

The Portability of Network Effects: How Platform Dependent Entrepreneurs Respond to Adverse Governance Shocks

"To resort to exit is to make use of the market... To resort to voice is to engage in politics."

– Albert O. Hirschman

INTRODUCTION

Digital platforms have emerged as a dominant organizational form in the contemporary economy, fundamentally reshaping value creation by coordinating innovation among ecosystem actors through modular architectures rather than traditional hierarchy (Chen, Tong, Tang, & Han, 2022; Doshi & Schmidt, 2024; Engert, Hein, Maruping, Thatcher, & Krcmar, 2025; Srinivasan & Venkatraman, 2018). From mobile operating systems to the gig economy, platform owners orchestrate vast ecosystems of external actors by deploying a complex portfolio of governance mechanisms including but not limited to recognition and leaderboards, algorithmic ranking systems and evolving monetization rules (Malik, Rathee, Alexy, & Wang, 2025; Nambisan, Siegel, & Kenney, 2018; Rietveld, Ploog, & Nieborg, 2020; Tiwana, 2014). While this governance is essential for managing ecosystem quality and network effects, it is inherently dynamic; platform owners frequently exercise their unilateral authority to alter ecosystem parameters and enforcement practices to capture value or correct market failures (Cutolo & Kenney, 2021; Gastaldi, Appio, Trabucchi, Buganza, & Corso, 2023; Karanović, Berends, & Engel, 2021; Rietveld et al., 2020). Platform governance functions not merely as a coordination apparatus, but as a distributional system that continuously reallocates bargaining power and risk between the platform core and its periphery (Boudreau & Hagiu, 2009; Cutolo & Kenney, 2021; Rietveld et al., 2020; Tschang, 2021).

Operating in this system and being a core part of its value creation, a novel class of economic actor has emerged: the Platform Dependent Entrepreneur (PDE), whose commercial viability is inextricably linked to the platform infrastructure and rule-setting of the platform owner (Abolfathi, 2025; Cutolo & Kenney, 2021; Tschang, 2021). The prevailing consensus in the literature posits that this relationship is defined by a profound power asymmetry. The platform owner controls and

manages key ecosystem parameters such as access to users, discoverability via algorithms and ranking, rule enforcement mechanisms, and monetization systems, and can unilaterally modify these governance parameters at will (Boudreau & Hagiu, 2009; Nambisan, Wright, & Feldman, 2019; Parker, Alstyne, & Choudary, 2016; Tiwana, 2014). PDEs are dependent ‘spokes’ whose revenue and visibility hinge on resources the platform ‘hub’ controls, giving the platform disproportionate leverage in conflict or policy shifts (Cutolo & Kenney, 2021; Koo, 2024; Kuhn & Maleki, 2017). While digital platforms lower the barriers to entrepreneurial entry by providing boundary resources and a concurrent base of users, they simultaneously impose significant power structures rendering the PDE extraordinarily vulnerable to governance changes (Cutolo & Kenney, 2021; Nambisan et al., 2018; Rietveld et al., 2020; Sahut, Iandoli, & Teulon, 2021).

The central theme of discussion in this stream of literature is the tension between the platform’s architectural dominance and the source of its generative value: the PDEs that populate the platform (Gastaldi et al., 2023; Hurni, Huber, & Dibbern, 2022; Jacobides, Cennamo, & Gawer, 2018; Kude & Huber, 2025; McIntyre & Srinivasan, 2017; Tavalaei & Cennamo, 2021). Platforms leverage ‘winner-takes-most’ dynamics driven by direct and indirect network effects, where the utility of the platform increases exponentially with the number of same-side and cross-side users (Arthur, 1989; Katz & Shapiro, 1985; Rochet & Tirole, 2003; Zhu & Iansiti, 2012). Theoretically, this grants the platform owner immense bargaining power; as the network expands, the switching costs for any single PDE becomes prohibitive (Bresnahan & Greenstein, 2014; Farrell & Saloner, 1986; Schilling, 2003). The platform can subsequently leverage this dominance to extract higher rents, impose stricter behavioural norms, or even enter the PDEs market directly, effectively competing with the PDE via ‘platform envelopment’ (Boudreau & Hagiu, 2009; Eisenmann, Parker, & Van Alstyne, 2011; Kang & Suarez, 2023; Rietveld et al., 2020; Zhu & Liu, 2018).

However, this structural dominance view overlooks a critical, under-theorized vulnerability faced by the platform owner. While the platform possesses the infrastructure and key resources, the PDEs own the relational capital with users they interact with (Byun, Frake, & Agarwal, 2018; Elfenbein & Zenger, 2014). Relational capital serves as a reservoir of trust, loyalty, and close

interaction between the PDE and the users, which manifests as deep bonds, community loyalty, and shared cultural language (Blatt, 2009; Elfenbein & Zenger, 2014; Kale, Singh, & Perlmutter, 2000). This form of capital is distinct from the structural capital owned by the platform (Afuah, 2013). As the digital platform ecosystem continuously evolves, the nature of network effects is being questioned. The key consideration lies in determining whether the network effect is an immovable property of the platform, or if it is an asset anchored in the relational capital of PDEs. If PDEs can reconstitute their user base of the focal platform to rival offerings, the defensive moat of the incumbent platform may be less insurmountable than previously theorized (Adner, 2017; Afuah, 2013; Rochet & Tirole, 2003). Consequently, the very assets that make a platform valuable—its PDEs—may possess the latent power to fracture the network if they can successfully migrate their audience to a competitor, challenging the assumption of total platform lock-in (Cennamo & Santalo, 2013; McIntyre & Srinivasan, 2017; Rietveld & Eggers, 2018). Without understanding the portability or stickiness of this relational capital of PDEs vis-a-vis the focal platform, our models of platform dominance remain static and overly deterministic. To address the above points this paper seeks to answer: *How do PDEs respond to an adverse governance shock imposed unilaterally by the platform owner? How does the relational capital possessed by the PDE influence this decision?*

To answer the research question, this paper leverages a unique empirical setting: the ban on unregulated gambling streaming on Twitch in 2022. Twitch is a live content curation platform where creators stream games to engaged audiences, often for extreme durations: single streams can run from minutes to days, and a heavy-streaming creator can approach 700 hours in a month—levels that imply deep embedding in platform routines and infrastructure (Deng, Cuadrado, Tyson, & Uhlig, 2015; Diwanji, Reed, Ferchaud, Seibert, Weinbrecht, & Sellers, 2020).

I study the category ‘Slots’, that ranked month over month as the top 10 categories streamed in Twitch worldwide pre-ban. Leveraging the platform’s overnight prohibition of unlicensed casino content as a quasi-experimental governance shock, I analyse granular PDE level streaming data from July through December 2022. I complement this analysis with an archival qualitative study drawing on PDE communications and video streams, industry expert reports, and popular-press coverage. This

sequential multi-method design traces platform dependent entrepreneurs' strategic response to an adverse governance shock that threatens their core business model on the focal platform.

