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UMKC

University of Missouri-Kansas City

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faculty focus

Marketing and Technology Resource Complementarity **An Analysis of Their Interaction Effect in Two Environmental Contexts**

Research shows that firms with strong marketing or technology capabilities experience improved performance. A study by Dr. Michael Song and co-authors Cornelia Droge, Sangphet Hanvanich, Roger Calantone in the forthcoming *Strategic Management Journal*, 2005, shows that firms with strengths in both marketing and technology perform especially well in environments with high technological turbulence.

Results from structural equation modeling (SEM) showed that both strong marketing capabilities and strong technology capabilities were positively related to performance. For managers, the research results confirm that synergizing the right marketing and technology capabilities can effectively enhance joint venture performance.

Dr. Song found marketing capabilities are lower in high turbulence environments while technology capabilities are the same in both high and low turbulence environments. For technology capabilities alone, the strengths of the relationships to performance were not moderated by technological turbulence. For marketing capabilities alone, the relationships were not the

same in both contexts: the strength of the relationship was greater in the low technologically-turbulent environment (but even in high turbulence, this main effect was not nil).

Song sees a clear implication for managers: "Careful management of resources according to environmental conditions is essential for maximum performance. In general, we found that managers and researchers frequently fail to take into account the moderating effects of environmental contexts, such as technological turbulence."

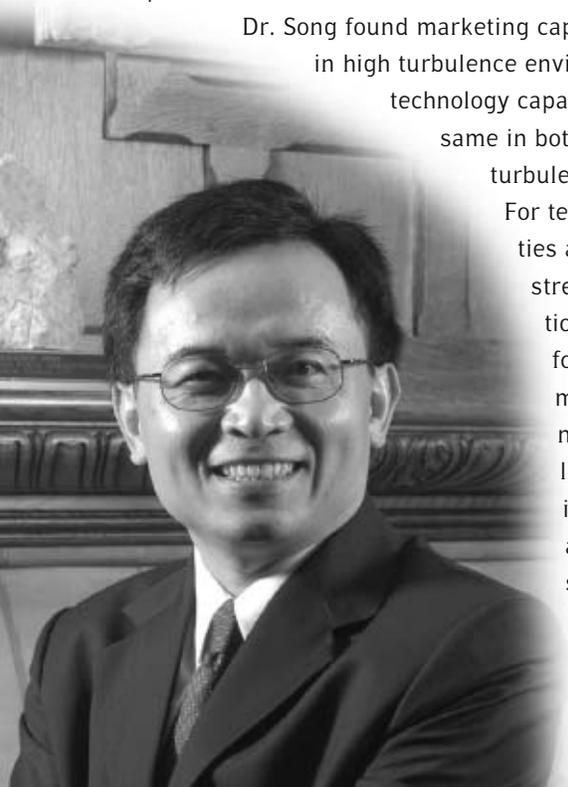
Overall, for high technologically-turbulent environments, the results showed that the greater the capability in one area (i.e., marketing or technology), the higher the impact on performance of the other area. "Searching for such synergies and extracting synergistic results is, of course, an important managerial concern," Song notes. "But it is also an important theoretical concern in resource-based theory, which has long claimed the possibility of synergy through complementarities." Song's research demonstrates empirically this synergy for joint ventures operating in high technologically-turbulent environments. The results also support the contention that in high-velocity markets, the outcomes of dynamic resources are particularly unpredictable because the interaction effect is significant only in high turbulent environments.

The value of the research conducted by Song and his colleagues is to show that resources and combinations of resources produce different performance results when the innovative environment varies.

Michael Song

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"Marketing and Technology Resource Complementarity: An Analysis of Their Interaction Effect in Two Environmental Contexts," forthcoming in *Strategic Management Journal*, 2005



Can Political Partisanship Imperil Tax-Exempt Status?

A Tax Analysis of Prohibited Political Activity

With the 2004 election season, attention turned to the seemingly constant broadcasting of political campaign advertisements. While partisan politics is the foundation of a democracy, certain groups or associations are restricted in the amount of influence they may exert on the election. Tax-exempt organizations must avoid prohibited activities which can result in a penalty tax or revocation of their tax-exempt status.

The prohibition against political and lobbying activities results from the indirect subsidy of the federal tax dollars that are not collected from the organization due to their exempt status. Since the use of federal funds is intended to be nonpartisan, the tax code prohibits partisan political activities. In a pair of articles published in *Practical Tax Strategies* this summer, Dr. Larry Garrison addressed the tax laws and regulations related to political activities and tax-exempt organizations.

