

Openness and Legitimacy Building in the Sharing Economy: An Exploratory Case Study about CouchSurfing

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Abstract

Sharing economy start-ups are claiming legitimacy by drawing on notions of openness and, at the same time, by adapting to business institutions. We use the case of CouchSurfing to investigate how openness, which has been part of the organization's raison-d'être, contributed in the legitimacy building efforts and why it was replaced by notions of profitability and revenue generation. Thus, we contribute the concepts of legitimacy and legitimacy building to the academic discourse of openness.

1. Introduction

Sharing economy start-ups were born out of unprecedented developments of the digital, networked economy. We view the notion of openness as such an unprecedented development and present it as an important aspect of sharing economy start-ups in their efforts to legitimize their innovative business practices while they are, at the same time, adapting to existing business institutions [8].

Questions and explanations concerning the economic viability of openness (e.g. peer rather than hierarchically managed production, open rather than private innovation) and sharing (e.g. sharing rather than buying, reputation rather than contracts) has been at the centre of academic discourse [8, 11, 21]. IS research has paid particular attention to the analysis and design of new business models utilizing openness, such as open source, open data and open innovation, to their advantage [27, 24, 38]. Yet to be extensively studied by IS scholars [28], the sharing economy has also spawned discussions about new business models based on the success of existing digital service platforms [3, 10, 15, 29].

We complement and extend these economic and business approaches by focusing on a remarkably understudied domain - the rise of sharing as a socially acceptable practice, which brings the notion of legitimacy rather than economic viability to the forefront [19, 22]. We demonstrate openness as a discursive resource, on which sharing economy

platforms are drawing in order to build legitimacy [23, 41]. Based on an exploratory case study about CouchSurfing, we present our preliminary findings suggesting that drawing on openness is not only a viable way to establish the legitimacy of sharing economy ventures but difficult to maintain in the long run as established institutions of business join the organizational field demanding compliance with expectations of profitability.

This paper, therefore, contributes the perspective of legitimacy and legitimacy building to the theoretical understanding of openness in relation to the sharing economy. Our preliminary findings raise the question whether there is a lack of institutional support for sharing economy start-ups and, by extension, similar digital platforms to successfully build legitimacy long-term based on openness.

2. Sharing economy and openness

The sharing economy serves as an umbrella term for a diverse range of social and economic practices, which, ironically, do not share a unifying commonality that justifies their grouping into one category. This state of affairs is due to the use of the label "sharing" indiscriminately attached to economic modalities, which have nothing to do with sharing per se, such as short-term B2C rental services (e.g. DriveNow) or peer-to-peer rental of private property (e.g. Airbnb), to name but only a few [3]. As a consequence, these modalities become confounded with sharing proper – that is, the nonreciprocal practice of collaboratively producing, distributing and consuming underutilized goods without invoking the transfer of individual ownership [7]. Indeed, the literature on the sharing economy positions "sharing" at the confluence of three different types of social practice [28]; 1) sharing jointly owned goods, such as open source code [5], 2) exchanging gifts, such as sharing digital music collections through file-sharing platforms [18] and 3) renting assets and goods provided by private individuals or businesses, such as

car- and flat-sharing, better referred to as access-based consumption [3].

Underneath the excessive and, at times, inappropriate use of the term sharing, scholars identify a global cultural trend transforming the core values of the consumer society from individual ownership towards more sustainable consumption behaviours driven by environmental consciousness as well as lower costs of renting and sharing relative to purchasing underutilized goods [5, 29]. Suffice it to say, sharing practices, such as sharing a hammer among neighbours, is far from being a new phenomenon [11, 15]. However, the combination of recent technological and cultural developments, referred to as Web 2.0, is deemed to extend the notion of sharing beyond the confines of locally embedded practice and personal relationships of trust and familiarity [5], ultimately lowering transaction costs by such a degree that sharing with strangers becomes a viable alternative economic modality to markets and firms [20, 7].

Viewed in this light, parallels can be drawn to research conducted in the purview of openness as both notions (openness and sharing) draw on similar, if not the same, conceptual roots. For instance, the peer-production of open source software (OSS), based on principles of voluntary contribution, community values and non-proprietary innovation, clearly relates to sharing in the sense of commonly owned means of production [8, 16]. The concept of the sharing economy simply extends the principles of peer-production towards collaborative forms of consumption [25, 11]. Thus conceived, Wikipedia, for instance, is not only peer-produced but its consumption openly shared by the public at large [1].

