



Photograph by Matthew Septimus

Recent Research

On watercooler talk, learning from failure, happy accidents, measuring communications, and metaphors.

by Des Dearlove and
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Heard at the Watercooler

John Weeks

(john.weeks@insead.edu) and

Anne-Laure Fayard

(al_fayard@mac.com), “Photo-

copiers and Water-coolers: The Affordances of Informal Interaction,”

INSEAD working paper, reference

2005/46/OB,

[http://knowledge.insead.edu/](http://knowledge.insead.edu/abstract.cfm?ct=15494)

[abstract.cfm?ct=15494](http://knowledge.insead.edu/abstract.cfm?ct=15494)

The watercooler holds a special place in corporate life as an informal meeting place where employees can exchange ideas and information. Yet purposeful attempts to create similar places for timely, ad hoc chitchat in the modern organization have proved problematic. That’s the observation of John Weeks, an assistant professor at INSEAD, the international business school based in France, and Anne-Laure Fayard, an assistant professor at Polytechnic University, in Brooklyn, N.Y.

Open-plan offices, for example, were introduced by many companies in the 1980s to encourage spontaneous interaction. Some companies went even further. In 1987, Scandinavian Airlines System (SAS) redesigned its headquarters to resemble a street with shops and

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meeting rooms in the belief that this would improve internal communication and, thus, business performance. But the experiment failed to change employee behavior. The simple watercooler, it turns out, is hard to emulate.

Hoping to uncover the secrets of the watercooler and similarly successful venues, Professors Weeks and Fayard studied another traditional ad hoc organizational hub: the photocopier room. Using videotapes, they analyzed the social behavior of individuals in the photocopier rooms of three French organizations — a publishing house, a business school, and a public utility. The authors' observations led them to a new theory.

Two factors, they note, have traditionally been linked to social interaction at work. The first is privacy: A soundproof office affords more privacy than a public waiting room, thus encouraging conversation; similarly, a watercooler in a neutral space where people can talk freely affords more privacy than one just outside the CEO's office. The second factor is propinquity: the opportunity to socialize. This involves coming into contact with other people but also meeting them

in a setting that encourages face-to-face communication. For example, two people who are waiting at a photocopier would be more inclined to chat than two people sharing an elevator or a subway car. There is social pressure to talk while waiting to copy documents that is absent in the other settings.

To these two factors, Professors Weeks and Fayard add a third: "social designation" — the roles and activities that individuals believe appropriate in a given space. In other words, the perception of what an environment offers affects whether it is seen as a safe place to chat.

On the basis of their observations of the photocopier rooms, the researchers argue that all three factors — privacy, propinquity, and social designation — must be present if an organization wants to encourage informal interaction.

SAS's "street" concept linked shopping, eating, medical and sports facilities, and multipurpose rooms with comfortable furniture for meetings, coffee machines, and shared office supplies. But most interaction still occurred in private offices. The problem, say the authors, was the lack of privacy.

Similarly, Xerox introduced the LX Common at its Wilson Center for Research and Technology, in Webster, N.Y. — a space designed to support informal interaction among groups of people who normally worked independently. The Common was semi-enclosed, providing a degree of privacy; it was also centrally located, and had to be crossed by people moving in and out of the labs, so it offered propinquity. But there was still something wrong. Some groups used the LX Common to hold meetings, as intended, but colleagues who didn't want to join in or disrupt the meetings started making long detours, walking hundred of yards out of their way.

The problem here was one of social designation, the authors argue: It was unclear to employees what the space was for. The Common became a social business space only when a Xerox lab manager laid down three rules: Traffic through the area was acceptable at any time; anyone was free to join any meeting; and people were free to leave any meeting at any time.

Learning from Failure, or Failing to Learn

Philippe Baumard (pbaumard@berkeley.edu) and William H. Starbuck (bill_starbuck@attglobal.net), "Learning from Failures: Why It May Not Happen," *Long Range Planning*, vol. 38, no. 3, June 2005, available from the authors or at www.sciencedirect.com

In their agenda-setting book *A Behavioral Theory of the Firm* (second ed., Blackwell, 1992), Richard M. Cyert and James G. March

asserted that organizations learn more readily by confronting problems than by experiencing success. Since that book first appeared in 1963, the importance of learning from failure (for individuals as well as corporations) has entered the canon of management wisdom.

