ISBM Research QUARTERLY

PENNSTATE SMEAL College of Business

Institute for the Study of Business Markets

Volume 2, Issue 2 Spring 2009

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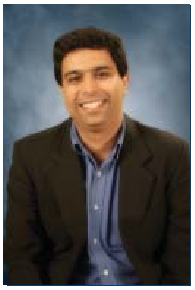
In This Issue . . .

Gary L. Lilien



Raj Grewal

Summer is just about upon us as we close our second 2009 issue of the ISBM Research Quarterly. Our feature article comes from our close colleague and friend, Bob Dwyer, who takes on one of the thorniest issues in B-to-B academic research: the appropriateness of lab research in this domain. His "No apology for…." title signals his position. We welcome comments.

Ralph Oliva's "From the Membership" highlights an important challenge that faces those of us interested in relevant and important B-to-B domain. The B-to-B media landscape has changed dramatically in recent years and our understanding of that domain has not kept up. Ralph presents us with three important research challenges; we hope some of you, PhD students in particular, will take note.

Raj Grewal reports on the offerings for this fall's ISBM PhD Seminar Series, now beginning its fourth year. Abbie Griffin will be offering a course on Qualitative Research Methods and Raji Srinivasan will offer a course on Marketing Metrics. Please be sure to bring these great courses to the attention of your PhD students.

We are pleased to make an early announcement of the 2010 ISBM PhD Camp and the 2010 B-to-B Academic Conference. The Camp and the Conference will both run (at the Harvard Business School, August 11-12, just before the AMA Summer Educator's Conference in Boston. Das Narayandas will be acting as local host and Abbie Griffin will be the Camp Director; we expect both events to be exceptional. The next issue of the Newsletter will provide more detail on both.

And please mark your calendars: entries for the 2009 ISBM PhD doctoral awards competition are due on September 15. We look forward to your students' entries.

One final note…if you would like to comment publically on issues in the newsletter, or on any other issue of the interest to the B-to-B Academic community, we will be publishing such letters in future issues. Address those letters to the Newsletter Editor, Lori Nicolini, at LNicolini@psu.edu.

Enjoy!

Gary and Raj

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No Apology for B2B Lab Research

INSTRUCTIONS: LOOK AT THE PAYOFF TABLE BELOW AND PRETEND YOU ARE MICHAEL DELL, CONSIDERING THE ACQUISITION OF THE LEADING PC MAKER IN TAIWAN.

Robert Dwyer

In many quarters, something like the above comes to mind for when someone mentions laboratory research in B2B. How in the world can one account for the complexities of a billion-dollar acquisition into the behavioral lab? How could undergrads or even MBA students come close to matching wits with a seasoned B2B dealmaker? And whatever the experimental outcomes, subjects should not count on any difficulty sleeping in subsequent nights.

The B2B world has long been skeptical of laboratory research. Indeed, B2B is phenomenon centered; we share a common interest in the antecedents and consequences of exchange between organizations. Anyone knows, you can't pack an organization – let alone a supply network -- into a laboratory.

That said, I'd like to take a few paragraphs to dissect the criticisms and then establish a role for lab studies in the B2B researcher's tool kit. If I pull it off, I hope the reader will consider some of the sample research questions to which the behavioral lab might be put to good use.

Knocks on the Lab

In their classic article, "Fun and Games: The Validity of Games for the Study of Conflict," Barry Schlenker and Thomas Bonoma provide a pretty comprehensive catalog of the criticisms lab research using experimental games. Indeed, games involve two or more parties making choices and realizing contingent outcomes. For example, the Prisoner's Dilemma Game (PDG) has a long history in conflict research. It has two parties facing dichotomous choices: to cooperate or compete. Mutual cooperation brings modest rewards, mutual competition brings modest penalties, and opposing choices net the competitor maximum gains and the cooperator maximum penalties. I have used bargaining games and games akin to the PDG in my own research. The rap against experiments and experimental games includes the following.

1. ***Results are trivial***. Suffice it to say that one can point to the research tradition of PDGs. Does it matter if the choices are labeled "A" and "B" or "buy" and "sell" or "outsource" and "employ?" Will the game repeat? How are payoffs gains or losses avoided? This is the science of the instrument.