This study makes three major contributions to the literatures on platform network effects, platform governance, and platform dependent entrepreneurs. This study contributes to the literature on platform network effects by showing empirically that network effects are portable. Specifically, relational capital developed on the focal platform enables high relational capital PDEs to port a significant portion of the total network effect to an alternate platform, transforming what is often treated as a monolithic platform asset into an entrepreneurial resource. My second contribution is to the platform governance literature by identifying and empirically illustrating the Hydra Effect: the counterintuitive consequence whereby a policy change in the focal platform can re-anchor contested activity outside the platform's governance boundaries, thereby intensifying competition in the contested domain rather than eliminating it. Prior work emphasizes how platforms manage governance through rule changes, boundary setting, and content moderation, often assuming that sanctioned PDEs either comply, shift to other platforms, or cease operations altogether. I show that when PDEs possess high relational capital, an adverse governance shock can have a more consequential outcome: by abruptly displacing both PDEs and users from a lucrative category, it can precipitate a coordinated reallocation of supply and demand to an alternative venue. I also contribute to the literature on platform-dependent entrepreneurs (PDEs) by theorizing a sharper boundary condition on platform power. Prior work tends to treat governance authority as structurally concentrated in the platform. However, I argue that this asymmetry is not uniform across all PDEs. PDEs differ in the extent to which they possess relational capital. When relational capital with the users is low, dependence is acute. In contrast, when relational capital with the users is high, dependence on the platform lowers. High relational capital PDEs can mobilize users and move their offerings to adjacent platforms, thereby converting what appears to be dependence into latent power.

The remainder of the paper is organized as follows. The next section reviews the relevant literature on platform governance, network effects, and platform-dependent entrepreneurs. I then describe the research design, empirical setting, introduce the data, and detail the empirical strategy.

Next, I present the results and summarize the main findings. I conclude with a discussion of theoretical and practical implications and outline avenues for future research.

THEORETICAL BACKGROUND

Platform Governance and Platform-Dependent Entrepreneurs

The burgeoning literature on digital platforms characterizes them as ‘meta organizations’ that federate and coordinate autonomous agents through a modular technological architecture (Chen et al., 2022; Gawer, 2014; Jacobides et al., 2018; Tavalaei & Cennamo, 2021). Within this architecture, Platform Dependent Entrepreneurs (PDEs) operate as a novel class of economic actor, simultaneously autonomous in their pursuit of profit yet structurally subordinate to the platform’s infrastructure and rule setting (Cutolo & Kenney, 2021; Koo & Eesley, 2021; Nambisan & Baron, 2021). Governance in this context is not merely technical administration, but an ongoing process, administered as the set of rules, restrictions, and incentives that platform owners utilize to manage ecosystem activity and correct market failures (Boudreau & Hagiu, 2009; Engert et al., 2025; Tiwana, 2014; Zhang, Li, & Tong, 2022).

A central tension in this literature is the fundamental power asymmetry embedded in the platform-PDE relationship. While platforms provide essential boundary resources, such as APIs and software development kits, that lower the barriers to entry and innovation (Gawer, 2014; Ghazawneh & Henfridsson, 2013), they retain exclusive control over these resources (Cennamo & Santalo, 2013). This centralized authority allows platform owners to unilaterally alter governance parameters, ranging from algorithmic ranking criteria to monetization rules, often to capture greater value or address ecosystem quality issues (Abolfathi, 2025; Boudreau, 2010; Rietveld et al., 2020). Such unilateralism creates a state of ‘precarious autonomy’ for PDEs, where the very means that enable their businesses can be modified without negotiation or due process (Cutolo & Kenney, 2021; Karanović et al., 2021; Kuhn & Maleki, 2017).

Recent scholarship has begun to unpack the complexity of these governance regimes to explore how platforms manage the tension between ecosystem integrity and generative value. For

instance, Koo (2024) identifies ‘hybrid governance’ structures where platforms leverage external legal frameworks alongside internal rules to legitimize their authority, finding that explicitly invoking public law can be more effective at curbing PDE misconduct than platform rules alone. Similarly, Doshi & Schmidt (2024) highlight the emergence of ‘soft governance’ mechanisms, such as the use of independent observers to validate platform transparency, which helps align the diverse interests of the ecosystem without resorting to coercive enforcement. Furthermore, Engert et al. (2025) argue that governance is not strictly top-down; they introduce ‘soft power’ as a mechanism that shapes the emergence of autonomous, self-organizing coalitions of PDEs, suggesting that PDEs can collectively influence the ecosystem's trajectory. Despite these nuances, the prevailing consensus remains that PDEs function in an environment where their viability is perpetually contingent upon their alignment with the shifting strategic imperatives of the platform owner and this relationship has great power asymmetry (Cennamo & Santalo, 2013; Cutolo & Kenney, 2021; Karanović et al., 2021; Tavalaei & Cennamo, 2021; Zhu & Liu, 2018).

Network Effects and Relational Capital

The dominance of platform owners is traditionally theorized through the lens of network effects. Economic models suggest that indirect network effects create a self-reinforcing cycle: as more users join the platform, its utility for PDEs increases and more PDEs join the platform, which in turn attracts more users (Arthur, 1989; Katz & Shapiro, 1985; Rochet & Tirole, 2003). This dynamic fosters high switching costs and ‘lock-in’, theoretically granting the platform owner immense leverage over PDEs who cannot easily replicate the platform’s aggregated user base elsewhere (Afuah, 2013; Hurni et al., 2022; McIntyre & Srinivasan, 2017). In this view, network effect is a structural capital owned by the platform.

However, sociology literature suggests that this structural view may be incomplete without considering the sociological dimension of network effects retained by the PDE: relational capital. Defined as the set of assets created and leveraged through relationships and repeated interactions, including but not limited to trust, loyalty, shared history and mutual obligation, relational capital represents a distinct form of value accrual (Carmeli & Azeroual, 2009; Elfenbein & Zenger, 2014;

Granovetter, 1992; Hormiga, Batista-Canino, & Sánchez, 2011; Nahapiet & Ghoshal, 1998). Unlike structural capital, which is anchored in the platform's architecture, relational capital is embedded in the interpersonal interaction and past history between actors (Adler & Kwon, 2002; Capello & Faggian, 2005; Kale et al., 2000; Kohtamäki, Vesalainen, Henneberg, Naudé, & Ventresca, 2012). In the context of digital platforms, this manifests as the deep bonds formed between PDEs and the users through repeated interactions (Hilvert-Bruce, Neill, Sjöblom, & Hamari, 2018).

While the platform facilitates the initial connection, the literature indicates that the quality of the relationship characterized by loyalty and shared cultural language often resides with the entrepreneur (Blatt, 2009; Elfenbein & Zenger, 2014). This distinction invites a re-examination of network effects not merely as a monolithic property of the platform, but as an aggregate of structural capital, owned and managed by the platform owner, and relational capital, owned and managed jointly by the platform owner and PDE. Consequently, the stickiness of a user base may not only be about the platform's infrastructure but also the trust and loyalty developed with PDEs (Afuah, 2013; Granovetter, 1992; Moran, 2005), challenging the assumption that the platform owner solely controls the network effect.

Relational Capital and Platform Power

The integration of relational capital into platform theory offers a critical lens for reassessing the power-dependence framework in the Platform-PDE relationship. Classical power-dependence theory posits that the power of Actor A over Actor B is determined by Actor B's dependence on Actor A for resources they cannot easily obtain elsewhere (Cutolo & Kenney, 2021; Pfeffer & Salancik, 2006). In the current platform model, the PDE is viewed as highly dependent because the platform controls access to the user base and the means of distribution (Boudreau & Hagiu, 2009; Hurni et al., 2022; Karanović et al., 2021).