But do companies actually live by this generally accepted wisdom? To find out, Philippe Baumard, a professor of strategy at the University of Aix-Marseille III and on the faculty of the Center for Catastrophic Risk Management at the University of California at Berkeley's Haas School of Business, and William Starbuck, the IIT Professor of Creative Management at New York University's Stern School of Business, analyzed 14 strategic failures that had occurred at a large, unnamed European company over 20 years as it grew from a domestic to a global telecommunications firm. They ruled out failures that could be attributed to managerial inexperience and selected seven "small failures" and seven "large failures" to analyze. Twenty of the company's executives contributed their thoughts on the failures.

Among the small failures examined was the introduction of what was labeled "Net TV." Someone with television experience joined the company and proposed Internet television. The CEO liked the idea, and another manager was a strong supporter, but other managers regarded the proposal with skepticism. After four months, because of inadequate technology and low revenues, the venture had racked up losses amounting to four times the initial investment. The two executives who had championed the idea left the company.

In another venture — a large

failure — the company launched a satellite broadcasting service that would have to compete against two rivals controlling 80 percent of the market. Despite the long odds, the project seemed at first like a good idea because the company would receive a government subsidy for its efforts and would be expanding its portfolio of communications technologies. But management made a host of mistakes. The company broadcast analog signals rather than far-superior digital signals, and three of its four satellites were technologically obsolete by the time the service was operational. Moreover, the company was ill equipped to deal with price cutting from the established satellite TV providers. Before long, the company concluded that it needed to focus instead on terrestrial technologies.

The authors found that the small failures, such as Net TV, generally attracted the most attention within the company. Yet when these failures challenged the basic direction of the firm, they were dismissed as simply being tactical mistakes. As for large failures like satellite TV, the company's managers tended to brush them aside, producing a litany of excuses that mostly blamed external forces — "exceptional or historical conditions," "society was undergoing large, dramatic change," and so on. No relationship was seen between recent large failures and previous large failures, however similar. Instead, each large failure was regarded as unique.

From their research into the telecommunications firm's inability to learn from failure, the authors produced a series of lessons that may be useful for other organizations: First, the outcomes of ventures should be aligned with the

compensation and promotion of managers, creating a balance between rewarding success and penalizing failure so that risk taking is not discouraged. Second, managers should treat with skepticism internal attempts to blame external forces. Third, the level of cynicism and self-interest among executives should not be underestimated. They are only human. Fourth, *unlearning* successes — moving beyond past successes — may be a requirement for being able to learn from failure. The researchers note that managers who have taken part in failures too often tend to express great confidence that they will be able to reproduce past successes.

Luckily, It's an Accident

Robert D. Austin
(raustin@hbs.edu) and Lee Devin,
"Accident, Intention, and Expectation in Innovation Process,"
www.lisbonspring.org/file8.pdf

"I did not ask for a spore of penicillium notatum to drop on my culture plate.... When I saw certain changes, I had not the slightest suspicion that I was at the beginning of something extraordinary." This is how Sir Alexander Fleming described his 1928 discovery of penicillin. Fleming was not unusual among researchers in attributing his breakthrough to a lucky accident. Anesthesia, cellophane, corn flakes, dynamite, nylon, PVC, rayon, smallpox vaccine, stainless steel, and Teflon are just some of the other innovations that involved some unexpected occurrence. Yet the role that unplanned incidents play in discovery and invention is often minimized in business.

Part of the problem, say Robert

D. Austin, associate professor of technology and operations management at Harvard Business School, and Lee Devin, emeritus professor of theater at Swarthmore College, in Pennsylvania, is that accidents, by definition, are anathema to business planning. There is no place in formal innovation processes set aside for the unexpected.