2. ***Results are erratic.*** Replications don't show high convergence. John Graham (e.g. Graham and Mintu-Wimsatt 2004) built an impressive research stream that examined the bargaining behaviors of parties from different cultures engaged in a negotiation exercise. If the magnitudes of cross culture effects are matched by differences between pools of EMBA students at USC vs. Penn State, cultural inferences would have to be quite tentative.

3. ***Are the stakes high enough to matter?*** Incentive magnitude (extra credit points, funny money, or financial rewards) may interact with the sex of subjects and their goals (striving for individual or joint outcomes).

4. ***Are subject motivations reliably related to choices in the game?*** Subjects sometimes bring role baggage, add features to the task, or "cash out" in a game that has no further opportunities for the subjects to interact.

5. ***Researchers make grossly unjustified generalizations.*** We started the paper with "Pretend you're Michael Dell…" Well, this might be a fitting manipulation for some study, but it's the judgment of the investigator when drawing conclusions that we highlight here.

6. ***Situations are static.*** Experiments do not readily allow parties to adjust the structure of the exercise.

7. ***No correspondence to the "real world."*** That is, so many real life elements are missing from laboratory experiments that findings from the lab can only give a distorted picture of "real" B2B phenomena.

Pulled from a timeless article in the **Journal of Conflict Resolution**, these criticisms may seem perfunctory and remote. When the likes of these come from reviewer correspondence, their true grit can be abrasive: "What's this got to do with B2B/Channels?" "Not realistic!" "I've never seen channels like this." "Trivial." "No long term elements."

Counterpoints for the Lab

In the face of all this, a fitting question might be, "So, Bob, why do you want to press the matter? Why not just abandon the lab?" My position is that the lab offers certain benefits that are hard to come by using other research methods. Let me try to establish a few of the key benefits.

Foremost, the experimental games allow us to strip away some of the noise and complexity of reality, allowing us to gain understanding from analogies. Aesop's fables, and Biblical parables reflect the lasting power of analogies. The physical sciences indeed employ simple models (e.g. the atom as a small solar system) for sense making to certain limits.

Analogies work because they access a level of understanding and enable that to be stretched. Of course, analogies lack the detail and full array of elements of "the real thing," but if we pack in a lot of "realism" we move away from the analogy of a real thing to the real thing itself.

Think of some of the variables we study in B2B – customer value, supplier power/dependence, buying center composition, the dynamism of markets, and more. Even if we crack the knotty challenge of manager or database access, none of our field measures are foolproof. If we can make and manipulate any of these

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No Apology for B2B Lab Research *continued*

INSTRUCTIONS: LOOK AT THE PAYOFF TABLE BELOW AND PRETEND YOU ARE MICHAEL DELL, CONSIDERING THE ACQUISITION OF THE LEADING PC MAKER IN TAIWAN.

variables in a laboratory analogy we have an opportunity to 1) test theories with operational variables very close to their construct definitions, 2) verify the empirical findings from other methods, 3) explore new theoretical avenues, and 4) develop and hone measurement instruments that can be used in other settings.

The second benefit concerns theory development and discovery. This is a bit different than the merits of the theory testing, multi-method confirmation, and instrument refinement developed above. In my experience, developing an experimental protocol and working out treatment variables for experimental factors forces a deeper intellectual confrontation of the theory than, say, compiling the established scales for the variables to be tested in a cross sectional survey. Thus, the process of developing the game and or experiment informs the investigator.

Thus, certain research aims call for lab experiments. But given all the front-end criticisms, will they be valid? A detailed treatment of validity is beyond the scope of this short article, but I think I can rely on a precedented understanding in B2B that validity is multifaceted. "Knocks" #2, 3 and 4 stem from the criterion of internal validity – requiring results that are replicable, free from artifacts, and statistically significant. To most researchers, these challenges are real but not insurmountable. They deal with validity of the instrument – the fodder of most methods textbooks.

"Knock" #1 derives from the criterion of external validity – requiring outcomes to generalize to different populations and operations. Frankly, a lot of research in (B2B) marketing should be measured on this yardstick. National conferences and special monographs seem especially suited for replication studies and summaries.

