

Special Session 6.5 Strategic Marketing Issues in Technologically Intensive Markets

Session Chair:

Rajdeep Grewal, Penn State University

When Elephants Dance: A Study of Large Firm Participation in Open Source Projects Using a Markov Graph Network Evolution Model

Girish Mallapragada, Pennsylvania State University
Rajdeep Grewal, Pennsylvania State University
Gary Lilien, Pennsylvania State University

Evaluation of Marketing Leadership Transition in High Technology Industries

Rui Wang, Pennsylvania State University
Rajdeep Grewal, Pennsylvania State University

Firm Exit from Technologically Intensive Emerging Markets: A Split Hazard Model with Time Varying Covariates

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Raji Srinivasan, University of Texas at Austin

Session Summary Writer:

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This special session collates three presentations that examine strategic marketing issues in technology intensive markets. In the first presentation, Mallapragada, Grewal, and Lilien study the impact of large firm participation in open source systems projects. Open source systems have become a viable means to develop new products (software in this case) and present unique alternatives to traditional firm-based models for new product development. The success of open source products such as Linux OS and Apache Server has sparked interest in firms such as IBM, HP, and Sun Microsystems to participate in open source product development.

Compared to the traditional firm-driven innovation model, the open source innovation model stands for a bazaar model of innovation, where free market forces determine the success of new product initiatives. When large firms such as IBM and HP commit strategic resources for product development, authors argue that, a new hybrid model of innovation governance emerges. Authors propose that the evolution of governance structures, that drive innovation co-ordination, will be different across these two regimes, and compare the efficacy of the hybrid model followed by large firms, with that of the free market, in innovation governance. Thus, they explore the ramifications for product development in the open source world due to participation of large firms (elephants) from a dynamic social network perspective.

In the second presentation, Wang and Grewal discuss the ramifications of change in marketing leadership for high technology firms. The argument here is that change in marketing leadership reflects a change in strategic marketing focus as well as changes to emphasis on various marketing capabilities. Given the common belief that marketing

usually plays a secondary role to technology in high-tech markets, it becomes even more important to see what effect does change in marketing leadership has on firm value and how one may explain this effect. Authors deploy an event study methodology to assess the impact of the announcement of change in marketing leadership on stock price of the firm, in the context of several high technology industries such as software and telecommunication industries. They demonstrate that marketing leadership is indeed valued in high-tech industries and that this value depends on interplay among individual-leader-level, firm-level, and industry-level factors.

In the final presentation in the special session, Grewal and Srinivasan adopt an eclectic perspective to study the influence of a host of time invariant and time variant variables on the timing and probability of firm exit from high-tech converging markets, which blend technological developments from diverse high-tech markets. The authors develop a split hazard model with time varying covariates to examine the influence of firm characteristics, such as firm size and incumbency status, entry time factors, such as speed of entry and competition at the time of firm entry into the market, and contemporaneous factors, such as potential and realized competition. With data from market exits in the digital camera industry, the results show that the split hazard model with time varying covariates outperforms other simpler models and provides meaningful theoretical practical insights into this important strategic decision concerning market exit. Taken together, the three presentations provide an interesting collage of diverse strategic marketing issues in high technology markets.