the industry's (favourite) product'. More precisely, it has what he calls the 'dominant design.' Scholars agree that dominant designs are specific technologies that were capable of passing competitive selection processes in the market (Clark, 1985; Suarez & Utterback, 1995; Utterback, 1994; Suarez, 2004; Scott, 1994). The term 'the industry's product' is equivalent to the definition of 'a single winning standard' as a de-facto standard which results from 'the dynamic in the market that gives rise to network effects and switching costs that tip the competition to (the relevant solution)' (Gallagher, 2007). David & Greenstein (1990) distinguish between unsponsored and sponsored standards. Considerations regarding similarities to the dominant design concept concern sponsored standards which are characterized by one or more sponsoring entities having property rights to the standard. According to Lee et al. (1995) and Swann (1987, 2000) the concepts of 'dominant designs' and 'de facto standards' are mutually interchangeable. In contrast, Gallagher (2007) explains in detail the difference between various products and designs and gives an extensive overview of the relevant literature. He argues that compatibility standards in contrast to dominant designs can be controlled by a single firm, which may use them to accrue proprietary rents. More specifically, 'standards can apply to a (single) firm which owns (them)'. Van de Kaa et al. (2007) combine both concepts into the distinctive way of providing a generic service or function' (van de Kaa et al., 2007, p. 6).

In principle, Gallagher's (2007) description of differences between 'dominant designs' and 'de facto standards' focuses more on the 'design' aspect, while there is no question that a company's product can dominate the market (see e.g. the examples in Suarez, 2004). Therefore, a new dominance concept with a wider object-oriented perspective is needed.

The concepts 'dominant design' and 'de facto standard' refer to hardware and software products like the IBM PC, the Windows operating system; the Playstation etc. (see e.g. Suarez, 2004 and van de Kaa, 2009). Therefore, dominant hardware products and dominant software need to be parts of the new concept. Furthermore, due to Gallagher's (2007) mentioning of compatibility standards such de facto standards as well as interfaces (see van de Kaa et al., 2011 for their relevance in this context) have to be included into the new concept, too. In addition, the new concept has to be extended by cases in which a company grants licenses for a product or solution that reaches dominance in the market (see e.g. Suarez, 2004). We unite all concepts in the umbrella 'dominant solution' (see Figure 1). In a last step, we include dominant technological designs themselves into the concept, too.

Like Anderson & Tushman (1990) and Suarez (2004), who offer a definition for dominant designs, we define a dominant solution as a hardware product, technology, software, interface or design that acquires more than 50% market share for several years and whose history is shaped by one or both of the following events: (a) there is a clear sign that the most closely competing alternative solution has abandoned the active battle, thus acknowledging defeat directly or indirectly; (b) the solution has achieved a clear market share advantage over alternative solutions and recent market trends unanimously suggest that this advantage is increasing. Following van de Kaa et al. (2011) we will make use of literature that uses the terms (de facto) standards or dominant designs for our concept.

In 1995, Netscape Communications, an almost two-year-old technology company, took the world's attention. At the time of its outstanding IPO with a market capitalization of 2.2 billion, the company reached an 80% world market share in the market for internet browsers with the Netscape Navigator. The

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