The authors researched the role of luck in important scientific and commercial innovations at many companies. From their findings, they proposed an accident intensity scale that could form the basis of taking good fortune into account in business innovation processes.

Fortuitous accidents, the authors note, occur at four levels. Level 1 involves unlikely mental associations. For example, Edward Jenner said that his discovery of smallpox vaccine resulted from his idle recollection of a milkmaid telling him when he was 19 that she would never have smallpox because she had once contracted cowpox. This was common lore in the village that she came from.

Level 2 accidents occur when someone is looking for something but finds it in an unexpected way. For example, scientists at the Schering-Plough Corporation hoped to devise a drug that would lower cholesterol by blocking a cholesterol-producing enzyme in the body. During the research, they noticed that one of the molecules they were experimenting with, while failing to block the enzyme, still reduced cholesterol levels. This accidental discovery led to the development of Zetia, a blockbuster cholesterol treatment drug.

Level 3 accidents involve looking for one thing but finding something else. Several artificial sweeten-

ers fall into this category. For instance, James Schlatter, an organic chemist at GD Searle, was working on a cure for gastric ulcers. He was heating aspartame in a flask with methanol when the mixture boiled over the top of the test tube onto his hand. It was only later when the scientist licked his fingers that he noticed the sweet taste.

Level 4 accidents occur when someone isn't looking for anything specific but finds something valuable anyway. In 1894, John Kellogg, a medical doctor, was supervising a health spa in Michigan with his brother Will. Seeking a nutritional diet, the men invented many foods, including granola that is made by forcing dough through rollers. One time, they left the dough untended for more than 24 hours. Later, when they tried rolling the stale dough, the rollers produced fine flakes instead of long sheets. The brothers tried the same thing with corn — and corn flakes were born.

The higher up the scale an accident is, Professors Austin and Devin note, the more likely it is that the resulting innovation will be truly novel. They conclude that “Level 2 and 3 accidents seem about right for business innovation processes.” But companies must foster an attitude that is open to happy accidents by encouraging employees to watch for the unexpected and examine it for innovative value.

Is There an ROI in ABCs?

Paul A. Argenti
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“Measuring the Value of Communication,” Tuck School of Business working paper no. 2005-31, <http://papers.ssrn.com/abstract=880782>

You can't manage what you can't measure, goes the old saw. And corporate communications activities such as public relations and advertising are no exception. In recent years, determining the effectiveness of these aspects of business has taken on an increased urgency as efforts to gauge their value have continued to fall flat. In a 2004 survey of chief communications officers in major corporations by the Communications Executive Council, respondents ranked “measuring communication effectiveness” as the second most important issue facing the communications industry.

Weighing in on this persistent problem is Paul A. Argenti, professor of corporate communications at the Tuck School of Business at Dartmouth College. “In many cases, companies do not require more or better measurement, only better use of existing measurement data,” he argues. The average company already collects data in 20 different communications areas, but fails to convert this into useful information, Professor Argenti writes. This shortfall occurs because communications professionals have not developed the right tools to demonstrate value to senior managers.

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The problem is that there is a fundamental mismatch between what communications departments produce to evaluate their effectiveness and what senior managers view as yardsticks. Senior managers are interested in business outcomes, such as revenue, earnings, and market share, but communications professionals instead spend 90 percent of their measurement efforts calculating the outputs of specific communications activities. A 2002 survey by Delahaye, a public relations advisory firm in Norwalk, Conn., found that counting press clippings and calculating the cost of placing an ad in the same publication (known as advertising value equivalency) were the most common methods for attempting to demonstrate a return on investment for public relations.

Communications managers must now take the next step, Professor Argenti says: They must quantify the impact of communications activities on business outcomes using statistical analysis, which involves collecting, evaluating, and drawing conclusions from data.

Statistical analysis is already in vogue in many diverse fields, including scientific and government

research and the study of new medical treatments. It is used to identify population trends and to predict election outcomes. In business, it is used to measure quality — at GE, for instance, in its Six Sigma quality program — or to predict customer behavior, among other things.