An important difference to consider is the nature of the goods and resources. Openness is primarily associated with digital information goods (e.g. source code or online encyclopaedias) whose non-rivalrous and non-depletable nature serves to explain the unprecedented success of open phenomena and the challenge they pose to traditional market- and firm-based coordination [8]. The sharing economy, by contrast, involves also rivalrous, sometimes even depletable, goods. One shares, for instance, accommodation based on a pricing system and market mechanisms resulting in the commodification of sharing [25, 34]. This form of access-based consumption has become a major theme of the sharing economy discourse and, thus, caters to privately owned and rented goods contradicting the kinds of non-proprietary peer-production and -consumption mechanisms the notion of openness is associated with.

Given above difference, digital service platforms, such as Airbnb or Uber, have established themselves as 3rd party intermediaries coordinating market transactions for the consumption of idle capacities of rivalrous, privately owned goods [39]. Key to these platforms are reputation systems based on peer-reviews of their user bases, which mitigate the moral hazard of transacting with strangers [12]. The effectiveness of said reputation systems and, consequently, the attractiveness of the services they help coordinate rely on a critical mass of users in order to profit from network effects and to mitigate erroneous or even malicious reviews and behaviours [11]. Hence, the peer-reviewing process leads to the emergence of reputation as a viable, self-regulatory coordination mechanism [33].

2.1 Legitimacy and the sharing economy

Legitimacy refers to the appropriateness of a social practice with regards to contextual values, norms, rules and laws, which are accepted and enforced by some group of observers, such as regulatory bodies, customers or mass media [37]. Drawing on institutional theory, organizations are more than trivial machines making decisions based on rational means-ends calculations but rather based on a mix of institutional regimes demanding alignment, compliance and congruence [35, 14]. Hence, the current popularity of sharing services cannot be explained through transaction costs calculations only but has to be understood in the context of a society, in which sharing and, by extension, specialized digital sharing platforms are observed as increasingly legitimate ways to organize transactions [5].

The switch from economic viability to institutional legitimacy leads to a few subtle but significant conceptual changes that need to be taken into account. To begin with, “shareability” is not to be seen as an inherent attribute of goods derived from their idle capacities, as proposed in some of the literature [7], but rather as a socially constructed and historical category [40]. Allowing total strangers to sleep on one’s couch, for instance, is not a direct product of the couch being underutilized but based on social structures, which make this kind of behaviour meaningful and acceptable to begin with. Second, sharing is not necessarily an expression of a moral, socially responsible economy [19, 11]. For instance, there are blatant power asymmetries created by digital service platforms, such as between Uber (as the owner and operator of the ride-sharing platform) setting all the rules and reaping most of the benefits and their drivers (as the quasi self-employed users of

the service) providing the actual services and also bearing most of the risks [25, 9]. Finally, new ventures of the sharing economy need to build legitimacy in existing institutional landscapes [41]. A telling example is Airbnb facing banishment by the city of Berlin, who is attempting to maintain affordable housing [31], and accused by the hotel industry to be an unfair competition circumventing regulations [13].

Established businesses, who are experimenting with sharing services, do not face the same challenges since they abide by the existing rules and draw on their existing legitimacy. Car manufacturer Daimler, for instance, offers a short-term car-rental service named car2go [15]. Despite being called a car-sharing service, car2go is a straight-forward, legitimate car-rental business that is in compliance with standard business logics and regulatory regimes of renting products for a price. The new start-ups of the sharing economy (e.g. CouchSurfing, Airbnb, Uber, Lyft), by contrast, are born out of unprecedented developments of the digital economy and, we submit, are drawing on openness as part of their *raison d'être* and legitimization efforts.

2.2 Building legitimacy

Organizations are strategically engaged in shaping their status as a legitimate actor by 1) changing themselves in order to conform with existing institutions and 2) by changing the environment they are operating in [41, 4]. New ventures are struggling with the “liability of newness” as they are finding a balance between gaining legitimacy according to established rules and norms while, at the same time, maintaining their differentiating characteristics that initiated the launch of the venture in the first place [36]. Research suggests that some practices should seek conformity (e.g. accounting), while new practices should be developed into a novel trend or fashion (e.g. sharing as a global trend of the Web 2.0), by which the institutional environment becomes fascinated and susceptible to accepting the claim for legitimacy made by the new venture [41].

