

# **Gig Economy and Digital Platforms: A Dynamic Capability Perspective**

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## **Abstract**

The growing popularity of the gig economy has changed the landscape of business conduct and the nature of work. From a dynamic capability perspective, the study aims to understand the strategic positioning of digital platform organizations in symbiosis with the gig economy. Using dynamic capabilities' perspective, we present our argument how the gig economy add value to the digital platform organizations. We support our argument by analyzing the digital platform organizations (Upwork and Uber) to see their strategic positioning by leveraging the gig economy. Finally, we discuss the academic and practical implications of our study.

## **Introduction**

As we become technologically more advanced, bridging the spatial gap between two individuals or groups of people, we see the emergence of alternatives to full-time regular employment. One of the phenomena that we see booming due to technological advancement (though not the only driving factor) is the gig economy. Emerged during the peak of the great recession to refer to the alternate options taken by many people to make their ends meet by working multiple part-time jobs (Brown, 2009; Kuhn & Galloway, 2019), gig economy now represents those gig workers (labor) who look for a potential job of their choice or alternate source of income through digital platforms (e.g., Upwork, Uber, and Airbnb). In the extant literature, the gig economy has been discussed from different perspectives but stays fragmented. While different perspectives allow us to understand the stance of a phenomenon panoramically, it creates confusion as to the dominant themes or features. Therefore, one of the aims is to synthesize studies (both academic and practitioner journals) to identify the positives and negatives of the gig economy. Subsequently, another prime focus of this study is to present how digital platform

organizations leverage the gig economy, applying dynamic capability, which research has not yet addressed.

As defined by Eisenhardt and Martin (2000), dynamic capabilities are identified as organizational and strategic routines through which organizations achieve new configuration of resources in ever changing volatile market. Considered as dominant lens in strategy research area to understand and interpret the strategic positioning of an organization in turbulent market scenario, dynamic capabilities have been efficient in explaining the process through which organization attain competitive advantage by reconfiguring different resources (Henderson & Cockburn, 1994; Teece et al., 1997). Since gig economy, gig workers, and digital platforms are resources ever changing, depending on the demand and supply of gig workers as well as speed and scale of technological disruptions, dynamic capabilities fit as an appropriate lens to study the competitive advantage of digital platform organizations. Broadly we explore how digital platform organizations leverage the gig economy through supporting research questions (RQ): How the gig economy add value to the digital platform organizations?

This study contributes toward academic and practice literature in many ways. First, through examples of Upwork and Uber, using dynamic capability lens we analyse the reconfiguration of resources creating competitive advantage for digital platform organizations. Third, our study contributes towards practice literature by highlighting the opportunities created and seized by digital platform organizations through gig economy.

Overall, the paper is organized as follows. First, we briefly define key concepts, providing definitional clarity on the gig economy, digital platform organizations, and dynamic capability. Next, we discuss the strategic positioning of the digital platform organizations through a dynamic capability perspective. We close with a discussion of the implications of our analysis followed by contributions to both academics and practitioners.

## **Definitional Clarity**

### ***Gig Economy***

In both academic and practitioner literature, the term gig economy has multiple synonyms such as platform economy, on-demand economy, or digitally enabled economy (Kaine & Josserand, 2019). The

common understanding in all the alternatives of the gig economy is "labor markets that are characterized by independent contracting that happens through, via, and on digital platforms." Work in the gig economy is casual and non-permanent, often referred to as contingent in nature. It may have irregular hours, pay based on piece-rate, little or no job security, and a lack of career development. Gig work is alternatively termed short-term, temporary work, freelancing, or independent contracting (Ashford, Caza, and Reid, 2018; CIPD, 2017; Woodcock & Graham, 2019). Gig work first originated in the music industry; the term 'gig' is increasingly used to describe work in a much wider range of industries, including food and beverages, transport, education, and many more (Tan, Aggarwal, Cowls, Morley, Taddeo, & Floridi, 2021). We identify gig economy formation through two modes: digital platform (e.g., Upwork, TaskRabbit, & Fiverr) and application-based, also termed as the sharing economy (e.g., Uber, Airbnb). Central to the gig economy is the gig worker ready to provide their labor or shared resources/assets.

