

Modularity in Digitalized B2B Solution Design

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Abstract

Business-to-business (B2B) firms increasingly introduce digitalized solutions to exploit novel value creation opportunities. However, digitalizing solutions is not a guaranteed strategy for success. An event study of 118 digitalized solutions launched by Fortune 1000 firms reveals that market reactions to introductions of digitalized solutions vary greatly, ranging from a very steep decrease of 5.70% to a high increase of 6.35% in market value. We propose that modularity, a critical architectural design aspect of digitalized solutions, has important implications for risk management, which translates to improvements or reductions in firm performance. Our conceptual contingency model draws from modular systems theory and the temporal risk organization framework to uncover drivers of the vast variation in market responses to the introduction of digitalized B2B solutions. We present an empirical test of our model and discuss the results as well as theoretical and managerial implications.

Subject Areas: *Business-to-Business Marketing, Finance, Marketing Strategy, New Product Development and Launch*

Track: Business-To-Business Marketing & Supply Chain Management