For our analytical purposes, we build on Suchman’s [37] three strategies of building legitimacy, which were extended by a fourth strategy (creation) by Zimmerman and Zeitz [41];

1) *Conformance* is the simple strategy of playing by the rules without challenging or violating them. For instance, Uber only accepts drivers whose cars comply with national traffic regulations.

2) *Selection* refers to the geographical as well as strategic positioning of the start-up in an environment

that is favourable to the new venture. For instance, Airbnb (like many other sharing economy start-ups) is headquartered in San Francisco in order to benefit from the entrepreneurial culture of Silicon Valley and the availability of financial as well as intellectual resources.

3) *Manipulation* denotes active efforts by new ventures to change the institutional landscape. For instance, the interest group “collaborative economy industry”, formed by 47 leading sharing economy ventures, actively lobbies European Union agencies to remove regulatory obstacles impeding their business models.

4) *Creation* of a new social context and institutional landscape, which can result in the emergence of a new industry. This strategy is closely linked to the research domain and practice of institutional entrepreneurship [41]. For instance, Californian legislators have created the new category of “transportation network companies” to cater for the rise of ride-sharing ventures such as Uber and Lyft in contrast to taxi and limousine services.

The combination of these strategies unfolds a complex tapestry of possibilities for organizations to find a balance between following, changing, violating and creating institutional structures. Conforming to one set of social expectations may mean to disregard other sets of social expectations [41] or even to shift back and forth between different institutions and their understanding of acceptable behaviour [23].

New ventures can gain legitimacy by, for instance, mimicking standards, demonstrating popularity and success, displaying symbolic gestures of moral integrity or advertising new services, just to name but a few [37]. In case of digital economy ventures, in particular, utilizing the latest technological developments, such as social media, mobile internet or big data, signals technological mastery and displays the ability to provide state-of-the-art digital services that are convenient and sophisticated and address or even create new markets and user demands [28]. As discussed above, new ventures can, thus, create fascination with their products and services and construct a narrative of technological progress and innovation, which can grant legitimacy.

Given above conceptualization, the primary goal of legitimacy building is to convince relevant groups of observers of the appropriateness of new social practices. Legitimacy is a discursively constructed social phenomenon [32]. Thus conceived, the sharing economy, as an industry, and sharing economy platforms, as new ventures, are employing discursive means in order to justify their existence. Placed against this backdrop, the purpose of this paper is to

understand openness not as a socio-technical phenomenon per se but rather as part of the legitimacy built by sharing economy ventures.

3. Methodology

The following study is part of a larger, ongoing research project about the legitimization of sharing and the sharing economy. The particular research interest on openness as an aspect of the legitimacy being built by sharing economy platforms is the result of an unexpected discovery that led us to initiate an exploratory, qualitative case study in order to investigate further [6]. We purposefully selected CouchSurfing because of its well-known history of utilizing openness and peer-production during its early days (see case analysis below). As this paper is being written, the case study is still in its early stages and we present preliminary findings and proposals for future research.

CouchSurfing (CS) is the popular online service coordinating the sharing of idle couches amongst travellers and is frequently referred to as a quintessential sharing economy platform. Given our research domain of legitimacy building, we focus our analysis on how CouchSurfing presents itself and is perceived by relevant groups of observers in the public sphere approached as a discursive site where new ventures can make claims for legitimacy and the appropriateness of their practices is being observed.

Our data corpus is constructed according to a gradually developed sampling structure, which is a recommended procedure for exploratory research by focusing on understanding a phenomenon of interest in terms of variety rather than representativity [26]. We elicited public statements and documents, since these were created for the purpose of providing justifications for decisions made by CouchSurfing giving insight into claims for legitimacy as well as into the reception of those claims by relevant observers.

In more detail, we draw on the following data sources to maximize variety in our empirical data (see Table 1);

(1) CouchSurfing’s perspective as expressed on its official website, official blog and one of the founder’s personal blog. Some documents were downloaded from alternative sources, primarily bloggers, who kept copies and screenshots of original CouchSurfing announcements (especially from the non-profit era) since deleted from the platform.