The extant literature has investigated the gig economy phenomenon from various perspectives and contexts. Forde, Stuart, and Joyce (2017) present a working typology in the gig economy based on location and skill level under two categories, crowd working and gig work. The work of a few scholars revolves around investigating regulatory developments of gig workers (Flanagan, 2017; Stewart & Stanford, 2017). Whereas few of the recent studies investigate the gig economy from an ethical perspective (Tan et al., 2021), sustainability (Boar, Bastida, & Marimon, 2020; Malik, Visvizi, & Skrzek-Lubasińska, 2021), work identity (Petriglieri, Ashford, & Wrzesniewski, 2019), and national setting context (Kaine & Josserand, 2019). Lastly, we notice that multiple perspectives and theories have been applied to explore the dark and bright side of the gig economy (Frenken & Shor, 2019; Kinder, Jarrahi, & Sutherland, 2019; Prassl, 2018; Wood, Graham, Lehdonvirta, & Hjorth, 2018).

Gig economy as a phenomenon has multiple sides to it such that for building theory and conceptual understanding, it is significant to apply multiple perspectives so that we can see the whole picture. Multiple perspectives enable us to identify the root cause of the problem and find a solution that considers all the actors (e.g., human, non-human). Based on extant literature, the outcome of different perspectives can be classified into two broad categories: (1) the positives and (2) the negatives (see Table 1). The positives identified are flexibility, reduced transaction cost, autonomy and freedom, an

alternate source of income. The negatives identified are insecurity and precariousness, surveillance, blurred boundaries, low competency development, and opaque feedback and rating system.

### ***Digital Platform Organizations***

In digital platform organizations, a platform is considered a product, not just as a technology. The focus is to provide business solutions to clients (internal or external) and customers' needs. Operating as an independent entity, digital platform organizations create collaboration between technology, governance, business, processes, and people management, empowering all to move quickly (www.mckinsey.com). As a service provider, platform owners (organizations) take complete responsibility for providing the solution. For example, organizations like Upwork, TaskRabbit, and Fiverr are known as digital platform organizations. The digital platform economy also encompasses social media firms such as Facebook and Instagram. Facebook creates revenue from advertising and the sale of data; similarly, internet service platforms such as Netflix, Hotstar, and Amazon Web Services generate revenue by providing the infrastructure (digital platform) to media companies (Vallas & Schor, 2020).

Another form of digital platform organizations is application-based organizations. Primarily, digital platform organizations provide access to services (labor) through an application for consumption (either by consumers or clients/organizations). For example, Uber and Airbnb are well-known application-based organizations that connect services and resources easily accessible anywhere with just one click on an application. In our study, we include and refer to application-based organizations as digital platform organizations.

### **Dynamic Capability**

The seminal work of Eisenhardt and Martin (2000) defines dynamic capabilities as specific processes firms use to alter their resource base, as sources of competitive advantage, by leveraging, creating, accessing, and releasing a firm's resource base. Teece, Pisano, and Shuen (1997) define the realignment of competencies by increasing capacity according to the changing business environment and on-time response innovatively as dynamic capabilities for achieving competitive advantage.

The basic tenets of dynamic capabilities can be clustered as sensing, seizing, and transforming (Teece 2007, 2014). Sensing refers to identifying, developing, and co-developing new avenues in line with customer requirements. Deploying, re-deploying, and mobilizing resources internally to meet new market needs stands for seizing. Transforming is continuous renewal increasing the sustainability of the firm (Teece, 2012, 2014).

Various studies apply dynamic capability perspective, predominantly in strategic management (Vogel & Güttel, 2012). Applied in other areas of research such as supply chain (Chowdhury & Quaddus, 2017), economics (Sainsbury, 2020), marketing (Wilson & Daniel, 2007), and organizational culture (Moon, 2010), dynamic capability perspective proves to be one of the prominent theories for studying competitive advantage in rapidly changing environment (both internal and external) (Danneels, 2010). In the next section, we discuss in detail the two sides, positives and negatives, of gig economy.

