

DO&IT Seminar Series

Speaker: Hüseyin Tanriverdi, Associate Professor
Red McCombs School of Business
The University of Texas at Austin

Date: Friday, March 13, 2009

Time: 2-3:30 pm

Location: VMH 1335

Title: Multimarket Competition within the Software Industry: How Does Complementarity of Product Markets Affect Market Entry Decisions

Abstract:

Software firms often diversify within the industry and meet rivals in multiple software product markets. Entry into rivals' product markets occurs not only at low to moderate levels of multimarket contact, but also at high levels. Multimarket competition theory would expect multimarket rivals to mutually forebear from entry and competition at high levels of multimarket contact. In this study, we seek to explain why software firms continue entering rivals' product markets even at very high levels of multimarket contact. In the software industry, products are highly complementary and interdependent. Customers prefer to purchase complementary software products from single stop shops. Thus, software firms often compete on systems of complementary software products rather than standalone products. If a software firm does not fully match a system of complementary software products offered by its rivals, the missing software products could negatively impact the operation and performance of the firm's other products. Thus, software firms are motivated to enter complementary product markets of the rivals even though it means increasing the extent of multimarket contact and competition with the rivals. We posit that complementarities within and across overlapping and non-overlapping product markets of a focal firm and a rival firm play key roles in the focal firm's decisions to enter the rival's product markets. We find support for these propositions in a study of entry decisions of 450 software firms during 1990-2002. After controlling for the effects of multimarket contact and other previously documented predictors of entry, we find that product market complementarities significantly affect a software firm's entry into its rival's product markets.

Bio:

Hüseyin Tanriverdi is an associate professor of information, risk, and operations management at Red McCombs School of Business at the University of Texas at Austin. He received his doctorate from Boston University. Dr. Tanriverdi has a research and teaching program that examines how organizations innovate, grow, and achieve and sustain superior financial performance. He focuses on complementary IT and business capabilities that enable firms to achieve superior financial performance in corporate diversification moves; mergers, acquisitions, and divestitures; outsourcing and off shoring initiatives; and adoption and deployment of complex IT innovations. He examines IT governance practices that reduce corporate risks, increase corporate returns, and lead to superior risk-return positions for corporations. Dr. Tanriverdi teaches courses on strategic IT management, IT governance for enterprise risk management and regulatory compliance, and management of emerging information technologies. Dr. Tanriverdi publishes his research in top information systems journals such as Information Systems Research and MIS Quarterly, and top management journals such as Academy of Management Journal and Strategic Management Journal.