(2) The perspective of relevant groups of observers (i.e. policy makers, users, technology and business experts) as reported in online news outlets

and blogs dedicated to technology and entrepreneurship, which were identified by searching for the keyword “couchsurfing” on techmeme.com, the leading online tech-news and –blog aggregator [2]. As our understanding of the history of CouchSurfing improved, we collected further online news reports to enrich emerging theoretical concepts and questions by querying Google’s search engine for “couchsurfing” in combination with terms related to the sharing economy and the organization’s evolution, i.e.: “sharing economy”, “social network”, “B corp”, “founding”, “non-profit”, “for-profit”, “Casey Fenton”, “Daniel/Dan Hoffer”, “Tony Espinoza” and “Jennifer/Jen Billock” respectively;

(3) Dissatisfied users protested against various major changes of practices at CouchSurfing (see case analysis below) by organizing two online petitions on change.org in 2011 and 2014 as well as a protest event on Facebook in 2012. All the comments of the signatories of the petitions and Facebook posts of the protesters were collected;

(4) Secondary data published in academic articles was searched for on EBSCO using the term “couchsurfing”.

Table 1. Data corpus

| Data source | # documents |
|--|-------------|
| (1) CouchSurfing’s perspective - Official blog entries http://blog.couchsurfing.com | 103 |
| - Founder, Casey Fenton’s blog entries https://caseyfenton.wordpress.com | 7 |
| - YouTube videos | 2 |
| (2) Relevant groups of observers - Online news reports and commentaries techmeme.com and Google search | 29 |
| (3) User protests - opencouchsurfing.org, blog entries | 4 |
| - Petition (2011), comments https://www.change.org/p/petition-against-the-new-legal-status-of-couchsurfing/c | 149 |
| - Facebook protest page (2012), posts https://www.facebook.com/events/134863673334252/ | 485 |
| - Petition (2014), comments https://www.change.org/p/couchsurfers-want-their-web-site-back-nov-2014/c | 406 |
| (4) Secondary data - Published research articles | 16 |

As our first step of the analysis, we constructed a detailed historical account of CouchSurfing in order to understand the identity and makeup of the service and the changes the service went through since its inception. We then openly coded paragraphs extracted from the documents and organized them

according to 2nd order themes we identified during the analysis. We then conducted a more focused thematic analysis following the four strategies of legitimacy building, which was complemented by memos forming the core of our thick description in our case analysis below [17].

4. A brief history of CouchSurfing

CouchSurfing was founded by Casey Fenton, Daniel Hoffer, Sebastien Giao Le Tuan and Leonardo Bassani da Silveira in 2003 as an online hospitality platform (www.couchsurfing.com) coordinating peer-to-peer, short-term and free-of-charge accommodation amongst its members. The essential characteristics of the platform can be summarized as follows; first, the members are engaged in a gift economy, since travellers are expected to reciprocate staying at a host's private home for free by cooking or helping out with housework. Second, the coordination between members is according to a peer-to-peer reputation system based on reviews by and about travellers and hosts complemented by an ID verification service offered by CouchSurfing. Third, CouchSurfing presents itself as an enabler of an alternative form of tourism that focuses on authentic experiences and the creation of a global community fostering "cultural exchange and mutual respect" (couchsurfing.com). Thus conceived, CouchSurfing displays the core features of what has come to be known as the sharing economy and is perceived as an early and important force thereof (fastcompany.com, 2011).

4.1 Non-profit era (2003-2011)

CouchSurfing was founded as a non-profit organization in New Hampshire, USA, relying on a growing core of enthusiasts for voluntary work to develop the platform. Until 2011, the venture was almost exclusively run by these amateur enthusiasts and the local collectives they formed engaged in all aspects of the venture's operations – be it events planning, communication or coding (Gigaom.com, 2015). Revenues were only generated by one-time donations of 25\$, when members voluntarily agreed to verify their identity. Beyond the core enthusiasts, the user base grew slowly (reaching 45.000 members in two years)¹ but steadily until the collectively-coded website became overburdened by the amount of traffic, which led to a highly significant event in

June 2006 (number of users had doubled by then) that has become part of the mythology and identity of CouchSurfing (Techcrunch, 2006).