The remaining "knocks" against experimental games, tend to intersect the more difficult notion of ecological validity – direct generalization of results to the real world. This, indeed, is a reckless aim of lab experiments. Ecological validity requires the development of simulation models. Experiments using simulations represent a complex test of both the theory and the instrument. Because simulation building has its own set of research aims and is often a lifetime enterprise, we can move forward using analogies that don't pretend to be simulations; we have plenty of questions frm the B2B world that beg for laboratory attention.

Below I offer a couple of research questions from my sphere that could be well served by lab insights.

1. Transaction Cost Analysis has clearly been productively used in the study of business relationships, but it begs for a richer understanding of hierarchical controls and motivation. The risks of opportunism in a B2B exchange may warrant surveillance, but what are its limits and can we find the conditions in which surveillance actually motivates opportunism?

2. As a home schooling dad I often get asked, "What made you decide to home educate your children?" I've never heard a parent asked, "What made you decide to outsource the education of your children?" It makes me curious about the symmetry of starting point effects in make/buy decisions in business.

3. Our graduate faculty engaged in a lively debate last month on the issue of assessment. Should we give priority to what our students know about ethics, or whether they behave ethically? Both goals have merit in business, but those companies I have worked with give priority to behavior. The lab can teach us much more about the boundaries of integrity and the formation of character.

If you beg to differ, just give me a second to dial up your voltage.

Readings

Graham, John and Alma Mintu-Wimsatt (2004), "Testing a Negotiation Model on Canadian Anglophone and Mexican Exporters," Journal of the Academy of Marketing Science, 32 (July), 345- 356.

McQuarrie, Edward F. (2004), "Integration of Construct and External Validity by Means of Proximal Similarity: Implications for Laboratory Experiments in Marketing," Journal of Business Research 57 (No. 2), 142-153.

Schlenker, Barry R. and Thomas V. Bonoma (1978), "Fun and Games: The Validity of Games for the Study of Conflict," Journal of Conflict Resolution 22 (March), 7-38.

Vissers, Geet, Gerton Heyne, Vincent Peter and Jac Guerts (2001), "The Validity of Laboratory Research in Social and Behavioral Science," Quality and Quantity 35 (May), 129-145.

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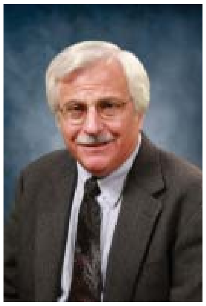
"From the Membership" Frameworks for Thinking Through the New Media and B-to-B


Ralph Oliva

As we move through this interesting economic time, ISBM member firms are doing their best to navigate this economy and find ways to do things in a more innovative, cost-effective way. In a recent poll we held as part of an ISBM webinar, member firms seem to be navigating this economy reasonably well. There are a few who are focused on end markets such as the automotive industry and the US housing market who are understandably in great duress. But the rest of our membership are finding ways to cope, and -- conducting a series of experiments.

The new New Media

Some of these experiments are fostered on the need to find new economies in the way B-to-B marketing and communication gets done, some to solve problems and find new opportunities, and some just because new alternatives are surfacing in the whole area of "digital/networked communication." Research enabling ISBM Member firms better navigate these alternatives, especially research developing some "frameworks for thinking," could be very helpful.

The plethora of new media -- Wiki's, social networks of all sorts, Blogs, Twitter, Facebook, YouTube, are all coming at us thick and fast. Any and all of them might have a real, profitable applications in B-to-B, or they may offer new, colossal ways to waste time and money. Several of our most innovative Member firms are experimenting across these media vigorously, and quite a few are beginning to queue up to see whether or not B-to-B blogs can be implemented as part of the market communications mix. The allure includes their low-cost (at least out of pocket) opportunity to connect with customers in conversational ways, and just the fact that these things are so new.