Relational capital, however, may alter this power asymmetry. Prior research suggests that repeated interactions generate trust, loyalty, and identification that are anchored in the PDE rather than in the platform architecture (Byun et al., 2018; Kude & Huber, 2025; Yli-Renko, Autio, &

Sapienza, 2001). To the extent that users value participation in a PDE-centered community, rather than merely access to the platform itself, relational capital may constitute a latent asset that can reduce PDE dependence on any single platform and, correspondingly, constrain platform leverage (Bermiss & Greenbaum, 2016).

While adverse governance shocks can threaten the value of these assets (Byun et al., 2018), the stickiness of relational capital with the PDE challenges the assumption of total platform lock-in. Thus, while the platform owner retains architectural control, the possession of relational capital potentially transforms the PDE from a dependent ‘spoke’ into a semi-autonomous agent capable of negotiating terms or even porting its user base to rival offerings, thereby converting relational capital into strategic leverage (Engert et al., 2025; Gastaldi et al., 2023; Kude & Huber, 2025).

METHODS

Research design

To investigate the causal mechanisms linking an adverse governance shock to Platform Dependent Entrepreneur (PDE) strategic behaviour and the role of relational capital in influencing this behaviour, I employ a sequential mixed-methods strategy (Creswell, 2014; Edmondson & Mcmanus, 2007), guided by an abductive research design (Dubois & Gadde, 2002; Timmermans & Tavory, 2012). Unlike purely deductive approaches that test established theory, or inductive approaches that generate theory from scratch, an abductive approach iteratively moves between theory and data. This makes it particularly well-suited for explaining surprising empirical phenomena that existing theoretical frameworks struggle to predict (Alvesson & Kärreman, 2007; Wellman, Tröster, Grimes, Roberson, Rink, & Gruber, 2023).

The research is organized into two complementary studies:

- Study 1 utilizes a quasi-experimental longitudinal design to map the magnitude and structural dynamics of PDE strategic responses to an exogenous governance shock imposed by the focal platform. Using granular, high-frequency data, I analyse strategic behaviours of PDEs following an adverse governance shock.

- Study 2 complements the first by utilizing an abductive archival qualitative mechanism-tracing study to unpack the dynamics underlying the responses observed in Study 1. Drawing on archival data including PDE communication and video streams, reports by industry experts, and press coverage this study investigates the mechanisms not observable in a quantitative study to fully understand the strategic responses of PDEs to an adverse governance shock.

Study 1

To analyse the strategic responses of PDEs to an adverse governance shock and the role of relational capital in influencing that response, I study the ban of unlicensed casino content on Twitch. On September 20, Twitch announced a new policy that it would prohibit streaming gambling sites that are not licensed in the U.S. or in jurisdictions with sufficient consumer protection effective October 18, 2022. The policy update targeted specific offshore casinos and clarified that licensed gambling (e.g., sports betting, poker, or U.S.-licensed slots) could continue (Gerken, 2022). This partial ban of unlicensed casino content on Twitch serves as a particularly sophisticated natural experiment because it introduces a selective pressure rather than an outright existential threat. A total ban creates a binary outcome: exit the platform or undergo a dramatic shift. By contrast, a partial ban allows for a spectrum of strategic responses.

Twitch is a live-streaming platform where creators broadcast content in real-time. While originally gaming-centric, the platform saw a rapid expansion of its ‘Slots’ category throughout 2022. Ranked month over month as the top 10 streamed categories worldwide pre ban, ‘Slots’ was positioned as the top 8 most watched category and garnered 50.7 million views in August 2022 worldwide totalling roughly 2.5% of all views on Twitch. Figure 1 shows the trends of the category ‘Slots’ that was affected by the partial ban.

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Data and sample. I employ a multi-step identification strategy using data collected from July to December 2022. First, I collect data of all PDEs who streamed the category ‘Slots’ through the months July to December 2022 giving me margin to study creator behaviour pre-announcement (July-August), post announcement and pre-enforcement (October) and post enforcement (November-December). Table 1 shows descriptive statistics of this population of PDEs. To ensure the governance shock affected these PDEs, I focus on all PDEs who streamed ‘Slots’ atleast 15 minutes each month prior to the announcement on September 20 (July-August-September). By selecting only those active across the entire pre-announcement period, I build a dataset of 1578 PDEs who had a demonstrated, ongoing commitment to the category witnessing the governance shock. I collect and analyse granular behaviour of these 1578 creators including the number of categories streamed, time streamed per category, average viewers and peak viewers per category from July to December 2022 giving me a rich dataset of 32,079 observations.

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Independent Variable. To capture PDE exposure to the adverse governance shock imposed by Twitch (focal platform), I operationalize baseline measures using creators’ category-level streaming activity observed in the pre-announcement period (July–August 2022).

1) Pre-Ban Slots concentration. This measure calculates each individual PDEs reliance on the focal category streamed prior to the announcement of the ban. It calculates the overall percentage of hours ‘Slots’ is streamed in the months July and August to all categories streamed by the PDE. This variable takes the value between 0% (‘Slots’ not streamed in July and August) to 100% (Only ‘Slots’ streamed in July and August). I bin these values into ‘greater than 80%’, ‘between 50 and 80%’ and ‘less than 50%’.

2) Pre-Ban Category breadth. This measure reflects a creator’s pre ban diversification: for each creator, it is measured as the distinct number of categories streamed during the pre-announcement period (July to August). If PDE X streams five distinct categories in July and two distinct categories in August, the category breadth is seven. This variable takes the value between 1 (Only ‘Slots’

streamed in July and August) to 68 ('Slots' plus 67 other categories streamed in July and August, this measure is taken directly from the data).

Dependent variable. To measure PDE response post governance shock, I operationalize two dependent variables using strategic PDE behaviour observed in the post-enforcement period (November–December 2022).

1) Post-Ban Slots concentration. This measure captures the extent to which each individual creator continues to rely on Slots after enforcement; for each creator, it is computed as the share of total streaming time allocated to 'Slots' during November–December, calculated as 'Slots' hours divided by total hours streamed across all categories. This variable takes the value between 0% (No 'Slots' streamed, but other categories streamed) to 100% (Only 'Slots' streamed).

2) Platform Exit. This measure is a binary and takes the value 0 or 1. If the PDE totally ceases to stream in the focal platform or deletes his account or reduces his total stream time by more than 90% then the variable takes a value of 1 (platform exit) otherwise 0.

Moderating Variable. To capture the extent of relational capital each PDE possesses on the platform, I use Average Viewers as a proxy for the strength of an individual creator's audiences' attachment and ongoing engagement.

1) Average Viewers per hour Pre-ban. This measure indicates the average number of viewers per hour across all categories that the PDE streams in the pre-ban period (July and August). If a creator streams Slots for 2 hours and has 1000 people watching the stream and game X for 1 hour and has 500 people watching the stream, then Average Viewers per hour is 833. This measure captures the PDE appeal to the audiences. This measure takes the value between 0 (No engagement) to 64,753 (This measure is taken directly from the data).

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RESULTS

Findings

I employ a cross-sectional regression analysis. Unlike a difference-in-differences design, which relies on parallel trends, this setting involves a universal shock where 'treatment' is defined by the varying intensity of the PDEs' pre-ban reliance on the targeted category. Following the approach of Burtch and colleagues (2013) and Miric and Jeppesen (2020), I collapse the time-series data into pre-announcement and post-enforcement periods.

In the pre-announcement period (July–August 2022), creators exhibited substantial heterogeneity in exposure to the focal platform's adverse governance shock, as captured by baseline reliance on the targeted 'Slots' category. Pre-ban Slots concentration averaged 62.2% of streaming hours, with a large share of creators exhibiting high dependence (>80% of pre-ban hours in Slots). Table 2 maps the concentration of Slots to total streaming activity across the entire observation period. Table 3 shows descriptive statistics of the independent and dependent variables.