The combination of a server failure, hard drive and database crashes and erroneous backups resulted in the irretrievable loss of parts of the software and data. Despite the best efforts of founder Casey Fenton and the, now legendary, Montreal collective, the platform was shut down and declared dead by Fenton: "[I]t's been a fantastic ride. As devastating as it is to consider, it looks like the ride is over" (Techcrunch, 2006). However, following an inrush of support mail from the users, the development team doubled their efforts in order to resurrect the platform. On 7th July, only ten days after the crash, the completely new site CouchSurfing 2.0 (pointedly named Phoenix) was released.

In the aftermath of the crash, many users donated their time and volunteered to work on the platform as new collectives were formed worldwide. To be discussed in more detail below, it is particularly during those days that openness became a significant part of CouchSurfing's narrative. Embracing peer-production and open source seemed to be the natural next step of CouchSurfing and vocal members, who were expecting complete openness, expressed their disappointment that restrictions were put on the source code and decisions were made without involving the community. By the same token, members also complained about having to sign a non-disclosure agreement. Some members left the community out of protest and organized an online petition dedicated to their cause to transform CouchSurfing into an open organization run by the community; the petition, however, was supported by only 207 signatories ([Opencouchsurfing](http://Opencouchsurfing.com), 2007).

4.2 For-profit era (2011-2016)

In August 2011, CouchSurfing's application for non-profit/charitable status was rejected by the US government (CS blog, 2011). A decisive event in the history of the platform, CouchSurfing was liquidated and its assets sold to the private corporation Better World Through Travel, which was later renamed into Couchsurfing International, Inc., registered in Delaware, headquartered in San Francisco and owned by the founders.

Running a professional public relations campaign, the founders/owners of CouchSurfing reassured the member-base that the change in status would not have an impact on the spirit of the service and community. The efforts led to mixed results however. While parts of the community supported the change, others disagreed and believed that the management

¹ Since official statistics are unavailable, user numbers are drawn from unverified, secondary sources and are only indicative.

had betrayed CouchSurfing's identity [30]. Volunteers, who had helped to keep CouchSurfing afloat, felt that their work for the community was stolen from them. A group of 3000 members organized a protest page on CouchSurfing and an online petition against the new legal status was signed by 882 signatories (Inc, 2012; Change.org, 2011); concerns were raised about the lack of transparency in financial decisions, the exploitation of members, who donated their time and code, privacy issues and the potential use of personal data for profit generation.

Despite these controversies the user base kept on increasing reaching 12 million users to date, according to CouchSurfing. A series of investments by venture capitalists (totalling 22.6 million \$; Venturebeat 2011; 2012) were used to improve the website, add new features and develop mobile applications (CS blog, 2011; 2012). However, CouchSurfing was perceived to lack a sustainable revenue model as 40% of employees were laid off and "Tony Espinoza, a tech industry veteran installed as CEO shortly after the transition, stepped down after only 18 months amid rumors that the company was going through an alarming \$800,000 in cash each month" (SFgate, 2014). Under the new CEO, Jennifer Billock, management started considering a freemium model, which was ultimately implemented, and to sell advertising space in order to "begin creating additional revenue" (CS blog, 2015) – a shift that contradicted the promise made by Tony Espinoza not to sell advertising space (CS blog, 2012).

5. Case analysis

The historical outline above already points to a decisive shift towards considerations of business, efficiency and profitability, which comply with expectations of some relevant observers (e.g. investors, business analysts) but contradict expectations of others (e.g. open source advocates). CouchSurfing changed its strategy for building legitimacy from creating a new social context of appropriateness (an alternative hospitality network), to conforming to a well-established social context of appropriate business practices.

5.1 Legitimacy by openness

CouchSurfing was one of the first and highly influential drivers of what is now called the sharing economy. Thus conceived, the early days of the non-profit era can be understood in terms of creating socially acceptable expectations that having total

strangers sleep on couches for free is an appropriate and, more importantly, widely popular behaviour. However, the creation of an alternative hospitality network was not creation ex nihilo but rather drew on notions of openness and the ideals of the commons. Relevant observers accepted CouchSurfing in this context as they compared it with other legitimate open source projects "like Wikipedia [...] – there were armies of people invested in it who had dedicated personal time to building it" (Gigaom.com, 2015). The environment became fascinated by CouchSurfing and heralded it as one of "the best examples" for people "taking the power of the Internet into their own hands to create a new form of global sharing" (Fastcompany, 2011).