Some of the experiments we see are fostered by the very nature of the B-to-B buying experience itself. Since B-to-B transactions usually involve fewer, bigger, more complex transactions, buyers are reaching out to be informed by some social network. ISBM fellow Don Schultz of the Medill School of Journalism at Northwestern, had identified several years ago that what we used to consider a "lone receiver" must now be viewed as part of an active network. Our audience members facing important decisions are now using digital/networked media to carefully observe what others are doing and results they're reporting. They engage in active and broad-based conversations including those about potential suppliers. They are giving and receiving recommendations, from peers, experts, other reporters in the network.

Across all of Business commerce, our key customers, employees and other stakeholders are becoming part of a network of networks. Marketers need to find a way to navigate these networks, to better and more effectively deliver their message. Systemic research shedding insight on how to penetrate this network environment, as well as how to deploy the mix of new media in new, effective ways is sorely needed.

Playing the search

It's being taken as a given that before anyone moves into a buying process, whether this is a high-level decision maker looking for totally new solutions, or a purchasing agent looking for a good buy at the transactional level, part of the buying activity B-to-B involves a search.

Just how true is this assumption? What are the best ways to facilitate search? Are paid positions and advertisements a part of search engines a good, viable business strategy? Or, has the price of the best keywords escalated to the point where we've reached diminishing returns? How can we best understand this phenomenon? Can we provide research-informed advice for our members? We're hearing many questions, observing quite a few experiments underway, few broadly applicable answers.

The Changing Nature of the "Receiver"

On top of all this we have the inevitable trend as the millennials move in to the world of business. Even working with our Gen X and Gen Y MBA students it's clear that their patterns of media consumption are quite different from those of the generations before. I've heard that boomers are viewed as more "monochronic", having a "linear and serial" view of time. Boomers tend to view things "one at a time" as they navigate the stream of time. Millennials have been declared as "polychromic." They are seen as better able to navigate multiple pathways of thinking, multiple channels of communication, multiple messages simultaneously.

What are the implications of all this to those designing market communications and building brands in business-to-business? Just where do we set our sights as we think through who are "receiver" is? There are still plenty of boomers making high-level business decisions across our member firms, and it'll be a while before the millennials come into their own, but in the meantime, will millennial media work upwards across the current spectrum of receivers? Is there a mix of media that's optimal for this time? Is the move toward more electronic media being driven more by economics and less by accurate targeting?

B-to-B and the Social Media -- An ISBM Initiative

As experiments unfold and questions continue to come our way, it's the intent of ISBM -- as we navigate through this economy – to be helping our firms look for answers. Researchers are invited to help us with this, and our sincerest hope is that we will -- as we continue to navigate this downturn -- find a way to assemble answers that will be of great value to our members as they navigate past the end of the decade.

And yes... this decade will end soon. In some ways it's a shame that we're not as excited about "Y10K"as we were excited about Y2K.

The worries of "Y2K" pumped a lot of into cash into the

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"From the Membership" Frameworks for Thinking Through the New Media and B-to-B *continued*

economy, and enabled a quite a few of us to rethink the technology that was part of our lives. As we look out towards the end of the millennial decade, we see media proliferating at the speed of the imagination. Us humans who use it, however, are continuing to move forward at the speed of evolution. Are we evolving to meet these media? Can we gain insights to help us better navigate our alternatives?

Challenges for Researchers:

Here are three issues, highly relevant now and in the near future that would benefit from some rigorous academic research:

1. How can we develop a model of the new B-to-B media receiver--one that tracks media assimilation patterns as a function of age, education, culture and some other factors (some may be organization-specific) to enable better media targeting and planning?

2. How can we better understand the "coping mechanisms" B-to-B receivers are using to defend themselves from the media onslaught? Such an understanding could lead to a lower volume of messaging output but one that is more effective, both for the sender and the receiver.

3. How can we better understand the development and evolution of patterns in how B-to-B social networks develop?

No matter what, it's very clear that the emergence of social media in business markets will create a robust research agenda moving forward.

On behalf of our Membership, thanks to each of you for your important contributions to our B-to-B Marketing practice.

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2009 ISBM Doctoral Awards Competition

Penn State's Institute for the Study of Business Markets announces its nineteenth annual Business Marketing Doctoral Support Award Competition.