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In line with established theory, exit behaviour in the post-enforcement period (November–December 2022) increased sharply with baseline reliance: creators with low pre-ban dependence (<50%) displayed markedly lower exit rates than those with moderate (50–80%) or high (>80%) dependence, consistent with the interpretation that the governance intervention disproportionately disrupted those whose prior activity was most tightly coupled to the restricted category. Figure 2 and Figure 3 corroborate these findings. Pre-ban category breadth further operated as a resilience mechanism: creators with broader pre-ban portfolios were less likely to exit and, among those remaining active, reallocated streaming time away from the focal category to a greater extent, indicating that diversification buffers the disruptive impact of category-specific governance shocks. From table 4, we see that pre ban category breath is negatively correlated to both exit behaviour and post ban slots concentration, implying PDEs with higher diversification prior to the shock chose to stay away from the focal category post shock. Table 5 maps the effect size of PDE exit behaviour.

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A second set of analyses evaluated whether relational capital moderates post-shock responses. Contrary to standard expectations that stronger audience attachment anchors creators to the platform, the association between relational capital and exit is non-monotonic. From figure 4, we see that exit rates are highest among the lowest relational-capital creators, fall substantially at moderate levels of relational capital, and then increase again in the upper tail of the relational capital distribution. A logistic model with a quadratic specification in log average viewers corroborates this U-shaped pattern while controlling for pre-ban Slots concentration, category breadth, and pre-ban streaming intensity (Total number of hours streamed). Substantively, these results indicate that relational capital is generally associated with lower exit propensity at moderate levels, but this stabilizing effect attenuates and reverses at high levels: PDEs with high relational capital are more likely to exit the focal platform than otherwise comparable PDEs with moderate relational capital.

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This upper-tail reversal, PDEs with high relational capital exiting the focal platform at higher rates compared to otherwise similar PDEs with moderate relational capital is an anomaly existing literature fails to explain. Current literature predicts that as greater number of resources are tied to the focal platform, PDEs with high relational capital should have higher switching costs and show lower tendency to leave the platform compared to an otherwise similar PDE with lower relational capital. However, high relational capital appears to coincide with greater willingness, or ability, to exit the platform following an adverse governance shock.

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QUALITATIVE MECHANISM-TRACING STUDY

Study 2

To fully understand the anomaly and the role of relational capital in facilitating higher rates of exit observed in study 1, I conduct an abductive archival qualitative mechanism-tracing study (Beach & Pedersen, 2013; Timmermans & Tavory, 2012). I specifically study mechanisms by which PDEs with high relational capital exhibited higher exit tendencies. To construct a robust qualitative dataset, I employed a longitudinal archival collection strategy spanning from August 2022, representing the period of pre-ban through June 2023 (Bowen, 2009; Ventresca & Mohr, 2017). The data sources were triangulated to ensure validity and mitigate the bias inherent in any single communication channel (Eisenhardt, Graebner, & Sonenshein, 2016). The qualitative corpus triangulates three archival data sources to reduce single-source bias and to increase interpretive validity: PDE communications and video streams, industry expert reports, and popular press. Table 6 lists the sources of data.

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Analysis

I analysed the archival corpus using an abductive logic to explain the anomaly observed in Study 1. I began by constructing a dated event log that aligned the governance shock, creators' public statements, stream dates and subsequent outcomes; Figure 5 provides a timeline of events. The event log imposed temporal discipline, allowing me to distinguish strategic intent from retrospective justification and to evaluate interpretations against clear time ordering. I then conducted first-cycle coding informed by prior literature on relational capital, platform network effects, and platform power, systematically analyzing PDE communications, video streams, and industry expert reports and popular press. Across subsequent iterations, I conducted second cycle focused coding to consolidate initial codes into a parsimonious set of mechanisms that account for the role of relational capital in

PDEs exhibiting higher platform exit tendencies. Throughout this process, I triangulated interpretations across sources and checked time-ordering to ensure interpretive and internal validity.

Findings

December 2022, saw the launch of a rival platform, Kick, backed and cofounded by a high relational capital PDE, trainwreckstv, who exited the focal platform.

“With so much company interference for streamers on other live video streaming platforms, there was space for a platform that allowed its content creators the freedom to explore what they wanted to make their niche. The aim is to give power to those who make the platform..... That led to the 2022 launch of Kick.com BETA and it has continued to grow since then, with a number of famous names making the platform its home, including established streamers like xQc and Adin Ross.”
(<https://help.kick.com/en/articles/12273364-how-kick-com-started-origins-founders-streamer-success>)

While initially relying on PDEs who exited the focal platform, Kick quickly attained immense popularity due to indirect and direct network effects brought in by these high relational capital PDEs from the focal platform.

“We’re already seeing talented streamers cross over and enjoy what Kick has to offer, like bjjess and her amazing set-up and singing. Then there’s Sethdrums, who comes to the table with scintillating energy and captures the spirit of Kick.com. I could name hundreds more from Tik Tok, YouTube, and Facebook. Everyone is coming to Kick to rediscover themselves.” - CEO of Kick in an Interview (Iyer, 2023).

My analysis identified four interrelated mechanisms through which high relational capital PDEs successfully ported a significant portion of their relational capital, of the total network effects, from the focal platform to the entrant platform, Kick, rendering exit from the focal platform viable and hence showing higher exit tendencies compared to similar PDEs with lower relational capital. These mechanisms operated under two institutional conditions directly triggered by the governance shock.

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Unbundling Relational Capital via Voice. PDEs with high relational capital were celebrities in their category, they not only were part of the category, but active directors of it. Through communications inside and outside the focal platform, these PDEs strategically called on for support from the users of the focal platform. These PDEs had substantial audience engagement on the focal platform and strategically framed their relationships with viewers as autonomous social ties rather than as residual byproducts of the platform's technological infrastructure. By positioning audiences as relational partners independent of the focal platform, they mobilized user loyalty through personalized narratives and direct appeals that emphasized allegiance to the creator rather than dependence on platform specific features. By using their voice as a strategic asset, PDEs effectively unbundled the relational capital they developed and harnessed in the focal platform from a platform asset into an entrepreneurial resource that was willing to migrate to an alternative platform that was technologically inferior, unknown at the time, and often had app crashes.

“harryon1441: TRAIN I F**KING LOVE U BRO LMAOO

Darkfac33: Mobile app on the way? @trainwreckstv

og_digitalocean: WE BACK BOY

jkktan: Will kick have an app? @trainwreckstv

Xeriphim: Kick needs to take over and destroy twitchc, Fuyck twitch

Jetters13: I'm switching to Kick

Empire_legends10: Kick doesn't stream cast on my tv like twitch fix it

Killakyle_22: yeah cant watch kick on the TV just shows your profile sadly @trainwreckstv

Yellow_buoy: you look exceptionally beautiful today @trainwreckstv

Cxpty22: suuport the streamer bruh” - *User reactions to a stream by a high relational capital PDE explicitly announcing exiting the focal platform and joining Kick and requesting support from the community.*

Delegitimizing focal platform. PDEs did not merely express opposition to the governance shock; instead, they deployed a delegitimizing narrative aimed at undermining the focal platform’s governance regime. By voicing critiques that extended beyond the category ban, they sought to reframe the intervention as symptomatic of broader coercive authority and escalating governance constraint. This framing positioned the platform’s actions as unjust not only toward individual PDEs but also toward the wider community, thereby elevating the dispute from a category-specific policy change to a generalized challenge to the platform’s legitimacy.