Other aspects of openness were the cultural values of cosmopolitan openness, in the sense of being open towards strangers and cultural exchange, which became the self-identifying attribute of CouchSurfing as "a friend delivery service" (Fastcompany, 2011). Thus conceived, open participation was a key aspect, since the platform was not only open for anybody to use but also to contribute with regards to the operations, administration and coding of the platform. As Fenton stated in a video documenting the resurrection of the website in 2006: "We need to make this collective a do-ocracy [...]. Don't ask for permission, just do it and people will let you know if it's not right. Chances are that just getting something done this way is going to be helpful" (YouTube, 2011). During those days, CouchSurfing, we argue, was considered an appropriate venture of openness and its innovative practices legitimate in the eyes of the emerging CouchSurfing community as the relevant group of observers who exerted joint ownership and, therefore, shared the platform. "It was a community effort, and the company's non-profit status undoubtedly helped it project the image that it was part of a hands-around-the-world affair" (Gigaom, 2011).

Members dedicated considerable effort to community work, when they organized local collectives and provided useful features and content. A feedback forum allowed members to openly discuss and provide feedback about features and policies. By the same token, the so-called "city groups" were an important grass root initiative providing content about a particular city, contact details and other useful information resulting in "something like a travel and activity Wikipedia of each city" (Facebook protest page, 2012). Well-regarded members could serve as self-selected ambassadors acting as "official representatives who set up events, fixed problems, and fostered the CouchSurfing community in different cities"

(Techpresident, 2013). Hence, CouchSurfing relied heavily on community initiatives and self-organization rewarding members with personal prestige and reputation.

Given these observations, it is understandable that CouchSurfing became known and accepted as an open source project. For instance, when Espinoza pitched CouchSurfing to a panel of experts at the Travel Innovation Summit in 2012, he received sceptical remarks from one of the panellist, Erik Blachford, Venture Partner at Technology Crossover Ventures: “When I ran into CouchSurfing a few years ago, there was sort of a different feel to it. It was a non-profit, everything was open sourced; the community was writing the code, was doing everything. [...] It feels like a different thing now” (YouTube, 2012). CouchSurfing, however, was never conceived to be an open *source* project by the founders nor did it ever become one, as the signing of NDA agreements during the later stages of the non-profit era testifies. Indeed, the peer-produced code became a donation to the organization (rather than owned by the commons), which was perceived as an inappropriate practice by the relevant group of open source advocates: “[This practice is] simply ridiculous, it transfers all trade secrets from the volunteers to CouchSurfing” (Opencouchsurfing, 2007).

Despite the controversies about open sourcing and ownership, our evidence shows that CouchSurfing successfully created a new social context of appropriateness, which is now called the sharing economy, by drawing on existing institutional structures of openness and the expectations they convey. This is not to say that CouchSurfing was a truly commons-based, open platform itself as complaints from disgruntled members from as early as 2007 testify: “Right now, the “top” of the CS organisation (admins) is a very closed and non-transparent structure [...]. We should be included in every level of the decision making process and not be considered just users” (Opencouchsurfing, 2007). However, CouchSurfing was able to build legitimacy, because it was perceived as something like Wikipedia for alternative traveling and hospitality by relevant groups of observers.

5.1 Legitimacy by business

The principle idea and peer-production of CouchSurfing may have garnered fascination and interest, but “its cooperative ethos backfired. Its collectively-coded website couldn’t handle heavy amounts of traffic. Bugs abounds and crashes were common” (Gigaom, 2015). Hence, the change to for-

profit status and the attraction of venture capital that came with it was positively received by industry commentators. Issues with the website being “antiquated” (Tnooz, 2014a) and failures to develop services for smart phones (Tnooz, 2014b) were consecutively addressed in the years that followed.

It is against this backdrop that the founders of CouchSurfing justified their decision to become for-profit; as Hoffer expressed it, the new status is “enabling innovation [...] and allows to take investment money and be nimble and flexible while sticking to our social mission” (Forbes, 2011). Further justifications were based on the rejection of the application for non-profit/charitable status making it necessary to change; simply put by Fenton: “Why are we making these changes anyway? The short answer is; we have to” (YouTube, 2011). As a consequence, it became illegal for CouchSurfing to accept donations of any kind and the voluntary contributions were appropriated by the newly founded corporation.

