



EDITORIAL

Governing Digital Markets: Institutional Architecture and Structural Power

Lina Marlina
Editor-in-Chief

Digital markets are entering a phase in which institutional design, rather than technological novelty, increasingly determines competitive outcomes. Earlier waves of digital expansion emphasized scale, network effects, and ecosystem orchestration as primary drivers of advantage. Contemporary developments, however, reveal a structural transition: governance architectures, regulatory consolidation, and infrastructural alignment are reshaping how value is created, distributed, and stabilized across digital ecosystems. Markets that once appeared frictionless and borderless are now embedded within layered institutional frameworks that redefine participation, coordination, and surplus allocation.

This transition reflects a broader shift in the logic of digital competition. Rather than being governed solely through platform strategy or technological innovation, digital markets are increasingly organized through institutional infrastructures that shape entry conditions, compliance thresholds, territorial boundaries, and coordination standards. Institutional theory has long emphasized that organizations operate within rule systems that define legitimacy and constrain action (Scott, 2014). Yet in digitally mediated environments, regulation does more than constrain—it structures. It reorganizes interdependencies, redistributes control, and recalibrates bargaining asymmetries across ecosystem participants.

Understanding digital markets today therefore requires attention to institutional architecture and structural power as interdependent phenomena. Governance is no longer peripheral to strategy; it is constitutive of market structure.

Regulatory Architecture and Market Structuring

Regulatory systems have evolved from reactive oversight mechanisms to architectural devices that shape ecosystem topology. Licensing regimes, data governance mandates, interoperability standards, and enforcement intensity collectively define the structural boundaries within which digital competition unfolds. Rather than functioning as episodic interventions, these regulatory elements operate as institutional infrastructures that organize participation and influence the distribution of control.

Institutional scholarship conceptualizes rules, norms, and supervisory systems as foundational components of organizational fields (Scott, 2014). When applied to digital markets, this perspective clarifies that regulatory consolidation reshapes competitive dynamics by altering entry thresholds and redefining permissible governance configurations. As compliance demands intensify, actors with established infrastructural capacity may gain structural advantage, while peripheral participants face heightened vulnerability.

Platform ecosystem research further underscores that governance design influences value realization across interdependent actors (Adner, 2017; Jacobides et al., 2018). However, ecosystem governance does not emerge in isolation. Regulatory architectures condition the feasible set of strategic choices available to platform orchestrators and complementors alike.

Data localization mandates, supervisory harmonization, and cross-border interoperability initiatives transform market boundaries from fluid technological spaces into territorially and institutionally embedded arenas.

Regulation, in this sense, becomes performative. It structures segmentation, redefines complementarities, and shapes ecosystem concentration. Digital markets must therefore be understood as institutionally configured rather than technologically determined.

Power, Dependence, and Asymmetric Value Capture

Institutional reconfiguration has direct implications for structural power within digital ecosystems. Power is relational, emerging from asymmetrical control over critical resources and dependence structures (Emerson, 1962; Pfeffer & Salancik, 1978). In platform-mediated markets, such resources include algorithmic visibility, transactional infrastructure, data access, and regulatory interface capacity.

Regulatory consolidation can recalibrate these dependence relations. Heightened compliance thresholds may increase reliance on dominant platforms capable of absorbing regulatory complexity. Smaller complementors, including SMEs, may experience expanded participation opportunities while simultaneously becoming more dependent on orchestrator-controlled infrastructures. Inclusion lowers entry barriers but may intensify structural asymmetry.

The distinction between value creation and value capture becomes analytically central in this context (Lepak et al., 2007). Digital ecosystems often expand aggregate value by reducing transaction costs and stimulating complementarities. Yet surplus distribution depends on bargaining power and governance centralization. Control over monetization nodes—commission structures, advertising systems, data analytics—enables disproportionate appropriation of ecosystem-generated value.

This dynamic gives rise to paradoxical outcomes. Participation and empowerment coexist with dependency and surplus compression. Institutional architecture mediates this paradox by shaping how power is stabilized or redistributed across actors. Structural power is therefore neither purely technological nor purely political; it is institutionally embedded within governance design.

Territorialization and Regional Coordination

The evolving governance of digital markets also manifests through territorial boundary-making and infrastructural synchronization. Data localization policies reclassify data as jurisdiction-bound strategic assets, altering assumptions of global scalability and reshaping international competitive logic. Institutional territorialization transforms location advantage and differentiates firms based on architectural flexibility and domestic embeddedness.

At the same time, digital interoperability initiatives illustrate an alternative pathway: infrastructural coordination without supranational political integration. Cross-border synchronization of payment systems, QR infrastructures, and digital identity frameworks compresses transaction costs and expands ecosystem boundaries without centralizing authority. Interoperability functions as infrastructural governance, stabilizing coordination through protocol alignment rather than hierarchical enforcement.

Together, territorialization and interoperability reveal that regional digital integration unfolds through layered institutional processes. Markets are segmented through sovereignty-oriented regulation and simultaneously integrated through standardized technical architectures. These dual movements reshape competitive configuration, influencing both entry strategies and ecosystem topology.

Digital markets are therefore neither fully fragmented nor fully unified. They are structured through overlapping institutional logics that combine segmentation and synchronization.

Compliance, Trust, and Institutional Legitimacy

Within intensifying governance environments, compliance assumes strategic significance beyond mere rule adherence. When embedded as an organizational capability, compliance can function as a credibility-producing mechanism that fosters trust and accumulates legitimacy.

Trust theory highlights that relational stability depends on perceptions of integrity, competence, and reliability (Mayer et al., 1995). In digitally mediated ecosystems characterized by information asymmetry and distributed coordination, visible compliance infrastructures—structured audits, risk management routines, transparent reporting—operate as costly signals of trustworthiness (Spence, 1973; Connelly et al., 2011). Such signals reduce perceived opportunism and lower coordination friction.

Over time, repeated credible compliance contributes to institutional legitimacy (Suchman, 1995). Legitimacy stabilizes ecosystem positioning by enhancing stakeholder confidence, facilitating partnerships, and buffering reputational shocks. Compliance capability thus mediates the relationship between regulatory intensification and competitive advantage. Rather than constraining innovation, structured compliance can reinforce relational credibility under uncertainty.

This credibility-centered perspective extends resource-based and dynamic capabilities frameworks into the governance domain (Barney, 1991; Teece, 2007). Heterogeneity in compliance depth, architectural integration, and adaptive capacity produces differential positioning within regulated ecosystems. Institutional alignment becomes a strategic variable.

Toward a Distribution-Sensitive Theory of Digital Strategy

Taken together, these developments suggest that digital competition is increasingly shaped by institutional architecture and structural power rather than by technological novelty alone. Governance devices—licensing regimes, interoperability standards, localization mandates, compliance infrastructures—function as structural determinants of participation, dependence, and surplus allocation.

Future research may benefit from integrating institutional theory, ecosystem strategy, resource dependence logic, and legitimacy scholarship to develop a distribution-sensitive understanding of digital markets. Such an approach recognizes that digital transformation does not occur in a vacuum; it unfolds within layered regulatory fields that reorganize opportunity and constraint simultaneously.

Strategic advantage in contemporary digital ecosystems depends on the capacity to navigate and shape institutional architecture while managing structural power asymmetries. Governance is not external to competition; it is embedded within it. As digital markets mature, understanding how institutional design structures coordination and distribution will become central to management scholarship.

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