“Twitch lost its grasp on reality. Twitch used to feel like a place made for us, by us. But Twitch built their empire off our backs and then forgot about us. They lost the reason Twitch became #1 in the first place. Kick’s team and I have a vision to make a livestreaming platform that’s actually built first for creators.” – *High relational capital PDE in a publicly released document*

“I’ve streamed on Twitch forever and I was under a massive contract for four years, ok, and I’ll be honest with you dude, here[Kick] I feel like I can just sit down and actually talk to chat and that’s a massive f—ing W”- *High relational capital PDE*

“Diversoul444: Go on kick man. You need to be able to speak your mind without censorship
pluggedup8103: Go on kick man your bringing a whole army with you it can change the whole platform

Boogienas_ : Reach out & get a kick contract gang we wanna see you back in action” – *Audience reaction to a video by a PDE accusing Twitch of censorship and 90-day bans imposed by Twitch on his content*

Long term narrative framing. High relational capital PDEs articulated long-term, forward-looking narratives to credibly signal commitment away from the focal platform and direct it towards

the rival platform. By outlining upcoming developments, these PDEs reduced uncertainty regarding the entrant's viability and conveyed that exit from the focal platform was not sporadic but strategic and sustained. The forward looking narratives also functioned as an attention-generating device: they produced anticipation among audiences and external observers, and raised expectations about the entrant platform's trajectory, helping cultivate momentum around 'what is yet to come', thereby amplifying demand-side interest.

"Kick will partner with the world's leading advertisers to generate cash flow. I believe that creating the best incentives for creators will lead the best creators to Kick, and the best creators will bring the best advertisers. Kick will stand out because of how it takes care of its creators." – *High relational capital PDE*

Creating momentum via other actors. High relational capital PDEs did not act in isolation. Instead, they coordinated with other actors including other affected PDEs, celebrities, media moguls and other influential names to create momentum for the entrant platform. By 'joining hands' publicly through mutual endorsements, joint appearances, and cross-promotion, they transformed what could have been interpreted as idiosyncratic individual defection into a collective response with greater visibility and credibility among ecosystem members. This united front captured the attention of ecosystem members, reduced uncertainty about whether exit would be socially supported, and facilitated audience migration by pooling attention and consolidating viewer communities into a coordinated movement toward the entrant platform.

"yo shout out to everybody watching this chat this group that's in here tonight on Kick this is the best group we've had because you guys are bringing all the good luck the energy all that" – *From a joint stream by a high relational capital PDE and Drake, the famous Canadian musician*

"it's[twitch] a structure I think that's actually just a really poorly ran company no one knows what the fu*** going on maybe so so twitch is um I think twitch is struggling right now with a culture problem" *High relational capital PDE in a joint stream with seven other PDEs.*

The following illustrative case provides convergent support for the findings. Roshtein, a high relational capital PDE and the second most watched PDE in the ‘Slots’ category in August 2022, exited the focal platform and migrated to Kick. Although Kick was in an early launch phase and lacked basic technical infrastructure and discovery features, Roshtein averaged approximately 6,000 viewers in December 2022 on Kick, representing an estimated 75% decline relative to his Twitch baseline. By February 2023, however, his average viewership had increased to approximately 15,000, suggesting substantial audience migration in under two months.

These mechanisms operated under two institutional conditions which were a direct consequence of the governance shock:

Demand Vacuum: The governance shock rendered a high-margin, high-demand category functionally inoperable almost overnight, producing an abrupt disruption in both content supply and user attention. Rather than reallocating to authorized gambling content within the focal category ‘Slots’ or to adjacent categories ‘Poker’ or ‘Virtual Casino’, many viewers and creators faced a lack of salient, institutionally legitimate substitutes that could preserve the prior intensity of engagement. This sudden breakdown in category functionality created a demand vacuum, an unfilled reservoir of attention and consumption intent, that increased receptivity to alternative venues capable of hosting comparable content and PDE-user interactions. My quantitative analysis shows PDEs who did not exit the focal platform and pivoted to other close categories such as ‘Poker’ and ‘Virtual Casino’, saw substantial drops in average viewers compared to their pre-ban baseline.

Institutional support by ousted Intermediary: The governance shock explicitly targeted the intermediary Stake.com, thereby abruptly severing its primary channel of content distribution on the focal platform. Deprived of access to its dominant audience conduit, the intermediary faced strong incentives to facilitate migration to an alternative venue.

“At launch, prohibited sites will include Stake.com, Rollbit.com, Duelbits.com, and Roobet.com. However, we may identify other sites as we move forward.” (Twitch, 2022)

Kick, was co-founded and financially backed by the intermediary's billionaire CEO, enabling the rapid provision of capital, infrastructure, and contractual support necessary to absorb displaced PDEs and users.

“Another big difference between the two is Kick's more relaxed content policy. And its gambling streams, which feature prominently on the platform and regularly appear in its top three categories, have been a talking point. Kick was co-founded by Ed Craven, the billionaire owner of crypto and betting site Stake.com” (Rogers, 2023)

While platform literature generally assumes platform lock in due to indirect and direct network effects owned and controlled by the platform, my iterative analysis challenges this assumed platform lock in by empirically showing the portability of network effects. By unbundling the relational capital effect from the total network effects, PDEs convinced a substantial portion of the user base in the focal platform to migrate to a new and technologically inferior platform, motivated primarily by trust and loyalty towards the PDE.

ROBUSTNESS TEST

To verify how relational capital influences exit behaviour, I operationalize different definitions of exit behaviour. From table 7 we see that the results stay robust and in the expected direction to the different definitions.

----- INSERT TABLE 7 ABOUT HERE ----

To verify if PDEs have leverage over the focal platform, I collected data of the top 15,000 PDEs on Twitch month over month worldwide across categories from July to December 2022. The data shows the top 100 creators garnered upwards of 360 million hours viewed in the month of July 2022, representing 19% of all hours viewed on Twitch, this pattern stays consistent throughout December 2022. The data also shows that the top 15,000 creators garnered 1.47 billion hours viewed on Twitch in July 2022, representing 77.5% of all hours viewed on Twitch. For comparison there are 7.6 million unique monthly PDEs on Twitch on average and approximately 100,000 live at any given time. This demonstrates the importance, strategic leverage and latent power these PDEs have and their

ability to fracture the network if they decide to exit the focal platform and port their audiences to rival offerings.

DISCUSSION

The Portability of Network Effects

This study challenges the platform ‘lock-in’ view (Rochet & Tirole, 2003) by empirically demonstrating that network effects are portable. Portability implies that the relational capital effect of the total network effect can migrate with the PDE rather than remain fixed at the platform level. As PDEs develop identifiable communities, shared norms, and recurring interaction rituals, the audience derives value not simply from being on a large platform, but from participating in a specific PDE-centered network. When that community can be reconstituted elsewhere, as PDEs move their operations to rival offerings and users of the focal platform can reconnect with other community members and regain similar interaction patterns as in the focal platform in competitor platforms, the relational capital effect of the total network effects of the focal platform becomes tied to the PDE and portable across similar platforms.