In the wake of the change, CouchSurfing, Inc., shifted its legitimacy building efforts to Silicon Valley in order to select a more entrepreneurial and business friendly environment by moving the headquarters to San Francisco. From a strategic perspective, the corporation was keen to present itself as a legitimate business by hiring CEOs “hammering the organization into some semblance of professionalism, efficiency, and money-making” (Gigaom, 2015). Professionalization, in particular, was a main goal at first by “hiring experienced people at all levels of the organization, from the top to the bottom” (CS blog, 2012) – be it engineers or respected members of the tech industry like Tony Espinoza.

By the same token, CouchSurfing also started attracting considerable amounts of venture capital (totalling 22.6 million \$; Venturebeat 2011; 2012), which was perceived to reflect the potential of CouchSurfing to become a profitable business enterprise. Still, right after the transition to for-profit, concerns were raised about CouchSurfing’s ability to combine its communitarian spirit with market demands: “Didn’t you just embrace the worst of both worlds? Now you have investors to answer to, and no matter how warm and fuzzy they may be, they are investors who will want a big return. Investors are going to want to see a hell of a lot more user growth than three million users over six years, and could push the company towards business models that could make that community balk” (Techcrunch, 2011).

Above quote from 2011 turned out to be an accurate prediction of the challenges faced by

Couchsurfing to claim legitimacy as a business venture. With rising rumours about the lack of a sustainable business model (which, ultimately, led to Espinoza leaving the company), CouchSurfing increased control over its operations. For instance, in an attempt to control spending and maximize efficiency, “widespread layoffs” (Siliconbeat, 2013) were conducted “rumoured to be around 40% of staff” (Tnooz, 2013). Besides demonstrating efficiency maximization, CouchSurfing also centralized control over the member-base. For instance, the feedback forum was closed down in February 2013 and replaced by feedback forms to be submitted directly to the newly founded internal Trust and Safety team for review. More importantly, the city groups were shut down around the same time as well and replaced by so called “place pages.” The valuable information collected by the community in these groups simply disappeared and, as vocal members lamented, an essential aspect of the CouchSurfing community with it. The move was perceived by core members to “apparently demolish perfectly functioning communities in order to establish new, better designed, and more monetizable communities” (Techpresident, 2013).

Finally, profitability has become a major issue as the monetization of the platform has taken centre stage since Billock’s tenure as CEO. In 2014, she introduced a freemium business model via identity verification. Instead of a one-time donation of 25\$, verification has been linked to an annual subscription fee of 20\$. The model grants premium services to verified members such as no advertisement on the website and mobile app as well as being highlighted in search results (couchsurfing.com). Still, CouchSurfing has not yet managed to convince the business world that the service can generate profits and, therefore, is to be accepted as a legitimate business but rather is engaged in promising opportunities for future profits. As Billock stated: “What I can say to that point on monetization is that Joel Cutler and Erik Blachford [the same person referred to CouchSurfing’s open source roots at the 2012 Travel Innovation Summit quoted above], both very accomplished entrepreneurs in travel, wouldn’t be getting so involved [as members of the board] and be so positive if they didn’t think there was an opportunity” (Tnooz, 2014).

6. Discussion

The story we told about CouchSurfing revolves around the shift from an amateur, communitarian experiment drawing on practices of openness to

becoming a business trying to signal its business legitimacy qua professionalization, control, efficiency maximization and monetization. At a first glance, our case study may be seen as a simple change in strategy with regards to building legitimacy. However, CouchSurfing refers to a messy history with no clear-cut indication in terms of which institutions conformance, compliance and congruence is being sought. To some degree, such a complex image of institutionalization is to be expected, since a new venture of any kind conforms to some rules and disregards other rules in order to overcome the “liability of newness” discussed above [41]. Other issues, we submit, emerged out of the peculiarities of CouchSurfing’s heritage, which resulted in a tension between tendencies for complete openness and for-profit dispositions.