Such techniques are also now being implemented to measure the impact of online advertising. In 2004, 30 blue-chip companies, including Procter & Gamble and Walt Disney, conducted a series of tests with the Interactive Advertising Bureau that matched consumer data — such as browsing and online and offline transaction behavior (including purchasing) as well as surveys of consumer attitudes and intentions — against marketing budgets in different media. The results were startling. For example, these analyses demonstrated that by raising its online ad budget from 2.5 percent to 6 percent, Ford Motor Company could have sold an additional \$625 million worth of trucks. In response, Ford announced plans to move almost a third of its \$1 billion ad budget into media that targeted individuals, half of it going to Internet ads.

“Communications profession-

als are on the precipice of an incredible opportunity [with] the use of statistical analysis in a field that has previously been barren of any definitive methodology for demonstrating value and predicting causality,” Professor Argenti concludes.

It's Not a Company, It's a Sponge

Miguel A. Rodriguez (rodriguezma@iese.edu), Franc Ponti (fponti@eada.es), and Silvia Ayuso, “The ‘Sponge’ Organisation: A Creativity-Based Reflection on the Innovative and Sustainable Firm,” Center for Business in Society working paper no. 616, www.iese.edu/research/pdfs/DI-0616-E.pdf

Our traditional and long-lived understanding of organizations is built around a mechanistic metaphor: Companies are efficient mechanical devices that take inputs in terms of raw materials — human, financial, and material — and turn them into outputs. In this model, the outside world is something to be exploited rather than listened to. This metaphor, the prevailing one over the last century of organiza-

Does it make for better organizations if we can conceive of them in terms of new and improved metaphors?

tional life, regards organizations as disconnected from their environment. More recently, fashionable organizational models have encouraged executives to think of their organizations in biological ways, as cells, atoms, or even amoebas. These newer metaphors increasingly emphasize how, where, and why organizations are connected to their surrounding environment.

For academics, as well as executives, this is difficult terrain. Metaphorical interpretations of organizations do not come easily to most executives concentrating on results. And it is a challenge for academics to train and help rational executives to take leaps of metaphorical fancy. The related question is whether such leaps are actually useful or worthwhile. Does it make for better organizations if we can conceive of them in terms of new and improved metaphors?

Miguel A. Rodriguez and Silvia Ayuso, lecturers of general management at Spain's IESE Business School, and Franc Ponti, a professor at EADA Business School, also in Spain, contend that such metaphors are helpful but not conclusive. Each metaphorical model must be adapted to each individual organization.

The trio's unusual research, exploring the most appropriate contemporary organizational metaphors, involved a four-month project with five sessions. Nine senior executives from leading Spanish companies took part. To encourage the creativity of participants, the first session took paintings by Henri Rousseau, Hieronymus Bosch, and Wassily Kandinsky as its starting point. Participants created a list of the feelings aroused by the artworks. They were then challenged to use these sensations to address the question of how an ideal company could turn its relationship with the environment into an essential part of its innovation process. The consensus was that values and principles shape organizations and their ability to generate unique ideas, products, and services.

Next the executives engaged in a role-playing exercise to encourage them to develop concepts using other people's viewpoints. Adopting a variety of personae — from Cleopatra to Bill Clinton — they discussed the role of people and managers in an ideal company as well as the structures and systems. "Acting out the chosen role was intended to help participants relate

facts and ideas in unusual ways," the authors write.

From these discussions, a number of potential metaphors emerged to describe the kind of company that managers would find ideal. The group was most comfortable with interpreting the organization as a sponge, as a "porous, distributed, and adaptable organization that seeks difference and promotes collaboration, beauty, and happiness."

For some, this kind of research is irredeemably flaky. But metaphors are a powerful force in how we understand our world and our place in it. This research also provides a clear message: Openness to the environment in which you live and operate — the same openness a sponge has — is increasingly critical in generating the fresh thinking necessary for business success. At a time when diversity, collaboration, flexibility, and ethics are high on the organizational agenda, mechanical metaphors appear more and more out of place. +