This study shows that network effects are not a single, platform-owned asset that necessarily protects incumbents. Instead, network effects are better decomposed into structural components: transaction feasibility, centrality, structural holes, number of critical roles, distinctive capabilities, network size, market thickness and ecosystem quality (Afuah, 2013), and relational capital components: community engagement, PDE loyalty, shared history, interpersonal interaction and trust in the PDE. Structural components tend to be controlled and managed by the platform owner, but relational capital effects are co-produced in repeated PDE-user interactions and are conjointly controlled by both the platform owner and the PDE.

Platforms can still shape relational capital by changing the institutional ‘rules of attention’ through discovery algorithms, review systems, and leaderboards that govern visibility and rewards (Cutolo & Kenney, 2021; Rietveld et al., 2020). However, the core relational asset: trust, engagement routines, and community identity, remains managed by the PDE through ongoing interactions and credibility building.

In scenarios where a part of the network effects resides in the PDE’s relational capital; users are willing to follow the PDE and coordinate migration despite switching frictions. This provides a boundary condition for lock-in mechanism of incumbent platforms, if network effects are not wholly owned and controlled by the platform, structural components of a network alone are insufficient to provide lock in. Relational capital component of the network effect must be understood and identified to accurately explain the platform specific network effect of the total network effect.

The Hydra Effect in Platform Governance

I introduce the Hydra Effect to describe a paradox of platform governance: the unintended consequence of an adverse governance shock that intensifies competition in the contested domain. By imposing an adverse policy in a highly lucrative category without eliminating the underlying demand, Twitch produced a demand vacuum that it could no longer fully intermediate or discipline within its governance boundaries. Rather than curtailing the contested activity, the intervention displaced it to an entrant platform, Kick. The resulting dynamics depart from classic ‘platform envelopment’ in which an incumbent platform enters a PDE’s core business; instead, this reflects a counterintuitive reconfiguration in which the prohibited category is reconstituted elsewhere, along with its own institutional rules, revenue model, and user-coordination mechanisms.

Critically, the Hydra Effect is amplified when high relational capital PDEs publicly support or coordinate around an alternative venue, because their relational capital relaxes coordination frictions that typically inhibit collective switching. Rather than requiring audiences and PDEs to discover substitutes independently, high relational capital PDEs can actively re-anchor displaced demand and catalyse supply side realignment by mobilizing other affected PDEs. An adverse governance shock

that disrupts a lucrative category may not extinguish contested activity; instead, it can precipitate a synchronized reallocation of demand and supply to alternative venues, intensifying competitive pressure in the contested domain of governance rather than restoring platform control.

Latent Power of High Relational-Capital PDEs

This study provides a boundary condition on the power asymmetry generally theorized in the platform dominance view. By demonstrating how high relational capital PDEs can port a substantial share of their audience to alternative venues, the findings indicate that dependence is not unidirectional: platforms rely on PDEs not only for content supply but also for maintaining high-engagement communities that generate attention and monetization. When relational capital is concentrated at the PDE level, PDEs possess latent power that can be activated through credible exit threats, collective mobilization, and the capacity to reconstitute community interaction routines elsewhere.

LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

The findings of this study open several avenues for future research. First, this study infers the portability of the relational capital component of network effects primarily through qualitative reasoning rather than direct cross-platform measurement. Future work could operationalize portability more rigorously using longitudinal, creator-level panel data that tracks individual audiences pre and post governance shocks. This would allow researchers to estimate the magnitude of portability of relational capital.

Future studies should re-examine PDE-Platform power asymmetry and analyse how PDEs influence governance mechanisms employed by the Platform. For example, OnlyFans, a digital platform, announced that it would ban sexually explicit content, followed by a reversal within about a

week after intense backlash (Barry, 2021). This invites researchers to re-examine PDE-platform governance mechanisms and power dynamics.

Finally, future research should theorize and test how new digital entrants solve the chicken-and-egg problem. This paper suggests a mechanism that standard entry models underemphasize, entrants tapping into network effects of established incumbents by onboarding PDEs with high relational capital, essentially tapping into both supply and demand at initialization. For example, an entrant digital platform in the restaurant reservation domain, may onboard the highest ranked restaurant of the incumbent platform, essentially migrating a concurrent base of users who use the incumbent platform primarily for the particular restaurant.

CONCLUSION

This paper empirically demonstrates that the relational capital component of network effects is partly portable. Power distribution between the platform and PDE may be less skewed than previously theorized and lays out the strategic behavioural responses of PDEs following an adverse governance shock. By leveraging their relational capital in the focal platform, PDEs were able to move both demand and supply of the contested activity to a rival platform. As Albert Hirschman noted, "exit" is an economic response, but "voice" is political. In this case, the PDEs used their voice to frame their exit, transforming an adverse governance shock to an opportunity in their favour.

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TABLES

Table 1: Population of PDEs who streamed slots in the observation period.

Statistics	July	August	September	October	November	December
Total PDEs	5,239	5,527	5,124	3,814	2,024	2,399
Mean Streaming Time (h)	15.85	15.37	16.82	17.65	22.7	20.64
Mean Watch Time (h)	7,519.71	8,246.70	6,386.79	4,836.28	2,888.84	3,193.24
Median Streaming Time (h)	3.5	3.5	4	4.25	4.5	4.25
Median Watch Time (h)	24.5	23.5	27.25	35.25	39	36.88
Highest Streaming Time (h)	742.25	739	719.75	743.75	714	714
Lowest Streaming Time (h)	0.25	0.25	0.25	0.25	0.25	0.25

Table 2: Slots concentration of 1578 identified PDEs across the observation period.

Slots Concentration	July	August	September	October	November	December
> 80%	775	794	797	581	374	393
50% - 80%	176	177	168	148	78	71

< 50%	627	607	613	419	215	198
0%	0	0	0	430	911	916

Table 3: Descriptive statistics of variables

	Mean	SD	Min	Median	Max
Exit	0.3	0.5	0.0	0.0	1.0
PreSlotsShare	0.6	0.4	0.0	0.8	1.0
PreBreadth	5.3	6.1	1.0	3.0	68.0
AvgViewers_Preban	314.9	2547.3	0.6	19.2	64753.3
PreHours	140.5	147.3	1.0	102.5	1482.0
PostSlotsShare	0.3	0.4	0.0	0.0	1.0
PostHours	86.2	127.1	0.0	41.0	1451.0

Table 4: Platform Exit and Post-shock Category Reliance

	Exit (Logit)	Exit (Logit + quadratic RC)	Post-ban Slots concentration (Frac.)
Pre-ban Slots concentration	1.735*** (0.246)	1.957*** (0.250)	3.727*** (0.236)
Pre-ban category breadth	-0.039* (0.022)	-0.044** (0.021)	-0.092*** (0.021)
Log Relational capital	-0.267*** (0.047)	-0.986*** (0.121)	0.780*** (0.133)
Log Relational capital squared		0.094*** (0.014)	-0.095*** (0.016)
Log Pre-ban streaming intensity	-0.170** (0.069)	-0.129* (0.070)	0.149* (0.079)
Intercept	-0.323 (0.355)	0.361 (0.380)	-4.226*** (0.458)
Num.Obs.	1578	1578	1253
<p>• $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$</p> <p>Robust (HC1) standard errors in parentheses. Exit models are logistic regressions. Fractional outcome estimated via quasibinomial logit among active creators. Pre-period: July–August 2022; post-period: November–December 2022.</p>			

Table 5: Platform Exit (Odds Ratios)

	Exit (OR)	Exit (OR + quadratic RC)
Pre-ban Slots concentration	5.668*** (1.394)	7.078*** (1.766)

	Exit (OR)	Exit (OR + quadratic RC)
Pre-ban category breadth	0.962* (0.021)	0.957** (0.020)
Log Relational capital	0.765*** (0.036)	0.373*** (0.045)
Log Relational capital squared		1.098*** (0.016)
Pre-ban streaming intensity	0.844** (0.058)	0.879* (0.062)
Intercept	0.724 (0.257)	1.434 (0.545)
Num.Obs.	1578	1578
<ul style="list-style-type: none"> • $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$ 		
Entries are odds ratios. Robust (HC1) standard errors in parentheses.		