Garrison explains that tax-exempt organizations, in their attempt to educate voters, must comply with the Internal Revenue Code restrictions on the conduct of political campaign activities. Tax-exempt organizations are generally awarded their exempt status through Internal Revenue Code Section 501(c)(3) and include public charities, educational institutions and religious organizations.

Organizations exempt from the federal income tax are prohibited from participating or intervening in any political campaign on behalf of, or in opposition to, any candidate for public office. Prohibited political activities include endorsing candidates, engaging in fund raising, making campaign contributions, or conducting activities that may be beneficial or detrimental to any candidate. A tax-exempt organization may not encourage potential voters to vote for or against a particular candidate, even if the support or opposition is based on nonpartisan criteria.

But not all voter education activities are prohibited. “As with many areas of the tax law, the determination of a prohibited political campaign activity depends on the individual facts and circumstances of the case,” Garrison notes. “Candidate debates are a good example of a political activity— unless a bias is shown for or against a particular candidate— that is not prohibited because it is intended to educate voters.”

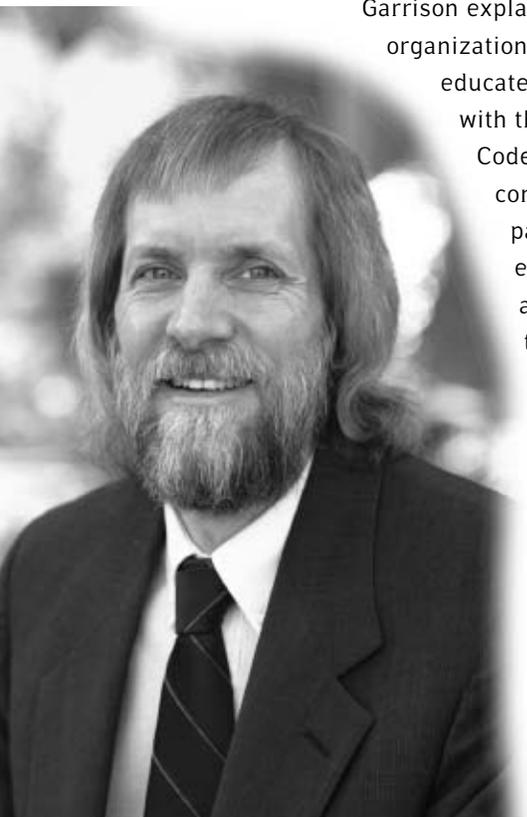
While a Section 501(c)(3) organization may not have a substantial part of its activities related to lobbying, the Internal Revenue Code does provide a “safe-harbor” for tax-exempt organizations. The safe-harbor allows some expenditures for lobbying without incurring a penalty tax or loss of exempt status; however, the safe harbor does not apply to churches.

The loss of tax-exempt status is a possibility if the Internal Revenue Service determines that the Section 501(c)(3) organization has engaged in prohibited campaign activity. An excise tax can also be assessed on the funds spent on the prohibited activity. Another indirect penalty is the loss of a possible deductible charitable contribution by a taxpayer due to the loss of tax-exempt status by a formerly qualified charity.

Larry Garrison

IS PROFESSOR OF TAXATION, DEPARTMENT OF ACCOUNTANCY

“Political Partisanship Can Imperil Tax-Exempt Status,” *73/1 Practical Tax Strategies*, July 2004, pp. 20-25.
“Safe Harbor Allows Some Lobbying by Exempt Organizations,” *73/2 Practical Tax Strategies*, August 2004, pp. 99-106



Do Multiple Bidding Strategies on eBay Create Greater Revenue?

A number of consumer-related auction sites have sprung up on the World Wide Web over the last few years, and best known among these is eBay. Although traditional “live” auctions are well-trodden ground for scholars, little has been known about the impacts of the different market structures inherent in online auctions.

“I wanted to know if there were differences in bidding behavior and revenue realized between ‘live’ and online auctions,” explains Dr. Sidne Ward. The quest to develop a better understanding of the online market mechanism drove Ward and her co-author, John Clark, to apply traditional auction theory to an examination of the effects of differences in the structures of online and traditional “live” auctions.