### **Strategic Positioning Leveraging Gig Economy: A Dynamic Capability Perspective**

From a dynamic capability perspective, the gig economy represents the talent market that is dynamic and rapidly changing. According to Eisenhardt and Martin (2000) and Fiol (2001), the competitive advantages of organizations cannot be sustained in dynamic, rapidly changing markets. However, under certain conditions, when a particular organization applies its dynamic capabilities "sooner, more astutely, or more fortuitously" in making its strategic choices (Eisenhardt & Martin, 2007), the sustained competitive advantage is possible. Such that organizations are agile, alert to dynamic market changes. Such that others find it costly to imitate, and the organizations who have been successfully staying alert and agile find it economically valuable, continue to enjoy the competitive advantages. By utilizing the basic tenets of dynamic capabilities, we analyze the strategic positioning of two digital platform organizations that entirely depends on the gig economy.

#### ***Upwork***

The world's largest digital platform for remote gig workers, Upwork, hosts both microwork and more skilled job tasks (Wood et al., 2019). One of the dynamic capabilities of Upwork is the ease of matching gig workers with potential clients and vice versa. The rating and feedback systems of Upwork helps to

filter and reduce the search time of clients fostering higher quality matches and faster time to hire. Even though the practices of Upwork to create a comprehensive and isolated platform within the gig economy are not welcomed by gig workers (in specificity), Upwork has successfully introduced a convenient digital work marketplace to many gig workers and clients to grow their businesses. Upwork maintains the strategic positioning by positive feedback provided by their users (clients and gig workers) and constant innovation to create a digital work marketplace accessible for all. Another significant competitive advantage of Upwork is that maintaining the website of Upwork is the only main cost, unlike the traditional headhunters who also take care of the background check and spend substantial cost in ensuring that clients meet candidates with a clean history.

### *Uber*

One of the most successful stories of the gig economy is application-based Uber which has redefined the world of travel and transport with one application. Uber employs relatively few regular employees (primarily programmers) but provides a digital infrastructure for a vast number of independent and often individualized service providers (sellers) and consumers (buyers) (Kirchner & Schüßler, 2020). Uber operations are no different from a taxi service. However, Uber does not take responsibility and accountability for licensing, commercial insurance, vehicle inspections, and in some cases, background checks of drivers, thus creating a competitive advantage in the commercial transportation business. For Uber, neither minimum wage nor overtime regulation is an obligation. Uber does not provide its drivers any insurance (accident or health care), vacations, or other benefits. Since Uber classifies drivers as entrepreneurs, it creates the branding for itself as an organization doing social good by opening (micro) entrepreneurship avenues that serve Uber's financial interests in fundamentally important ways. Uber also maintains its strategic positioning by introducing new businesses supported by its network of trusted drivers spread across the world. A few of the new businesses that Uber introduced are:

- (1) Advertisement: Advertising your brand through Uber where brand promotions are driven across cities by putting advertisement stickers on Uber cars.
- (2) Sustainability: Uber targets becoming a fully electric, zero-emission platform by 2040, with 100% of rides taking place in zero-emission vehicles, on public transit, or with micro-mobility positioning

them as the preferred travel and transport option for consumers (both individual and organizations) who are sensitive towards sustainability.

(3) Futuristic travel options: Another area of business where Uber is targeting to become the leaders our self-driving technology and urban air transport, helping people order food quickly and affordably, removing barriers to healthcare, creating new freight-booking solutions, and helping companies provide a seamless employee travel experience; putting Uber as a constant innovator, focusing on core business "travel and transport" across different geographies.

## **Discussion**

Using dynamic capabilities perspective, we investigated the competitive advantage and observed that both digital platform organizations and the gig economy have a symbiotic relationship. On the one hand, the existence and requirement of gig work by digital platform organizations ensure that the gig economy flourishes and remains an essential aspect for achieving competitive advantage. On the other hand, the gig economy ensures that an uninterrupted supply of gig workers enables digital platform organizations to attain a competitive advantage in today's changing environment.

In conclusion, from an academic literature perspective, the findings of this study contribute to extending the knowledge of the gig economy. First, by taking the example of digital platform organizations such as Upwork and Uber, we explained the competitive advantage gained through reconfiguring different resources from dynamic capability lens. While the conceptual framework of the gig economy consisting of antecedents and outcomes is the need of the research discussion to grow, our dynamic capability perspective paves a path for an empirical study to build a competitive advantage model for digital platform organizations.

From a practice literature perspective, digital platform organizations can look at how to harness the potential of the gig economy and create value for a business. Moreover, we suggest dynamic capabilities as a pragmatic and sustained competitive advantage in a dynamic talent market and rapidly changing environment.

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