Table 6: Qualitative data corpus

Data source	Description	Time window analyzed	Inclusion criteria	Corpus size
PDE communications and video streams	Video content (long- and short-form) and video streams (Archived streams, highlight clips, and short-form videos); social media posts	Aug 2022–Jun 2023	Purposeful sampling of PDEs with high relational capital who exited the focal platform; includes posts, videos and streams referencing the ban, governance, exit, migration, or rival venues; supplemented with snowballing via links and mentions	$N = 42$ hours. $N = 83$ posts
Industry expert reports	Commentary by streaming analysts, industry insiders, and media experts	Aug 2022–January 2024	Videos and articles addressing the ban, creator migration, platform governance disputes, or competition between Twitch and Kick	$N = 5$ hours. $N = 127$ articles
Popular press	News coverage in mainstream media	Aug 2022–January 2024	Coverage referencing Twitch, policy change, affected creators and categories, and migration patterns in streamers	$N = 31$ articles

Table 7: Robustness test

	Exit = 100% inactive	Exit = >90% reduction	Exit = >80% reduction
Pre-ban Slots concentration	1.671*** (0.335)	1.957*** (0.250)	1.794*** (0.213)
Pre-ban category breadth	-0.120*** (0.043)	-0.044** (0.021)	-0.029* (0.016)
Log Relational capital	-0.793*** (0.126)	-0.986*** (0.121)	-0.973*** (0.117)
Log Relational capital squared	0.074*** (0.015)	0.094*** (0.014)	0.092*** (0.014)
Log Pre-ban streaming intensity	-0.339*** (0.080)	-0.129* (0.070)	-0.083 (0.067)
Intercept	0.787* (0.450)	0.361 (0.380)	0.546 (0.351)
Num.Obs.	1578	1578	1578
<p>• p < 0.1, ** p < 0.05, *** p < 0.01</p> <p>Robust (HC1) standard errors in parentheses. All models are logistic regressions with the same covariates.</p>			

FIGURES

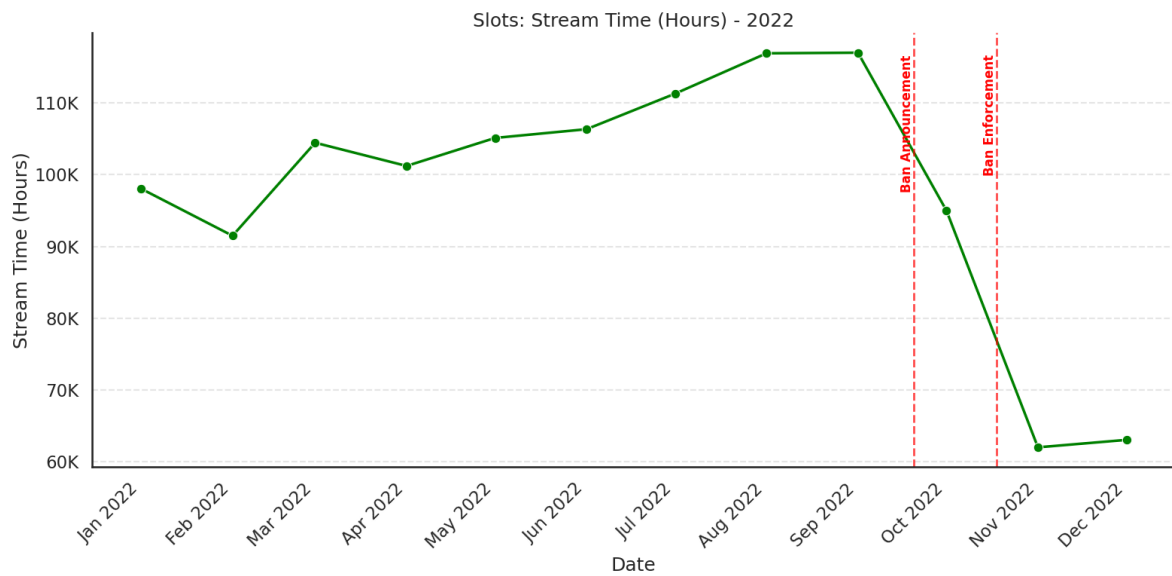


Figure 1: Slots streaming activity.

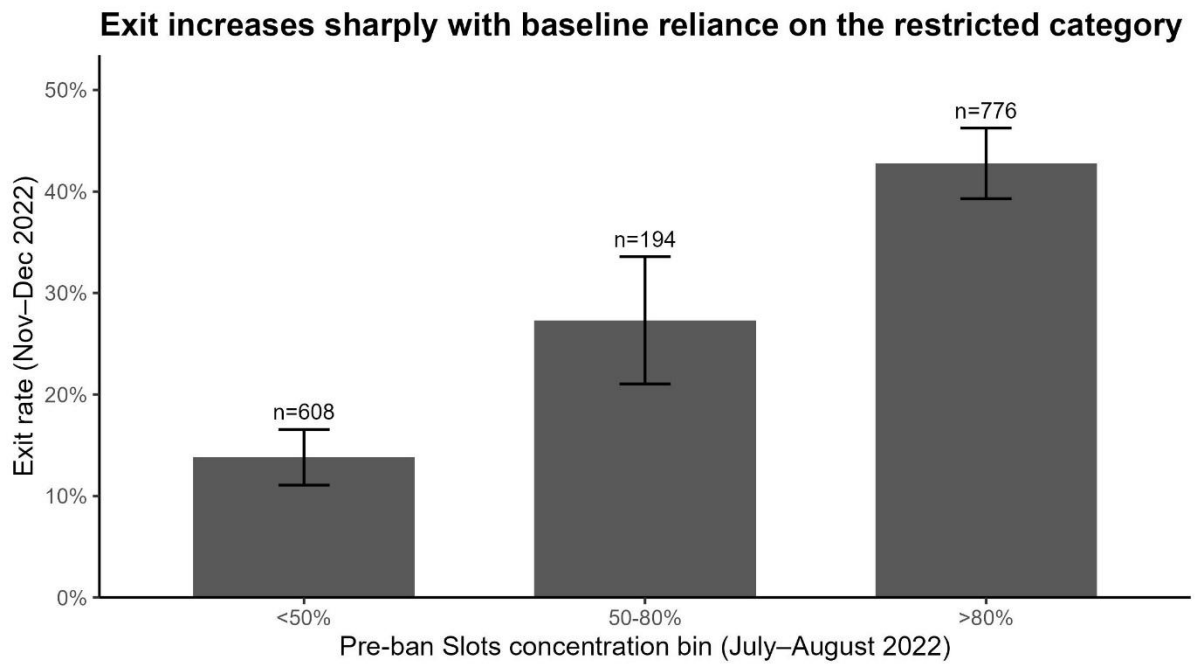
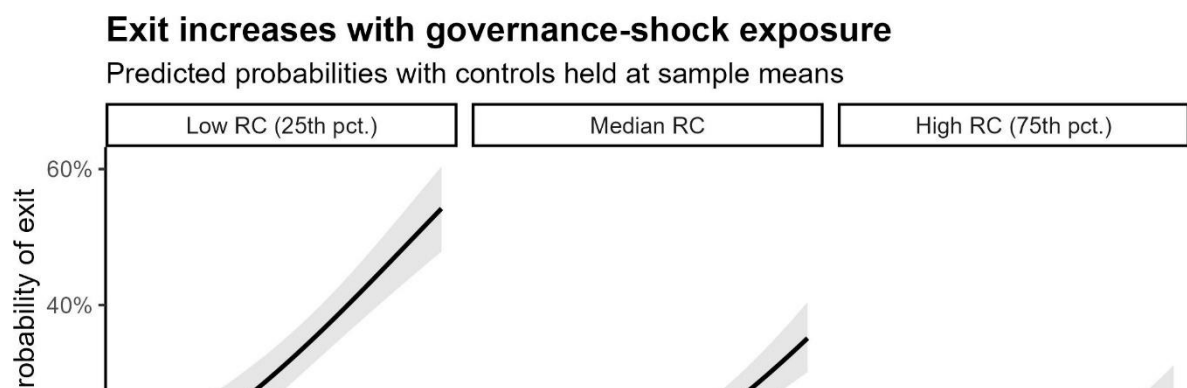