Up to three candidates in accredited doctoral programs will receive dissertation support awards. Dissertations in any area of business-to-business (industrial) marketing or in any of the methodological areas that support advances in business marketing will be considered. See "Research Priorities" under the ISBM Research section of the ISBM website for more information.

In addition to applications from Ph.D. students in marketing, we encourage applications from students in economics, management science, organizational psychology, statistics, anthropology and other disciplines whose developments help advance our understanding of the operation of the business marketplace.

The award consists of:

- Up to $7,500 in financial assistance to be used for travel, conference attendance, data collection, and other expenses of conducting and presenting the results of the research.
- Assistance, as needed, in gaining the cooperation of both ISBM member firms and non-member firms for data, interviews, etc.
- Unlimited use of databases held by or accessible to the ISBM, as needed.

The outstanding submission, if awarded, will receive the ISBM Dissertation Proposal Prize, an additional award of $2,500.

Ph.D. candidates interested in the competition should submit an abstract of their research not to exceed five double-spaced pages, along with a current vita and a vita of their dissertation advisor. The abstract should address the potential importance of their work to business marketing practice, its theoretical contributions, the research methodology, and the amount and kind of support requested. The abstract must be submitted no later than September 15, 2009.

Please visit the website (http://isbm.smeal.psu.edu/researcher/award) for complete submission details.

Since 1991, the ISBM has funded the research of over 70 B-to-B Ph.D. students through the competition. To see some of the past winners and their topics, see the ISBM Competition Award Winners (http://isbm.smeal.psu.edu/researcher/award/winners/doctoral-support-award-competition-winners).

Early Notice: B-to-B Ph.D. Research Camp AND Biennial Academic Conference at Harvard Business School August 11-12 2010

We are delighted to announce that the Harvard Business School will be hosting both the 2010 ISBM PhD Research Camp (on 11 August 2010) AND the 2010 ISBM Academic Conference (11-12 August). As in the past, we expect that the Marketing Science Institute will be co-sponsoring the PhD Camp.

The format will be a bit different than in past years, with the PhD Camp running for a single day but blending into the academic conference, which will begin at noon on 11 August. We expect that this innovative structure, timing and venue (Harvard Business School, just before the 2010 AMA Summer Marketing Educator's Conference in Boston, 13-15 August) will lead to a very successful pair of events. We hope you will come and that you will agree.

You will hear more about both events in forthcoming issues of the newsletter, but here are some details:

PhD Camp: Prof. Abbie Griffin will once again be serving as Camp Director. (Thanks again, Abbie!) You will be hearing from Abbie about application details and the structure of the camp in the upcoming months. If you have questions please direct them to Abbie.

Academic Conference: You will also receive a call for competitive papers in the early Fall. In the meantime, if you have any questions or suggestions for the conference, proposals for special sessions or the like please contact any of us on the program committee.

We look forward to reconnecting in 2010!


Abbie Griffin

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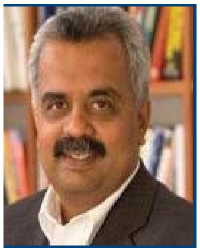
Das Narayandas

IPSS Update: ISBM Ph.D. Seminar Series Fall Offerings

IPSS begins its fourth year this fall with two excellent course offerings planned.

First, Abbie Griffin (University of Utah) will offer a Ph.D. seminar on Qualitative Research Methods. This seminar provides a survey of qualitative research methods used in BtoB research. Abbie will guide students through the use of each of the methods she covers.

Second, Raji Srinivasan (University of Texas – Austin) will offer a Ph.D. seminar on Marketing Metrics. This seminar will focus on the impact of marketing strategy on business performance. The course will therefore examine the role and impact of marketing activities and market-based assets (brands and customers/ channel partners) on the creation of value and competitive advantages, short-term profitability and related elements of business performance, and strategic growth and risk management.

Please bring these two seminars to your promising B-to-B Ph.D. students. Additionally, if you have questions, comments or any other feedback about IPSS, please do not hesitate to contact me.

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COMMENTS... IDEAS...

We would love to hear from you. If you wish to comment on any of the articles (or have thoughts for future articles), please pass them on. Your suggestions will make the newsletter better and more responsive to your needs. Please email your correspondence to:

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