As we argued above, building legitimacy through creation is never creation *ex nihilo* but rather a recombination of existing institutional structures into new arrangements of appropriateness. In our case, we observe a mixture of various legitimacy building strategies. To begin with, we provided evidence for conformance with the practices of peer-production and open participation – a do-ocracy, as Fenton called it, that granted legitimacy to the innovative idea of CouchSurfing as it conformed with the ideals of online communities and cosmopolitan openness. By issuing NDA agreements, however, CouchSurfing violated the expectation of non-proprietary innovation, which is a core aspect of openness as seen by open source advocates. Peer-production and innovation was not commons-based but rather treated as donations.

The decisive event of failing to comply with the legal requirements for non-profit/charitable status in 2011 launched CouchSurfing into the for-profit era and the institutional landscape of business entrepreneurship. At this point, we observe a selection strategy towards building legitimacy as CouchSurfing was incorporated in Delaware, an enterprise friendly state, and opened its headquarters in San Francisco in order to be part of the Silicon Valley scene. This move resulted in meeting new relevant groups of observers, most prominently venture capitalists, and their expectations of appropriateness. CouchSurfing had to build legitimacy as a promising new business, by attracting venture capital and respectable members of the board as well as demonstrating professionalism, centralized control, efficiency and monetization potentials.

Openness is an institution that can be drawn on to build legitimacy as the appropriateness of practices of actors, such as CouchSurfing, is evaluated based on a set of shared rules and norms enforced by sanctioning

mechanisms. CouchSurfing, we submit, overcame the liability of newness qua openness; the highly innovative practice of sharing couches online for free was acceptable to the institution of openness, which made CouchSurfing to be perceived as another open project (as something like Wikipedia).

Table 2. Legitimacy building at CouchSurfing

| Non-profit era | |
|---|---|
| Legitimacy building strategies | Examples |
| Creation of new social context of appropriateness by | Sharing economy (Alternative hospitality network) |
| 1) Conforming to (drawing on) existing structures: Peer-production, Open participation, Cosmopolitan openness | (1) Do-ocracy "Like Wikipedia" Friend delivery service |
| 2) Manipulating existing structures: (non)proprietary innovation | (2) Donations (rather than common ownership) |
| 3) Conforming to other structures: Contractual obligations | (3) Enforcing NDAs |
| For-profit era | |
| Legitimacy building strategies | Examples |
| 1) Selection of more favourable social context: business/entrepreneurship | (1) Relocation to Silicon Valley Incorporation |
| 2) Conforming to existing structures: professionalism, control, efficiency, monetization, technological mastery | (2) Attracting capital Attracting respectable board members Hiring and firing employees Closing "city pages" Freemium model Smart phone apps |

Interestingly, CouchSurfing did not overcome the liability of newness by complying with the rules of accounting, venture capital, business planning and other institutions one may expect a sharing economy start-up would follow. Those expectations were followed and met much later, after the innovation had already occurred and the practice had accumulated a critical mass of followers.

Our preliminary findings point to some major implications for future research. To begin with, our research raises the question as to why a venture that started out as something like Wikipedia ended up being not like Wikipedia at all. Certainly, CouchSurfing was never conceived as an open source project, but, one may be reminded, neither was Wikipedia at first. In more abstract terms, we raise the question whether there is a lack of institutional support for projects to not only draw on openness in

order to overcome the liability of newness and to create a new social context of appropriateness but, more importantly, to remain open long-term. Is, by now, selecting well-established institutions, such as business and law, rather than openness the viable way to maintain long-term legitimacy? Simply put, are Wikipedia and OSS just exceptions or even curiosities?

Furthermore, our early findings also highlight the complex assemblage or even synthesis of formal organization and community involvement that seems to characterize the sharing economy. This state of affairs raises questions about the future of organizational boundaries, membership and ownership as illustrated by the conflict between core CouchSurfers, such as community leaders, city group moderators and volunteer coders, and the formal organization represented by the owners and top management. While these issues are quite well known, the sharing economy brings new aspects and practices into focus.

7. Conclusion

In this paper, we presented the preliminary findings of our exploratory case study about CouchSurfing. We demonstrated that the notion of openness was an important aspect of the legitimization efforts during the early days of the platform, which was replaced by efforts to adapt to the institutions of business. As a consequence, CouchSurfing got caught between its heritage of openness and the demands of profiteering.

We contributed an understanding of openness as an institution that can be drawn on to create new social contexts for innovation to occur and to overcome the liability of newness; in more abstract terms, creation of legitimacy is never ex nihilo but draws on existing institutional structures – in this case; openness.

8. References

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