Figure 2: Exit rate with Pre-ban Slots concentration



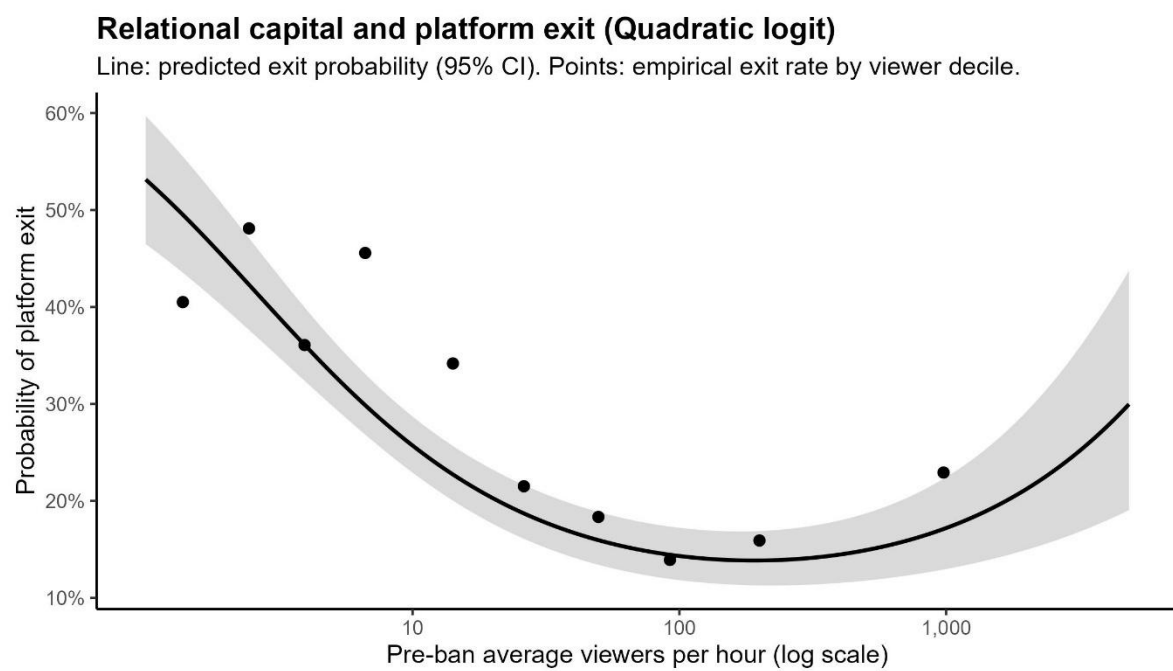


Figure 4: Logit model with quadratic specification including controls

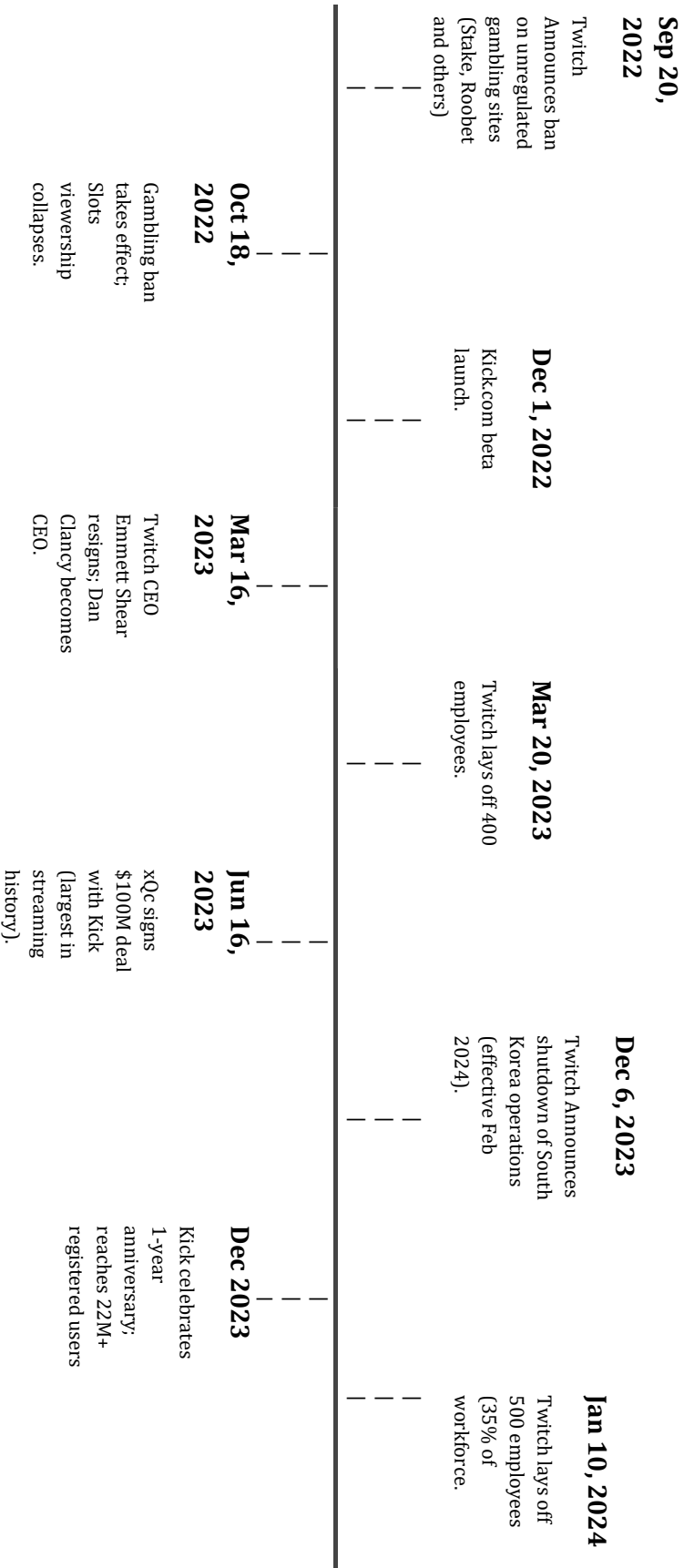


Figure 5: Timeline of events