Ward and Clark observe that eBay allows both minimum-increment bidding, i.e., submitting a bid in the amount of the current high bid plus a minimum increment set by eBay policy, and proxy bidding, i.e., submitting a bid for an amount more than the minimum increment and allowing the system to execute subsequent bids up to the maximum of the proxy bid as competing bids are proffered. Traditional auctions involve a single type of bidding. Because of the choice of bidding strategies available to buyers on its Web site, eBay auctions exhibit characteristics of both English— the offer is increased until the highest bidder is identified— and sealed-bid auctions— the highest bidder is declared the winner. Another distinction between traditional and eBay auctions involves the timing of the auctions: while conventional English auctions continue as long as participants are actively bidding, eBay auctions expire at the designated time.

How does this affect the amount winning bidders pay? Ward and Clark conducted a field study to investigate how the unique market structure provided by eBay affects revenue realized. They compared the mean amounts of revenue realized in auctions won by different types of bids submitted at different time periods during the auction process to determine if any differences existed, as predicted by theory.



Sidne Ward

IS ASSOCIATE PROFESSOR OF MANAGEMENT INFORMATION SYSTEMS. Ward, Sidne G. and John M. Clark, “Bidding Behavior in On-line Auctions: An Examination of the eBay Pokemon Card Market.” *International Journal of Electronic Commerce*. 6.4.

“The most significant outcome of the study is the identification of subgroups of bidders who are willing to pay ‘insurance’ premiums in order to increase their chances of winning auctions,” Ward concludes.

Bidders submitting proxy bids during the first half of the auction process pay more than bidders submitting proxy bids during the latter half of the auction process, exhibiting risk-averse behavior. The extra amount these bidders eventually pay can be termed an “insurance” premium. Similarly, bidders submitting proxy bids during the last few minutes of the auction, who pay more than bidders utilizing minimum-increment bids, also exhibit risk-averse behavior to protect against expending further search costs brought on by the necessity of participating in additional future auctions.

The analysis of data from actual auctions provides insights into behavior that has been noted in the laboratory, but not well understood previously. Ward and Clark’s field study identifies the type of bids employed and the timing of those bids as potential explanations for this risk-averse behavior.

Indian Tribes as Complex Adaptive Systems: A New Approach to Research in American Indian Studies

What do Indian tribes, regarded as complex adaptive systems, look like? How do they work and change over time? How can American Indian policy accommodate emerging relationships between the dominant American society and Native Nations? Dr. Nicholas Peroff of the Bloch School's Cookingham Institute of Public Affairs is working on the development of a new theoretical understanding of Indian communities to explore these and other central questions in American Indian studies.

Peroff's research is a continuation of an established record of work in American Indian policy that began with an early interest in the relatively brief, but disastrous era of Indian Termination policy in the 1950's and early 1960's. One terminated tribe, the Menominee Indian Nation of Wisconsin, fought for and eventually achieved restoration of their status as a federally recognized American

Indian tribe. The events that comprised that struggle are covered in Peroff's book, *Menominee Drums: Tribal Termination and Restoration; 1954-1974*. In his current research, Peroff uses complexity theory to study the Menominee Indian Tribe as a complex adaptive system (CAS) and write about the way the tribe

may have evolved over thousands of years to become a successful, sovereign Native American community at the beginning of the twenty-first century.

"The human brain, a flock of birds, political and social systems, the stock market and the planet Earth are all complex adaptive systems," offers Peroff. "From a point of view familiar with complexity theory, everything from a single-celled organism and one human being, to an Indian tribe and American society as a whole is a living system, a pattern of relationships, and a complex interactive process."

Understanding the relationship between complex human systems and the emergent properties and behaviors of those systems is a defining goal of complexity theory. Peroff hopes that complexity theory will convincingly link the internal processes that make up the Menominee Tribe to the development of tribal economic policies, social welfare programs and other tribal issues.

A second objective in Peroff's research is the development of a way to gauge the health of the Menominee Nation that combines quantitative and qualitative information about the community's state of health. If this can be done, it may be possible to evaluate the overall health of the Menominee Tribe before its termination in the 1950's, after its restoration in 1974, and after the introduction of a gaming casino in the tribe's reservation in the late 1980's. Peroff predicts, "Complexity theory will emerge as an important new basis for examining and improving the health of Native communities throughout the United States."

Nicholas C. Peroff

IS ASSOCIATE PROFESSOR OF PUBLIC ADMINISTRATION, COOKINGHAM INSTITUTE OF PUBLIC AFFAIRS. Peroff, Nicholas C. "Goethe's Science: An Approach to Research in American Indian Studies," *Nonlinear Dynamics, Psychology, and Life Sciences*. 7:3.



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